

What's priced in

Rate cuts on the horizon

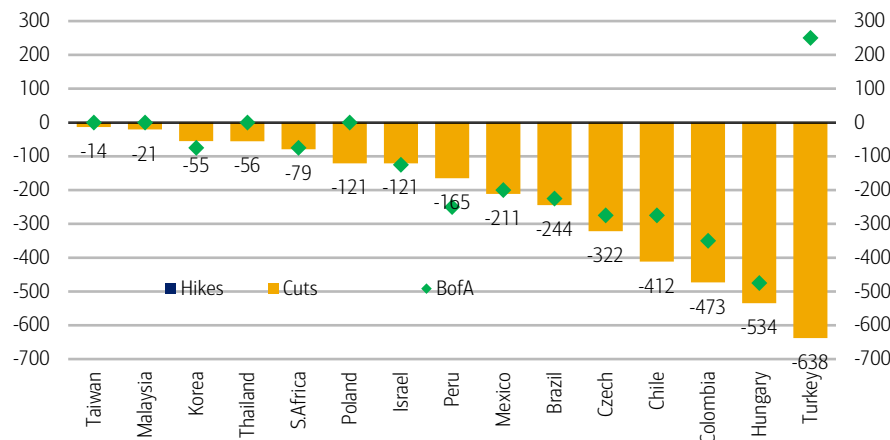
In **South Africa**, the market is pricing 79bp of cumulative cuts over the next 12 months. Our economist, Tatonga Rusike, forecasts the SARB to cut 75bp in 2024 and 50bp in 2025. A turbulent 2Q will make it challenging for the SARB to start cutting earlier, as priced by the market. Rather, we think cuts are likely from July.

In **Mexico**, the market is pricing 211bp of cumulative cuts over the next 12 months. Our economist, Carlos Capistran, now forecasts the BANXICO to start a gradual cutting cycle in March (a change from June before) and then cut faster in 2H 2024 as the economy decelerates. We expect BANXICO to put the policy rate at 9.25% by end-2024 and then 7.50% by end-2025.

In **Chile**, the market is pricing 412bp of cumulative cuts over the next 12 months. Our economist, Sebastian Rondeau, forecasts the BCCH to cut 75bp in January to bring the monetary policy rate to 7.50% after low underlying inflation. We see the policy rate at 5.5% by December 2024 (vs 6% before).

Chart 1: 12-month priced-in policy rate change vs BofA forecasts

Most EM central banks are expected to cut over the next 12 months



Updated on January 12. Source: BofA Global Research. 12 month period ends 11 January 2025

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14 January 2024

GEM FI Strategy
Global

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BANXICO: Central Bank of Mexico

BCCH: Central Bank of Chile

SARB: South African Reserve Bank

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Refer to important disclosures on page 11 to 13.

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Timestamp: 14 January 2024 05:00PM EST

Summary

Table 1: ASIA

Implied Marginal Policy Rate Changes

Country	Korea		Malaysia		Taiwan		Thailand	
	Imp	BofA	Imp	BofA	Imp	BofA	Imp	BofA
Curr. Rate	3.50		3.00		1.875		2.50	
next meet.	-3	0	0	0	-2	0	-7	0
Mar24	--	--	-3	0	--	0	--	--
Jun24	-15	-25	-4	0	-3	0	-19	0
Sep24	-21	-25	-10	0	-4	0	-11	0
Dec24	-17	-25	-4	0	-5	0	-19	0
2024	-55	-75	-21	0	-14	0	-56	0
2025	-31	-25	-4	0	-11	0	-14	-50

Next Central Banks meeting dates: Korea (01/11), Malaysia (01/24), Taiwan (03/21), Thailand (02/07). **Source:** BofA Global Research

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Table 2: EEMEA

Implied Marginal Policy Rate Changes

Country	Czech R.		Hungary		Israel	
	Imp	BofA	Imp	BofA	Imp	BofA
Curr. Rate	6.75		10.75		4.50	
next meet.	-40	-25	-58	-75	-8	0
Mar24	-42	-50	-145	-125	--	--
Jun24	-99	-100	-176	-125	-34	-25
Sep24	-85	-50	-93	-75	-42	-50
Dec24	-55	-50	-62	-75	-30	-25
2024	-322	-275	-534	-475	-113	-100
2025	-35	-100	31	-150	-58	-100

Next Central Banks meeting dates: Czech (02/08), Hungary (01/30), Israel (02/26). **Source:** BofA Global Research

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Table 3: EEMEA

Implied Marginal Policy Rate Changes

Country	Poland		S. Africa		Turkiye	
	Imp	BofA	Imp	BofA	Imp	BofA
Curr. Rate	5.75		8.25		42.50	
next meet.	-5	0	-8	0	102	250
Mar24	-9	0	-10	0	124	0
Jun24	-39	0	-13	0	1	0
Sep24	-29	0	-32	-50	-257	0
Dec24	-39	0	-16	-25	-607	0
2024	-121	0	-79	-75	-638	250
2025	-83	-100	-21	-50	-511	-1200

Next Central Banks meeting dates: Poland (01/09), Safrica (01/25),Turkiye (01/19). **Source:** BofA Global Research

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Table 4: LATAM

Implied Marginal Policy Rate Changes

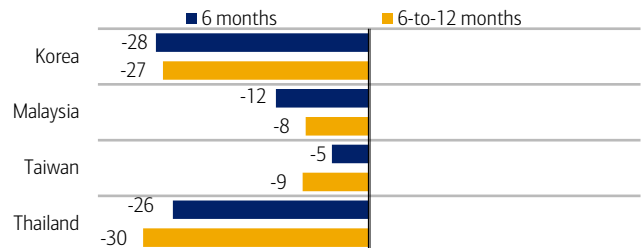
Country	Brazil		Chile		Colombia		Mexico	
	Imp	BofA	Imp	BofA	Imp	BofA	Imp	BofA
Curr. Rate	11.75		8.25		13.00		11.25	
next meet.	-54	-50	-92	-75	-45	-25	-7	0
Mar24	-48	-50	--	--	-52	-25	-16	-25
Jun24	-78	-100	-203	-125	-128	-100	-53	-25
Sep24	-44	-25	-74	-50	-140	-100	-66	-50
Dec24	-21	0	-44	-25	-109	-100	-70	-100
2024	-244	-225	-412	-275	-473	-350	-211	-200
2025	46	0	-9	-75	-168	-350	-169	-175

Next Central Banks meeting dates: Brazil (01/31), Chile (01/31), Colombia (01/31), Mexico (02/08). **Source:** BofA Global Research

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Chart 2: Priced in marginal changes

Implied Marginal Policy Rate Changes

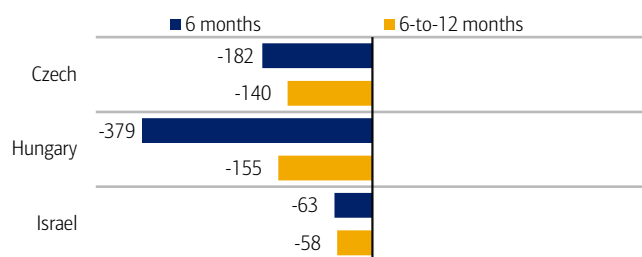


Yield curves last update: KRW: Jan-12 09:20. MYR: Jan-12 09:20. TWD: Jan-12 09:20. THB: Jan-12 09:20. **Source:** BofA Global Research

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Chart 3: Priced in marginal changes

Priced in marginal changes

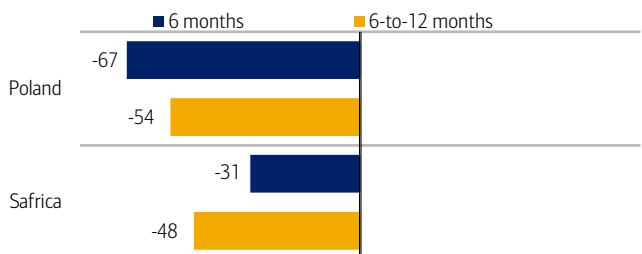


Yield curves last update: CZK: Jan-12 . HUF: Jan-12 . ILS: Jan-12 . **Source:** BofA Global Research

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Chart 4: Priced in marginal changes

Implied Marginal Policy Rate Changes

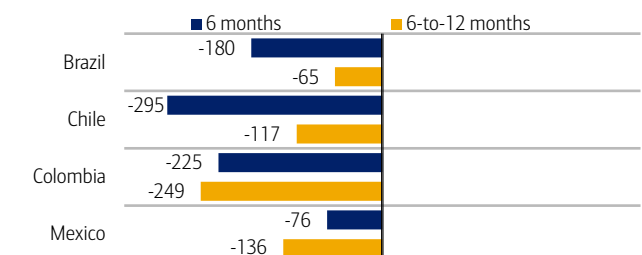


Yield curves last update: PLN: Jan-12 . ZAR: Jan-12 . TRY: Jan-12 . **Source:** BofA Global Research

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Chart 5: Priced in marginal changes

Implied Marginal Policy Rate Changes



Yield curves last update: BRL: Jan-12 21:15. CLP: Jan-12 21:05. COP: Jan-12 21:05. MXN: Jan-12 21:05. **Source:** BofA Global Research

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Note: Curve update times are in the GMT time zone



Asia

Table 5: KOREA

Implied Monetary Policy

Meeting	Smooth Path (2)			Market (1)	BofA	Most Likely Path (3)	
	Rate	Cumul. Change	Marg. Change	Marg. Change	Marg. Change	Marg. Change	Prob.(%) (4)
Curr. Rate	3.50						
22-Feb-24	3.47	-3	-3	-1	0	0	89
12-Apr-24	3.41	-9	-6	-8	0	0	64
23-May-24	3.32	-18	-9	-6	-25	-25	70
11-Jul-24	3.22	-28	-11	-14	0	0	87
22-Aug-24	3.11	-39	-11	-10	-25	-25	55
11-Oct-24	3.02	-48	-9	-11	0	0	93
28-Nov-24	2.95	-55	-7	-10	-25	0	79
13-Jan-25	2.90	-60	-5	3		0	60
23-Feb-25	2.85	-65	-5	-6		-25	58
12-Apr-25	2.81	-69	-5	-6		0	78
24-May-25	2.76	-74	-5	-5		0	98
12-Jul-25	2.71	-79	-5	-5		0	83
23-Aug-25	2.67	-83	-4	-5		0	67
12-Oct-25	2.64	-86	-3	-3		0	57
22-Nov-25	2.63	-87	-1	-1		0	54

Basis: 27bp. Basis is the difference between the 3 month CD rate and the monetary policy rate.

Source: BofA Global Research

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Table 6: MALAYSIA

Implied Monetary Policy

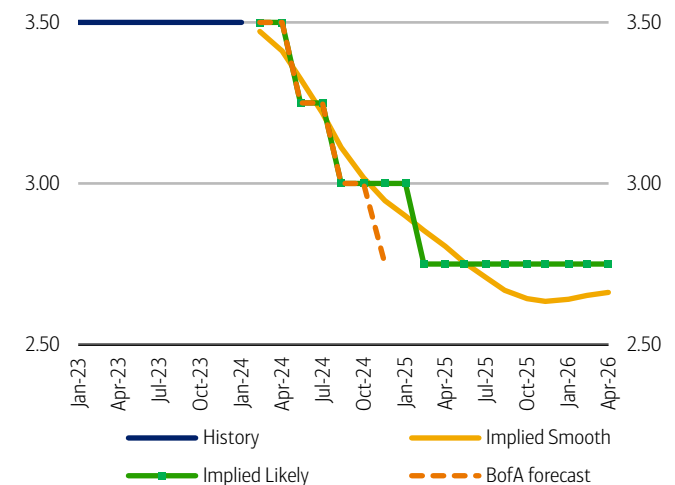
Meeting	Smooth Path (2)			Market (1)	BofA	Most Likely Path (3)	
	Rate	Cumul. Change	Marg. Change	Marg. Change	Marg. Change	Marg. Change	Prob.(%) (4)
Curr. Rate	3.00						
24-Jan-24	3.00	0	0	1	0	0	98
7-Mar-24	2.97	-3	-3	-3	0	0	88
9-May-24	2.93	-7	-4	-5	0	0	71
11-Jul-24	2.88	-12	-5	-6	0	0	51
5-Sep-24	2.83	-17	-5	-4	0	-25	68
6-Nov-24	2.79	-21	-4	-4	0	0	83
23-Jan-25	2.77	-23	-3	-3		0	93
7-Mar-25	2.75	-25	-1	0		0	98
9-May-25	2.75	-25	0	0		0	100
11-Jul-25	2.75	-25	0	0		0	100

Basis: 59bp. Basis is the difference between the Klibor 3 month fixing rate and the monetary policy rate. Source: BofA Global Research

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Exhibit 1: Korea

Market prices 28bp of cumulative cuts over the next six months

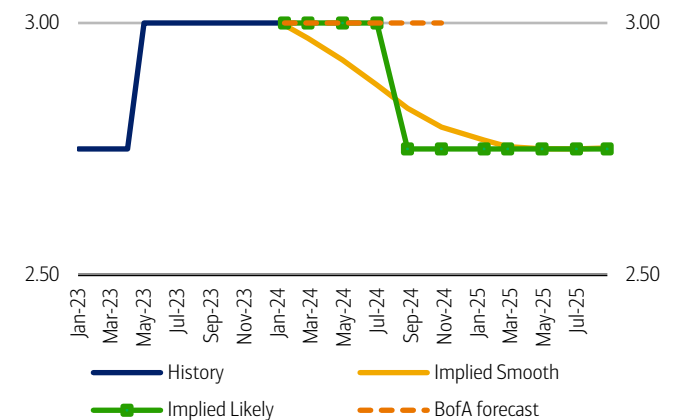


Source: BofA Global Research

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Chart 6: Malaysia

Market prices 12bp of cumulative cuts over the next six months



Source: BofA Global Research

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1. The market path shows policy rate changes priced in by the market using the raw forward rates derived from the local yield curve.
2. The smooth path is constructed by smoothing the market path using the Hodrick-Prescott filter.
3. The most likely path rounds the smooth path to the closest feasible rate if the Central Bank changes the rate in discrete steps.
4. Displays the probability of the most likely policy change at each meeting, assuming the policy rate was on the most likely path at the previous meeting.



Table 7: THAILAND

Implied Monetary Policy

Meeting	Smooth Path (2)			Market (1)	BofA Change	Most Likely Path (3)	
	Rate	Cumul.	Change Marg.	Change Marg.	Marg.	Change Marg.	Prob.(%) (4)
Curr. Rate	2.50						
7-Feb-24	2.43	-7	-7	-5	0	0	74
10-Apr-24	2.35	-15	-9	-9	0	-25	62
12-Jun-24	2.24	-26	-11	-11	0	0	96
21-Aug-24	2.13	-37	-11	-12	0	0	52
16-Oct-24	2.03	-47	-10	-10	0	-25	89
18-Dec-24	1.94	-56	-9	-9	0	0	77
6-Feb-25	1.88	-62	-6	-5		0	52
9-Apr-25	1.84	-66	-4	-3		-25	64
11-Jun-25	1.81	-69	-3	-2		0	75
20-Aug-25	1.80	-70	-1	-1		0	80
15-Oct-25	1.80	-70	0	-1		0	82
17-Dec-25	1.81	-69	1	0		0	77
6-Feb-26	1.83	-67	3	3		0	67
9-Apr-26	1.87	-63	4	5		0	52
11-Jun-26	1.91	-59	4	5		25	65
20-Aug-26	1.95	-55	3	4		0	78

Basis: -1bp. Basis is the difference between the Overnight Indexed Swap rate and the monetary policy rate. **Source:** BofA Global Research

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Table 8: TAIWAN

Implied Monetary Policy

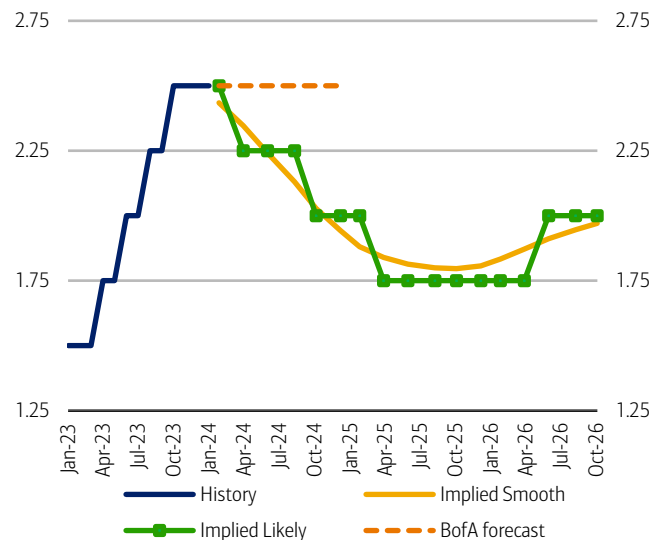
Meeting	Smooth Path (2)			Market (1)	BofA Change	Most Likely Path (3)	
	Rate	Cumul.	Change Marg.	Change Marg.	Marg.	Change Marg.	Prob.(%) (4)
Curr. Rate	1.875						
21-Mar-24	1.856	-2	-2	-2	0.0	0.0	85
13-Jun-24	1.826	-5	-3	-2	0.0	0.0	61
19-Sep-24	1.785	-9	-4	-4	0.0	-12.5	72
19-Dec-24	1.738	-14	-5	-5	0.0	0.0	90
20-Mar-25	1.692	-18	-5	-5		0.0	54
19-Jun-25	1.656	-22	-4	-4		-12.5	76
18-Sep-25	1.633	-24	-2	-2		0.0	93
18-Dec-25	1.626	-25	-1	0		0.0	99

Basis: -26bp. Basis is the difference between the Secondary Market 90 days fixing rate and the monetary policy rate. **Source:** BofA Global Research

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Chart 7: Thailand

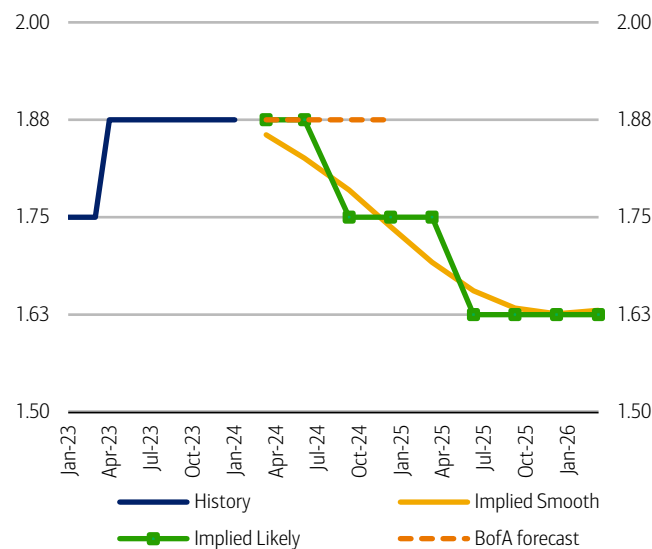
Market prices 26bp of cumulative cuts over the next six months

**Source:** BofA Global Research

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Chart 8: Taiwan

Market prices 1bp of cumulative cuts for the rest of 2023

**Source:** BofA Global Research Estimates, Bloomberg

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1. The market path shows policy rate changes priced in by the market using the raw forward rates derived from the local yield curve.
2. The smooth path is constructed by smoothing the market path using the Hodrick-Prescott filter.
3. The most likely path rounds the smooth path to the closest feasible rate if the Central Bank changes the rate in discrete steps.
4. Displays the probability of the most likely policy change at each meeting, assuming the policy rate was on the most likely path at the previous meeting.

EEMEA

Table 9: CZECH REPUBLIC

Implied Monetary Policy

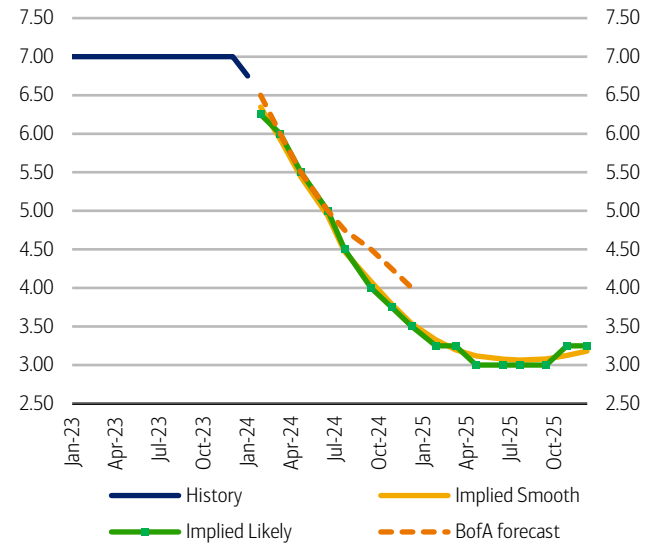
Meeting	Smooth Path (2)			Market (1)	BofA	Most Likely Path (3)	
	Rate	Cumul. Change	Marg. Change	Marg. Change	Marg. Change	Marg. Change	Prob.(%) (4)
Curr. Rate	6.75						
8-Feb-24	6.35	-40	-40	-51	-25	-50	61
20-Mar-24	5.93	-82	-42	-9	-50	-25	71
2-May-24	5.44	-131	-49	-72	-50	-50	75
27-Jun-24	4.93	-182	-50	-51	-50	-50	74
1-Aug-24	4.47	-228	-47	-50	-25	-50	88
25-Sep-24	4.08	-267	-39	-48	-25	-50	67
7-Nov-24	3.79	-296	-29	0	-25	-25	84
19-Dec-24	3.53	-322	-26	-38	-25	-25	86
7-Feb-25	3.33	-342	-21	-31		-25	68
20-Mar-25	3.20	-355	-13	-5		0	79
2-May-25	3.12	-363	-8	-5		-25	52
27-Jun-25	3.08	-367	-4	-5		0	69
1-Aug-25	3.06	-369	-1	-3		0	74
25-Sep-25	3.08	-367	2	-2		0	68
7-Nov-25	3.13	-362	5	6		25	50
19-Dec-25	3.18	-357	6	13		0	73

Basis: -13bp. Basis is the difference between the Czech interbank offered 3 month rate and the monetary policy rate. **Source:** BofA Global Research

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Chart 9: Czech Republic

Market prices 182bp of cumulative cuts over the next six months

**Source:** BofA Global Research

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Table 10: HUNGARY

Implied Monetary Policy

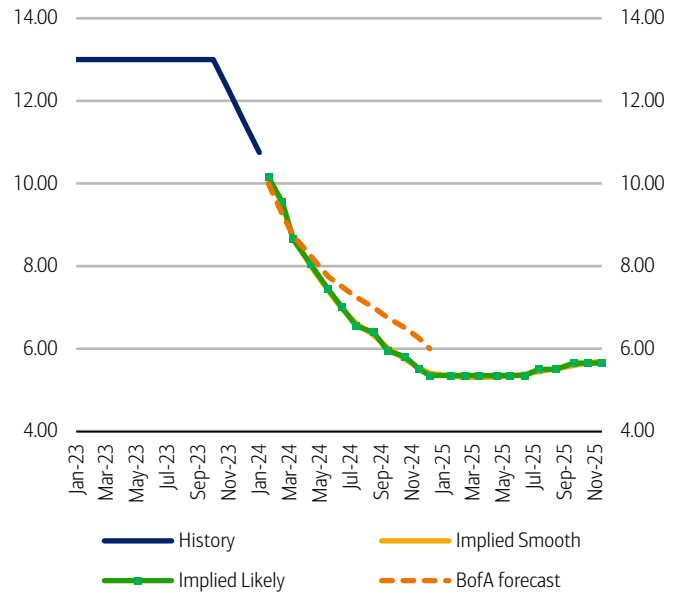
Meeting	Smooth Path (2)			Market (1)	BofA	Most Likely Path (3)	
	Rate	Cumul. Change	Marg. Change	Marg. Change	Marg. Change	Marg. Change	Prob.(%) (4)
Curr. Rate	10.75						
30-Jan-24	10.17	-58	-58	-51	-75	-60	87
27-Feb-24	9.48	-127	-69	-58	-75	-60	54
19-Mar-24	8.72	-203	-76	-103	-50	-90	53
23-Apr-24	8.01	-274	-71	-72	-50	-60	71
28-May-24	7.41	-334	-59	-58	-50	-60	75
25-Jun-24	6.96	-379	-46	-44	-25	-45	71
23-Jul-24	6.61	-414	-34	-28	-25	-45	57
27-Aug-24	6.33	-442	-29	-9	-25	-15	50
24-Sep-24	6.02	-473	-30	-43	-25	-45	51
29-Oct-24	5.74	-501	-28	-46	-25	-15	60
26-Nov-24	5.53	-522	-21	-12	-25	-30	77
17-Dec-24	5.41	-534	-13	-11	-25	-15	63
28-Jan-25	5.34	-541	-7	-5		0	91
25-Feb-25	5.31	-544	-3	-2		0	72
25-Mar-25	5.30	-545	0	-1		0	69
29-Apr-25	5.32	-543	1	1		0	77
27-May-25	5.34	-541	3	2		0	94
24-Jun-25	5.38	-537	4	3		0	78
22-Jul-25	5.44	-531	6	6		15	61
26-Aug-25	5.52	-523	7	8		0	90
30-Sep-25	5.59	-516	8	9		15	61

Basis: -97bp. Basis is the difference between the Budapest interbank offered 3 month rate and the monetary policy rate. **Source:** BofA Global Research

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Chart 10: Hungary

Market prices 379bp of cumulative cuts over the next six months

**Source:** BofA Global Research

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1. The market path shows policy rate changes priced in by the market using the raw forward rates derived from the local yield curve.
2. The smooth path is constructed by smoothing the market path using the Hodrick-Prescott filter.
3. The most likely path rounds the smooth path to the closest feasible rate if the Central Bank changes the rate in discrete steps.
4. Displays the probability of the most likely policy change at each meeting, assuming the policy rate was on the most likely path at the previous meeting.

Table 11: POLAND

Implied Monetary Policy

Meeting	Smooth Path (2)			Market (1)	BofA	Most Likely Path (3)	
	Rate	Cumul.	Marg	Change	Change	Change	Prob.(%) (4)
Curr. Rate	5.75						
7-Feb-24	5.70	-5	-5	-4	0	0	80
6-Feb-24	5.61	-14	-9	-9	0	-25	54
4-Apr-24	5.50	-25	-11	-12	0	0	100
9-May-24	5.37	-38	-13	-16	0	-25	53
5-Jun-24	5.23	-52	-14	-11	0	0	91
5-Jul-24	5.08	-67	-15	-11	0	-25	67
5-Sep-24	4.93	-82	-15	-26	0	0	73
3-Oct-24	4.80	-95	-13	-12	0	-25	78
7-Nov-24	4.69	-106	-12	1	0	0	74
5-Dec-24	4.54	-121	-15	-11	0	-25	84
14-Jan-25	4.37	-138	-17	-36		-25	54
7-Feb-25	4.22	-153	-15	-11		0	86
7-Mar-25	4.10	-165	-12	-8		-25	60
4-Apr-25	4.01	-174	-9	-8		0	96
9-May-25	3.94	-181	-7	-8		0	75
5-Jun-25	3.87	-188	-6	-5		-25	50
5-Jul-25	3.82	-193	-6	-5		0	73
5-Sep-25	3.77	-198	-5	-9		0	94
3-Oct-25	3.73	-202	-3	-3		0	92
7-Nov-25	3.72	-203	-2	0		0	86
5-Dec-25	3.71	-204	0	1		0	85

Basis: 11bp. Basis is the difference between the WIBOR Warsaw interbank 3 months offered rate and the monetary policy rate. **Source:** BofA Global Research

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Table 12: ISRAEL

Implied Marginal Policy Rate Changes

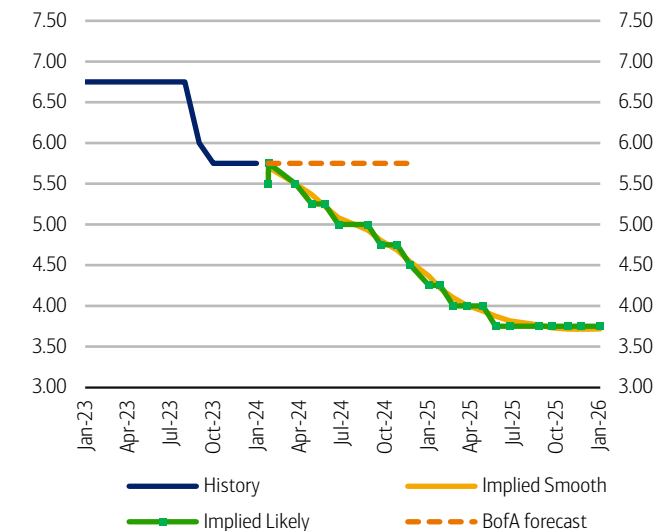
Meeting	Smooth Path (2)			Market (1)	BofA	Most Likely Path (3)	
	Rate	Cumul.	Marg	Change	Change	Change	Prob.(%) (4)
Curr. Rate	4.50						
26-Feb-24	4.42	-8	-8	-7	0	-15	52
8-Apr-24	4.28	-22	-14	-8	-25	0	54
27-May-24	4.09	-41	-20	-30	0	-30	76
8-Jul-24	3.87	-63	-21	-17	-50	-15	81
28-Aug-24	3.66	-84	-21	-25	0	-30	57
7-Oct-24	3.49	-101	-17	-17	-25	-15	73
25-Nov-24	3.37	-113	-13	-12	0	-15	56
1-Jan-25	3.29	-121	-8	-14	-25	0	93
20-Feb-25	3.25	-125	-4	13		0	68
2-Apr-25	3.20	-130	-5	-9		-15	64
21-May-25	3.13	-137	-7	-10		0	86
9-Jul-25	3.04	-146	-9	-9		-15	75
28-Aug-25	2.94	-156	-10	-11		0	61
22-Oct-25	2.85	-165	-9	-9		-15	98
26-Nov-25	2.79	-171	-7	-10		0	58

Basis: -4bp. Basis is the difference between the Tel Aviv interbank offered 3 month rate and the monetary policy rate. **Source:** BofA Global Research

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Chart 11: Poland

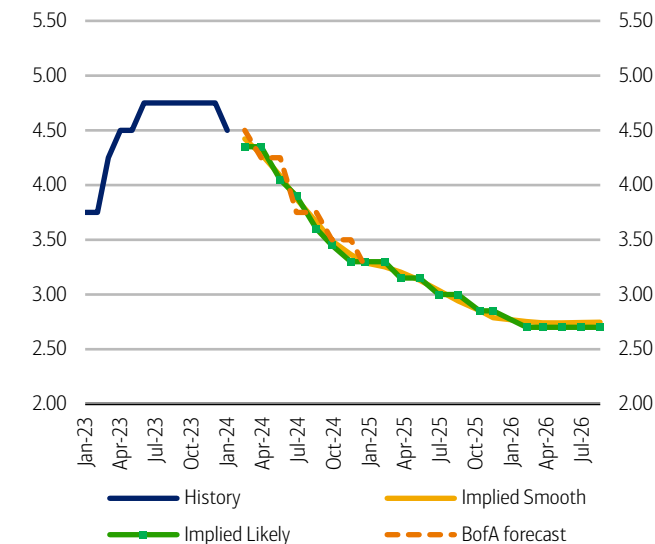
Market prices 67bp of cumulative cuts over the next six months

**Source:** BofA Global Research

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Chart 12: Israel

Market prices 63bp of cumulative cuts over the next six months

**Source:** BofA Global Research

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Exhibit 2: TURKIYE

Implied Marginal Policy Rate Changes

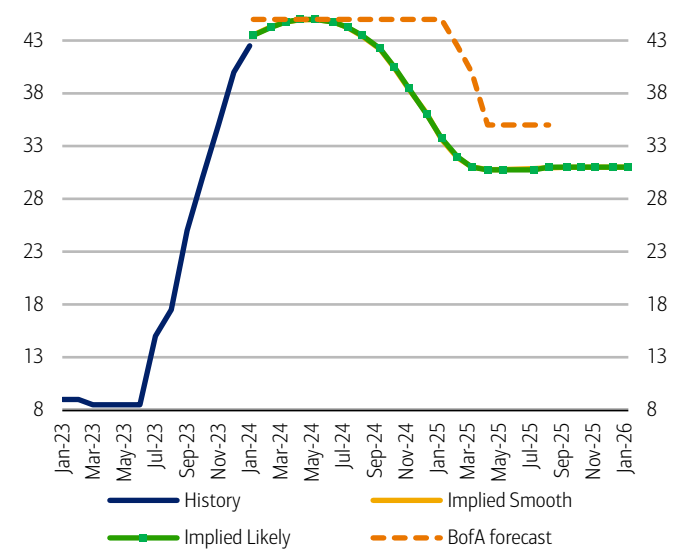
Meeting	Smooth Path (2)			Market (1)		BofA		Most Likely Path (3)	
	Rate	Cumul.	Marg.	Change	Marg.	Change	Marg.	Change	Prob.(%) (4)
Curr. Rate	42.50								
19-Jan-24	43.52	102	102	75	250	100	97		
23-Feb-24	44.31	181	79	157	0	75	88		
22-Mar-24	44.75	225	44	-25	0	50	99		
20-Apr-24	44.97	247	21	22	0	25	94		
19-May-24	44.99	249	2	15	0	0	97		
23-Jun-24	44.76	226	-23	9	0	-25	98		
21-Jul-24	44.21	171	-55	-129	0	-50	93		
18-Aug-24	43.41	91	-80	-28	0	-75	83		
22-Sep-24	42.19	-31	-122	-30	0	-125	89		
20-Oct-24	40.41	-209	-179	-358	0	-175	81		
17-Nov-24	38.40	-410	-200	-90	0	-200	81		
22-Dec-24	36.12	-638	-228	-86	0	-250	76		
20-Jan-25	33.64	-886	-248	-576	0	-225	78		
20-Feb-25	31.89	-1061	-174	-107	-250	-175	79		
20-Mar-25	31.04	-1146	-86		-250	-100	93		
20-Apr-25	30.77	-1173	-27		-500	-25	96		
20-May-25	30.78	-1172	1		0	0	94		
20-Jul-25	30.87	-1163	9		0	0	77		
17-Aug-25	30.94	-1156	8		0	25	89		
21-Sep-25	30.99	-1151	4			0	98		
19-Oct-25	31.01	-1149	2			0	99		
16-Nov-25	31.01	-1149	0			0	98		
21-Dec-25	31.01	-1149	0			0	99		
19-Jan-26	31.00	-1150	0			0	100		

Basis: 415bp. Basis is the difference between the USDTRY 3m fwd implied rate and the monetary policy rate. **Source:** BofA Global Research

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Chart 13: Turkiye

Market prices 226bp of cumulative hikes over the next six months



Since the CBT has an unorthodox policy framework, policy rates and band rates do not necessarily match to the front end spot and implied forward rates. This dilutes the priced in curve implications produced for Turkiye. **Source:** BofA Global Research

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Table 13: SOUTH AFRICA

Implied Monetary Policy

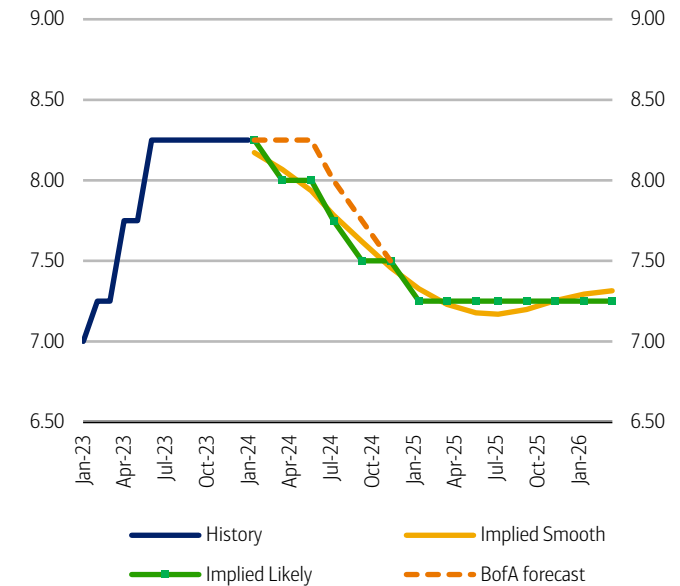
Meeting	Smooth Path (2)			Market (1)		BofA		Most Likely Path (3)	
	Rate	Cumul.	Marg.	Change	Marg.	Change	Marg.	Change	Prob.(%) (4)
Curr. Rate	8.25								
25-Jan-24	8.17	-8	-8	-8	0	0	69		
27-Mar-24	8.07	-18	-10	-9	0	-25	73		
30-May-24	7.94	-31	-13	-15	0	0	74		
18-Jul-24	7.78	-47	-15	-11	-25	-25	86		
19-Sep-24	7.62	-63	-17	-19	-25	-25	52		
21-Nov-24	7.46	-79	-16	-19	-25	0	84		
23-Jan-25	7.33	-92	-13	-11		-25	69		
26-Mar-25	7.23	-102	-10	-11		0	92		
29-May-25	7.18	-107	-5	-5		0	71		
17-Jul-25	7.17	-108	-1	-1		0	68		
18-Sep-25	7.20	-105	3	0		0	79		
20-Nov-25	7.25	-100	5	17		0	99		

Basis: 15bp. Basis is the difference between the Johannesburg interbank agreed 3 month rate and the monetary policy rate. **Source:** BofA Global Research

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Chart 14: South Africa

Market prices 31bp of cumulative cuts over the next six months

**Source:** BofA Global Research

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LatAm

Table 14: BRAZIL

Implied Monetary Policy

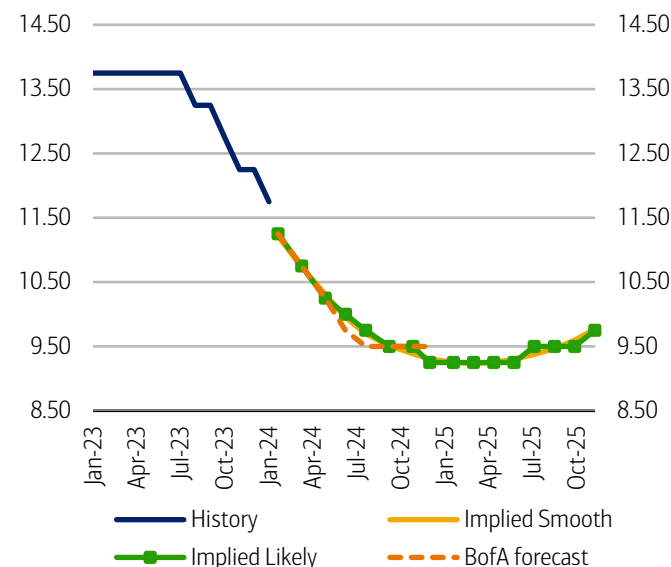
Meeting	Rate	Smooth Path (2)		Market (1)	BofA	Most Likely Path (3)	
		Change	Change	Change	Change	Change	Prob.(%)
		Cumul.	Marg.	Marg.	Marg.	Marg.	(4)
Curr. Rate	11.75						
31-Jan-24	11.21	-54	-54	-54	-50	-50	85
20-Mar-24	10.73	-102	-48	-43	-50	-50	94
8-May-24	10.31	-144	-43	-45	-50	-50	77
19-Jun-24	9.95	-180	-35	-45	-50	-25	82
31-Jul-24	9.69	-206	-26	-19	-25	-25	78
18-Sep-24	9.51	-224	-18	-15	0	-25	95
6-Nov-24	9.39	-236	-13	-16	0	0	54
11-Dec-24	9.31	-244	-8	-3	0	-25	78
29-Jan-25	9.25	-250	-5	-10		0	98
12-Mar-25	9.24	-251	-2	-1		0	95
23-Apr-25	9.25	-250	2	0		0	99
4-Jun-25	9.30	-245	5	5		0	80
16-Jul-25	9.38	-237	8	16		25	51
27-Aug-25	9.47	-228	9	-4		0	87
8-Oct-25	9.60	-215	13	3		0	61
19-Nov-25	9.77	-198	17	40		25	92

 Basis: -10bp. Basis is the difference between the Cetip rate and the monetary policy rate. **Source:** BofA Global Research

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Chart 15: Brazil

Market prices 206bp of cumulative cuts over the next six months



Source: BofA Global Research

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Table 15: CHILE

Implied Monetary Policy

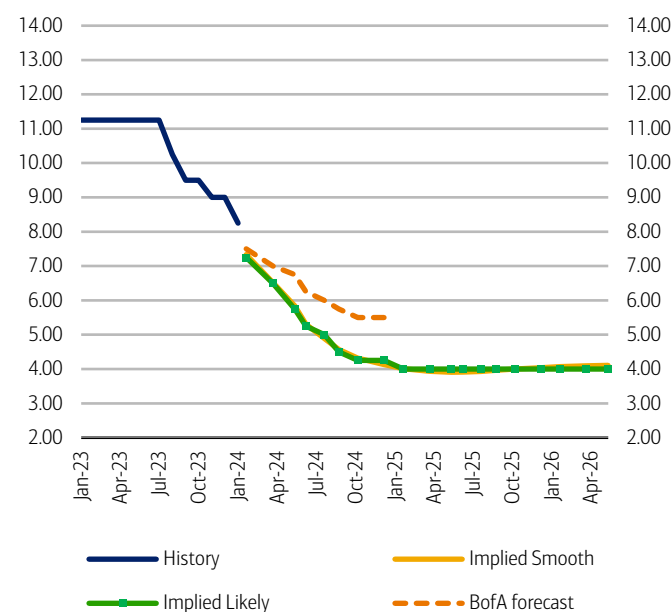
Meeting	Rate	Smooth Path (2)		Market (1)	BofA	Most Likely Path (3)	
		Change	Change	Change	Change	Change	Prob.(%)
		Cumul.	Marg.	Marg.	Marg.	Marg.	(4)
Curr. Rate	8.25						
31-Jan-24	7.33	-92	-92	-86	-75	-100	67
2-Apr-24	6.52	-173	-81	-91	-50	-75	92
23-May-24	5.84	-241	-68	-72	-25	-75	64
18-Jun-24	5.30	-295	-53	-46	-50	-50	78
31-Jul-24	4.89	-336	-42	-40	-25	-25	56
3-Sep-24	4.57	-368	-32	-30	-25	-50	73
17-Oct-24	4.32	-393	-25	-28	-25	-25	73
17-Dec-24	4.13	-412	-19	-20	0	0	53
31-Jan-25	4.01	-424	-12	-12		-25	97
2-Apr-25	3.94	-431	-7	-8		0	74
23-May-25	3.91	-434	-3	-2		0	63
18-Jun-25	3.91	-434	0	1		0	64
31-Jul-25	3.93	-432	2	2		0	73
3-Sep-25	3.97	-428	3	3		0	86
17-Oct-25	4.00	-425	4	4		0	99
17-Dec-25	4.04	-421	4	3		0	84

 Basis: 0bp. Basis is the difference between the Midday interbank rate and the monetary policy rate. **Source:** BofA Global Research

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Chart 16: Chile

Market prices 295bp of cumulative cuts over the next six months



Source: BofA Global Research

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1. The market path shows policy rate changes priced in by the market using the raw forward rates derived from the local yield curve.
2. The smooth path is constructed by smoothing the market path using the Hodrick-Prescott filter.
3. The most likely path rounds the smooth path to the closest feasible rate if the Central Bank changes the rate in discrete steps.
4. Displays the probability of the most likely policy change at each meeting, assuming the policy rate was on the most likely path at the previous meeting.

Table 16: COLOMBIA

Implied Monetary Policy

Meeting	Smooth Path (2)			Market (1)	BofA	Most Likely Path (3)	Prob.(%) (4)
	Rate	Cumul.	Marg.	Change Marg.	Change Marg.	Change Marg.	
Curr. Rate	13.00						
31-Jan-24	12.55	-45	-45	-49	-25	-50	81
29-Mar-24	12.03	-97	-52	-42	-25	-50	87
27-Apr-24	11.43	-157	-60	-57	-50	-50	73
28-Jun-24	10.75	-225	-68	-73	-50	-75	98
27-Jul-24	10.04	-296	-71	-71	-50	-75	83
28-Sep-24	9.35	-365	-69	-82	-50	-75	59
26-Oct-24	8.75	-425	-60	-57	-50	-50	98
14-Dec-24	8.27	-473	-49	-47	-50	-50	93
25-Jan-25	7.87	-513	-39	-31		-50	50
29-Mar-25	7.54	-546	-34	-32		-25	85
27-Apr-25	7.23	-577	-31	-29		-25	91
28-Jun-25	6.94	-606	-29	-35		-25	76
27-Jul-25	6.71	-629	-23	-26		-25	83
28-Sep-25	6.56	-644	-15	-18		-25	75
26-Oct-25	6.52	-648	-4	-2		0	91
14-Dec-25	6.58	-642	6	7		0	67

Basis: -94bp. Basis is the difference between the IBR interbank overnight rate and the monetary policy rate. **Source:** BofA Global Research

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Table 17: MEXICO

Implied Monetary Policy

Meeting	Smooth Path (2)			Market (1)	BofA	Most Likely Path (3)	Prob.(%) (4)
	Rate	Cumul.	Marg.	Change Marg.	Change Marg.	Change Marg.	
Curr. Rate	11.25						
8-Feb-24	11.18	-7	-7	-6	0	0	73
21-Mar-24	11.03	-22	-16	-10	-25	-25	89
9-May-24	10.79	-46	-24	-32	0	-25	85
20-Jun-24	10.49	-76	-29	-30	-25	-25	98
8-Aug-24	10.17	-108	-32	-32	0	-25	69
19-Sep-24	9.84	-141	-34	-31	-50	-50	65
7-Nov-24	9.49	-176	-35	-33	-50	-25	96
12-Dec-24	9.14	-211	-35	-34	-50	-25	55
8-Feb-25	8.79	-246	-35	-41		-50	85
21-Mar-25	8.47	-278	-32	-30		-25	88
9-May-25	8.19	-306	-28	-28		-25	76
20-Jun-25	7.96	-329	-23	-22		-25	83
8-Aug-25	7.77	-348	-19	-19		-25	92
19-Sep-25	7.63	-362	-14	-14		0	51
7-Nov-25	7.52	-373	-10	-11		-25	91
12-Dec-25	7.45	-380	-7	-5		0	80

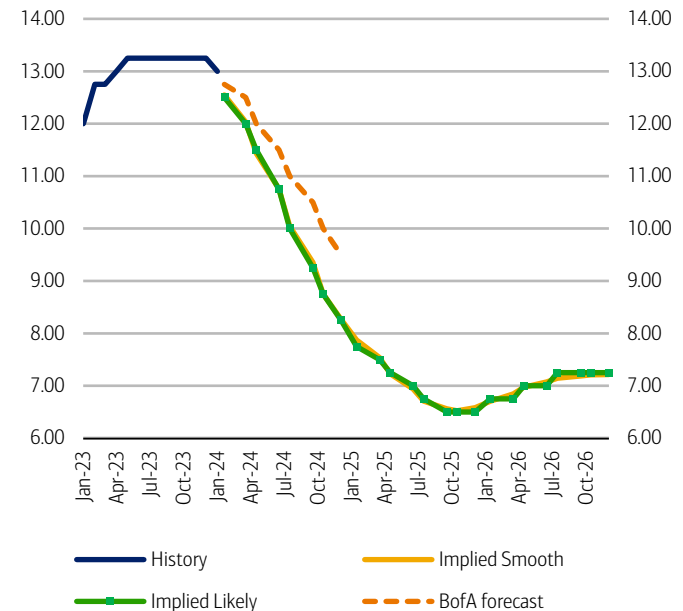
Basis: 25bp. Basis is the difference between the 28d TIE rate and the monetary policy rate.

Source: BofA Global Research

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Chart 17: Colombia

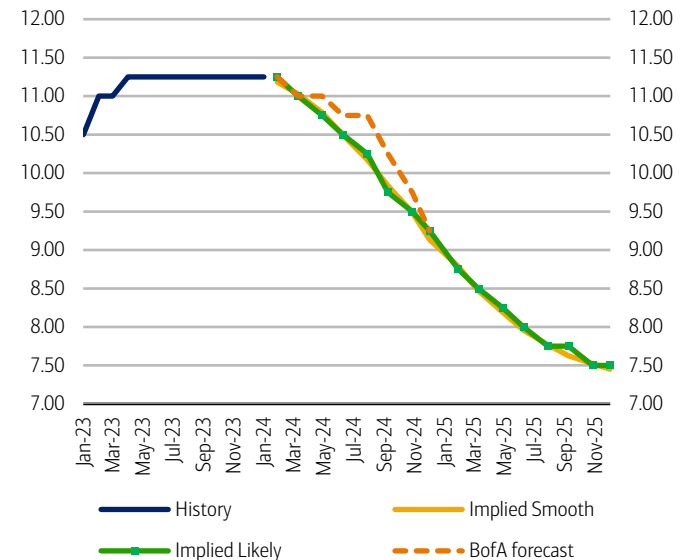
Market prices 225bp of cumulative cuts over the next six months

**Source:** BofA Global Research

BofA GLOBAL RESEARCH

Chart 18: Mexico

Market prices 76bp of cumulative cuts over the next six months

**Source:** BofA Global Research

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1. The market path shows policy rate changes priced in by the market using the raw forward rates derived from the local yield curve.
2. The smooth path is constructed by smoothing the market path using the Hodrick-Prescott filter.
3. the most likely path rounds the smooth path to the closest feasible rate if the Central Bank changes the rate in discrete steps.
4. Displays the probability of the most likely policy change at each meeting, assuming the policy rate was on the most likely path at the previous meeting.



Exhibit 3: Peru

Implied Monetary Policy

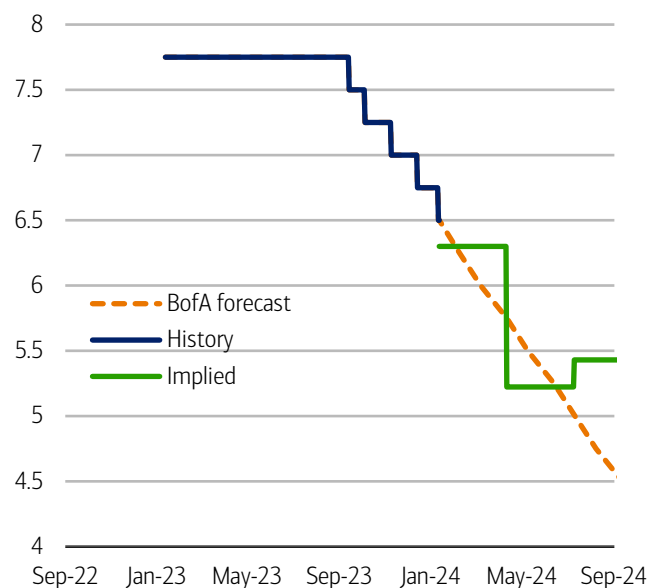
Horizon	Rate	Implied		Period	BofA		
		Cumul	Marg		Fcst	Cumul	Marg
Curr. Rate	6.50						
3m	6.30	-20	-20	02/08/24	6.25	-25	-25
6m	5.22	-128	-108	03/07/24	6.00	-50	-25
9m	5.43	-107	21	04/11/24	5.75	-75	-25
12m	4.85	-165	-58	05/09/24	5.50	-100	-25
				06/13/24	5.25	-125	-25
				07/11/24	5.00	-150	-25
				08/08/24	4.75	-175	-25
				09/12/24	4.50	-200	-25
				10/10/24	4.25	-225	-25
				11/07/24	4.00	-250	-25
				12/12/24	4.00	-250	0
				01/10/25	4.00	-250	0
				02/08/25	4.00	-250	0

Source: BofA Global Research Estimates, Bloomberg

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Chart 19: Peru

Market prices 128bp of cumulative cuts over the next 6 months



Source: BofA Global Research Estimates, Bloomberg

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