

Financials - LatAm

How are US investors positioned?

Industry Overview

Nubank and Mexican banks most discussed

We met with several institutional investors in the US last week. Nubank was the name most discussed in the meetings, with plenty of bulls still around although there was an increased debate on valuation. Investors we spoke were also very bullish on Mexican banks, as they should be able to leverage on the structural opportunities created by nearshoring. Within Brazilian banks, Itau and BTG remained consensus longs, while some investors were questioning the best time to position on Bradesco. On Brazilian non-banks, investors were debating which names were most leveraged to a lower rate environment, focusing on XP and B3. On Andean banks, BAP was the most discussed name as concerns related to “El Niño” dissipated. Finally, we failed to see strong conviction among US investors on Argentine banks due to the still challenging macro.

Brazilian banks – looking for the next alpha opportunity

US investors we spoke were positioned in Itau and BTG, willing to pay a premium valuation for their consistency in delivering solid earnings growth and sound profitability. Nonetheless, we noticed an increased interest in Bradesco, which could deliver strong earnings growth over the next years if it is able to address the recent issues plaguing its results; although very few were willing to give the new management team the benefit of the doubt. On the other hand, we sensed some concerns related to state-owned banks, given recent comments from the government.

Brazilian non-banks – cyclical rather than structural

Investors we spoke were interested in owning Brazilian non-bank financials ahead of an expected earnings recovery supported by a lower rate environment. However, we sensed increased pessimism with their structural growth stories. XP and B3 seemed preferred, while there were still plenty of skepticism with payment companies.

Mexican banks – structural longs

While some investors we spoke are monitoring the US and Mexico presidential elections later this year, most of them believe nearshoring is creating a structural change in the country. As such, investors seemed to be positioned in Banorte and the regional banks (Regional and Bajío) and the investors were starting to talk about Bolsa (the exchange) as a beneficiary of potential new listings, a positive regulatory framework (Pension reform and Securities bill) and lower rates. Meanwhile, Gentera was viewed more as an attractive cyclical name benefiting from a more benign credit cycle (lower competition) and NIM expansion under lower rates.

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