

LatAm Fund Manager Survey

Starting 2024 on a positive tone

Investment Strategy

Ibov>140k, stronger BRL, no more downward EPS rev.

Sentiment continues to improve in the first FMS of 2024. 63% of participants say Ibov >140k by the end of 2024 (up from 48% in last month, Exhibit 10). Two-thirds plan to increase equity allocation in the next 6M, (vs 51% last month and highest since Sep-22, Exhibit 2). BRL is mostly expected between 4.50 and 4.81 (before most expected it >4.80, Exhibit 15). Downwards revisions for BZ domestic industries are no longer expected (Exhibit 9). Terminal selic exp. around 8.75% - 9% (Exhibit 11) and participants expect individuals to rotate into equities when selic reaches 9% -10% (Exhibit 12).

Cash at lowest level since Feb-22

Cash levels fell to 5.7% in Jan-23 (down from 7% last month and lowest since Feb-22, Exhibit 1). Risk taking (Exhibit 23) and protection levels (Exhibit 24) are close to hist avg of the survey. Higher US rates remain the biggest tail risk for the region (Exhibit 3).

FMS participants are underweight commodities

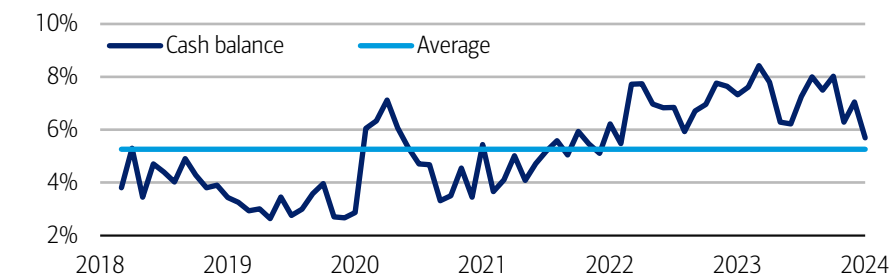
Investors like Financials, Utilities and C. discretionary (Exhibit 4). We see a lack of appetite for commodities (both Materials and Energy are net underweight, and Materials is most UW sector, Exhibit 5). Only 10% are OW Energy (vs 41% 2M ago). BofA 2024E estimates for brent were just revised downwards (see [Global Energy Weekly](#)).

MX elections to drive a pick-up in volatility

As we head into Mexican general elections in June 2024, participants expect a pick-up in volatility, but keep a neutral view on MX asset prices (Exhibit 20). They expect MX 2024 GDP growth between 1%-3% (Exhibit 17). We just increased our forecast to 2% (from 1.8%, see: [Mexico Viewpoint](#)). Banxico is expected to cut rates in 1H24 (Exhibit 18) and MX rates are expected between 7.50%-8.25% at the end of the easing cycle (Exhibit 19).

Exhibit 1: Average cash position (2018-2024)

Cash levels declined to 5.7% in Jan-24, lowest since Feb-22.



Source: LatAm Fund Manager Survey

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Refer to important disclosures on page 9 to 11.

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Investment Strategy
Latin America

BofA

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Analytics

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Notes to readers

A total of 30 panelists with approx. \$84bn AUM participated in the LatAm Fund Manager Survey.

How to join the FMS panel

Institutional investors/clients are encouraged to sign up to participate in the Survey. This can be done by contacting the authors of the report.

Participants in the survey will continue to receive the full set of monthly results but only for the relevant month in which they participate.

FMS = Fund Manager Survey

BZ = Brazil

MX = Mexico

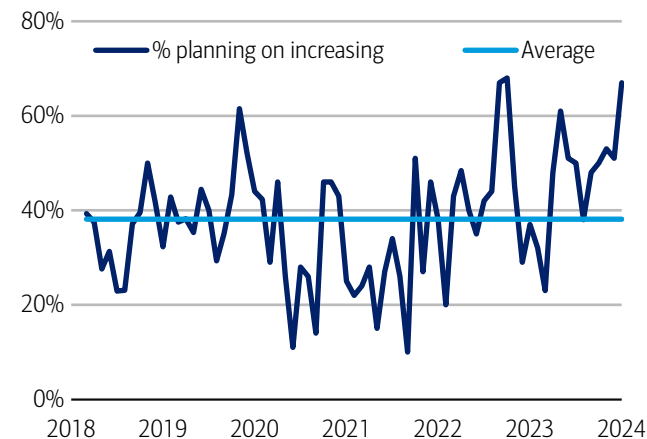
OW = Overweight

UW = Underweight

LatAm Fund Manager Survey

Exhibit 2: % of investors planning on increasing their equity allocation in the next 6 months (2018-2024)

67% plan on increasing equity allocation (vs 51% last month).

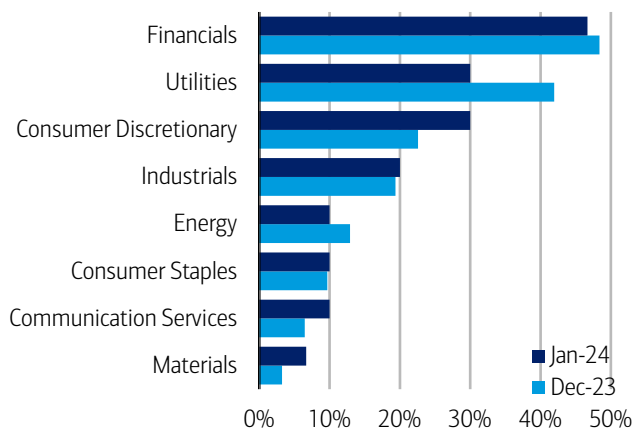


Source: LatAm Fund Manager Survey

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Exhibit 4: Which sectors within equities are you most overweight?

Participants are most overweight Financials, Utilities and C. Discretionary.

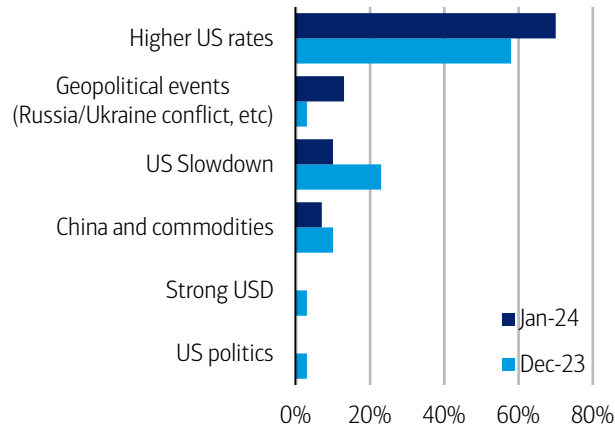


Source: LatAm Fund Manager Survey

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Exhibit 3: What do you consider the biggest external tail risk for LatAm markets?

Higher US rates is considered the biggest tail risk for the region.

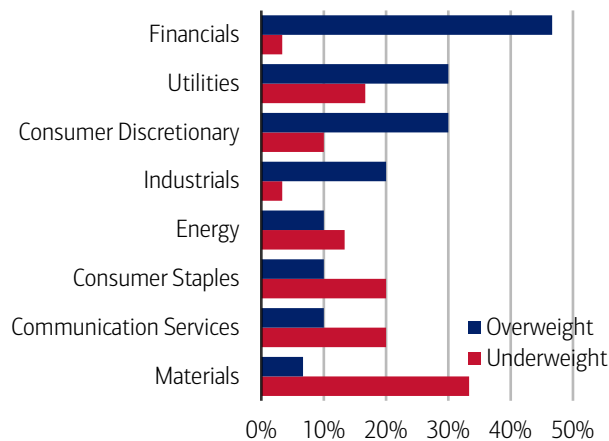


Source: LatAm Fund Manager Survey

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Exhibit 5: Which sectors among equities are you most underweight?

Participants are more underweight Materials, Communication Services, C. Staples and Energy than they are overweight.

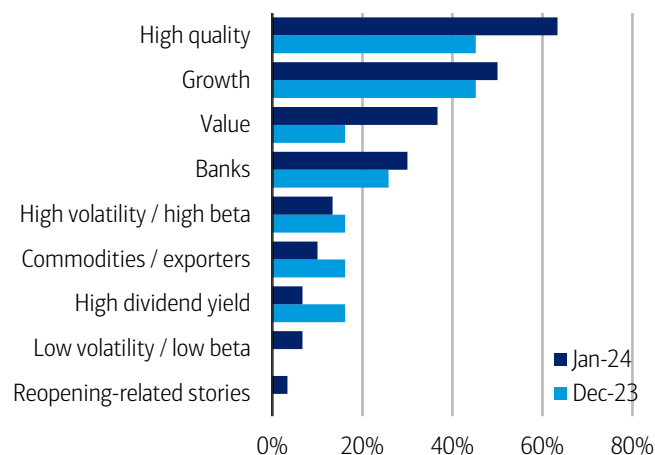


Source: LatAm Fund Manager Survey

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Exhibit 6: Which strategies do you believe could outperform over the next 6 months?

Participants like high quality, growth and value

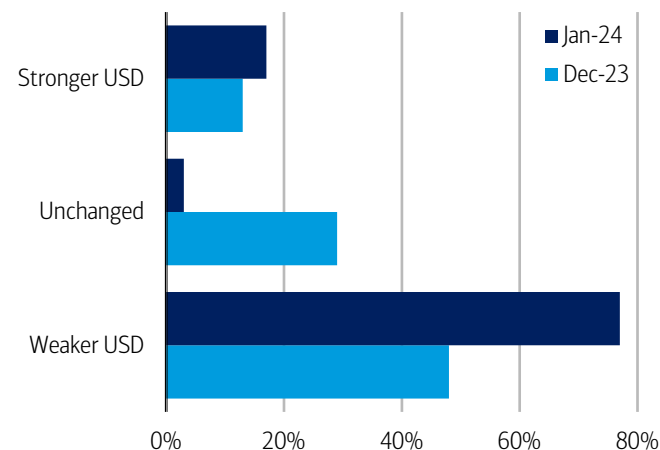


Source: LatAm Fund Manager Survey

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Exhibit 7: What are your expectations for the USD in 2024?

Most participants expect weaker USD in 2024.

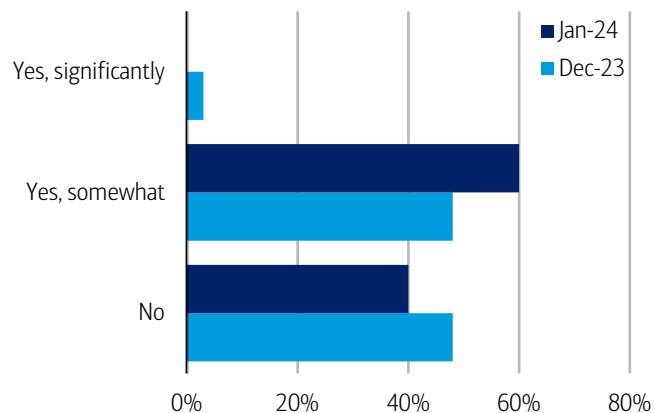


Source: LatAm Fund Manager Survey

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Exhibit 8: Do you believe that stimulus in China will be enough to drive commodity prices higher in the next 6 months?

60% believe stimulus in China will be enough to drive commodity prices higher in next 6M.

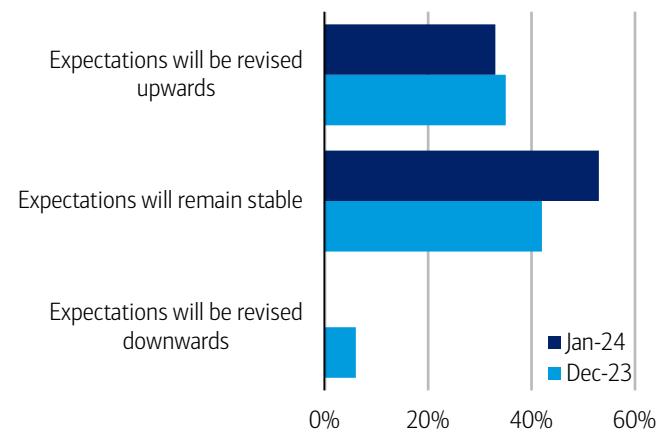


Source: LatAm Fund Manager Survey

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Exhibit 9: For domestic industries in Brazil, how do you see earnings revisions in 2024?

No expectations for downward earnings revisions within domestic industries

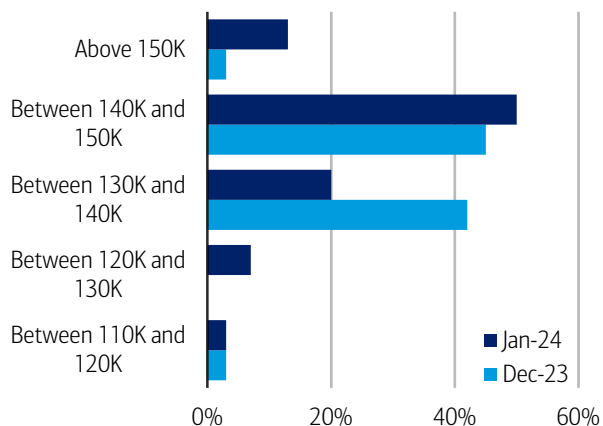


Source: LatAm Fund Manager Survey

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Exhibit 10: Where do you see the Ibovespa at the end of 2024?

63% expect Ibov >140k by the end of 2024 (up from only 48% last month).

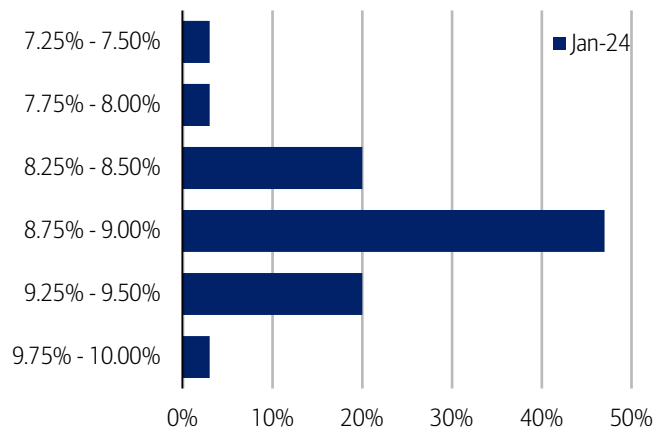


Source: LatAm Fund Manager Survey

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Exhibit 11: Where do you see Brazil's terminal Selic by the end of this easing cycle?

70% expect selic ≤9% by the end of this easing cycle.

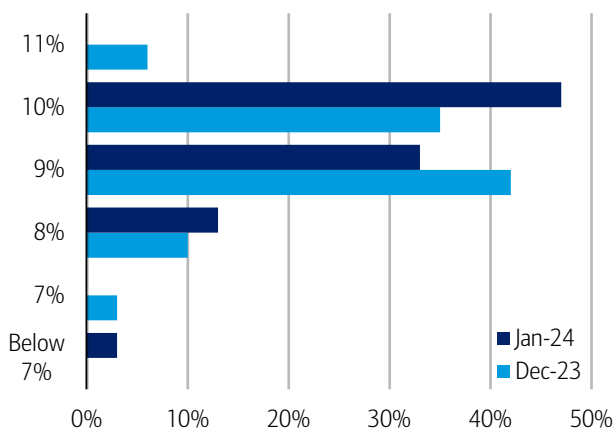


Source: LatAm Fund Manager Survey

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Exhibit 12: At what Selic level do you expect individuals to rotate back into equities?

47% say individuals will rotate into equities when selic reaches 10%, and 33% say selic reaches 9%.

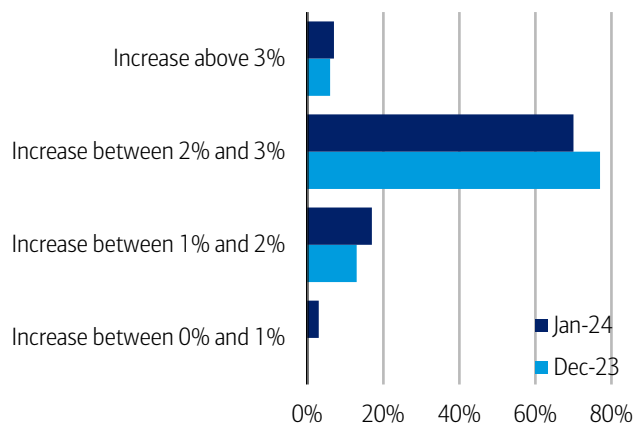


Source: LatAm Fund Manager Survey

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Exhibit 13: In Brazil, what do you expect for real GDP growth in 2023?

77% expect GDP growth above 2% in 2023 (similar to last month)

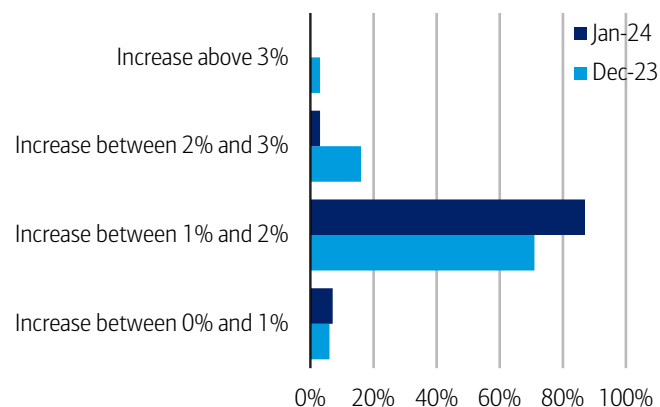


Source: LatAm Fund Manager Survey

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Exhibit 14: And what do you expect for Brazil's real GDP growth in 2024?

Participants expect GDP growth between 1-2% in 2024

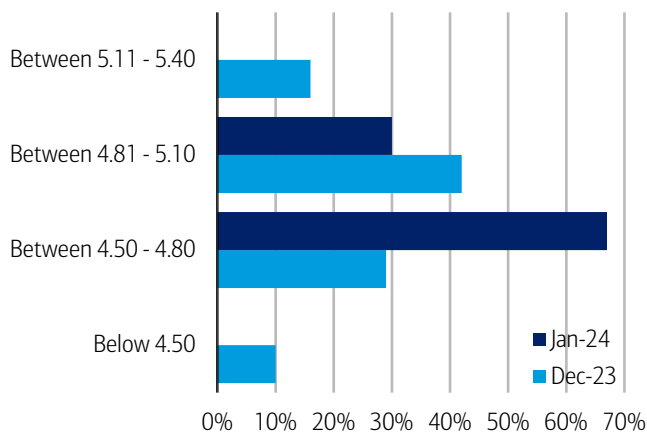


Source: LatAm Fund Manager Survey

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Exhibit 15: Where do you see the BRL at the end of 2024?

Most participants expect the BRL between 4.51- 4.80 next year

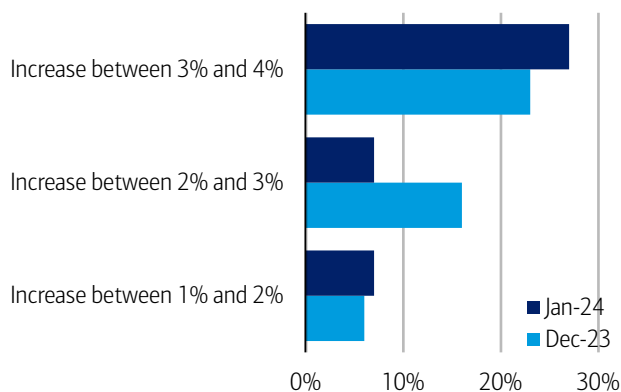


Source: LatAm Fund Manager Survey

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Exhibit 16: Where do you see Mexico's real GDP growth in 2023?

Mexico GDP expected between 3%- 4% in 2023.

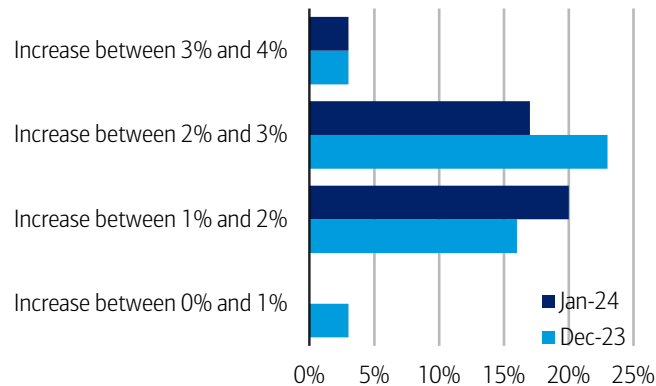


Source: LatAm Fund Manager Survey

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Exhibit 17: And where do you see Mexico's real GDP growth in 2024?

Mexico GDP growth expected between 1%-3% in 2024.

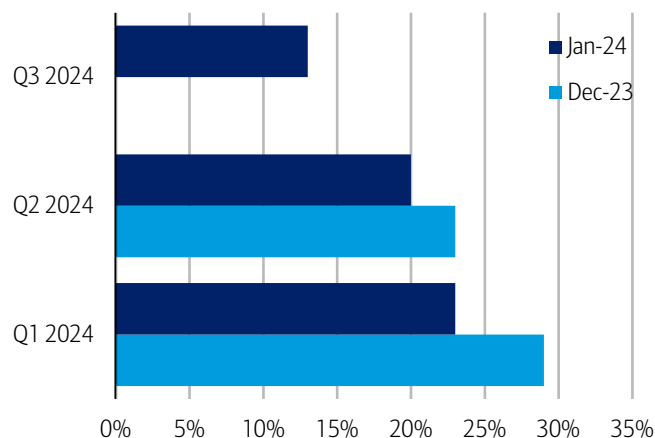


Source: LatAm Fund Manager Survey

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Exhibit 18: When do you expect Banxico to deliver the first rate cut?

Participants expect first rate cut in 1H24.

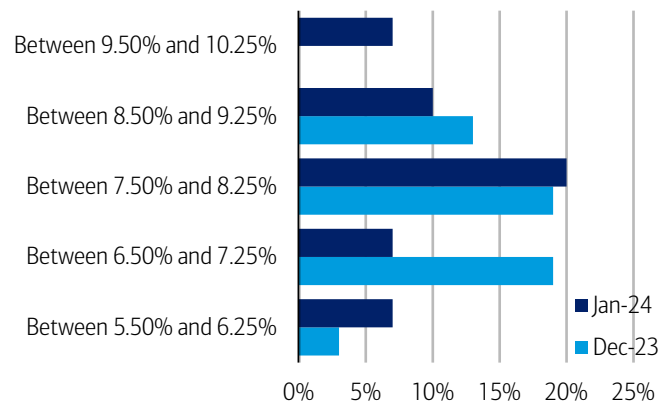


Source: LatAm Fund Manager Survey

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Exhibit 19: After Banxico starts cutting, where do you see Banxico's terminal rate at the end of the easing cycle?

Participants expect Banxico's terminal rate mostly between 7.50%-8.25%.

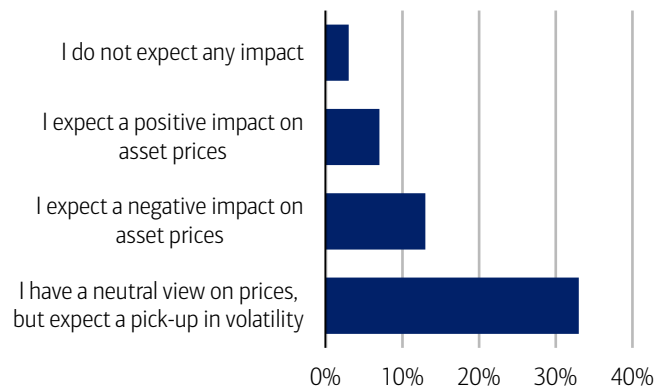


Source: LatAm Fund Manager Survey

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Exhibit 20: Do you expect the elections in Mexico to impact Mexican asset prices?

Participants have a neutral view on prices, but expect a pick-up in volatility.



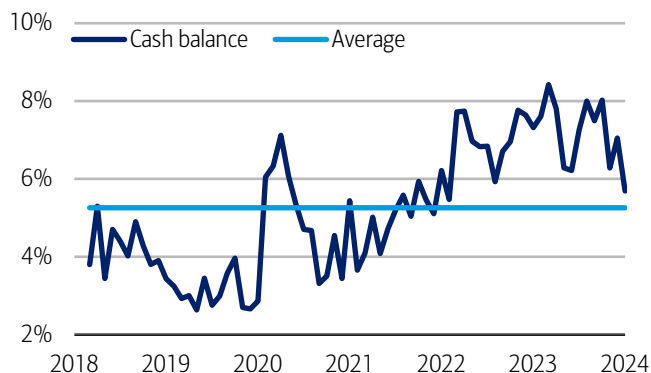
Source: LatAm Fund Manager Survey

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Portfolio allocation

Exhibit 21: Average cash position (2018-2024)

Cash levels declined to 5.7% in Jan-24, lowest since Feb-22.

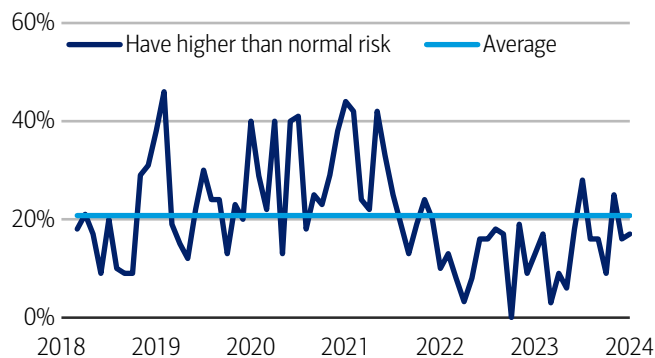


Source: LatAm Fund Manager Survey

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Exhibit 23: % of investors with higher than normal risk in their portfolio (2018-2024)

17% of investors are taking higher risk than the normal, slightly below the historical avg

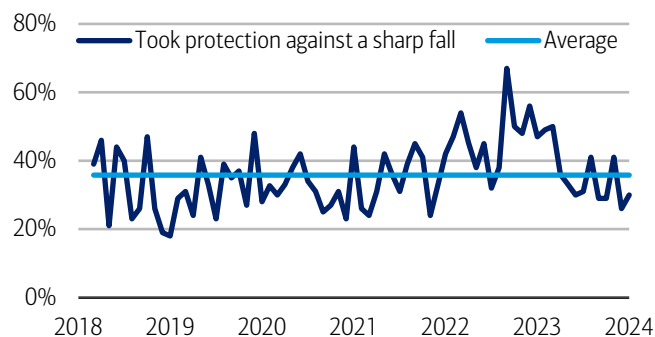


Source: LatAm Fund Manager Survey

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Exhibit 25: % of investors that took protection against a sharp fall in equity markets in the next three months

30% of investors are taking protections against a sharp fall in equity markets, slightly below the historical average.

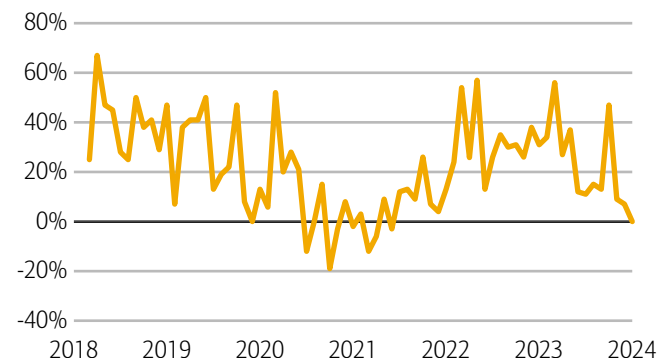


Source: LatAm Fund Manager Survey

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Exhibit 22: Net % say they are overweight (Cash)

Net % Overweight cash positions declined to 0% in Jan-24.

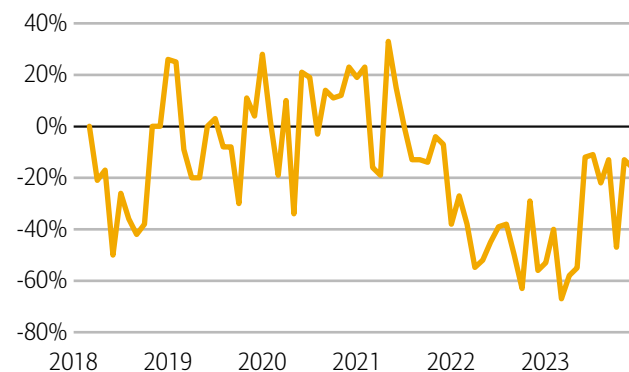


Source: LatAm Fund Manager Survey

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Exhibit 24: Net % say they have higher than normal risk in their portfolio

Net% risk taking at -20% in Jan-24.

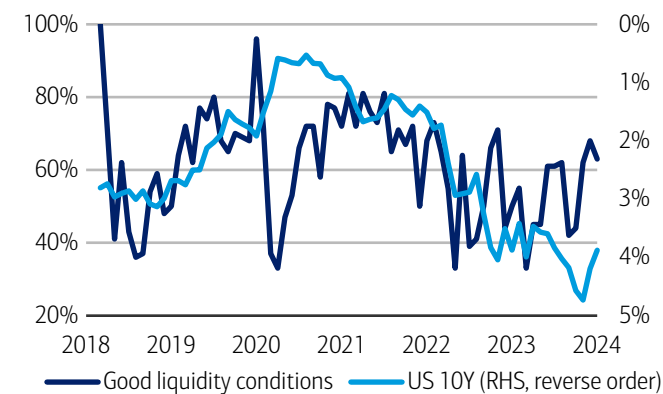


Source: LatAm Fund Manager Survey

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Exhibit 26: % that rate liquidity conditions as good and US 10Y rates

63% of investors surveyed rate liquidity conditions as good or very good.



Source: LatAm Fund Manager Survey

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LatAm survey demographics data

Exhibit 27: LatAm survey demographics data

30 panelists with approx. \$83.8bn AUM participated in the LatAm Fund Manager Survey in Jan-24.

LatAm survey demographics data

Month	Dec-23	Jan-24
Participants	31	30
Structure of panel - by position		
Chief Investment Officer	6%	19%
Asset Allocator / Strategist / Economist	16%	13%
Portfolio Manager	65%	58%
Other	13%	6%
Are you involved in global asset allocation?		
Yes	39%	48%
No	61%	48%
Which one of the following best describes the type of money you are running?		
Institutional funds (e.g. pension funds / insurance companies)	16%	16%
Hedge funds / proprietary trading desks	42%	32%
Mutual funds / unit trusts / investment trusts	39%	35%
None of the above	3%	13%
What do you estimate to be the total current value of assets under your direct control (US\$)?		
No funds under my direct control	6%	6%
Up to \$250mn	16%	23%
Around \$500mn	19%	10%
Around \$1bn	32%	26%
Around \$2.5bn	6%	6%
Around \$5bn	0%	6%
Around \$7.5bn	10%	3%
Around \$10bn or more	10%	16%
What best describes your investment time horizon at this moment?		
3 months or less	29%	19%
6 months	35%	29%
9 months	6%	16%
12 months or more	29%	32%
Don't know	0%	0%

Source: BofA Global Research

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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