Emerging Markets Trade idea

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More than one reason: long USD/MXN

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- **Call us stubborn or undeterred, but we are re-establishing our long USD/MXN recommendation. This time we are entering below our previous stop (10.10) at the reference spot level of USD/MXN 20.0605, via a deliverable 3-month forward, with a new stop at 19.70.**
- **There is more than one reason for the MXN to weaken. Besides the possibility of punitive 25% tariffs on all Mexican exports to the US, there is a clear determination by the Trump administration to re-shore key industries, including cars, chips and pharmaceuticals. About one-third of Mexico’s exports to the US is comprised of autos and related parts.**
- **The stagflationary impact of at least initially disruptive reorientation of US trade and industrial policy means reduced demand from the US and higher US Treasury yields.**
- **Finally, we see a number of challenges on the domestic front, including a weakening economy and building fiscal pressures, not in the least due to accommodating returning migrants and complying with US demands on stemming the flow of drugs and arresting financing of cartels.**

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Summary of announced tariffs so far

Effective Date	Target Countries	Goods Targeted	Tariff Rate	Impact
4 February	China	All	10%	
4 March	China	All	Another 10% to 20%	
4 March	Canada, Mexico	USMCA noncompliant goods (~50% in 2024) from 7 March	25%; 10% for Canadian energy and potash	Mexico growth revised down from 1.5% to 0.7%.
12 March	Major exporters	Steel, aluminum, some derived consumer goods	25%	Canada, Mexico, Brazil (steel); Mexico (aluminum)
2 April	EU	All	25%	
2 April	Major exporters	Autos, chips, pharmaceuticals	25%	
2 April	All	Undetermined	Unspecified reciprocals, matching VAT, other non-tariff barriers	
2 April	All	Food imports	Unspecified	
November	Major producers (all timber, major copper)	Timber and lumber, copper	Unspecified	Discouraging production and restricting global supply
December	EU, UK, Canada	Unspecified vs. digital taxes	Unspecified	

Source: Credit Agricole CIB, Bloomberg

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