

## Where we stand

**February saw large swings in the dollar as markets adapt to policy implications put forth by the new US administration.**

**The Bank of England executed a dovish 25 bps cut at their February meeting with members voting 7-2 in favour of a 25 bps cut.** This surprised markets as hawkish member Catherine Mann voted for a 50 bps cut citing evidence of a weakening economy while also outlining the need to send a clear signal to market participants. Following the dovish BoE move, UK CPI in February printed higher at 3% YoY versus expectations of 2.8%. **The ECB lowered their policy rate by 25 bps to 2.5%.** In the following remarks Lagarde cited that inflation is expected to reach 2% in early 2026, taking longer than projected compared to the December meeting. **As expected, both the RBA and RBNZ cut their policy rates by 25 and 50 bps respectively.**

**US CPI for the month of January came in hotter than expected** with headline inflation printing at 3% YoY and core at 3.3% YoY mainly driven by transportation services and used cars. PPI for the month also came in above expectations however, the silver lining came in the form of softer prices for components that feed into the Fed's preferred PCE gauge which fell to 2.5% YoY. **Canadian inflation figures also came in higher than expected** on core measures.

**The German National Election took place this month** following the dissolution of Chancellor Scholz's coalition government after their failed attempt to ease restrictions to government borrowing. **The CDU/CSU bloc won the election by a large margin and combined with the SPD have over 50% of the vote should the two parties form a majority coalition.** Shortly after the election, German centrist parties agreed to launch a EUR 500 billion infrastructure fund and amend the constitution to make security and defence spending exempt from fiscal limits. In France, Prime Minister Francois Bayrou also survived his sixth no-confidence vote and moved closer to implementing the already delayed 2025 budget.

## On the horizon

**The US implemented 25% tariffs for both Canada and Mexico on March 4** following an announcement on March 3, wherein the US President stated there was "No room left for a deal on Canada, Mexico tariffs." However, days later **on March 6 the US President signed an order exempting tariffs on USMCA goods until April 2.** China also faces 20% tariffs and the US will see a 25% tariff on all aluminium and steel imports to come into effect March 12.

**Retaliatory measures are expected as Canada announced duties on CAD 125 billion of US exports and China mulls a tariff of up to 15% on mostly agricultural products.**

**March sees central bank meetings from the ECB, BoC, Fed, BoJ, and BoE.** The market seeing the Fed and BoE holding rates steady at 4.33% and 4.5% respectively while pricing for the BoC now leans towards a 25 bps cut following tariff news. Recent inflation data for Canada, US, and the UK all came in higher than expected but US tariffs have created heightened uncertainty from a monetary policy perspective.






## Emerging markets

**Brazil's Galipolo reinforced the path towards higher and more restrictive rates which combined with the closed Brazilian economy boosted the BRL.** The path of higher rates was further reiterated by Monetary Policy Director Nilton David who guided another 100 bps raise while also mentioning that the BCB doesn't have a goal for the FX rate.

### HEADLINES

- BoE cuts by 25 bps
- ECB cuts by 25 bps
- RBA cuts by 25 bps
- RBNZ cuts by 50 bps
- Inflation beats in Canada, US, and UK
- CDU/CSU wins in Germany
- Canada & Mexico tariffs

### KEY UPCOMING EVENTS

DATE	EVENT
MAR 7	 US unemployment
MAR 12	 BoC rate decision
MAR 19	 Fed rate decision
MAR 19	 BoJ rate decision
MAR 20	 UK rate decision

The **Chilean Peso** has been one of the top performing EM currencies this year partially driven by the increased optimism around a rebound in the Chinese economy which bodes well for copper prices, a major export for Chile.

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