

Santander AM Latin American Equity Opportunities

12 / 2024

Fund commentary

Market Analysis:

December was a tough month for global assets, after a pause in the so-called Trump Trade. The MSCI ACWI fell by 2.5%, while EM was flat. LatAm underperformed again, falling 6.1% measured by the MSCI LatAM 10/40. All in, LatAm finished the year -26.7% while the ACWI and EM were up by 15.7% and 5.1%, respectively.

Brazil was the main performance drag in December, falling 10%. The selloff after the disappointing fiscal measures continued, putting pressure across all asset classes and the BRL ended the month close to 6.2, despite interventions from the BCB. The latter also hiked rates by 100 bps, while consensus was tilted to 75 bps.

In local news, the BCCCh delivered a hawkish cut and published their quarterly report, acknowledging a lackluster growth for 2025 and renewed inflation concerned on the back of international uncertainty and higher FX rate.

Looking forward valuations are still attractive across Latin America, although risk is also higher. Despite a higher risk Chile and Argentina look like interesting names, Mexico will depend on US policy, while Brazil dance to the tune of fiscal measures.

Positioning:

In terms of positioning, we reduced our OW Brazil and also fine-tuned the local positioning, shifting to more defensive and USD exposed name and reducing some discretionary names ahead of higher rates and a potential worsening of the consumer environment.

After this shift, we remain OW Argentina, Brazil, UW Peru, and Colombia, in terms of sector our main OW are Discretionaries, Utilities and Industrial, financed mostly with commodities.

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