

<https://www.bloomberg.com/news/articles/2016-10-09/trump-hands-peso-bulls-new-gift-even-before-st-louis-showdown>

## **Mexican Peso Soars to Month High Amid Furor Over Trump Tapes**

**During the first televised debate two weeks ago between the U.S. presidential candidates, Mexico's peso began rallying as traders judged Hillary Clinton to have gotten the edge over Donald Trump. This time, the currency started surging well before the two opponents were due to start sparring.**

The peso jumped 1.5 percent to 19.0150 per U.S. dollar within an hour of markets opening in Asia on Monday. With some Republican party members calling on Trump to quit the presidential race following the release of a 2005 video in which the real-estate developer is heard talking crudely about women, the Mexican currency had been tipped to rebound from a two-day decline. Trump, 70, who says he won't quit the race, faces off against Clinton in St. Louis at 9 p.m. New York time in the second of three scheduled debates.

"The correlation between Trump's performance and trading with the peso seems to be clear to everyone by now," said Marcin Lipka, a Warsaw-based currency analyst at Cinkciarz.pl, which topped Bloomberg's forecaster rankings for Latin America in the second quarter. "While lower chances of him winning have been already priced in recently, we are probably going to see some more gains."

Aside from the British pound, the peso has depreciated more than any other major peer tracked by Bloomberg this year, partly as Trump has proposed renegotiating or ending trade deals with Mexico and blocking remittances to force the country to pay for a wall along the U.S. border. The Mexican currency dropped to a record low in the hours before the first debate on Sept. 26. It then strengthened 2.5 percent, the most in about seven months, amid investor perceptions that Clinton came out on top.

The peso was at 19.020 per dollar as of 6 a.m. in Sydney, after touching the strongest since Sept. 14.

Those withdrawing their support for Trump or calling for him to step aside after the 2005 video emerged included No. 3 Senate Republican John Thune; Senator Rob Portman, who is running for re-election in Ohio; and Senator John McCain, a former Vietnam War prisoner whom Trump mocked last year.

A fresh rally in the peso stands to help Mexican policy makers as they grapple with rising consumer prices. Inflation, as measured by prices for tradeable goods such as clothes and fuel, has climbed to a more than three-year high of 2.97 percent as the currency weakened almost 11 percent this year.

### **'All Measures'**

Mexico's peso is undervalued by "all measures," and has room to appreciate under normal circumstances, central bank Governor Agustin Carstens said last month in an interview in Mexico City after a 50 basis-point increase in the country's benchmark interest rate. A Trump victory in the election could result in a further a rate hike, he said.

Lipka, who is currently reviewing his forecast for the peso, expects the currency to finish the year about 3.2 percent stronger than its level last week. The peso closed on Friday at 19.3009 per dollar.

“At face value it looks like Trump is losing momentum, which might be construed as net positive for the Mexican peso,” Tim Fox, the Dubai-based chief economist at Emirates NBD PJSC, the United Arab Emirates’ biggest bank by assets, said by e-mail on Sunday. “Clearly, a disappointing performance from Trump tonight on top of the other recent issues will be seen as harming his campaign and could see the peso improve.”