Article | 7 September 2026 FX

Latam FX Talking: Polls tighten in the Brazilian election

The first round of the Brazilian presidential election takes place in early October. President Lula s lead over Flavio Bolsonaro is crumbling and any further swing towards Bolsonaro could see the real favoured on the prospect of deregulation and fiscal consolidation. Elsewhere, we doubt Mexican peso gains sub-17/USD are sustainable


Tighter Brazilian election poll results are lending support to the local currency

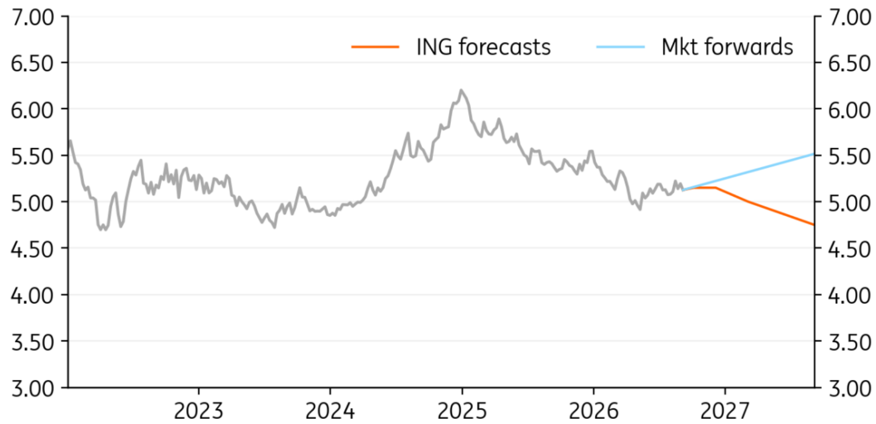
Main ING Latam FX Forecasts

	USD/BRL		USD/MXN		USD/CLP	
1M	5.15	↓	17.25	↑	925	↓
3M	5.15	↓	17.25	↑	925	↓
6M	5.00	↓	17.25	↑	925	↓
12M	4.75	↓	17.25	↓	900	↓

USD/BRL: Presidential election race tightens

	Spot	One month bias	1M	3M	6M	12M
USD/BRL	5.1261	Neutral	5.15	5.15	5.00	4.75

- Opinion polls show President Lula's lead over Flavio Bolsonaro narrowing sharply ahead of the 4 October election. As always, it is quite personal, with President Lula's son now seen weighing on his father's chances, and negative headlines on Supreme Court Justice Alexandre de Moraes. Some polls have Lula's lead cut to just 1-2%. Foreign investors prefer Bolsonaro's policies of fiscal restraint and deregulation over Lula's plans for more social spending.
- We expect the BRL to hold onto recent gains and continue to outperform the forwards, where three-month implied yields stand at around 12.3%.
- The market thinks BACEN can still cut the policy rate another 50bp to 13.50%, but much will depend on the election outcome.

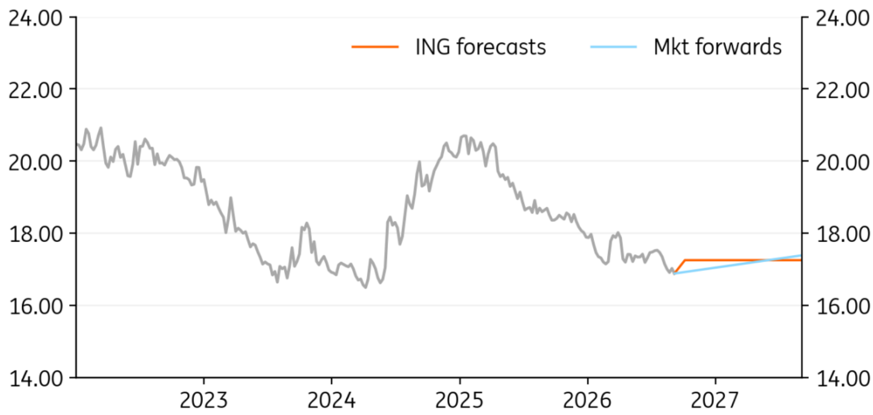


Source: Refinitiv, ING Forecasts

USD/MXN: USMCA uncertainty

	Spot	One month bias	1M	3M	6M	12M
USD/MXN	16.8900	Bullish	17.25	17.25	17.25	17.25

- USD/MXN has been flirting with sub-17 levels as low volatility continues to favour the carry trade. Implied volatility probably has some further way to fall, meaning that the peso's risk-adjusted carry can nudge a little higher.
- But we are not comfortable calling a sustained move lower in USD/MXN. The policy spread over the US is very narrow at 275bp and could get narrower if Banxico doesn't follow a Fed hike.
- The macro is less MXN-supportive too. Washington switching to an annual review of the USMCA damages the investment environment. Reports suggest some automakers might move production facilities from Mexico to Vietnam now.

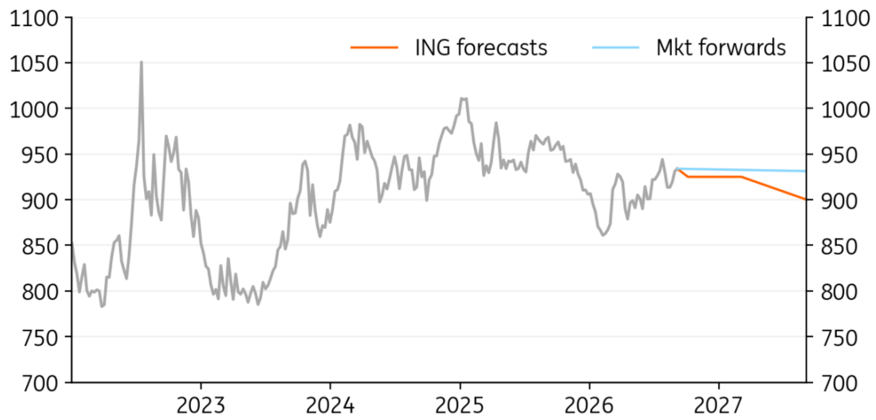


Source: Refinitiv, ING Forecasts

USD/CLP: Copper challenges

	Spot	One month bias	1M	3M	6M	12M
USD/CLP	934.5800	Mildly Bearish ↘	925.00	925.00	925.00	900.00

- The pickup in short-dated US yields has helped USD/CLP move closer to the top of its 910-950 range. Copper prices remain supportive for CLP, generating strong profits for local miner Codelco, but mask local production challenges. Here, Chile's copper production has fallen 10% YoY, with northern mines hit by bad weather. A super El Niño later this year may only make matters worse.
- A low-probability, high-impact, and negative event for copper and the peso is the US tariff story. Copper stockpiles are still being sucked into the US ahead of possible tariffs. Were tariffs to be avoided, these flows could strongly reverse.
- CLP is a little more vulnerable now that US rates are higher.



Source: Refinitiv, ING Forecasts

Author

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Disclaimer