Foreign Exchange Market: Monthly Balance

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The peso ranks 2nd among the most depreciated currencies in LATAM in the month

In October, the Mexican peso depreciated against the dollar, presenting a monthly loss of 4.0%, and was positioned in second place within the block of 23 emerging economies currencies with the largest losses. In the first fifteen days of the month, headline inflation accelerated to 3.62% annually, from 3.49% in the previous fortnight, highlighting the advance of the core component (3.78%), after four consecutive fortnights of decline, while non-core continued to accelerate to 3.08%. Additionally, the first estimate of GDP in Q3-26 registered a rebound to 3.2% annually, from 1.9% previously, as secondary activities rose 3.1% (from 0.9% previously), while tertiary activities increased by one percentage point to stand at 3.3%.

The dollar, measured through the DXY Index, presented a monthly appreciation of 0.4%, driven by the demand for safe havens in the face of persistent geopolitical uncertainty and the reconfiguration of investors' expectations about the direction of the Fed's monetary policy. At its monetary policy meeting on October 28th, the members of the FOMC decided by a majority vote (10 to 2) to keep the target range of the federal funds rate between 3.75% and 4.00% unchanged. Subsequently, the chairman, Kevin Warsh, mentioned that they will modify the calendar of meetings for the next two years, so that in 2027 a meeting will be dedicated to the discussion of strategic aspects, without contemplating an adjustment to monetary policy; for 2028, two meetings of this style are expected. September's PCE inflation report showed an acceleration to 3.6% annually, from 3.4% previously, while core inflation increased to 3.1% (vs 3.0% previously).

For its part, the euro closed the month with a loss of 1.4% against the dollar, ranking 1st among the G10 currencies with the greatest decline against the US dollar. In the month, the ECB kept its interest rates unchanged, reiterating a data-dependent stance, without committing to a specific path forward. Regarding inflation, preliminary reports showed mixed signals, as the reduction in the gasoline tax in Germany contributed to the moderation of the energy component, unlike countries such as France and Italy, which registered widespread increases.

USD/MXN spot: monthly candle chart (5 years)

Fuente: TradingView.

*Check the November economic calendar and the economic and exchange rate forecasts report.

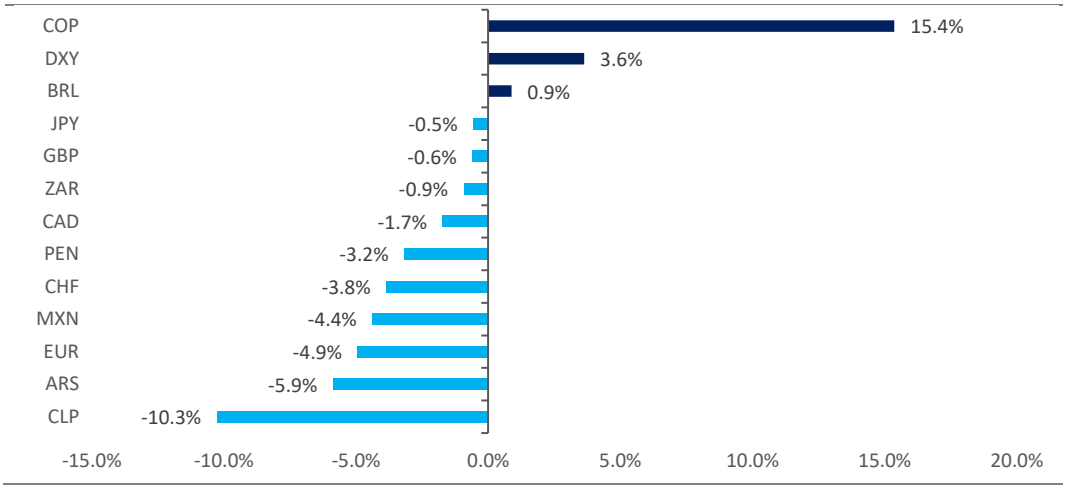
Key factors

The bilateral negotiation between Mexico and the U.S. to reduce Section 232 tariffs (metals and vehicles) remains stalled in technical details, postponing significant agreements until after the midterm elections on November 3rd. Although the Mexican administration seeks to minimize tariffs without making excessive concessions on energy or the flow of inputs from China, Washington insists on reducing the bilateral trade deficit to zero, which widened by 21.2% annually in the same period. In this way, the lack of a date for the fourth round and the uncertainty in tariff relief will keep investment decisions on hold, consolidating themselves as the main catalysts of volatility for the local currency.

In the US, market participants assimilated the persistence of trade tensions with Canada after the reconfiguration of the 50.0% tariffs under Section 338 on $20 billion of Canadian exports, a measure motivated by electoral incentives that keeps the bilateral dialogue halted prior to the November 3rd elections. On the geopolitical front, the restoration of transit in the Strait of Hormuz continues to stall in the absence of agreements with Iran, in an environment where Trump has threatened to intensify actions in the region after the votes. Looking ahead to November, the high probability that the Democrats will regain Congress could lead to a legislative blockade of the protectionist agenda, limiting the attractiveness of the dollar as a safe-haven asset.

For the Eurozone, the trade relationship with China entered a phase of sectoral protection after a safeguard was agreed from December 1st that will limit imports of hybrid cars to 350 thousand units per year. Brussels is considering replicating this quota scheme on chemicals, machinery and pharmaceuticals, while requesting an instrument to restrict market access in the face of severe distortions. Added to this environment of trade tension is the fiscal and political deterioration in France, where the rise in CDS raises the perception of regional risk. Looking ahead to November, the European currency will maintain a defensive and limited bias, pressured by the risk of Chinese retaliation on rare earths and the lower traction of European assets.

Cumulative change in 2026 by currency against the dollar, and DXY index



Source: Own elaboration with Bloomberg data.

Technical Analysis

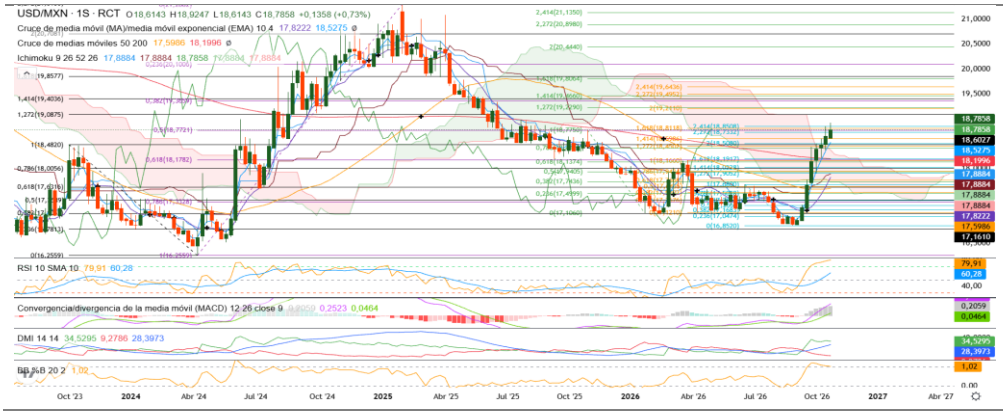
USD/MXN:

In October, the parity closed with a price of $18.77 *spot*, which implied a monthly depreciation of the peso of 4.0%. In the month, the price reached a maximum of $18.92 (Oct. 30) and a minimum of $17.91 (Oct. 6) in the interbank market.

With the upward acceleration of the exchange rate, the parity surpassed the Ichimoku cloud, marking a high since August 4, 2025. The indicators converge with the price, reinforcing the expectation of bullish continuation. The RSI is trading overbought, above its moving average; the MACD is trading in positive territory above its signal line, and the DMI is showing a stabilization of the +DI, which remains well above the -DI, and an ADX confirming the elevated strength.

Medium-term technical levels in the interbank market:
Supports: $18.50 - $18.20 - $18.00
Resistance: $18.98 - $19.08 - $19.23

USD/MXN *spot*: weekly candle chart (3-year)



Source: Prepared by the authors with Refinitv.

DXY Index:

The DXY index closed October with a price of 101.96 points, which implied a monthly appreciation of 0.4%. In the month, the index reached a maximum of 102.94 points (Oct. 14) and a minimum of 101.44 (Oct. 22) in the interbank market.

The DXY has consolidated sideways above the Ichimoku cloud, while signs of exhaustion appear in the buying force. The RSI (62.8) is above its moving average; the MACD is trading in positive territory above its signal line, but with two decreases in its histogram; and the DMI is showing a rally in the +DI, with the ADX rising by 20.7 points.

Medium-term technical levels in the interbank market:
Support: 101.47 – 100.78 – 100.18
Resistance: 102.86 – 103.20 – 104.00.

Spot DXY Index: Weekly Candle Chart (5-year)

Source: Prepared by the authors with Refinitv.

EUR/MXN:

The euro ended October with a price of $20.93 *spot*, which implied a monthly appreciation of 2.3% against the peso. In the month, the price reached a maximum of $21.17 (Oct. 30) and a minimum of $20.08 (Oct. 7) in the interbank market.

The acceleration of the parity is about to validate the resistance of Ichimoku Senkuo Span B at $21.16, so it will be essential to evaluate a possible breakout or a bearish bounce in that area. The RSI trades overbought, above its moving average; the MACD breaks above its signal line in positive territory, and the DMI shows a drop in the -DI below the +DI, with the ADX stable at 35.9 units.

Medium-term technical levels in the interbank market:

Support: $20.71 - $20.60 - $20.50

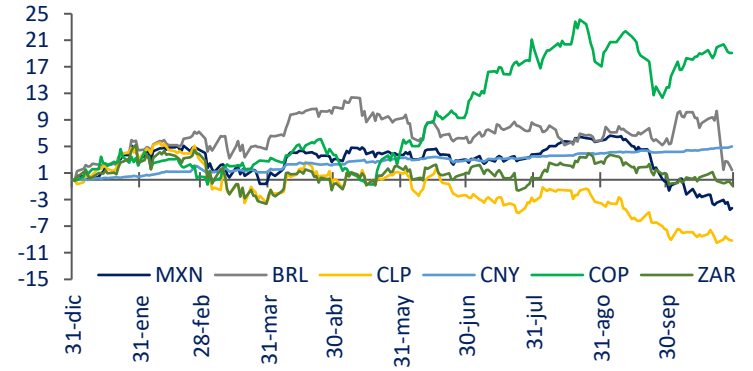
Resistances: $21.13 - $21.25 - $21.40

EUR/MXN *spot*: weekly candle chart (2 years)

Source: Prepared by the authors with Refinitv.

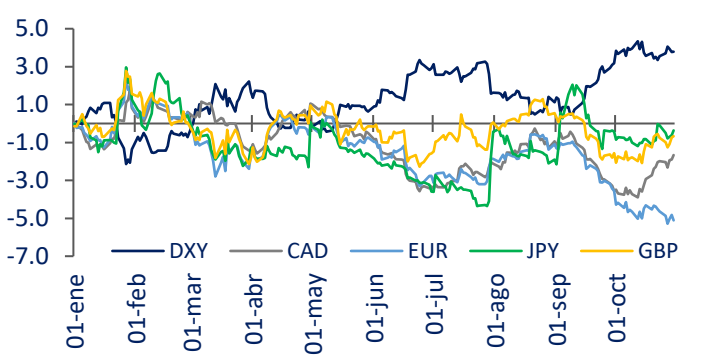
Key Market Indicators

Emerging Economies Currency Index (end of 2025 = 0)



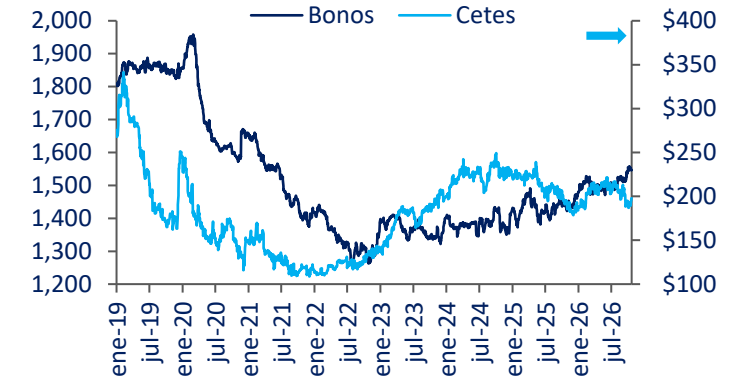
In the month, 70% of the currencies of emerging economies fell against the US dollar. The Mexican peso was positioned in second place among those with the greatest losses, after the Brazilian real (-5.3%).

Developed Economies Currency Index (end of 2025 = 0)



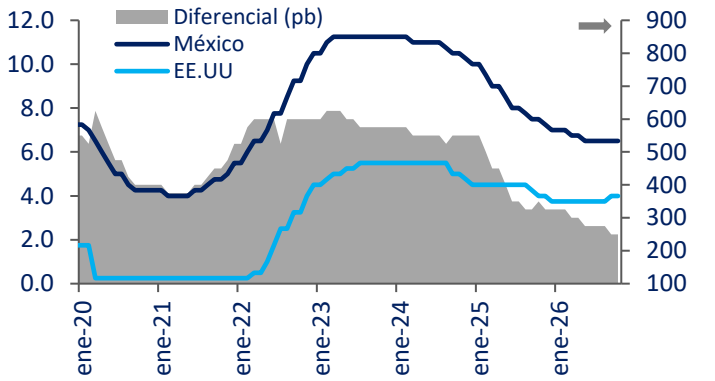
In October, most currencies in the G10 basket advanced against the dollar, with the Norwegian krone leading the gains (4.5%); while the euro led losses (-1.4%), affected by political and fiscal uncertainty.

Holding of bonds abroad (mdp)



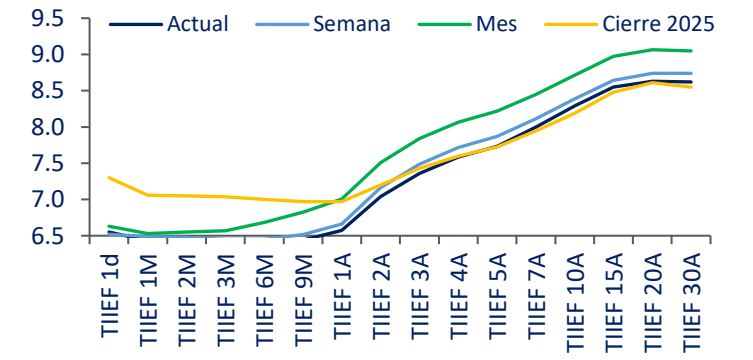
As of October 21, the holding of government debt inthe hands of residents abroad increased 1.9% monthly for M Bonds, and 4.3% for Cetes, due to a greater appetite for shorter-duration instruments.

Benchmark interest rate differential



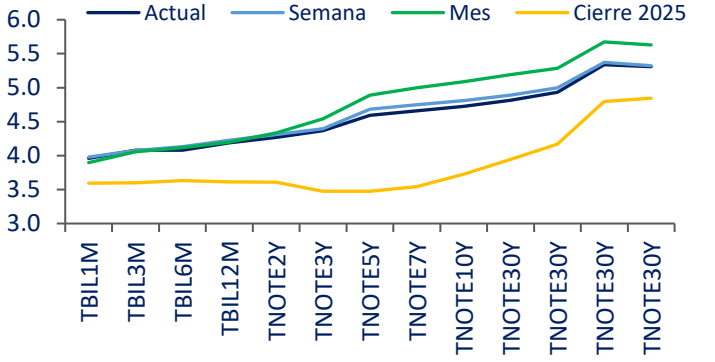
In the month, the interest rate differential between Mexico and the US remained at 250 bps, a minimum since 2016, considering the stability of the Fed's monetary policy.

TIIE curve of Mexico (%)



The short leg of the TIIE curve averages 6.45%, given the expectations of stability in Banxico's monetary policy, as the bias of Banxico's minutes drove investors' reconfiguration.

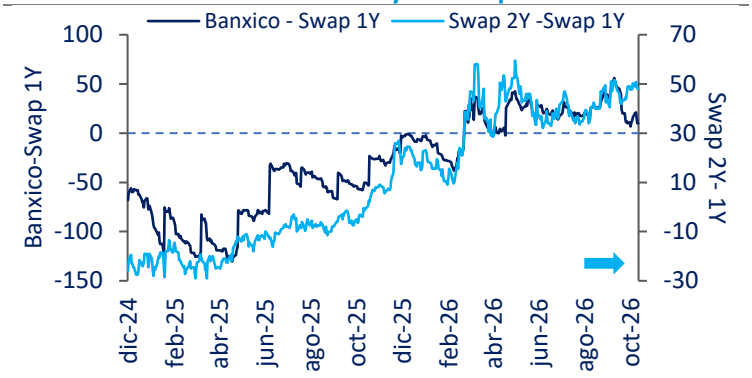
US Treasuries Curve (%)



The Treasury yield curve declined across the board in the month, although long-term nodes hit multi-decade highs on U.S. geopolitical and fiscal concerns.

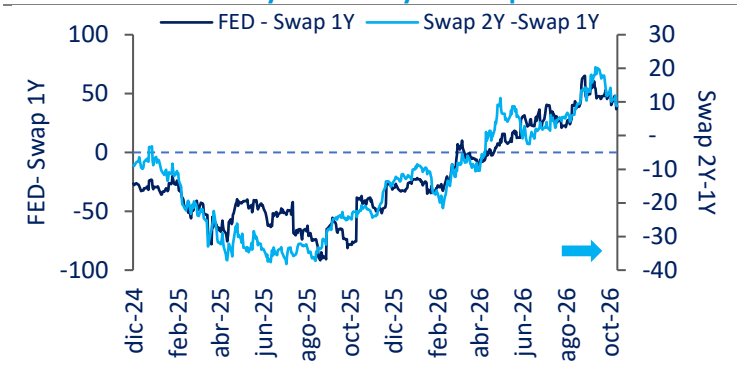
Key Market Indicators

Banxico interest rate vs 1 and 2-year swap curve



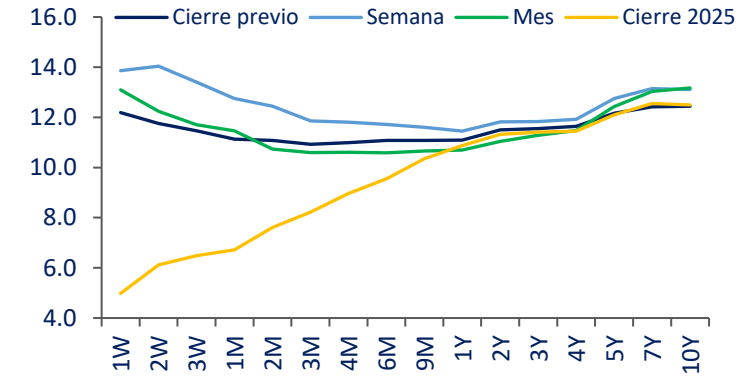
The difference between Banxico's benchmark interest rate and the 1-year swap curve trades around +10 bps, compared to +51 bps at the end of September, considering the minutes of Banxico's last monetary policy meeting.

Fed interest rate vs 1-year and 2-year swap curve



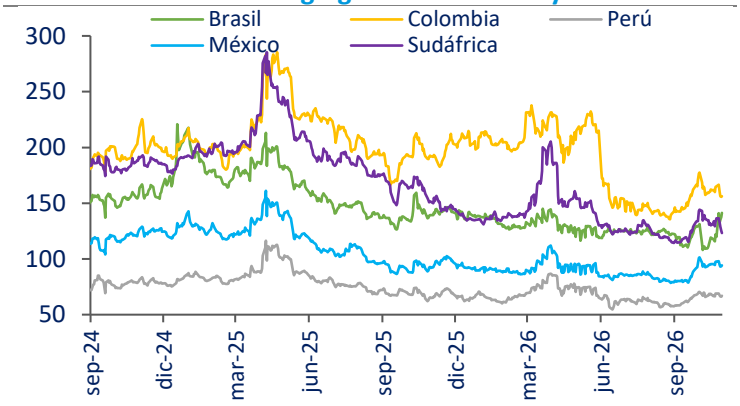
The spread between the upper bound of fed funds and 1-year swaps narrowed to +39 bps from +54 bps at the start of the month, considering Kevin Warsh's comments following the Oct. 28 decision.

USD/MXN implied volatility curve (%)



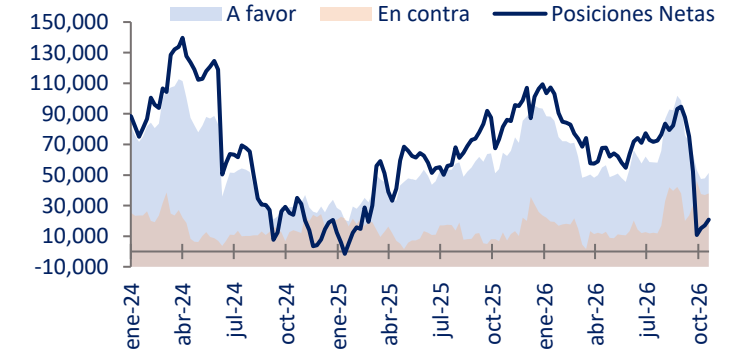
The USD/MXN implied volatility curve remains inverted in the short leg, given the elevated demand for investor hedging on the immediate horizon.

CDS of Mexico and emerging economies at 5 years



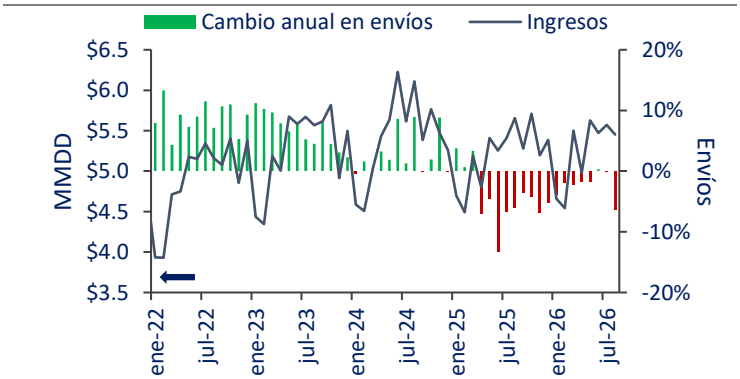
Most economies' perception of sovereign risk increased in the face of domestic political and fiscal factors , while geopolitical uncertainty exacerbated volatility.

Speculative net CFTC positions for the Mexican peso on the CME



The net speculative positions of the Mexican peso were 20,843 contracts in the week of October 21 to 27, from the previous 17,023. Domestically, the recovery of positions in favor of the peso (+6.0% weekly) stood out.

Remittance Revenue and Annual Change in Remittances



In August and with original figures, total income from remittances was $5.45 billion dollars (mmd), which implied a decrease of 3.6% annually.

Forex Indicators

Emerging economies

Closing of the period

	Cierre	Variación				Acumulado
	Previo	Diaria	Semanal	Mensual	Trimestral	2026
México	18.79	0.4%	-0.7%	-4.0%	-8.1%	-4.2%
Argentina	1,536.72	0.1%	-0.5%	-0.9%	-3.2%	-5.5%
Brasil	5.45	-1.2%	-8.6%	-4.4%	-6.0%	0.9%
Chile	992.93	-0.2%	0.2%	-2.0%	-6.6%	-9.3%
China	6.65	0.1%	0.2%	0.8%	1.4%	5.0%
Colombia	3,194.37	-0.8%	-1.5%	4.5%	-1.7%	18.2%
Hong Kong	7.84	0.0%	0.0%	0.0%	0.0%	-0.8%
India	94.96	0.3%	0.0%	1.1%	0.4%	-5.3%
Perú	3.47	-0.2%	-0.6%	-0.8%	-1.9%	-3.1%
Rusia	80.51	0.9%	0.3%	4.0%	-2.1%	-2.2%
Sudáfrica	16.71	-0.6%	-0.7%	-1.9%	-0.7%	-0.9%

Average of the period

	Datos del mes			Variación		Acumulado
	Promedio	Maximo	Minimo	Mensual	Trimestral	2026
México	17.27	18.07	16.89	1.2%	2.0%	2.2%
Argentina	1,513.84	1,524.64	1,506.47	1.0%	0.9%	0.2%
Brasil	5.14	5.22	5.09	-0.3%	0.1%	5.9%
Chile	949.99	974.07	924.83	3.4%	1.9%	-1.7%
China	6.71	6.72	6.69	-0.4%	-0.5%	2.0%
Colombia	3,188.88	3,360.62	3,085.26	1.7%	-0.6%	7.2%
Hong Kong	7.84	7.85	7.84	0.0%	0.0%	-0.5%
India	95.47	95.99	94.49	0.0%	-0.1%	-3.7%
Perú	3.38	3.44	3.35	0.4%	0.4%	-1.1%
Rusia	84.89	87.37	83.16	1.8%	2.3%	-0.2%
Sudáfrica	16.22	16.45	15.96	0.3%	0.2%	0.4%

5-day correlation

	MXN	ARS	BRL	CLP	CNY	COP	HKD	INR	PEN	RUB	ZAR
México	1.00	-0.65	0.20	0.47	-0.78	0.74	-0.27	-0.19	0.87	0.63	0.21
Argentina		1.00	-0.46	-0.27	0.77	-0.59	0.86	0.80	-0.73	0.00	-0.77
Brasil			1.00	0.83	-0.66	0.43	-0.45	-0.62	0.41	-0.02	0.83
Chile				1.00	-0.75	0.65	-0.14	-0.29	0.60	0.32	0.51
China					1.00	-0.93	0.64	0.66	-0.96	-0.15	-0.72
Colombia						1.00	-0.55	-0.55	0.97	0.06	0.52
Hong Kong							1.00	0.97	-0.58	0.51	-0.86
India								1.00	-0.55	0.53	-0.95
Perú									1.00	0.20	0.53
Rusia										1.00	-0.36
Sudáfrica											1.00

Developed economies

Closing of the period

	Cierre	Variación				Acumulado
	Previo	Diaria	Semanal	Mensual	Trimestral	2026
Dólar Index	101.89	-0.1%	0.1%	0.5%	2.2%	3.6%
Australia	0.70	0.0%	0.0%	0.7%	0.0%	5.4%
Canadá	1.40	0.2%	0.3%	1.6%	0.2%	-1.7%
Dinamarca	6.69	-0.1%	-0.3%	-1.5%	-3.0%	-5.0%
Euro	1.12	-0.1%	-0.3%	-1.6%	-3.0%	-4.9%
Japón	157.58	0.1%	-0.5%	-0.2%	1.2%	-0.6%
Noruega	9.20	0.5%	1.3%	4.3%	3.1%	9.6%
Nueva Zelanda	0.56	0.0%	-1.2%	-0.1%	-4.2%	-2.2%
Reino Unido	1.34	0.1%	0.2%	1.2%	-0.7%	-0.6%
Suecia	9.82	0.2%	1.1%	1.8%	-3.1%	-6.2%
Suiza	0.82	0.0%	0.1%	1.2%	-2.3%	-3.8%

Average of the period

	Datos del mes			Variación		Acumulado
	Promedio	Maximo	Minimo	Mensual	Trimestral	2026
Dólar Index	100.02	101.45	98.79	0.5%	0.4%	-1.2%
Australia	0.71	0.72	0.69	0.2%	0.1%	-4.1%
Canadá	1.40	1.42	1.38	0.5%	0.1%	-1.2%
Dinamarca	6.50	6.60	6.43	0.7%	0.7%	-1.5%
Euro	1.15	1.16	1.13	-0.7%	-0.7%	1.4%
Japón	156.40	160.18	153.56	-1.6%	-1.0%	-0.8%
Noruega	9.39	9.62	9.19	-0.4%	-0.9%	4.6%
Nueva Zelanda	0.58	0.59	0.56	-2.5%	-0.9%	-0.9%
Reino Unido	1.34	1.35	1.32	-1.0%	-0.2%	0.5%
Suecia	9.77	10.01	9.54	2.6%	1.1%	-2.4%
Suiza	0.82	18.03	0.81	1.5%	0.8%	-0.8%

5-day correlation

	DXY	AUD	CAD	DKK	EUR	JPY	NOK	NZD	GBP	SEK	CHF
Dólar Index	1.00	0.26	0.77	0.84	-0.84	0.95	0.55	0.25	-0.86	0.57	0.77
Australia		1.00	-0.37	0.09	-0.11	0.41	-0.52	-0.78	-0.04	-0.31	0.03
Canadá			1.00	0.74	-0.72	0.58	0.93	0.80	-0.88	0.87	0.83
Dinamarca				1.00	-1.00	0.80	0.51	0.41	-0.76	0.55	0.74
Euro					1.00	-0.81	-0.49	-0.39	0.75	-0.53	-0.74
Japón						1.00	0.27	-0.00	-0.67	0.29	0.56
Noruega							1.00	0.91	-0.82	0.95	0.81
Nueva Zelanda								1.00	-0.56	0.81	0.59
Reino Unido									1.00	-0.90	-0.98
Suecia										1.00	0.92
Suiza											1.00

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