Mexican Peso sinks as post-election losses pile up, down 0.30% in the week

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The Mexican Peso's downtrend continued Friday, with the emerging market currency depreciating by 0.48% as market participants were still nervous about the judiciary reform. Presumptive President Claudia Sheinbaum reiterated Thursday that the reform is a go, emphasizing that judges should be elected, agreeing with President Andres Manuel Lopez Obrador's proposal. Therefore, the Peso continues to weaken, and the USD/MXN trades at 18.44.

Mexico's presumptive President Claudia Sheinbaum reassured investors that they shouldn't be concerned about the reforms. She said, "Mexico's economy is healthy, strong, and [there is] nothing to worry about."

Meanwhile, Bank of Mexico (Banxico) Governor Victoria Rodriguez Ceja said on Wednesday that the central bank is attentive to volatility in the Mexican currency exchange rate and could act to restore "order" in markets.

Across the border, the latest Federal Reserve (Fed) decision to keep rates unchanged and projection of just one interest rate cut in 2024 cushioned the Greenback and boosted the USD/MXN to 14-month highs.

A survey by the University of Michigan (UoM) showed that consumer sentiment amongst Americans deteriorated further, blamed on inflation and incomers. Joanne Hsu, the Director of the Consumers Survey, said that "Assessments of personal finances dipped, due to modestly rising concerns over high prices as well as weakening incomes. Overall consumers perceive few changes in the economy from May." Surprising results, given that latest US inflation report increased the odds of a Fed rate cut in September from 46.7% to 62%, according to CME FedWatch Tool.

Mexican Peso depreciation could weigh on Banxico decision to ease policy on June 27 despite last month's dip in core prices. Therefore, keeping interest rates higher, at 11%, could prompt deceleration in the economy and increase the odds of a possible recession.