



Latin America's Next Growth Wave: Nearshoring, Financialization, and Consumer Expansion



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Key takeaways:

- Latin American equities have outperformed thanks to centre-right political shifts, commodity strength, and dollar weakness, though geopolitical tensions have caused recent pullbacks.
- Nearshoring, rising consumer demand, and low financial services penetration create long-term opportunities across the region.
- Energy shocks and dollar strength pose near-term risks, but expected dollar weakness and regional fundamentals should support performance ahead.

Latin American equities have outperformed both developed market and overall emerging market equities since 2025¹. This strong performance has been driven by several factors that have benefited the region.

Structural factors driving regional performance

Political changes have played a significant role in the region's strong relative performance, with a shift toward centre-right governments gaining favour among investors. Additionally, high real interest rates have supported the region, while US dollar weakness has been a tailwind for Latin American assets. Latin America tends to perform better than any other region during periods of US dollar weakness, and this pattern has held true recently. Stronger commodity prices have also contributed meaningfully to regional performance. Latin America has not been insulated from recent market volatility. The Iran conflict has triggered a significant correction across areas that had previously performed well, and Latin American equities have experienced a material pullback as a result.

Emerging opportunities across the region

A key theme emerging across Latin America is the wave of political changes favouring centre-right governments, which has been consistently rewarded by stock markets. This shift began with Javier Milei becoming President in Argentina and continued with José Antonio Kast's election as President in Chile. A similar political change is expected in Peru's elections scheduled for April 2026. Perhaps most significantly, Brazil's October 2026 presidential election currently appears closely contested between sitting President Lula and Flávio Bolsonaro, the son of former President Jair Bolsonaro, with potential implications for the broader region.

¹ Source: Bloomberg, as at March 2026.

Commodity prices remain a critical driver for Latin American performance. Chile and Peru rank among the world's largest copper exporters and are well-positioned to benefit from the current attractive supply-demand dynamics for the metal. Peru is also a significant gold exporter, while Brazil's export portfolio is dominated by commodities including iron ore, crude petroleum, and soft commodities. Should commodity prices remain elevated, driven by strong global demand, this would provide substantial support to the region.

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Latin America has emerged as a key beneficiary of the ongoing global supply chain realignment, as companies increasingly seek to reduce reliance on distant manufacturing hubs amid post-pandemic resilience concerns and US-China geopolitical tensions. This shift has accelerated demand for nearshoring—relocating production closer to end markets to reduce logistics costs, lead times, and supply chain risk. Mexico stands out as a particularly attractive destination given its geographic proximity to the US, competitive labour costs, skilled manufacturing workforce, and established trade infrastructure under the USMCA (United States-Mexico-Canada Agreement). However, the upcoming USMCA joint review in summer 2026 will be critical to monitor as this could impact Mexico's competitiveness and influence investment decisions across the region.

Navigating near-term risks

The US dollar plays a crucial role for emerging markets equity performance. Historically, there has been a strong negative correlation between US dollar strength and the relative performance of emerging markets compared to developed markets. The US dollar weakness experienced throughout 2025 provided meaningful support to emerging market equities. Both emerging markets and the US dollar tend to move in longer-term cycles, and our view remains that the US dollar is likely to have entered a sustained weak cycle, which should support emerging markets going forward.

The Iran conflict has temporarily disrupted this dynamic by triggering US dollar strength. Should this trend continue, it would represent a headwind for emerging markets broadly. Emerging markets countries are net importers of oil, making them vulnerable to prolonged periods of elevated energy prices. At the moment, Asian economies appear to be the most vulnerable to energy price shocks due to their heavier reliance on Middle East oil imports than Latin America for example. Our current assessment is that the Iran conflict is likely to be relatively short-lived. However, should the situation become prolonged beyond current expectations, it could pose a risk.

Identifying high-potential markets and sectors

We believe some of the most attractive long-term opportunities lie in companies that benefit from increasing domestic consumption and financialization across emerging markets. Consumer companies stand to benefit from rising incomes, urbanization, and the formalization of economies across the region. Financials companies also present compelling long-term opportunities. Many emerging markets countries exhibit low levels of banking, insurance, and capital markets penetration, which should support sustained growth in these sectors as economies develop and consumers gain greater access to financial products and services.

Latin America is well-positioned in this regard, given its large middle-class consumer base and the relatively low levels of financial services penetration found in most countries throughout the region.

Beyond Latin America, North Asian markets remain well-positioned to benefit from high growth in artificial intelligence investments. South Korea and Taiwan are home to numerous critical companies within the AI supply chain, and while these markets have performed strongly and valuations have re-rated, long-term opportunities remain attractive from a structural perspective.

India is also worth highlighting as it promises a long-term opportunity in emerging markets, despite lagging broader emerging markets in 2025. While India's valuations do not appear cheap, the country remains among the fastest-growing economies and its favourable demographic profile and abundance of high-quality companies continue to support the long-term investment case.

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