

ARGENTINA MACROECONOMIC PERSPECTIVES

Weekly Market Strategy Report

August 6, 2019

Trade war between US and China continued escalating, affecting the exchange rate, however, Central Bank actions were sufficient to calm the domestic market

Economic Indicators as of 08/02					
Indicator	Value	Week	Month	Year	Outlook
Exchange Rate (ARS/USD)*	\$ 46,52	↑	↑	↑	●
Badlar Rate	49,81%	↑	↑	↑	●
7 day Leliq rate	61,59%	↑	↑	↑	●
Country Risk bps	890	↑	↑	↑	●
GDP yoy (last Q)	-5,80%			↓	●
Inflation Indec yoy	55,80%		↑	↑	●
Industrial Production yoy (EMI)	-6,90%		↓	↓	●
Reserves (000s mill USD)	67,56	↓	↑	↑	●
Tax Revenue yoy	53,40%		↑	↑	●
Merval Index	41359	↓	↓	↑	●

*up means depreciation

Outlook: green, yellow or red signals whether the variable will have a favorable, neutral or unfavorable variation in the short run

HIGHLIGHTS

- The exchange rate hit its highest level following April's peak, driven by the effect of the yuan's depreciation and strengthening of the US dollar worldwide. However, the CB showed it has tools, i.e. futures selling and rising Leliq rates, to face this scenario and avoid affecting local confidence on the peso. Hence, as international markets gradually calmed, following China's yuan intervention, the peso slightly recovered. Although it has depreciated close to 9% in the past month, political uncertainty days before Primaries has had a lower than expected effect, as the majority of the FX variation occurred in the past week due to external factors.

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- The latest CB's market survey reflected exchange rate stability and decelerating inflation expectations. The inflation path was similar to the previous month's report, with monthly inflation falling to levels below 2.5% in the coming months, and annual inflation at 40% in 2019. On the other hand, the monetary policy interest rate curve (Leliq) moved downwards, and so did the exchange rate's curve. However, it is likely both will suffer corrections in next month's report, to include the effect of recent events and the result of primary elections.

Market Expectations Survey (REM) - BCRA - July 2019						
	Reference	Median National CPI	Median Core National CPI	Monetary policy rate	Nominal exchange rate	GDP at constant prices
Jul-19	var. % m/m	2,4	2,4			
Aug-19	var. % m/m	2,4	2,4	59,70	44,9	
Sep-19	var. % m/m	2,3	2,3	58,00	46,3	
Oct-19	var. % m/m	2,3	2,3	57,10	48,0	
Nov-19	var. % m/m	2,1	2,2	56,00	49,0	
Dec-19	var. % m/m	2,2	2,2	53,00	50,0	
Jan-20	var. % m/m	2,2	2,1	50,00	51,0	
2019	var. % yoy	40,0	41,4	53,00	50,0	-1,5
Next. 12 months	var. % yoy	30,2	29,0	41,14	56,0	
2020	var. % yoy	28,0	26,5	35,00	60,8	2,0

Argentina: Economic Indicators From July 29th to August 2nd

Date	Indicators	Period	Cons.	Prior	Actual
Thu 01	Tax revenue	Jul	--	\$454.4b	\$450.9b
Fri 02	REM – BCRA	Jul	--	--	--
	7-day Leliq base rate - BCRA	02 aug	--	59.59%	61.01%

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Argentina: Economic indicators This week

Date	Indicators	Period	Cons.	Previous
Mon 05	Vehicle domestic sales Adefa	Jul	--	36501
	Vehicle production Adefa	Jul	--	23916
	Vehicle exports Adefa	Jul	--	17401
Tue 06	Cosntruction activity m/m s.a.	Jun	--	2.3%
	Manufacturing m7m s.a.	Jun	--	0.6%
Fri 09	7-day Leliq base rate - BCRA	09 aug	--	61.01%

Argentina						
Long Run Economic Indicators						
Indicator	Exante - July 2019			EconViews - July 2019		
	2018	2019E	2020E	2018	2019E	2020E
Real GDP - yoy	-2,5%	-1,8%	1,4%	-2,5%	-1,8%	2,5%
Investments - yoy	-5,8%	-17,2%	3,8%	-5,8%	-10,5%	12,0%
Consumption - yoy	-2,4%	-4,1%	0,6%	-2,4%	-5,2%	2,5%
Reference Rate BCRA	59,30%	--	--	59,30%	48,00%	36,00%
International Reserves - USD bill	65,8	58,1	64,0	65,8	60,4	61,7
Current Account - % GDP	-5,4%	-2,1%	-2,0%	-5,6%	-1,3%	-2,0%
CPI - yoy	47,6%	45,4%	23,8%	47,6%	40,5%	31,5%
Exchange Rate - ARS/USD	37,81	54,50	57,60	37,81	50,00	62,00
Debt National Gov. - % GDP*	86,0%	90,3%	79,8%	42,2%	49,7%	47,5%
Imports - CIF USD bill.	65,4	51,6	54,3	65,7	53,5	62,2
Exports - FOB USD bill.	61,2	65,1	68,5	61,2	63,0	68,5
Unemployment Rate - year average**	9,1%	10,4%	9,4%	9,1%	10,1%	10,3%
Primary Fiscal Deficit - % GDP	-2,6%	-0,6%	--	-2,6%	0,0%	1,0%

*Econviews: excludes intra gov. Debt, and includes GDP coupons and holdouts

**Exante: real, end of year

Source: CMA based on Econviews and Exante

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