

ARGENTINA MACROECONOMIC PERSPECTIVES

Weekly Market Strategy Report

August 13, 2019

An unexpected result in primary elections changed the current outlook, resulting in a slump in prices and heavy peso depreciation

Economic Indicators as of 08/09					
Indicator	Value	Week	Month	Year	Outlook
Exchange Rate (ARS/USD)*	\$ 58,33	↑	↑	↑	●
Badlar Rate	51,25%	↑	↑	↑	●
7 day Leliq rate	74,85%	↑	↑	↑	●
Country Risk bps	1607	↑	↑	↑	●
GDP yoy (last Q)	-5,80%			↓	●
Inflation Indec yoy	55,80%		↑	↑	●
Industrial Production yoy (EMI)	-6,90%		↓	↓	●
Reserves (000s mill USD)	65,73	↓	↑	↑	●
Tax Revenue yoy	53,40%		↑	↑	●
Merval Index	27539	↓	↓	↑	●

*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

- President Macri was 15pp behind Alberto Fernandez and Cristina Kirchner's formula, increasing chances elections end in October. This result negatively affected Argentine assets, drove country risk above 1600bps and the exchange rate rose 20% in one day.
- The Central Bank raised rates by 13pp and sold USD 315 million reserves, it had not traded in the spot market since last September, aiming to cap the run on the peso. As a rise in the exchange rate has a direct effect on inflation, which had started to show signs of deceleration in the past months. Hence, the immediate challenge for the government is to minimize the effect of political uncertainty over inflation, the peso and the slight economic rebound seen until July.

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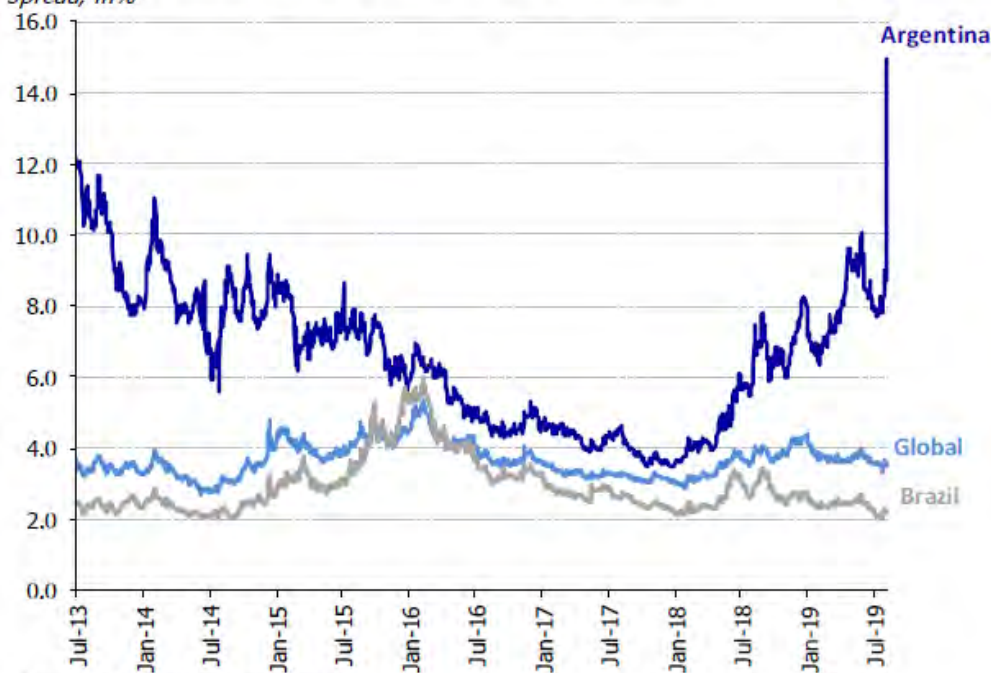
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- The transition until October will be characterized by high volatility, awaiting AF's definitions regarding economic policies, in particular IMF agreement, debt, monetary policy and fiscal policy targets, something unlikely to happen until the victory is reassured.

Argentine country risk vs other emerging-markets

spread, in%



Source: EconViews based on JPMorgan

Argentina: Economic Indicators From August 5th to August 9th

Date	Indicators	Period	Cons.	Prior	Actual
Mon 05	Vehicle domestic sales Adefa	Jul	--	36501	39255
	Vehicle production Adefa	Jul	--	23916	21646
	Vehicle exports Adefa	Jul	--	17401	19913
Tue 06	Cosntruction activity m/m s.a.	Jun	--	2.3%	-4.2%
	Manufacturing m7m s.a.	Jun	--	0.6%	-1.8%
Fri 09	7-day Leliq base rate - BCRA	09 aug	--	61.01%	63.71%

Argentina: Economic indicators This week

Date	Indicators	Period	Cons.	Previous
Thu 15	National CPI y/y	Jul	--	55.80%
	National CPI m/m	Jul	2.40%	2.70%
Fri 16	7-day Leliq base rate - BCRA	16 aug	--	63.71%

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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, endo of year

Source: CMA based on Econviews and Exante

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