ARGENTINA MACROECONOMIC PERSPECTIVES

Weekly Market Strategy Report

August 20, 2019

In order to remove uncertainties, the new Economy Minister and Central Bank President reinforced maintenance of the current policies

Economic Indicators as of 16/09					
Indicator	**Value**	**Week**	**Month**	**Year**	**Outlook**
Exchange Rate (ARS/USD)*	$ 57,64	⇧	⇧	⇧	🔴
Badlar Rate	57,56%	⇧	⇧	⇧	🟡
7 day Leliq rate	74,97%	⇧	⇧	⇧	🔴
Country Risk bps	1855	⇧	⇧	⇧	🔴
GDP yoy (last Q)	-5,80%			⇩	🟡
Inflation Indec yoy	54,40%		⇧	⇧	🔴
Industrial Production yoy (EMI)	-6,90%		⇩	⇩	🔴
Reserves (000s mill USD)	62,41	⇩	⇩	⇧	🟢
Tax Revenue yoy	53,40%		⇧	⇧	🟡
Merval Index	30407	⇩	⇩	⇧	🟡

*up means depreciation

Outlook: green, yellow or red signals w ether the variable w ill have a favorable, neutral or unfavorable variation in the short run

HIGHLIGHTS

- At press conferences, the new Economy Minister, Hernan Lacunza and the CB´s President, Guido Sandleris, evaluated the current scenario, highlighting the State´s and bank´s financial positions. Although there were no major announcements, the main goal was to show strength and determination to face volatility until October´s elections.

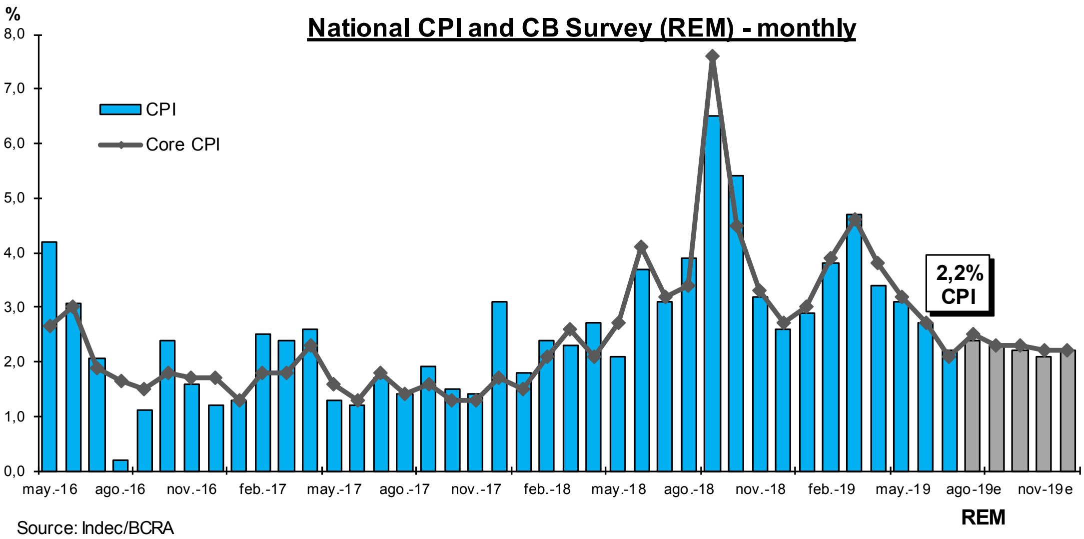
- Lacunza remarked fiscal achievements to date, including over-meeting targets. The primary fiscal surplus year to date is at 0.2% of GDP, while the Financial result reached -1.7%, improving 0.4pp compared to last year. Furthermore, he stated the fiscal stimulus announced last week will not affect the budget and is in line with policies agreed with the IMF.

- Economists from opposing parties were called, particularly due to Alberto Fernandez´s high chances of winning in October, for them to acknowledge that any definitions in terms of economic policies will affect the current scenario. Emphasizing the government has the double task of managing the economic scenario pre-PASO and minimizing vulnerability arising from two months of political uncertainty.

- Regarding the exchange rate, Lacunza considered it is above its equilibrium level, and reducing FX speculation is central as there are no structural reasons for the peso to continue depreciating.

- Similarly, Sandleris confirmed the maintenance of the current monetary policy frame, which is aimed at holding the exchange rate, which is already *"competitive"*, and reduce passthrough to prices. Following the press conferences, the CB sold USD 112 million reserves, and the exchange rate dropped 1.1%, closing within the new virtual band of ARS 57 and ARS 62.

- Although inflation decelerated to 2.2% in July, the recent peso weakening will have its effect on August´s prices. Annual inflation last month touched 54.4%, due to rising prices of Food and Regulated services, including Health and Transport.



Argentina: Economic Indicators
From August 12th to August 16th

Date	Indicators	Period	Cons.	Prior	Actual
Thu 15	National CPI y/y	Jul	--	55.80%	54.4%
	National CPI m/m	Jul	2.40%	2.70%	2.2%
Fri 16	7-day Leliq base rate - BCRA	16 aug	--	63.71%	74.97%

Argentina: Economic indicators This week				
Date	**Indicators**	**Period**	**Cons.**	**Previous**
Wed 21	Construction costs m/m	Jul	--	1.7%
	Wholesale prices m/m	Jul	--	1.7%
	Trade balance	Jul	--	USD1.061m
Thu 22	Economic activity m/m	Jun	--	0.2%
Fri 23	Consumer confidence – UTDT	Aug	--	8.9%
	7-day Leliq base rate – BCRA	23 aug	--	74.97%

Argentina Long Run Economic Indicators						
	Exante - July 2019			**EconViews - August 2019**		
Indicator	**2018**	**2019E**	**2020E**	**2018**	**2019E**	**2020E**
Real GDP - yoy	-2,5%	-1,8%	1,4%	-2,5%	-2,7%	-1,0%
Investments - yoy	-5,8%	-17,2%	3,8%	-5,8%	-15,0%	3,5%
Consumption - yoy	-2,4%	-4,1%	0,6%	-2,4%	-6,5%	-1,5%
Reference Rate BCRA	59,30%	--	--	59,30%	55,00%	36,00%
International Reserves - USD bill	65,8	58,1	64,0	65,8	45,3	46,4
Current Account - % GDP	-5,4%	-2,1%	-2,0%	-5,6%	-0,6%	-0,4%
CPI - yoy	47,6%	45,4%	23,8%	47,6%	52,5%	40,0%
Exchange Rate - ARS/USD	37,81	54,50	57,60	37,81	65,00	83,00
Debt National Gov. - % GDP*	86,0%	90,3%	79,8%	42,2%	54,4%	57,1%
Imports - CIF USD bill.	65,4	51,6	54,3	65,7	51,0	56,2
Exports - FOB USD bill.	61,2	65,1	68,5	61,2	63,0	68,1
Unemployment Rate - year average**	9,1%	10,4%	9,4%	9,1%	10,5%	10,9%
Primary Fiscal Deficit - % GDP	-2,6%	-0,6%	--	-2,6%	0,0%	0,0%

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

**Exante: real, endo of year

Source: CMA based on Econviews and Exante

Graciela Cairoli
Director

Alejandro Quelch
Head of Research Department
aquelch@capitalmarkets.com.ar

Jaime Krause
Head of Asset Management
Portfolio Manager

Noelia Lucini, CFA
Fixed Income Strategy.
Portfolio Manager

Nicolas Viveros
Senior Analyst (Fixed Income)
nviveros@capitalmarkets.com.ar

Agustin Giannattasio, CFA
Equity Senior Analyst
agiannattasio@capitalmarkets.com.ar

María Teresa Leiva
Macroeconomic Analyst
mleiva@capitalmarkets.com.ar

Juan José Guma
Analyst
jguma @capitalmarkets.com.ar

Valeria Flores
Virtual Library Administrator.
Assistant
vflores@capitalmarkets.com.ar

Dolores Jáuregui
Communication with external Analysts
Assistant
djauregui@capitalmarkets.com.ar

****** Capital Markets Argentina S.A. – Non-Research Disclosures ******

Legal and disclosure information

This material/information is not for retail clients or private individuals.

Notice to U.S. investors

This material is not to be distributed in the United States, except to Major US institutional Investors as defined in SEC Rule 15a-6 ("Rule 15a-6"). Capital Markets Argentina (CMA) has entered into arrangements with Epic Capital Securities Corp. ("ECSC") a FINRA member broker-dealer which enables this material to be furnished to eligible U.S. recipients in reliance on Rule 15a-6 under the U.S. Securities Exchange Act of 1934, as amended.

Each U.S. recipient of this material represents and agrees, by virtue of its acceptance thereof, that it is such a "major U.S. institutional investor" (as such term is defined in Rule 15a-6) and that it understands the risks involved in executing transactions in any securities referenced in these materials. Any U.S. recipient of this information that wishes to discuss or receive additional information regarding any topic, security or other items herein, or engage in any transaction to purchase or sell or solicit or offer the purchase or sale of any securities referenced in this material, should contact a registered representative of ECSC, which maintains a chaperoning arrangement with CMA. ECSC is a broker-dealer registered with the SEC, Member of FINRA and SIPC. You can reach ECSC at 2000 Glades Road, Suite 210 Boca Raton, FL 33431, phone (561) 829-2173. Further information is also available at www.epiccapitalfl.com. You may obtain information about SIPC, including the SIPC brochure, by contacting SIPC directly at 202-371-8300; website: http://www.sipc.org.

ECSC and CMA are under common control and ownership and maintain certain dually associated persons. CMA is a registered Futures Broker-Dealer in Argentina and was formed in 1990. The company is a member of the Rosario Futures Market approved to act as an agent and compensation member. CMA is regulated by the Rofex market and the Comisión Nacional de Valores. CMA also acts as investment advisor for local equity and fixed income products for individuals, corporations and institutional investors. CMA is located at Esmeralda 130, 8th. Floor, zip code: C1035ABD, Buenos Aires, Argentina. Further information is also available at: www.capitalmarkets.com.ar

The information contained in this publication was obtained from various publicly available sources believed to be reliable, but has not been independently verified by CMA or ECSC. CMA and ECSC do not warrant the completeness or accuracy of such information and do not accept any liability with respect to the accuracy or completeness of such information, except to the extent required by applicable law. **This publication is a brief summary and does not purport to contain all available information on the subjects covered. Further information may be available on request. This material may not be reproduced for further publication unless the source is quoted. This publication is for information purposes only and shall not be construed as an offer or solicitation for the subscription or purchase or sale of any securities, or as an invitation, inducement or intermediation for the sale, subscription or purchase of any securities, or for engaging in any other transaction. This publication is not for private individuals.**

Any opinions, projections, forecasts or estimates in this material are those of the author and entity listed on the front page of this material only, who has acted with a high degree of expertise. They reflect only the current views of the author at the date of this publication and are subject to change without notice. CMA and ECSC have no obligation to update, modify or amend this publication or to otherwise notify a reader or recipient of this publication in the event that any matter, opinion, projection, forecast or estimate contained herein, changes or subsequently becomes inaccurate. The analysis, opinions, projections, forecasts and estimates expressed in this material in no way affected or influenced by the issuer. The author of this material benefits financially from the overall success of CMA.

The investments referred to in this publication may not be suitable for all recipients. Recipients are urged to base their investment decisions upon their own appropriate investigations that they deem necessary. Any loss or other consequence arising from the use of the material contained in this publication shall be the sole and exclusive responsibility of the investor, CMA and ECSC do not accept any liability for any such loss or consequence. In the event of any doubt about any investment, recipients should contact their own investment, legal and/or tax advisers to seek advice regarding the appropriateness of investing. Some of the investments mentioned in this publication may not be readily liquid investments. Consequently it may be difficult to sell or realize such investments. The past is not necessarily a guide to future performance of an investment. The value of investments and the income derived from them may fall as well as rise and investors may not get back the amount invested. Some investments discussed in this publication may have a high level of volatility. High volatility investments may experience sudden and large falls in their value which may cause losses. International investing includes risks related to political and economic uncertainties of foreign countries, as well as currency risk.

To the extent permitted by applicable law, no liability whatsoever is accepted for any direct or consequential loss, damages, costs or prejudices whatsoever arising from the use of this publication or its contents.