ARGENTINA MACROECONOMIC PERSPECTIVES

Weekly Market Strategy Report

October 8, 2019

Capital Markets Argentina

August activity figures reflect Primaries´ negative effect, reducing the possibility of an immediate recovery

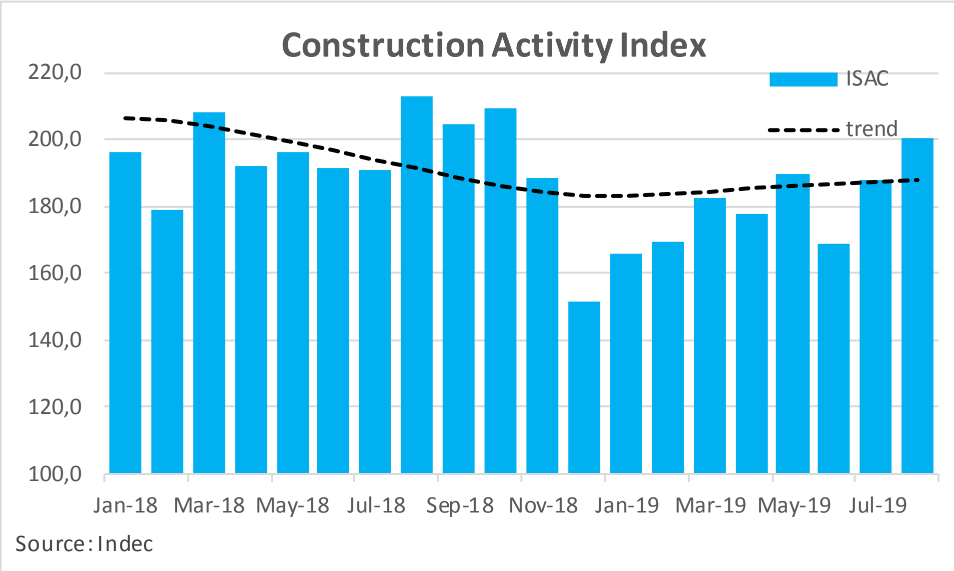
Economic Indicators as of 10/04					
Indicator	**Value**	**Week**	**Month**	**Year**	**Outlook**
Exchange Rate (ARS/USD)*	$ 60,22	⇧	⇧	⇧	🔴
Badlar Rate	57,88%	⇩	⇩	⇧	🟡
7 day Leliq rate	71,88%	⇩	⇩	⇧	🔴
Country Risk bps	2110	⇩	⇧	⇧	🔴
GDP yoy (last Q)	0,60%			⇧	🟡
Inflation Indec yoy	54,50%		⇧	⇧	🔴
Industrial Production yoy (EMI)	-6,40%		⇩	⇩	🔴
Reserves (000s mill USD)	48,17	⇩	⇩	⇩	🟡
Tax Revenue yoy	47,20%		⇩	⇧	🟡
Merval Index	31817	⇧	⇧	⇧	🟡

*up means depreciation

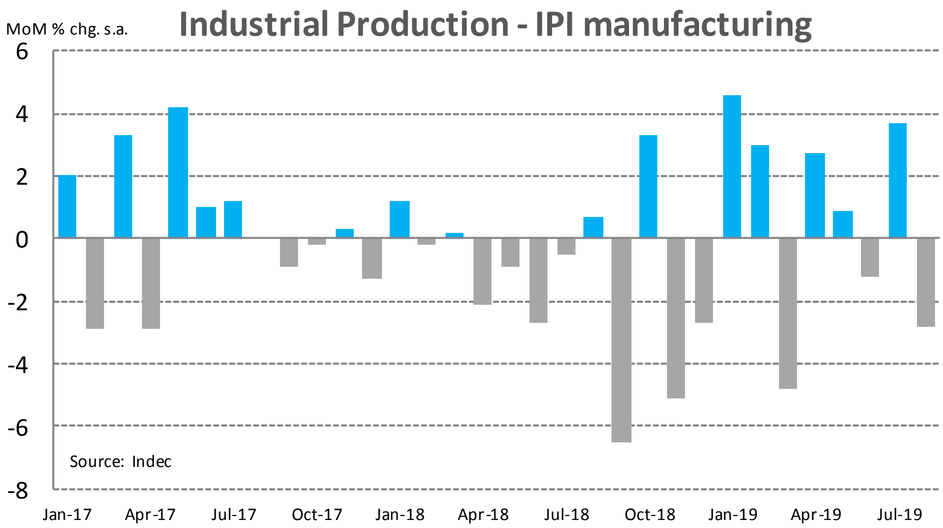
Outlook: green, yellow or red signals w ether the variable w ill have a favorable, neutral or unfavorable variation in the short run

HIGHLIGHTS

- Following several months of a positive trend, industrial production dropped 2.8% mom seasonally adjusted in August, while construction remained almost flat attaining 0.4% mom s.a. growth. Both sectors showed clear improvements during the second quarter, which continued in July. However, outlook changes as from August, and high political uncertainty interrupted the recovery.



- Manufacturing contracted 8.1% year to date. While main surveyed sectors remain in negative, the *Food* sector increased 0.4% yoy driven by soybean and sunflower oil and byproducts (+36.8% yoy). Despite growth in products like biodiesel and agrochemicals, there is no specific sector or group of activities which show recovery to continue driving up the agriculture´s sector positive dynamics during 1H19



- The latest Central Bank market expectations survey (REM) reflects the monetary measures introduced in September and the impact on growth. Although interest rate and inflation projections remained stable, the exchange rate short term path was revised down to reflect less pressure on the official peso quote following capital controls. Furthermore, GDP growth estimates were revised down again to -2.9% in 2019 and -1.5% in 2020

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Market Expectations Survey (REM) - BCRA - September 2019

	Reference	Median National CPI	Median Core National CPI	Monetary policy rate	Nominal exchange rate	GDP at constant prices
Sep-19	var. % m/m	5,8	6,3			
Oct-19	var. % m/m	4,4	4,5	79,00	59,3	
Nov-19	var. % m/m	4,0	3,8	76,00	62,0	
Dec-19	var. % m/m	3,6	3,9	73,00	65,0	
Jan-20	var. % m/m	3,5	3,5	68,00	67,2	
Feb-20	var. % m/m	3,3	3,4	65,00	69,6	
Mar-20	var. % m/m	3,3	3,2	61,25	71,4	
2019	var. % yoy	54,9	57,8	73,00	65,0	-2,9
Next. 12 months	var. % yoy	48,0	48,0	48,00	82,2	
2020	var. % yoy	40,5	39,7	42,50	88,0	-1,5

Argentina: Economic Indicators
From September 30th to October 4th

Date	Indicators	Period	Cons.	Prior	Actual
Tue 01	Tax revenue	Sep	--	$458.5b	$422.0b
Wed 02	Central Bank Survey REM – BCRA	Sep	--	--	--
Thu 03	Construction activity ISAC mom s.a.	Aug	--	3.3%	0.4%
	Industrial Production IPIM mom s.a.	Aug	--	3.0%	-2.8%
	Vehicle domestic sales Adefa	Sep	--	38.021	26.876
	Vehicle production Adefa	Sep	--	30.815	27.687
	Vehicle exports Adefa	Sep	--	18.856	21.568
Fri 04	7-day Leliq base rate – BCRA	4 oct	--	79.21%	74.98%

Argentina: Economic indicators
This week

Date	Indicators	Period	Cons.	Previous
Fri 11	7-day Leliq base rate – BCRA	11 oct	--	74.98%

Argentina Long Run Economic Indicators						
	Exante - July 2019			EconViews - September 2019		
Indicator	**2018**	**2019E**	**2020E**	**2018**	**2019E**	**2020E**
Real GDP - yoy	-2,5%	-1,8%	1,4%	-2,5%	-3,0%	-2,0%
Investments - yoy	-5,8%	-17,2%	3,8%	-5,8%	-15,0%	-1,0%
Consumption - yoy	-2,4%	-4,1%	0,6%	-2,4%	-7,5%	-3,0%
Reference Rate BCRA	59,30%	--	--	59,30%	65,00%	42,00%
International Reserves - USD bill	65,8	58,1	64,0	65,8	32,0	38,0
Current Account - % GDP	-5,4%	-2,1%	-2,0%	-5,6%	-1,0%	0,8%
CPI - yoy	47,6%	45,4%	23,8%	47,6%	52,5%	47,0%
Exchange Rate - ARS/USD	37,81	54,50	57,60	37,81	65,00	88,00
Debt National Gov. - % GDP*	86,0%	90,3%	79,8%	42,2%	51,3%	55,6%
Imports - CIF USD bill.	65,4	51,6	54,3	65,7	51,0	52,0
Exports - FOB USD bill.	61,2	65,1	68,5	61,2	63,0	65,5
Unemployment Rate - year average**	9,1%	10,4%	9,4%	9,1%	10,5%	11,0%
Primary Fiscal Deficit - % GDP	-2,6%	-0,6%	--	-2,6%	-0,5%	-0,5%

*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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