

INSTITUTO DE INVESTIGACIÓN
FACULTAD DE CIENCIAS ECONÓMICAS Y EMPRESARIALES
UNIVERSIDAD DEL SALVADOR

**ECONOMIC
AND BUSINESS
SCIENCES
RESEARCH
INSTITUTE**

Editor:

Héctor Rubini

Staff:

Gustavo Martin

Hector Rubini

Eliana Scialabba

Jorge Viñas

VIAMONTE 1816
C1056ABB CIUDAD DE
BUENOS AIRES, ARGENTINA
TEL +5411-811-5327
+5411-811-6052
+5411-811-7441
<http://fceye.usal.edu.ar>

KEY DATA

- **Interbank interest rates.** The Central Bank of Argentina raised overnight and 1-week repo rates up to annual 28.75%, as both observed and expected inflation remain above the central bank targets.

INSIDE THE ECONOMY

- **Mid-term election and expectations.** The Gov't victory in October mid-term election was better than expected. It bolstered President Macri's real power and paved the way, at least until 2019, to reverse the legacy from the Kirchnerist political and economic "model".

HIGHLIGHTS

- **Shock reforms.** The Gov't submitted several bills to the Congress, focused on the promotion of higher long-term growth rates. Nevertheless, there are no initiatives to reduce the current fiscal deficit and the public debt.
- **Interest rates hike.** The Central Bank of Argentina increased the monetary policy rate for 250 b.p. as the observed inflation rate does not converge to the official targets. It strengthened the expectations of new interest rate hikes for the next three months, and profitable "carry-trade" strategies.
- **New Fed chairman.** Jerome Powell was appointed to succeed Janet Yellen as new Fed chairman next February. It was a sign of continuation of the current monetary policy. Markets remain expectant on the approval of the U.S. tax reform. Two main drafts are still under debate in the U.S. Congress.

LOOKING AHEAD

- **Congress debate of the Gov't reform bills.** The Gov't proposals will be debated in the National Congress. Their approval will be subject to negotiations with opposition leaders and the provincial governors.
- **Increase in public utility rates.** The Energy Minister announced for the next three months an increase in electricity rates between 57% and 75%, and a 60% hike in natural gas rates for next December.
- **Ballotage in Chile.** Former President Sebastian Piñera placed first with 36.6% of the vote last Sunday election. However, he will face a runoff next December 17 against the center-left candidate Alejandro Guillier, who was second with 22.7% of the vote.
- **The Venezuelan default.** The International Swaps and Derivatives Association (ISDA) declared Venezuela and the state-owned oil company PDVSA in default, after both of them failed to make timely payments on some of their bonds. ISDA will reconvene next week to discuss the terms of the initial auctions to payout the Credit Default Swaps tied to those debt securities.