

Political uproar over a survey that helped raise country risk

According to Isonomy, the President would lose the ballot with Cristina. The first reading of the markets to measures to encourage consumption. Signs of distrust in the financial world

Mauricio Macri and Cristina Kirchner may face each other in the next presidential election.

The rise in the country risk rate on Thursday is still a matter of comments on the long weekend and increases the **expectation** for the opening of the markets on Monday.

The fall of 8% in the shares of Argentine companies and banks that are quoted abroad was next to a new decline in bond prices and **to 851 points** of the country risk rate, which was above 850 reaching record levels.

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That rate, a confidence-distrust meter on the possibilities of paying a country's debt, indicates that **Argentina would have to pay 8.5 points more on the rate of the United States**. In practice, it reflects the impossibility of the country obtaining other external financing than that of the Monetary Fund.

The decline in Argentine bonds abroad determined that **their income reached 15% annually in dollars** , a very high prize for those who want to take risks. And the obligatory question is why a new wave of distrust was generated just after the announcement by the Government of measures to try to improve consumption.

Large outside operators assigned a prominent role to a **survey** that the **Isonomy** consultant - **who usually works for the Casa Rosada** - distributed among its clients according to which **Cristina Kirchner** would beat **Mauricio Macri** in a ballotage.

The figures are **45% against 36%** and it would be the first survey that risks that result. The fear of a return of CFK to the Government frightens investors despite the attempt by Kirchner to be more "friendly" with the IMF, with the markets and the payment of the country's debts.

Those close to **Axel Kicillof** , for example, report that the former minister no longer talks about breaking with the IMF and points out that Kirchnerism complied with the payment of the debt (of course, leaving aside the default he left) and acknowledges that the **2020 financing** for Argentina is secured.

Baglini's Theorem (politicians **reduce the amount of nonsense** when they see the chance to approach power) becomes reinforced by a survey and a reality: at this point in the Macri government there is a **high dollar** , there is a **trade surplus** , exports increase of energy , **tariffs are not late** and the Treasury tends to balance its accounts.

The macro of 2019 is another , but the policy takes over the economy in the election year and even more when **the fall in real wages, consumption** , economic activity and everything marked by **an inflationary process that does not** become very palpable **It gives truce** .

There were also foreign operators who argued that the rise in country risk was based on the fact that the President was now applying measures that would have been arranged by Kirchnerism. It seems that the markets distrust that Mauricio Macri **can make decisions to try to win the elections**.

The **4.7% increase in the cost of living** in March exceeded the expectations of own and others and resulted in an emergency agreement with 16 companies to freeze the prices of 60 products of the basic food basket for 60 days.

The breakdown of the list of these products (oils, flour, rice, preserves, wine, beer, cookies, jams and water) reflects something known but remarkable in the current context: they are prices that depend largely on the evolution of the dollar.

That **dollar-food bond** will be put to the test, once again, in Argentina with the entry into force of the new "care prices" and the new "virtual" ceiling for the exchange rate band.

The Central Bank froze until the end of the year the band that states that the dollar has a "floor" at \$ 39.75 and a "ceiling" at \$ 51.45. In the middle, that is, in a possible variation of 29%, it will not intervene; Economy Minister **Nicolás Dujovne** did not achieve that MFI concession.

Perhaps that is why the Central Bank, **Guido Sandleris** announced in its last press conference, is playing to intensify the monetary tourniquet. Until June the Central will not buy dollars **if the currency trades at less than \$ 39** in the wholesale market to avoid issuing more pesos and favoring a rise in interest rates of fixed terms.

The whole scheme is based on the fact that **there are no pesos** to buy dollars but the policy intensifies the electoral time and, as always, can put the tail.

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