Facultad de Ciencias Económicas y Empresariales

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KEY DATA

Oil price. On February 14, the threat of a Russian invasion to Ukraine pushed the benchmark oil prices per barrel to their 7-year peaks from September 2014: Brent soared to US$ 96.7, and WTI to US$ 95.8.

HIGHLIGHTS

Argentina: The Government announced a pre-agreement to reschedule the due payments to the IMF, with a transitory relief under a light adjustment program before a final deal to be closed in 2024 or afterwards. The likelihood of such agreement and its Congress approval remains uncertain due to the President's controversial public statements in his recent trip to Russia and China, and to the opposition of "hardline" pro-government lawmakers.

Interest rates on the upside. Inflation pressures lead developing countries' central banks to tighten their monetary policies in 2022. The US Fed is expected to enact less than five 25 b.p. hikes in the Fed Funds Rate. The European Central Bank cautiousness strengthened the euro and led to significant increases in the bond yields of peripherical countries.

NATO vs. Russia. The Russian government is threatening to invade Ukraine to avoid this country's joining to the NATO. Western countries are expected to retaliate Russia with hard economic sanctions, but they are not credible, because they will hit the European economies. In the meantime, there remains a strong possibility of a Russian attack to Ukraine.

LOOKING AHEAD

Argentina and the IMF. The Gov't is expected to unveil the agreement draft on March 1. Its approval by the National Congress remains uncertain, so the likelihood of a default event is not zero.

Grains and oilseed crop on the downside. The current crops will be hit by the current draught. The Rosario Grain Stock estimated that farmers' losses will amount a $ 2.93 Bn, with a full economic loss around $ 4.8 Bn. (around 1% of the GDP). Consequently, food prices will remain on the upside for several months.

Oil and energy prices. Western countries are ready to trigger hard sanctions to Russia in case of an invasion to Ukraine. Oil and gas transportation to Europe will be cut, so oil, leading to a skyrocketing increase in oil and energy prices. However, even without a war, the oil price is expected to rebound above US$ 100 per barrel, as well as a stagflationary scenario if central banks opt to tighten their monetary policies.