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KEY DATA

- **Argentina's inflation: not decreasing.** The INDEC CPI rose 2.6% in April. From January to April, CPI inflation was 9.1%. This raises new doubts on the Central Bank's (BCRA's) ability to reach its inflation target between 12% and 17% for 2017.

INSIDE THE ECONOMY

- **Brazil's crisis and its impact on Argentina.** Current investigations on bribes hit Brazilian president Temer. New allegations are expected, they may engulf other politicians and businessmen from Brazil, Argentina, and other Latin American countries.

HIGHLIGHTS

- **Weak real activity.** The real economy showed some signs of recovery, but without any positive effect on the employment rate and on the disposable income. Low activity coupled with persistent inflation keeps Argentina under stagflation.
- **Financial markets wait and see.** Current yield curve suggests persistent inflation rate, surpassing the Gov't forecasts. Monetary tightness with high domestic interest rates will allow investors to take advantage of the so called "*carry trade*" strategy.
- **Macron, good news.** Emmanuel Macron's victory in France has stopped the world expansion of populism, and weakened the pressures against the euro. Global financial markets remain calm and the only risk factors are North Korea's threats, and Donald Trump's difficulties, associated to his linkages with Russia.
- **The Brazilian crisis.** A new scandal emerged after President Temer was caught on a tape discussing bribe payments. Hence, Brazil was plunged back into a new political crisis, raising high uncertainty on current reform policies, and the incipient recovery of the real economy.
- **Commodity prices, on the upside.** Commodity prices are expected to grow up until the year-end. Grain prices might decline a bit, but soybean, metals and mineral prices will benefit from the strong Chinese demand. Oil prices will depend on changes in the US production, and on the expected growth in global demand.

LOOKING AHEAD

- **Inflation targets.** The BCRA will keep the inflation targets unchanged for 2017-19. It may raise significant strains if the real economy fails to bounce back.
- **Next elections.** First definitions on the new candidates are expected before the mandatory simultaneous primary elections (PASO) to be held in August.
- **Brazil's political crisis.** New allegations of bribes and corruption are expected. The impeachment and removal of president Temer is not unlikely, and would force the election of a new provisional president.
- **Venezuela, in a terminal crisis.** Under the "State of Economic Emergency", popular protests have increased, as well as the violent government repression. Meanwhile, most of Venezuelans struggle with the shortage of basic consumption goods, as long as hyperinflation is well underway.

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