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**ECONOMIC
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KEY DATA

- **Exchange rate: on the upside.** Yesterday, the US dollar ticked an all-time high at AR\$ 17.18. However, it is not high enough to revert the current real exchange rate misalignment.

INSIDE THE ECONOMY

- **Inflationary pressures.** The current decline in Argentina's inflation rate might be transitory. Inflation expectations are expected to rebound due to the increase in fuels, medical skim and food prices, as well as in the nominal exchange rate (AR\$/US\$).

HIGHLIGHTS

- **Electoral uncertainty:** The general expectancy on foreign investment inflows plunged down due to the ex President Cristina Kirchner's candidacy for Senator. In the short-term, the consensus outlook of modest growth with low inflation remains unchanged, without prospects of structural reforms.
- **Unbalanced external accounts.** Argentina hit a US\$ 3.4 Bn current account deficit in the first five months of 2017, due to services and interest payments. External public indebtedness led to a capital and financial account surplus over these months.
- **The world economy, growing up.** The global economy remains on a moderate growth path with low inflation, and minimum financial volatility. No major changes are expected for the 2nd half of the year
- **Brazil: slow-motion rebound.** Consensus forecasts for this year indicate that Brazil's GDP will grow 0.4%, with a 3.5% inflation rate and a trade surplus of at least US\$ 58 Bn.

LOOKING AHEAD

- **Argentina's mandatory simultaneous primary elections (PASO).** The campaign for next August primaries starts this month. A likely rebound of the inflation rate could intensify the social conflicts.
- **Fuel prices on the rise again?.** Fuel prices might pick up in September, in case of new oil price hikes, and a depreciation of the local currency.
- **Brazil, unchanged.** President Temer might be subject to new bribes allegations. However, the economy remains on a gradual recovery at least until the year-end with some improvements in the fiscal accounts. The Parliament will debate the official Social Security reform bill next September.

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