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**ECONOMIC  
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**KEY DATA**

- **Argentina's inflation, on the upside.** The INDEC CPI rose 2.5% in March, far from approaching to the Central Bank's (BCRA's) target.

**INSIDE THE ECONOMY**

- **The Gov't is expected to overcome the current conflict with teachers' unions.** Political strains increased due to the teachers' wage claims. Teachers' unions and the Gov't showed signs of fraying at the edges, but an agreement could be reached this month. Maria Eugenia Vidal, current Governor of Buenos Aires province, is expected to emerge strengthened from this conflict.

**HIGHLIGHTS**

- **The BCRA's counterattack and more financial speculation.** March CPI inflation led the BCRA to rise the 7-day repo rate 150 b.p. to annual 26.25%. Local and foreign investors take advantage of the "carry trade", borrowing in US dollars to invest at higher return rates in local currency assets.
- **The Argentine economy remains stagnant.** Despite some "green shoots", the real economy is not growing. The persistent stagflation revived the debates on the viability of the Gov't economic policy.
- **Trump in his maze.** GOP lawmakers failed to pass Donald Trump's bills in the US Congress, and the promised fiscal stimuli will not impact the economy before 2018. Furthermore, the FOMC raised the Fed Funds Rate 25 b.p. in March, and emphasized its commitment to a gradual normalization of the monetary policy.
- **Emerging markets shielded with capital inflows:** emerging markets will benefit from net capital inflows due to the extremely low interest rates in industrialized countries.

**LOOKING AHEAD**

- **Local inflation rate will decrease next May or June.** Despite the BCRA efforts to lower the inflation rate, April CPI is expected to increase around 2%, given the expected 30% increase in natural gas rates.
- **Long live "carry trade".** The exchange rate will remain on the downside, given the increasing supply of US dollars from grain and oilseed exports, and foreign investors attracted by local high yield assets. Current high supply of US dollars will remain unchanged, at least, until next August.
- **Global political risk on the upside.** US military interventions are expected in the Middle East, and in North Korea. They might accelerate a flight to gold and Japanese yens, moderating the recent rally in US stocks and Treasuries.
- **Crucial elections in France.** Presidential elections are scheduled for next Sunday in France. The winner is expected to emerge later, in the May 7 runoff. The most popular candidates are the socialist Emanuel Macron, and the far-right leader Marine Le Pen.

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