



# Monthly Economic Newsletter

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## KEY DATA

**Sovereign risk.** The risk premium indicator -EMBI Argentina- dropped to 653 b.p. on December 18, the lowest since February 2019.

## HIGHLIGHTS

### Argentina

The Milei administration ends 2024 with a remarkable reduction of inflation and public expenditure under a pervasive recession. Financial indicators were also extremely favorable with a fall in the sovereign risk premium below 700 b.p., a fall in the exchange rate gap to less than 5%, an increase in the stock index Merval around 130% in US dollars, a decline in domestic interest rates and the revival of domestic currency credit to the private sector.

The greatest challenge for the government is to achieve a victory in the mid-term elections (October 2025) without any fiscal or monetary expansion, or a sharp domestic currency devaluation. On the financial side, the main challenge is to address a definitive lift of both currency and capital controls, under a currency competition regime.

### Global markets

Donald Trump will take office on January 20 with the absolute Republican majority in the Congress. The main US trade partners are expecting an aggressive increase in US tariff rates. China announced new monetary and fiscal incentives. Furthermore, the European Central Bank lowered the target rate by 25 b.p., and new interest rate cuts are expected for next year.

## LOOKING AHEAD

### Argentina.

The government is expected to start the negotiations with the IMF for a new agreement with the explicit support of Trump administration.

### United States

The Trump administration is expected to hike tariffs, with an initial focus on US imports from China and Canada.

### Russia

President Putin warned on likely launches of new hypersonic rockets on Kiev to test the NATO anti-missile shield on the Ukrainian capital city.