

# Monthly Monetary Report

March 2013



BANCO CENTRAL  
DE LA REPÚBLICA ARGENTINA

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**The closing date for statistics in this report was** April 10th, 2013. All figures are provisional and subject to review.

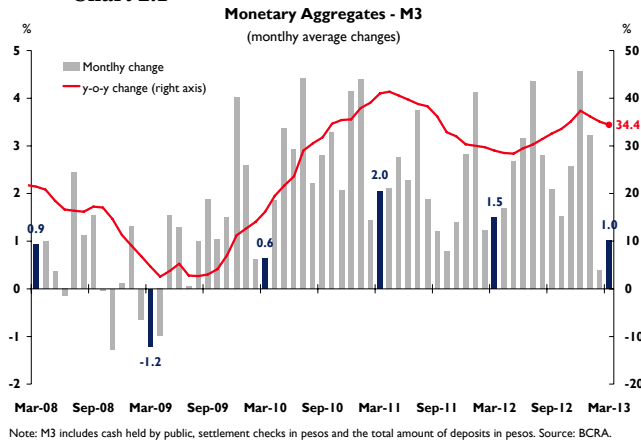
## 1. Summary<sup>1</sup>

- The broadest monetary aggregate in pesos, M3, rose 0.9% in March and its year-on-year (y.o.y.) growth rate continued moderating, reaching 34.4%, down 0.6 p.p. against February. On the other hand, private M3 climbed 1% monthly, with rises in means of payments and, particularly, in time deposits. Regarding private M3 growth factors, the most relevant continued being the increase in loans in pesos granted to the private sector.
- Private sector time deposits in pesos grew 2.9% monthly, evidencing one of the greatest hikes on record for the month of March in the last years. When considering amounts, rises were observed in the segment of \$1 million and more (3.2%) and in the tranche not exceeding this value (2.5%). Time deposits posted a 45.6% y.o.y. change and continued growing at historically high rates.
- Loans in pesos granted to the private sector increased 1.7% (\$6.12 billion). Although rises were recorded in all lines, the greatest hike was observed in personal loans. In turn, the y.o.y. change rate on loans in pesos granted to the private sector remained at about 42%, the growth of promissory notes close to 60% being underscored.
- In March, broad liquidity (measured by adding cash in bank vaults, institutions' current account with the Central Bank, net repos with the Central Bank, and LEBAC and NOBAC holdings, and deposits in pesos) stood at 33.9%, exhibiting a level similar to that of February. A change was recorded in its structure, with a hike in current accounts with the Central Bank and in the balance of LEBACs and NOBACs to the detriment of net repos for this institution. The adjustment schedule to comply with the regulation on minimum cash requirements set forth in the BCRA's new Charter was completed over the month with an estimated over-compliance equivalent to 0.2% of total deposits in pesos.
- Borrowing interest rates remained relatively stable. The BADLAR rate at private banks averaged 14.8% in February and the interest rate paid by private banks on the retail segment for their time deposits (up to \$100,000 and at up to 35 days) averaged 13.1%.
- Interest rates on most credit lines granted to the private sector fell once more. The reduction posted by the interest rate on personal loans should be highlighted, which averaged 33.9%, down 0.6 p.p. against February. In the case of commercial loans, drops were less relevant; particularly, in the case of financing arranged through promissory notes which was favored by a rise in the share of credit lines for productive investment and those related to the Bicentenary Productive Financing Program.

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<sup>1</sup> Unless otherwise stated, figures to which reference is made are monthly averages of daily data.

**Chart 2.1**



## 2. Monetary aggregates<sup>1</sup>

The broadest monetary aggregate in pesos - M3<sup>2</sup>- averaged a monthly balance \$758.1 billion, going up 1% in March (see Chart 2.1). In year-to-date terms, y.o.y. growth has moderated gradually, reaching a 34.4% change rate over the month, which was 0.6 p.p. lower than that of February.

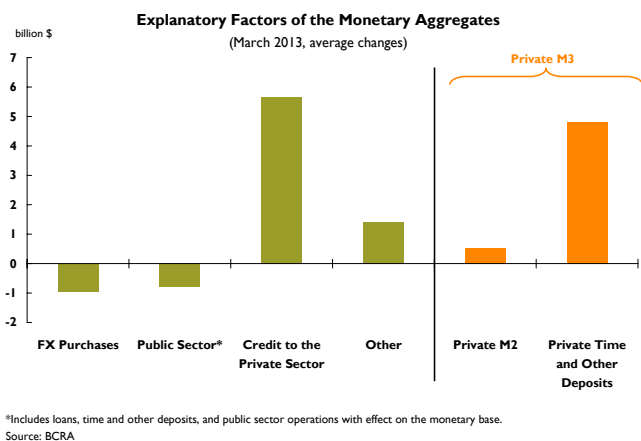
The broadest private monetary aggregate (private M3<sup>3</sup>) rose 0.9% monthly and 38% y.o.y., down 1.5 p.p. against February. New rises were observed in March in the means of payment and, especially, in private sector time deposits (see Chart 2.2). The factor that boosted the growth shown by private M3 was the increase in the balance of loans in pesos granted to the private sector. Meanwhile, transactions by the public sector and the intervention of the Central Bank on the foreign exchange market tended to reduce this monetary aggregate.

Private sector time deposits in pesos grew 3% monthly, evidencing one of the greatest hikes in the last years for the month of March (see Chart 2.3). With a 45.8% y.o.y. change rate, time deposits continued increasing at historically high rates. When breaking down amounts, monthly rises were observed in deposits in the segment of \$1 million and more (3.4%) and in the tranche not exceeding this value (2.6%).

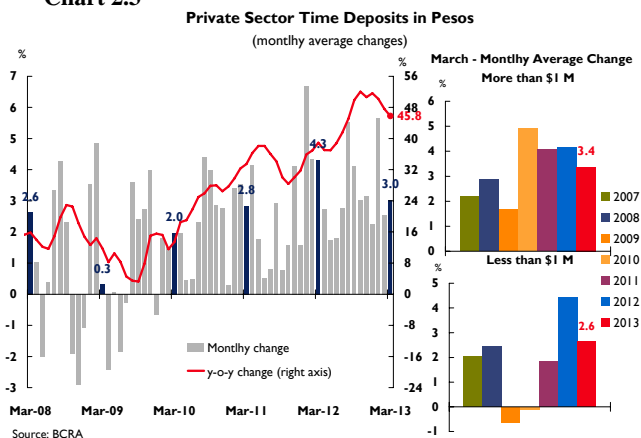
With respect to the foreign currency segment, deposits decreased 0.6%, with minor drops both in public sector and in private sector placements.

Finally, the broadest monetary aggregate, M3\*, which comprises cash held by the public, settlement checks and total deposits in pesos and in foreign currency (represented in pesos), increased 0.7% monthly and 29% y.o.y.

**Chart 2.2**



**Chart 2.3**



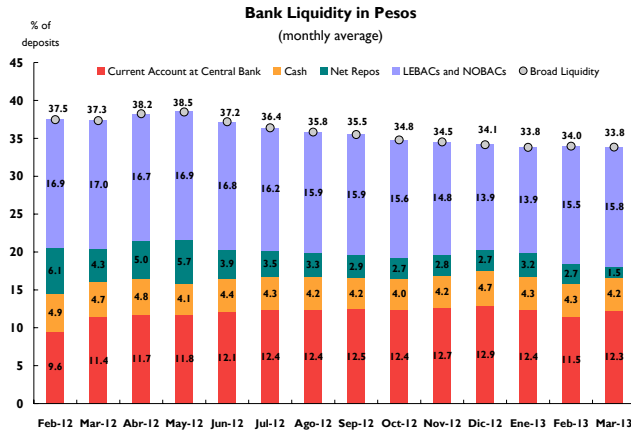
## 3. Bank liquidity<sup>1</sup>

In March, broad liquidity (measured by the addition of cash in bank vaults, institutions' current account with the Central Bank, net repos with the Central Bank and LEBAC and NOBAC holdings on the one hand, and deposits in pesos on the other hand) stood at 33.8%, a

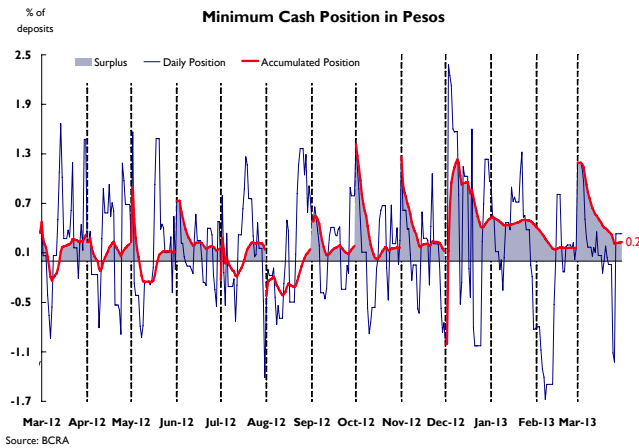
<sup>2</sup> It includes cash held by the public, settlement checks in pesos and deposits in pesos.

<sup>3</sup> It includes cash held by the public, settlement checks in pesos and deposits in pesos from the non-financial private sector.

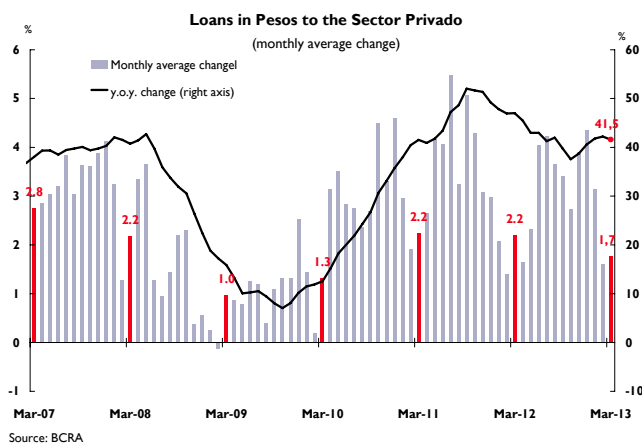
**Chart 3.1**



**Chart 3.2**



**Chart 4.1**



level similar to that of February (see Chart 3.1). A change in its structure was registered, with a rise in current accounts with the Central Bank and in the balance of LEBAC and NOBAC holdings, with a reduction of net repos with this institution. Part of this performance is explained by the start of the new calculation period set forth in the regulation on minimum cash requirements following the end of the December-February quarterly period. Over the last month of such quarter, financial institutions reduced the balance of their current accounts as percentage of deposits because they had accumulated a surplus in compliance with minimum reserve requirement in December and January. As from March, they rebuilt their liquidity in current accounts with the Central Bank to face the new calculation period for minimum reserve requirements.

Thus, there was an over-compliance with the regulation on minimum cash requirements in March for an amount equivalent to 0.2% of deposits in pesos (see Chart 3.2), a level similar to that of previous periods, with surpluses in the groups of public and private banks. It should be noted that the last stage of the adjustment schedule to comply with the regulation on minimum cash requirements, in force since last October, was completed in March. Hence, minimum reserve ratios were further reduced in March and the deduction of “eligible cash”<sup>4</sup> was removed.

Meanwhile, the liquidity ratio corresponding to the foreign currency segment increased, once more, 1.3 p.p. and reached an average equal to 94.9% of deposits in March.

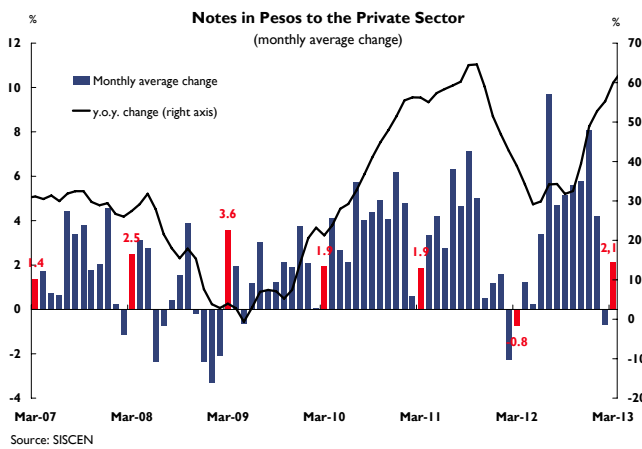
## 4. Loans<sup>1 5</sup>

Loans in pesos granted to the private sector increased 1.7% (\$6.12 billion) in March, slightly exceeding the growth recorded in February but below that of the month of March in the two previous years. Thus, the y.o.y. change rate stood around 42% in the first quarter (see Chart 4.1). Although hikes were observed in all lines, the rise posted by personal loans and financing arranged through promissory notes should be highlighted as they contributed to the monthly growth by 0.6 p.p. and 0.5 p.p., respectively.

<sup>4</sup> “Eligible cash” shall mean cash used by financial institutions to meet minimum reserve requirements in March 2012 and which, from April 2012 to February 2013, could be deducted from the requirement in pesos.

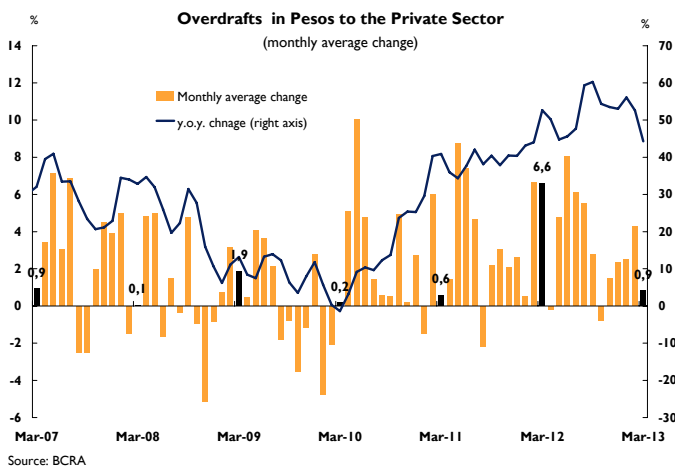
<sup>5</sup> Monthly changes for loans are adjusted for accounting movements mainly as a result of transfers of loans in institutions’ portfolios to financial trusts.

**Chart 4.2**



With respect to loans with a commercial purpose, financing arranged through promissory notes resumed its growth path after the end of the summer recess. In March, they increased 2.1% (\$1.67 billion) exceeding the figure recorded over the same period in 2010 and 2011 and in contrast to the fall they had registered in 2012. This made the y.o.y. change rate, which had been accelerating sharply since late 2012, reach a value close to 60% in March (see Chart 4.2). On the other hand, overdrafts moderated their monthly growth rate, going up 0.9% (\$450 million) over the period and registering a 45% y.o.y. change rate (see Chart 4.3).

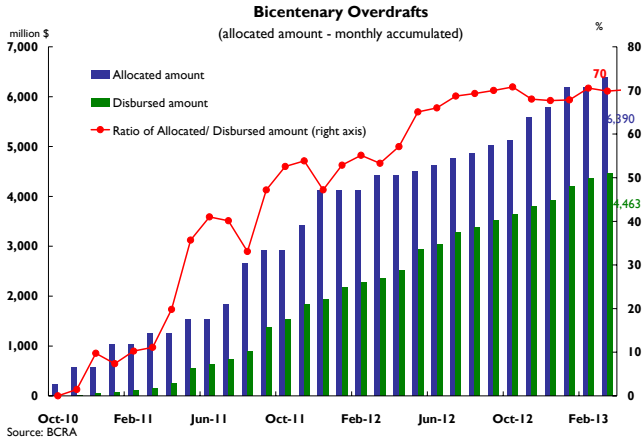
**Chart 4.3**



Following the policies aimed at boosting national economic development, a new auction was conducted in March within the framework of the Bicentenary Productive Financing Program (PFPB). On this occasion, \$205.4 million were awarded: \$200 million to Banco de la Nación Argentina and \$5.4 million to BBVA Banco Francés. Thus, the total amount allocated through the PFPB since its implementation has reached \$6.39 billion. Likewise, total funds actually disbursed amounts to \$4.46 billion, which accounts for about 70% of the total awarded (see Chart 4.4).

Lines aimed at financing households' consumption performed differently. While personal loans recorded the greatest hike in the last four months, credit card financing increased modestly. Indeed, personal loans grew 2.9% (\$2.29 billion) over the period and accelerated their y.o.y. growth rate, which reached 30.4% (see Chart 4.5); on the other hand, credit card financing improved 0.5% (\$250 million), exhibiting a y.o.y. growth rate over 40%.

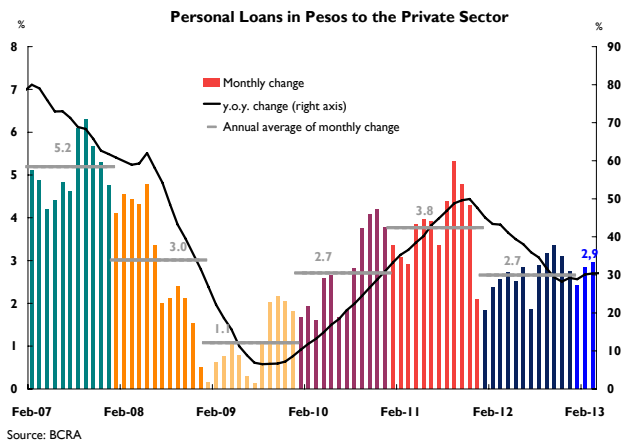
**Chart 4.4**



Loans secured with real collateral grew at a pace similar to that of the month before, staying well below the growth levels observed at the end of 2012. Mortgage loans increased 1.5% (\$530 million) over the month and 28.4% y.o.y. When considering new loans granted by kind of beneficiary, a greater share of legal persons to the detriment of natural persons was observed over the last months. Indeed, the share of legal persons as beneficiaries of funds almost doubled in the past twelve months, reaching around 65% in March (see Chart 4.6). This is explained by a boost given by the “Credit line for productive investment”, evidencing the success of this measure, which falls within a policy aimed at enhancing Argentina’s economic productive capacity.

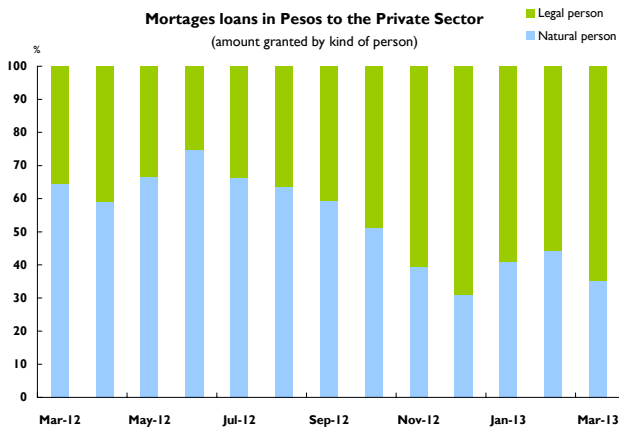
Meanwhile, pledge-backed loans posted a 2.4% monthly hike (\$550 million). Their y.o.y. change rate stood at 37.4%, up 1.8 p.p. against February.

Chart 4.5



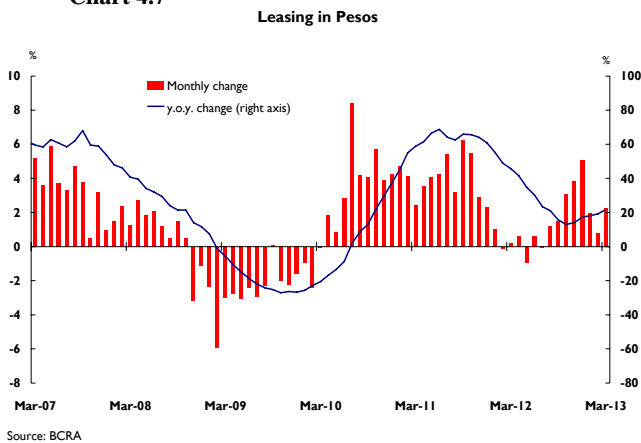
Source: BCRA

Chart 4.6



Source: BCRA

Chart 4.7



Source: BCRA

A sustained rise in financing granted by financial institutions through leasing contracts<sup>6</sup> has been observed since August 2012; this is partly explained by a boost given by the “Credit line for productive investment” (Communication A 5319) as some of these loans are being channeled through leasing transactions. According to the latest information available corresponding to the month of February<sup>7</sup>, these loans rose 0.8% (\$58 million) amidst a context of scarce commercial activity due to the summer recess. In turn, the y.o.y. change rate reached 19.3%, up 1.1 p.p. against January (see Chart 4.7).

Finally, loans in foreign currency granted to the private sector fell 4.6% (U\$250 million) in March. Nevertheless, part of these loans is still being channeled in the segment in pesos.

Thus, total loans granted to the private sector, in pesos and in foreign currency, increased 1.3% in March. On another note, the total balance ratio of loans granted to the private sector in relation to GDP amounted to 15.9% in March. Despite significant progress made over the past years, current loan levels with respect to GDP are still below those observed in the past and those in other countries in the region.

## 5. Interest rates<sup>8</sup>

### Central Bank securities<sup>9</sup>

Interest rates on auctions of Central Bank securities remained stable in March. Interest rates on issues with an 80-day maturity, and a predetermined cut-off rate, stood at 13.1%, whilst that on issues at a 470-day maturity, at 15.8% (see Chart 5.1) in the last auctions of the month.

Like in February, LEBACs accounted, once again, for all monthly issues on the primary market. The securities awarded were concentrated on terms not exceeding 180 days, representing 60% of total issues. The total amount of LEBACs awarded (including financial institutions and other holders) was \$2.13 billion (2.3%) higher than the stock matured; therefore, the balance of these securities totaled NV \$96.4 billion. In turn, the balance

<sup>6</sup> It includes the value of capital goods (either personal or real property) rented to a third party, and specially purchased by the institution on their behalf, and for which the leaseholder pays a price on a regular basis throughout the previously agreed upon term, while being able to exercise the unilateral right to a purchase option by paying the residual value previously set forth.

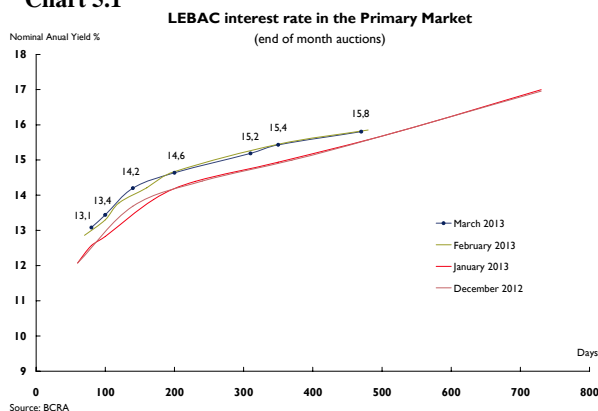
<sup>7</sup> Information on leasing is available with a one-month lag.

<sup>8</sup> Interest rates mentioned in this section are expressed in annual nominal rates (TNA).

<sup>9</sup> In this section, figures are end of the month data unless otherwise stated.



**Chart 5.1**



of NOBACs remained practically unchanged, standing at NV \$11.3 billion (see Chart 5.2). As a result of this dynamics, the stock of LEBACs and NOBACs in circulation rose 2% at the end of the month, amounting to \$107.7 billion. Banks' holdings accounted for almost the entire monthly rise in the balance.

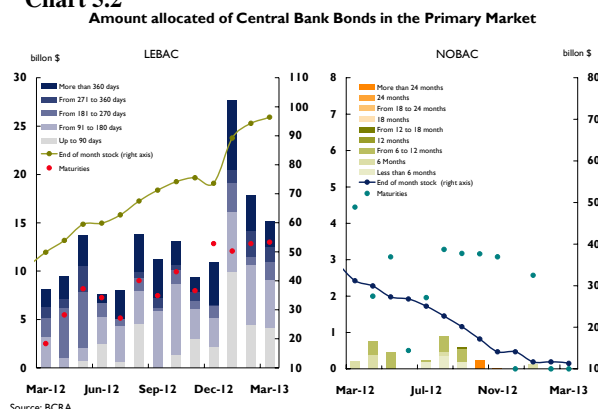
Interest rates on LEBACs rose between 0.4 p.p. and 1 p.p. on the secondary market in the case of terms not exceeding 180 days, where the greatest volume of transactions is concentrated. This performance was observed in a context where the daily average amount traded fell \$150 million, standing at \$1.08 billion. In turn, it may be seen that the volume traded of NOBACs continued to be low compared to LEBAC transactions, which reached about \$60 million.

### Central Bank repo transactions<sup>1</sup>

Interest rates on Central Bank reverse repos stood at 9% overnight and at 9.5% and 7 days, while rates on repo loans stayed at 11% overnight and 11.5% at seven days.

The average stock of Central Bank reverse repos, considering all transaction methods used by the institution, dropped 32.4%, standing at \$12.3 billion. This fall was recorded at the start of the new calculation period set forth in the regulation on minimum reserve requirement, which implied a rise in financial institutions' current account balances to the detriment of liquidity kept in repos (see Bank liquidity). On the other hand, no repo loans for the Central Bank were recorded.

**Chart 5.2**

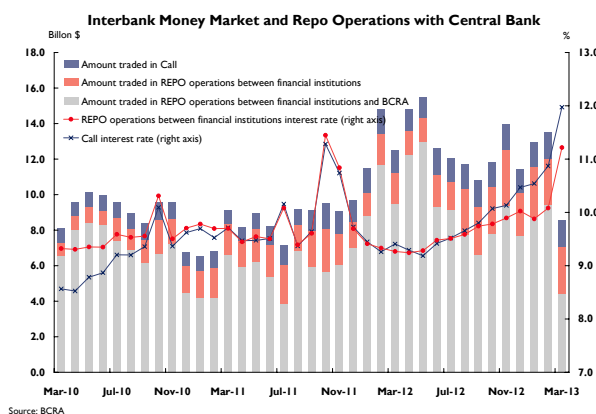


### Call money market<sup>1</sup>

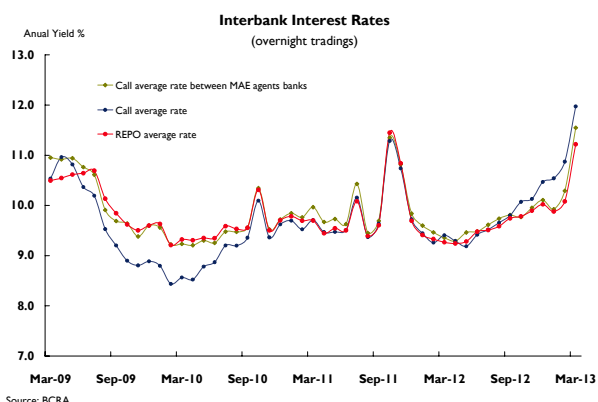
Interest rates on the call money market rose in March. Like in February, temporary rises were observed along the month, which were partially reversed within a few days. Thus, the average interest rate on overnight transactions climbed 1.1 p.p. on the call money market, standing at 12%. Similarly, the average interest rate on overnight transactions conducted between financial institutions on the secured market (REPO round) also increased 1.1 p.p., standing at 11.2% (see Chart 5.3).

With this performance, the existing gap between interest rates on both markets was kept. This gap is primarily accounted for by a greater share, as net borrowers, on the call money market, by second-line institutions which, in most cases, have restrictions to access the secured market and operate with higher interest rates. In this regard, when analyzing the evolution of the interest rate on the call money market on transactions between private banks and agents from the electronic over-the-

**Chart 5.3**



**Chart 5.4**

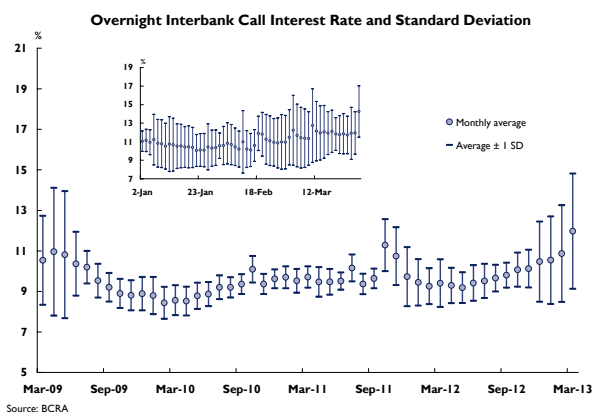


counter market, it may be seen that such rate is aligned with that recorded on transactions conducted on the REPO market (see Chart 5.4).

Apart from the rise recorded in interest rates levels, it was also observed that dispersion amongst rates arranged on a daily basis continued high in relation to the daily average (see Chart 5.5). Most of this volatility results from transactions conducted by second-line institutions.

The performance observed in interest rates and in volatility levels on the call money market took place in a context where the amount traded remained relatively stable, reaching \$1.44 billion on the call market and \$2.6 billion on the REPO market.

**Chart 5.5**

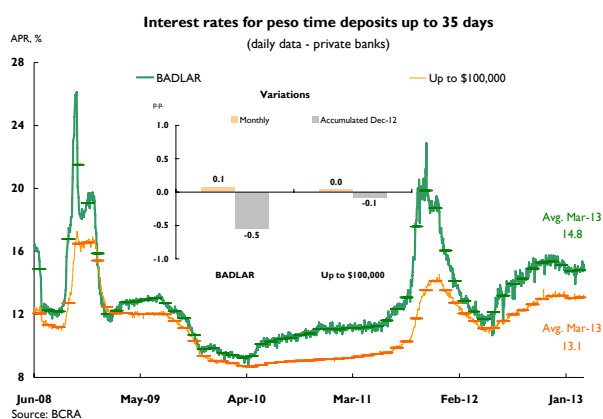


### Borrowing rates<sup>1</sup>

In March, and following two months of drops, short term borrowing interest rates paid by private financial institutions recorded a level similar to that of February.

Regarding the wholesale segment, the BADLAR of private banks - interest rate on deposits for \$1 million and more for 30-35 days - averaged 14.8%, increasing 0.1 p.p. in the month. However, as a result of decreases recorded in the first two months of the year, the BADLAR accumulated a 0.5 p.p. fall in year-to-date terms (see Chart 5.6).

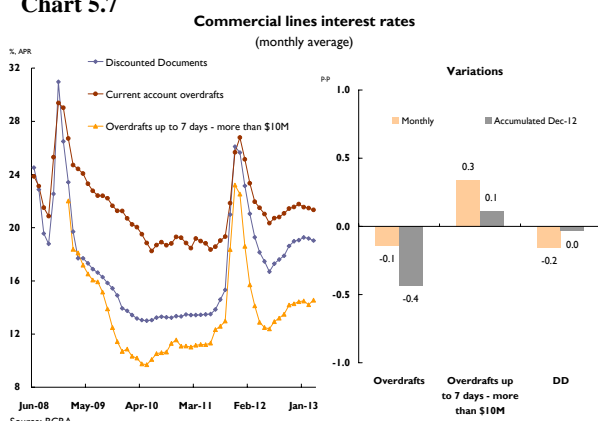
**Chart 5.6**



With respect to the BADLAR futures market, almost all contracts traded in March matured in March 29<sup>th</sup>, and their average interest rate stood at 14.8%. However, contracts with maturity dates throughout the year were also traded, showing that the BADLAR is expected to rise along the year. The BADLAR of private banks applied to contracts maturing in October 31<sup>st</sup> would reach 18%.

As far as the retail segment is concerned, the interest rate paid by private banks on their time deposits (up to \$100,000 and up to 35 days) averaged 13.1%, with limited volatility over the month and remaining unchanged against the average observed in February. Meanwhile, the interest rate is 0.1 p.p. lower than the level in December.

**Chart 5.7**

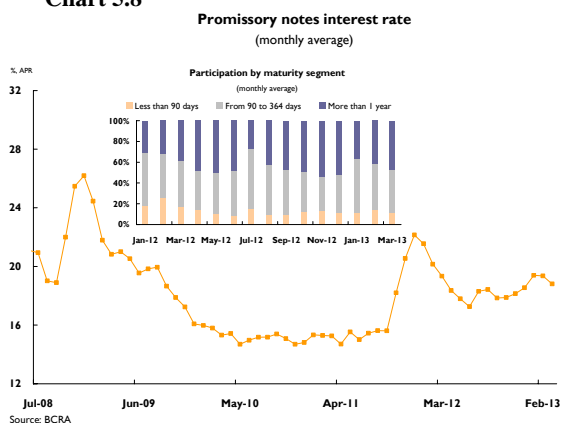


## Lending rates<sup>10</sup>

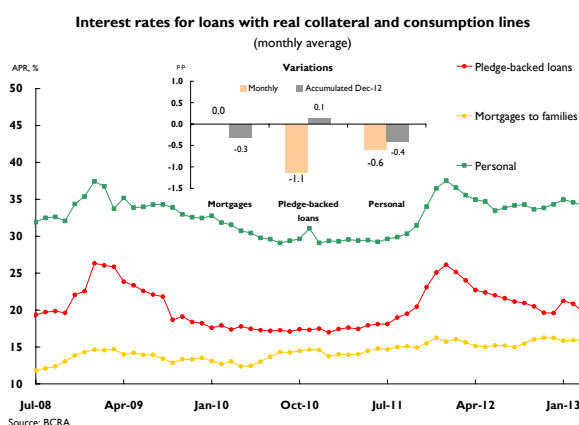
In general, interest rates on loans in pesos granted to the private sector continued with the falling trend recorded in February.

Regarding the main commercial lines, drops were registered in most interest rates. Particularly, the monthly average of the interest rate on current account overdrafts stood at 21.3%, falling 0.1 p.p. over the month, whilst the rate on overdrafts granted to companies for over \$10 million and up to 7 days increased 0.3 p.p. monthly, standing at 14.5%. In turn, the interest rate on financing through discounted documents averaged 19%, falling 0.2 p.p. over the month (see Chart 5.7). Meanwhile, in the case of unsecured promissory notes, a rise in the share of loans pertaining to the “Credit Line for Productive Investment” and those granted within the PFPB framework was observed, following a decrease in such share in the previous two months in line with the summer recess. These loans, which are granted at lower rates and longer terms, contributed to the decline of the interest rate on unsecured promissory notes, which in March averaged 18.8%, falling 0.5 p.p. over the month. Likewise, a rise in the share of transactions at a term exceeding one year was recorded, partly, as a result of higher amounts channeled through productive loans (see Chart 5.8). As a consequence of the performance observed in the last months, rates on loans granted through overdrafts and promissory notes are below the levels posted in December 2012.

**Chart 5.8**



**Chart 5.9**



In the case of longer terms lines, interest rates evidenced drops in some cases and more stability in others. Indeed, the interest rate on mortgages aimed at households remained at 15.9% for the third month in a row; while the rate on pledge-backed loans kept its falling trend, averaging 19.7%, contracting 1.1 p.p. On the other hand, the interest rate on personal loans averaged 33.9%, falling 0.6 p.p. over the month (see Chart 5.9).

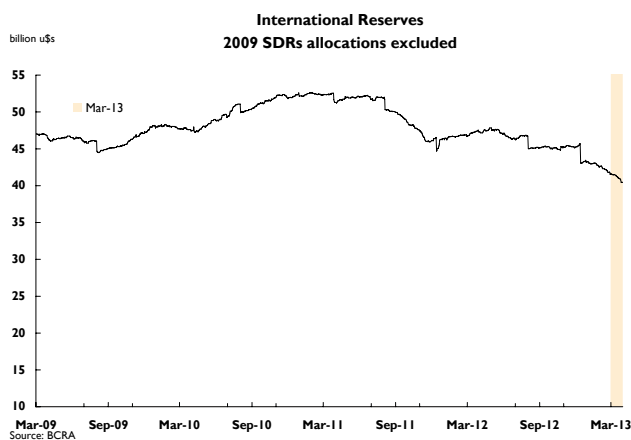
## International reserves and foreign exchange market<sup>11</sup>

The balance of international reserves ended March with US\$40.45 billion (see Chart 6.1). This implied a US\$1.16 billion drop against February (2.8%), mainly

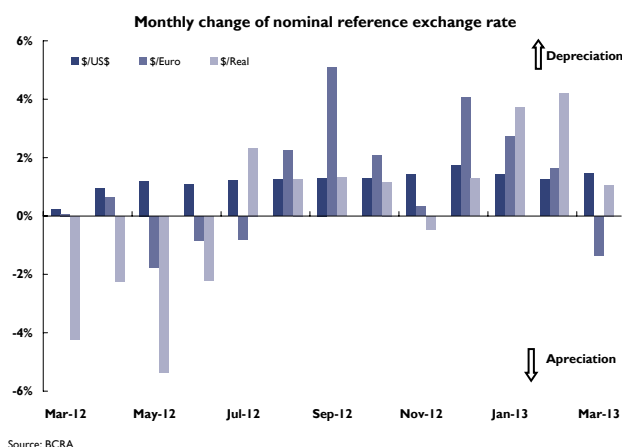
<sup>10</sup> Interest rates mentioned in this section are annual nominal rates and do not include assessment or granting expenses or other expenditures (e.g., insurance) which are taken into account in the total financial cost of loans.

<sup>11</sup> Figures in this section are end of the month data unless otherwise stated.

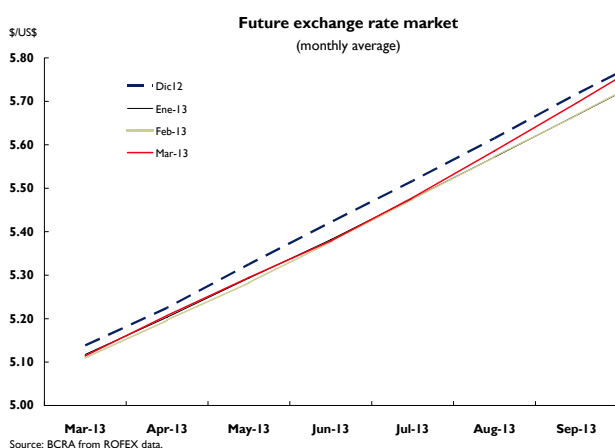
**Chart 6.1**



**Chart 6.2**



**Chart 6.3**



explained by the payment of the public debt in dollars by the public sector within the framework of the foreign debt relief policy implemented by the Federal Government and the reduction of financial institutions' current accounts with the Central Bank.

Regarding the foreign exchange market, the peso continued depreciating against the real, and the US dollar, appreciating against the euro. Thus, average exchange rates in March stood at 5.1 \$/US\$, 2.6 \$/real and 6.6 \$/euro (see Chart 6.2). This implied a rise of 1.5% and 1.1%, as well as a 1.3% drop, respectively. Thus, the peso keeps a depreciating pace against the US dollar, aligned with the performance observed over the past months, whilst in the case of the real, some degree of slowdown was evidenced against the last two months. In turn, the peso appreciated against the euro after experiencing drops over the last seven months. On the Rosario Futures Market (ROFEX), the daily average amount exceeded \$1 billion, standing for a rise over 14% against February. Meanwhile, contracts executed posted a slight rise in depreciation expectations for the coming months (see Chart 6.3).

## 7. Capital markets<sup>10</sup>

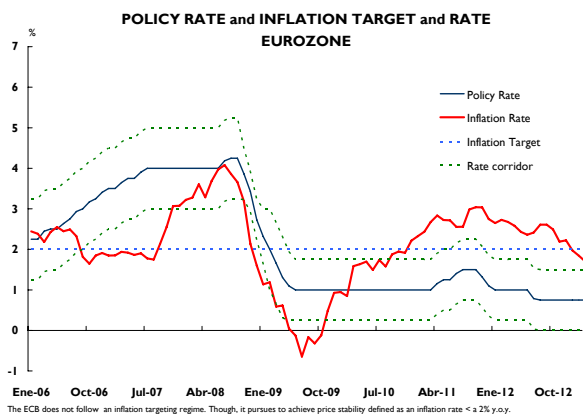
The main relevant news regarding international monetary policy were recorded in the eurozone and in Latin American countries in March.

In the case of the eurozone, even though the Governing Council of the European Central Bank (ECB) did not amend the monetary policy in the meeting held on March 7<sup>th</sup>, the most important piece of news was registered on March 16<sup>th</sup>, when the Eurogroup<sup>12</sup>, with the support of the ECB, the European Committee, and the IMF, provided financial aid to Cyprus for €10 billion to meet fiscal needs and restructure its banking system. The agreement provided for the need to recapitalize the financial system for an amount close to €6 billion that would be funded through a one-off "lien"<sup>13</sup> on deposits, set at 6.75% on deposits of up to €100,000 and at 9.9% on higher deposits.

<sup>12</sup> Consultation institution made up of Finance Ministers in the eurozone.

<sup>13</sup> It was not strictly a lien given that euros retained would be swapped for shares of the bank where they were deposited.

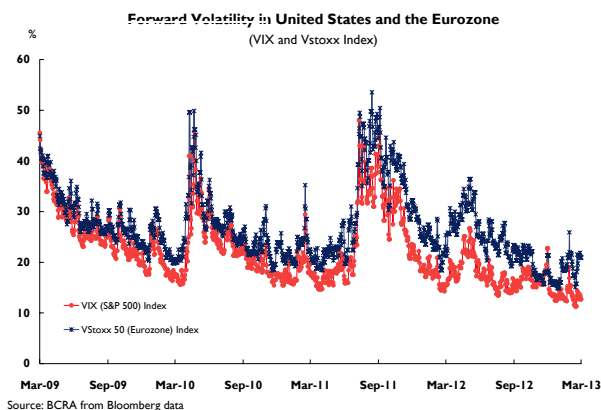
**Chart 7.1**



**Chart 7.2**



**Chart 7.3**



The measure brought about significant negative repercussions for financial markets basically because it would have violated the spirit of the deposit insurance system in the eurozone, which guarantees retail deposits. It was feared that this measure could lead to bank runs in other larger economies, such as the Portuguese, Spanish or Italian. Therefore, a new agreement was reached whereby only wholesale depositors (over €100,000) of the two banks subject to more stress (the Bank of Cyprus and the Laiki Bank<sup>14</sup>) would be affected. These measures include control on capital flight (in view of a potential loss of deposits in favor of other countries within the eurozone), restrictions on deposit withdrawals (a daily maximum withdrawal amounting to €300 in cash per bank account), and the use of credit cards abroad.

In the case of Latin America, monetary authorities in Mexico, Colombia and Peru remained active so as to avoid excessive appreciation of their currency (in relation to what their macroeconomic fundamentals establish). In the case of Mexico, the benchmark interest rate fell for the first time in almost four years.

In turn, authorities from the Federal Reserve (FED) stated that even though the American economy was recording better indicators, the program to purchase assets of US\$85 billion monthly would not be changed until members of the Open Market Committee were certain that the labor market improvement was permanent.

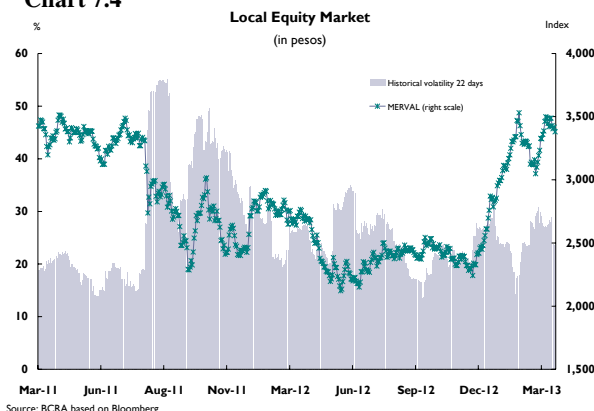
## Equity<sup>15</sup>

International financial markets ended March with a positive performance. Certain caution over the month was observed, especially due to the evolution of the crisis in Cyprus and its consequences on the rest of the eurozone. The global MSCI recorded profits of 2.1% over the month. Considering the main stock markets, the S&P 500, major index in the American market, evidenced profits of 3.6% (see Chart 7.2). Meanwhile, the European market posted a 1.7% loss, also measured through the MSCI index. Volatility levels remain at historically low levels. Indeed, the expected volatility of the S&P 500, measured by the VIX index, went down 0.7 p.p., whilst the index that measures the volatility of the Stoxx 50 (benchmark index of the stock market in the eurozone) stayed stable, averaging 19.4% on a monthly basis (see Chart 7.3).

<sup>14</sup> Wholesale deposits from the Laiki Bank and other bad quality assets become part of a “bad” bank under a restructuring process whilst retail deposits from the Laiki Bank, together with assets of a better quality, were transferred to the Bank of Cyprus.

<sup>15</sup> Unless otherwise stated, the change in indexes is represented in US dollars.

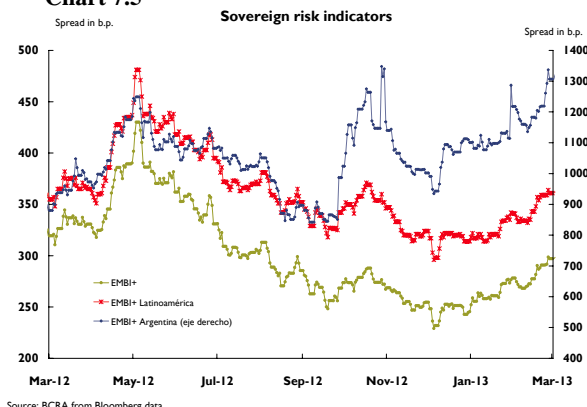
**Chart 7.4**



Assets of emerging economies were aligned with the European trend and, measured through the MSCI index, dropped 1.9%. In this context, the MSCI Latin American index remained unchanged. The IPC (Mexico) recorded the best performance in the region, posting a 3.5% profit, fully boosted by the appreciation of the Mexican peso against US dollar. Meanwhile, the Bovespa (Brazil), benchmark index in the region, went down 4% driven equally by a drop in the index measured in domestic currency and the depreciation of the real. The IGPA (Chile) registered a slightly lower change rate, falling 2.1%.

In contrast to the trend recorded in the region, on average, the Merval, measured in dollars, ended the month with a 9.3% hike. This was accompanied by a volume of transactions that averaged \$75 million, exceeding the figure of the previous month by \$10 million. Implicit volatility fell once more. The main rises were observed in bank instruments, followed by metallurgical companies (see Chart 7.4).

**Chart 7.5**

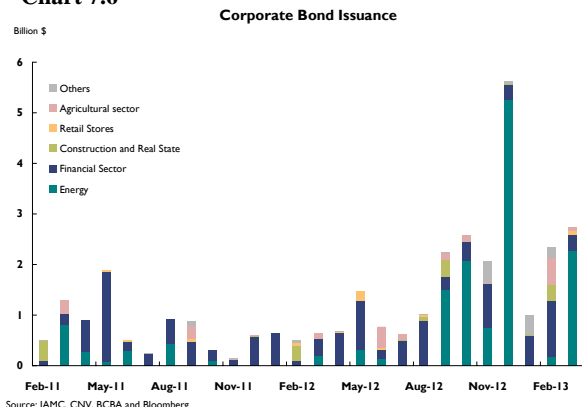


## Sovereign bonds

In March, and in a context of more caution at a global level, yields of American Treasury bonds at a 10-year term remained relatively stable, ending the month at 1.8%. Within this framework, the spreads of yields between emerging sovereign bonds and American Treasury bonds rose, like in the month before, by 20 b.p., as measured by the EMBI+, standing at 297 b.p.

In Argentina, lawsuits filed by part of the bondholders that refused debt swap in 2005 and 2010 affected the performance of sovereign bonds. Thus, and with some monthly volatility, the risk spread of Argentine sovereign bonds on US treasury bonds climbed 20 b.p., standing at 1,307 b.p. at the end of March (see Chart 7.5).

**Chart 7.6**

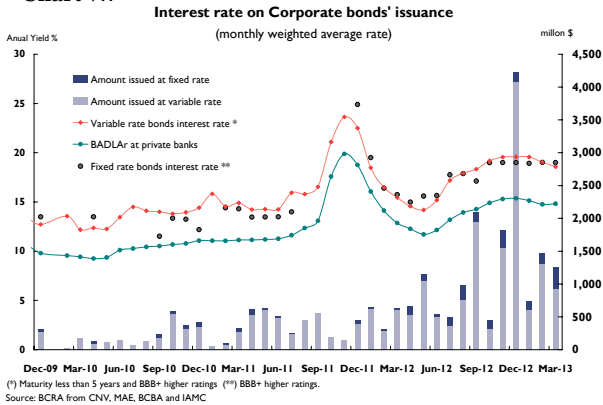


## Corporate bonds

The corporate debt domestic market continued evidencing momentum in March. Issues totaled \$2.75 billion, up 17.6% against the month before and more than four times the figure recorded over the same period last year. The monthly performance was influenced by the issues of YPF, which returned to the market after two months of absence. The oil company continues being a relevant participant in the segment, issuing \$1.96 billion in three stages. One of the issues consisted of a dollar-linked bond for an amount equivalent to \$1.16 billion, maturing in December 2014 and with a 2.5% fixed interest rate. Likewise, it expanded a



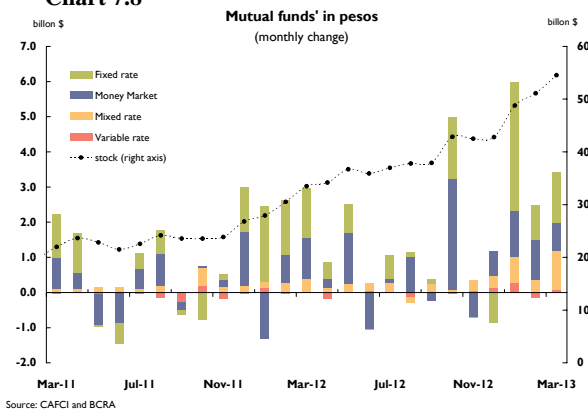
**Chart 7.7**



previous issue for \$500 million and issued a retail bond at one year for \$300 million at a 19% fixed rate. Four issues corresponding to two companies within the energy sector for \$310 million should be highlighted, as well as the financial sector share, which accounted for \$315 million of the total issued (see Chart 7.6).

Like in February, most issues were in pesos. Nevertheless, there were four issues in dollars but payable in pesos pertaining, mostly, to the energy sector and which accrued interest at a 2.4% average interest rate. Regarding the segment in pesos, a slight reduction was observed in the cost of financing. In the case of issues at a variable rate, the cut-off rate on bonds (over Arg BBB+ rating, and a maturity below 5 years) fell 0.5 p.p and stood at 18.6%, whilst issues at a fixed rate (over Arg BBB+ rating), interest rate remained stable, at about 19% (see Chart 7.7).

**Chart 7.8**

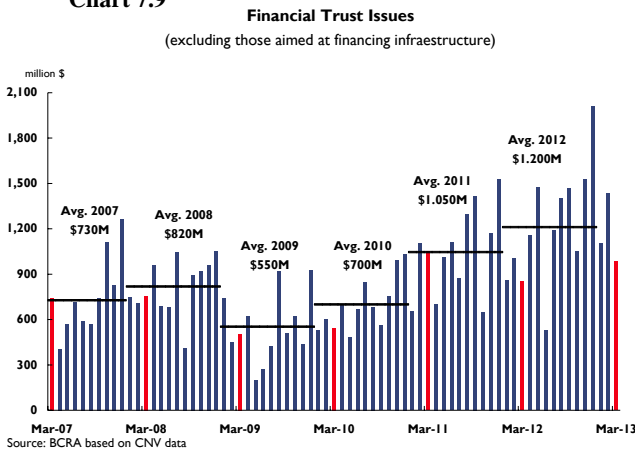


**Mutual funds**

The evolution of mutual funds (FCI) continued dynamic. Equity of FCIs in pesos and in foreign currency stood at \$54.8 billion by the end of March, after increasing 7.2% monthly (\$3.83 billion).

The rise recorded was driven by FCIs represented in pesos and the performance registered in fixed income funds should be highlighted which, by growing \$1.44 billion (6.1%), contributed to 40% of the monthly expansion in this segment. Funds investing in mixed income assets evidenced an excellent performance, going up \$1.11 billion (16.3%) over the month and accounting for 31% of the expansion. Furthermore, and with more moderate dynamics, money market funds rose \$810 million (4.2%). Finally, variable income funds increased \$80 million (5.8%), once again, due to the good performance evidenced by the stock market.

**Chart 7.9**

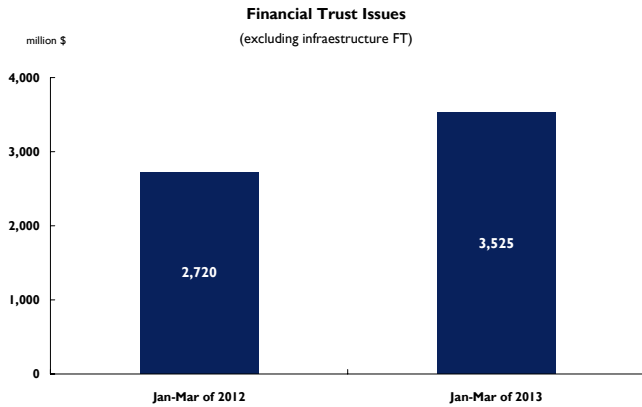


Regarding profitability, variable income funds gained 10.5%, whilst mixed and fixed income funds registered monthly returns amounting to 3.4% and 2.1%, respectively.

In turn, FCIs in foreign currency grew 4.2% (US\$20 million) and ended the month with equity totaling US\$504 million, primarily boosted by the improvement observed in fixed income funds.

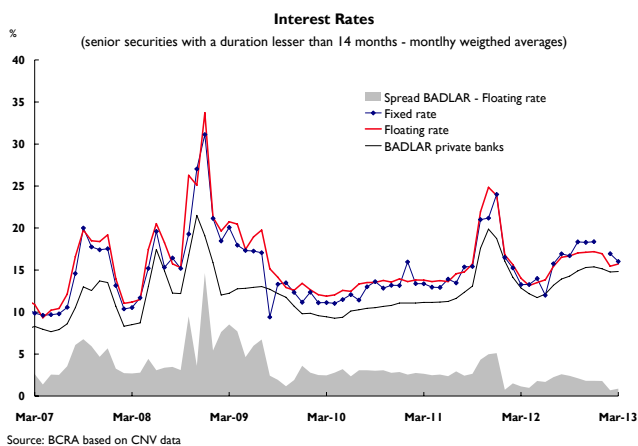
## Financial trusts<sup>16</sup>

Chart 7.10



Financial trust (FT) issues totaled over \$980 million in March, down about 30% against the month before and aligned with fewer transactions recorded. Indeed, a total of 12 issues were registered in March, 4 less than in February. Nevertheless, a 16% rise was observed in the amount issued y.o.y. (see Chart 7.9). Thus, and excluding FFs to finance infrastructure works, more than \$3.5 billion were issued in the first quarter of the year, up 30% y.o.y. (see Chart 7.10).

Chart 7.11



Regarding amounts issued by type of trustor, the main drop was observed in the retail segment, which issued about \$220 million in March, down 64% against February. In turn, financial institutions issued \$380 million, reducing their securitizations by 25% against the month before. A similar amount was issued by mutuals, cooperatives, non-bank credit card issuers, and other financial service providers; however, on this occasion, such amount was 43% higher than the month before. It should be noted that all assets securitized over the month corresponded to loans for consumption purposes, particularly, personal loans.

Cut-off interest rates on senior bonds in pesos with a duration not exceeding 14 months recorded different performances in fixed or variable yield securities. Indeed, in the case of securities at a floating rate, the weighted average by amount rose slightly (0.3 p.p.) and stood at 15.7%, aligned with the performance of the BADLAR rate at private banks. In turn, the average interest rate on securities at a fixed rate fell 1 p.p., down to 16%. Nevertheless, it is worth pointing out that very few transactions are usually recorded through this method. Indeed, two transactions were registered in March and only one, at a fixed rate, in February (see Chart 7.11).-

<sup>16</sup> Only publicly traded financial trusts are considered.



## 8. Monetary and financial indicators

Figures in millions, expressed in their original currency.

Main monetary and financial system figures	Monthly average				Average change in percentage	
	Mar-13	Feb-13	Jan-13	Mar-12	Monthly	Last 12 months
<b>Monetary base</b>	<b>297,163</b>	<b>292,390</b>	<b>298,282</b>	<b>216,343</b>	<b>1.6%</b>	<b>37.4%</b>
Currency in circulation	228,885	229,440	231,169	168,755	-0.2%	35.6%
Held by public	205,395	206,095	207,714	149,161	-0.3%	37.7%
Held by financial entities	23,488	23,342	23,454	19,592	0.6%	19.9%
Settlement check	3	3	2	0	10.8%	0.0%
BCRA current account	68,277	62,951	67,112	47,589	8.5%	43.5%
<b>Repos stock</b>						
Reverse repos	12,294	18,191	20,871	20,860	-32.4%	-41.1%
Repos	0	0	0	0	0.0%	0.0%
<b>BCRA securities stock (in face value)</b>						
<b>In banks</b>	108,316	95,353	92,714	80,583	13.6%	34.4%
<b>LEBAC</b>	94,374	91,273	80,691	71,739	3.4%	31.6%
In pesos	96,640	83,677	79,268	46,642	15.5%	107.2%
<b>NOBAC</b>	11,676	11,676	13,446	33,941	0.0%	-65.6%
<b>International reserves excluded 2009 SDRs allocations</b>	<b>41,153</b>	<b>42,181</b>	<b>42,954</b>	<b>47,168</b>	<b>-2.4%</b>	<b>-12.8%</b>
<b>Private and public sector deposits in pesos <sup>(1)</sup></b>	<b>552,722</b>	<b>544,460</b>	<b>540,027</b>	<b>414,744</b>	<b>1.5%</b>	<b>33.3%</b>
Current account <sup>(2)</sup>	146,663	143,513	160,029	113,972	2.2%	28.7%
Savings account	110,250	109,176	107,340	77,368	1.0%	42.5%
Not CER-adjustable time deposits	275,259	270,804	252,499	207,278	1.6%	32.8%
CER-adjustable time deposits	7	8	7	9	-6.3%	-20.4%
CEDRO adjusted by CER	0	0	0	0		
Other deposits <sup>(3)</sup>	20,543	20,958	20,152	16,117	-2.0%	27.5%
Private sector deposits	<u>394,564</u>	<u>388,518</u>	<u>383,347</u>	<u>285,661</u>	<u>1.6%</u>	<u>38.1%</u>
Public sector deposits	<u>158,158</u>	<u>155,942</u>	<u>156,680</u>	<u>129,083</u>	<u>1.4%</u>	<u>22.5%</u>
<b>Private and public sector deposits in dollars <sup>(1)</sup></b>	<b>8,552</b>	<b>9,009</b>	<b>9,600</b>	<b>13,201</b>	<b>-5.1%</b>	<b>-35.2%</b>
<b>Loans to private and public sector in pesos <sup>(1)</sup></b>	<b>395,036</b>	<b>390,285</b>	<b>384,613</b>	<b>283,252</b>	<b>1.2%</b>	<b>39.5%</b>
Loans to private sector	<u>359,982</u>	<u>354,248</u>	<u>348,730</u>	<u>254,322</u>	<u>1.6%</u>	<u>41.5%</u>
Overdrafts	51,032	50,579	48,513	35,335	0.9%	44.4%
Promissory bills	80,521	78,853	79,390	50,344	2.1%	59.9%
Mortgages	36,562	36,033	35,584	28,470	1.5%	28.4%
Pledge-backed loans	23,798	23,251	22,674	17,323	2.4%	37.4%
Personal loans	79,834	77,923	75,873	61,228	2.5%	30.4%
Credit cards	60,913	60,562	59,117	43,203	0.6%	41.0%
Other loans	27,323	27,049	27,580	18,420	1.0%	48.3%
Loans to public sector	<u>35,054</u>	<u>36,037</u>	<u>35,883</u>	<u>28,930</u>	<u>-2.7%</u>	<u>21.2%</u>
<b>Loans to private and public sector in dollars <sup>(1)</sup></b>	<b>5,196</b>	<b>5,448</b>	<b>5,442</b>	<b>9,524</b>	<b>-4.6%</b>	<b>-45.4%</b>
<b>Total monetary aggregates <sup>(1)</sup></b>						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	352,060	349,611	367,745	263,135	0.7%	33.8%
M2 (M1 + savings account in pesos)	462,310	458,787	475,084	340,503	0.8%	35.8%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	758,119	750,557	747,742	563,907	1.0%	34.4%
M3* (M3 + total deposits in dollars + settlement check in foreign currency)	801,622	795,676	795,235	621,413	0.7%	29.0%
<b>Private monetary aggregates</b>						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	306,054	306,580	308,378	228,418	-0.2%	34.0%
M2 (M1 + private savings account in pesos)	404,917	404,398	406,073	299,591	0.1%	35.2%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	599,961	594,615	591,062	434,824	0.9%	38.0%
M3* (M3 + private total deposits in dollars + settlement check in foreign currency)	637,596	632,425	629,487	487,036	0.8%	30.9%

Explanatory factors	Average Change							
	Monthly		Quarterly		YTD 2011		Last 12 months	
	Nominal	Contribution <sup>(4)</sup>	Nominal	Contribution <sup>(4)</sup>	Nominal	Contribution <sup>(4)</sup>	Nominal	Contribution <sup>(4)</sup>
<b>Monetary base</b>	<b>4,772</b>	<b>1.6%</b>	<b>5,025</b>	<b>1.7%</b>	<b>5,025</b>	<b>1.7%</b>	<b>80,819</b>	<b>37.4%</b>
Financial sector	6,025	2.1%	5,777	2.0%	5,777	1.9%	11,446	5.3%
Public sector	2,418	0.8%	12,208	4.2%	12,208	4.1%	53,380	24.7%
Private external sector	-946	-0.3%	1,502	0.5%	1,502	0.5%	28,549	13.2%
BCRA securities	-2,546	-0.9%	-13,675	-4.7%	-13,675	-4.6%	-10,681	-4.9%
Others	-179	-0.1%	-787	-0.3%	-787	-0.3%	-1,875	-0.9%
<b>International reserves excluded 2009 SDRs allocations</b>	<b>-1,028</b>	<b>-2.4%</b>	<b>-2,981</b>	<b>-6.8%</b>	<b>-2,981</b>	<b>-6.9%</b>	<b>-6,015</b>	<b>-12.8%</b>
Foreign exchange market intervention	-187	-0.4%	314	0.7%	314	0.7%	6,334	13.4%
International financial institutions	-53	-0.1%	1	0.0%	1	0.0%	-40	-0.1%
Other public sector operations	-227	-0.5%	-1,923	-4.4%	-1,923	-4.5%	-1,648	-3.5%
Dollar liquidity requirements	-367	-0.9%	-1,017	-2.3%	-1,017	-2.4%	-1,412	-3.0%
Others (incl. change in US\$ market value of nondollar assets)	-193	-0.5%	-356	-0.8%	-356	-0.8%	-9,249	-19.6%

1 Excludes financial sector and foreign depositors. Loans's figures correspond to statistical information, without being adjusted by financial trusts. Provisory figures.

2 Net of the use of unified funds.

3 Net of deposits pending of swap by public bonds (BODEN).

4 "Contribution" field refers to the percentage of change of each factor versus the main variable corresponding to the month respect which the change is being calculated.

5 Provisory data subjected to changes in valuation.

Sources: BCRA Accounting Department and SISGEN Informative Regime.

### Minimum Cash Requirement and Compliance

	Feb-13	Jan-13	Dec-12
	(1)		
<b>Domestic Currency</b>	% de depósitos totales en pesos		
Requirement	12.0	12.1	12.0
Compliance	12.2	12.2	12.6
Position <sup>(2)</sup>	0.2	0.2	0.6
<i>Residual time structure of term deposits used for the calculation of the requirement <sup>(3)</sup></i>	%		
Up to 29 days	59.6	65.4	65.4
30 to 59 days	23.0	23.7	23.7
60 to 89 days	10.2	5.7	5.7
90 to 179 days	6.0	3.6	3.6
more than 180 days	1.2	1.6	1.6
<b>Foreign Currency</b>	% de depósitos totales en moneda extranjera		
Requirement	19.4	19.4	19.5
Compliance (includes default application resource)	88.5	86.6	86.4
Position <sup>(2)</sup>	69.1	67.1	66.8
<i>Residual time structure of term deposits used for the calculation of the requirement <sup>(3)</sup></i>	%		
Up to 29 days	51.6	50.1	50.4
30 to 59 days	24.0	24.5	23.3
60 to 89 days	9.9	11.9	12.5
90 to 179 days	11.3	11.1	11.8
180 to 365 days	3.2	2.2	2.0
more than 365 days	0.1	0.1	0.1

<sup>(1)</sup> Estimates data of Requirement, Compliance and Position.

<sup>(2)</sup> Position= Requirement - Compliance

<sup>(3)</sup> Excludes judicial time deposits.

Source: BCRA

Interest rates in annual nominal percentage and traded amounts in million. Monthly averages.

b

<b>Borrowing Interest Rates</b>	<b>Mar-13</b>	<b>Feb-13</b>	<b>Jan-13</b>	<b>Dec-12</b>	<b>Mar-12</b>
<b>Interbank Loans (overnight)</b>					
Interest rate	12.02	11.02	10.85	10.77	9.68
Traded volume (million pesos)	1,510	1,471	1,361	1,313	1,243
<b>Time Deposits</b>					
<u>In pesos</u>					
30-44 days	13.52	13.09	12.90	13.69	11.68
60 days or more	13.58	13.45	11.39	15.43	11.51
Total BADLAR (more than \$1 million, 30-35 days)	13.19	12.50	13.04	13.43	11.12
Private Banks BADLAR (more than \$1 million, 30-35 days)	14.83	14.76	15.14	15.37	12.87
<u>In dollars</u>					
30-44 days	0.55	0.58	0.59	0.60	0.33
60 days or more	1.03	1.12	1.06	1.11	0.78
Total BADLAR (more than \$1 million, 30-35 days)	0.68	0.69	0.68	0.65	0.48
Private Banks BADLAR (more than \$1 million, 30-35 days)	0.93	0.79	0.70	0.61	0.83
<b>Lending Interest Rates</b>	<b>Mar-13</b>	<b>Feb-13</b>	<b>Jan-13</b>	<b>Dec-12</b>	<b>Mar-12</b>
<b>Stock Repos</b>					
Gross interest rates 30 days	14.75	13.86	13.93	15.57	11.56
Traded volume (all maturities, million pesos)	221	237	198	235	197
<b>Loans in Pesos <sup>(1)</sup></b>					
Overdrafts	21.48	21.51	21.55	21.79	21.94
Promissory Notes	18.80	19.37	19.40	19.04	19.48
Mortgages	17.92	16.20	16.62	17.23	14.28
Pledge-backed Loans	19.74	20.85	21.27	19.60	24.01
Personal Loans	33.90	34.48	34.97	34.31	35.56
Credit Cards	s/d	33.75	33.80	34.68	35.14
Overdrafts - 1 to 7 days - more than \$10 million	14.54	14.33	14.49	14.44	14.10
<b>International Interest Rates</b>	<b>Mar-13</b>	<b>Feb-13</b>	<b>Jan-13</b>	<b>Dec-12</b>	<b>Mar-12</b>
<b>LIBOR</b>					
1 month	0.20	0.20	0.21	0.21	0.24
6 months	0.45	0.46	0.49	0.51	0.74
<b>US Treasury Bonds</b>					
2 years	0.25	0.26	0.26	0.25	0.34
10 years	1.95	1.96	1.88	1.70	2.16
<b>FED Funds Rate</b>	0.25	0.25	0.25	0.25	0.25
<b>SELIC (1 year)</b>	7.25	7.25	7.25	7.25	9.89

(1) Observed data from Monthly Informative Regime SISCEN 08 up to April and estimated data based on Daily Informative Regime SISCEN 18 for May and June.

Interest rates in annual nominal percentage and traded amounts in million. Monthly averages.

Reference Interest Rates	Mar-13	Feb-13	Jan-13	Dec-12	Mar-12
<b>BCRA Repo Interest Rates</b>					
Overnight reverse repo	9.00	9.00	9.00	9.00	9.00
7-day reverse repo	9.50	9.50	9.50	9.50	9.50
7-day repo	11.50	11.50	11.50	11.50	11.50
<b>Total Repo Interest Rates</b>					
Overnight	10.04	9.30	9.28	9.36	9.05
7 days	9.60	9.56	9.52	9.53	9.50
Repo traded volumen (daily average)	7,054	12,051	11,578	10,111	11,230
<b>Peso LEBAC Interest Rate<sup>1</sup></b>					
1 month	s/o	s/o	s/o	11.60	s/o
2 months	12.96	12.66	12.28	11.98	s/o
3 months	13.35	12.95	12.87	12.93	s/o
9 months	15.05	s/o	s/o	14.52	s/o
12 months	15.47	15.09	14.96	14.99	12.89
<b>Peso NOBAC with variable coupon Spread<sup>1</sup></b>					
9 months BADLAR Private Banks	s/o	s/o	s/o	s/o	s/o
1 year BADLAR Private Banks	s/o	s/o	s/o	s/o	s/o
2 years BADLAR Private Banks	s/o	s/o	s/o	s/o	s/o
3 years BADLAR Private Banks	s/o	s/o	s/o	s/o	s/o
LEBAC and NOBAC traded volume (daily average)	1134	1256	1017	786	733
<b>Foreign Exchange Market</b>	<b>Jul-12</b>	<b>Aug-12</b>	<b>Sep-12</b>	<b>Oct-12</b>	<b>Nov-12</b>
<b>Dollar Spot</b>					
Exchange agencies	5.08	5.01	4.95	4.88	4.36
BCRA Reference	5.09	5.01	4.95	4.88	4.37
<b>Future dollar</b>					
NDF 1 month	5.28	5.14	5.05	4.98	4.41
ROFEX 1 month	5.16	5.08	5.02	4.95	4.39
Traded volume (all maturities, million pesos)	1,054	921	685	818	819
<b>Real (Pesos/Real)</b>	2.57	2.54	2.44	2.35	2.42
<b>Euro (Pesos/Euro)</b>	6.60	6.69	6.58	6.41	5.76
<b>Capital Market</b>	<b>Mar-13</b>	<b>Feb-13</b>	<b>Jan-13</b>	<b>Dec-12</b>	<b>Mar-12</b>
<b>MERVAL</b>					
Index	3,368	3,256	3,176	2,672	2,701
Traded volume (million pesos)	75	61	65	54	49
<b>Governement Bonds (parity)</b>					
BODEN 2015 (US\$)	140.21	133.06	127.44	120.57	109.30
DISCOUNT (US\$ - NY legislation)	99.52	99.69	99.65	97.99	91.43
BODEN 2014 (\$)	96.29	95.53	94.77	92.24	96.55
DISCOUNT (\$)	50.62	50.25	49.46	46.02	53.56
<b>Country risk</b>					
Spread BODEN 2015 vs. US Treasury Bond	1,350	1,325	1,262	1,204	715
EMBI+ Latin America (without Argentina)	313	296	288	298	334

<sup>1</sup> Corresponds to average results of each month primary auctions.

# Glossary

**ANSES:** *Administración Nacional de Seguridad Social.* Social Security Administration

**APR:** Annual percentage rate.

**BADLAR:** Interest rate for time deposits over one million pesos between 30 and 35 days for the average of financial institutions

**BCRA:** *Banco Central de la República Argentina.* Central Bank of Argentina

**BODEN:** Bonos optativos del Estado Nacional. Optional federal bonds

**BOVESPA:** Sao Pablo Stock Exchange Index (Brazil)

**CAFCI:** *Cámara Argentina de Fondos comunes de inversión*

**CDS:** Credit Default Swaps

**CER:** Coeficiente de Estabilización de Referencia. Reference Stabilization Coefficient

**CNV:** Comisión Nacional de Valores. National Securities Commission

**CPI:** Consumer Price Index

**CPI GBA:** Consumer Price Index for the Greater Buenos Aires metropolitan area

**DISC:** Discount Bond

**EMBI:** Emerging Markets Bonds Index

**FCI:** Mutual Funds

**Fed:** Federal Reserve

**FTs:** Financial Trusts

**GBA:** Greater Buenos Aires metropolitan area

**GDP:** Gross Domestic Product

**IGBVL:** Lima Stock Exchange Index (Peru)

**IGPA:** Santiago Stock Exchange Index (Chile)

**LEBAC:** *Letras del Banco Central.* BCRA Bills

**LIBOR:** London Interbank Offered Rate

**M2:** Notes and Coins + Current Accounts and Savings Accounts in \$

**M3:** Notes and Coins + Total Deposits in \$.

**M3\*:** Notes and Coins + Total Deposits in \$ and US\$

**MERVAL:** *Mercado de Valores de Buenos Aires.* Buenos Aires Stock Exchange Index

**MEXBOL:** Mexico Stock Exchange Index

**NDF:** Non Deliverable Forward

**NOBAC:** Notas del Banco Central. BCRA Notes

**NV:** Nominal value

**ONs:** Corporate Bonds

**PyME:** Small and medium enterprises

**ROFEX:** Rosario Futures Exchange Rate Market

**SAFJP:** AFJP Superintendency

**SELIC:** Brazilian Central Bank's Benchmark Interest Rate

**SISCEN:** *Sistema Centralizado de Requerimientos Informativos.* BCRA Centralized Reporting Requirement System

**S&P:** Standard and Poor's 500 Index

**y.o.y.:** Year-on-year