

Monthly Monetary Report

June 2013



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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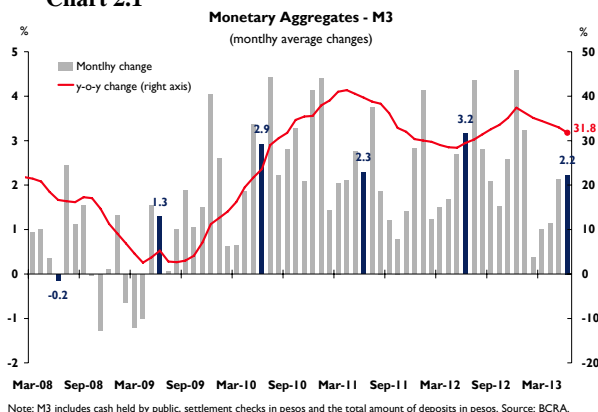
The closing date for statistics in this report was July 12, 2013. All figures are provisional and subject to review.

1. Summary¹

- In June, the broadest monetary aggregate in pesos (M3) posted a 2.2% increase, up 31.8% year-on-year (y.o.y.) with a monthly average balance of \$800.4 billion. Loans in pesos granted to the private sector continued explaining most of the aggregate's growth, although public sector operations and foreign currency purchases by the Central Bank also contributed to such expansion.
- In turn, the broadest private monetary aggregate (private M3) recorded a monthly rise of 3.1%, increasing 34.1% y.o.y. Among its components, means of payment climbed 3.9%, changing 30.4% y.o.y., while time deposits in pesos from the private sector recorded a 1.2% monthly increase, maintaining a high year-on-year change rate (44.5%).
- The broad liquidity ratio of financial institutions (measured as the sum of cash, current accounts with the Central Bank, net repos with the Central Bank, and LEBAC and NOBAC holdings with respect to deposits in pesos) shrank 0.7 p.p. to 32.6%.
- Loans in pesos to the private sector rose 2.6% (\$9.8 billion) in June, thus reaching a year-on-year change of 40.9%. In determining the contribution of each credit line toward the growth recorded over the month, financing arranged through promissory notes contributed the most (0.8 p.p.), even exceeding its share in the same month during the last few years. The y.o.y. growth rate of promissory notes continued on the rise (0.6 p.p. against May), standing at 67.8%, mainly driven by unsecured promissory notes. Many of these loans were given under the second stage of the "Credit Line for Productive Investment".
- The Central Bank launched the third stage of the "Credit Line for Productive Investment". Loans will have to be arranged in the second half of 2013 on the basis of 5% of the balance of private sector deposits as of May 2013, the amount to be disbursed by participating banks would then be \$20.1 billion. Like in the two prior stages, at least half that amount should be provided to micro, small and medium-sized enterprises. At this stage, up to 20% of the total amount of the project may be used (only by micro, small and medium-sized enterprises) to finance working capital associated with productive investment. As for terms and conditions, the interest rate will be set at 15.2% and the minimum repayment term will remain at 3 years.
- As regards borrowing rates, the BADLAR rate at private banks averaged 16.6%, whereas the interest rate paid by private banks in the retail segment for time deposits up to \$100,000 and at up to 35 days reached a monthly average of 14%.
- Regarding interest rates on peso-denominated loans to the private sector, those on current account overdrafts granted to companies for over \$10 million and at up to 7 days fell 0.8 p.p. in June, to 16.8%. In turn, the interest rate on financing through unsecured promissory notes averaged 19.1%, declining 0.2 p.p. in the month. The interest rate on pledge-backed loans averaged 19%, its lowest level in the past two years, whereas rates on personal loans averaged 33.8%, down 0.5 p.p. in the month.

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

Chart 2.1



2. Monetary aggregates¹

In June, the broadest monetary aggregate in pesos (M3²) posted a 2.2% increase, up 31.8% y.o.y. (see Chart 2.1) with a monthly average balance of \$800.4 billion. Loans in pesos granted to the private sector continued explaining most of the aggregate's growth, although public sector operations and foreign currency purchases by the Central Bank also contributed to such expansion (see Chart 2.2).

In turn, the broadest private monetary aggregate (private M3³) recorded a monthly rise of 3.1%, increasing 34.1% y.o.y. Among its components, means of payment climbed 3.9%, changing 30.4% y.o.y., while time deposits in pesos from the private sector recorded a 1.2% monthly increase, maintaining a high year-on-year change rate (44.5%; see Chart 2.3). Broken down by amount range, such monthly rise was mainly driven by deposits under \$1 million (1.8%). Even though wholesale deposits also rose in June (0.6%), some moderation was observed, like in the same month over the past few years. Such performance is explained by June seasonality, as there is strong demand for liquidity by companies in order to pay the annual supplementary salary.

As for the foreign currency segment, the stock of deposits remained relatively stable. A reduction was observed in private sector deposits, which were offset by a rise in public sector deposits.

Lastly, the broadest monetary aggregate (M3*), which includes cash held by the public, settlement checks and total deposits in pesos and foreign currency (stated in pesos) went up 2.2%, changing 29% y.o.y.

Chart 2.2

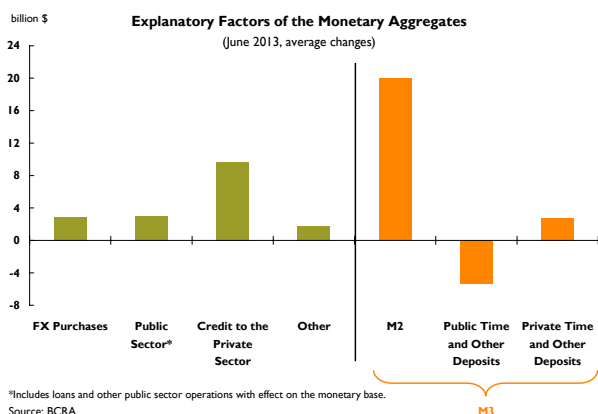
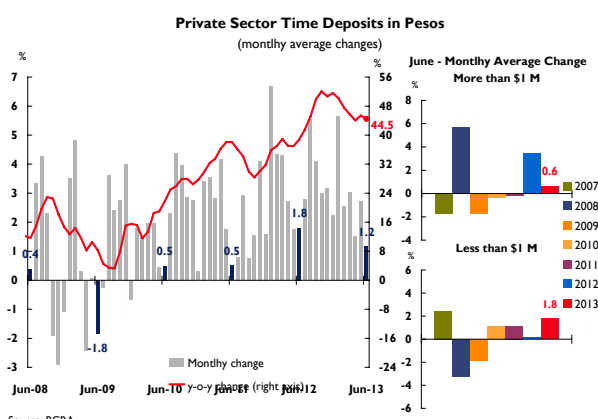


Chart 2.3

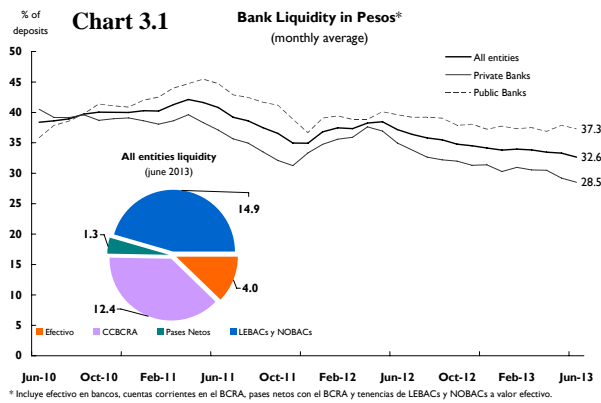


3. Bank liquidity¹

The broad liquidity ratio of financial institutions (measured as the sum of cash, current accounts with the Central Bank, net repos with the Central Bank, and LEBAC and NOBAC holdings with respect to deposits in pesos) shrank in June (0.7 p.p.) to 32.6% (see Chart 3.1). This decrease was mainly explained by repos with the Central Bank and, to a lesser extent, by LEBAC and NOBAC holdings. In turn, cash at banks as a percentage of deposits increased, while the balance of financial

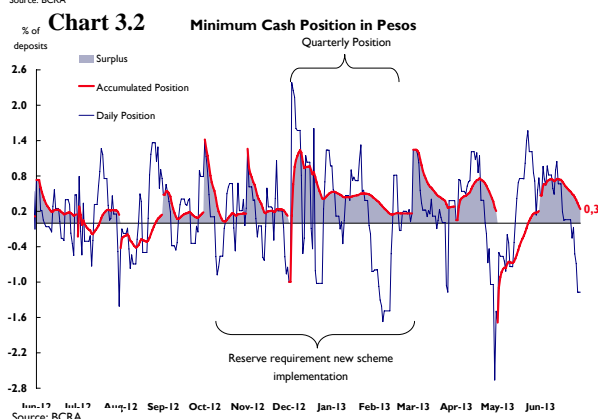
² It includes cash held by the public, settlement checks in pesos and deposits in pesos.

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



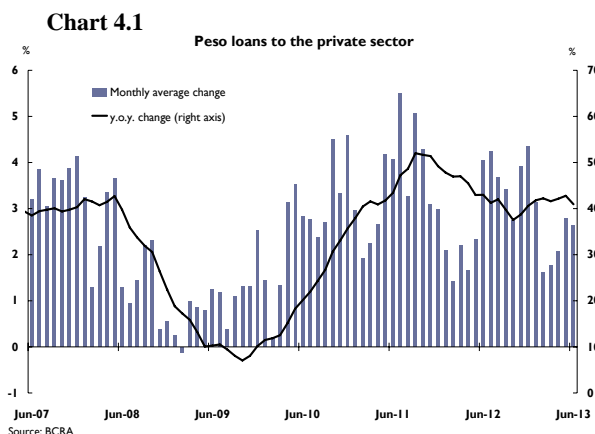
institutions' current accounts with the Central Bank enabled to comply with June's minimum reserve requirements, exceeding around 0.3% of total deposits in pesos (see Chart 3.2).

As for the foreign currency segment, liquidity remained at a high level, standing in June at 103.9% of dollar-denominated deposits.

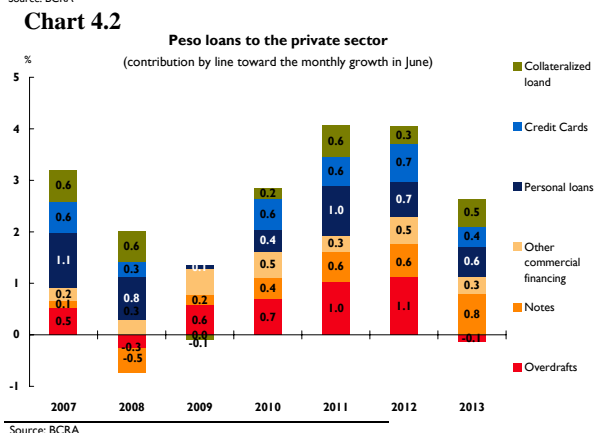


4. Loans^{1 4 5}

Loans in pesos to the private sector rose 2.6% (\$9.8 billion; see Chart 4.1) in June, changing 40.9% y.o.y. In determining the contribution of each credit line in the growth recorded over the month, financing arranged through promissory notes contributed the most (0.8 p.p.), even exceeding its share in the same month of the last few years. In contrast, the share of current account overdrafts was negative, which explains to a great extent the lower growth rate of this type of loans compared to prior years (see Chart 4.2).



Among credit lines for commercial purposes, financing through promissory notes continued accelerating its monthly expansion pace, up 3.8% (\$3.2 billion) in June, the highest increase of the past few years for this period. Thus, the year-on-year growth rate continued on the increase (0.6 p.p. against May), standing at 67.8% (see Chart 4.3). The rise in these loans was mostly driven by unsecured promissory notes, many of them were given under the second stage of the "Credit Line for Productive Investment (LCIP)". Indeed, when analyzing new transactions within this credit line, a considerable hike in loans at a fixed-interest rate of 15.25% is observed. This rate is in agreement with the LCIP requirements established in Communication "A" 5380 (see Chart 4.4).



In furtherance of its policy of productive investment, the Central Bank renewed the LCIP in the second half of 2013, thus launching the program's third stage. This time, the credit line will be based on 5% of the balance of private sector deposits as of May 2013, the amount to be disbursed by participating banks would then be \$20.1 billion.⁶ Like in the two prior stages, at least half that amount should be provided to micro, small and medium-sized enterprises. At this stage, up to 20% of the total

⁴ Monthly changes of loans are adjusted for accounting movements, which are fundamentally due to transfers of loans in financial institutions' portfolios to financial trusts.

⁵ In this report, "amounts granted" or "new loans" refer to loans (new and renewed) arranged in a given period. In contrast, a change in stock consists of arranged loans minus amortizations and repayments for the period.

⁶ Loans must be entirely arranged by December 31, 2013, and may be disbursed in a lump sum until that date or in tranches until June 30, 2014, where the project involved so warrants.

Chart 4.3

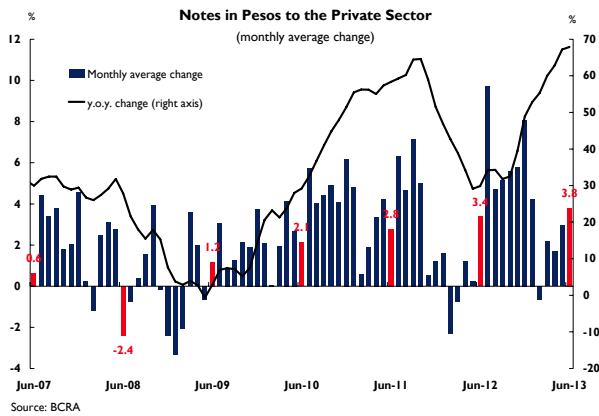


Chart 4.4

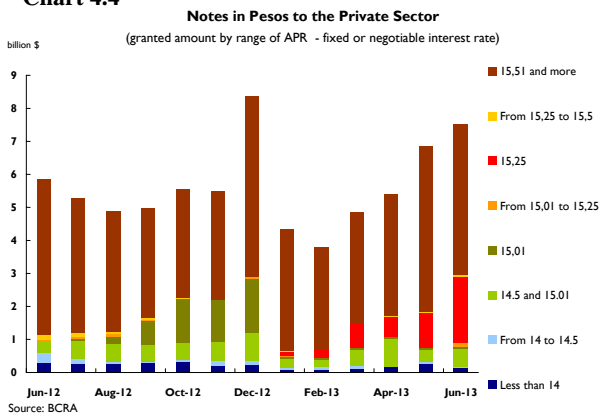


Chart 4.5

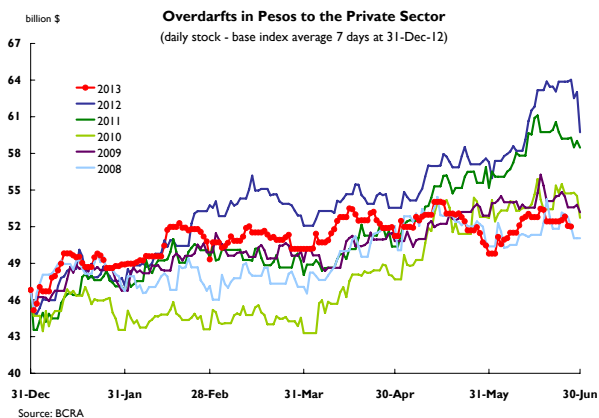
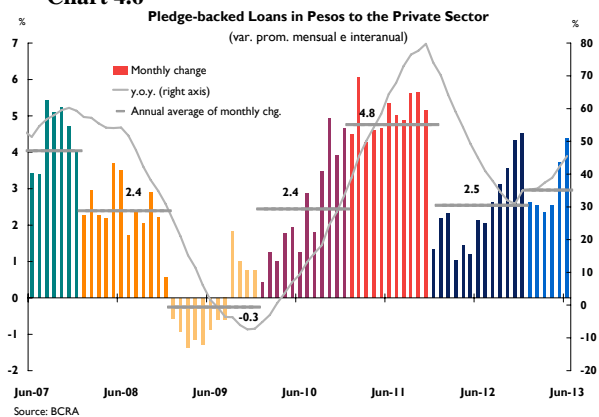


Chart 4.6



amount of the project may be used (only by micro, small and medium-sized enterprises) to finance working capital associated with productive investment. As for terms and conditions, the interest rate will be set at 15.2% and the minimum repayment term will still be 3 years (see Communication “A” 5449).

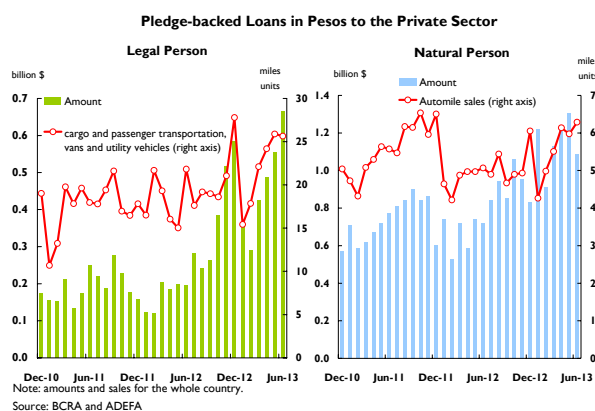
In June, overdrafts posted a 0.8% (\$430 million) decrease in the monthly average balance. Part of this decline was due to a significantly negative statistical carryover of May. Indeed, a 3.2% (\$1.6 billion) rise is observed when considering the fluctuation recorded between end of June and end of May. In any event, the daily evolution of the balance shows that overdrafts are at a relatively low level since late May, after recording one of the highest levels in the first months of the year (see Chart 4.5). Consequently, the y.o.y. change rate of this type of financing was 30.2%. The remaining commercial loans, under “Other loans”, posted a 4.3% (\$1.3 billion) increase in the month.

Credit lines mainly channeled for household consumption moderated their monthly growth rate. Personal loans climbed 2.5% (\$2.1 billion) in June, but kept their y.o.y. change rate at around 31%. A similar growth pace was displayed by credit card financing, increasing 2.6% (\$1.6 billion) in June, and changing 40.4% y.o.y.

Collateralized loans had greater momentum than in prior months. Mortgage-backed loans grew 2.4% (\$890 million), the highest increase in the past five months, with their y.o.y. growth rate rising to 28.8%, up 1.3 p.p. against May. In turn, pledge-backed loans went up 4.4% (\$1.1 billion) in June, similarly as in December 2012 and well above the first five months of 2013 (see Chart 4.6). Further, their y.o.y. change rate continued on the rise, standing at 45.5% in June, up 3.1 p.p. against May.

The refreshed dynamism exhibited by mortgage and pledge-backed loans in June was largely explained by a higher number of loans under the LCIP. The positive impact of this credit line on the performance of pledge-backed loans can be seen when comparing new loans by type of borrower. In addition to the momentum gained from car sales to individuals, greater dynamism is observed in loans granted to firms, in line with the evolution of sales of bigger vehicles (for cargo and passenger transportation, vans and utility vehicles). Amounts granted to individuals totaled \$1.1 billion in June, a little less than May, whereas loans given to companies were up \$112 million against May, standing at \$665 million (see Chart 4.7). Broken down by amount range, pledge-backed loans for up to \$100,000 have

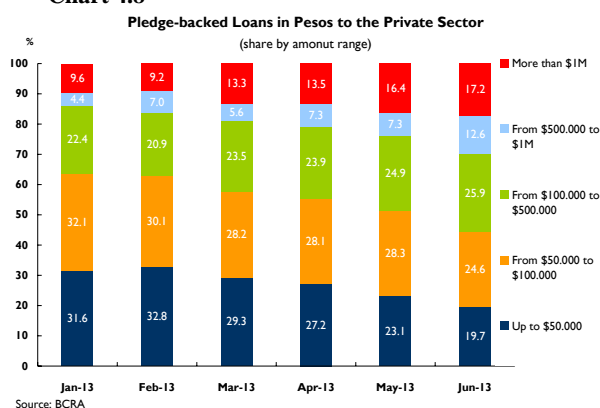
Chart 4.7



been losing share in the first half of the year to loans for a higher amount, especially \$500,000 or over, which may be explained by lending channeled to companies for financing the purchase of machinery and other commercial vehicles (see Chart 4.8).

As regards mortgage-backed loans, the impact of the promotion of lending to the productive sector is also evidenced when breaking down new loans by type of borrower. In this sense, lending to legal persons significantly increased its share in private sector loans, accounting for nearly 78% of the total in June; over 10 p.p. compared to May, doubling its share against June 2012 (see Chart 4.9).

Chart 4.8



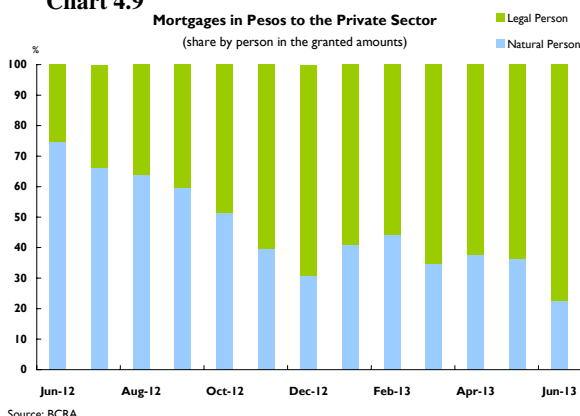
Lastly, foreign currency loans to the private sector, especially the exporting sector, went down 3.3% (US\$170 million), with the monthly average balance standing at around US\$5 billion.

5. Interest rates ⁷

Central Bank securities ⁸

Interest rates on securities issued by the Central Bank remained relatively stable in June. In the last auction of the month, interest rates on LEBACs at a predetermined rate, at 80 and 100 days, were 15.1% and 15.5%, respectively. The longest-term interest rate, at 450 days, stood at 18.15%.

Chart 4.9



Only fixed-rate securities were awarded in the primary market. LEBACs at 90 to 180 days drew greatest interest. Thus, the average maturity of issues was 160 days, below the average term recorded in May. Therefore, the average term of Central Bank outstanding securities in June fell to about 200 days.

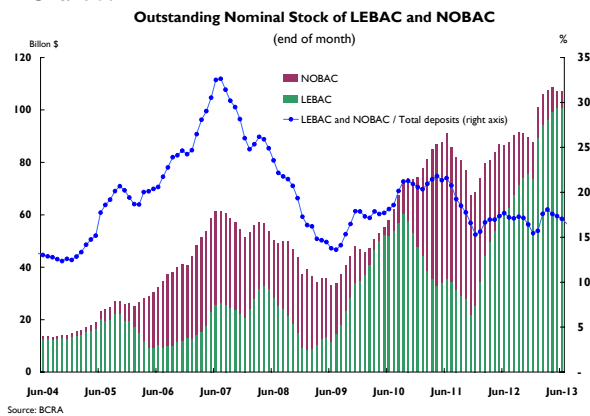
By the end of June, the total stock of outstanding LEBACs and NOBACs remained virtually unchanged at NV \$107.3 billion. The total amount of LEBACs awarded (including financial institutions and other holders) was similar to the stock falling due, so the outstanding stock remained stable. In turn, no NOBACs matured or were issued, so the total stock continued to be at around 17% of total deposits (see Chart 5.1).

In the secondary market, as a result of the performance of call money market rates, interest rates on short-term LEBACs were somehow volatile, though to a lesser extent than in May. However, by the end of June interest

⁷ Interest rates mentioned in this section are expressed as annual percentage rates (APR).

⁸ In this section, figures are end of the month data unless otherwise stated.

Chart 5.1



Source: BCRA

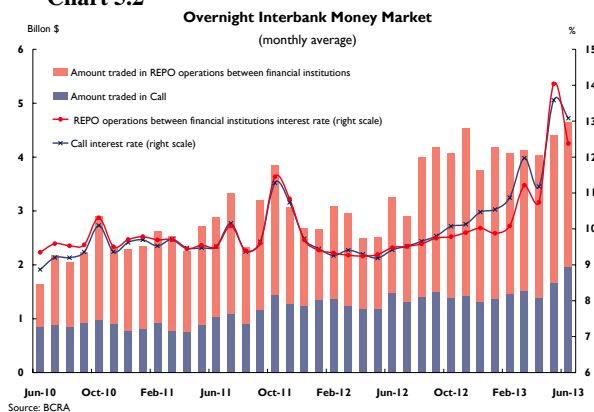
rates remained at levels similar to those by the end of May, in line with the performance observed in the primary market. The daily average amount traded in June went up \$128 million, to \$1.2 billion.

Central Bank repo transactions¹

The Central Bank repo rates remained unchanged in June. Rates on reverse repos stood at 9% overnight and 9.5% at 7 days, while rates on repo loans stood at 11% overnight and 11.5% at 7 days.

The average stock of Central Bank reverse repos, considering all transactions conducted this institution, shrank 23.7%, to \$11.6 billion, in the month. This occurred in a context where no repo loans were recorded for the Central Bank.

Chart 5.2



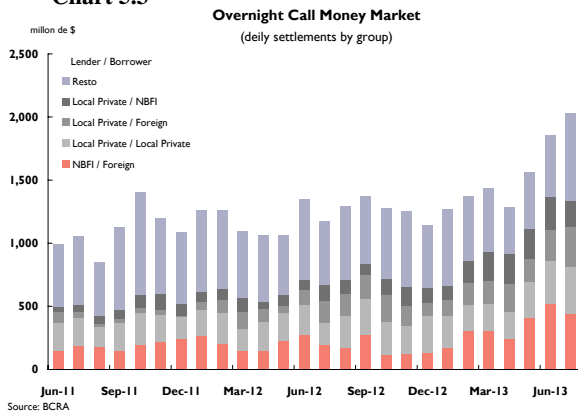
Source: BCRA

Call money market¹

In June, average interest rates on the call money market posted a decrease. The average interest rate on overnight transactions declined 0.5 p.p. to 13.1% on the unsecured market (call). In turn, the average interest rate on overnight transactions between financial institutions on the secured market (REPO round) decreased 1.8 p.p., standing at 12.4% (see Chart 5.2).

The daily average amount traded posted a slight increase. Like in May, such rise was driven by the call market, where the amount traded climbed \$288 million, to \$2 billion. Transactions among non-bank financial institutions as lenders and foreign financial institutions as fund borrowers accounted for most of the increase (see Chart 5.3). In turn, the volume in the REPO round fell \$200 million, to \$2.5 billion.

Chart 5.3



Source: BCRA

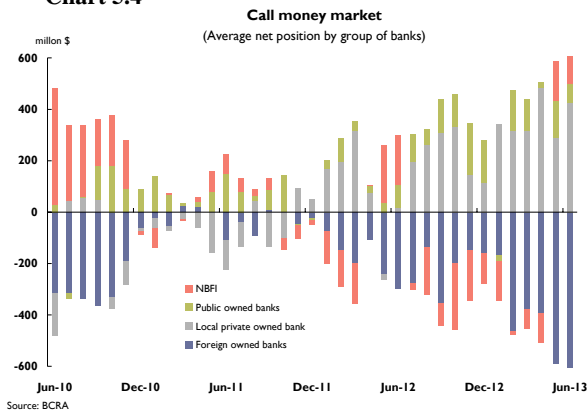
Lastly, domestic private institutions and non-bank financial institutions increased their position as net fund lenders in the call money market, whereas public financial institutions reduced such position. Foreign institutions were once again the only net fund borrowers (see Chart 5.4).

Borrowing rates¹

In June, interest rates paid by private financial institutions posted an increase, especially those paid for deposits in the wholesale segment.

Thus, the BADLAR of private banks —interest rate on deposits for \$1 million and more for 30-35 days— averaged 16.6%.

Chart 5.4



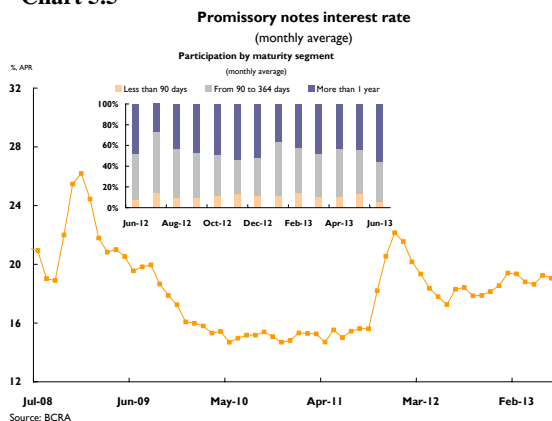
As far as the retail segment is concerned, the interest rate paid by private banks on time deposits up to \$100,000 and up to 35 days averaged 14% in June.

Lending rates¹⁹

In June, interest rates on loans in pesos granted to the private sector showed a heterogeneous performance.

The interest rate on current account overdrafts granted to companies for over \$10 million and up to 7 days dropped 0.8 p.p. in the month, to 16.8%. In turn, the interest rate on current account overdrafts averaged 22.8%.

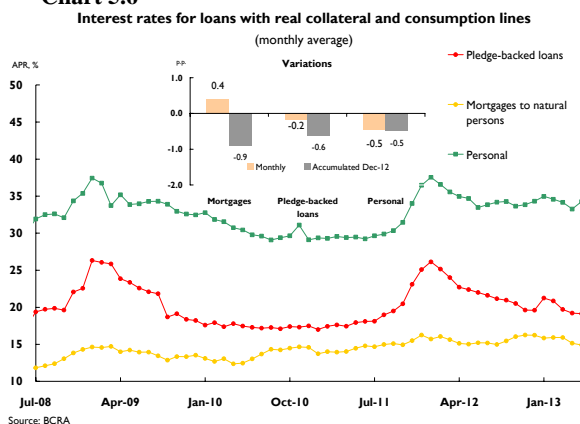
Chart 5.5



Meanwhile, interest rates on financing through unsecured promissory notes averaged 19.1%, falling 0.2 p.p. in the month. It is worth noting that in June, lending under the LCIP and the Bicentenary Productive Financing Program recorded a higher participation in this line. These loans, which are given at lower interest rates and at longer terms, helped decrease the average interest rate on unsecured promissory notes in the month and increase the share of longer-term loans in the total (Chart 5.5).

As regards loans with real collateral, interest rates on pledge-backed loans continued with the declining trend of the past few months, averaging 19%. With a drop of 0.2 p.p. in the month, the interest rate reached its lowest level in the past two years. In turn, the average interest rate on mortgage-backed loans granted to natural persons stood at 15.3%, declining 0.9 p.p. against December. Interest rates on personal loans averaged 33.8%, down 0.5 p.p. both in the month and so far this year (Chart 5.6).

Chart 5.6



The spread between lending and borrowing rates recorded a decline in the first half of the year as a result of the fact that the average lending rate for all credit lines in pesos remained unchanged compared to 2012, but borrowing rates hiked (see Chart 5.7).

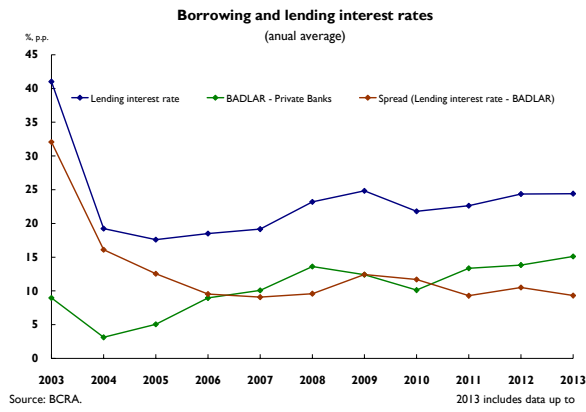
6. International reserves and foreign exchange market¹⁰

The balance of international reserves ended June at US\$37 billion (see Chart 6.1), down US\$1.5 billion compared to May. This reduction was mostly driven by public sector transactions related to the repayment of

⁹ Interest rates mentioned in this section are annual percentage 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.

¹⁰ Figures in this section are end of the month data unless otherwise stated.

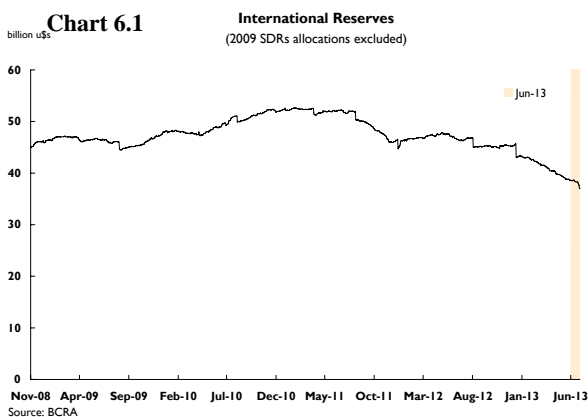
Chart 5.7



foreign currency denominated debt. In turn, the Central Bank transactions on the Free and Single Foreign Exchange Market (MULC) led to a total rise in foreign currencies of US\$541 million in the month.

Regarding the foreign exchange market, the peso depreciated against the US dollar and the euro, and appreciated against the real. Average exchange rates in June stood at 5.33 \$/US\$ (up 1.7% against May), 7.04 \$/euro (3.5%) and 2.46 \$/real (-4.1%; see Chart 6.2). In turn, the daily average amount traded on the futures market (ROFEX) was \$700 million, down 20% against May, which was related to a reduced number of contracts executed. The depreciation expectation for coming months remained unchanged in June.

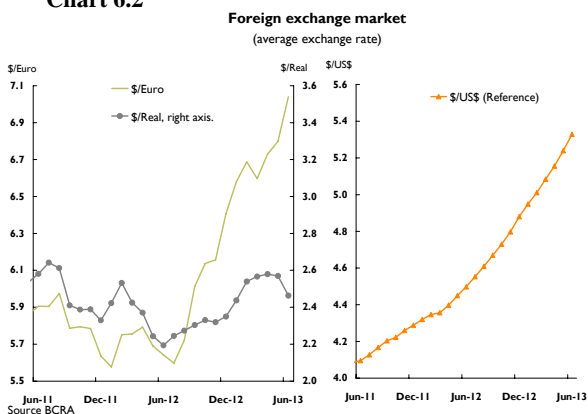
Chart 6.1



7. Major policy measures taken by other Central Banks

As for measures adopted by other central banks, the announcement made by the Chairman of the Federal Reserve (FED) should be highlighted: the statement highlighted a potentially lower asset purchase pace by the end of 2013, so long as expectations on a gradual recovery in activity levels materialize. Should this happen, the FED would completely stop buying assets by mid-2014 and start to raise the target for the federal funds rate in 2015 (see Table 7.1).

Chart 6.2



A member of the Federal Open Market Committee (FOMC) claimed the FED should pay more attention to low inflation levels¹¹ (see Chart 7.1). Consequently, he considered it inappropriate to mention the exit from unconventional monetary policy. The FOMC's decision was also criticized on the grounds that an improvement in the unemployment rate might exclusively be due to a lower participation rate¹², with the employment rate standing at its lowest levels since mid-1983 (see Chart 7.2).

Table 7.1

	FED Forecasts %		
	2013	2014	2015
Growth	2.45 (2.55; 2.65)	3.25 (3.15; 3.25)	3.25 (3.30; 3.35)
Unemployment	7.25 (7.40 ; 7.55)	6.65 (6.85; 7.05)	6 (6.25; 6.3)
Inflation (PCE)	1 (1.5; 1.65)	1.7 (1.75; 1.75)	1.8 (1.85; 1.85)

In black June 2013 forecasts, in blue March 2013, and in red December 2012.

Fuente: BCRA based on the FED.

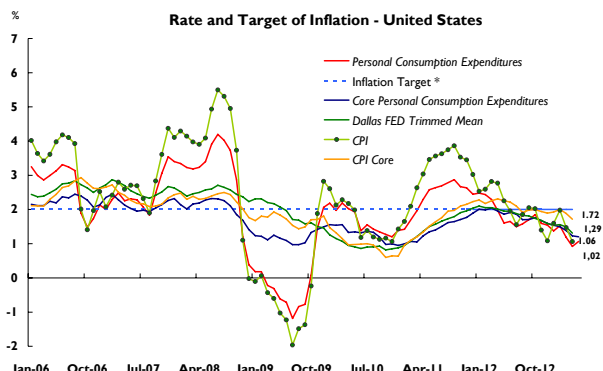
The FED's announcement had an immediate effect on markets¹³, where the dollar appreciated against most assets denominated in other currencies. In this scenario, a large number of currencies from emerging countries depreciated and several central banks sought to reduce volatility in their currencies, including the central banks

¹¹ This was said by James Bullard, president of the Federal Reserve Bank of St. Louis. See e.g. the interview published in The Washington Post on June 21: <http://www.washingtonpost.com/blogs/wonkblog/wp/2013/06/21/james-bullard-this-is-why-i-dissented-at-the-fed-meeting-this-week/>.

¹² A lower participation rate means lower labor supply. This lower participation rate is related, at least in part, to a "discouraging effect" (unemployed people stop looking for a job). A drop in the unemployment rate as a result of a lower participation rate should not be construed as an improvement in the labor market.

¹³ However, in recent minutes from the FED, FOMC members emphasized the need to ensure that proper conditions exist before beginning to taper asset purchases.

Chart 7.1



* The FED is not embedded in an inflation targeting regime. It has a dual mandate where it has to foster maximum employment, moderate long run interest rates and price stability. Regarding the latest on the FED meeting of January 25 2012, it established a target of an annual variation of 2% of the Personal Consumption Expenditures in the long run.

Chart 7.2

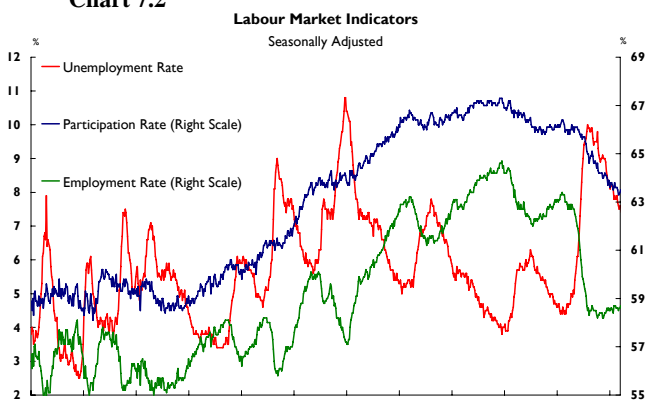
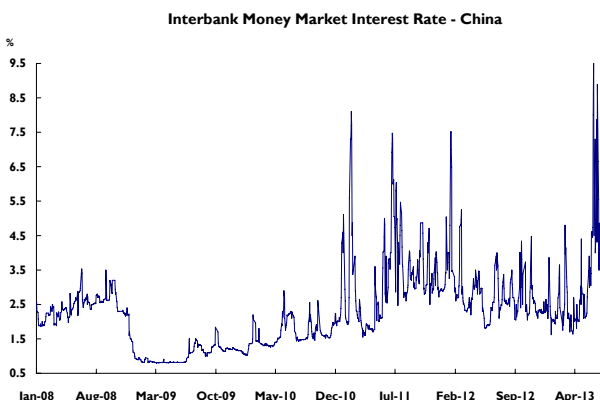


Chart 7.3



of Turkey, New Zealand, Indonesia, Israel and Brazil. The Central Bank of Brazil intervened in the futures market through swaps and repo loans in dollars for US\$1.7 billion. In addition, Brazil's administration changed the tax on foreign exchange transactions (known as IOF)¹⁴.

In June, there were some signs of liquidity shortage on the Chinese call money market, leading the interest rate on that market to 9.8% on June 8, the highest number since late 2003, after a 2.9% average in May (see Chart 7.3). Such increase might have resulted from both seasonal factors (especially, income tax maturity for legal persons at the end of May) and current conditions, including a lower amount of cash injection by the People's Bank of China (PBoC) and a reduced inflow of funds. Fearing that a rise in interbank funding costs might have a contractionary effect on activity levels, the PBoC provided liquidity through various mechanisms, bringing the interest rate on that market below 5% at the end of the month.

Lastly, the Uruguayan Macroeconomic Coordination Committee, composed of the Central Bank of Uruguay (BCU) and the Ministry of Finance, decided on June 6 to change the current monetary policy and tighten restrictions on speculative capital inflow¹⁵. Such decisions were made on account of a large capital inflow into Uruguay, especially after obtaining the investment grade in April 2012, which gave rise to inflationary pressures that could not be relieved by an increase in the monetary policy interest rate as it encouraged capital inflows (see Chart 7.4).

In this context, despite deciding to maintain its annual inflation target at 5%, the Committee raised the tolerance margin from 1% to 2%, and the time limit to assess compliance from 18 to 24 months. As from July 2014, the target range will thus shift from 3% to 7%. Moreover, as from July 1, 2013, the Committee decided to replace the monetary policy interest rate (which stood at 9.25%), as a benchmark for monetary policy, with an evolution in means of payment. The BCU decided to adopt a contractionary policy by setting an increase from 12.5% to 13% a. in broad M1 (quarterly average) by September 2013, aiming at a gradual year-on-year change of 8% by the second quarter of 2015, which is when the new time limit of 24 months will expire (from June 2013).

¹⁴ The tax on foreign exchange derivatives on the futures market went down from 1% to 0%.

¹⁵ The Ministry of Finance expanded the scope of the reserve requirements scheme to cover nonresidents' holdings of locally issued securities. This measure was already in force for the BCU's securities.

8. Capital markets

Equity¹⁶

In June, variable income assets showed a downward trend, as a result of investors' expectations with regard to a potential moderation process in asset purchases by the FED. Considering major markets in advanced economies, the S&P 500, the main index for the US market, went down 1.5%, whereas the European market, measured by the MSCI index, dropped 5.3% (see Chart 8.1). The evolution in the price of instruments was accompanied by a substantial increase in volatility levels. The expected volatility for the S&P 500, measured by the VIX index, grew 3.8 p.p. to 17.1%, while the index measuring the Stoxx 50's volatility (benchmark index of the stock market in the Euro Zone) rose 4 p.p., to 21.7% (see Chart 8.2).

Being affected by the winding up of speculative positions, the price of variable income assets of emerging economies showed a downward trend, deepening the performance observed in advanced economies. Net outflows from international equity and fixed income funds were observed. In this scenario, the MSCI Emerging Markets index recorded a further fall, dropping 6.8%. A sharper decrease was observed in the MSCI Latin American index, which posted a 9.1% loss as a consequence of the performance observed in most of the main stock markets.

Similarly to the region's performance, the local benchmark index (Merval) measured in dollars ended with a monthly loss of 16.3%. The downward trend was seen in all sectors. The average daily volume of stock traded in June was \$44 million, down 20.7% in the month.

Sovereign bonds

Yields of emerging economies' sovereign bonds expanded in a context where yields of US government bonds increased 36 b.p. The spreads of yields between emerging sovereign bonds and American Treasury bonds rose 47 b.p., as measured by the EMBI+, to 342 b.p. as of the end of June. At a regional level, the EMBI Latin America climbed 45 b.p., to 426 b.p.

In Argentina, the spread of yields of sovereign bonds followed the region's trend and expanded 32 b.p., to 1,199 b.p. as of the end of June (see Chart 8.3).

Chart 7.4 Interest Rate and Target and Rate of Inflation

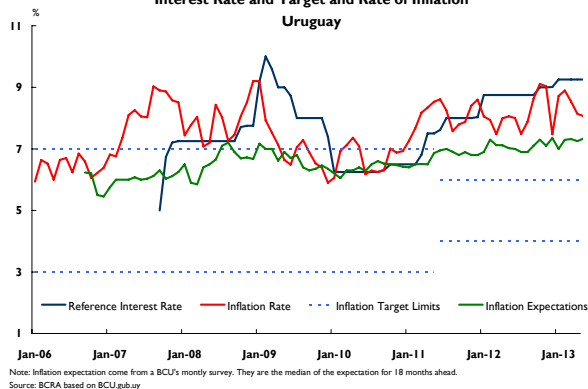


Chart 8.1

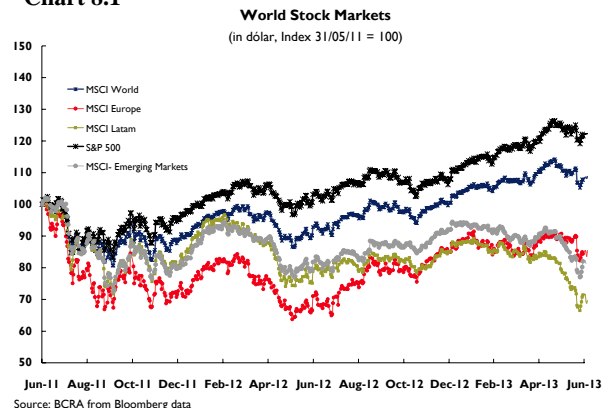
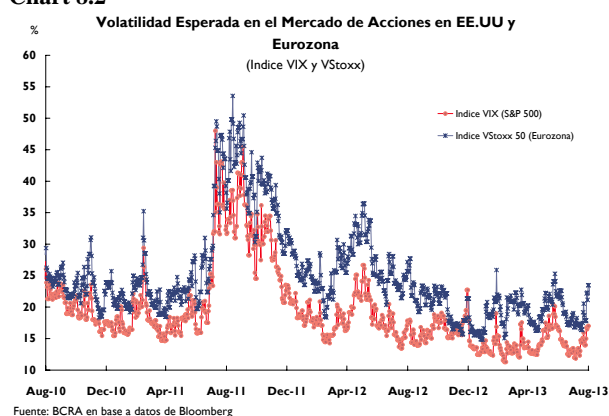
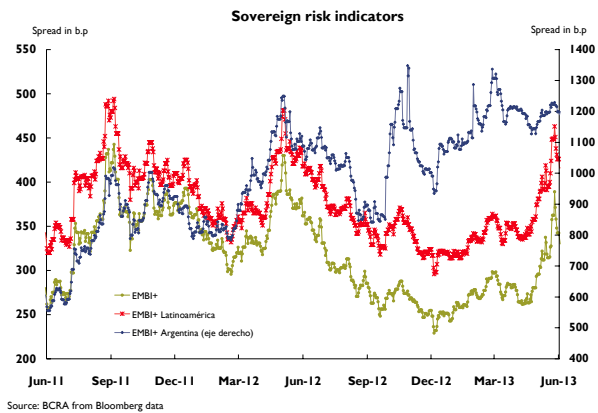


Chart 8.2



¹⁶ Unless otherwise stated, the change in indexes is represented in US dollars.

Chart 8.3



Corporate bonds

In June, the corporate debt domestic market exhibited issues for a nominal amount of \$2.3 billion, up 23% against the previous month and three times higher than June 2012. There were 10 issues -against 20 in May-, six of which were denominated in pesos and 4 in dollars, the latter to be paid in pesos as adjusted following the evolution of the foreign exchange rate.

The amount issued was influenced by YPF, which once again issued bonds targeted to the wholesale segment of the capital market. The oil company continued borrowing in the local market for \$1.3 billion this time. The instrument was denominated in pesos and had a 7-year maturity, paying the BADLAR rate at private banks plus a margin of 2.25 p.p.

Other companies from the energy sector also issued bonds for a total of \$722 million. The rest of the amount issued corresponded to agricultural companies (9% of the total) and firms conducting Other Financial, Stock Exchange and Insurance Activities (5% of the total). It should be noted that, unlike prior months, financial institutions issued no bonds in June (see Chart 8.4).

As for the cost of financing, in line with the performance observed in the remaining interest rates on the money market, the cut-off rate (over Arg BBB+ rating, and a maturity below 5 years) in floating rate issues rose 1.4 p.p., to 20.8%. Additionally, the interest rate on fixed rate issues in pesos (over Arg BBB+ rating) was 20.5% (see Chart 8.5).

Finally, with data as of May 2013, according to the National Securities Commission (CNV), the stock of corporate bonds amounted to \$68.9 billion, up 64% in year-on-year terms, most of which was from the energy and the financial sectors.

Chart 8.4

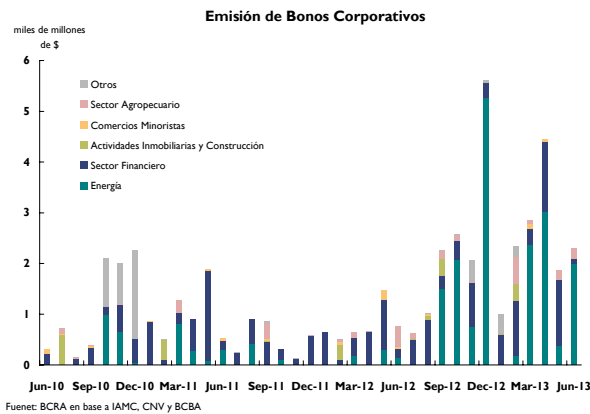
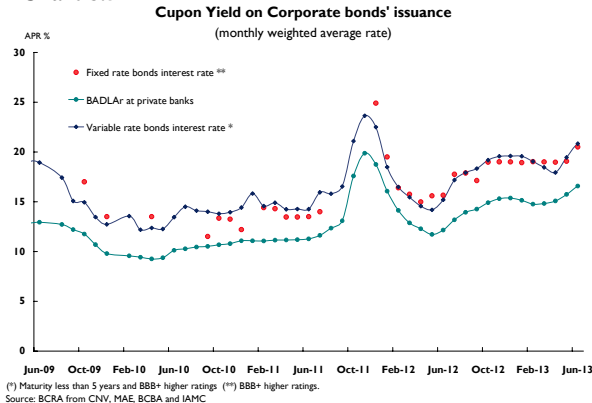


Chart 8.5

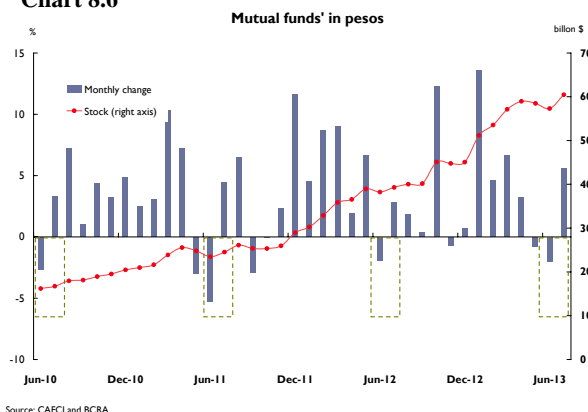


Mutual funds

The equity of FCIs in pesos and in foreign currency decreased \$1.2 billion (4.3%) in June, standing at \$57.3 billion at the end of the month. Such performance might be of a seasonal nature as a result of the use of funds by companies in order to pay the annual supplementary salary.

This drop in equity was driven by FCIs in pesos and, especially, by funds allocated to manage short-term liquidity. Indeed, driven by the redemption of unit shares, money market funds declined \$730 million (3.7%; see Chart 8.7) in the month. Likewise, as a result

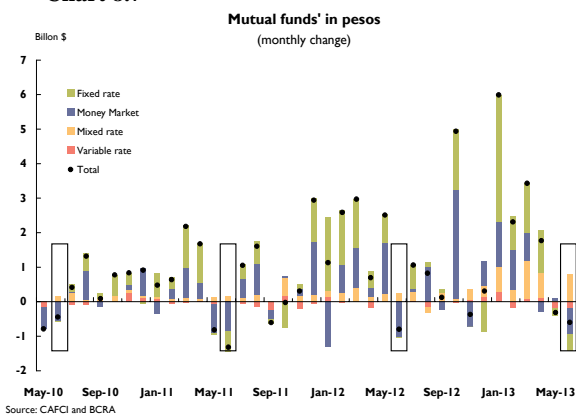
Chart 8.6



of the evolution in the number of unit shares in the second half of June, fixed income funds fell \$470 million (1.8%). As in May, the funds investing in variable income assets were affected by the performance of the stock market and lost \$200 million (14.8%). Prompted by an increase in the number of unit shares and, to a lesser extent, by profitability, mixed income funds grew \$800 million (9.3%).

Regarding profitability of FCIs in pesos, money market funds showed the best relative performance, gaining 0.8% on average. Fixed income funds remained unchanged, mixed income funds lost 1.2% and variable income funds dropped 13.4% in the month in line with the performance of the domestic stock market.

Chart 8.7

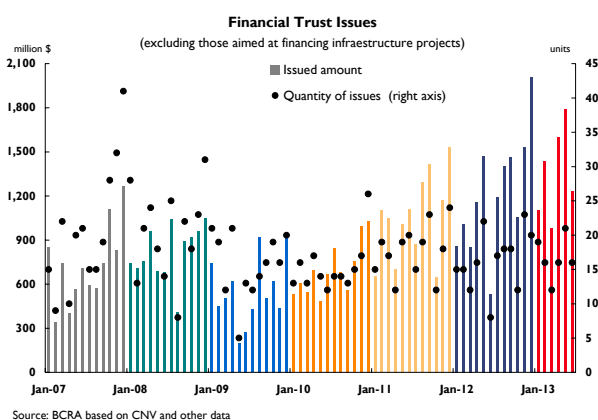


FCIs in foreign currency shrank US\$120 million, the greatest monthly decrease since October 2008, reaching around US\$354 million in equity. Mixed income funds and, to a lesser extent, fixed income funds contributed to nearly the entire drop as a result of the redemption of unit shares and a fall in prices.

Financial trusts¹⁷

In June, financial trust (FT) issues totaled around \$1.2 billion, down 30% against May. Sixteen issues were made, in line with the first months of the year (see Chart 8.8). Therefore, the amount issued in the first half of 2013 was \$8.1 billion, with no FTs for financing infrastructure projects. This number represents a rise close to 40% compared to the first half of 2012, excluding infrastructure FTs for that period (see Chart 8.9).

Chart 8.8

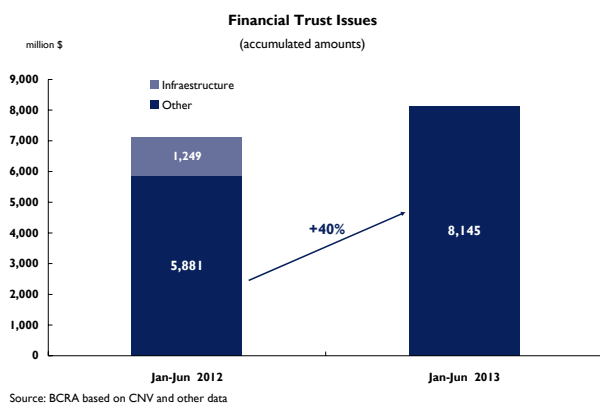


As for trustors, financial institutions issued more than \$660 million, the highest amount so far this year (up 30% against May). This segment was followed by mutuals, cooperatives, non-bank credit card issuers and other financial service providers, which issued \$400 million, nearly twice as much as May and similarly to April. Assets securitized by both types of trustors were consumption-related loans, mostly, and pledge-backed loans. The retail segment, with a record amount close to \$1 billion in May, issued just \$140 million. The rest corresponded to issues by agricultural companies that securitized commercial loans.

Cut-off interest rates (weighted average by amount) on senior bonds in pesos exhibited heterogeneous performances. Floating interest rates decreased 0.9 p.p., to 16.6%, thus being in tune with the BADLAR rate at

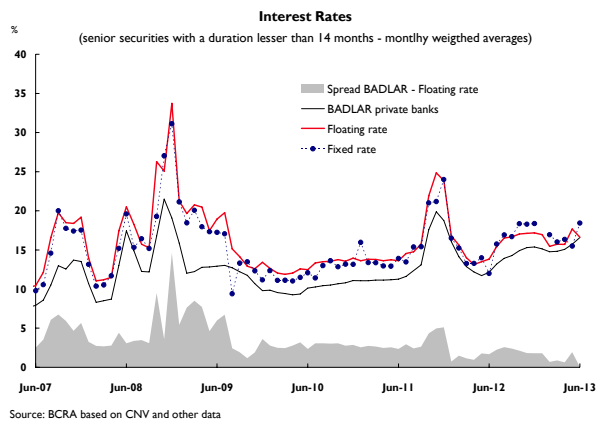
¹⁷ Only publicly traded financial trusts are considered.

Chart 8.9



private banks. In turn, the fixed rate segment only reported two issues, the cut-off rate of which averaged 18.4% (see Chart 8.10).

Chart 8.10



9. Monetary and financial indicators

Figures in millions, expressed in their original currency.

Main monetary and financial system figures	Monthly average				Average change in percentage	
	May-13	Apr-13	Dec-12	May-12	Monthly	Last 12 months
Monetary base	300,486	297,658	292,138	223,779	1.0%	34.3%
Currency in circulation	229,551	228,055	224,211	172,401	0.7%	33.1%
Held by public	208,408	205,372	199,335	154,278	1.5%	35.1%
Held by financial entities	21,142	22,681	24,872	18,121	-6.8%	16.7%
Settlement check	2	2	4	0	-1.7%	0.0%
BCRA current account	70,935	69,603	67,927	51,378	1.9%	38.1%
Repos stock						
Reverse repos	15,206	13,626	17,432	28,111	11.6%	-45.9%
Repos	0	0	0	0	0.0%	0.0%
BCRA securities stock (in face value)						
In banks	107,589	102,078	88,681	85,619	5.4%	25.7%
LEBAC	95,021	92,996	77,641	75,905	2.2%	25.2%
In pesos	99,592	91,837	74,569	56,646	8.4%	75.8%
NOBAC	7,996	10,241	14,112	28,974	-21.9%	-72.4%
International reserves excluded 2009 SDRs allocations	39,015	40,075	44,134	47,436	-2.6%	-17.8%
Private and public sector deposits in pesos ⁽¹⁾	574,586	561,216	525,028	434,453	2.4%	32.3%
Current account ⁽²⁾	153,883	151,331	150,959	120,779	1.7%	27.4%
Savings account	109,136	110,190	104,730	79,286	-1.0%	37.6%
Not CER-adjustable time deposits	289,942	277,754	248,802	216,896	4.4%	33.7%
CER-adjustable time deposits	7	7	7	9	0.0%	-19.9%
CEDRO adjusted by CER	0	0	0	0		
Other deposits ⁽³⁾	21,618	21,934	20,530	17,483	-1.4%	23.7%
<u>Private sector deposits</u>	<u>407,848</u>	<u>401,587</u>	<u>372,490</u>	<u>301,142</u>	<u>1.6%</u>	<u>35.4%</u>
<u>Public sector deposits</u>	<u>166,738</u>	<u>159,629</u>	<u>152,538</u>	<u>133,311</u>	<u>4.5%</u>	<u>25.1%</u>
Private and public sector deposits in dollars ⁽¹⁾	8,305	8,383	9,393	12,576	-0.9%	-34.0%
Loans to private and public sector in pesos ⁽¹⁾	414,103	403,744	373,913	293,668	2.6%	41.0%
<u>Loans to private sector</u>	<u>376,849</u>	<u>367,023</u>	<u>339,103</u>	<u>263,926</u>	<u>2.7%</u>	<u>42.8%</u>
Overdrafts	52,438	51,985	47,326	36,950	0.9%	41.9%
Promissory bills	84,320	81,909	76,170	50,433	2.9%	67.2%
Mortgages	37,578	36,958	34,475	29,463	1.7%	27.5%
Pledge-backed loans	25,310	24,402	22,135	17,780	3.7%	42.3%
Personal loans	83,837	81,759	75,069	63,862	2.5%	31.3%
Credit cards	63,328	61,551	56,352	44,383	2.9%	42.7%
Other loans	30,038	28,458	27,576	21,055	5.5%	42.7%
<u>Loans to public sector</u>	<u>37,254</u>	<u>36,721</u>	<u>34,810</u>	<u>29,742</u>	<u>1.5%</u>	<u>25.3%</u>
Loans to private and public sector in dollars ⁽¹⁾	5,158	5,190	5,549	9,213	-0.6%	-44.0%
Total monetary aggregates ⁽¹⁾						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	362,292	356,704	350,298	275,059	1.6%	31.7%
M2 (M1 + savings account in pesos)	471,429	466,895	455,028	354,345	1.0%	33.0%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	782,996	766,589	724,367	588,732	2.1%	33.0%
M3* (M3 + total deposits in dollars + settlement check in foreign currency)	826,478	809,789	770,217	644,682	2.1%	28.2%
Private monetary aggregates						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	314,071	309,838	299,301	240,115	1.4%	30.8%
M2 (M1 + private savings account in pesos)	412,556	408,081	395,489	313,564	1.1%	31.6%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	616,258	606,961	571,829	455,421	1.5%	35.3%
M3* (M3 + private total deposits in dollars + settlement check in foreign currency)	653,849	644,468	609,684	506,727	1.5%	29.0%

Explanatory factors	Average Change							
	Monthly		Quarterly		YTD 2011		Last 12 months	
	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾
Monetary base	2,829	1.0%	8,096	2.8%	8,349	2.9%	76,707	34.3%
Financial sector	-1,414	-0.5%	3,344	1.1%	3,096	1.1%	15,314	6.8%
Public sector	1,883	0.6%	2,663	0.9%	12,454	4.3%	51,901	23.2%
Private external sector	2,320	0.8%	2,436	0.8%	4,884	1.7%	17,670	7.9%
BCRA securities	389	0.1%	526	0.2%	-10,603	-3.6%	-5,463	-2.4%
Others	-348	-0.1%	-874	-0.3%	-1,482	-0.5%	-2,715	-1.2%
International reserves excluded 2009 SDRs allocations	-1,060	-2.6%	-3,165	-7.5%	-5,118	-11.6%	-8,420	-17.8%
Foreign exchange market intervention	447	1.1%	466	1.1%	967	2.2%	3,744	7.9%
International financial institutions	-55	-0.1%	-188	-0.4%	-133	-0.3%	-52	-0.1%
Other public sector operations	-1,295	-3.2%	-2,476	-5.9%	-4,173	-9.5%	-4,534	-9.6%
Dollar liquidity requirements	97	0.2%	-292	-0.7%	-942	-2.1%	-609	-1.3%
Others (incl. change in US\$ market value of nondollar assets)	-254	-0.6%	-675	-1.6%	-838	-1.9%	-6,970	-14.7%

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 SISCEN Informative Regime.

Minimum Cash Requirement and Compliance

	May-13	Apr-13	Mar-13
	(1)		
Domestic Currency	% of total deposits in pesos		
Requirement	12.0	12.1	12.0
Compliance	12.3	12.3	12.2
Position ⁽²⁾	0.2	0.2	0.2
<i>Residual time structure of term deposits used for the calculation of the requirement ⁽³⁾</i>	%		
<i>Up to 29 days</i>	60.9	60.7	59.6
<i>30 to 59 days</i>	25.3	24.3	23.0
<i>60 to 89 days</i>	8.3	9.3	10.2
<i>90 to 179 days</i>	4.4	4.5	6.0
<i>more than 180 days</i>	1.1	1.1	1.2
Foreign Currency	% of total deposits in foreign currency		
Requirement	19.2	19.4	19.5
Compliance (includes default application resource)	94.1	91.5	88.8
Position ⁽²⁾	74.9	72.1	69.3
<i>Residual time structure of term deposits used for the calculation of the requirement ⁽³⁾</i>	%		
<i>Up to 29 days</i>	48.4	51.0	51.7
<i>30 to 59 days</i>	22.5	22.2	23.8
<i>60 to 89 days</i>	11.5	10.6	9.9
<i>90 to 179 days</i>	14.8	13.0	11.3
<i>180 to 365 days</i>	2.6	3.1	3.2
<i>more than 365 days</i>	0.1	0.1	0.1

⁽¹⁾ Estimates data of Requirement, Compliance and Position.

⁽²⁾ Position= Requirement - Compliance

⁽³⁾ Excludes judicial time deposits.

Source: BCRA

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

b

Borrowing Interest Rates	May-13	Apr-13	Mar-13	Dec-12	May-12
Interbank Loans (overnight)					
Interest rate	13.72	11.59	12.02	10.77	9.31
Traded volume (million pesos)	1,671	1,390	1,511	1,313	1,181
Time Deposits					
<u>In pesos</u>					
30-44 days	14.61	13.97	13.52	13.69	11.26
60 days or more	13.12	13.13	13.58	15.43	11.28
Total BADLAR (more than \$1 million, 30-35 days)	14.88	14.50	13.19	13.43	11.08
Private Banks BADLAR (more than \$1 million, 30-35 days)	15.73	15.08	14.83	15.37	11.71
<u>In dollars</u>					
30-44 days	0.51	0.51	0.55	0.60	0.39
60 days or more	1.00	0.87	1.03	1.11	0.85
Total BADLAR (more than \$1 million, 30-35 days)	0.60	0.63	0.68	0.65	0.42
Private Banks BADLAR (more than \$1 million, 30-35 days)	0.80	0.75	0.93	0.61	0.62
Lending Interest Rates	May-13	Apr-13	Mar-13	Dec-12	May-12
Stock Repos					
Gross interest rates 30 days	17.19	15.32	14.75	15.57	11.41
Traded volume (all maturities, million pesos)	272	249	221	235	236
Loans in Pesos ⁽¹⁾					
Overdrafts	22.55	21.69	21.35	21.79	20.99
Promissory Notes	19.25	18.64	18.82	18.58	17.59
Mortgages	16.12	14.62	16.75	17.23	13.85
Pledge-backed Loans	19.17	19.24	19.72	19.60	22.37
Personal Loans	34.14	33.28	34.20	34.31	34.73
Credit Cards	s/d	33.10	33.45	34.90	34.91
Overdrafts - 1 to 7 days - more than \$10 million	17.57	14.94	14.55	14.44	12.49
International Interest Rates	May-13	Apr-13	Mar-13	Dec-12	May-12
LIBOR					
1 month	0.20	0.20	0.20	0.21	0.24
6 months	0.42	0.44	0.45	0.51	0.73
US Treasury Bonds					
2 years	0.24	0.23	0.25	0.25	0.27
10 years	1.93	1.72	1.95	1.70	1.78
FED Funds Rate	0.25	0.25	0.25	0.25	0.25
SELIC (1 year)	7.57	7.38	7.25	7.25	8.95

(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	May-13	Apr-13	Mar-13	Dec-12	May-12
BCRA Repo Interest Rates					
Overnight reverse repo	9.00	9.00	8.53	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
Total Repo Interest Rates					
Overnight	10.64	9.72	10.04	9.36	9.03
7 days	9.63	9.68	9.60	9.53	9.50
Repo traded volumen (daily average)	10,820	10,364	7,054	10,111	14,288
Peso LEBAC Interest Rate¹					
1 month	s/o	s/o	s/o	11.60	s/o
2 months	14.73	13.13	12.96	11.98	11.10
3 months	14.75	13.33	13.35	12.93	11.80
9 months	15.97	15.21	15.05	14.52	12.40
12 months	17.16	15.60	15.47	14.99	s/o
Peso NOBAC with variable coupon Spread¹					
9 months BADLAR Private Banks	s/o	s/o	s/o	s/o	s/o
1 year BADLAR Private Banks	s/o	-2.68	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)	1115	1356	1134	786	878
Foreign Exchange Market	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12
Dollar Spot					
Exchange agencies	5.24	5.16	5.08	4.88	4.45
BCRA Reference	5.24	5.16	5.09	4.88	4.46
Future dollar					
NDF 1 month	5.38	5.28	5.28	4.98	4.61
ROFEX 1 month	5.27	5.24	5.16	4.95	4.50
Traded volume (all maturities, million pesos)	915	963	1,054	818	1,159
Real (Pesos/Real)	2.57	2.58	2.57	2.35	2.24
Euro (Pesos/Euro)	6.80	6.73	6.60	6.41	5.69
Capital Market	May-13	Apr-13	Mar-13	Dec-12	May-12
MERVAL					
Index	3,679	3,506	3,368	2,672	2,255
Traded volume (million pesos)	64	95	75	54	46
Governement Bonds (parity)					
BODEN 2015 (US\$)	146.58	149.81	140.21	120.57	110.64
DISCOUNT (US\$ - NY legislation)	103.90	103.73	99.52	97.99	86.15
BODEN 2014 (\$)	93.45	94.85	96.29	92.24	92.38
DISCOUNT (\$)	50.52	52.28	50.62	46.02	47.52
Country risk					
Spread BODEN 2015 vs. US Treasury Bond	1,337	1,273	1,350	1,204	1,269
EMBI+ Latin America (without Argentina)	318	314	313	298	380

¹ Corresponds to average results of each month primary auctions.

10. 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