

# Monthly Monetary Report

August 2013



BANCO CENTRAL  
DE LA REPÚBLICA ARGENTINA

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Inquiries, comments or electronic subscriptions: [analisis.monetario@bcra.gov.ar](mailto:analisis.monetario@bcra.gov.ar)

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The closing date for statistics in this report was September 11, 2013. All figures are provisional and subject to review.

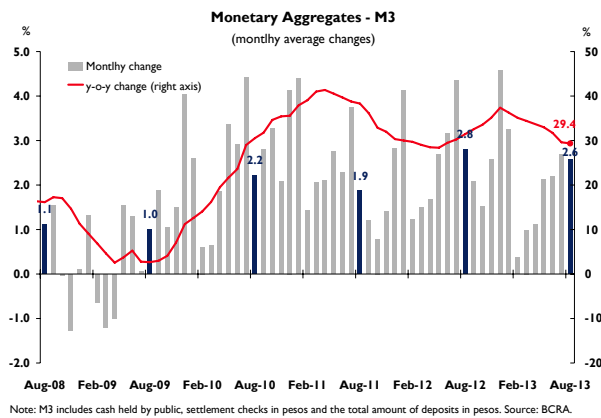
## 1. Summary<sup>1</sup>

- In August, the broadest monetary aggregate in pesos (M3) posted a 2.6% increase, similar to that of July 2013 and close to August 2012 figure. Consequently, the M3 year-on-year change rate remained stable at around 29.4%. Among the components of the private M3, time deposits exhibited a monthly rise of 4.6%, thus gaining share within this monetary aggregate and accounting for around 31% of the total in August. Therefore, the year-on-year growth pace of time deposits from the private sector continued standing at historically high levels, amounting to 42.6%. In turn, means of payment experienced a slight reduction of 0.1%, which resulted mainly from the drop in savings accounts' deposits, a typical behavior after the payment of the semi-annual complementary wage.
- Once again, the monthly expansion of the private M3 originated in the loans in pesos granted to the private sector, which have kept a significant momentum mainly because of the Central Bank's policies devoted to promote financing for productive activities. Moreover, in August, the transactions of the public and the external sectors had a contractionary effect.
- Loans in pesos to the private sector increased 2.7% (\$10.71 billion), a rise similar to that recorded in the previous three months. Therefore, they continued to exhibit a high y.o.y. growth rate (38%). Credit lines for commercial purposes, such as promissory notes and overdrafts, and also loans for consumption, such as financing through credit cards and personal loans were the main contributors to the monthly growth.
- In August, there was a new auction of the Bicentennial Productive Financing Program (PFPB); on this occasion, \$159 million were awarded, which means that from the launching of the PFPB, total funds disbursed amount to \$5.39 billion, around 76% of the total amount awarded.
- In August, the bank liquidity ratio of the segment in pesos (measured as the sum of cash in banks, current accounts of the institutions with the Central Bank, net repos with the Central Bank and LEBAC and NOBAC holdings with respect to total deposits in pesos), went up 0.2 percentage points (p.p.) and stood at 31.7%. This increase was mainly due to the stock of repos in the Central Bank which, in terms of the deposits in pesos, went up 0.9 p.p. against July. On the other hand, the current accounts of the institutions with the Central Banks relative to deposits followed the opposite direction due to a change in the Minimum Cash Regime that became effective as from August. With a view to promoting the installation of ATMs in areas with scarce banking services so that ATMs can be used by the public in general and not only by the clients of the financial institutions, the minimum reserve requirement was reduced for cash withdrawals made through ATMs which are not of exclusive use by banks' clients. This deduction is higher in the case of ATMs located in remote areas and for ATMs installed outside bank branches.
- The interest rates of the monetary market exhibited a heterogeneous performance in August. The interest rates paid by financial institutions to depositors (borrowing) went up slightly. In fact, the interest rate for new total time deposits in pesos stood at 15.1% on average in August, up around 0.2 p.p. against July. In turn, among the interest rates applied to loans in pesos to the private sector (lending), the interest rate on current account overdrafts to companies (over \$10 million and up to 7 days) and on mortgage-backed loans to natural persons went down in August against July. On the other hand, the monthly average of the interest rate on unsecured promissory notes remained stable against the previous month, while the interest rate on pledge-backed loans and loans granted through discounted documents increased slightly.

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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

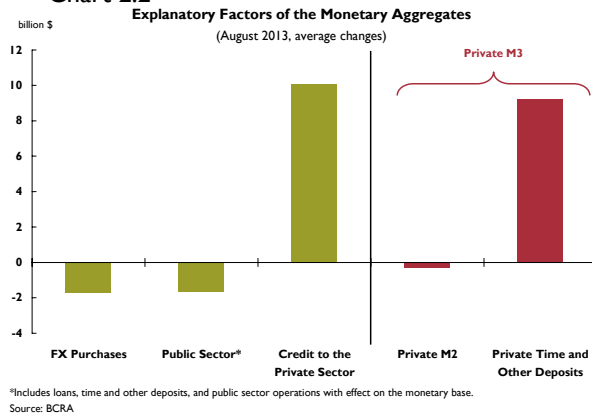


## 2. Monetary aggregates<sup>1</sup>

In August, the broadest monetary aggregate in pesos (M3<sup>2</sup>) posted a 2.6% monthly increase, which was similar to that of July 2013 and close to August 2012 figure. Consequently, the year-on-year (y.o.y.) change rate of M3 stood stable at around 29.4% (see Chart 2.1).

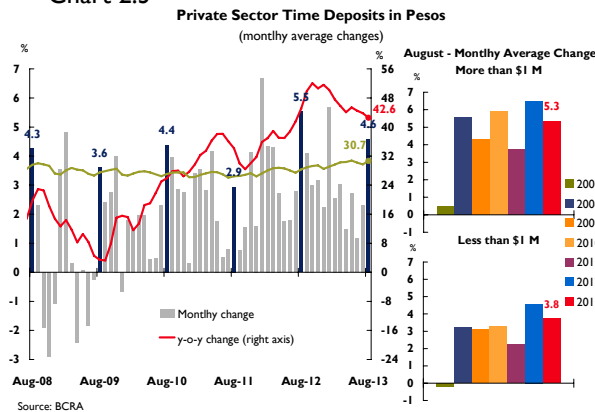
In turn, the same aggregate but for the private sector (private M3<sup>3</sup>) exhibited a monthly growth of 1.4%, recording a year-to-date increase of 31.8%. The main factor behind the monthly expansion of the private M3 continued to be the loans in pesos granted to the private sector, which kept a significant momentum mainly driven by the policies aimed at promoting financing for productive activities. In turn, in August, public sector transactions (primary and secondary expansion net of deposit change) had a contractionary effect on private M3, the same as net foreign currency sales of the Central Bank (see Chart 2.2).

Chart 2.2



Among private M3 components, time deposits posted a 4.6% monthly increase. Therefore, their share has increased steadily within private M3, accounting in August for around 31% (see Chart 2.3). On an amount segment basis, deposits under \$1 million recorded an increase of 3.8% while the wholesale segment went up more strongly (5.3%). Thus, the y.o.y growth pace of the private sector's time deposits continued standing at historically high levels, reaching 42.6%. On the other hand, means of payment exhibited a slight contraction (0.1%) that was mainly due to a drop in savings accounts deposits, a typical behavior in the period after the collection of the semi-annual complementary wage.

Chart 2.3



As regards primary money creation, the average stock of the monetary base went up 0.9% (\$2.8 billion) in August. This growth pace was slower than that of the same month of 2012 and led to a 2 p.p. reduction in the y.o.y change rate, which stood at 26.6%.

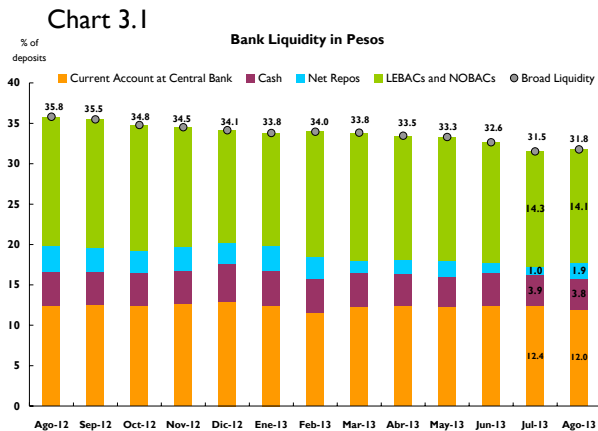
As for the foreign currency segment, the monthly stock of deposits went down for both the public and the private sectors.

Lastly, the broadest monetary aggregate, M3\*, which includes total deposits in pesos and foreign currency (stated in pesos) went up 2.4%, and accumulates a 27.8% y.o.y. change rate.

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

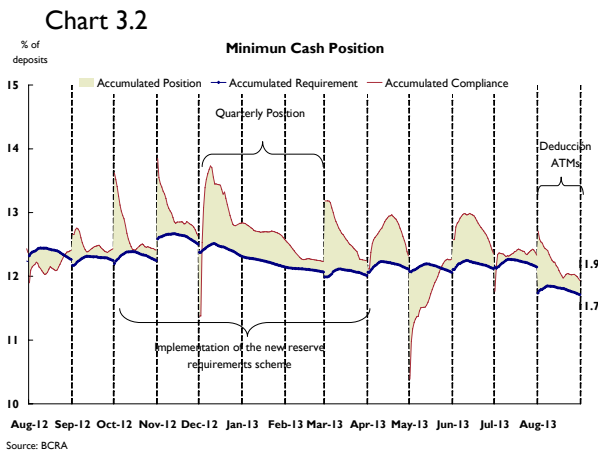
<sup>3</sup> It includes cash held by the public, settlement checks in pesos and deposits in pesos of the non-financial private sector.

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



The bank liquidity ratio of the segment in pesos (measured as the sum of the cash in the banks, the current accounts of the institutions with the Central Bank, net repos with the Central Bank and LEBAC and NOBAC holdings with respect to total deposits in pesos) went up 0.2 p.p. in August, standing at 31.7% (see Chart 3.1). This increase mainly resulted from the stock of repos in the Central Bank which, in terms of deposits in pesos, grew 0.9 p.p. against July.

Instead, the current accounts of financial institutions with the Central Bank relative to deposits went down due to a change in the Minimum Cash Regime, effective as from August. In order to promote the installation of ATMs in areas with scarce banking services so that ATMs can be used by the public in general and not only by the clients of the financial institutions, the Central Bank decided, through Communication “A” 5471, to apply a reduction of the minimum reserve requirement for cash withdrawals made through ATMs which are not of exclusive use by banks’ clients. The level of this deduction depends on two criteria related to the location of the ATM: (1) whether it is inside or outside the branch and (2) its actual geographical location. The deduction is higher when ATMs are installed outside bank branches and when they are in remote and less-developed areas with reduced access to banking services. As a result, the minimum reserve requirement went down to 0.4% of total deposits in pesos (see Chart 3.2) while the resulting minimum cash position (compliance minus requirement) was in line with the values recorded in previous months (0.2% of deposits).



As for the foreign currency segment, the average liquidity ratio was equivalent to 111.13% on average of deposits in dollars, up 4.1 p.p. against July.

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

Loans in pesos to the private sector rose 2.7% (\$10.71 billion) in August, recording an increase similar to that of the previous three months (see Chart 4.1). Thus, loans continued exhibiting a high y.o.y. growth rate (38%). Credit lines for commercial purposes, such as promissory notes and overdrafts, and also loans for consumption, such as financing through credit cards and

<sup>4</sup> Monthly changes of loans are adjusted for accounting movements, which are fundamentally due to transfers of loans in financial institutions’ portfolios to financial trusts.

<sup>5</sup> 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.

Chart 4.1

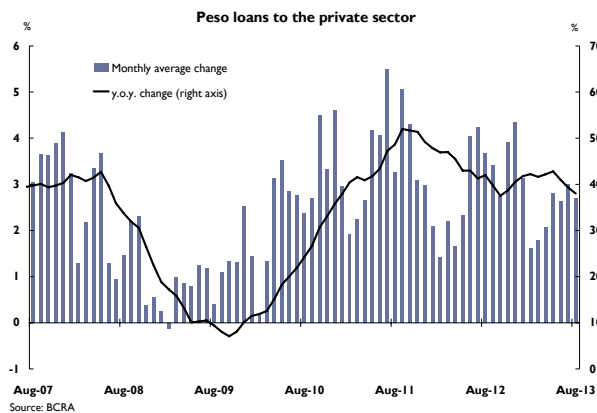


Chart 4.2

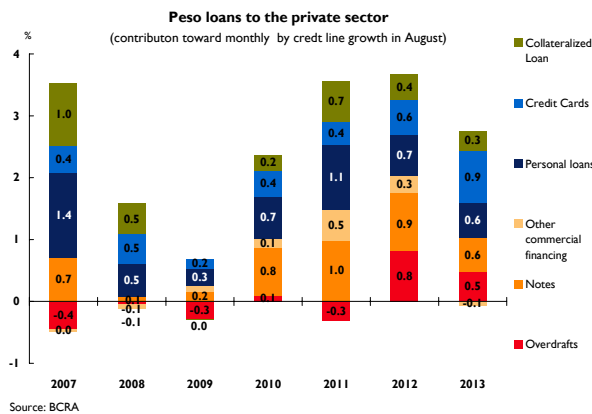
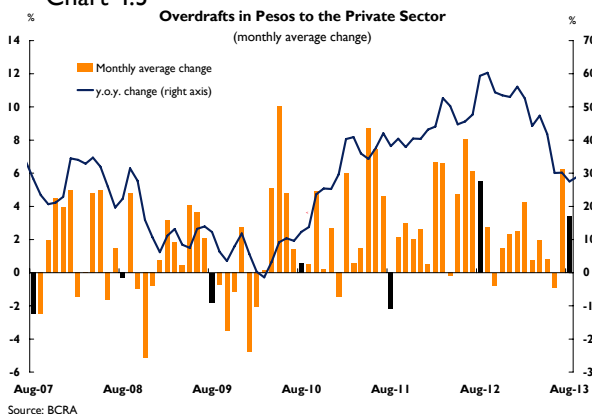


Chart 4.3



personal loans were the main contributors to the monthly growth (see Chart 4.2).

Within the credit lines for companies, overdrafts went up by 3.4% (\$1.88 billion), thus recording one of the highest increases of recent years for this month (see Chart 4.3). As a result, the y.o.y. change rate stood at 27.6%, slightly below the figure recorded in July. In turn, financing arranged through promissory notes exhibited a 2.5% rise (\$2.28 billion), resulting in a 57.1% change year-to-date. Lastly, the remaining commercial credit lines, under “Other loans”, posted a 0.8% drop (\$260 million) in August.

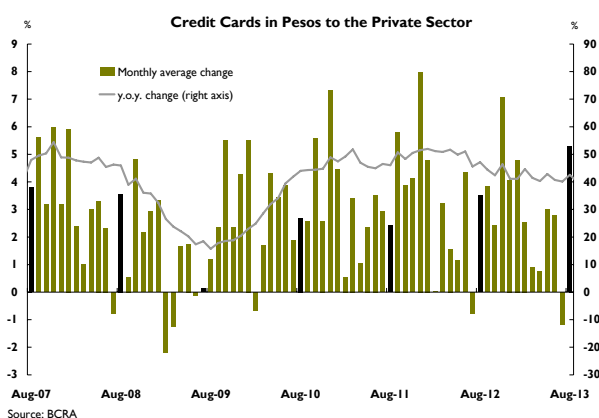
In line with the Central Bank’s policy to promote credit for productive investment, a new auction was held in August under the Bicentennial Productive Financing Program (PFPB). This time, the auction was for \$170 million, out of which \$159 million were awarded (\$150 million to Banco de la Nación Argentina and \$9 million to Banco de Inversión y Comercio Exterior). Thus, total funds paid out since the implementation of the PFPB amounted to \$5.39 billion, around 76% of the total amount awarded. When breaking down these resources according to the economic sector to which funds were granted, the manufacturing industry accounts for around 70% of all the loans allocated.

In turn, if total loans awarded in pesos to the productive sector are broken down according to the main economic activity of the debtor, it is evident that since mid-2012 there is an increasing share of the financing to the manufacturing sector in the total amount effectively disbursed.

As regards the credit lines devoted to financing household consumption, a slight increase is noticeable in the personal loans granted after a lower increase in the growth pace in July due to seasonal factors related to the payment of the semi-annual compensatory wage. As a result, personal loans recorded a 2.5% rise (\$2.2 billion) in August, while the y.o.y. change rate stood at 30.9%. In turn, credit card financing went up 5.2% (\$3.34 billion); this means that its monthly expansion pace has accelerated, resulting in the highest increase of 2013 and even of recent years for this month. Consequently, its y.o.y. change rate increased 2.3 p.p. against July, standing at 42.4% year-on-year (see Chart 4.4).

In August, some moderation was observed in the monthly expansion pace of collateralized loans, even though this pace is expected to accelerate gradually as we come closer to the end of the third stage of the Credit Line for Productive Investment (LCIP) and the financial institutions increase their loan-granting pace. This will

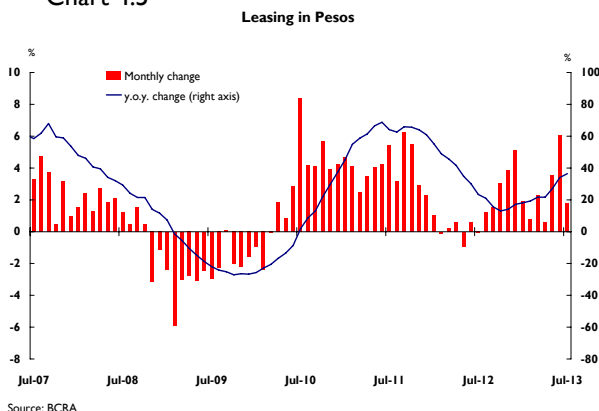
Chart 4.4



be patently evident in a higher share of new loans to legal persons relative to the total amount granted, since many of these loans are channeled through mortgage-backed credits and pledge-backed credits for companies. In August, mortgage-backed loans went up 1.5% (\$610 million), up 29.2% in the last 12 months. In turn, pledge-backed loans rose 2.4% (\$660 million) and their y.o.y. change rate stood at 47%.

According to the latest information available corresponding to July, the financing granted under leasing<sup>6</sup> contracts increased 1.8% (\$150 million). Its year-on-year change rate continued accelerating and reached 36.5%, up 2.5 p.p. against June (see Chart 4.5).

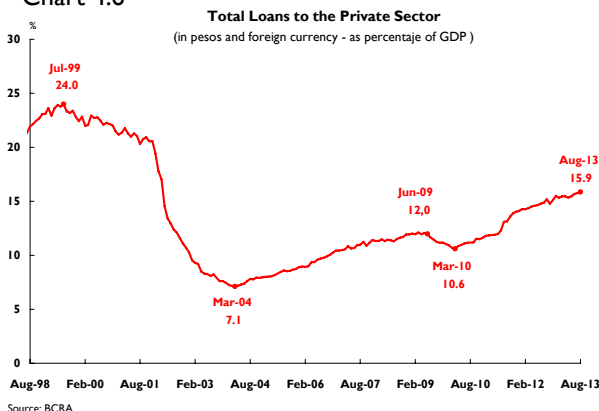
Chart 4.5



As regards foreign currency, loans to the private sector went down 6% (US\$280 million), with the monthly average balance standing at around US\$4.4 billion

Thus, total loans (in pesos and foreign currency) granted to the private sector reached a ratio of 15.9<sup>7</sup> of GDP, up almost 1 p.p. against the same month of 2012 and around 5 p.p. since the recovery started at the beginning of 2010 (see Chart 4.6). Despite the progress made in recent years, current loan levels relative to GDP continue to be low, in both historical and regional terms. In this context, the Central Bank continues boosting measures to promote productive credit, such as the Credit Line for Productive Investment (LCIP) and the Bicentennial Productive Financing Program (PFPB).

Chart 4.6



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

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

Interest rates on securities issued by the Central Bank in the primary market remained stable in August for three months in a row. The same as in previous months, only fixed-rate securities were awarded. Thus, by the end of the month, the interest rate on LEBACs for the shortest-terms, at 80 days and 100 days, auctioned at a predetermined cut-off rate, stood at 15.1% and 15.5%, respectively. Likewise, the longest-term interest rate, which on this occasion was awarded with a maturity of 410 days, stood at 18% (see Chart 5.1).

<sup>6</sup> It includes the value of capital goods (personal and real property) leased to third parties, especially acquired by the institution on their behalf, under which the lessee periodically pays a price during the term agreed upon and holds the unilateral right of exercising the call option paying the residual value previously set forth.

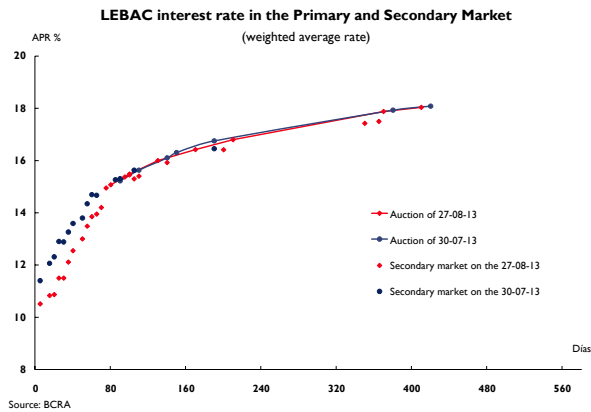
<sup>7</sup> The "Loans/GDP" ratio does not include leasing contracts or accrued interests, even though these values are included in the "Credit/GDP" concept.

<sup>8</sup> Interest rates mentioned in this section are expressed as annual percentage rates (APR).

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



Chart 5.1

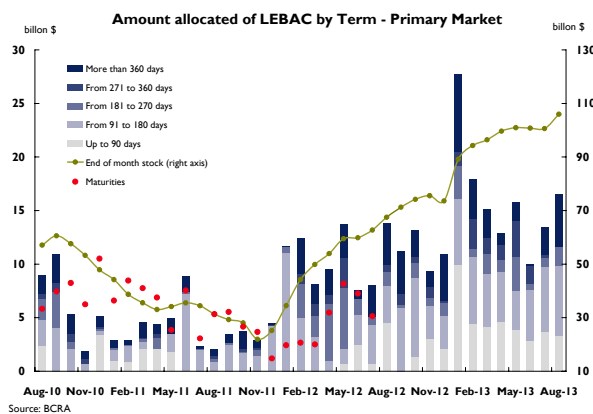


Even though the main issues concentrated in maturity instruments of up to 180 days, which accounted for 60% of the total value awarded, there was an increase in the issues of 360 day maturity instruments (see Chart 5.2). However, since the average term of new issues stood below the maturity of the stock, the average life of the outstanding stock shrank once again and stood at 194 days approximately.

Banks were the main purchasers of Central Bank securities, while Mutual Funds and Insurance Companies reduced their holdings.

By the end of August, the total stock of outstanding securities went up by \$4.4 billion against late July, standing at \$110.74 billion and accounting for 16.4% of total deposits. This amount concentrates mainly in fixed-rate instruments, which account for 96% of the total. As of the last day of August, the stock of outstanding LEBACs went up by \$5.4 billion against July, while the stock of outstanding NOBACs fell by \$1 billion.

Chart 5.2



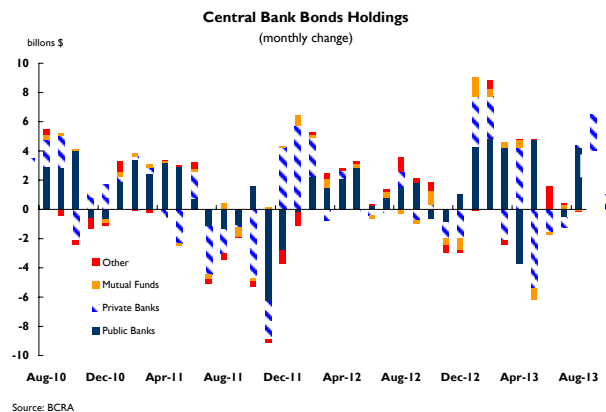
In the secondary market, the interest rates on short-term LEBACs went down, following the trend recorded in the call money market rates. This performance took place within a context where the average turnover traded expanded by \$86 million, standing at \$1.16 billion per day. Instruments with a residual term under 90 days concentrated 90% of all the transactions, a segment where private banks and Mutual Funds continue to be the main participants.

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

The Central Bank reverse repo interest rates remained at 9% overnight and at 9.5% at 7 days, while rates on repo loans stood at 11% overnight and at 11.5% at 7 days.

The average stock of Central Bank reverse repos, considering all the transactions conducted by this institution, grew 58% to \$15.2 billion in the month. This occurred within a context where no repo loans were recorded for the Central Bank.

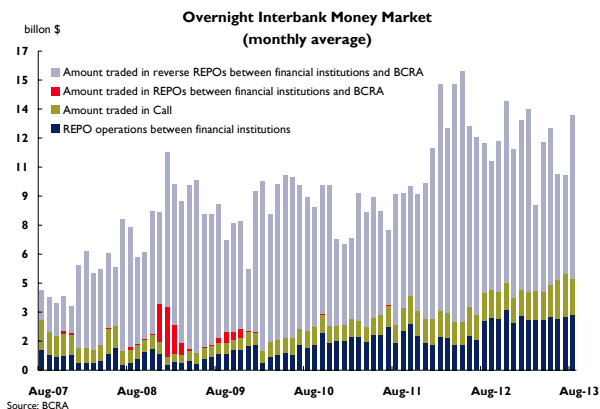
Chart 5.3



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

Interest rates in call money markets went down in August. In the unsecured market (call), the average interest rate for overnight transactions dropped 1.5 p.p., standing at 11.8%. Likewise, the average interest rate on overnight transactions between financial institutions in the secured market (REPO round) went down 1.4 p.p. and stood at 11.8%

Chart 5.4

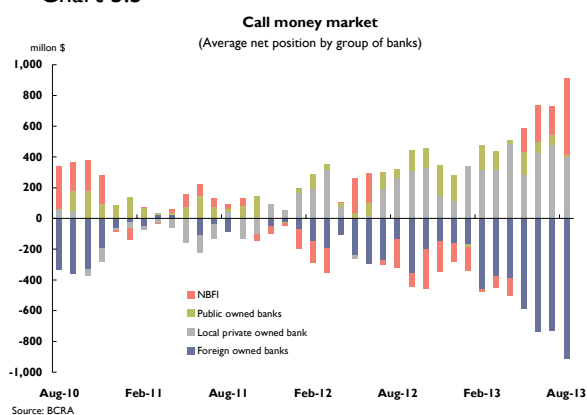


As regards the amounts traded, the daily average amount traded posted a decrease of \$260 million, in line with the performance of the call market, where the amount traded in the month went down by \$330 million, standing at \$1.85 billion. In turn, in the REPO round, the average traded volume in the month grew by \$70 million, standing at \$2.86 billion (see Chart 5.4). As regards the net position recorded in the call market, the non-bank financial institutions increased the amount granted and, together with domestic national private institutions, were the main fund lenders. Meanwhile, foreign institutions were once again the only net fund borrowers and public institutions exhibited an almost neutral position (see Chart 5.5).

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

In August, interest rates paid by financial institutions to depositors posted slight increases. In fact, the interest rate of total new time deposits in pesos averaged 15.1%, increasing around 0.2 p.p. against July.

Chart 5.5



Considering only private banks, the interest rate paid for time deposits up to \$100,000 (retail segment) and for 35 days averaged 14.8% in August, hiking 0.4 p.p. against July. Meanwhile, the BADLAR of private banks – interest rate on deposits of \$1 million and more for 30-35 days – averaged 17.7%, recording a 0.5 p.p. monthly increase.

### Lending rates<sup>1 10</sup>

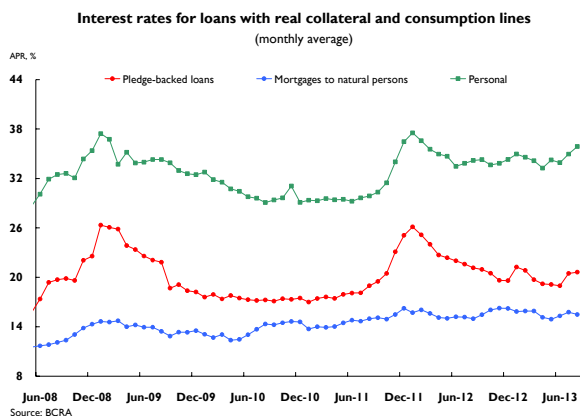
In August, lending rates on loans in pesos to the private sector exhibited a heterogeneous performance.

Even though the interest rate on current account overdrafts averaged 23.4%, with a 0.2 p.p. monthly increase, the monthly average of the interest rate on current account overdrafts to companies for over \$10 million and up to 7 days declined 0.4 p.p. in the month, standing at 16.9%.

Meanwhile, the monthly average of the interest rates on discounted notes increased in August against July, standing at 21.5%. In turn, interest rates on financing arranged through unsecured promissory notes averaged 20.8%. It is worth remembering that the third stage of the Credit Line for Productive Investment (LCIP) started in July. Therefore, the share of these loans (given at lower interest rates and for longer terms) within the

<sup>10</sup> 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.

Chart 5.6



unsecured promissory notes stood at relatively low levels in July and August.

As regards personal loans, the monthly average interest rate stood at 35.7%, hiking 0.8 p.p. against July. In turn, among collateralized loans, the interest rate on pledge-backed loans posted a 0.2 p.p. monthly increase and stood at 20.6% in August. Finally, the monthly average interest rate on mortgage-backed loans granted to natural persons declined 0.3 p.p. and stood at 15.5% (see Chart 5.6).

## 6. International reserves and foreign exchange market

The balance of international reserves ended August at US\$36.68 billion (see Chart 6.1) on the last day of the month, down US\$370 million against the balance recorded in July. The monthly decrease was mainly due to the net sales of foreign currency by the Central Bank in the Free and Single Foreign Exchange Market (MULC).

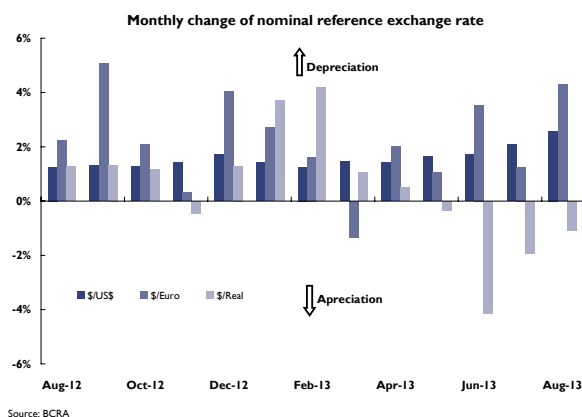
During the month, the Central Bank's Board of Directors approved the allocation of resources corresponding to the setting up of the Argentine Debt Reduction Fund and the payment of the maturities with international organizations for the current year, in the terms set forth by National Budget Bill. Since a significant portion of the debt maturities corresponding to 2013 has already been paid, it is estimated that the Board of Directors' decision will entail the concrete allocation of approximately US\$2.5 billion of the international reserves until the end of the year.

Regarding the foreign exchange market, the peso depreciated against the US dollar and the euro, while its appreciation pace against the real moderated significantly if compared to previous months. The average exchange rates in August stood at 5.58 \$/US\$ and 7.44 \$/euro (3.5%) and 2.39 \$/real, resulting in changes against July of 2.6%, 4.3% and -1.1% respectively (see Chart 6.2). In turn, the daily average amount traded in the dollar futures market (ROFEX) exceeded \$1.7 billion, thus doubling July's figure due to an increase in the traded volume. Likewise, in this market, an increase was observed in August in the depreciation expectation for the coming months.

Chart 6.1



Chart 6.2

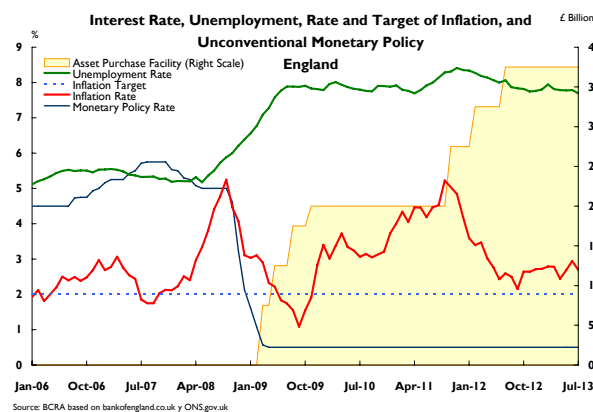


## 7. Major policy measures taken by other Central Banks

As for measures adopted by the central banks of advanced nations during August, especially relevant is the decision announced by the Bank of England (BoE) about keeping the monetary policy interest rate –Bank Rate – at 0.5%, together with the announcement that it will not change its Asset Purchase Facility (currently at £375 billion) until unemployment drops below 7% (it is currently standing at 7.8%; see Chart 7.1).

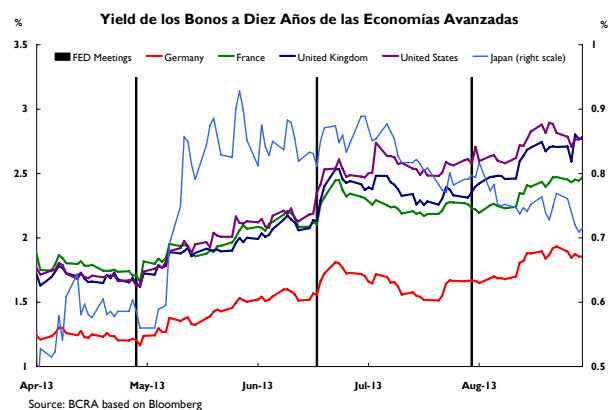
Nevertheless, the Bank Rate might be modified if: 1) inflation estimates of the BoE’s Monetary Policy Committee (MPC) for the next 18-24 months exceed the inflation target (2%) by 0.5 p.p. or more; or (2) inflation expectations fail to remain sufficiently “anchored”, or (3) there are risks that may affect financial stability and cannot be solved with the macroprudential instruments available.

Chart 7.1



The BoE explained that making a change in the Bank Rate conditional on the unemployment rate seeks two objectives: (1) averting an early increase of the market interest rate once the economic recovery has consolidated and (2) give more certainty about the MPC’s vision regarding the trade-off between the time horizon for inflation to reach the target and the speed at which growth and employment are recovering. In this sense, according to the latest forecasts of the BoE, unemployment would not fall below 7% before the third quarter of 2016. Therefore, only by the end of that year would the conditions allow for an increase of the Bank Rate.

Chart 7.2

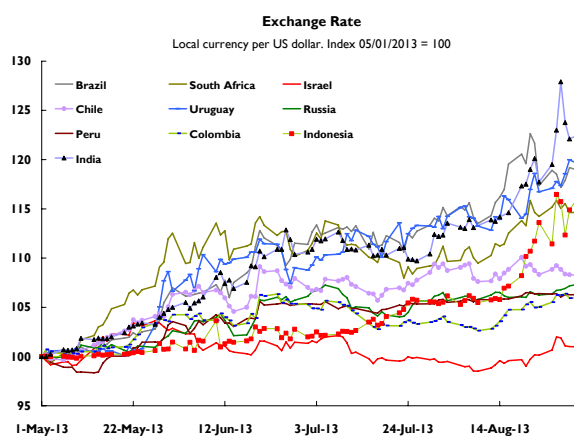


This decision by the BoE of resorting to policies based on forward guidance<sup>11</sup> is in line with the decision of the European Central Bank (ECB) when in early July, and for the first time in its history, decided to provide a guidance regarding the future evolution of its policy by stating that it expects that its benchmark interest rate (MRO) will stand at its current levels during a protracted period.

The decision by the BoE occurs within a context where the monetary policy of both developed and emerging nation needed to react to the effects caused by the speculations on the reduction of the asset purchase pace by the US Federal Reserve since early May (see Charts 7.2 and 7.3).

<sup>11</sup> Policies tending to align markets expectations with the policy objectives of the monetary authority.

Chart 7.3

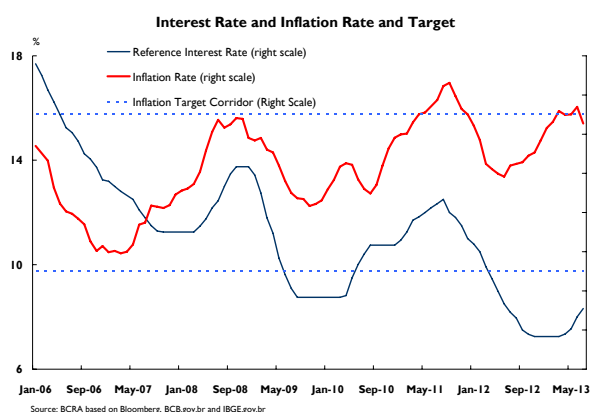


Source: BCRA based on Bloomberg

As regards emerging countries, capital flows were the main channel through which the change in expectations became evident. As a result, almost all the currencies of emerging nations lost value against the US dollar, even though depreciations were of different magnitude.

In this sense, in Brazil, Argentina's main trading partner, the real depreciated 4.8% in August and 16.3% so far this year. As a result, the Central Bank of Brazil announced that from August 23 to at least December 31<sup>st</sup>, 2013 it will offer, on a daily basis, foreign exchange swaps for US\$500 million from Monday to Thursday, and repo loans transactions in dollars up to US\$1 billion every Friday. The Central Bank of Brazil had already intervened on several occasions in the foreign exchange market before this announcement. Throughout August, transactions in this market were made through foreign exchange swaps for an amount equivalent to approximately US\$19 billion (without any impact on international reserves) and through repo loans for around US\$4 billion (with a temporary impact on international reserves). Moreover, on August 28<sup>th</sup>, the Central Bank of Brazil decided to increase the target for the Selic rate by 0.5 p.p. to 9% (see Chart 7.4).

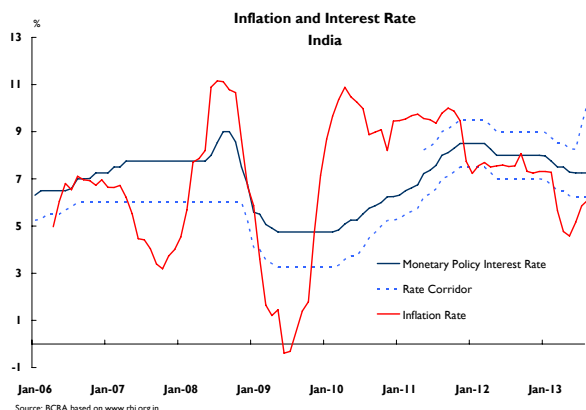
Chart 7.4



Source: BCRA based on Bloomberg, BCB.gov.br and IBGE.gov.br

The central banks of India and Indonesia also took measures to cope with the sharp volatility of the markets and the depreciation of their domestic currencies. The most active institution was the Reserve Bank of India since, among other measures, it announced auctions of sovereign bonds through Open Market Transactions (OMA) so as to withdraw liquidity from the system, increased the ceiling of its interest rate corridor from +1 p.p. to +3 p.p. above the benchmark interest rate, raised the percentage of the daily requirement of the minimum reserve requirement, established controls on capital outflows and announced a window for swaps transactions with the three main state-owned oil companies so that they reduce their demand for foreign currency for oil imports (see Chart 7.5).

Chart 7.5



Source: BCRA based on www.rbi.org.in

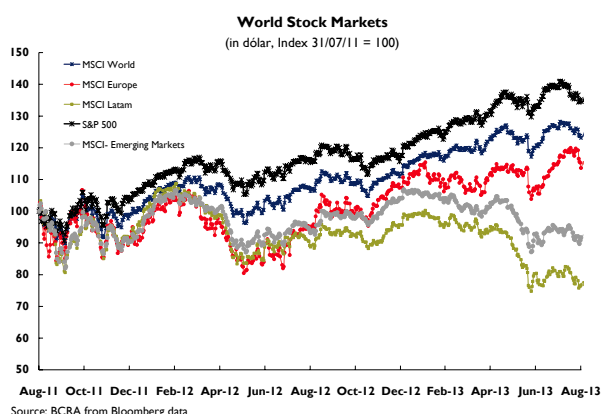
## 8. Capital markets

### Equity<sup>12</sup>

In August, variable income assets in the main stock markets moved downwards after the earnings obtained in July. Throughout the month, investors focused their attention on the potential moderation of asset purchases by the FED and on the political situation in the Middle East. Within this framework, in the stock markets of advanced economies, the S&P500, the main index for

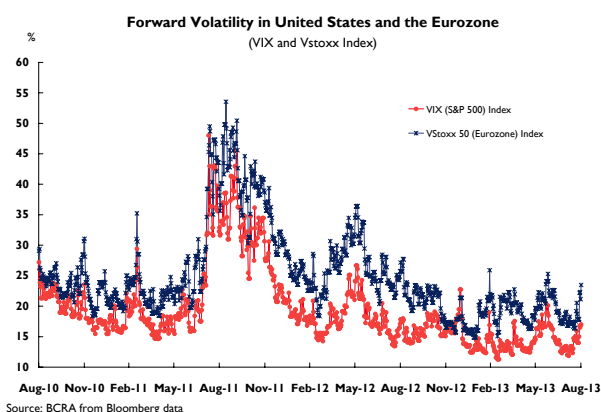
<sup>12</sup> Unless otherwise stated, the change in indexes is represented in US dollars.

Chart 8.1



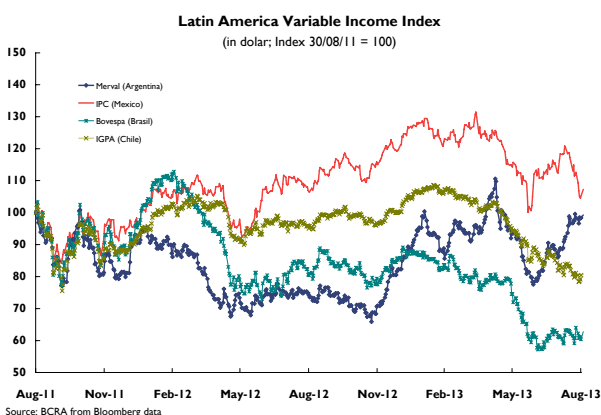
the US market, went down 3.1% whereas the European marketplace, measured through the MSCI index, decreased by 1.8% (see Chart 8.1). In both cases, this performance was due to the behavior observed mainly in the last week of the month. In this context, the expected volatility widened as from minimum levels, especially in Europe, where the index that measures the volatility of the Stoxx 50 (stock market benchmark for the Euro Zone) posted a 4.4 p.p. rise against July. Likewise, the S&P500 volatility, measured by the XIV Index, went up 3.6 p.p. to 17% (see Chart 8.2).

Chart 8.2



The price of variable income assets of emerging countries moved downwards and, according to the MSCI Emerging Markets Index, prices contracted 1.9%. This performance occurred within a context where the pace of unwinding of positions accelerated due to the marked increase of withdrawals recorded in Investment Funds focused on variable incomes. The MSCI Latin American Index recorded a 1.1% fall. Sao Pablo Stock Exchange Index (Bovespa – Brazil), which is the benchmark for the region, dropped 1.1%, the Mexican’s IPC lost 8% and the General Stock Price Index (IGPA-Chile) went down 1.8%. In the case of Brazil, the fall was entirely due to the depreciation of the real against the dollar since the index measured in domestic currency grew 3.7%. Meanwhile, in Mexico the drop was driven by both the fall of the index in domestic currency and the depreciation of the Mexican peso against the dollar. In the case of Chile, the fall recorded in the index in domestic currency was partially offset by the appreciation of the Chilean peso against the dollar.

Chart 8.3

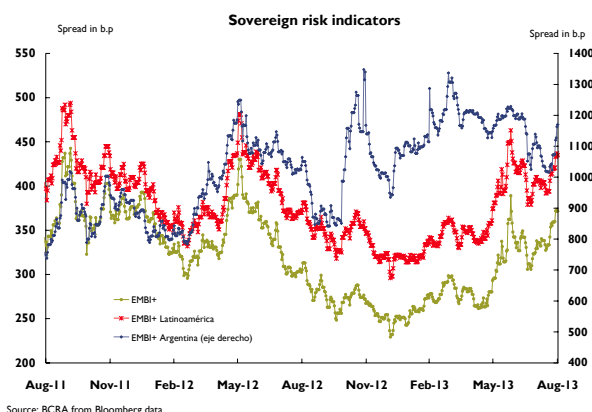


Unlike the remaining stock exchanges of the emerging countries, the local benchmark index (Merval) measured in dollars recorded once again a good performance and ended August with a monthly 17.2% increase. Even though there were bulls across the board, the increase was most marked in bank instruments. The daily average amount traded in shares in August reached \$82 million, thus posting a 71% monthly hike.

### Sovereign bonds

Against a backdrop where the yields of the US sovereign debt increased again in the longer-term bonds (the yield corresponding to the 10-year Treasury bond grew 20 b.p. (basis points) to 2.8%), the yield spreads of emerging sovereign bonds above the American Treasury bonds went up 34 b.p. to 372 b.p. by late August as measured by the EMBI+. Likewise, at regional level, the EMBI Latin America grew 25 b.p. to 435 b.p.

Chart 8.4

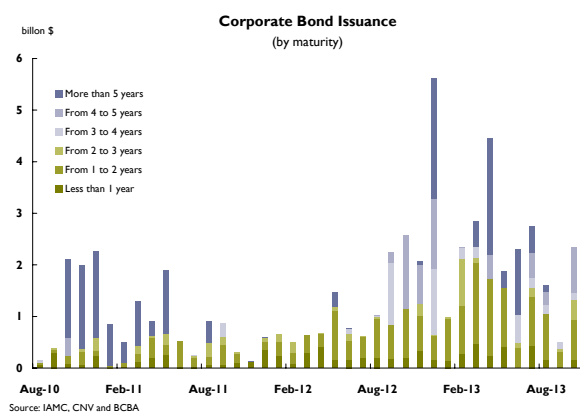


In Argentina, the yield spread of sovereign bonds expanded 58 b.p., against July, to 1,170 b.p. by the end of August (see Chart 8.4)

### Corporate bonds

In August, companies continued receiving funds through corporate debt issues. In the domestic market, corporate debt issues reached a nominal amount of approximately \$1.6 billion, up 58% against the same month of 2012. The amount corresponded to only 16 issues, out of which 14 were denominated in pesos and 2 in dollars (with payments in pesos adjusted according to the evolution of the exchange rate). As regards maturity, most issues were for terms shorter than 2 years; in fact, this segment concentrated 70% of the total (see Chart 8.5).

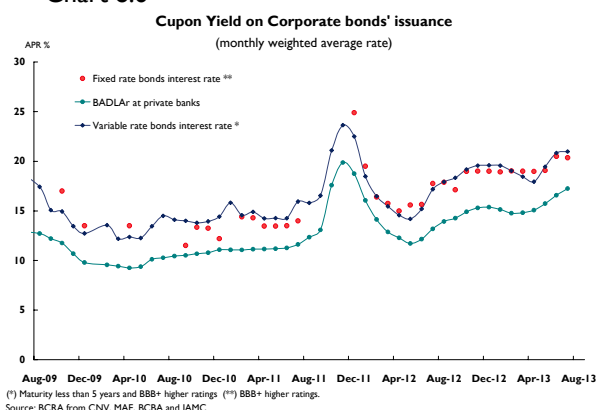
Chart 8.5



The financial sector accounted for 73% of the total debt issued. Financial institutions were the main issuers with \$1.18 billion, followed by companies belonging to “Other financial activities, stock market activities and insurance”, which got into debt for almost \$240 million.

In August, 4 issues stood out, three of them belonging to SMEs, which were eligible within the framework of Subsection k that requires insurance companies to invest part of their assets in instruments having a direct impact on the real economy. The amount of eligible corporate bonds issued in the eighth month of the year reached \$26 million while the amount issued in the last 11 months, as from the implementation of the measure, totaled around \$12 billion.

Chart 8.6



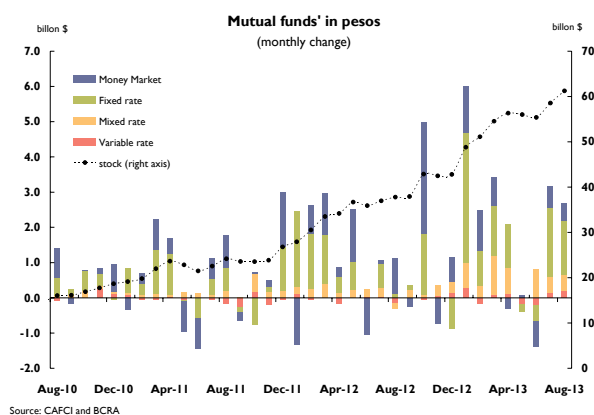
As for the cost of financing, in the variable rate issues, the interest rates applicable to bonds with a rating over Arg BBB+ and a maturity below 2 years remained relatively stable at 21.2%. Likewise, the interest rate on fixed rate issues in pesos with a rating over Arg BBB+ and a maturity below 1 year was 21.3%, up 1 p.p. against July. It is worth stating that July interest rate was influenced by YPF's issues since in the remaining issues, the rate stood at around 21% (see Chart 8.6)

Finally, in August 2013, according to the National Securities Commission (CNV), the stock of corporate bonds amounted to \$73.9 billion, up 66% against the same period of 2012.

### Mutual Funds

The net worth of Mutual Funds (FCIs) in pesos and in foreign currency lost momentum against July, and ended August with an increase of \$820 million (1.5%),

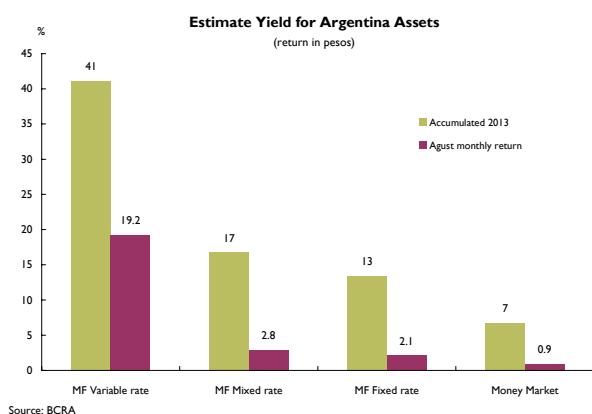
Chart 8.7



standing at \$61.34 billion by the end of the month. Once again, FCIs in pesos, which account for almost all the industry, were the main factor behind the monthly rise.

Within FCIs in pesos, mainly driven by the increase in the number of unit shares, the performance recorded by fixed income funds stood out since they went up by \$1.31 billion (4.8%) and accounted for almost all the expansion. In the same direction, the funds investing in mixed income assets grew by \$270 million (2.7%) while variable income funds went up by \$230 million (17.6%) thanks to the higher prices of the main local stock assets. Meanwhile, the Money Market funds lost \$990 million (5%) because of the redemption of unit shares (see Chart 8.7).

Chart 8.8



As it happened in July, variable income funds recorded a monthly return of 19% and accumulate a 41% profit so far this year, in line with the performance of asset prices in the domestic market. Likewise, mixed and fixed income funds posted monthly profits of 2.8% and 2.1%, respectively. Finally, the Money Market funds recorded a 0.9% average monthly profitability (see Chart 8.8). It is worth mentioning that these funds have a lower relative risk than variable income funds.

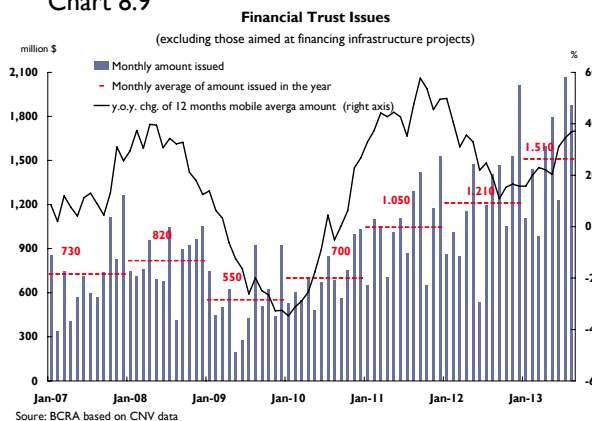
Lastly, FCIs net worth in foreign currency remained unchanged at US\$343 million.

### Financial Trusts<sup>13</sup>

In August, financial trust (FT) issues totaled around \$1.87 billion, recording a drop against July record figure (see Chart 8.9). Nevertheless, this amount stood above the amount issued on average throughout the year, was close to \$1.5 billion per month. Likewise, there were 20 transactions (1 in foreign currency), which means a slight reduction against the 22 transactions recorded in July.

As for trustors, financial institutions stood out once again since they accounted for 50% of the total issuance of the month. They issued around \$910 million, exceeding the sizable amount of July and reaching the highest amount so far this year. The assets securitized by financial institutions consisted mainly of personal loans but there were also leasing contracts and credit card coupon. In order of importance, they were followed by the retail segment, which issued around \$590 million (31% of the total), slightly below the figure recorded in July. Issues were backed by personal loans and credit card coupons. In turn, mutuals, cooperatives, non-bank

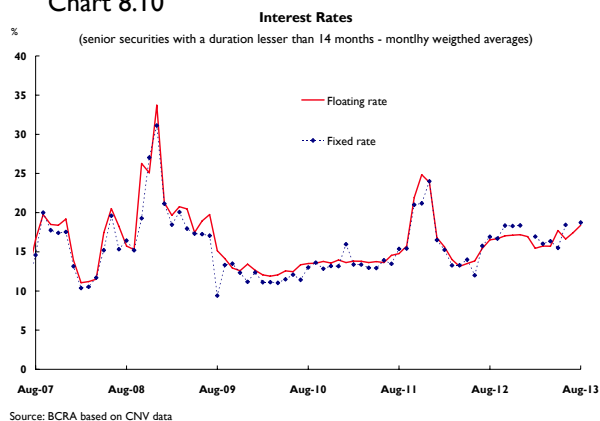
Chart 8.9



<sup>13</sup> Only publicly traded financial trusts are considered.



Chart 8.10



credit card issuers and other financial service providers issued around \$340 million. The assets securitized by this type of trustors included personal loans related to consumption and pledge-backed loans. The rest corresponded to an issue in foreign currency from a group of SMEs belonging to the farming sector.

The cut-off interest rate (weighted average by amount) on senior bonds in pesos with a term below 14 months and agreed upon with a variable rate stood at 18.4%, up 0.9 p.p. against the previous month. In the fixed rate segment, only one issue was recorded and its cut-off interest rate was 18.7% (see 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	
	Aug-13	Jul-13	Dec-12	Aug-12	Monthly	Last 12 months
<b>Monetary base</b>	<b>326,429</b>	<b>323,597</b>	<b>292,138</b>	<b>257,787</b>	<b>0.9%</b>	<b>26.6%</b>
Currency in circulation	252,804	249,827	224,211	198,626	1.2%	27.3%
Held by public	229,519	226,677	199,335	178,562	1.3%	28.5%
Held by financial entities	23,283	23,147	24,872	20,062	0.6%	16.1%
Settlement check	2	2	4	0	-33.2%	0.0%
BCRA current account	73,625	73,770	67,927	59,161	-0.2%	24.4%
<b>Repos stock</b>						
Reverse repos	15,235	9,644	17,432	18,369	58.0%	-17.1%
Repos	0	0	0	0	0.0%	0.0%
<b>BCRA securities stock (in face value)</b>	107,354	106,037	88,681	88,680	1.2%	21.1%
<b>In banks</b>	93,229	92,020	77,641	78,486	1.3%	18.8%
<b>LEBAC</b>						
In pesos	101,755	99,752	74,569	64,683	2.0%	57.3%
<b>NOBAC</b>	5,599	6,285	14,112	23,997	-10.9%	-76.7%
<b>International reserves excluded 2009 SDRs allocations</b>	<b>37,001</b>	<b>37,310</b>	<b>44,134</b>	<b>45,215</b>	<b>-0.8%</b>	<b>-18.2%</b>
<b>Private and public sector deposits in pesos <sup>(1)</sup></b>	<b>613,263</b>	<b>594,932</b>	<b>525,028</b>	<b>472,966</b>	<b>3.1%</b>	<b>29.7%</b>
Current account <sup>(2)</sup>	167,900	159,920	150,959	134,508	5.0%	24.8%
Savings account	122,577	125,024	104,730	90,869	-2.0%	34.9%
Not CER-adjustable time deposits	299,694	287,334	248,802	229,180	4.3%	30.8%
CER-adjustable time deposits	7	6	7	8	11.2%	-16.1%
CEDRO adjusted by CER	0	0	0	0		
Other deposits <sup>(3)</sup>	23,085	22,649	20,530	18,401	1.9%	25.5%
<u>Private sector deposits</u>	<u>439,259</u>	<u>433,148</u>	<u>372,490</u>	<u>328,943</u>	<u>1.4%</u>	<u>33.5%</u>
<u>Public sector deposits</u>	<u>174,004</u>	<u>161,784</u>	<u>152,538</u>	<u>144,023</u>	<u>7.6%</u>	<u>20.8%</u>
<b>Private and public sector deposits in dollars <sup>(1)</sup></b>	<b>8,034</b>	<b>8,302</b>	<b>9,393</b>	<b>9,275</b>	<b>-3.2%</b>	<b>-13.4%</b>
<b>Loans to private and public sector in pesos <sup>(1)</sup></b>	<b>445,715</b>	<b>435,061</b>	<b>373,913</b>	<b>328,144</b>	<b>2.4%</b>	<b>35.8%</b>
<u>Loans to private sector</u>	<u>408,158</u>	<u>397,633</u>	<u>339,103</u>	<u>295,783</u>	<u>2.6%</u>	<u>38.0%</u>
Overdrafts	57,048	55,164	47,326	44,717	3.4%	27.6%
Promissory bills	94,238	91,960	76,170	59,995	2.5%	57.1%
Mortgages	40,079	39,468	34,475	31,028	1.5%	29.2%
Pledge-backed loans	27,902	27,241	22,135	19,019	2.4%	46.7%
Personal loans	88,693	86,682	75,069	67,895	2.3%	30.6%
Credit cards	67,729	64,385	56,352	47,557	5.2%	42.4%
Other loans	32,469	32,732	27,576	25,572	-0.8%	27.0%
<u>Loans to public sector</u>	<u>37,557</u>	<u>37,427</u>	<u>34,810</u>	<u>32,360</u>	<u>0.3%</u>	<u>16.1%</u>
<b>Loans to private and public sector in dollars <sup>(1)</sup></b>	<b>4,441</b>	<b>4,726</b>	<b>5,549</b>	<b>6,818</b>	<b>-6.0%</b>	<b>-34.9%</b>
<b>Total monetary aggregates <sup>(1)</sup></b>						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	397,421	386,599	350,298	313,072	2.8%	26.9%
M2 (M1 + savings account in pesos)	519,998	511,623	455,028	403,941	1.6%	28.7%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	842,783	821,611	724,367	651,530	2.6%	29.4%
M3* (M3 + total deposits in dollars + settlement check in foreign currency)	887,722	866,794	770,217	694,278	2.4%	27.9%
<b>Private monetary aggregates</b>						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	337,373	334,556	299,301	266,832	0.8%	26.4%
M2 (M1 + private savings account in pesos)	448,609	448,906	395,489	351,560	-0.1%	27.6%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	668,780	659,828	571,829	507,507	1.4%	31.8%
M3* (M3 + private total deposits in dollars + settlement check in foreign currency)	706,842	697,523	609,684	546,043	1.3%	29.4%

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>2,832</b>	<b>0.9%</b>	<b>25,942</b>	<b>8.6%</b>	<b>34,291</b>	<b>11.7%</b>	<b>68,642</b>	<b>26.6%</b>
Financial sector	-5,379	-1.7%	509	0.2%	3,605	1.2%	5,255	2.0%
Public sector	10,452	3.2%	19,828	6.6%	32,282	11.1%	56,408	21.9%
Private external sector	-1,735	-0.5%	2,810	0.9%	7,694	2.6%	12,138	4.7%
BCRA securities	-529	-0.2%	2,934	1.0%	-7,669	-2.6%	-2,792	-1.1%
Others	23	0.0%	-138	0.0%	-1,620	-0.6%	-2,367	-0.9%
<b>International reserves excluded 2009 SDRs allocations</b>	<b>-309</b>	<b>-0.8%</b>	<b>-2,014</b>	<b>-5.2%</b>	<b>-7,133</b>	<b>-16.2%</b>	<b>-8,214</b>	<b>-18.2%</b>
Foreign exchange market intervention	-314	-0.8%	542	1.4%	1,509	3.4%	2,432	5.4%
International financial institutions	-33	-0.1%	291	0.7%	157	0.4%	114	0.3%
Other public sector operations	1,048	2.8%	-1,466	-3.8%	-5,638	-12.8%	-7,200	-15.9%
Dollar liquidity requirements	-118	-0.3%	-146	-0.4%	-1,088	-2.5%	203	0.4%
Others (incl. change in US\$ market value of nondollar assets)	-891	-2.4%	-1,235	-3.2%	-2,073	-4.7%	-3,762	-8.3%

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

	Jun-13	May-13	Apr-13
	(1)		
<b>Domestic Currency</b>	% of total deposits in pesos		
Requirement	12.1	12.1	12.1
Compliance	12.4	12.3	12.3
Position <sup>(2)</sup>	0.3	0.2	0.2
<i>Residual time structure of term deposits used for the calculation of the requirement <sup>(3)</sup></i>	%		
<i>Up to 29 days</i>	61.3	60.9	60.7
<i>30 to 59 days</i>	25.2	25.3	24.3
<i>60 to 89 days</i>	8.4	8.3	9.3
<i>90 to 179 days</i>	4.0	4.4	4.5
<i>more than 180 days</i>	1.1	1.1	1.1
<b>Foreign Currency</b>	% of total deposits in foreign currency		
Requirement	19.3	19.3	19.4
Compliance (includes default application resource)	95.1	94.4	91.5
Position <sup>(2)</sup>	75.8	75.2	72.1
<i>Residual time structure of term deposits used for the calculation of the requirement <sup>(3)</sup></i>	%		
<i>Up to 29 days</i>	49.9	48.4	51.0
<i>30 to 59 days</i>	23.4	22.5	22.2
<i>60 to 89 days</i>	10.2	11.5	10.6
<i>90 to 179 days</i>	14.0	14.8	13.0
<i>180 to 365 days</i>	2.4	2.6	3.1
<i>more than 365 days</i>	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>Borrowing Interest Rates</b>	<b>Aug-13</b>	<b>Jul-13</b>	<b>Jun-13</b>	<b>Dec-12</b>	<b>Aug-12</b>
<b>Interbank Loans (overnight)</b>					
Interest rate	12.09	13.62	13.23	10.77	9.81
Traded volume (million pesos)	1,855	2,181	1,960	1,313	1,405
<b>Time Deposits</b>					
<u>In pesos</u>					
30-44 days	15.22	14.96	15.08	13.69	11.66
60 days or more	14.33	15.46	13.47	15.43	11.85
Total BADLAR (more than \$1 million, 30-35 days)	14.79	15.65	15.22	13.43	11.15
Private Banks BADLAR (more than \$1 million, 30-35 days)	17.70	17.24	16.58	15.37	13.93
<u>In dollars</u>					
30-44 days	0.49	0.49	0.50	0.60	0.54
60 days or more	0.89	0.85	0.98	1.11	1.16
Total BADLAR (more than \$1 million, 30-35 days)	0.57	0.57	0.62	0.65	0.64
Private Banks BADLAR (more than \$1 million, 30-35 days)	0.68	0.65	0.70	0.61	0.94
<b>Lending Interest Rates</b>	<b>Aug-13</b>	<b>Jul-13</b>	<b>Jun-13</b>	<b>Dec-12</b>	<b>Aug-12</b>
<b>Stock Repos</b>					
Gross interest rates 30 days	17.64	18.17	18.28	15.57	13.43
Traded volume (all maturities, million pesos)	263	277	247	235	244
<b>Loans in Pesos <sup>(1)</sup></b>					
Overdrafts	23.38	23.19	22.82	21.79	20.80
Promissory Notes	20.84	20.84	19.08	18.58	18.46
Mortgages	16.42	15.87	14.63	17.23	14.83
Pledge-backed Loans	20.64	20.48	18.99	19.60	21.15
Personal Loans	35.74	34.81	33.79	34.31	34.18
Credit Cards	s/d	33.98	32.30	34.69	34.76
Overdrafts - 1 to 7 days - more than \$10 million	16.92	17.32	16.82	14.44	13.20
<b>International Interest Rates</b>	<b>Aug-13</b>	<b>Jul-13</b>	<b>Jun-13</b>	<b>Dec-12</b>	<b>Aug-12</b>
<b>LIBOR</b>					
1 month	0.18	0.19	0.19	0.21	0.24
6 months	0.40	0.40	0.41	0.51	0.72
<b>US Treasury Bonds</b>					
2 years	0.34	0.33	0.32	0.25	0.26
10 years	2.72	2.55	2.27	1.70	1.66
<b>FED Funds Rate</b>	0.25	0.25	0.25	0.25	0.25
<b>SELIC (1 year)</b>	8.57	8.36	8.00	7.25	7.93

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

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

Reference Interest Rates	Aug-13	Jul-13	Jun-13	Dec-12	Aug-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	9.84	10.97	10.17	9.36	9.19
7 days	10.19	10.20	9.57	9.53	9.50
Repo traded volumen (daily average)	11,291	7,875	8,139	10,111	10,309
<b>Peso LEBAC Interest Rate<sup>1</sup></b>					
1 month	s/o	s/o	s/o	11.60	s/o
2 months	14.94	14.94	14.73	11.98	12.00
3 months	15.45	15.42	15.31	12.93	11.90
9 months	s/o	s/o	s/o	14.52	s/o
12 months	17.88	17.94	17.95	14.99	14.30
<b>Peso NOBAC with variable coupon Spread<sup>1</sup></b>					
9 months BADLAR Private Banks	s/o	s/o	s/o	s/o	-1.94
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)	1161	1078	1243	786	605
<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	5.58	5.44	5.33	4.88	4.61
BCRA Reference	5.58	5.44	5.33	4.88	4.62
<b>Future dollar</b>					
NDF 1 month	5.76	5.61	5.46	4.98	4.71
ROFEX 1 month	5.69	5.55	5.41	4.95	4.68
Traded volume (all maturities, million pesos)	1,762	891	723	818	1,011
<b>Real (Pesos/Real)</b>	2.39	2.42	2.46	2.35	2.27
<b>Euro (Pesos/Euro)</b>	7.44	7.13	7.04	6.41	5.72
<b>Capital Market</b>	<b>Aug-13</b>	<b>Jul-13</b>	<b>Jun-13</b>	<b>Dec-12</b>	<b>Aug-12</b>
<b>MERVAL</b>					
Index	3,744	3,283	3,213	2,672	2,432
Traded volume (million pesos)	86	53	46	54	51
<b>Governement Bonds (parity)</b>					
BODEN 2015 (US\$)	142.04	134.52	130.67	120.57	121.56
DISCOUNT (US\$ - NY legislation)	97.83	91.05	90.78	97.99	98.47
BODEN 2014 (\$)	93.77	93.09	93.27	92.24	93.06
DISCOUNT (\$)	45.11	45.44	47.68	46.02	44.83
<b>Country risk</b>					
Spread BODEN 2015 vs. US Treasury Bond	1,112	1,273	1,402	1,204	1,261
EMBI+ Latin America (without Argentina)	386	379	384	298	346

<sup>1</sup> 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 Paulo 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