

Monthly Monetary Report

April 2013



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Contents

1. Summary | Page 3

2. Monetary aggregates | Page 4

3. Bank liquidity | Page 4

4. Loans | Page 5

5. Interest rates | Page 7

Central Bank securities| Page 7

Central Bank repo transactions | Page 8

Call money market | Page 8

Borrowing rates | Page 9

Lending rates | Page 9

6. International reserves and foreign exchange market | Page 10

7. Major policy measures taken by other Central Banks | Page 11

8. Capital markets | Page 13

Equity | Page 13

Sovereign bonds | Page 14

Corporate bonds | Page 14

Mutual funds | Page 15

Financial trusts | Page 16

9. Monetary and financial indicators | Page 17

10. Glossary | Page 21

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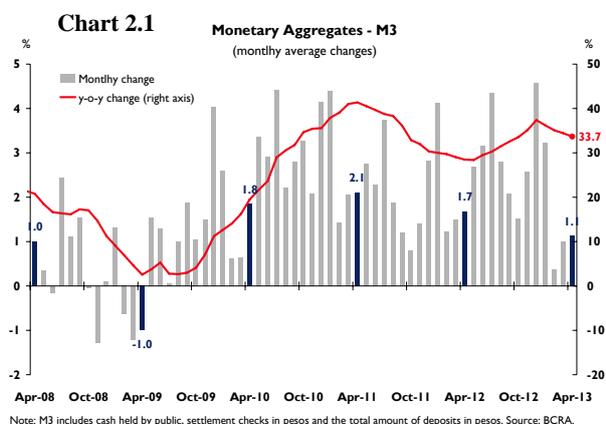
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The closing date for statistics in this report was May13th, 2013. All figures are provisional and subject to review.

1. Summary¹

- The monthly growth recorded by monetary aggregates in April was boosted by loans in pesos granted to the private sector and by foreign currency purchases by the Central Bank. The effect of these factors was partially offset by a contraction derived from public sector transactions. The broadest monetary aggregate in pesos (M3) continued moderating its growth pace over the month, evidencing a 33.7% year-on-year (y.o.y.) change, down 0.7 p.p. against March. Similarly, the broadest private monetary aggregate (private M3) went up 1.2% in April, climbing 36.4% in the last 12 months, down 1.6 p.p. against March.
- Time deposits posted a 44% y.o.y. change and continued growing at historically high rates. Standing out as a significant component of M3, time deposits went up 1.5% monthly, with rises in the segment of \$1 million and more as well as in the tranche of less than \$1 million.
- Loans in pesos to the private sector raised their monthly growth rate against the previous two months, evidencing a 2% hike in April (\$7.18 billion) and a y.o.y. change rate close to 42%. Commercial lines should be underscored for the momentum they exhibited over the past 12 months; particularly, lending granted through promissory notes and overdrafts, which reached y.o.y. growth rates of 62.8% and 47.4%, respectively.
- Policies aimed at boosting lending for productive activity as implemented by the BCRA have favored a rise in the share of SMEs in total loans in pesos. The “Credit Line for Productive Investment” has also led to an extension of terms in new loans granted to SMEs and larger share of those given at lower interest rates.
- The broad liquidity ratio (measured by adding cash in bank vaults, institutions’ current account with the BCRA, net repos with the latter and LEBAC and NOBAC holdings, and deposits in pesos) stood at 33.5%, down 0.4 p.p. against the month before. When breaking down components, a fall in the balance of LEBACs and NOBACS and cash in banks was observed whilst net repos with the Central Bank increased. Interest rates paid by private financial institutions rose slightly in April. Regarding the wholesale segment, the BADLAR rate at private banks averaged 15.1%, going up 0.3 p.p. in the month. In the retail tranche, the interest rate paid by private banks on their time deposits (up to \$100,000 and up to 35 days) climbed 0.1 p.p. monthly, averaging 13.2%.
- Interest rates on most credit lines to the private sector kept on falling. In the case of loans with real collateral, the “Credit Line for Productive Investment” and those granted within the framework of the Bicentenary Productive Financing Program, at lower rates and longer terms, increased their share in April. The interest rate on pledge-backed loans averaged 19.2%, down 0.5 p.p., reaching the lowest level on record since August 2011. In turn, the interest rate on personal loans averaged 33.3%, going down 0.9 p.p. over the month.

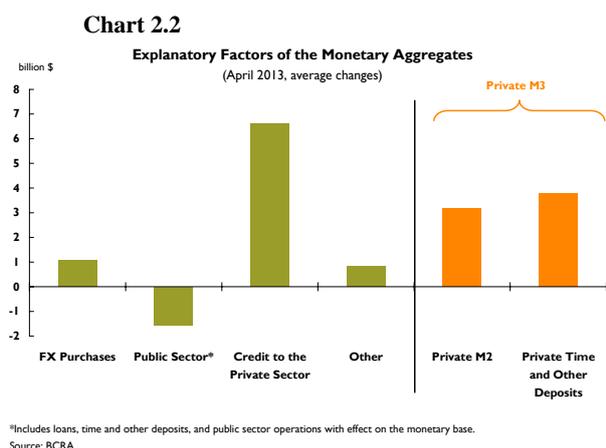
¹ Unless otherwise stated, figures to which reference is made are monthly averages of daily data.



2. Monetary aggregates¹

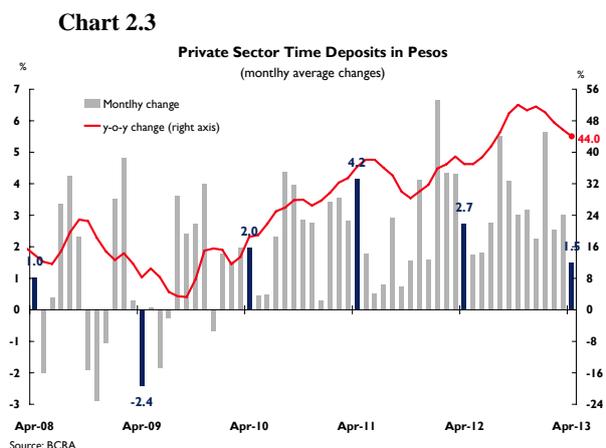
The broadest monetary aggregate in pesos (M3²) continued moderating its growth pace. It rose 1.1% monthly in April, leading to a 33.7% y.o.y. change rate, down 0.7 p.p. against March (see Chart 2.1).

In this regard, the broadest private monetary aggregate (private M3³) grew 1.2% in April, posting a 36.4% growth rate over the past 12 months, down 1.6 p.p. against March. Like in previous periods, this monthly rise was boosted by loans in pesos to the private sector (see Chart 2.2). Foreign currency purchases by the Central Bank also contributed to this expansion. These expansionary effects were partly offset by a contraction resulting from public sector transactions.



Private sector time deposits in pesos grew 1.5% monthly (see Chart 2.3), with hikes in the segment of \$1 million and more, as well as in the tranche of less than \$1 million. Time deposits evidenced a 44% y.o.y. change and continued growing at historically high rates. It should be noted that given a higher level of demand for liquidity by the private sector to pay taxes during the second quarter, some moderation in the monthly growth pace of these deposits could be expected.

Regarding the foreign currency segment, deposits dropped 2%, with falls in public and private sector deposits.



Finally, the broadest monetary aggregate (M3*), which includes cash held by the public, settlement checks and total deposits in pesos and in foreign currency (represented in pesos), increased 1% monthly, reaching a 28.3% y.o.y. expansion rate, down 0.7 p.p. against March.

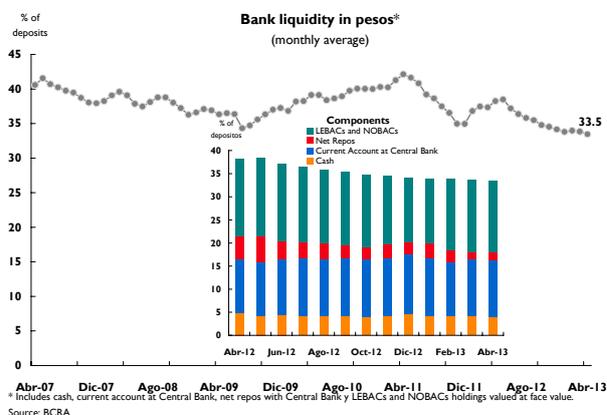
3. Bank liquidity¹

In April, the broad liquidity ratio (measured as the ratio of the addition of cash in bank vaults, financial current accounts at the Central Bank, net repos with the Central Bank, and LEBAC and NOBAC holdings of financial institutions, and deposits in pesos) stood at 33.5%, falling 0.4 p.p. against March (see Chart 3.1). Broken down by component, a decline in the balance of LEBACs and NOBACs and cash in banks was observed,

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.

Chart 3.1



whilst a rise in net repos with the Central Bank was recorded.

In turn, the balance of institutions' current account with the Central Bank exceeded the requirement of April by 0.2% of deposits in pesos, a surplus similar to the one recorded in the last few months.

Meanwhile, the liquidity ratio corresponding to the foreign currency segment continued at high levels, standing at 99.7% of deposits in dollars in April.

4. Loans^{1 4 5}

Loans in pesos to the private sector raised their monthly growth rate, climbing 2% in April (\$7.18 billion) and exceeding the figure recorded over the same period in 2012. The year on year change rate of lending to the private sector has remained at around 42% since the start of the year (see Chart 4.1), the growth of lending granted through promissory notes and overdrafts being underscored.

With respect to loans mainly granted for commercial purpose, the performance of overdrafts stood out. Such loans accelerated their growth pace, going up 2% (\$1.02 billion) in a context of a higher level of demand for liquidity by companies due to the start of a period with more tax maturities. In turn, loans arranged through notes moderated their monthly expansion pace against March, rising 1.7% (\$1.35 billion). Nevertheless, both types of loans performed better in y.o.y. terms; thus, the y.o.y. change rate of overdrafts reached 47.4% while that of promissory notes rose to 62.8%, climbing around 3 p.p. against March in both cases (see Chart 4.2). Meanwhile, the heading "Other loans", with a primary commercial purpose, increased 4.1% over the month (\$1.12 billion).

When considering loans in pesos granted to legal persons by type of company, a rise in the share of small and medium-sized enterprises (SMEs) has been observed in the last few years, favored by the "Credit Line for Productive Investment". Indeed, the ratio of loans channeled to SMEs in relation to total loans given to companies went from standing below 25% in 2009 to exceeding 30% in 2013 (see Chart 4.3). The influence of this stimulus line on loans granted to SMEs for productive activity is also evident when analyzing new

Chart 4.1

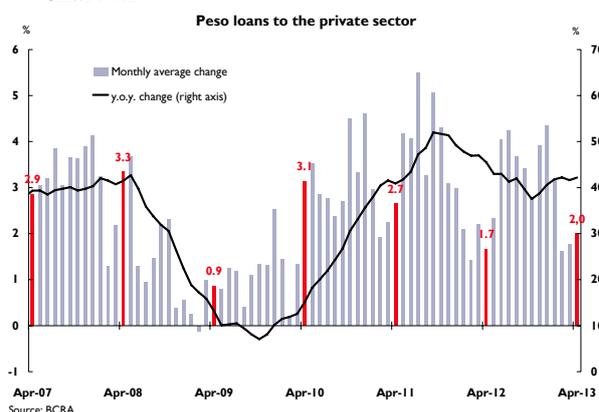
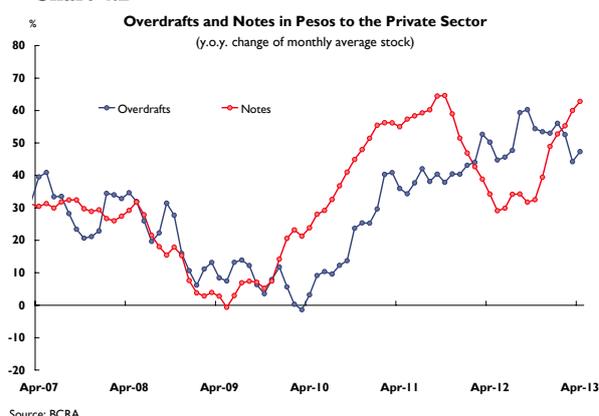


Chart 4.2



⁴ Monthly changes for loans are adjusted for accounting movements mainly as a result of transfers of loans in institutions' portfolios to financial trusts.

⁵ In this report, the terms "amounts granted" or "new loans" shall refer to (new or renewed) loans agreed upon over a period. In contrast, the change in the balance consists of loans agreed upon minus amortizations and settlements recorded in the period.

Chart 4.3



Chart 4.4

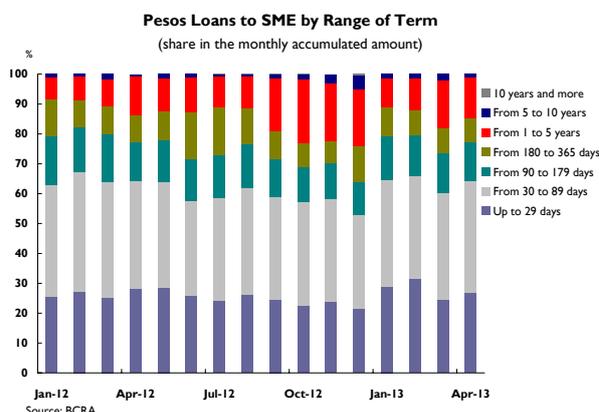
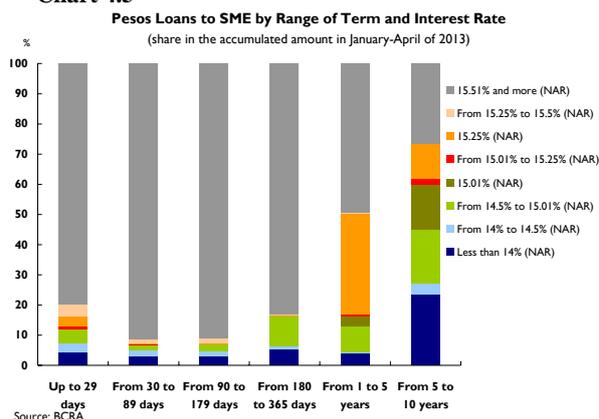


Chart 4.5



loans terms. In this regard, a rise in the share of longer-term maturities (1 to 5 years and 5 to 10 years) has been observed as from September 2012; this trend was temporarily interrupted in January and February 2013, due to seasonal factors related to a period with less commercial activity (see Chart 4.4). Taking into account the interest rates agreed upon, in the case of loans granted at longer terms, there is a greater share of lower interest rates segments, close to those required in the “Credit Line for Productive Investment”⁶ (see Chart 4.5).

In the case of Bicentenary Productive Financing Program (PFPB), a new auction was held in April whereby a total of \$110 million was allocated. Thus, the total amount allocated since the start of this program has reached \$6.5 billion. In addition, total funds effectively disbursed have amounted to \$4.56 billion (see Chart 4.6).

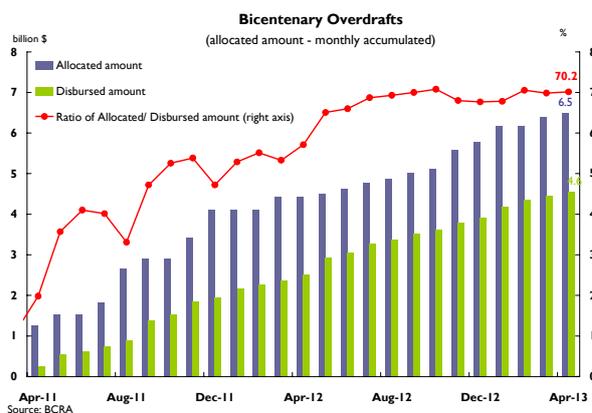
It is worth underscoring that, effective as from May 2, the Secretariat of the Small and Medium-Sized Enterprise and Regional Development (*Secretaría de la Pequeña y Mediana Empresa y Desarrollo Regional*, SEPYME) amended the regulation to determine if a company may be considered a micro, small, and medium-sized enterprise (MiPyME⁷) by more than doubling the maximum amount of sales required. The BCRA then decided to partially amend the provision on the percentage of loans that financial institutions must provide to MiPyMEs during the first half of the year within the framework of the “Credit Line for Productive Investment”. Although the requirement still stands at 50% of the total, at least half of such value must be agreed upon with companies considered MiPyMEs according to the criterion in force as at April 30, 2013 (see Communication “A” 5419).

In turn, credit lines aimed at financing household consumption posted a different performance. On the one hand, personal loans rose 2.9% (\$2.32 billion) in line with the monthly expansion pace they have been evidencing since the second half of 2012. Thus, the y.o.y. change rate remained at around 30% (see Chart 4.7). On the other hand, credit card financing posted a moderate 0.6% growth (\$370 million) over the month although it is still recording a sizeable y.o.y. change rate, close to 40%.

⁶ See Communications “A” 5319 and “A” 5380.

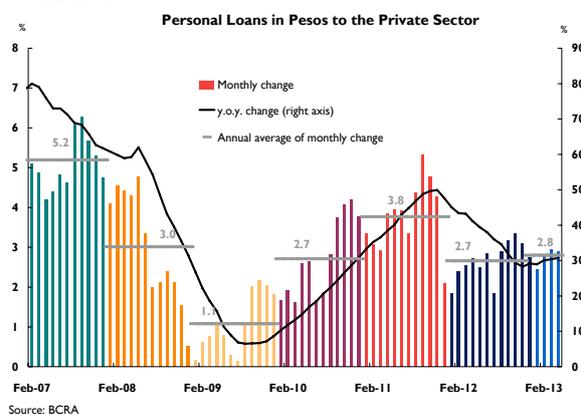
⁷ According to the new regulation (Resolution 50/2013 by the SEPYME) companies recording the following maximum amounts of annual sales will be considered MiPyMEs (with the possibility of deducting up to 50% of the value of their exports) depending on the activity sector: \$54 million for agricultural activity, \$183 million for manufacturing and mining, \$250 million for trade, \$63 million for services, and \$84 million for construction.

Chart 4.6



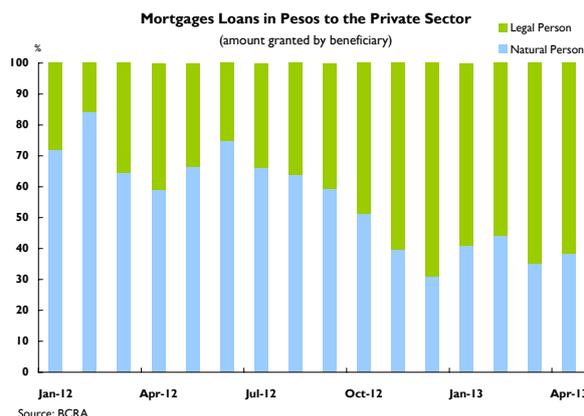
With respect to loans with real collateral, pledge-backed loans rose 2.5% in April (\$600 million). They continued accelerating their y.o.y. growth pace, going up 38.9% over the past 12 months. In turn, mortgage loans increased 1.1% (\$400 million), a bit less than in March, and posted a 27.7% y.o.y. change. It should be noted that new mortgage loans totaled \$890 million in April, an amount similar to that of the month before. In addition, when analyzing funds by kind of beneficiary, it may be seen that over 60% of the total was granted to legal persons, which is explained by a boost provided by the “Credit Line for Productive Investment” since mortgage-backed loans have traditionally been aimed at households (see Chart 4.8).

Chart 4.7



According to the latest information available⁸, loans granted by financial institutions as leasing contracts⁹ in March accelerated its monthly expansion pace against the previous two months, going up 2.3% (\$165 million). In addition, the y.o.y. change rate continued climbing and reached 21.7% in March, up 2.4 p.p. against February (see Chart 4.6). The momentum that these loans have been exhibiting since August 2012 is largely accounted for by the “Credit Line for Productive Investment” given that some of these credits are channeled through leasing transactions.

Chart 4.8



Finally, the monthly average balance of loans in foreign currency granted to the private sector, especially the exporting sector, remained unchanged in April, around US\$5.2 billion. It should be noted that a portion of the loans that were granted in foreign currency as of the first quarter of 2012 has been channeled through the segment in pesos ever since.

5. Interest rates¹⁰

Central Bank securities¹¹

Interest rates on Central Bank securities auctions remained unchanged in the first weeks of April, whilst they rose around 0.5 p.p. in the last auction of the month. Hence, interest rates on issues at 70 and 100 days, with pre-determined rates, stood at 13.4% and 14%, respectively, at the end of the month. In addition, the interest rate on long term issues, at 500 days, stood at 16.4% (see Chart 5.1).

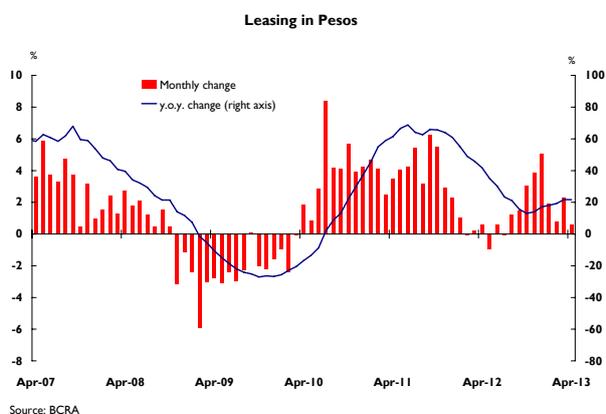
⁸ Information on leasing is available with a one-month lag.

⁹ It includes the value of capital goods (either personal or real property) rented to a third party and specially purchased by the institution on their behalf and for which the leaseholder pays a price on a regular basis throughout the previously agreed upon term, while being able to exercise the unilateral right to a purchase option by paying the residual value previously set forth.

¹⁰ Interest rates mentioned in this section are expressed in annual percentage rates (APR).

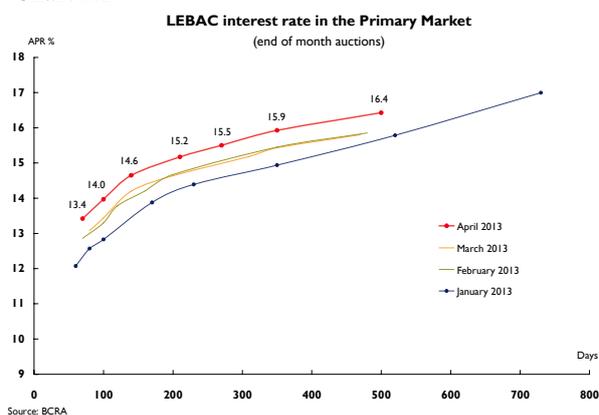
¹¹ In this section, figures are end of the month data unless otherwise stated.

Chart 4.9



Once more LEBACs accounted for almost all monthly issues on the primary market. The bills awarded were mainly short-termed, especially with a maturity date not exceeding 180 days, which explained 67% of the total issued. Thus, the stock average maturity fell to around 224 days.

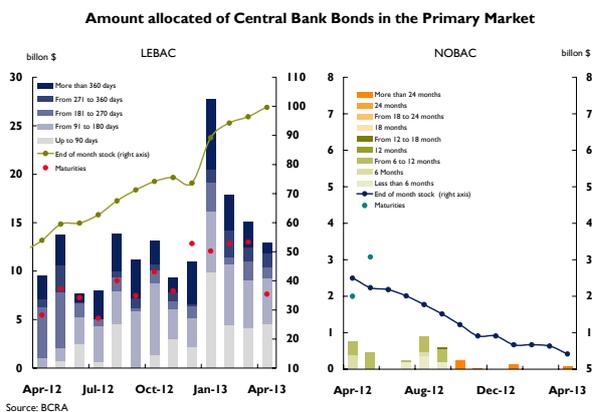
Chart 5.1



The total amount of LEBACs awarded (including financial institutions and the other holders) totaled \$3.22 billion and exceeded maturities; therefore, the balance amounted to NV \$99.64 billion. Meanwhile, the balance of NOBACs decreased \$2.15 billion (19%) after two months without recording changes, standing at NV \$9.16 billion (see Chart 5.2). Thus, the share of NOBACs in the total stock fell once more, accounting for 8% of the total. As a result of this dynamics, the stock of LEBACs and NOBACs in circulation increased \$1.07 billion (1%), totaling \$108.8 billion (see Chart 5.2). The rise was spurred by more holdings by private banks and, to a lesser extent, by mutual funds (FCI). Thus, the stock equals 24.3% of total private sector deposits, down 0.8 p.p. against March.

Interest rates on LEBACs fell on the secondary market in a context where the daily average amount traded continued going up, reaching a historical maximum of \$1.36 billion. In turn, and with a minor share in the total, the volume traded of NOBACs averaged \$72 million on a daily basis.

Chart 5.2



Central Bank repo transactions¹

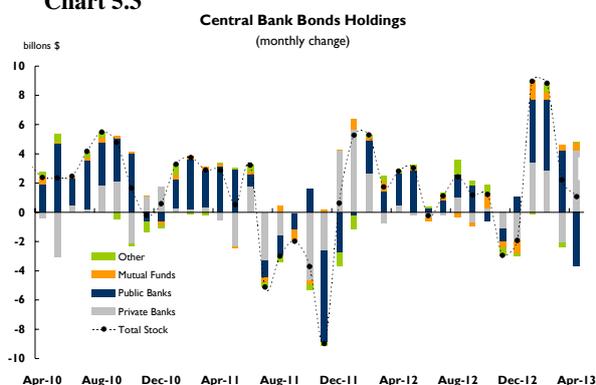
Interest rates on Central Bank reverse repos remained unchanged, standing at 9% overnight and 9.5% at 7 days, while rates on repo loans stayed at 11% overnight and 11.5% at seven days.

The average stock of Central Bank reverse repos, including all rounds used by the institution, climbed 11%, totaling \$13.63 billion. No repo loans for the Central Bank were recorded in April.

Call money market¹

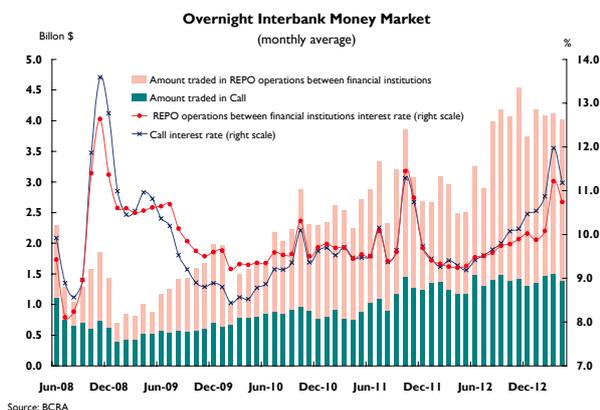
Following the rise observed in the last working day of March and the first days of April, in a context of many bank holidays (two of them coinciding with the new calculation period for minimum cash), interest rates on the call money market posted a downward trend and ended April at levels similar to those recorded at the start of the year. Thus, the average interest rate on overnight transactions on the call money market dropped 0.75 p.p. against March, standing at 11.2%. In addition, the average interest rate on overnight

Chart 5.3



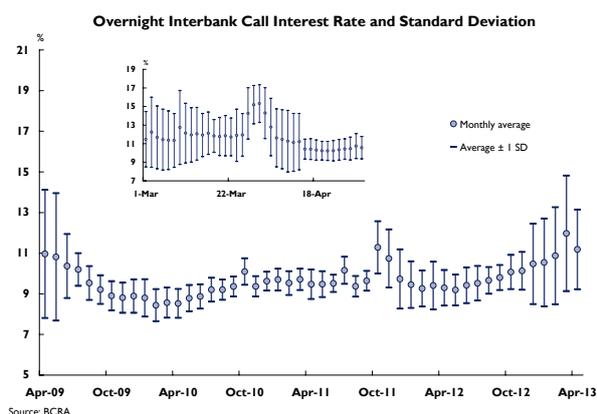
Source: BCRA

Chart 5.4



Source: BCRA

Chart 5.5



Source: BCRA

transactions conducted between financial institutions on the secured market (REPO round) went down 0.45 p.p., standing at 10.8% (see Chart 5.4).

Together with a fall in interest rates, a reduction in volatility levels was observed over the month. Indeed, the dispersion amongst daily interest rates went down by 0.9 p.p. to 1.9 p.p. (see Chart 5.5).

The amount traded on the call money market totaled \$4 billion daily. In the case of the REPO market, the volume remained relatively stable, at \$2.6 billion. In turn, it fell \$130 million on the call market, reaching a daily average of \$1.4 billion (see Chart 5.6).

Borrowing rates¹

Borrowing interest rates paid by private financial institutions increased slightly in April.

Regarding the wholesale segment, the BADLAR of private banks – interest rate on deposits of \$1 million and more for 30-35 days – averaged 15.1%, increasing 0.3 p.p. in April (see Chart 5.7). This monthly rise was mainly related to interest rates paid to companies given that those paid to the public sector remained practically unchanged whilst those channeled to households and financial services’ companies increased slightly (see Chart 5.8). Nevertheless, this rise did not offset the drop recorded in the first two months of the year; therefore, the BADLAR was 0.3 p.p. below the level recorded in December 2012.

With respect to the BADLAR futures market, almost all the contracts traded matured at the end of April, with a 15.2% average interest rate. Additionally, the amount traded was about half the value operated in March.

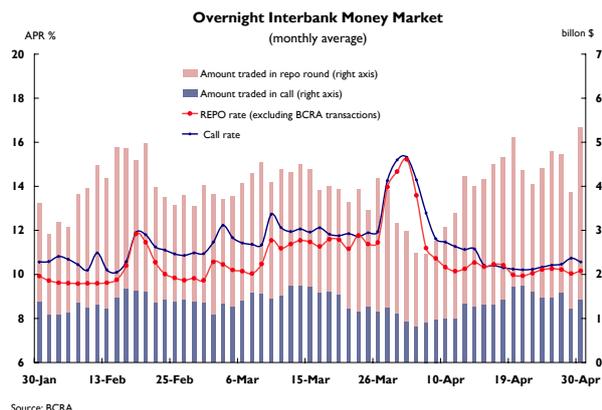
As far as the retail segment is concerned, the interest rate paid by private banks on their time deposits (up to \$100,000 and up to 35 days) increased 0.1 p.p. in the month, averaging 13.2%. Thus, the retail interest rate reversed the drops recorded in the first two months of the year, standing at the same level of December 2012.

Lending rates^{1 12}

In general, and with very few exceptions, lending interest rates on loans in pesos granted to the private sector in April continued the falling trend they had started in February.

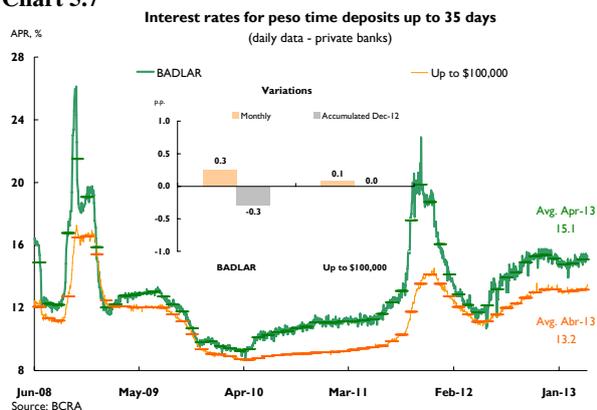
¹² Interest rates mentioned in this section are annual nominal rates and do not include assessment or granting expenses or other expenditures (e.g., insurance) which are taken into account in the total financial cost of loans.

Chart 5.6



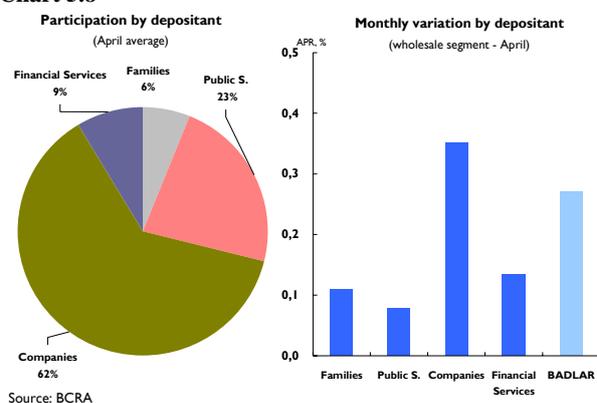
Interest rates on commercial lines posted heterogeneous performances: those on current account overdrafts evidenced a rise in the month, whilst those on financing through promissory notes kept on falling. Particularly, the monthly average of interest rates on current account overdrafts was 21.7%, while the rate on overdrafts granted to companies for more than \$10 million and up to 7 days stood at 14.9%. The monthly rise reached 0.4 p.p. in both cases, and was concentrated, mainly, in the first days of April, in line with the specific increase recorded in interest rates on the call money market. Following these hikes, interest rates on current account overdrafts have started to fall gradually throughout the month. In turn, the interest rate on discounted documents averaged 18.8%, while that on financing through unsecured promissory notes averaged 18.6%, evidencing a 0.2 p.p. decline over the month in both cases (see Chart 5.9).

Chart 5.7



In the case of longer-term lines, all interest rates decreased. Particularly, concerning loans with real collateral, a rise in the share of loans corresponding to the “Credit Line for Productive Investment” and those granted under the PFPB program, which are generally given at lower rates and longer terms, was observed in April. The interest rate applied to pledge-backed loans averaged 19.2%, sliding 0.5 p.p. and reaching its lowest level since August 2011. The monthly average of the interest rate charged on mortgage loans granted to natural persons stood at 15.1%, falling 0.8 p.p. against March. Thus, interest rates on loans with real collateral were 0.4 p.p. and 1.1 p.p. below the level recorded in December, respectively. In turn, the interest rate on personal loans averaged 33.3%, dropping 0.9 p.p. in the month, with a 1 p.p. fall in year-to-date terms (see Chart 5.10).

Chart 5.8

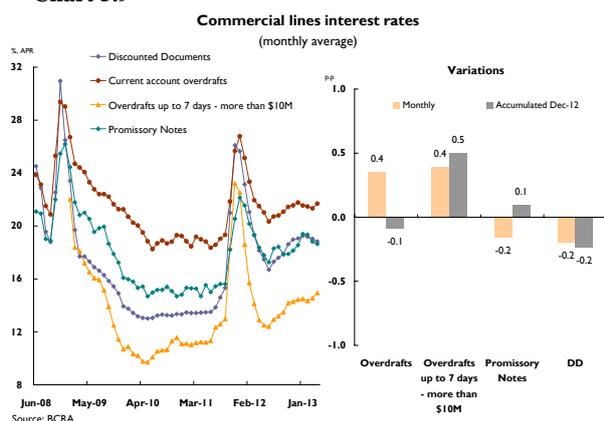


6. International reserves and foreign exchange market¹³

The balance of international reserves totaled US\$39.53 billion at the end of April (see Chart 6.1), going down US\$914 million against March. The main factor accounting for such change was the payment of the public debt by the public sector, which was partially offset by foreign currency purchases by the Central Bank on the Free and Single Foreign Exchange Market (MULC) and by a rise in financial institutions’ current accounts in foreign currency at the Central Bank. In addition, the stock of reserves was reduced due to a fall in the price of some of its assets.

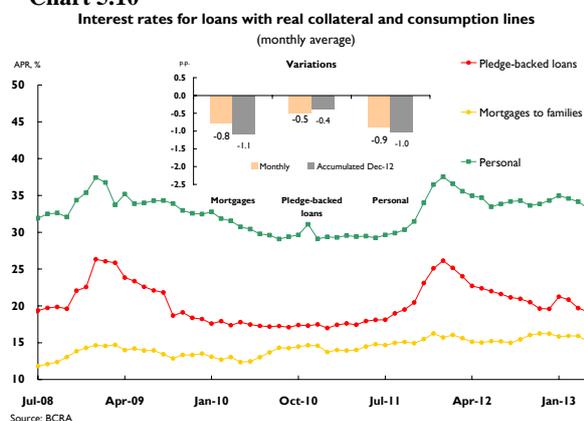
¹³ Figures in this section are end of the month data unless otherwise stated.

Chart 5.9



Regarding the foreign exchange market, the peso continued depreciating against the currencies of Argentina's main trading partners. In April, average exchange rates were 5.16 \$/US\$ (1.4% higher than that of March), 2.58 \$/real (0.5%), and 6.73 \$/euro (2%, see Chart 6.2). Thus, since the beginning of 2013 the peso has kept a stable depreciating pace against the US dollar, whilst the level of depreciation against the real was lower than that of the month before. Meanwhile, the appreciation recorded last month against the euro was reversed. The daily average amount traded on the futures market (ROFEX) was the maximum value on record in the last eleven months (\$1.06 billion), while contracts executed posted a slight fall in depreciation forecasts for the coming months.

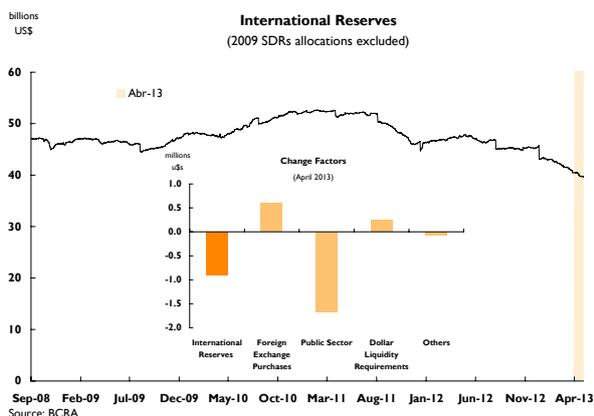
Chart 5.10



7. Major policy measures taken by other Central Banks

In April, the World Economic Outlook (WEO), of the International Monetary Fund (IMF) was published, showing a reduction in growth forecasts for the main economies. Particularly, the sharpest drops in estimates for 2013 (see Table 7.1) were observed in the cases of Italy, Brazil, France, and the United Kingdom because, in general, the poor performance of foreign demand would not offset the weak domestic demand. In addition, the IMF informed that the global economy would no longer be recovering at two different speed levels (emerging countries with sharp growth rates and advanced countries with a weak performance) but at three. Emerging and developing countries would continue exhibiting robust growth, whilst, as regards the advanced economies, the United States would grow below expectations and the Euro Zone would evidence some contraction.

Chart 6.1

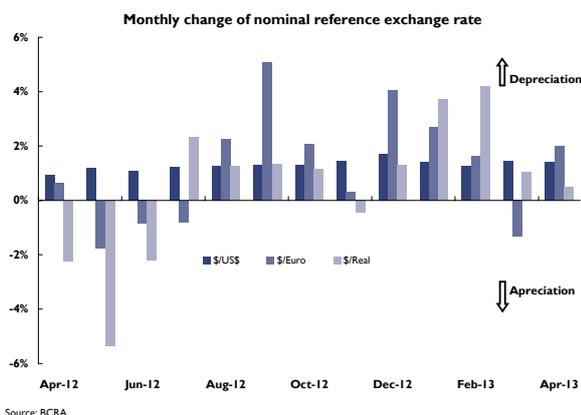


In this context characterised by worse forecasts, central banks were more cautious, awaiting for new economic data. Indeed, few monetary policy measures were taken at an international level, standing out those adopted by the monetary authorities of Japan and Brazil being underscored.

With respect to advanced economies, the United States Federal Reserve (FED) did not have on schedule any meeting and, therefore, its benchmark rate (federal fund rate-FFR) remained at a 0-0.25% range while the asset purchase program continued at US\$85 billion. In its latest press release (March 2013), the FED President, Ben Bernanke, had once again highlighted that such policies would be kept provided that:

1. The unemployment rate remains above 6.5%.

Chart 6.2



2. Inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee’s longer-run inflation goal of 2%, and
3. longer-term inflation expectations continue to be well anchored.

In this regard, Bernanke pointed out that failure to comply with one or more of these conditions would not lead to an immediate rise in the FFR; the FED will instead assess whether that non-compliance results from temporary or permanent factors. Finally, he further underscored that for the FED to start reducing its asset purchase program, it will first need to assure that there is a permanent improvement in the labor market.

Chart 7.1

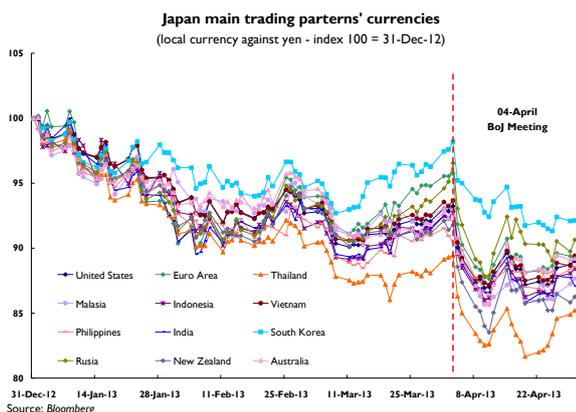
Year	Estimated 2012	Forecast 2013				Forecast 2014		
	Apr-13	Apr-12	Oct-12	Jan-13	Apr-13	Oct-12	Jan-13	Apr-13
Period of publication of WEO	3.2	4.1	3.8	3.5	3.3	4.1	4.1	4
Global GDP	1.2	2	1.5	1.4	1.2	2.3	2.2	2.2
Advanced Economies	2.2	2.4	2.1	2	1.9	2.9	3	3
United States	-0.6	0.9	0.2	-0.2	-0.3	1.2	1	1.1
Euro Area	0.9	1.5	0.9	0.6	0.6	1.4	1.4	1.5
Germany	0	1	0.4	0.3	-0.1	1.1	0.9	0.9
France	-2.4	-0.3	-0.7	-1	-1.5	0.5	0.5	0.5
Italy	-1.4	0.1	-1.3	-1.5	-1.6	1	0.8	0.7
Spain	2	1.7	1.2	1.2	1.6	1.1	0.7	1.4
Japan	0.2	2	1.1	1	0.7	2.2	1.9	1.5
United Kingdom	1.8	2.2	2	1.8	1.5	2.4	2.3	2.4
Canada	1.8	3.5	3	2.7	2.5	3.5	3.3	3.4
Other Advanced Economies	5.1	6	5.6	5.5	5.3	5.9	5.9	5.7
Emerging and Developing Economies	7.8	8.8	8.2	8.2	8	8.5	8.5	8.2
China	4	7.3	6	5.9	5.7	6.4	6.4	6.2
India	0.9	4.1	4	3.5	3	4.2	4	4
Brazil								

The green colour, indicates an improvement in forecasts compared with the previous forecast. The red colour, indicates a downwards revision of the forecast.

Source: BCRA based on IMF

In turn, the European Central Bank (ECB) kept its monetary policy interest rate unchanged, at 0.75%. In addition, Mario Draghi, ECB President, announced that no improvement signs have been observed in regional macroeconomic indicators and asserted that the Bank is ready to take measures. This was understood by the market as a reduction in the policy interest rate that will be announced in the meeting to be held in May or June.¹⁴

Chart 7.1



Similarly, the Bank of England (BoE) kept its monetary policy interest rate at 0.5% and the quantitative easing program at £375 billion. This decision was taken despite the poor performance recorded by economic activity, given that GDP grew just 0.3% in the first quarter (seasonally adjusted in relation to the previous quarter). By the end of the month, the BoE announced changes in its credit program entitled ‘Funding for Lending Scheme’ by raising incentives so that the bank system can provide lending to SMEs.

As already mentioned, one of the highlights of the month was the announcement of the “quantitative and qualitative monetary easing program” of the Bank of Japan (BoJ) and its subsequent impact on the exchange rate of the main currencies of advanced economies and Southeast Asia.

In early April, the Bank of Japan announced an aggressive expansion measure together with a reform in the implementation of its monetary policy. With a view to achieving a 2% inflation target “as soon as possible within a 2-year horizon”, the BoJ stopped using the overnight call rate as its main operating instrument and moved to a monetary base target. The Bank will conduct money market operations in order to increase the

¹⁴ The rate was reduced by 0.25 p.p. in the meeting held on May 2nd.

Chart 7.2

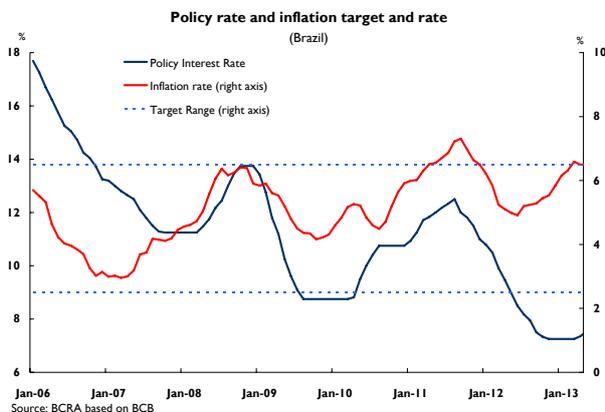
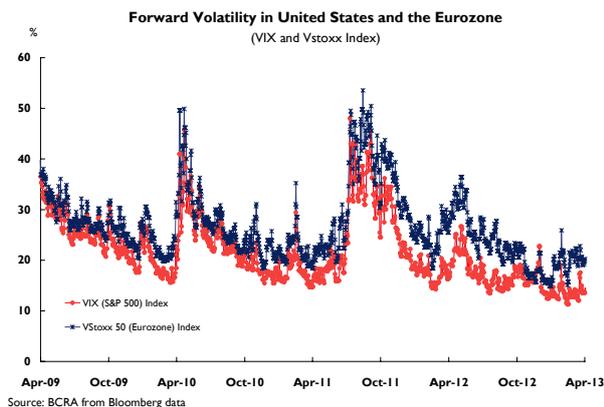


Chart 8.1



Chart 8.2



monetary base to a figure equal to US\$70 billion a month and, hence, double it in the coming two years. The purpose of this process is to raise the maturity and amount of bonds that the Japanese Treasury seeks to purchase monthly.

As a result of this new program, which would lead to a sharp and overall depreciation of the yen (see Chart 7.1), press releases of central banks from various countries in Southeast Asia emphasized the problem arising from the appreciation of their currencies. Many of the exports of these countries compete directly with Japanese exports, especially in the case of the electronic and automotive industries. Hence, monetary authorities started to consider the implementation of new measures geared to counteracting the appreciation of their currencies.

In the case of Latin America countries, the rise in the SELIC rate set by the Central Bank of Brazil (BCB) should be highlighted. The hike in inflation observed in the past few months and its proximity to the ceiling of the target range (see Chart 7.2) prompted the BCB to increase the SELIC rate target by 0.25 p.p. to 7.5% for the first time since July 2011. In addition, as evidenced in a release by the Monetary Policy Committee (MPC) and recent statements by the BCB governor, the Bank may order a new rise in its benchmark interest rate in next meetings.

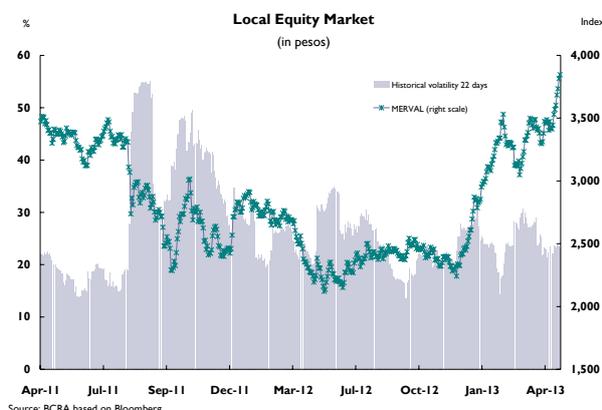
8. Capital markets¹⁰

Equity¹⁵

International financial markets recorded positive results once again driven mostly by the balance sheets season in the United States, which registered results that exceeded expectations, progress in the composition of a new government in Italy and the continuity of monetary stimulus by the main central banks. Thus, the global MSCI improved 2.9%. The S&P 500, main index of the American market, rose 1.8% whilst the European market, measured through the MSCI index, posted a 5% gain (see Chart 8.1). In this context, volatility levels remained low but with slight rises against the month before. The expected volatility of the S&P 500, measured through the VIX index, went up 0.8 p.p., whilst the index measuring the volatility of the Stoxx 50 (benchmark index of the Euro Zone stock exchange) increased 1 p.p., averaging 20.5% over the month (see Chart 8.2).

¹⁵ Unless otherwise stated, the change in indexes is represented in US dollars.

Chart 8.3



Assets from emerging economies, measured through the MSCI index, fell 0.4% over the month. The MSCI Latin America recorded a 1.1% loss within this framework, driven by the performance posted by the IPC (Mexico), which fell 2.5%. In turn, the Bovespa (Brazil), benchmark index for the region, remained practically unchanged.

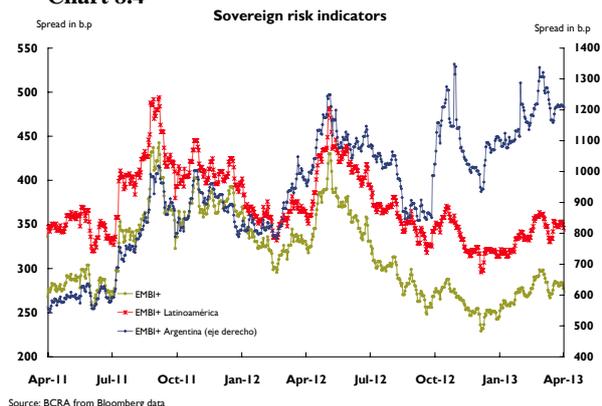
Unlike the general trend observed in the region, the Merval, measured in dollars, ended the month evidencing a new rise (9.3%) and has increased 27.6% in year-to-date terms (see Chart 8.3). Instruments exhibiting the best monthly performance pertain to the metallurgy and bank sectors. The evolution of prices over the month was accompanied by a volume of transactions that averaged \$95 million on a daily basis, up 26% against the figure recorded the month before.

Sovereign bonds

In April, prices of emerging sovereign bonds remained relatively stable. Thus, in a context where the yield of American Treasury bonds at a 10-year term dropped 17 b.p., standing at 1.67% at the end of the month, spreads of yields between emerging sovereign bonds and treasuries decreased 20 b.p., according to the EMBI+, reaching 277 b.p.

Prices of sovereign bonds in Argentina recovered. Thus, the risk spread of Argentine sovereign bonds on US treasury bonds declined 97 b.p., ending April at 1,210 b.p. (see Chart 8.4).

Chart 8.4



Corporate bonds

Corporate financing through the issue of corporate bonds posted its second highest record in April. Issues for a nominal amount of \$4.44 billion were recorded, up 68% against issues registered in the previous month and six times higher in y.o.y. terms. From the amount issued in April, 82% was represented in pesos (16 issues), whilst the remaining 18% (2 issues) was denominated in dollars but paid in pesos at the official exchange rate.

The amount issued in April was once again influenced by issues by YPF. The oil company, which continues expanding its financing in the domestic market, carried out three issues for a total of \$3.03 billion, accounting for 68% of the total. The instrument at 7 years, represented in pesos, for \$2.25 billion, will pay interest at a BADLAR rate at private banks plus a 2.3 p.p. spread. In addition, it launched two issues in dollars (to be paid in pesos) for US\$150 million at 2 and 4 years. In turn, when considering other relevant instruments issued

Chart 8.5

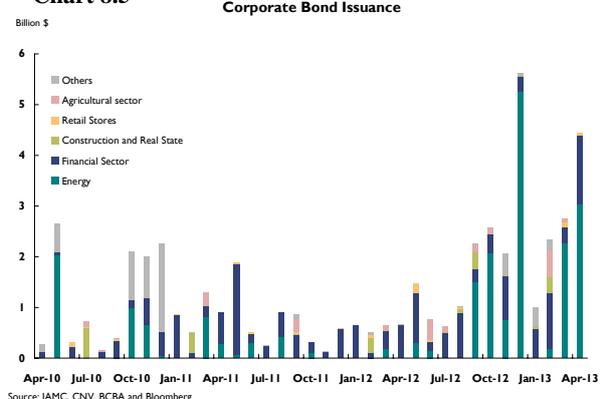
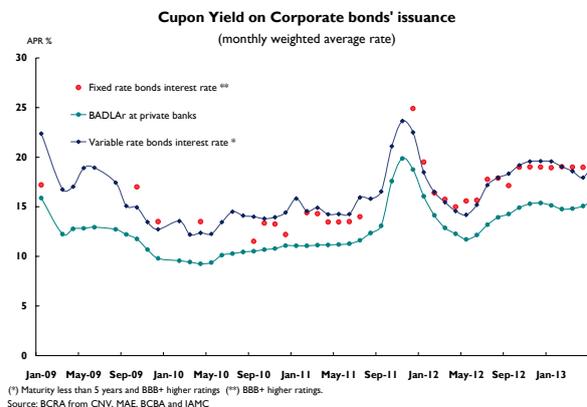


Chart 8.6



in the month, the financial sector should be highlighted as it issued \$1.37 billion, 31% of the total, explained, almost in equal parts, by private banks and non-bank financial institutions (see Chart 8.5).

Regarding the cost of financing, a slight reduction was observed in the segment in pesos, at a variable rate, where the cut-off rate (on securities with a rating exceeding Arg BBB+ and a maturity below 5 years) went down 0.6 p.p. and stood at 17.9%, which was largely explained by the issue conducted by YPF. In the segment at a fixed rate in pesos (rating above Arg BBB+), the interest rate remained unchanged, at 19% (see Chart 8.6).

Mutual funds

In April, brokers continued managing part of their liquidity surpluses by subscribing mutual funds shares (FCI). Net worth of FCIs (in pesos and in foreign currency) evidenced a 3.2% monthly hike (\$1.84 billion), totaling \$56.31 billion.

Like in March, the monthly growth was boosted by FCIs in pesos, where the performance exhibited by fixed income funds should be highlighted, which, after going up \$1.22 billion (4.9%), contributed to 66% of the monthly expansion (see Chart 8.7). Similarly, funds investing in mixed income assets contributed to 31% of the segment expansion after recording monthly hikes amounting to \$730 million (9.3%). Finally, variable income funds were boosted, once again, by the good performance of the stock market and grew \$120 million (8.3%). In turn, money market funds, driven by the unit share buyback recorded in the last week of the month, dropped \$300 million (1.5%).

Chart 8.7

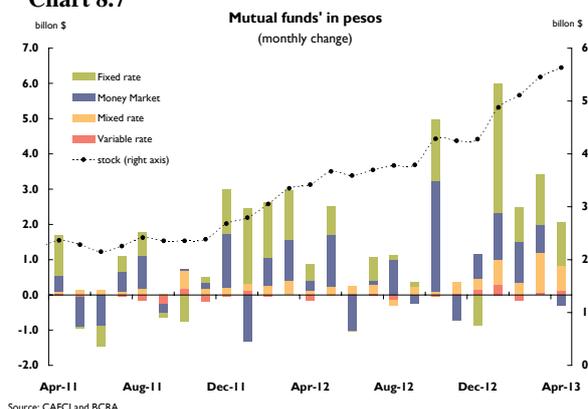
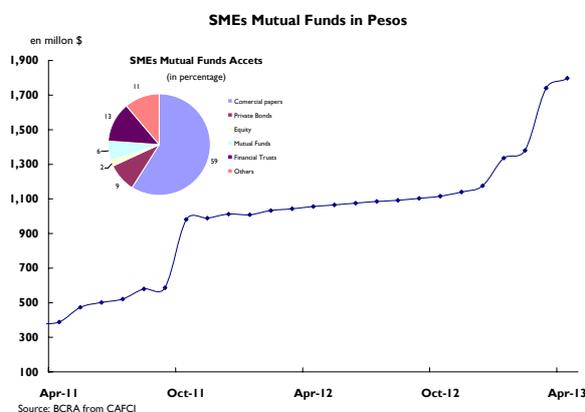


Chart 8.8

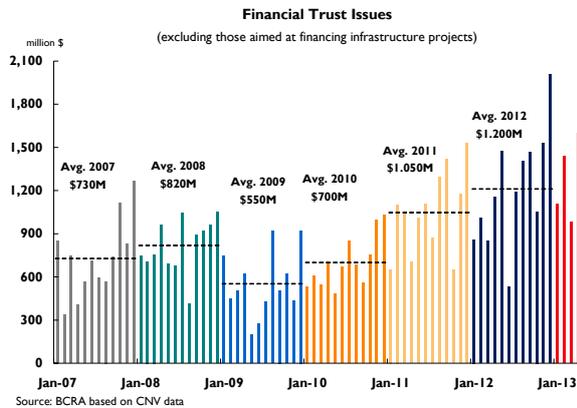


In the case of fixed and mixed income funds in pesos, the rise posted over the past few months by funds investing a significant percentage of their portfolio in SMEs instruments, especially deferred payment checks (CPD), financial trusts (FT) and corporate bonds (ON) should be highlighted, as they currently exceed variable income funds after having recorded net worth totaling \$1.7 billion in April (see Chart 8.8.).

With respect to profitability, variable income funds posted the best relative performance once again, with a 11.5% gain, whilst mixed and fixed income funds exhibited monthly returns amounting to 3.9% and 2.5% respectively.

In turn, FCIs in foreign currency continued recording net worth totaling US\$500 million.

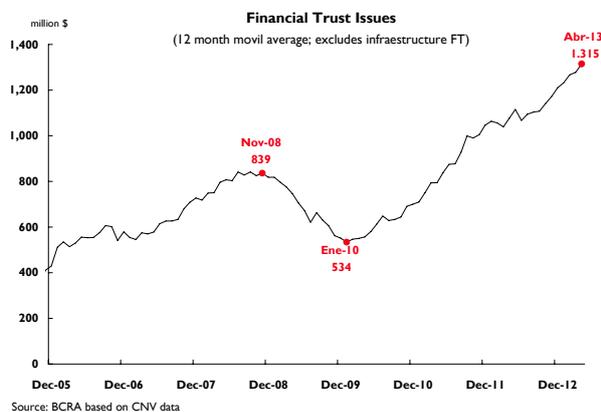
Chart 8.9



Financial trusts¹⁶

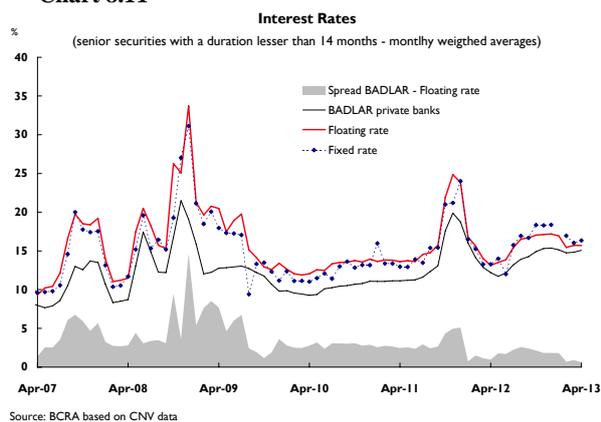
Financial trust (FT) issues totaled around \$1.6 billion in April, up 60% against March. Such amount was achieved through a total of 16 transactions, 4 more than in the previous month. Thus, the amount issued over the month was the highest in year-to-date terms (see Chart 8.9). Meanwhile, when considering the 12-month moving average of the amount of FFs issued that are not related to the financing of infrastructure works, a growing trend may be seen since 2010, following the decline recorded at the end of 2008. This reflects an extensive use of FFs as funding source (see Chart 8.10).

Chart 8.10



Regarding trustors, the retail segment evidenced a recovery in the volume of securitized assets following the issue of a relatively low amount in March. Indeed, it issued around \$615 million in April, almost three times the amount of the month before and, therefore, it accounted for about 40% of the total. In order of relevance, it was followed by financial institutions, with an amount close to \$500 million, up 30% against the previous month. Mutuals, cooperatives, non-bank credit card issuers and other financial service providers also recorded a rise in securitizations, albeit to a lower extent, by issuing \$440 million over the month, 14% more than in March. The rest corresponded to a company pertaining to the agricultural sector and a group of non-financial service companies, which securitized commercial loans. With the exception of these 2 issues, all FFs were secured by consumption-related assets.

Chart 8.11



Cut-off interest rates on senior securities in pesos with a duration not exceeding 14 months remained relatively stable. Indeed, the weighted average rate by amount of securities with variable income, method used for most transactions, remained at 15.7%. Meanwhile, that on securities at fixed rate posted a 0.3 p.p. rise, reaching 16.4% (see Chart 8.11).

¹⁶ Only publicly traded financial trusts are considered.

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	
	Apr-13	Mar-13	Dec-12	Apr-12	Monthly	Last 12 months
Monetary base	297,658	297,163	292,138	220,604	0.2%	34.9%
Currency in circulation	228,055	228,885	224,211	170,731	-0.4%	33.6%
Held by public	205,374	205,325	199,335	150,415	0.0%	36.5%
Held by financial entities	22,679	23,557	24,872	20,313	-3.7%	11.6%
Settlement check	2	3	4	0	-35.9%	0.0%
BCRA current account	69,603	68,277	67,927	49,873	1.9%	39.6%
Repos stock						
Reverse repos	13,626	12,294	17,432	24,335	10.8%	-44.0%
Repos	0	0	0	0	0.0%	0.0%
BCRA securities stock (in face value)	102,078	108,316	88,681	82,022	-5.8%	24.5%
In banks	92,996	94,374	77,641	72,614	-1.5%	28.1%
LEBAC						
In pesos	91,837	96,640	74,569	51,131	-5.0%	79.6%
NOBAC	10,241	11,676	14,112	30,891	-12.3%	-66.8%
International reserves excluded 2009 SDRs allocations	40,075	41,153	44,134	47,462	-2.6%	-15.6%
Private and public sector deposits in pesos ⁽¹⁾	561,267	552,736	525,028	422,961	1.5%	32.7%
Current account ⁽²⁾	151,353	146,546	150,959	114,461	3.3%	32.2%
Savings account	110,180	110,286	104,730	79,027	-0.1%	39.4%
Not CER-adjustable time deposits	277,761	275,234	248,802	212,391	0.9%	30.8%
CER-adjustable time deposits	7	7	7	9	-2.3%	-22.2%
CEDRO adjusted by CER	0	0	0	0		
Other deposits ⁽³⁾	21,966	20,663	20,530	17,072	6.3%	28.7%
<u>Private sector deposits</u>	<u>401,574</u>	<u>394,689</u>	<u>372,490</u>	<u>294,579</u>	<u>1.7%</u>	<u>36.3%</u>
<u>Public sector deposits</u>	<u>159,692</u>	<u>158,047</u>	<u>152,538</u>	<u>128,382</u>	<u>1.0%</u>	<u>24.4%</u>
Private and public sector deposits in dollars ⁽¹⁾	8,382	8,553	9,393	13,115	-2.0%	-36.1%
Loans to private and public sector in pesos ⁽¹⁾	403,525	395,222	373,913	287,536	2.1%	40.3%
<u>Loans to private sector</u>	<u>366,754</u>	<u>360,137</u>	<u>339,103</u>	<u>258,179</u>	<u>1.8%</u>	<u>42.1%</u>
Overdrafts	52,007	50,987	47,326	35,271	2.0%	47.4%
Promissory bills	81,901	80,551	76,170	50,311	1.7%	62.8%
Mortgages	36,958	36,557	34,475	28,934	1.1%	27.7%
Pledge-backed loans	24,402	23,801	22,135	17,571	2.5%	38.9%
Personal loans	81,584	79,825	75,069	62,541	2.2%	30.4%
Credit cards	61,449	61,078	56,352	43,881	0.6%	40.0%
Other loans	28,453	27,338	27,576	19,670	4.1%	44.7%
<u>Loans to public sector</u>	<u>36,771</u>	<u>35,085</u>	<u>34,810</u>	<u>29,358</u>	<u>4.8%</u>	<u>25.3%</u>
Loans to private and public sector in dollars ⁽¹⁾	5,192	5,194	5,549	9,489	0.0%	-45.3%
Total monetary aggregates ⁽¹⁾						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	356,729	351,873	350,298	264,879	1.4%	34.7%
M2 (M1 + savings account in pesos)	466,908	462,160	455,028	343,906	1.0%	35.8%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	766,642	758,064	724,367	573,378	1.1%	33.7%
M3* (M3 + total deposits in dollars + settlement check in foreign currency)	809,835	801,570	770,217	631,049	1.0%	28.3%
Private monetary aggregates						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	309,835	305,993	299,301	232,360	1.3%	33.3%
M2 (M1 + private savings account in pesos)	408,069	404,893	395,489	305,666	0.8%	33.5%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	606,950	600,017	571,829	444,996	1.2%	36.4%
M3* (M3 + private total deposits in dollars + settlement check in foreign currency)	644,451	637,658	609,684	497,362	1.1%	29.6%

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	495	0.2%	-624	-0.2%	5,520	1.9%	77,053	34.9%
Financial sector	-1,267	-0.4%	7,725	2.6%	4,510	1.5%	13,433	6.1%
Public sector	-1,637	-0.6%	1,255	0.4%	10,571	3.6%	51,435	23.3%
Private external sector	1,063	0.4%	121	0.0%	2,565	0.9%	22,157	10.0%
BCRA securities	2,683	0.9%	-8,872	-3.0%	-10,992	-3.8%	-7,763	-3.5%
Others	-346	-0.1%	-854	-0.3%	-1,134	-0.4%	-2,207	-1.0%
International reserves excluded 2009 SDRs allocations	-1,078	-2.6%	-2,879	-6.7%	-4,059	-9.2%	-7,387	-15.6%
Foreign exchange market intervention	205	0.5%	20	0.0%	520	1.2%	4,837	10.2%
International financial institutions	-80	-0.2%	-244	-0.6%	-78	-0.2%	-79	-0.2%
Other public sector operations	-954	-2.3%	-1,197	-2.8%	-2,877	-6.5%	-2,304	-4.9%
Dollar liquidity requirements	-22	-0.1%	-954	-2.2%	-1,039	-2.4%	-1,072	-2.3%
Others (incl. change in US\$ market value of nondollar assets)	-228	-0.6%	-505	-1.2%	-584	-1.3%	-8,768	-18.5%

1 Excludes financial sector and foreign depositors. Loans' 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

	Apr-13	Mar-13	Feb-13
	(1)		
Domestic Currency	% of total deposits in pesos		
Requirement	12.1	12.0	12.1
Compliance	12.3	12.2	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>	%		
Up to 29 days	60.7	59.6	65.4
30 to 59 days	24.4	23.0	23.7
60 to 89 days	9.2	10.2	5.7
90 to 179 days	4.5	6.0	3.6
more than 180 days	1.1	1.2	1.6
Foreign Currency	% of total deposits in foreign currency		
Requirement	19.8	19.5	19.5
Compliance (includes default application resource)	90.3	88.8	87.0
Position ⁽²⁾	70.5	69.3	67.6
<i>Residual time structure of term deposits used for the calculation of the requirement ⁽³⁾</i>	%		
Up to 29 days	51.0	51.7	50.1
30 to 59 days	22.2	23.8	24.5
60 to 89 days	10.6	9.9	11.9
90 to 179 days	13.0	11.3	11.1
180 to 365 days	3.1	3.2	2.2
more than 365 days	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	Apr-13	Mar-13	Feb-13	Dec-12	Apr-12
Interbank Loans (overnight)					
Interest rate	11.59	12.02	11.02	10.77	9.43
Traded volume (million pesos)	1,390	1,511	1,471	1,313	1,181
Time Deposits					
<u>In pesos</u>					
30-44 days	13.97	13.52	13.09	13.69	11.71
60 days or more	13.14	13.58	13.45	15.43	10.67
Total BADLAR (more than \$1 million, 30-35 days)	14.50	13.19	12.50	13.43	11.45
Private Banks BADLAR (more than \$1 million, 30-35 days)	15.08	14.83	14.76	15.37	12.18
<u>In dollars</u>					
30-44 days	0.51	0.55	0.58	0.60	0.39
60 days or more	0.86	1.03	1.12	1.11	0.84
Total BADLAR (more than \$1 million, 30-35 days)	0.63	0.68	0.69	0.65	0.53
Private Banks BADLAR (more than \$1 million, 30-35 days)	0.75	0.93	0.79	0.61	0.74
Lending Interest Rates	Apr-13	Mar-13	Feb-13	Dec-12	Apr-12
Stock Repos					
Gross interest rates 30 days	15.32	14.75	13.86	15.57	11.24
Traded volume (all maturities, million pesos)	249	221	237	235	223
Loans in Pesos ⁽¹⁾					
Overdrafts	21.70	21.36	21.50	21.79	21.51
Promissory Notes	18.64	18.82	19.37	18.58	18.37
Mortgages	14.62	16.74	16.20	17.23	13.65
Pledge-backed Loans	19.24	19.76	20.85	19.60	22.71
Personal Loans	33.27	33.93	34.48	34.31	35.02
Credit Cards	s/d	33.41	33.75	34.90	34.93
Overdrafts - 1 to 7 days - more than \$10 million	14.93	14.55	14.21	14.44	12.89
International Interest Rates	Apr-13	Mar-13	Feb-13	Dec-12	Apr-12
LIBOR					
1 month	0.20	0.20	0.20	0.21	0.24
6 months	0.44	0.45	0.46	0.51	0.73
US Treasury Bonds					
2 years	0.23	0.25	0.26	0.25	0.28
10 years	1.72	1.95	1.96	1.70	2.02
FED Funds Rate	0.25	0.25	0.25	0.25	0.25
SELIC (1 year)	7.38	7.25	7.25	7.25	9.40

(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	Apr-13	Mar-13	Feb-13	Dec-12	Apr-12
BCRA Repo Interest Rates					
Overnight reverse repo	9.00	8.53	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
Total Repo Interest Rates					
Overnight	9.72	10.04	9.30	9.36	9.02
7 days	9.68	9.60	9.56	9.53	9.50
Repo traded volumen (daily average)	10,364	7,054	12,051	10,111	13,589
Peso LEBAC Interest Rate¹					
1 month	s/o	s/o	s/o	11.60	s/o
2 months	13.13	12.96	12.66	11.98	s/o
3 months	13.33	13.35	12.95	12.93	s/o
9 months	15.21	15.05	s/o	14.52	12.39
12 months	15.60	15.47	15.09	14.99	12.83
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	-2.68	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)	1356	1134	1256	786	806
Foreign Exchange Market	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12
Dollar Spot					
Exchange agencies	5.16	5.08	5.01	4.88	4.40
BCRA Reference	5.16	5.09	5.01	4.88	4.41
Future dollar					
NDF 1 month	5.28	5.28	5.14	4.98	4.46
ROFEX 1 month	5.24	5.16	5.08	4.95	4.43
Traded volume (all maturities, million pesos)	1,056	1,054	921	818	1,266
Real (Pesos/Real)	2.58	2.57	2.54	2.35	2.37
Euro (Pesos/Euro)	6.73	6.60	6.69	6.41	5.79
Capital Market	Apr-13	Mar-13	Feb-13	Dec-12	Apr-12
MERVAL					
Index	3,506	3,368	3,256	2,672	2,416
Traded volume (million pesos)	95	75	61	54	57
Governement Bonds (parity)					
BODEN 2015 (US\$)	149.81	140.21	133.06	120.57	111.36
DISCOUNT (US\$ - NY legislation)	103.73	99.52	99.69	97.99	89.52
BODEN 2014 (\$)	94.85	96.29	95.53	92.24	93.49
DISCOUNT (\$)	52.28	50.62	50.25	46.02	50.14
Country risk					
Spread BODEN 2015 vs. US Treasury Bond	1,273	1,350	1,325	1,204	992
EMBI+ Latin America (without Argentina)	314	313	296	298	346

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