

Monthly Monetary Report

October 2013



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Inquiries, comments or electronic subscriptions: analisis.monetario@bcra.gov.ar

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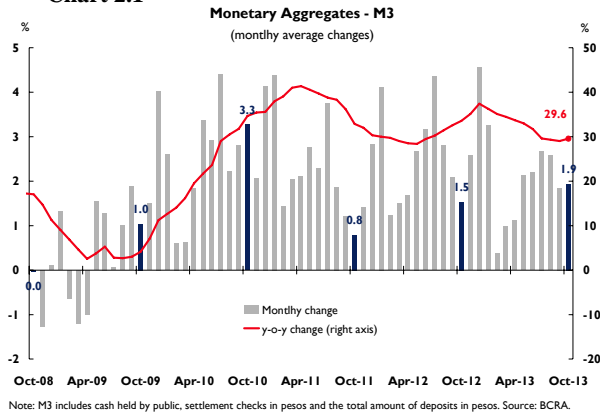
The closing date for statistics in this report was September 11, 2013. All figures are provisional and subject to review.

1. Summary¹

- Since mid-2013, monetary aggregates have kept a steady year-on-year (y.o.y.) expansion pace. In October, the broadest monetary aggregate in pesos (M3) recorded a 29.6% y.o.y. growth and a 1.9% expansion in monthly terms. In turn, the broadest private monetary aggregate (private M3) exhibited a change rate of 31.5% in the last 12 months and a monthly rise equal to that recorded by total M3 (1.9% in October). In the tenth month of the year, the monthly increase of the broadest monetary aggregates was mainly due to the momentum exhibited by lending to the private sector and by public sector transactions. The analysis of the first ten months of the year reveals that lending to the private sector was the main factor behind the increase of private M3, driven by the active public policies devoted to promote financing for productive purposes.
- Among the components of private M3, the performance of time deposits clearly stand out, since they have kept a high y.o.y. expansion rate which currently stands close to 40%. In October, time deposits went up 2.3% and continued to increase their share in private M3, which stood at 31.1%, up 4.3 p.p. against the weight they exhibited only two years ago. On an amount segment basis, both deposits under \$1 million and wholesale segment's deposits went up (2.4% and 2.2%, respectively).
- Bank liquidity (measured as the sum of cash in banks, current accounts of institutions with the Central Bank, net repos with the Central Bank and LEBAC and NOBAC holdings with respect to total deposits in pesos) stood at 31.8%. Against September, a reduction is observed in the ratio of net repos with the Central Bank, which was partially offset by the increase in LEBAC and NOBAC holdings in terms of deposits. In turn, more liquid assets (cash in banks and current accounts with the Central Bank) remained stable in terms of deposits.
- In October, the loans in pesos to the private sector posted a monthly increase of 2.7% (\$11.54 billion), in line with the growth pace they have exhibited since May. Financing arranged through promissory notes and personal loans were the main drivers of this growth, with a contribution of 1 p.p. and 0.8 p.p., respectively.
- Within the framework of the policies developed by the BCRA to encourage lending for productive purposes, the funds awarded through the Bicentennial Productive Financing Program (PFPB) continued to be disbursed. As a result, the total amount paid out since the implementation of the PFPB amounts to \$5.74 billion, accounting for around 75% of the total amount awarded.
- In addition, upon the fulfillment of the third stage of the “Credit Line for Productive Investment (LCIP)” by the end of the year, a total of around \$55 billion in loans will have been granted. As a result of these initiatives, lending to small and medium-sized enterprises (SMEs) has gained share in the total loans granted to companies. In fact, the high momentum of the financing to SMEs resulted in a share of around 31% of loans to legal persons, exceeding by 8 p.p. the figures recorded by late 2009. It is worth mentioning that 6 p.p. of this increase took place since the implementation of the Credit Line for Productive Investment (LCIP), effective since mid-2012.
- In turn, the borrowing interest rates paid by private banks for time deposits in pesos up to \$100,000 and for up to 35 days averaged 15.7%, while the private banks' BADLAR rate –interest rate on deposits of \$1 million and more and for over 30-35 days– recorded a monthly average of 18.7%. In turn, the lending interest rates charged on overdrafts for over \$10 million and up to 7 days also averaged 18.7%.

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

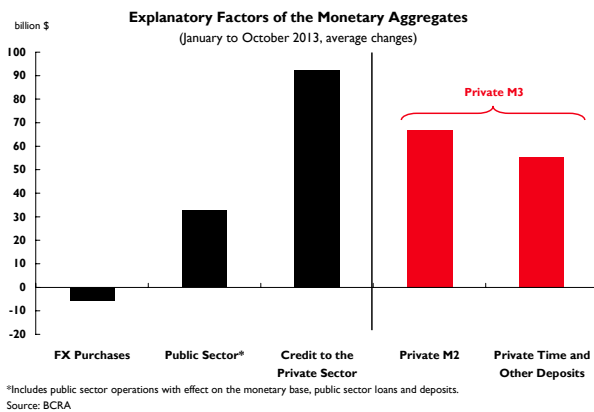
Chart 2.1



2. Monetary aggregates¹

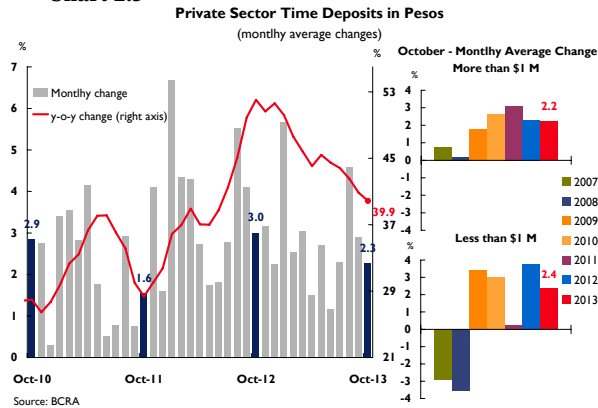
Since mid-2013, a relative stability has been observed in the y.o.y. change rate of monetary aggregates. In October, the broadest monetary aggregate in pesos (M3²) posted a 29.6% y.o.y. growth and a 1.9% increase in monthly terms (see Chart 2.1). In turn, private M3³ exhibited a change rate of 31.5% in the last 12 months and went up 1.9% in monthly terms during October. The growth of the broadest monetary aggregates was driven by loans to the private sector and by public sector transactions. Along the first ten months of the year, and as a result of the public policies intended to promote financing for productive purposes, the loans in pesos to the private sector were the main driving force of private M3 (see Chart 2.2).

Chart 2.2



Among private M3 components, time deposits were especially relevant since they continued to expand at a fast year-on-year pace, which currently stands at around 40%. In October, time deposits went up 2.3% and continued increasing their share within private M3, which now stands at 31.1%, up 4.3 against the share they had two years ago (see Chart 2.3). On an amount segment basis, both deposits under \$1 million and wholesale segment's deposits climbed up (2.4% and 2.2%, respectively). On the other hand, means of payment exhibited a y.o.y. expansion close to 28% and went up 1.6% on a monthly basis, with similar increases in cash held by the public, savings accounts and current accounts.

Chart 2.3



As regards primary money creation, the average stock of the monetary base went up 1.6% (\$5.31 billion) in October, while its y.o.y. change rate stood at 26.3%.

The monthly stock of deposits in foreign currency kept the same level recorded in September, in terms of both public sector and private sector deposits.

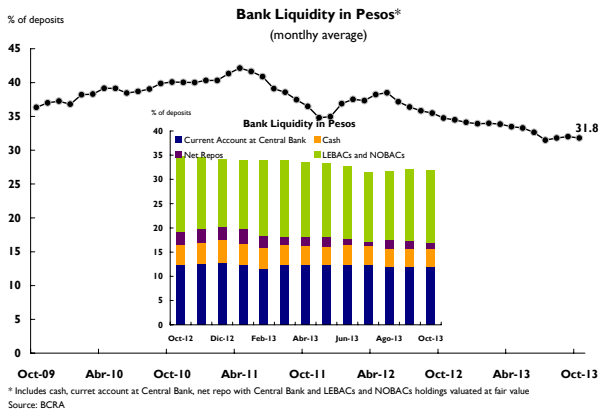
Lastly, the broadest monetary aggregate, M3*, which includes the cash held by the public, settlement checks, Certificate of Deposits for Investment (CEDIN), and total deposits in pesos and in foreign currency (stated in pesos) went up 2.1%, and accumulates a 28.7% y.o.y. change rate.

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 of the non-financial private sector.

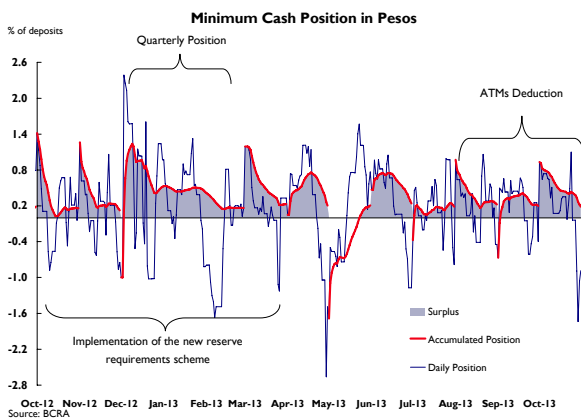
3. Bank liquidity¹

Chart 3.1



In October, the broad liquidity ratio of the segment in pesos (measured as the sum of cash in banks, current accounts of the institutions at the Central Bank, net repos with the Central Bank and LEBAC and NOBAC holdings with respect to total deposits in pesos) stood at 31.8% (down 0.2 p.p. against September, see Chart 3.1). This change was mainly due to a reduction in the share of net repos with the Central Bank, which was partially offset by the increase in LEBAC and NOBAC holdings in terms of deposits. In turn, the most liquid assets (cash in banks and current accounts with the Central Bank) remained stable in terms of deposits. On the other hand, the compliance in excess of the requirement was estimated to be equivalent to 0.2% of deposits, in line with the values recorded in the previous months.

Chart 3.2

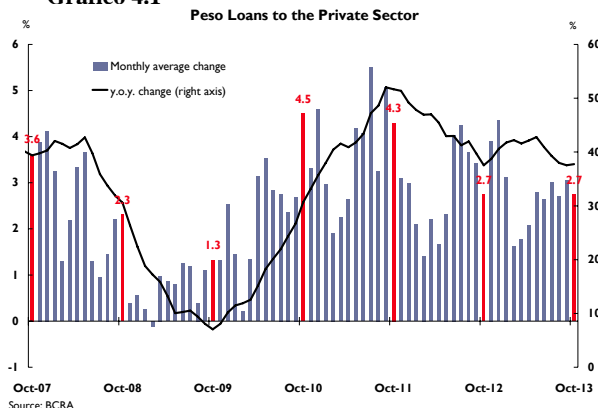


As for the foreign currency segment, the average liquidity ratio continued standing at high levels and amounted 118.5% of deposits in foreign currency, up 3.2 p.p. against September.

4. Loans^{1 4 5}

In October, loans in pesos to the private sector rose 2.7% (\$11.54 billion), in line with the growth pace they have exhibited since May (see Chart 4.1). The main factors behind this monthly growth were financing arranged through promissory notes and personal loans, with a contribution of 1 p.p. and 0.8 p.p., respectively.

Gráfico 4.1



Within the credit lines devoted to financing commercial activities, overdrafts went up 0.6% in October (\$380 million). In y.o.y. terms, their expansion pace accelerated and reached a growth rate of 30.7%, almost 2 p.p. up against September (see Chart 4.2). In turn, financing arranged through promissory notes recorded a 4.1% rise in October (\$4.06 billion), while their y.o.y. change rate continued to stand at historically high levels, close to 50% (see Chart 4.3).

It is worth pointing out that, within the framework of the policies developed by the BCRA to encourage financing for productive purposes, the funds awarded through auctions of the Bicentennial Productive Financing Program (PFPB) continued to be granted. Thus, total funds disbursed since the launching of the PFPB amount to \$5.74 billion, accounting for around 75% of the total amount

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

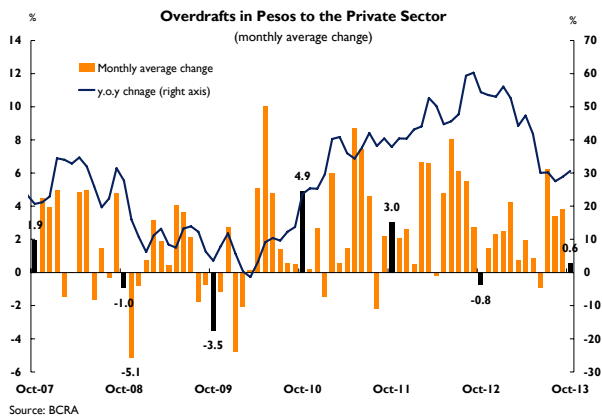
⁵ In this report, "amounts granted" or "new loans" refer to loans (new and renewed) arranged in a given period. In contrast, a change in stock consists of arranged loans minus amortizations and repayments for the period.

awarded. In addition, upon the fulfillment of the third stage of the “Credit Line for Productive Investment (LCIP)”, a total of around \$55 billion in loans will have been granted by the end of the year through this initiative.

The credit lines devoted to financing household consumption also expanded in October. There was an acceleration in the expansion pace of personal loans, which grew 3.6% during the month (\$3.31 billion). As a result, their y.o.y. change rate stood at around 32%, up 1.2 p.p. against September. The new lending granted through personal loans amounted to \$6.3 billion, a level similar to that of September. In terms of the use given to these resources, the main ones were the purchase of household appliances and other items, together with refurbishment or construction of property, accounted for 17.2% and 17.6%, respectively, of the total amount received (see Chart 4.4), followed, in order of importance, by refinancing or settlement of liabilities (10%) and acquisition of automobile for home or personal use (7.8%). Some other uses related to productive activity rather than consumption were also identified, such as “the acquisition of automobiles for other uses” and the “acquisition of machinery, equipment and tools” which, altogether, accounted for 4% of the total. Lastly, it is worth noting that the category “Other uses” accounted for most of the resources borrowed (41.3% of the total); this category groups a wide variety of uses given to the funds which, because of their minor relative share, were not individually categorized. On the other side, credit card financing went up 3.1% (\$2.17 billion) and accumulates a y.o.y. change rate over 40%.

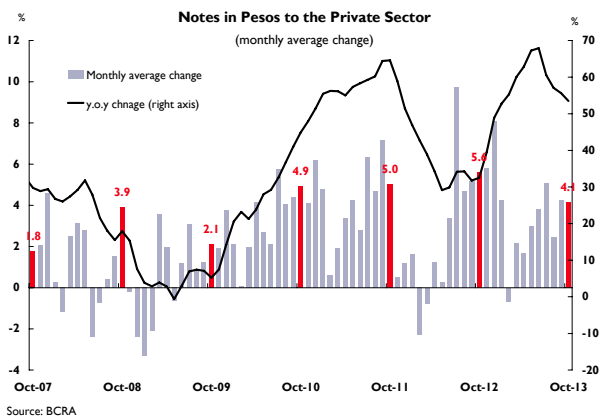
As regards collateralized loans, pledged-backed loans exhibited a good performance and grew 3.4% (\$980 million), the highest rise of the last four months. As a result, its y.o.y. change rate stood at around 46%. In turn, mortgage-backed loans expanded 1.4% (\$560 million) and accumulate a 27.3% rise in the last 12 months. It is worth mentioning that part of the demand for mortgage-backed loans is not reflected by the statistics of the banking institutions because it is channeled through the Bicentennial Credit for Housing Program (PRO.CRE.AR), created by Emergency Executive Order 902, dated June 2012. Within the framework of this program, 38,033 loans under the different lines available (construction, enlargement and completion, remodeling, victims) for a total of \$9.43 billion had been granted by October 31st. Likewise, 2,731 additional loans, accounting for \$797 million, were already approved and awaiting the first disbursement. Among the different lines covered by PRO.CRE.AR., the line devoted to home construction accounts for most of the loans and amounts disbursed. This means that there are 36,403 loans al-

Chart 4.2



Source: BCRA

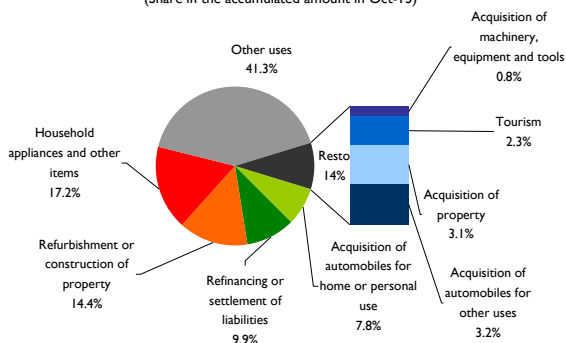
Chart 4.3



Source: BCRA

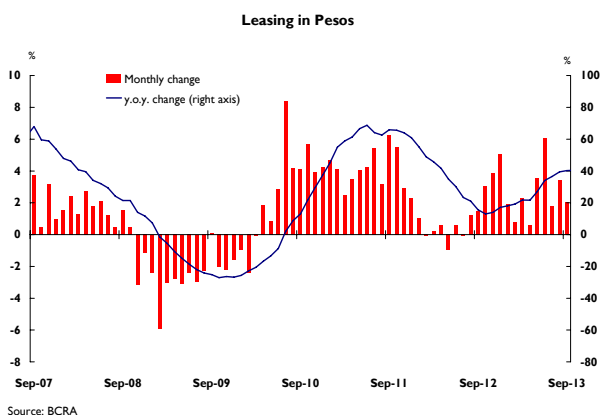
Chart 4.4

Personal Loans in Pesos to the Private Sector by Use
(Share in the accumulated amount in Oct-13)



Source: BCRA

Chart 4.5



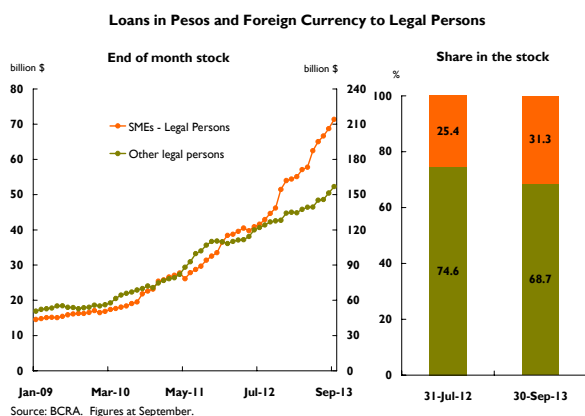
ready approved that will total \$9.88 billion, out of which 33,707 have already achieved some level of disbursement.

According to the latest information available corresponding to September, the financing granted under leasing⁶ contracts increased 2.1% (\$180 million). Its year-on-year change rate stood at around 40% (see Chart 4.5).

As regards foreign currency, loans to the private sector went down 3.6% (US\$150 million), with the monthly average balance standing at around US\$4.1 billion.

Finally, total lending to the private sector (in pesos and in foreign currency) recorded a 2.5% growth in October. Among lending to companies, the loans to SMEs continued gaining share. In fact, the high momentum of the financing to SMEs resulted in a share of around 31% of loans to legal persons, exceeding by 8 p.p. the values recorded by late 2009. It is worth mentioning that 6 p.p. of this increase may be attributed to the implementation of the Credit Line for Productive Investment (LCIP), effective since mid-2012 (see Chart 4.6).

Chart 4.6



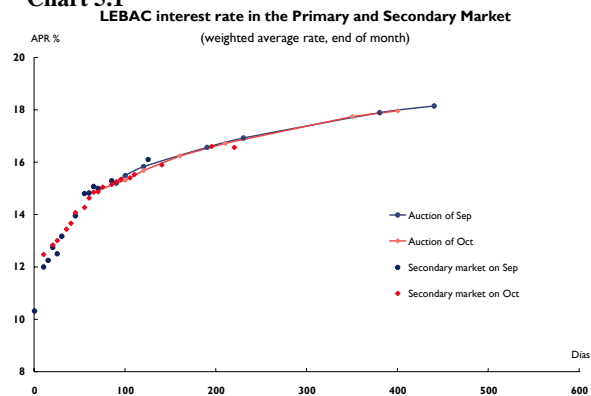
5. Interest rates⁷

Central Bank securities⁸

The interest rates on LEBACs and NOBACs in the primary market remained unchanged in October and, 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 70 days and 100 days, auctioned at a predetermined cut-off rate, stood at 14.9% and 15.3%, respectively. Likewise, the longest-term interest rate –with a maturity of 400 days– stood at 18% (see Chart 5.1). Even though the main issues of the market concentrated in maturity instruments of up to 180 days, accounting for 54% of the total, around 20% of the issues had a 360-day maturity term (see Chart 5.2).

The amount issued during the month slightly exceeded that of maturities and, as a result, the outstanding stock went up by \$319 million, standing at \$117 billion. In terms of deposits, the stock remained relatively stable at around 17%.

Chart 5.1



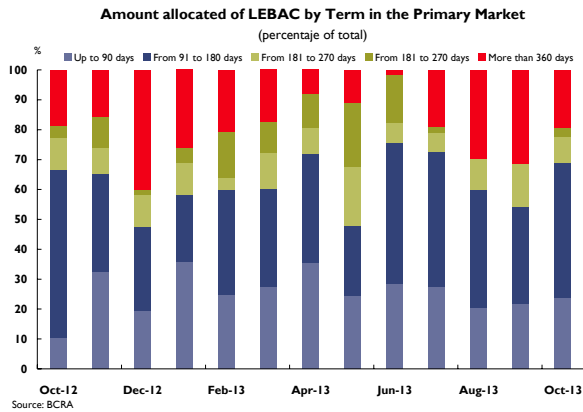
⁶ It includes the value of capital goods (personal and real property) leased to third parties, especially acquired by the institution on their behalf, under which the lessee periodically pays a price during the term agreed upon and holds the unilateral right of exercising the call option paying the residual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

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

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

Throughout the month, the demand for securities was boosted by Mutual Funds (FCIs), within a context characterized by a strong increase in the equity of fixed income funds and the money market as well as by private banks (see Chart 5.3).

Chart 5.2

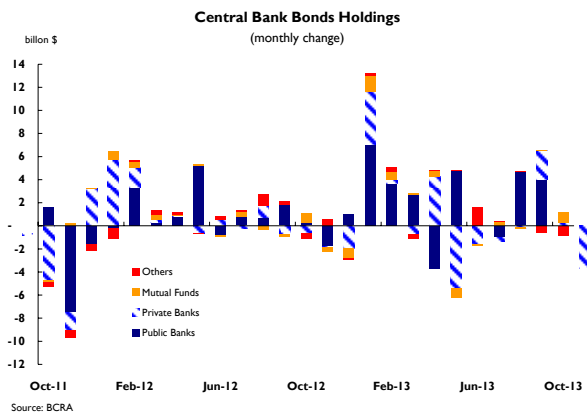


In the secondary market, the interest rates on LEBACs corresponding mainly to instruments of an equal or shorter residual term than those regularly auctioned by the BCRA, remained stable during October. The average turnover traded stood at \$1.17 billion per day. In turn, the transactions traded with NOBACs amounted to only \$8 million per day (see Chart 5.4).

Central Bank repo transactions¹

The Central Bank repo corridor remained unchanged. Reverse repo interest rates stood 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.

Chart 5.3

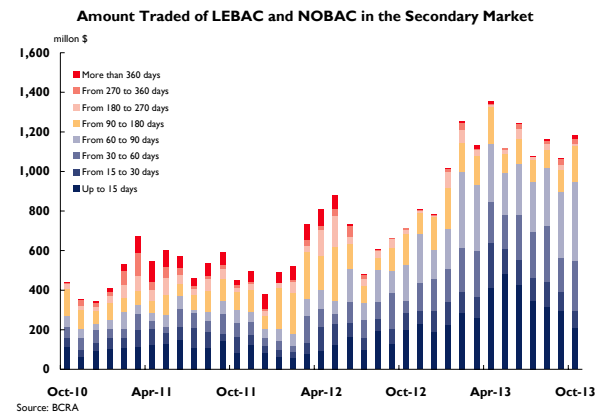


The average stock of the Central Bank reverse repos, considering all the transactions conducted by this institution, contracted 15.5% to \$12.6 billion in the month. This occurred within a context where no repo loans were recorded for the Central Bank.

Call Money markets¹

Interest rates in call money markets have not recorded remarkable changes in October. In the unsecured market (call), the average interest rate for overnight transactions stood at 12% while the average interest rate on overnight transactions among financial institutions in the secured market (REPO round) stood at 11.3%, down 0.3 p.p.

Chart 5.4

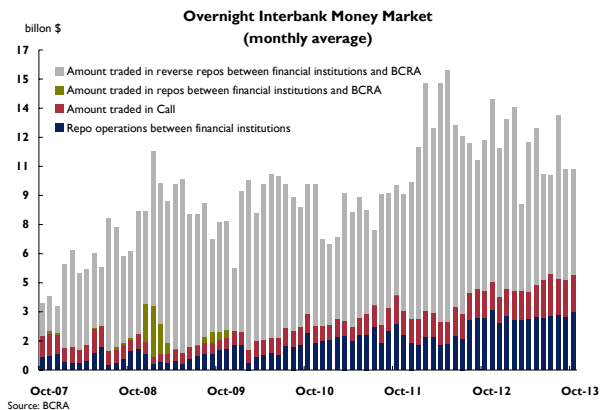


As regards the amounts traded, the daily average amount went up \$240 million and stood at \$4.89 billion. This increase was mainly driven by REPO round transactions, excluding the transactions conducted by the BCRA, with an average daily traded volume in the month that stood at \$3.03 billion. As regards the call money market, the amount traded contracted slightly and stood at \$1.86 billion. In turn, for the net position recorded in the call market, foreign institutions were once again the only net fund borrowers, while the remaining institutions were net fund lenders.

Borrowing rates¹

In October, the interest rates paid by financial institutions to depositors posted slight increases. In fact, the weighted average of the interest rates for new time de-

Chart 5.5



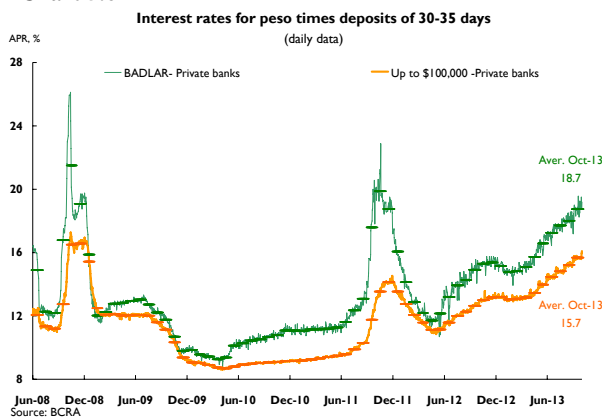
posits in pesos stood at 16% on average, increasing 0.5 p.p. against September.

As regards the retail sector, the weighted average of the interest rate paid by private banks for their time deposits up to \$100,000 and for up to 35 days averaged 15.7%, hiking 0.5 p.p. against September. Meanwhile, in the wholesale sector, BADLAR of private banks –interest rate on deposits of \$1 million and more and for over 30-35 days– averaged 18.7%, recording a 0.7 p.p. monthly increase (see Chart 5.6).

Lending rates¹⁹

Among commercial lines, the interest rate on current account overdrafts averaged 25% in October. Particularly, the interest rate on overdrafts to companies for over \$10 million and up to 7 days increased 1.3 p.p. in the month, standing at 18.7%.

Chart 5.6



As regards financing arranged through notes, the monthly average of interest rates on unsecured promissory notes stood at 21.1%, hiking 0.4 p.p. in the month. Likewise, the monthly average of the interest rate on discounted documents stood at 22.8%.

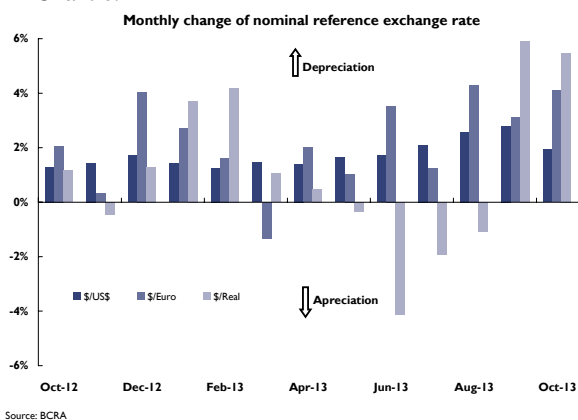
Among longer-term loans, the monthly average of the interest rate on personal loans stood at 38.2%. In turn, among loans with real collateral, the interest rate on pledge-backed loans averaged 22.4% while the monthly average of the interest rate on mortgages granted to natural persons stood at 16.3%.

6. International reserves and foreign exchange market

The balance of international reserves ended October at US\$33.23 billion. During the month, there were payments of the public debt in foreign currency (including the payments corresponding to BODEN 2015 and BONAR 2017) and net sales of foreign currency by the Central Bank in the Free and Single Foreign Exchange Market (MULC).

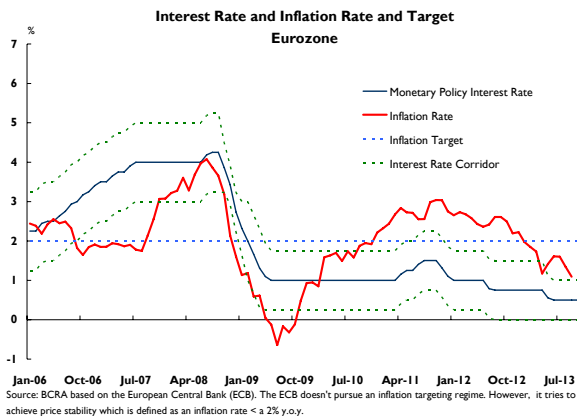
Regarding the foreign exchange market, the peso depreciated against the US dollar, even though at a slower pace if compared to the previous month. Likewise, the peso also depreciated against the euro and the real. As a result, the average exchange rates in October stood at 5.85 \$/US\$, 7.98 \$/euro and 2.67 \$/real, resulting in changes against September of 2%, 4.1% and 5.4% respectively (see Chart 6.1). In turn, there were no

Chart 6.1



⁹ Interest rates mentioned in this section are annual percentage rates and do not include assessment or granting expenses or other expenditures (e.g. insurance) which are taken into account in the total financial cost of loans.

Chart 7.1

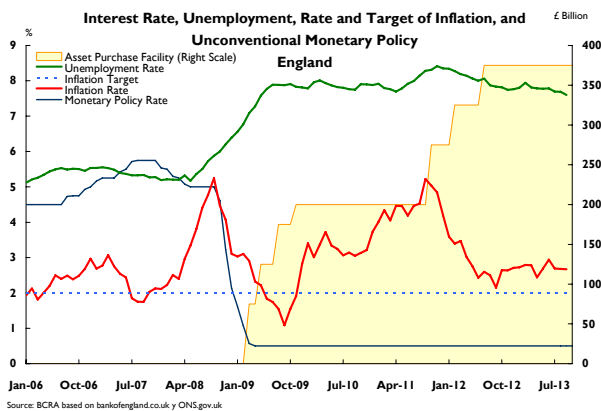


markable changes in the expectations for the remaining months of the year in the dollar futures market (ROFEX), even though a slight rise in the exchange rate expected for the first months of 2014 was observed. Besides, October daily average amount traded stood close to \$1.2 billion, going down one third against September, when a historical peak was reached.

7. Major policy measures taken by other Central Banks

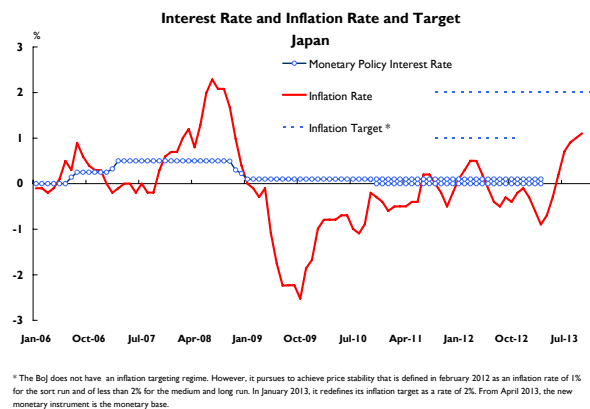
During October, and the same as in September, the main central banks¹⁰ kept the bias of their respective monetary policies unchanged. Particularly in emerging nations, minor adjustments were observed.

Chart 7.2



Nevertheless, there were two important events in the month that impacted on the markets. During the first days of the month, the monetary authorities of the European Central Bank (ECB), the Bank of England (BoE) and the Bank of Japan (BoJ) held their meetings and decided to keep their monetary policies unchanged. As a result, the ECB kept its benchmark interest rate – applicable to the Main Refinancing Operations (MRO)– at 0.5% (see Chart 7.1). However, in a meeting held in early November and due to a worsening in the economic indicators, the ECB reduced its benchmark interest rate to a historical minimum of 0.25%. In turn, it also reduced the rates corridor width since it lowered the interest rate of the credit facility to 0.75% and kept the interest rate for deposit facility at 0%. Additionally, the ECB opted for extending the conditions of full allotment and fixed interest rates for its regular operations of liquidity provision as required and at least until mid-2015. In a press conference held after the meeting, ECB authorities stated that they do not leave aside any tool if a higher monetary stimulus turned out to be required. The alternatives include a new reduction of the MRO, a new auction for the funding line for an extraordinary term of 3 years and even taking the interest rate for deposit facility to a negative sign.

Chart 7.3



In turn, the BoE stated once again that it will keep the benchmark interest rate –Bank Rate– at 0.5% and that it will not change its Asset Purchase Facility (currently at £375 billion) until unemployment drops below 7% (it is currently standing at 7.7%; see Chart 7.2). Finally, the BoJ confirmed its target of doubling the monetary base between April 2013 and April 2015¹¹ in order to reach a 2% inflation rate. In fact, the change in the price index reached its maximum value since late 2008 (1.1%; see

¹⁰ They are considered “main central banks” because of their impact on global trends.

¹¹ Between March and October, the monetary base increased 30%.

Chart 7.4

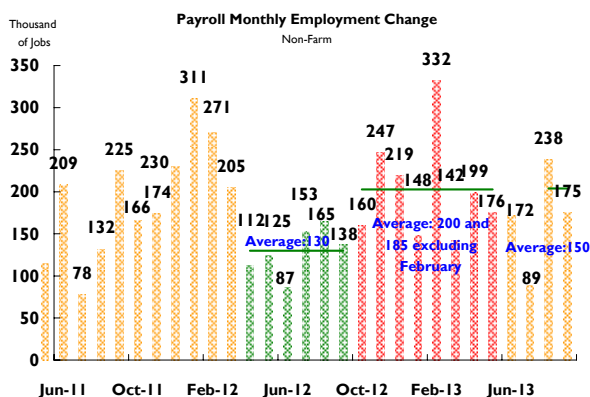


Chart 7.5

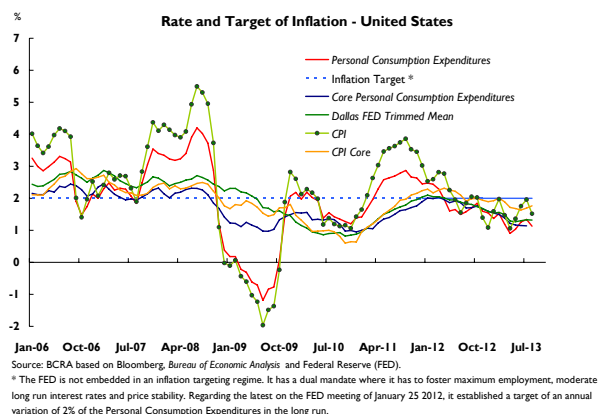


Chart 7.6

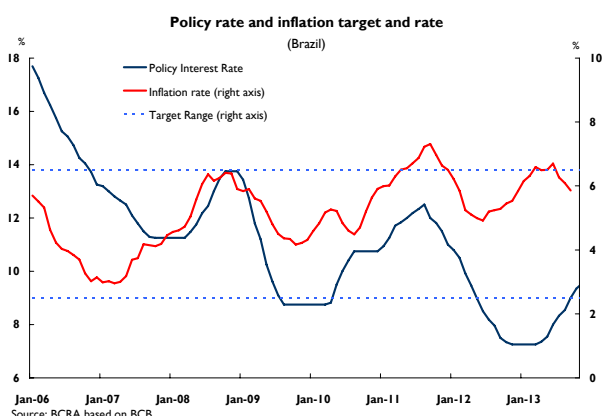


Chart 7.3). Nevertheless, it should be noted that the variation in the Consumer Price Index (CPI) was mainly due to an increase in the price of energy, related to the depreciation of the yen. In fact, the y.o.y. change of the core CPI was 0%.

Likewise, on October 30th, the Federal Open Market Committee (FOMC) of the US Federal Reserve (FED) decided to keep the pace of its assets purchase program at US\$85 billion per month and the target of its benchmark interest rate, the Federal Funds rate (which stood within the 0-0.25% range). The decisions were consistent with the expectations of the market given the uncertainty about the impact of the shutdown¹² on the activity level. Added to this, the shutdown reduced the availability of economic statistics, as a result of which the FED made its decision within a framework of less information available. On the other hand, at the time of deciding to keep the assets purchase pace, the Federal Reserve would have taken into account that private job creation was lower than expected. In fact, in September, 148,000 jobs were created in the private non-farm payroll against the 180,000 estimated by the forecasts of the private sector's analysts (see Chart 7.4). As a result, the unemployment rate stood at high levels, 7.2%, in September, according to the latest data released by the Bureau of Labor Statistics. As regards prices, the FED confirmed once again that inflation is standing below the long-term target if the impact of the energy price fluctuation is excluded. This became evident in September Consumer Price Index (CPI), which recorded a y.o.y. hike of 1.1%, down 0.4 p.p. against August, reaching the second lowest increase rate of the last 48 months. It should also be highlighted that, in previous meetings, the members of the FED had already warned against the risks of an inflation rate below the long-term target (2%; see Chart 7.5).

In turn, on October 31st, the Central Banks of the United States, Canada, the Euro Zone, Japan, England and Switzerland decided to turn the current bilateral swaps lines into permanent lines without a pre-established maturity.

On the emerging markets front, the decisions made by the monetary authorities of Brazil and India should be highlighted. Firstly, in a unanimous voting, the Monetary Policy Committee of the BCB (Central Bank of Brazil) decided to increase the target for the Selic rate 0.5 p.p. to 9.5% (see Chart 7.6). Thus, so far in 2013, the BCB has increased this target by 2.25 p.p. Secondly, since the end of September and throughout October, the

¹² Temporary emergency budget adjustment measures taken by the US government due to the lack of agreement on the budget in the US Congress.

Reserve Bank of India started to unwind the exceptional measures it had adopted in July and August to limit the short-term liquidity of the system so as to lessen the volatility level and the sharp depreciation of the rupee, within a context of a reduced exchange rate volatility.

8. Capital Markets

Equity¹³

Variable income assets in the main stock markets ended October with a positive sign. Once the uncertainty caused by the partial shutdown of the US public sector was dispelled by mid-October, markets exhibited sizable increases. Likewise, the expectation that the BCE might take measures to keep the market liquidity, particularly in relation to potential reductions in the interest rate, had a positive impact.

In this context, the Global MSCI Index expanded 3.8% in October. Among advanced economies, the S&P500, the main index for the US market, went up 4.5% whereas the European marketplace, measured through the MSCI index, expanded 5.9% (see Chart 8.1). As a result, the expected volatility widened slightly in the United States, where S&P500 volatility, measured by the VIX Index, went up 0.4 p.p. Meanwhile, in Europe, the index that measures the volatility of the Stoxx 50 (stock market benchmark index for the Euro Zone) posted a 1 p.p. drop (see Chart 8.2).

The price of equity in emerging countries followed the trend of advanced nations' stock marketplaces and, according to the MSCI Index, expanded 4.8%. In this context, the Latin American Markets MSCI rose 4.6%, the Brazilian Bovespa Stock Index, which is the benchmark for the region, went up 2.6%, the Mexican IPC climbed 2.7% and the Chilean IGPA increased 1.7%. In all cases, the rebound was due to the performance of the index in local currency (see Chart 8.3).

In the Argentine stock market, the local benchmark index (Merval) measured in dollars recorded once again a positive performance due to the evolution experienced in the first weeks of the month, and ended October with a monthly 5.8% expansion. Even though the positive performance was widespread, the evolution of the index was mainly driven by the price increase of banks and energy companies' stocks. Consequently, the local stock exchange accumulates a 50% rise so far this year. The daily average amount traded in shares in the 10th month

Chart 8.1

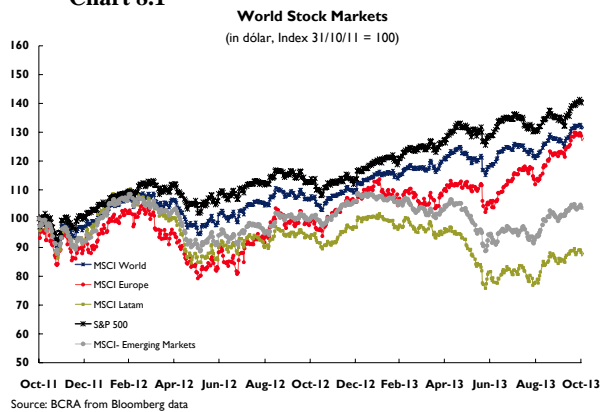


Chart 8.2

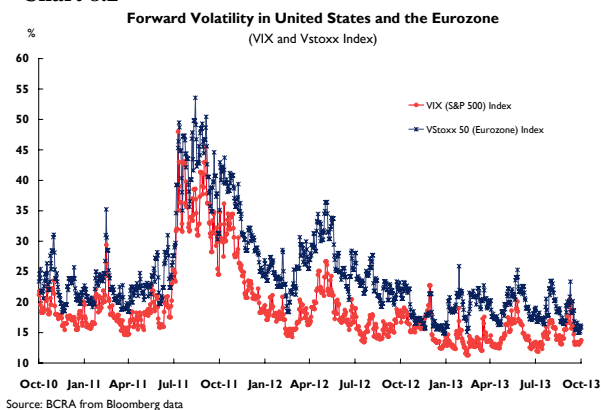
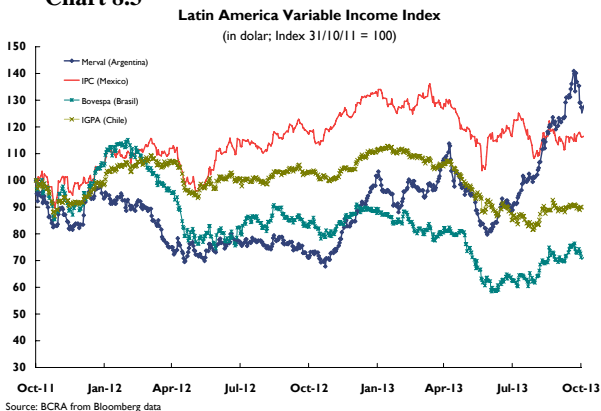


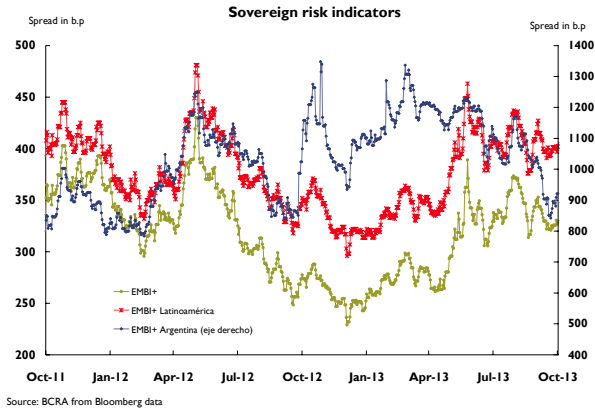
Chart 8.3



¹³ Unless otherwise stated, the change in indexes is represented in US dollars.

of the year continued to be high and reached \$141 million.

Chart 8.4

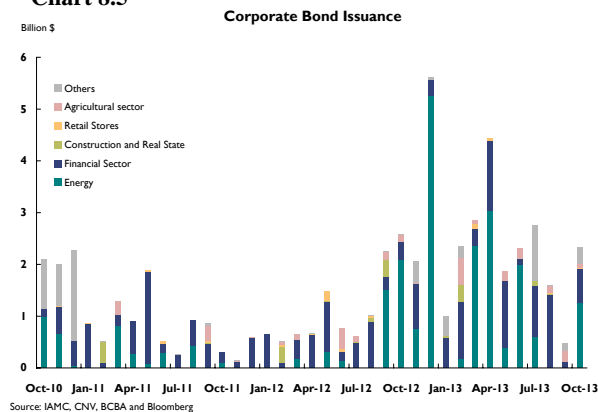


Sovereign bonds

Vis-à-vis a context where the yields of the US sovereign debt remained relatively stable –the 3-year bonds contracted by only 5 b.p. (basis points) in the month while the rest of the curve remained almost unchanged–, the yield required by investors of emerging sovereign bonds continued falling in October. Thus, the yield spreads of emerging sovereign bonds above the US Treasuries decreased 22 b.p. to 328 b.p. by late October, as measured by the EMBI+.

In Argentina, the yield spread of sovereign bonds contracted once again in October and consolidated the trend recorded since mid-2013. In fact, it stood at 921 b.p., by the end of the month, down 114 b.p. against the end of September (see Chart 8.4).

Chart 8.5

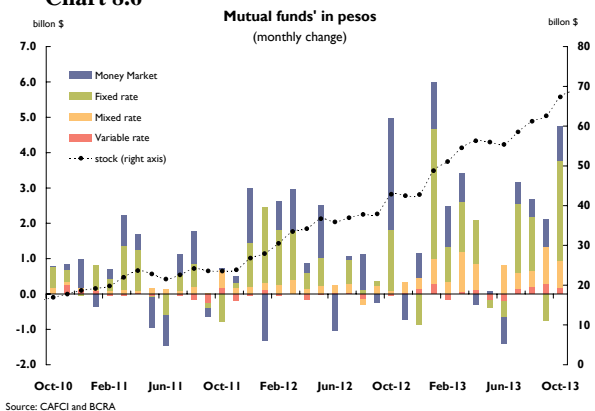


Corporate bonds

In October, publicly-traded corporate debt issue gained momentum, after the low volume traded in September. The issue of Corporate Bonds and Short-Term Debt Securities totaled \$2.34 billion (see Chart 8.5). Both the increase in the average amount issued and the rise in the number of issues contributed positively to this performance.

The analysis of the number of issues reveals that most of them were denominated in pesos and for terms shorter than 2 years. The main issuer of the month was the energy sector, specifically YPF. At the beginning of October, the oil company’s issuance made in international markets for US\$150 million was settled. Likewise, by the end of October, YPF issued a short-term bond in pesos (with a maturity below 2 years) for \$300 million. In turn, Petrolera Pampa also issued in the market a 1-year bond in pesos for \$65 million. The financial entities sector came second, with an issue of \$662 million. In this respect, the non-banking financial entities stood out with \$462 million. Finally, the food and beverage sector accounted for issues for \$337 million.

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 stood at 22.8%. In turn, the interest rate for fixed rate issues in pesos with a rating over Arg BBB+ and a maturity below 1 year stood at 23.3%.

Mutual Funds

The net worth of Mutual Funds (FCIs) in pesos and in foreign currency recorded its second best monthly performance of 2013, growing by \$4.9 billion (7.6%) in October and standing at \$69.5 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.

Although all the sectors recorded positive results, fixed income funds went up by \$2.8 billion (10%) and were the main factor behind this expansion (see Chart 8.6). The rise in the amount of unit shares, followed by the increase in the price of the portfolio assets, contributed positively to the monthly performance of the segment. Secondly, the Money Market funds expanded by \$980 million (4.6%), mainly boosted by the increase in the number of unit shares, followed by mixed income funds, which exhibited a \$770 million hike (6.8%) and by variable income funds that went up by \$170 million (9.5%). In the case of mixed and variable income funds, the rise of the main domestic stock market assets and to a lesser extent the increase in the number of unit shares were the main drivers of their evolution.

As regards the profitability recorded, variable income funds continued exhibiting the best relative performance with a monthly estimated return of around 8% and an 84% profit accumulated so far in 2013. In this sense, variable income FCIs recovered in a few months the profitability lost in previous years, mainly affected by the international turbulences that impacted on their performance. Likewise, mixed and fixed income funds posted monthly profits of 3.2% and 2.5%, respectively. Finally, Money Market funds recorded, on average, a 0.9% monthly profitability (see Chart 8.7).

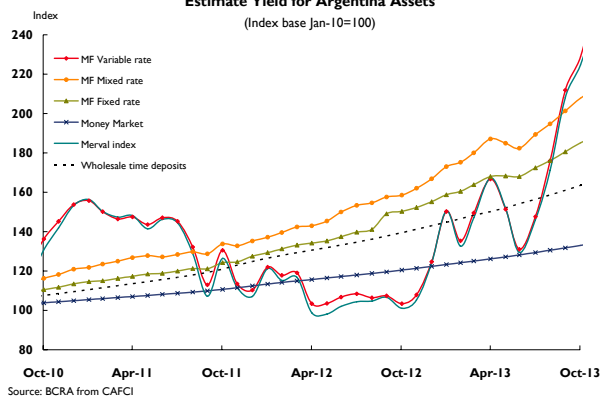
Lastly, FCIs' net worth in foreign currency expanded by US\$5 million and stood at US\$364 million, driven evenly by mixed and fixed income funds.

Financial Trusts¹⁴

Within the framework of the Bicentennial Credit for Housing Program (PRO.CRE.AR)¹⁵ that aims at improving and facilitating access to a home by the low and middle income socio-economic sectors of the population, the Argentine Government issued Trust-Preferred Securities for \$15.5 billion, which were totally underwritten by ANSES. These bonds were issued for a 6.5-

Chart 8.7

Estimate Yield for Argentina Assets
(Index base Jan-10=100)

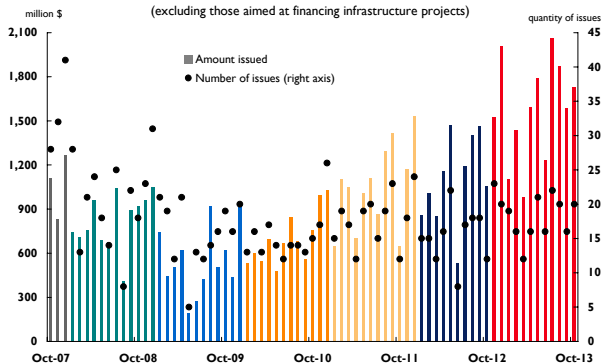


Source: BCRA from CAFCI

Chart 8.8

Financial Trust Issues

(excluding those aimed at financing infrastructure projects)

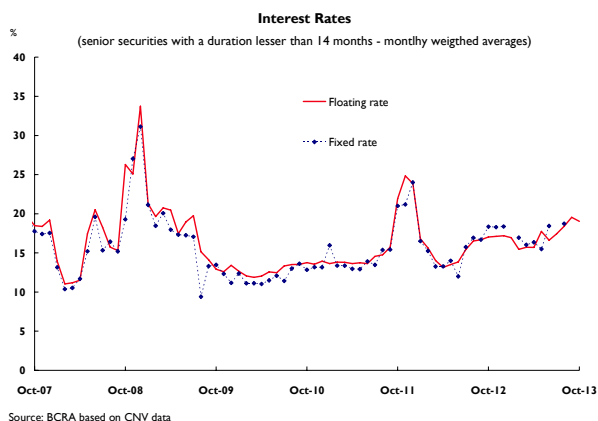


Source: BCRA based on CNV data

¹⁴ Only publicly traded financial trusts are considered.

¹⁵ The public trust fund PRO.CRE.AR. was created in June 2012 by the Emergency Executive Order No. 902.

Chart 8.9



year term and accrue an incremental fixed APR (annual percentage rate) from 10.5% to 17.5% upon maturity. Funds will be allocated to the comprehensive development of urban and real estate projects as well as to the granting of mortgage loans for the purchase and construction of housing units.

Excluding the abovementioned issue of the public sector, financial trust (FT) issues totalized around \$1.73 billion, standing above the level shown in September and in line with the transactions made in October. In this sense, 20 issues were recorded, 4 more than in September, reaching one of the highest increases in number of 2013 (see Chart 8.8). Unlike what generally happens, mutuals, cooperatives, non-bank credit card issuers and other financial service providers were the main trustors of the month with a record amount of \$660 million. This amount doubles their average issue of the first nine months of 2013. Meanwhile, the retail sector and financial entities issued around \$540 million and \$500 million, respectively, recording in both cases a drop close to 20% against September securitized assets volume. The rest corresponded to an issue by a group of SMEs belonging to the farming sector, which was denominated in foreign currency and issued under the dollar-linked modality.

As regards the cut-off interest rate (weighted average by amount) on senior bonds in pesos with a term below 14 months and agreed upon at a variable rate (all the transactions in pesos were recorded under this modality) stood at 19% (see Chart 8.9%).

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 | |
|--|-----------------|----------------|----------------|----------------|------------------------------|----------------|
| | Oct-13 | Sep-13 | Dec-12 | Oct-12 | Monthly | Last 12 months |
| Monetary base | 335,078 | 329,769 | 292,138 | 265,214 | 1.6% | 26.3% |
| Currency in circulation | 258,276 | 254,326 | 224,211 | 203,874 | 1.6% | 26.7% |
| Held by public | 234,476 | 231,386 | 199,335 | 183,933 | 1.3% | 27.5% |
| Held by financial entities | 23,797 | 22,938 | 24,872 | 19,938 | 3.7% | 19.4% |
| Settlement check | 3 | 2 | 4 | 0 | 92.9% | 0.0% |
| BCRA current account | 76,803 | 75,443 | 67,927 | 61,340 | 1.8% | 25.2% |
| Repos stock | | | | | | |
| Reverse repos | 12,577 | 14,892 | 17,432 | 17,134 | -15.5% | -26.6% |
| Repos | 0 | 0 | 0 | 0 | 0.0% | 0.0% |
| BCRA securities stock (in face value) | | | | | | |
| In banks | 116,946 | 113,561 | 88,681 | 91,927 | 3.0% | 27.2% |
| LEBAC | 103,245 | 98,905 | 77,641 | 80,866 | 4.4% | 27.7% |
| In pesos | 112,745 | 108,809 | 74,569 | 73,836 | 3.6% | 52.7% |
| NOBAC | 4,201 | 4,753 | 14,112 | 18,091 | -11.6% | -76.8% |
| International reserves excluded 2009 SDRs allocations | 34,258 | 35,612 | 44,134 | 45,076 | -3.8% | -24.0% |
| Private and public sector deposits in pesos ⁽¹⁾ | 640,436 | 626,885 | 525,028 | 491,373 | 2.2% | 30.3% |
| Current account ⁽²⁾ | 171,767 | 171,842 | 150,959 | 128,613 | 0.0% | 33.6% |
| Savings account | 127,303 | 124,792 | 104,730 | 91,736 | 2.0% | 38.8% |
| Not CER-adjustable time deposits | 316,691 | 306,840 | 248,802 | 252,261 | 3.2% | 25.5% |
| CER-adjustable time deposits | 6 | 6 | 7 | 8 | 0.0% | -22.5% |
| CEDRO adjusted by CER | 0 | 0 | 0 | 0 | | |
| Other deposits ⁽³⁾ | 24,669 | 23,405 | 20,530 | 18,755 | 5.4% | 31.5% |
| <u>Private sector deposits</u> | <u>459,453</u> | <u>449,851</u> | <u>372,490</u> | <u>343,575</u> | <u>2.1%</u> | <u>33.7%</u> |
| <u>Public sector deposits</u> | <u>180,983</u> | <u>177,034</u> | <u>152,538</u> | <u>147,797</u> | <u>2.2%</u> | <u>22.5%</u> |
| Private and public sector deposits in dollars ⁽¹⁾ | 8,168 | 8,150 | 9,393 | 9,043 | 0.2% | -9.7% |
| Loans to private and public sector in pesos ⁽¹⁾ | 469,482 | 457,399 | 373,913 | 346,161 | 2.6% | 35.6% |
| <u>Loans to private sector</u> | <u>431,533</u> | <u>420,181</u> | <u>339,103</u> | <u>313,226</u> | <u>2.7%</u> | <u>37.8%</u> |
| Overdrafts | 59,604 | 59,220 | 47,326 | 45,591 | 0.6% | 30.7% |
| Promissory bills | 102,269 | 98,206 | 76,170 | 66,621 | 4.1% | 53.5% |
| Mortgages | 41,250 | 40,686 | 34,475 | 32,398 | 1.4% | 27.3% |
| Pledge-backed loans | 29,695 | 28,718 | 22,135 | 20,311 | 3.4% | 46.2% |
| Personal loans | 94,258 | 91,143 | 75,069 | 71,333 | 3.4% | 32.1% |
| Credit cards | 71,328 | 69,155 | 56,352 | 50,578 | 3.1% | 41.0% |
| Other loans | 33,130 | 33,054 | 27,576 | 26,394 | 0.2% | 25.5% |
| <u>Loans to public sector</u> | <u>37,949</u> | <u>37,218</u> | <u>34,810</u> | <u>32,935</u> | <u>2.0%</u> | <u>15.2%</u> |
| Loans to private and public sector in dollars ⁽¹⁾ | 4,150 | 4,308 | 5,549 | 5,924 | -3.7% | -29.9% |
| Total monetary aggregates ⁽¹⁾ | | | | | | |
| M1 (currency held by public + settlement check in pesos+ current account in pesos) | 406,246 | 403,229 | 350,298 | 312,549 | 0.7% | 30.0% |
| M2 (M1 + savings account in pesos) | 533,549 | 528,021 | 455,028 | 404,285 | 1.0% | 32.0% |
| M3 (currency held by public + settlement check in pesos + total deposits in pesos) | 874,915 | 858,272 | 724,367 | 675,308 | 1.9% | 29.6% |
| M3* (M3 + total deposits in dollars + settlemente check in foreign curren | 924,203 | 905,550 | 770,218 | 718,084 | 2.1% | 28.7% |
| Private monetary aggregates | | | | | | |
| M1 (currency held by public + settlement check in pesos + priv.current account in pesos) | 347,938 | 342,767 | 299,301 | 275,479 | 1.5% | 26.3% |
| M2 (M1 + private savings account in pesos) | 462,216 | 454,953 | 395,489 | 360,934 | 1.6% | 28.1% |
| M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos) | 693,932 | 681,238 | 571,829 | 527,511 | 1.9% | 31.5% |
| M3* (M3 + private total deposits in dollars + settlemente check in foreign currency) | 735,360 | 720,863 | 609,685 | 565,097 | 2.0% | 30.1% |

| 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 | 5,310 | 1.6% | 11,481 | 3.5% | 42,940 | 15.8% | 69,864 | 26.3% |
| Financial sector | 2,449 | 0.7% | -2,471 | -0.8% | 6,513 | 2.4% | 6,563 | 2.5% |
| Public sector | 14,599 | 4.4% | 36,198 | 11.2% | 58,028 | 21.3% | 76,395 | 28.8% |
| Private external sector | -9,477 | -2.9% | -15,398 | -4.8% | -5,969 | -2.2% | -2,358 | -0.9% |
| BCRA securities | -1,679 | -0.5% | -5,962 | -1.8% | -13,102 | -4.8% | -7,766 | -2.9% |
| Others | -583 | -0.2% | -886 | -0.3% | -2,529 | -0.9% | -2,971 | -1.1% |
| International reserves excluded 2009 SDRs allocations | -1,354 | -3.8% | -3,052 | -8.2% | -9,876 | -21.8% | -10,818 | -24.0% |
| Foreign exchange market intervention | -1,634 | -4.6% | -2,684 | -7.2% | -861 | -1.9% | -116 | -0.3% |
| International financial institutions | 129 | 0.4% | 187 | 0.5% | 378 | 0.8% | 428 | 0.9% |
| Other public sector operations | -1,236 | -3.5% | 6,817 | 18.3% | 130 | 0.3% | -622 | -1.4% |
| Dollar liquidity requirements | 71 | 0.2% | 170 | 0.5% | -800 | -1.8% | -140 | -0.3% |
| Others (incl. change in US\$ market value of nondollar assets) | 1,316 | 3.7% | -7,542 | -20.2% | -8,723 | -19.2% | -10,368 | -23.0% |

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 SISCEM Informative Regime.

Minimum Cash Requirement and Compliance

| | Oct-13 | Sep-13 | Aug-13 |
|--|---|--------|--------|
| | (1) | | |
| Domestic Currency | % of total deposits in pesos | | |
| Requirement | 11.6 | 11.7 | 11.7 |
| Compliance | 11.8 | 11.9 | 11.9 |
| 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 | 64.0 | 63.0 | 63.2 |
| 30 to 59 days | 23.7 | 24.6 | 24.6 |
| 60 to 89 days | 7.0 | 7.0 | 7.0 |
| 90 to 179 days | 3.6 | 3.8 | 3.8 |
| more than 180 days | 1.7 | 1.5 | 1.4 |
| Foreign Currency | % of total deposits in foreign currency | | |
| Requirement | 19.1 | 19.2 | 19.0 |
| Compliance (includes default application resource) | 104.5 | 104.9 | 102.1 |
| Position ⁽²⁾ | 85.5 | 85.7 | 83.1 |
| <i>Residual time structure of term deposits used for the calculation of the requirement ⁽³⁾</i> | % | | |
| Up to 29 days | 49.7 | 49.8 | 48.6 |
| 30 to 59 days | 23.0 | 23.1 | 23.9 |
| 60 to 89 days | 11.5 | 11.4 | 11.9 |
| 90 to 179 days | 12.1 | 12.2 | 12.3 |
| 180 to 365 days | 3.7 | 3.4 | 3.3 |
| more than 365 days | 0.0 | 0.0 | 0.0 |

⁽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.

| Borrowing Interest Rates | Oct-13 | Sep-13 | Aug-13 | Dec-12 | Oct-12 |
|--|---------------|---------------|---------------|---------------|---------------|
| Interbank Loans (overnight) | | | | | |
| Interest rate | 12.24 | 12.19 | 11.98 | 10.71 | 10.18 |
| Traded volume (million pesos) | 1,855 | 1,874 | 1,855 | 1,313 | 1,386 |
| Time Deposits | | | | | |
| <u>In pesos</u> | | | | | |
| 30-44 days | 16.27 | 15.58 | 15.21 | 13.69 | 12.62 |
| 60 days or more | 18.02 | 15.80 | 14.34 | 15.43 | 13.39 |
| Total BADLAR (more than \$1 million, 30-35 days) | 16.91 | 15.18 | 14.79 | 13.43 | 12.91 |
| Private Banks BADLAR (more than \$1 million, 30-35 days) | 18.74 | 18.00 | 17.70 | 15.37 | 14.91 |
| <u>In dollars</u> | | | | | |
| 30-44 days | 0.40 | 0.47 | 0.49 | 0.60 | 0.59 |
| 60 days or more | 0.84 | 0.95 | 0.89 | 1.11 | 1.02 |
| Total BADLAR (more than \$1 million, 30-35 days) | 0.47 | 0.53 | 0.57 | 0.65 | 0.78 |
| Private Banks BADLAR (more than \$1 million, 30-35 days) | 0.50 | 0.61 | 0.68 | 0.61 | 0.95 |
| Lending Interest Rates | Oct-13 | Sep-13 | Aug-13 | Dec-12 | Oct-12 |
| Stock Repos | | | | | |
| Gross interest rates 30 days | 18.42 | 18.23 | 17.64 | 15.57 | 15.02 |
| Traded volume (all maturities, million pesos) | 290 | 259 | 263 | 235 | 238 |
| Loans in Pesos ⁽¹⁾ | | | | | |
| Overdrafts | 25.00 | 23.56 | 23.37 | 21.79 | 21.44 |
| Promissory Notes | 21.08 | 20.67 | 20.87 | 18.58 | 17.88 |
| Mortgages | 17.16 | 16.20 | 16.44 | 17.23 | 16.44 |
| Pledge-backed Loans | 22.42 | 21.71 | 20.63 | 19.60 | 20.50 |
| Personal Loans | 38.19 | 36.27 | 35.89 | 34.34 | 33.68 |
| Credit Cards | s/d | 35.46 | 34.53 | 35.07 | 34.87 |
| Overdrafts - 1 to 7 days - more than \$10 million | 18.72 | 17.39 | 17.03 | 14.44 | 14.18 |
| International Interest Rates | Oct-13 | Sep-13 | Aug-13 | Dec-12 | Oct-12 |
| LIBOR | | | | | |
| 1 month | 0.17 | 0.18 | 0.18 | 0.21 | 0.21 |
| 6 months | 0.36 | 0.38 | 0.40 | 0.51 | 0.58 |
| US Treasury Bonds | | | | | |
| 2 years | 0.32 | 0.39 | 0.34 | 0.25 | 0.27 |
| 10 years | 2.60 | 2.80 | 2.72 | 1.70 | 1.72 |
| FED Funds Rate | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| SELIC (1 year) | 9.36 | 9.00 | 8.57 | 7.25 | 7.32 |

(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 | Oct-13 | Sep-13 | Aug-13 | Dec-12 | Oct-12 |
|---|---------------|---------------|---------------|---------------|---------------|
| BCRA Repo Interest Rates | | | | | |
| 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 |
| Total Repo Interest Rates | | | | | |
| Overnight | 10.25 | 10.04 | 9.84 | 9.36 | 9.27 |
| 7 days | 9.68 | 10.03 | 10.19 | 9.53 | 9.51 |
| Repo traded volumen (daily average) | 8,484 | 8,488 | 11,291 | 10,111 | 10,459 |
| Peso LEBAC Interest Rate¹ | | | | | |
| 1 month | s/o | s/o | s/o | 11.60 | s/o |
| 2 months | 14.93 | s/o | 14.94 | 11.98 | s/o |
| 3 months | 15.23 | 15.34 | 15.45 | 12.93 | 12.44 |
| 9 months | s/o | s/o | s/o | 14.52 | 14.21 |
| 12 months | 17.81 | 17.89 | 17.88 | 14.99 | 14.93 |
| Peso NOBAC with variable coupon Spread¹ | | | | | |
| 9 months BADLAR Private Banks | s/o | s/o | s/o | s/o | s/o |
| 1 year BADLAR Private Banks | s/o | s/o | s/o | s/o | -1.88 |
| 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) | 1181 | 1068 | 1161 | 786 | 716 |
| Foreign Exchange Market | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 |
| Dollar Spot | | | | | |
| Exchange agencies | 5.85 | 5.74 | 5.58 | 4.88 | 4.73 |
| BCRA Reference | 5.85 | 5.75 | 5.58 | 4.88 | 4.74 |
| Future dollar | | | | | |
| NDF 1 month | 6.14 | 5.97 | 5.76 | 4.98 | 4.82 |
| ROFEX 1 month | 6.00 | 5.87 | 5.69 | 4.95 | 4.80 |
| Traded volume (all maturities, million pesos) | 1,162 | 1,799 | 1,762 | 818 | 1,048 |
| Real (Pesos/Real) | 2.67 | 2.53 | 2.39 | 2.35 | 2.33 |
| Euro (Pesos/Euro) | 7.98 | 7.67 | 7.44 | 6.41 | 6.14 |
| Capital Market | Oct-13 | Sep-13 | Aug-13 | Dec-12 | Oct-12 |
| MERVAL | | | | | |
| Index | 5,227 | 4,531 | 3,744 | 2,672 | 2,414 |
| Traded volume (million pesos) | 139 | 120 | 86 | 54 | 32 |
| Government Bonds (parity) | | | | | |
| BODEN 2015 (US\$) | 148.89 | 145.78 | 142.04 | 120.57 | 120.82 |
| DISCOUNT (US\$ - NY legislation) | 114.69 | 100.15 | 97.83 | 97.99 | 108.83 |
| BODEN 2014 (\$) | 95.09 | 94.64 | 93.77 | 92.24 | 93.93 |
| DISCOUNT (\$) | 58.35 | 48.50 | 45.11 | 46.02 | 47.78 |
| Country risk | | | | | |
| Spread BODEN 2015 vs. US Treasury Bond | 960 | 1,118 | 1,112 | 1,204 | 1,121 |
| EMBI+ Latin America (without Argentina) | 384 | 381 | 386 | 298 | 315 |

¹ Corresponds to average results of each month primary auctions.

10. Glossary

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

APR: Annual percentage rate.

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

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

BODEN: Bonos optativos del Estado Nacional. Optional federal bonds

BOVESPA: Sao 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

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

IAMC: Instituto Argentino de Mercado de Capitales.

IGBVL: Lima Stock Exchange Index (Peru)

IGPA: Santiago Stock Exchange Index (Chile)

LEBAC: *Letras del Banco Central.* BCRA Bills

LCIP: Credit Line for Productive Investment.

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

NBFI: Non-Banking Financial Institutions

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

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

TIR: Internal rate of return (IRR).

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