Monthly Monetary Report

July 2013

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Contents

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

1. Summary[1]

• In July, time deposits in pesos from the private sector accumulated a record monthly increase reaching \$10.5 billion, both in deposits of \$1 million or more and in retail deposits (below \$1 million). Therefore, the year-on-year (y.o.y.) growth pace of the private sector's time deposits continued to stand at historically high levels. If compared against July 2012 average stock, these deposits went up 44%.

• Given the rise observed in time deposits and the cash held by the public, the broadest monetary aggregate in pesos (M3) posted a 2.7% increase in July. The increase in the cash held by the public was mainly due to seasonal factors related to winter vacations and the payment of the semi-annual complementary wage. In turn, deposits from the private sector also exhibited a good performance. Thus, during the last 12 months, M3 has accumulated a 29.7% hike.

• Loans in pesos granted to the private sector, which in July increased 3% (\$11.67 billion), the highest of the last six months, were once again the main factor behind the M3 monthly growth. Therefore, this type of financing recorded a 39.3% y.o.y. change. In line with what happened in previous years, credit lines for commercial purposes had the highest share in the monthly increase. In fact, financing through promissory notes and overdrafts was the main contributor to the monthly growth.

• According to the latest information available, corresponding to June, the monthly change rate of financing granted as leasing contracts climbed significantly, evidencing a 6.1% increase during the month (\$470 million), the highest since September 2011.

• Within a context where the growth of loans in pesos to the private sector exceeded that of deposits in the same currency, the liquidity ratio of the segment in pesos of financial institutions (measured as the sum of cash in banks, current accounts of the institutions with the Central Bank, net repos with the Central Bank and LEBAC and NOBAC holdings with respect to total deposits in pesos) shrank, but it nevertheless stood at 31.5% on average, down 1.1 percentage points (p.p.) against June. The decrease concentrated mainly in longer-term assets (LEBAC and NOBAC holdings), whose share against deposits went down 0.6 p.p., and in repo transactions, with a 0.3 p.p. decline in share. This reduction occurs within a general context of a broad banking liquidity.

• Interest rates paid by financial institutions to depositors (borrowing) went up slightly in July. In fact, the interest rate for new total time deposits in pesos stood at 14.95% on average in July, up around 0.2 p.p. against June.

• Interest rates applied to loans in pesos to the private sector (lending) also exhibited mild increases in July. Particularly, in the case of the interest rate on loans granted through unsecured promissory notes and on collateralized loans, the rises resulted from a reduced comparison basis because June recorded a higher concentration of loans granted under the "Credit Line for Productive Investment" –with lower interest rates and longer terms– as it always happens in the months when the stages of this credit line expire.

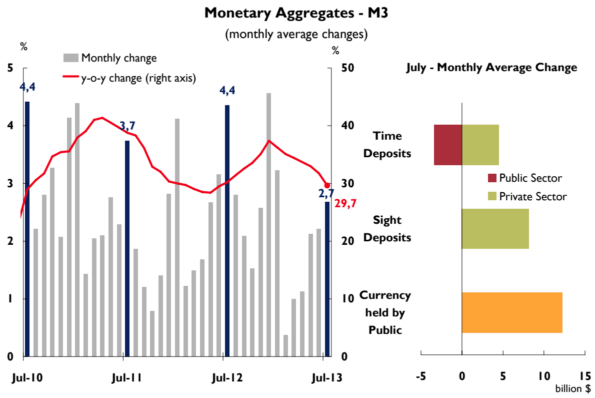
• In July, the issue of corporate debt in the domestic market totalized around \$2.5 billion, up 8.5% against June. This performance took place within a context where the amount of issues increased from 10 in June to 22 in July, most of them denominated in local currency.

• The issue of financial trusts hit a new record (excluding those devoted to the financing of infrastructure works), reaching over \$2.06 billion. This sum represented an increase close to 70% if compared to the previous month. The important amount issued during July was accompanied by an increase in the number of transactions (22) against a monthly average of 17 transactions during the first half of 2013.

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

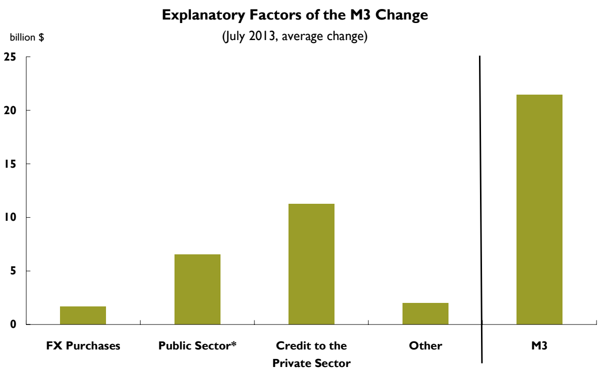
2. Monetary aggregates[1]

Chart 2.1



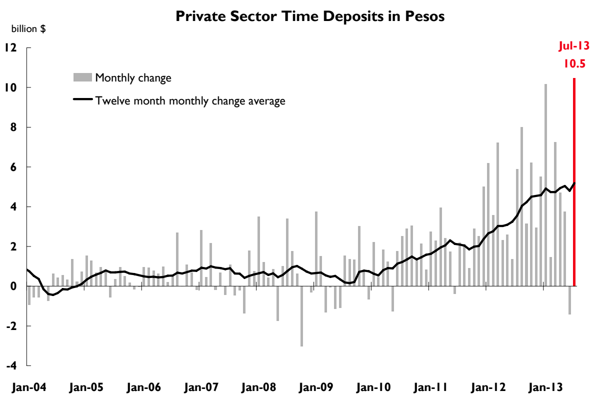
Note: M3 includes cash held by public, settlement checks in pesos and the total amount of deposits in pesos. Source: BCRA.

Chart 2.3



*Includes loans and other public sector operations with effect on the monetary base.
Source: BCRA

Chart 2.3



In July, the broadest monetary aggregate in pesos (M3[2]) posted a 2.2% increase (see Chart 2.1). The component with the most outstanding performance was the cash held by the public, whose rise was mainly due to seasonal factors related to winter vacations and the payment of the semi-annual complementary wage. In turn, private sector deposits also exhibited a very good performance. Consequently, M3 has reached a 29.7% year-on-year (y.o.y.) change.

Loans in pesos granted to the private sector continued to be the main factor behind M3 growth, even though public sector transactions and, to a lesser extent, foreign currency purchases by the Central Bank also contributed to such expansion (see Chart 2.2).

Total deposits in pesos grew 1.6% in July, with reductions in public sector deposits which were more than offset by the increase of deposits from the private sector, up 3%, similar to the figure recorded in June, with increases in both sight deposits (3.8%) and time deposits (2.3%).

In July, time deposits in pesos from the private sector reached a monthly record increase ($10.5 billion; see Chart 2.3). Thus, by the end of the month, the stock of these deposits exceeded $202.4 billion. Such monthly increase was driven by deposits of $1 million or more and by retail deposits (under $1 million). In turn, wholesale deposits started July at a more moderate pace because companies needed liquidity to pay the semi-annual complementary wage but, during the second fortnight, they resumed their upward trend and accounted for over 60% of the monthly hike. On the other hand, retail deposits exhibited a monthly growth rate of 4.7%, one of the highest rates if compared to the same month of previous years. Therefore the y.o.y. growth pace of the private sector's time deposits continued to stand at historically high levels. The comparison between this average stock and that of July 2012 signals that these deposits went up 44%.

In turn, the average stock of the monetary base of July increased 4% (12.6 billion) against the average of June, down 2.4 p.p. against the hike recorded in the same month of 2012. As a result, its y.o.y. growth rate contracted by almost 3 p.p., standing at 28.4%. Moreover, part of the monetary base monthly growth was due to an expansion of public sector transactions, mainly funds transferred by the government from

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

accounts in pesos in the Central Bank to accounts in commercial banks. In turn, in order to cater for the growing demand of cash held by the public due to winter vacations and the payment of the semi-annual complementary wage, the Central Bank injected liquidity into the market through its monetary regulation instruments: $2.5 billion via the partial renewal of securities (LEBACs and NOBACs) and $2 billion via the fall of its reverse repo level. The net purchases of foreign currency by the Central Bank in the Free and Single Foreign Exchange Market (MULC) also explained, on average, an increase of the monetary base.

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

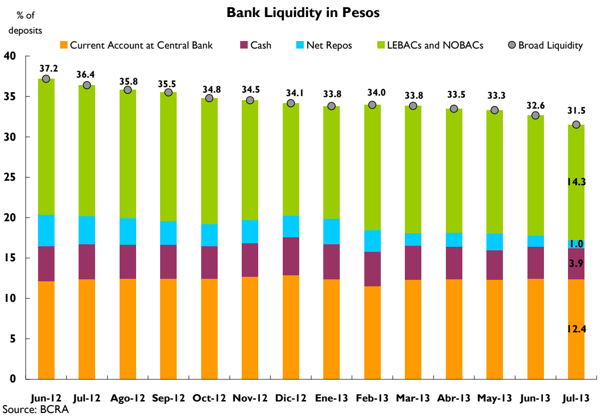
Lastly, the broadest monetary aggregate, M3*, which includes cash held by the public, settlement checks, CEDIN (Certificate of Deposit for Investment) and total deposits in pesos and foreign currency (stated in pesos) went up 2.6%, with a 27.9% y.o.y. change rate.

3. Bank Liquidity[1]

In a context where the growth of loans in pesos to the private sector exceeded the growth of deposits in the same currency, the liquidity of the segment in pesos of the financial institutions (measured as the sum of cash in banks, their current accounts with the Central Bank, net repos with the Central Bank and LEBAC and NOBAC holdings with respect to total deposits in pesos) shrank in July (down 1.1 p.p. against June) but it continued to be sizable, standing at 31.5% (see Chart 3.1). The decrease was more evident in longer-term assets (LEBAC and NOBAC holdings), whose share in relation with deposits went down 0.6 p.p., and in repo transactions, with a 0.3 p.p. drop in share. Regarding the minimum cash regime, the regulatory requirement for July was complied with an excess equivalent to around 0.2% of total deposits in pesos (see Chart 3.2).

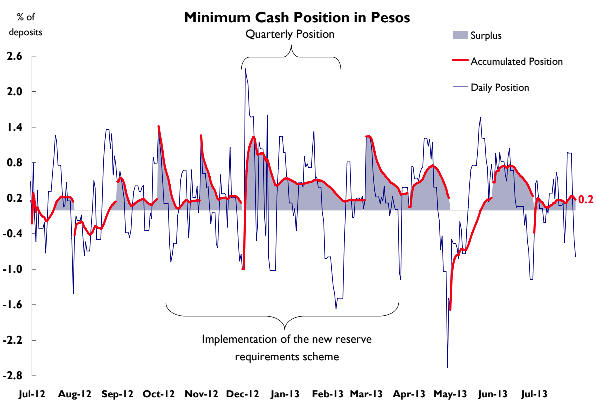
As for the foreign currency segment, the average liquidity grew by 3.1% against June, standing at 107.9%.

Chart 3.1



Source: BCRA

Chart 3.2



Source: BCRA

Chart 4.1

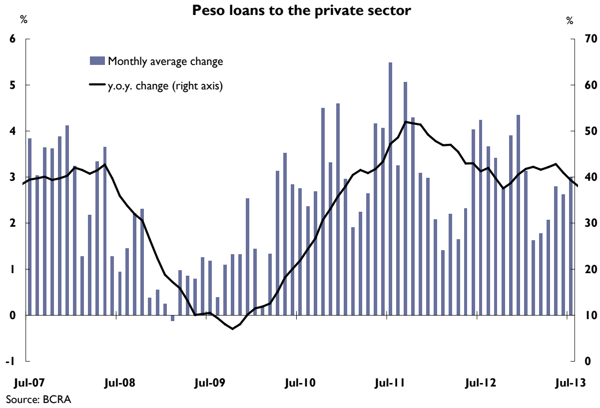


Chart 4.2

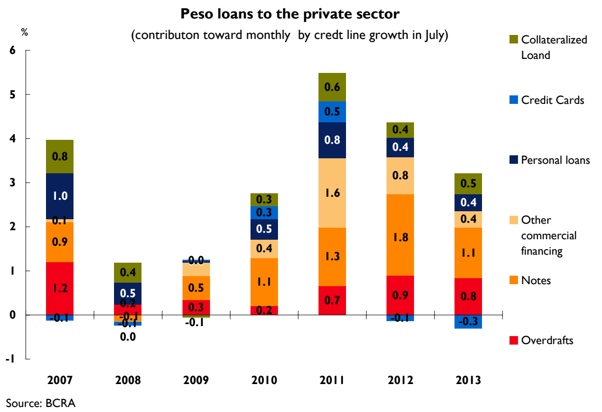
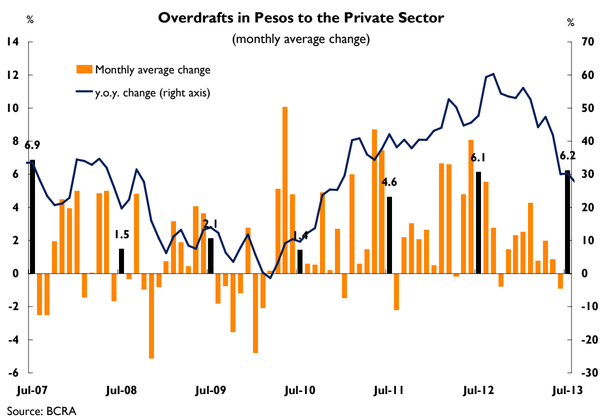


Chart 4.3



4. Loans [1] [3] [4]

Loans in pesos to the private sector rose 3% ($11.67 billion) in July, thus recording the highest increase of the last six months and reaching a 39.3% y.o.y. change rate (see Chart 4.1). In line with the situation in previous years, the credit lines for commercial purposes accounted for the highest share of the monthly increase. In fact, financing arranged through promissory notes and overdrafts contributed the most to the monthly growth (1.1 p.p. and 0.8 p.p., respectively; see Chart 4.2).

Credit lines mainly for companies exhibited a good performance. Overdrafts went up 6.2% ($3.24 billion) favored by the high demand for liquidity by companies during the first days of the month due to the payment of the semi-annual complementary wage. This increase was similar to that of July 2012 and stood among the highest of recent years for the period. As a result, the y.o.y. change rate for this credit line continued to stand around 30% (see Chart 4.3). In turn, financing arranged through promissory notes continued accelerating its monthly expansion pace, up 5.1% ($4.44 billion). It is worth mentioning that this increase was explained by an important positive “statistical carryover” from June because, in the last two working days of that month, and as a result of the closing of the fulfillment term of the second stage of the loans granted under the Credit Line for Productive Investment (LCIP), remarkable rises were recorded. In year-on-year terms, financing arranged through promissory notes grew 60.6%. Finally, the remaining commercial loans, under “Other loans”, posted a 4.8% ($1.5 billion) increase in the month.

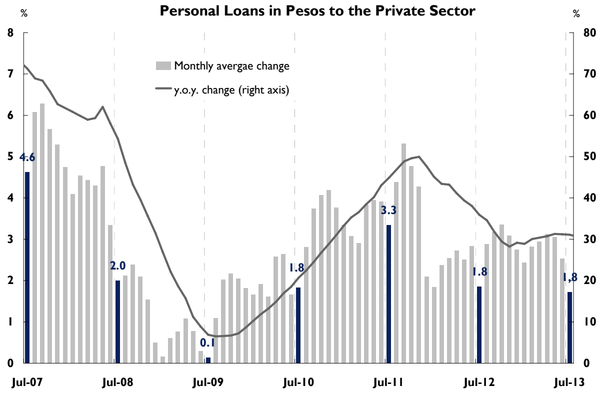
During July, the Central Bank continued disbursing the funds awarded in the auctions under the Bicentennial Productive Financing Program (PFPB). The amounts effectively disbursed in July totalized $282 million. Then, total funds paid out since the implementation of PFPB amounted to $5.24 billion, around 75% of the total amount awarded ($6.92 billion).

Some moderation was observed in the momentum of credit lines mainly channeled for household consumption, mainly due to seasonal factors. On one hand, the payment of the semi-annual compensatory wage tends to reduce the demand for new personal loans and credit card consumption, and leads to the partial repayment of previous debts. On the other hand, in July

[3] Monthly changes of loans are adjusted for accounting movements, which are fundamentally due to transfers of loans in financial institutions’ portfolios to financial trusts.

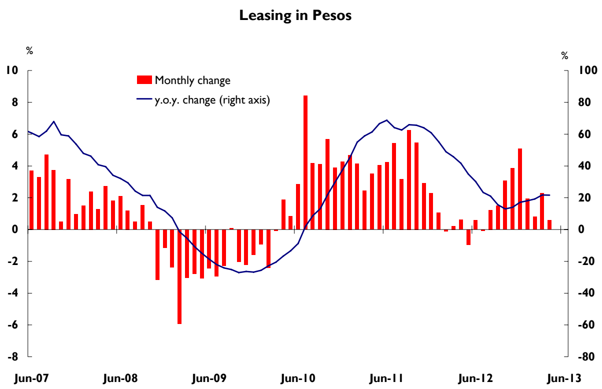
[4] In this report, “amounts granted” or “new loans” refer to loans (new and renewed) arranged in a given period. In contrast, a change in stock consists of arranged loans minus amortizations and repayments for the period.

Chart 4.4



Source: BCRA

Chart 4.5



Source: BCRA

there is an increasing number of maturities corresponding to credit card financing especially devoted to the purchase of products, inputs and services by agricultural and livestock producers. As a result, personal loans moderated their monthly growth rate, recording a 1.8% increase ($1.54 billion), even though they kept their y.o.y. growth pace at around 31% (see Chart 4.4.). In turn, although credit card financing decreased 1.3% ($860 million), it has grown 40% in the last 12 months.

As regards collateralized loans, mortgage-backed credits grew 2.6% ($990 million), favored by the positive "statistical carryover" in June. As a result, their monthly growth rate continued with its upward trend and exhibited the highest rise of the last six months, also accelerating in y.o.y. terms. In fact, the y.o.y. change rate was close to 30%, up 1.1 p.p. against June figures. In turn, pledge-backed loans went up 3.1% ($820 million), resulting in a y.o.y. change rate of 47% in July, up 1.5 p.p. against June.

According to the latest information available, corresponding to June, the monthly change rate of the financing granted under leasing[5] contracts increased significantly, up 6.1% ($470 million) in this month, the highest since September 2011. Thus, its year-on-year change rate continued accelerating and reached 34%, up almost 7 p.p. against May (see Chart 4.5). To a large extent, the main reason behind this financing momentum is the incentive provided by the LCIP[6] since some of these loans are channeled through leasing operations.

Lastly, foreign currency loans to the private sector went down 5.2% (US$260 million), with the monthly average balance standing at around US$4.7 billion.

5. Interest Rates [7]

Central Bank securities[8]

Interest rates on securities issued by the Central Bank in the primary market remained relatively stable in July. For three months in a row, only fixed-rate securities were awarded. In this sense, the interest rate on LEBACs for the shortest-terms, at 90 days and 110 days, auctioned at a predetermined rate, stood at 15.2%

[5] 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.
[6] See Communication A 5319.
[7] Interest rates mentioned in this section are expressed as annual percentage rates (APR).
[8] In this section, figures are end of the month data unless otherwise stated.

Chart 5.1

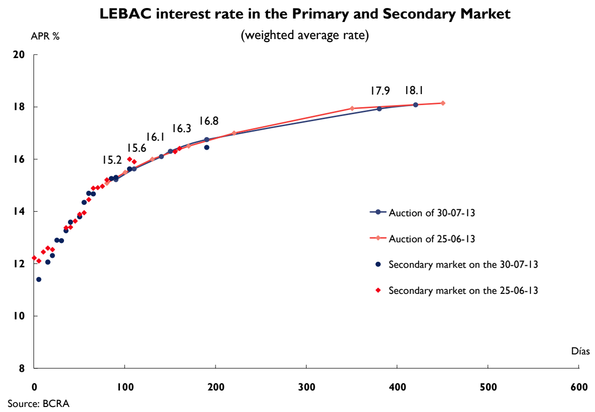


Chart 5.2

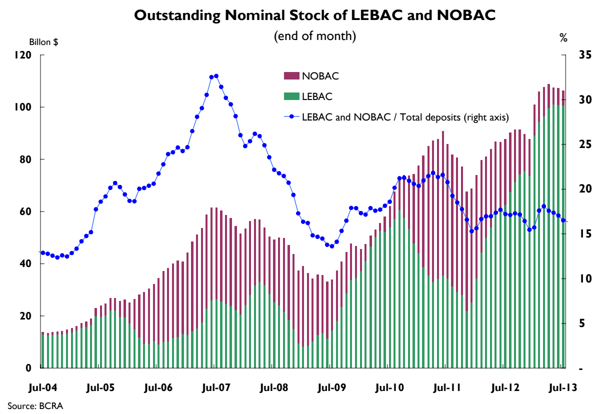
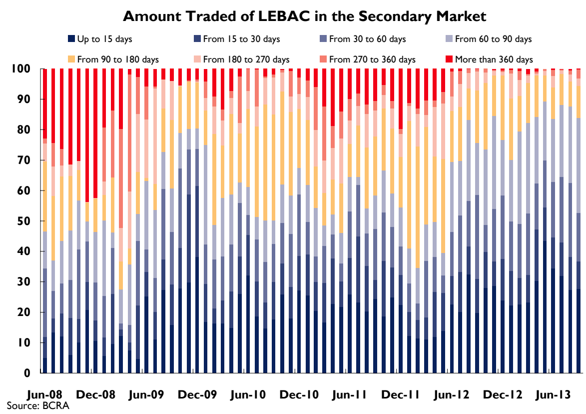


Chart 5.3



and 15.6% respectively. Likewise, the longest-term interest rate, which on this occasion was awarded with a maturity of 420 days, stood at 18.1% (see Chart 5.1).

The same as in June, the main issues concentrated in 90 to 180 day maturity instruments, which accounted for 57% of the total value awarded. Likewise, since the average term of new issues stood below that of the stock as at June, the average life of the outstanding stock stood at 194 days approximately.

By the end of July, the total stock of outstanding securities of the Central Bank contracted $933 million, standing at $106.32 billion and accounting for 18% of total deposits (see Chart 5.2). The stock of outstanding LEBACs went down by $178 million, and outstanding NOBACs, by $755 million. As a result, the share of the latter fell once again, standing at 5.4% of the total stock. As regards the evolution of holdings, the reduction was driven by lower holdings in banks, which was offset in part by the performance of Mutual Funds.

In the secondary market, the average turnover traded contracted $160 million in July, standing at $1.08 billion per day. Instruments under 60 days concentrated almost all the transactions (see Chart 5.3), where banks and Mutual Funds are the main participants. Regarding the interest rates, and in line with the performance of the previous months, interest rates on short-term LEBACs were somehow volatile.

Central Bank repo transactions[1]

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

The average stock of Central Bank reverse repos, considering all the transactions conducted by this institution, shrank 16.9% down to $9.64 billion in the month. This occurred within a context where no repo loans were recorded for the Central Bank.

Call money market[1]

In July, the average interest rates on overnight transactions on the unsecured market (call) stood at 13.4% while the average interest rate on overnight transactions between financial institutions in the secured market (REPO round) stood at 13.1%

As regards the amounts traded, the daily average amount traded posted a new rise, driven by the call market, where the amount traded in the month climbed $220

Chart 5.4

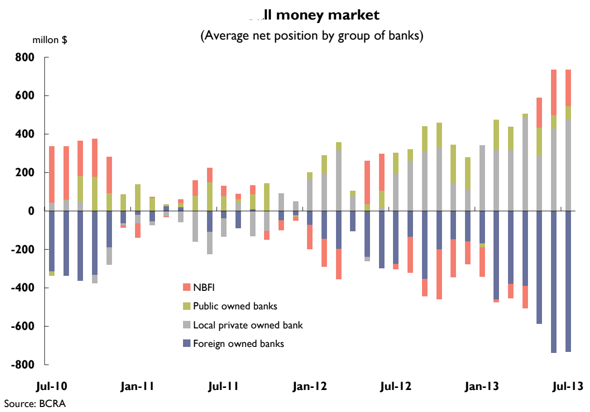


Chart 5.5

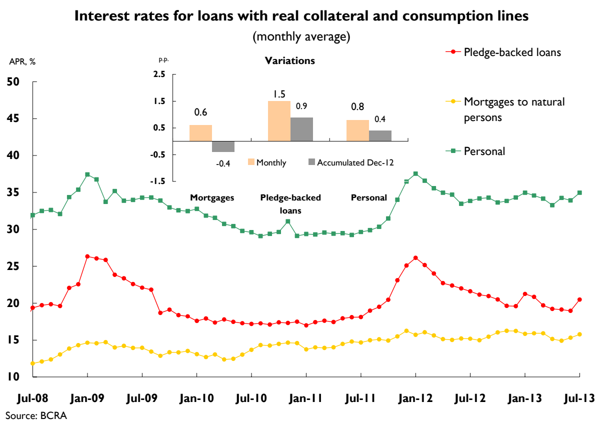
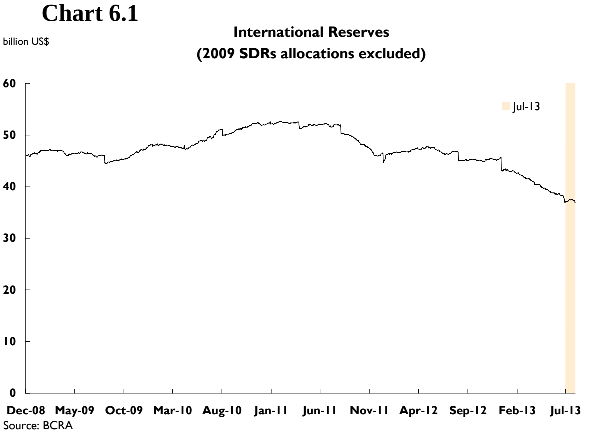


Chart 6.1



million, and by the REPO round, where the average traded volume grew by $100 million. The net position recorded in the call money market by the different groups of entities did not change significantly against June: domestic private institutions, non-bank institutions and public institutions were net fund lenders, while foreign institutions were once again the only net fund borrowers (see Chart 5.4).

Borrowing rates[1]

In July, interest rates paid by financial institutions to depositors posted a slight increase. In fact, the interest rate of total new time-deposits in pesos averaged 14.95%, increasing around 0.2 p.p. against June.

Considering only private banks, the interest rate paid for time deposits up to $100,000 and for 35 days averaged 14.5% in July, hiking 0.5 p.p. against June. Meanwhile, the BADLAR of private banks –interest rate on deposits of $1 million and more for 30-35 days– averaged 17.2%, recording a 0.7 p.p. monthly increase.

Lending rates[1 9]

In July, lending rates on loans in pesos to the private sector posted slight increases.

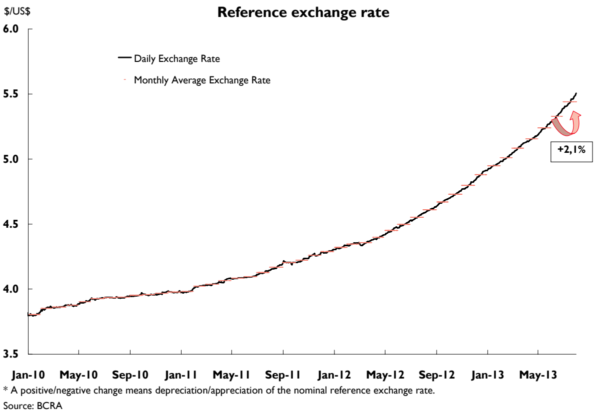
In particular, the interest rate of current account overdrafts averaged 23.2%, thus exhibiting a 0.4 p.p. monthly increase. The monthly average of the interest rate of current account overdrafts granted to companies for more than $10 million and up to 7 days grew 0.5 p.p. in the month, standing at 17.3%.

Meanwhile, interest rates on discounted documents rose 1 p.p. in July, averaging 20.9%. Likewise, interest rates on financing through unsecured promissory notes averaged 20.8%. It is worth remembering that in June, due to the completion of the second stage of LCIP, there was a high concentration of commercial loan granting. These loans are given at lower interest rates and longer terms, a performance that is not usually seen in the first month of a new stage of this line.

As regards loans with real collateral, the average interest rate was also affected by the declining share of productive lines. The monthly average of the interest rate of pledge-backed loans stood around 20.5%.

[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 6.2



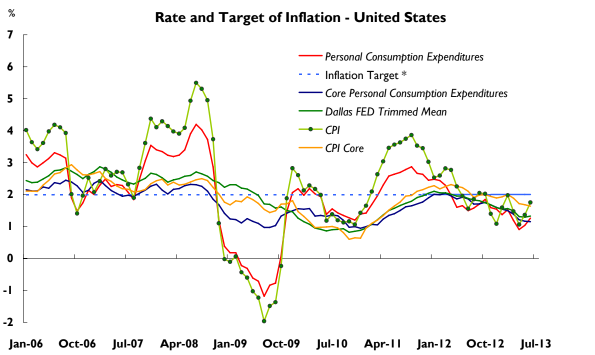
* A positive/negative change means depreciation/appreciation of the nominal reference exchange rate.
Source: BCRA

Table 7.1

Year	Forecast 2013			
Period of publication of WEO	**Oct-12**	**Jan-13**	**Apr-13**	**Jul-13**
Global GDP	3.6	3.5	3.3	3.1
Advanced Economies	1.5	1.4	1.2	1.2
United States	2.1	2	1.9	1.7
Euro Area	0.2	-0.2	-0.3	-0.6
Germany	0.9	0.6	0.6	0.3
France	0.4	0.3	-0.1	-0.2
Italy	-0.7	-1	-1.5	-1.8
Spain	-1.3	-1.5	-1.6	-1.6
Japan	1.2	1.2	1.6	2
United Kingdom	1.1	1	0.7	0.9
Canada	2	1.8	1.5	1.7
Other Advanced Economies	3	2.7	2.5	2.3
Emerging and Developing Economies	5.6	5.5	5.3	5
China	8.2	8.2	8	7.8
India	6	5.9	5.7	5.6
Brazil	4	3.5	3	2.5

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

Chart 7.1



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

Likewise, the average interest rate of mortgage loans granted to natural persons stood at 15.8%. In turn, the interest rate of personal loans averaged 34.8%, increasing 0.8 p.p. in the month (see Chart 5.5).

6. International reserves and foreign exchange market

The balance of international reserves ended July practically unchanged at US$37.04 billion on the last day of the month (see Chart 6.1). The monthly increase was US$43 million, since the net sales of foreign currency by the Central Bank in the Free and Single Foreign Exchange Market (MULC) and the outflow of foreign currencies due to transactions made by the public sector were offset with a rise in the minimum cash accounts and the positive result achieved via the US dollar exchange rate against other currencies.

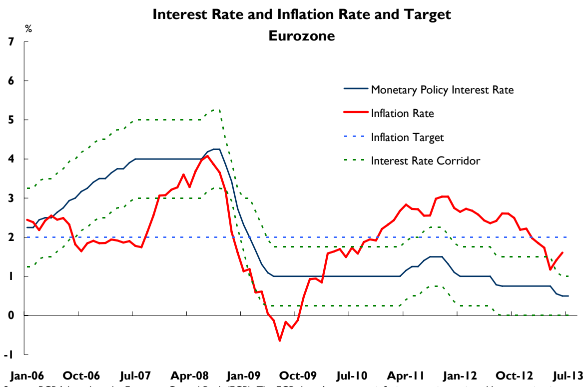
Regarding the foreign exchange market, the peso depreciated against the US dollar (see Chart 6.2) and the euro, while it appreciated against the real. The average exchange rates in July stood at 5.44 $/US$, 7.13 $/euro (3.5%) and 2.42 $/real, resulting in a change against June of 2.1%, 1.3% and -1.9% respectively. In turn, the daily average amount traded in the dollar futures market (ROFEX) was $890 million, up 23% against June, which was mainly related to an increase in the number of the contracts. In turn, the depreciation expectation for the coming months was on the rise.

7. Major policy measures taken by other Central Banks

As for measures adopted by other central banks, the decisions of the US Federal Reserve (FED), the European Central Bank (ECB) and the Bank of England (BoE) should be highlighted among the decisions adopted by advanced nations. They were made within a context where the International Monetary Fund (IMF) released by mid-July an update of the World Economic Outlook made in April. These forecasts and the publication of the Purchasing Managers Index by different countries suggest that the current scenario of global activity recovery holds steady, with better perspectives for developed countries but worse perspectives for emerging nations (see Table 7.1)

The FED maintained its quantitative easing program unchanged at US$85 billion per month. Although it had anticipated that it might reduce this program before the end of 2013, the FED also indicated that, if the inflation rate remains under the 2% target, it might endanger the

Chart 7.2



Source: BCRA based on the European Central Bank (ECB). The ECB doesn't pursue an inflation targeting regime. However, it tries to achieve price stability which is defined as an inflation rate < a 2% y.o.y.

Chart 7.3

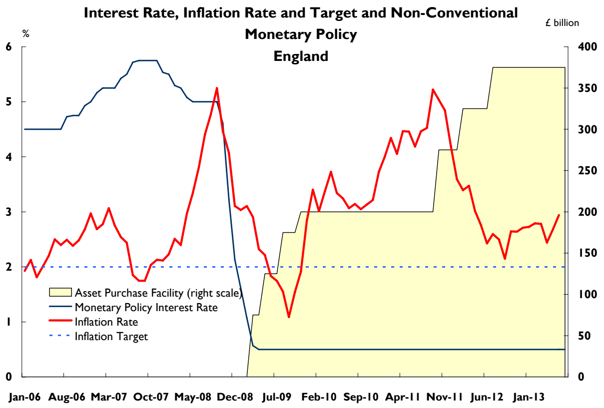
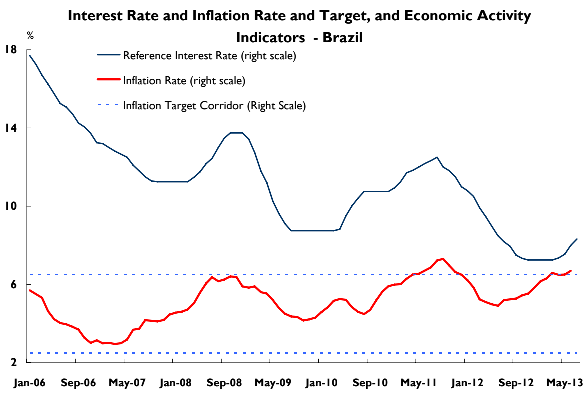


Chart 7.4



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

economic recovery (see Chart 7.1)[10]. Nevertheless, market participants estimate that the pace of asset purchase will effectively slow down by the end of 2013.

In turn, in the meeting held on July 4th, the ECB's Governing Council (GC) decided to keep its benchmark interest rate, applicable to Main Refinancing Operations (MRO), at 0.5% (minimum historical level). It has neither corrected the interest rate corridor corresponding to credit and deposit facility, which stood at 1% and 0% respectively (see Chart 7.2).

Nevertheless, for the first time in the history of the ECB, the GC decided to provide guidance regarding the future evolution of its policy by stating that it assumes that the MROs will not exceed the current levels during a protracted period. The ECB made this decision after the FED's announcement (in the previous meeting held by mid-June) where it anticipated that it might reduce the assets purchase pace before the end of 2013, increasing the stress of debt markets. Even though the Chairman of the ECB refused to confirm this was the reason, he stated that the recent liquidity restrictions in the Euro Zone markets (after the decision by the FED) may adversely impact on economic growth. In this sense, he did not rule out the possibility of taking the MRO rate below its current value, or the deposit facility rate below zero..

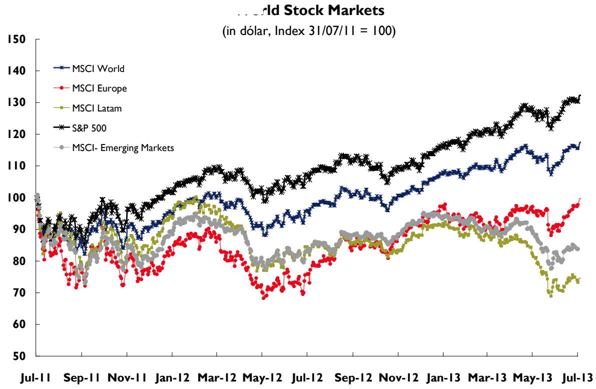
On the other hand, on July 4th, the BoE's Monetary Policy Committee (MPC) decided to keep unchanged its benchmark interest rate –Bank Rate– (0.5%; see Chart 7.3), as well as its quantitative easing program –Asset Purchase Facility (APF)– which has been standing at £375 billion for a year.

In the first meeting of Mark Carney as Chairman of the BoE, the MPC decided to give certainty to the market in the sense that it does not validate market expectations that signal an increase of the Bank Rate by mid-2015, considering the current context of the British economy and its perspectives for the next few years. This change in market expectations and in the Euro Zone occurred after FED meeting held in mid-June. Before this meeting, the market did not expect an increase of the Bank Rate before 2016.

Moreover, during the period under analysis, many central banks actively sought the way to prevent an excessive depreciation of their currencies. Among them, the Central Bank of Brazil intervened in the futures market through swaps (with no impact on reserves). In

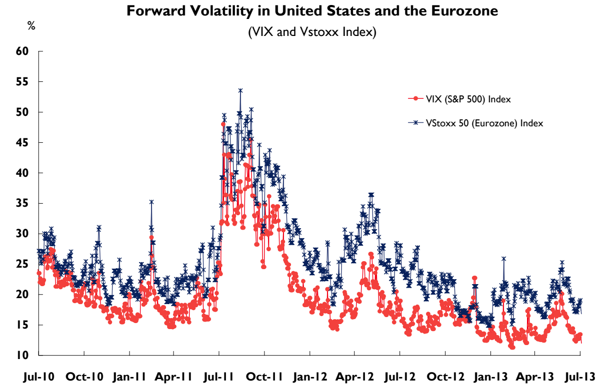
[10] This is due to the fact that extremely low inflation rates may potentially lead to the onset of a deflationary process with negative implications for the activity level.

Chart 8.1



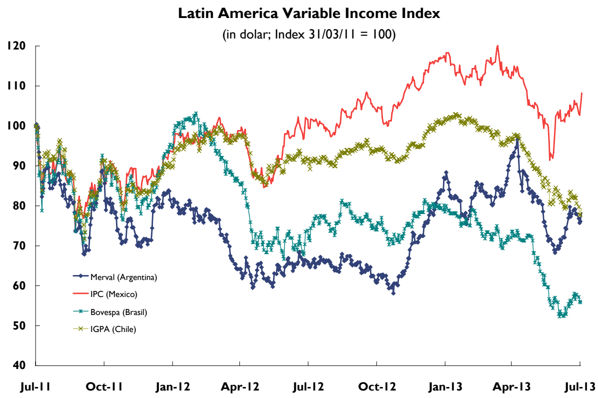
Source: BCRA from Bloomberg data

Chart 8.2



Source: BCRA from Bloomberg data

Chart 8.3



Source: BCRA from Bloomberg data

addition, its Monetary Policy Committee (COPOM) decided to increase the target for the Selic rate 0.5 p.p. to 8.5%; this was the third consecutive rise (0.25 p.p. in April and 0.5 p.p. in May), after the expansionary cycle started in August 2011 (see Chart 7.4).

Other central banks that sought to reverse the trend of depreciation of their domestic currencies were the monetary authorities of India, Turkey and Indonesia. India and Turkey decided to increase the interest rates corresponding to the ceiling of their rates corridor while the Central Bank of Indonesia opted for increasing the interest rate corresponding to the floor of the corridor (see Chart 7.5).

8. Capital markets

Equity[11]

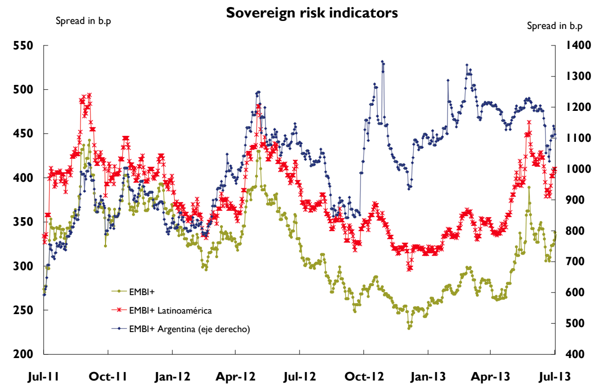
In July, variable income assets in the main stock markets showed an upward trend as a result of investors' expectations regarding the continuity of the monetary stimulus by the main Central Banks and a balance-sheet season in the United Stated where results, in most cases, were better than anticipated by the markets. Considering the stock markets of advanced economies, the S&P500, the main index for the US market, went up 4.9% whereas the European market, measured through the MSCI index, increased 8.6% (see Chart 8.1). Together with the rise of prices, the expected volatility declined, especially in the United Sates where the S&P500 volatility, measured by the VIX Index, fell 3.2 p.p. to 13.9 p.p. (see Chart 8.2).

Within this context, the price of variable income assets of emerging countries also moved up slightly and, according to the MSCI Emerging Markets Index, they went up 0.8%. In the opposite direction, the MSCI Latin American Index recorded a 1.1% fall mainly driven by Sao Pablo Stock Exchange Index (Bovespa – Brazil), which is the benchmark for the region (down 0.4%), and the General Stock Price Index (IGPA-Chile) which dropped 8.1%, the highest decline since September 2011.

In the case of Brazil, drops in stock indices resulted from the depreciation of the real against the US dollar, whereas in Chile they were due to a fall in the local currency index. In turn, in the opposite direction, the Mexican IPC Index stood out with a 2.1% hike boosted by the appreciation of the Mexican peso against the US dollar (see Chart 8.3).

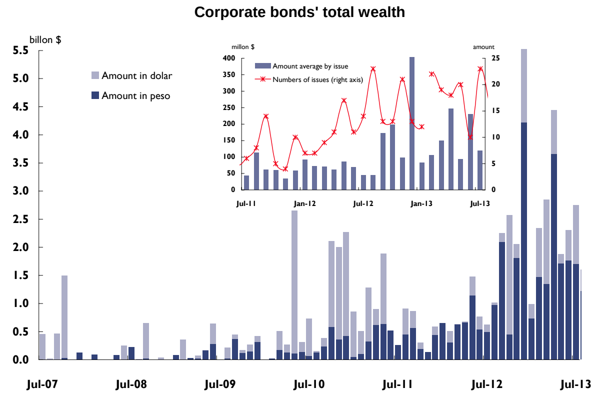
[11] Unless otherwise stated, the change in indexes is represented in US dollars.

Chart 8.4



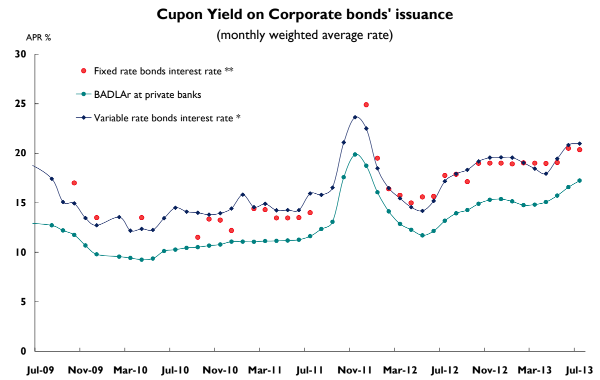
Source: BCRA from Bloomberg data

Chart 8.5



Source: IAMC, CNV, BCBA and Bloomberg.

Chart 8.6



(*) Maturity less than 5 years and BBB+ higher ratings (**) BBB+ higher ratings.
Source: BCRA from CNV, MAE, BCBA and IAMC

After the losses recorded in May and June, the local benchmark index (Merval) measured in dollars gained part of the ground it had lost and ended July with a monthly 10.4% increase. Bulls were seen in most sectors, together with an 8.9% increase in the daily volume traded, to $45 million.

Sovereign bonds

In July, the yields of emerging economies' sovereign bonds expanded around 10 basis points (b.p.). This performance took place in a context where the yields of the US sovereign debt increased in the longer-term bonds. In fact, the 10-year Treasury bond expanded 9 b.p. and the 30-year bond grew 14 b.p. to 3.6%. Therefore, the spread of yields between emerging sovereign bonds and American Treasury bonds went down slightly to 338 b.p. by the end of the month, as measured by the EMBI+. Likewise, at regional level, yields went down slightly; as a result the EMBI Latin America dropped 16 b.p. to 410 b.p.

Within this context, in Argentina, the yield spread of sovereign bonds contracted 87 b.p. to 1,112 b.p. by the end of July (see Chart 8.4).

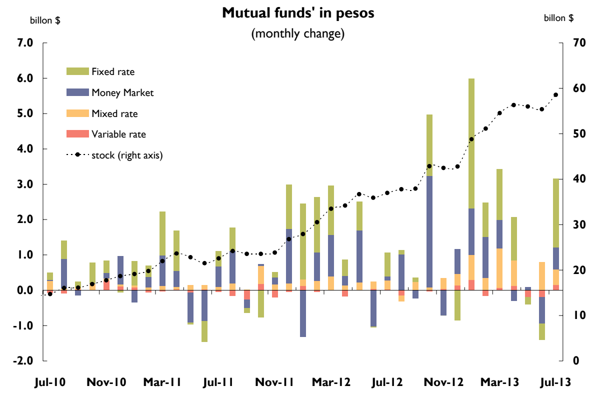
Corporate bonds

In July, corporate debt issues in the domestic market reached a nominal amount of approximately $2.5 billion, up 8.5% against the previous month (see Chart 8.5). This performance took place in a context where the amount of issues was on the rise, going from 10 issues in June to 22 in July, most of them were denominated in pesos.

The amount issued was mainly influenced by the issues of two companies related to the food sector, for an amount of $965 million, followed by the financial sector that continues widening its funding sources through corporate bonds issues, this time for $731 million. Together with these two sectors, two issues of YPF for approximately $600 million were also noticeable. One of them was targeted to the retail segment (1-year, bullet-type) and will accrue an annual interest rate of 19%, similar to the cost recorded in previous issues under the same conditions. In this sense, since December 2012, the oil company has already attracted $850 million in the retail segment (see Chart 7.5).

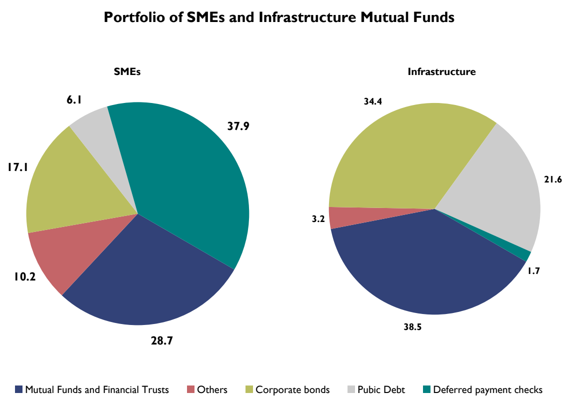
As for the cost of financing, in variable rate issues, interest rates applicable to bonds with a rating over Arg BBB+ and a maturity below 5 years remained relatively stable at 20.9%. Additionally, the interest rate on fixed rate issues in pesos with a rating over Arg BBB+ was

Chart 8.7



Source: CAFCI and BCRA

Chart 8.8



20.4% in part due to YPF's issues since in the remaining issues, the rate increased up to 21% (see Chart 8.6).

Finally, with data as at June 2013, according to the National Securities Commission (CNV), the stock of corporate bonds amounted to $69.46 billion, up 62% in year-on-year terms, most of which, like in June, are liabilities from the energy and financial sectors.

Mutual Funds

The equity of Mutual Funds (FCIs) in pesos and in foreign currency increased by $3.17 billion (5.5%) in July, standing at $60.47 billion, and accounting for the largest monthly expansion since March. This rise took place after the monthly seasonal drops recorded in May and June.

The FCIs in pesos, which account for almost all the industry, were the main factor behind the monthly hike, mainly due to the performance recorded by fixed income funds, whose equity went up by $1.59 billion (7.7%). In the same direction, even though with a more moderate performance, the Money Market funds, which are used to manage shorter-term liquidity, climbed $620 million (3.2%). In both cases, the expansion was driven by the performance recorded in the number of unit shares. In turns, the funds investing in mixed income assets grew $440 million (4.7%) and variable income funds went up $160 million (13.5%) thanks to improvements in the prices of the main local stock assets (see Chart 8.7).

Within the segment of fixed and mixed income funds in pesos, a remarkable increase was seen in recent months in the funds that invest an important percentage of their portfolios in SME and infrastructure instruments, mainly deferred payment checks, financial trusts and corporate bonds (see Chart 8.8). The performance was boosted by insurance companies, since they are investments approved by the Eligibility Committee under Subsection k of the Insurance Activity Regulations, which require insurance companies and ARTs (Workers' Compensation Insurers) to invest part of their assets in productive undertakings. Within this context, the equity of the SME and Infrastructure funds went from $1.9 billion in December 2012 to slightly over $4 billion in July 2013, and accounts for 14% of the Industry's total growth (see Chart 8.9).

Regarding the profitability of FCIs in pesos, variable income funds went up 12.7% in July, recovering part of the losses recorded in the previous month, and mainly driven by the performance of the local stock market. Therefore, this is the segment with the best relative

Chart 8.9

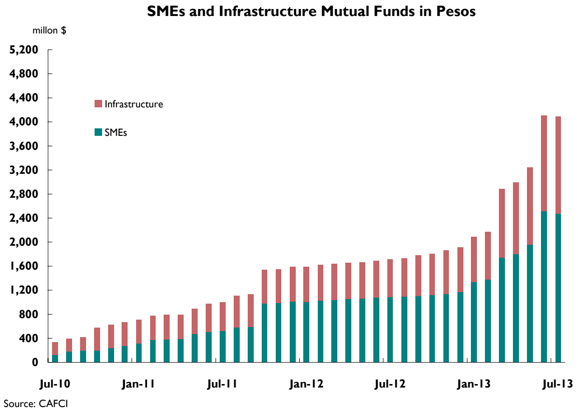


Chart 8.10

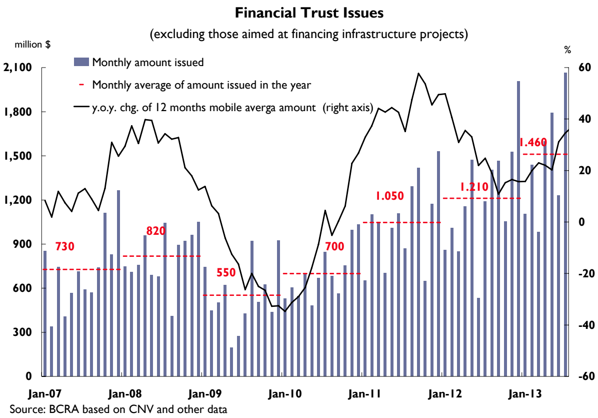
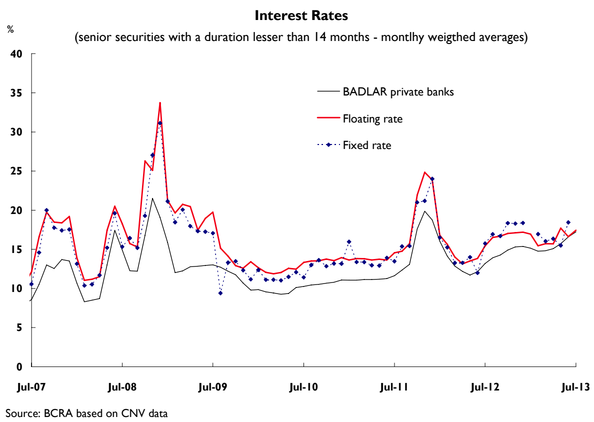


Chart 8.11



performance, gaining 12.7% year-to-date. On the other hand, mixed income funds climbed 3.8%, fixed income funds expanded 2.6%, and Money Market funds recorded an average monthly profitability of 0.9%.

Lastly, after the sharp fall recorded in June, FCIs in foreign currency contracted by US$10 million, standing at US$348 million. Most of them are concentrated in fixed income funds, which account for 80% of the total.

Financial Trusts[12]

In July, financial trust (FT) issues hit a new record (excluding the issues devoted to finance infrastructure works) and totaled around $2.06 billion (see Chart 8.10). This amount accounted for an increase close to 70% against the previous month and stood slightly above the figure recorded in December 2012. The sizable amount issued in July was accompanied by a rise in the number of transactions: in July, there were 22 transactions against a monthly average of 17 transactions during the first half of 2013.

As for trustors, financial institutions stood out once again since they accounted for 40% of the total issuance of the month. They issued around $820 million, the highest amount so far this year. Apart from personal loans, leasing contracts were also securitized. In turn, the retail segment securitized consumption-related assets for $645 million (31% of the total), an amount similar to the average of the previous two-month period and of April. Mutuals, cooperatives, non-bank credit card issuers and other financial service providers issued around $440 million, recording a slight increase against the previous month. The assets securitized by this type of trustors included personal loans, credit card coupons, leasing contracts and pledge-backed loans. The rest corresponded to a FT intended to invest the proceeds of the issuance in the real estate market; in this case, trustors will also be underwriters of the debt security. It is worth mentioning that there was also an issue from a farming sector company, which securitized commercial loans.

All senior instruments in pesos with a term under 14 months were issued at a variable rate. The cut-off interest rate (weighted average by amount) on all these senior bonds in pesos stood at 17.5%, up 0.8 p.p. against the previous month (see Chart 8.11).

[12] 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	Montlhy average				Average change in percentage	
	Jul-13	Jun-13	Dec-12	Jul-12	Monthly	Last 12 months
Monetary base	**323,597**	**311,003**	**292,138**	**252,103**	**4.0%**	**28.4%**
Currency in circulation	249,827	238,161	224,211	194,841	4.9%	28.2%
Held by public	226,681	214,501	199,335	175,027	5.7%	29.5%
Held by financial entities	23,143	23,658	24,872	19,812	-2.2%	16.8%
Settlement check	2	2	4	0	15.3%	0.0%
BCRA current account	73,770	72,842	67,927	57,263	1.3%	28.8%
Repos stock						
Reverse repos	9,644	11,604	17,432	18,941	-16.9%	-49.1%
Repos	0	0	0	0	0.0%	0.0%
BCRA securities stock (in face value)	106,037	107,720	88,681	87,054	-1.6%	21.8%
In banks	92,020	94,392	77,641	77,144	-2.5%	19.3%
LEBAC						
In pesos	99,752	101,240	74,569	60,979	-1.5%	63.6%
NOBAC	6,285	6,480	14,112	26,075	-3.0%	-75.9%
International reserves excluded 2009 SDRs allocations	**37,310**	**38,234**	**44,134**	**46,647**	**-2.4%**	**-20.0%**
Private and public sector deposits in pesos [(1)]	**595,027**	**585,794**	**525,028**	**458,760**	**1.6%**	**29.7%**
Current account [(2)]	159,814	159,631	150,959	130,927	0.1%	22.1%
Savings account	125,020	117,128	104,730	93,367	6.7%	33.9%
Not CER-adjustable time deposits	287,496	286,401	248,802	215,417	0.4%	33.5%
CER-adjustable time deposits	6	7	7	8	-8.6%	-25.5%
CEDRO adjusted by CER	0	0	0	0		
Other deposits [(3)]	22,691	22,627	20,530	19,041	0.3%	19.2%
Private sector deposits	433,206	420,554	372,490	322,396	3.0%	34.4%
Public sector deposits	161,821	165,240	152,538	136,364	-2.1%	18.7%
Private and public sector deposits in dollars [(1)]	**8,306**	**8,300**	**9,393**	**9,674**	**0.1%**	**-14.1%**
Loans to private and public sector in pesos [(1)]	**435,193**	**423,817**	**373,913**	**316,565**	**2.7%**	**37.5%**
Loans to private sector	397,762	386,506	339,103	285,456	2.9%	39.3%
Overdrafts	55,170	51,932	47,326	42,376	6.2%	30.2%
Promissory bills	91,954	87,515	76,170	57,274	5.1%	60.6%
Mortgages	39,468	38,475	34,475	30,381	2.6%	29.9%
Pledge-backed loans	27,241	26,419	22,135	18,532	3.1%	47.0%
Personal loans	86,869	85,742	75,069	66,132	1.3%	31.4%
Credit cards	64,278	65,141	56,352	45,942	-1.3%	39.9%
Other loans	32,782	31,281	27,576	24,820	4.8%	32.1%
Loans to public sector	37,432	37,312	34,810	31,109	0.3%	20.3%
Loans to private and public sector in dollars [(1)]	**4,726**	**4,983**	**5,549**	**7,602**	**-5.2%**	**-37.8%**
Total monetary aggregates [(1)]						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	386,498	374,134	350,298	305,956	3.3%	26.3%
M2 (M1 + savings account in pesos)	511,518	491,262	455,028	399,323	4.1%	28.1%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	821,710	800,297	724,367	633,789	2.7%	29.7%
M3* (M3 + total deposits in dollars + settlemente check in foreign curren	866,917	844,538	770,217	677,822	2.6%	27.9%
Private monetary aggregates						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	334,579	323,080	299,301	261,681	3.6%	27.9%
M2 (M1 + private savings account in pesos)	448,924	428,588	395,489	348,849	4.7%	28.7%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	659,889	635,057	571,829	497,425	3.9%	32.7%
M3* (M3 + private total deposits in dollars + settlemente check in foreign currency)	697,609	672,439	609,684	536,944	3.7%	29.9%

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	**12,594**	**4.0%**	**25,940**	**8.7%**	**31,460**	**10.8%**	**71,494**	**28.4%**
Financial sector	2,100	0.7%	4,474	1.5%	8,984	3.1%	11,358	4.5%
Public sector	6,402	2.1%	11,258	3.8%	21,830	7.5%	50,868	20.2%
Private external sector	1,670	0.5%	6,864	2.3%	9,429	3.2%	14,452	5.7%
BCRA securities	2,466	0.8%	3,853	1.3%	-7,140	-2.4%	-2,477	-1.0%
Others	-44	0.0%	-510	-0.2%	-1,643	-0.6%	-2,707	-1.1%
International reserves excluded 2009 SDRs allocations	**-924**	**-2.4%**	**-2,765**	**-6.9%**	**-6,824**	**-15.5%**	**-9,337**	**-20.0%**
Foreign exchange market intervention	313	0.8%	1,304	3.3%	1,823	4.1%	2,873	6.2%
International financial institutions	24	0.1%	269	0.7%	191	0.4%	205	0.4%
Other public sector operations	-1,167	-3.1%	-3,809	-9.5%	-6,686	-15.2%	-8,271	-17.7%
Dollar liquidity requirements	108	0.3%	69	0.2%	-970	-2.2%	706	1.5%
Others (incl. change in US$ market value of nondollar assets)	-202	-0.5%	-598	-1.5%	-1,181	-2.7%	-4,850	-10.4%

1 Excludes financial sector and foreign depositors. Loans´s figures correspond to statistical information, without being adjusted by financial trusts. Provisory figures.
2 Net of the use of unified funds.
3 Net of deposits pending of swap by public bonds (BODEN).
4 "Contribution" field refers to the percentage of change of each factor versus the main variable corresponding to the month respect which the change is being calculated.
5 Provisory data subjected to changes in valuation.

Sources: BCRA Accounting Department and SISCEN Informative Regime.

Minimum Cash Requirement and Compliance

	Jun-13	May-13	Apr-13
	(1)		
Domestic Currency	*% of total deposits in pesos*		
Requirement	12.1	12.1	12.1
Compliance	12.4	12.3	12.3
Position (2)	0.3	0.2	0.2
Residual time structure of term deposits used for the calculation of the requirement (3)	%		
Up to 29 days	61.3	60.9	60.7
30 to 59 days	25.2	25.3	24.3
60 to 89 days	8.4	8.3	9.3
90 to 179 days	4.0	4.4	4.5
more than 180 days	1.1	1.1	1.1
Foreign Currency	*% of total deposits in foreign currency*		
Requirement	19.3	19.3	19.4
Compliance (includes default application resource)	95.1	94.4	91.5
Position (2)	75.8	75.2	72.1
Residual time structure of term deposits used for the calculation of the requirement (3)	%		
Up to 29 days	49.9	48.4	51.0
30 to 59 days	23.4	22.5	22.2
60 to 89 days	10.2	11.5	10.6
90 to 179 days	14.0	14.8	13.0
180 to 365 days	2.4	2.6	3.1
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	Jul-13	Jun-13	May-13	Dec-12	Jul-12
Interbank Loans (overnight)					
Interest rate	13.62	13.23	13.72	10.77	9.63
Traded volume (million pesos)	2,181	1,960	1,671	1,313	1,303
Time Deposits					
In pesos					
30-44 days	14.97	15.08	14.61	13.69	11.58
60 days or more	15.46	13.47	13.12	15.43	11.60
Total BADLAR (more than $1 million, 30-35 days)	15.65	15.22	14.88	13.43	11.73
Private Banks BADLAR (more than $1 million, 30-35 days)	17.24	16.58	15.73	15.37	13.19
In dollars					
30-44 days	0.49	0.50	0.51	0.60	0.55
60 days or more	0.85	0.98	1.00	1.11	1.00
Total BADLAR (more than $1 million, 30-35 days)	0.57	0.62	0.60	0.65	0.82
Private Banks BADLAR (more than $1 million, 30-35 days)	0.65	0.70	0.80	0.61	1.11
Lending Interest Rates	**Jul-13**	**Jun-13**	**May-13**	**Dec-12**	**Jul-12**
Stock Repos					
Gross interest rates 30 days	18.17	18.28	17.19	15.57	11.71
Traded volume (all maturities, million pesos)	277	247	272	235	218
Loans in Pesos (1)					
Overdrafts	23.19	22.82	22.56	21.79	20.72
Promissory Notes	20.83	19.08	19.26	18.58	18.25
Mortgages	15.87	14.63	16.12	17.23	14.29
Pledge-backed Loans	20.48	18.99	19.15	19.60	21.61
Personal Loans	34.76	33.79	34.26	34.31	33.88
Credit Cards	s/d	32.30	32.47	34.69	35.01
Overdrafts - 1 to 7 days - more than $10 million	17.32	16.82	17.57	14.44	12.94
International Interest Rates	**Jul-13**	**Jun-13**	**May-13**	**Dec-12**	**Jul-12**
LIBOR					
1 month	0.19	0.19	0.20	0.21	0.25
6 months	0.40	0.41	0.42	0.51	0.73
US Treasury Bonds					
2 years	0.33	0.32	0.24	0.25	0.25
10 years	2.55	2.27	1.93	1.70	1.50
FED Funds Rate	0.25	0.25	0.25	0.25	0.25
SELIC (1 year)	8.36	8.00	7.57	7.25	8.14

(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	Jul-13	Jun-13	May-13	Dec-12	Jul-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	10.97	10.17	10.64	9.36	9.11
7 days	10.20	9.57	9.63	9.53	9.51
Repo traded volumen (daily average)	7,875	8,139	10,820	10,111	10,759
Peso LEBAC Interest Rate[1]					
1 month	s/o	s/o	s/o	11.60	s/o
2 months	14.94	14.73	14.73	11.98	s/o
3 months	15.42	15.31	14.75	12.93	11.54
9 months	s/o	s/o	15.97	14.52	13.17
12 months	17.94	17.95	17.16	14.99	13.82
Peso NOBAC with variable coupon Spread[1]					
9 months BADLAR Private Banks	s/o	s/o	s/o	s/o	s/o
1 year BADLAR Private Banks	s/o	s/o	s/o	s/o	s/o
2 years BADLAR Private Banks	s/o	s/o	s/o	s/o	s/o
3 years BADLAR Private Banks	s/o	s/o	s/o	s/o	s/o
LEBAC and NOBAC traded volume (daily average)	1078	1243	1115	786	482
Foreign Exchange Market	**Jul-12**	**Aug-12**	**Sep-12**	**Oct-12**	**Nov-12**
Dollar Spot					
Exchange agencies	5.44	5.33	5.24	4.88	4.55
BCRA Reference	5.44	5.33	5.24	4.88	4.56
Future dollar					
NDF 1 month	5.61	5.46	5.38	4.98	4.68
ROFEX 1 month	5.49	5.41	5.32	4.95	4.62
Traded volume (all maturities, million pesos)	891	723	916	818	766
Real (Pesos/Real)	2.42	2.46	2.57	2.35	2.24
Euro (Pesos/Euro)	7.13	7.04	6.80	6.41	5.60
Capital Market	**Jul-13**	**Jun-13**	**May-13**	**Dec-12**	**Jul-12**
MERVAL					
Index	3,283	3,213	3,679	2,672	2,407
Traded volume (million pesos)	53	46	64	54	47
Governement Bonds (parity)					
BODEN 2015 (US$)	134.52	130.67	146.58	120.57	118.29
DISCOUNT (US$ - NY legislation)	91.05	90.78	103.90	97.99	99.88
BODEN 2014 ($)	93.09	93.27	93.45	92.24	93.51
DISCOUNT ($)	45.44	47.68	50.52	46.02	45.25
Country risk					
Spread BODEN 2015 vs. US Treasury Bond	1,273	1,402	1,337	1,204	1,486
EMBI+ Latin America (without Argentina)	379	384	318	298	381

1 Corresponds to average results of each month primary auctions.

10. Glossary

ANSES: *Administración Nacional de Seguridad Social*. Social Security Administration
APR: Annual percentage rate.
BADLAR: Interest rate for time deposits over one million pesos between 30 and 35 days for the average of financial institutions
BCRA: *Banco Central de la República Argentina*. Central Bank of Argentina
BODEN: Bonos optativos del Estado Nacional. Optional federal bonds
BOVESPA: Sao Pablo Stock Exchange Index (Brazil)
CAFCI: *Cámara Argentina de Fondos comunes de inversión*
CDS: Credit Default Swaps
CER: Coeficiente de Estabilización de Referencia. Reference Stabilization Coefficient
CNV: Comisión Nacional de Valores. National Securities Commission
CPI: Consumer Price Index
CPI GBA: Consumer Price Index for the Greater Buenos Aires metropolitan area
DISC: Discount Bond
EMBI: Emerging Markets Bonds Index
FCI: Mutual Funds
Fed: Federal Reserve
FTs: Financial Trusts
GBA: Greater Buenos Aires metropolitan area
GDP: Gross Domestic Product
IGBVL: Lima Stock Exchange Index (Peru)
IGPA: Santiago Stock Exchange Index (Chile)
LEBAC: *Letras del Banco Central*. BCRA Bills
LIBOR: London Interbank Offered Rate
M2: Notes and Coins + Current Accounts and Savings Accounts in $
M3: Notes and Coins + Total Deposits in $.
M3*: Notes and Coins + Total Deposits in $ and US$
MERVAL: *Mercado de Valores de Buenos Aires*. Buenos Aires Stock Exchange Index
MEXBOL: Mexico Stock Exchange Index
NDF: Non Deliverable Forward
NOBAC: Notas del Banco Central. BCRA Notes
NV: Nominal value
ONs: Corporate Bonds
PyME: Small and medium enterprises
ROFEX: Rosario Futures Exchange Rate Market
SAFJP: AFJP Superintendency
SELIC: Brazilian Central Bank's Benchmark Interest Rate
SISCEN: *Sistema Centralizado de Requerimientos Informativos*. BCRA Centralized Reporting Requirement System
S&P: Standard and Poor´s 500 Index
y.o.y.: Year-on-year