

Monthly Monetary Report

November 2012



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

Monthly Monetary Report

November 2012



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

Contents

1. Summary | Page 3

2. Monetary aggregates | Page 4

3. Bank liquidity | Page 5

4. Loans | Page 5

5. Interest rates | Page 8

Central Bank securities | Page 8

Central Bank repo transactions | Page 8

Call money market | Page 9

Borrowing rates | Page 9

Lending rates | Page 10

6. International reserves and foreign exchange market | Page 11

7. Capital markets | Page 12

Equity | Page 12

Sovereign bonds | Page 13

Corporate bonds | Page 14

Mutual funds | Page 14

Financial trusts | Page 14

8. Monetary and financial indicators | Page 16

9. Glossary | Page 20

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

The contents of this report can be freely quoted provided the source is specified: Monetary Report - BCRA

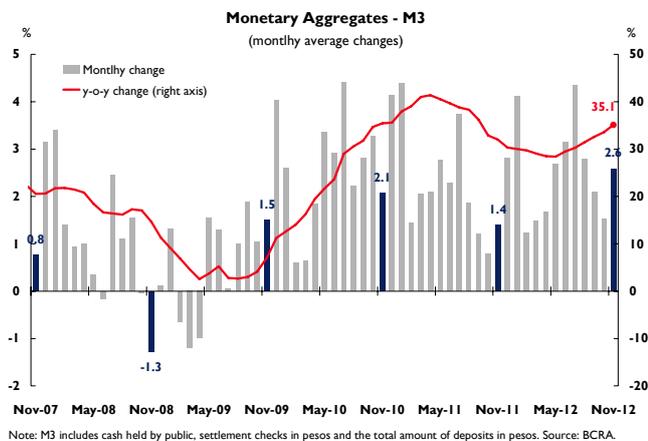
The closing date for statistics in this report was December 12, 2012. All figures are provisional and subject to review.

1. Summary¹

- In November the broadest aggregate in pesos (M3) rose 2.6%, reaching a monthly average balance of \$692.78 billion. Among its components, term deposits and means of payment exhibited a rise. In particular, private sector term deposits grew 3.2% in the month, which was noticeable both in the wholesale tranche (3.6%) as well as in the tranche of less than \$1 million (2.7%). Thus, term deposits in pesos recorded a 50.6% y.o.y. growth, which represents a historically high variation.
- Loans in pesos to the private sector continued being the main factor that explains monetary expansion. In November they grew 3.9% (\$12.30 billion), accelerating their monthly growth rate. The increase recorded in November was one of the greatest observed in 2012 and also over the same month of previous years. As a result, the variation rate stood at 38.7% y.o.y., up 1.2 p.p. against October.
- In November a new auction was conducted within the framework of the Bicentenary Productive Financing Program. On that occasion, \$480 million were auctioned, out of which \$450 million were awarded. Thus, total awards since the beginning of the program have reached \$5.58 billion. Meanwhile, total disbursements edged up \$3.75 billion. In turn, within the framework of the “Credit line for productive investment” (Communication A 5319), financial institutions would have disbursed loans for approximately \$9.50 billion from July to November, an amount equivalent to 64% of loans to be granted.
- The liquidity ratio in local currency (defined as the addition of cash in bank vaults, institutions’ current account with the Central Bank, net repos with the Central Bank in terms of deposits) fell to 34.5%, 0.3 p.p. lower than the value of October. This decrease was noticeable in a context in which the growth rate of lending to the private sector exhibited acceleration.
- In November short-term borrowing interest rates in private banks continued recording an upward trend. In the wholesale tranche, BADLAR at private banks –interest rate for deposits at up to \$1 million or more and at 30-35-day maturity – reached 15.3% on average, increasing 0.4 p.p. in the month. In the retail segment, the interest rate for term deposits (up to \$100 thousand to 35 days) in private banks recorded a similar monthly rise, 13% on average.
- Lending interest rates showed a dissimilar performance. The interest rate for current account overdrafts stood at 21.6%, while unsecured promissory notes averaged 18.1% in November, with marginal increase in both cases. In turn, interest rate for pledge-backed loans fell 0.8 p.p. and averaged 19.7% in the month, accumulating a 5.4 p.p. drop so far in 2012.
- Excluding issuances aimed at financing infrastructure works, the placing of financial trust reached in November the highest peak level of the last few years, amounting to \$1.50 billion, 45% above the issuances recorded in October. The main trustors were mutual associations, cooperatives, non-bank issuers of credit cards, financial entities, and retailers.

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

Chart 2.1



2. Monetary aggregates¹

In November, the broadest monetary aggregate in pesos (M3²) increased 2.6% (see Chart 2.1) amounting to a monthly average balance of \$692.78 billion. Fostered by private sector time deposits, M3 exhibited a y.o.y. growth of 35.1%, 1 p.p. higher than in October.

Loans in pesos to the private sector continued explaining most of the increase in private M3³, as it has been evidenced since mid-year (see Chart 2.2). In terms of demand, M3 components exhibited increments in means of payment (private M2) and time deposits.

Time deposits recorded a monthly increase of 3.2%, which proved to be similar to that recorded in October (see Chart 2.3). The breakdown by amounts evidenced a rise in deposits belonging to the wholesale segment of \$1 million and more (3.6%), as well as in those of less than \$1 million (2.7%) (see Chart 2.3). In year-on-year terms, the growth of time deposits stood at 50.6%, remaining at historically high values.

As regards the foreign currency segment, the monthly average balance of total deposits posted an increase of 3.1%, with a rise in deposits belonging to the public sector that more than compensated the fall in the private sector. It is worth noting that, as a result of the prudential policies introduced in recent years, the Argentine financial system records a very limited foreign currency mismatching, so that there was no difficulty in returning all the deposits that were required.

Finally, the broadest aggregate, M3*, which includes cash held by public, settlement checks and total deposits in pesos and in foreign currency (stated in pesos) posted an increase of 3.3% over the month.

Chart 2.2

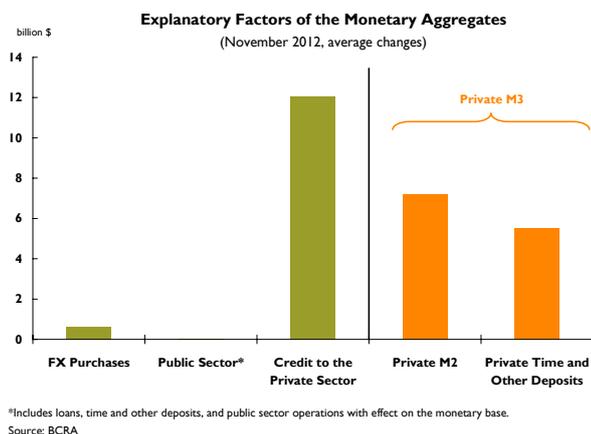
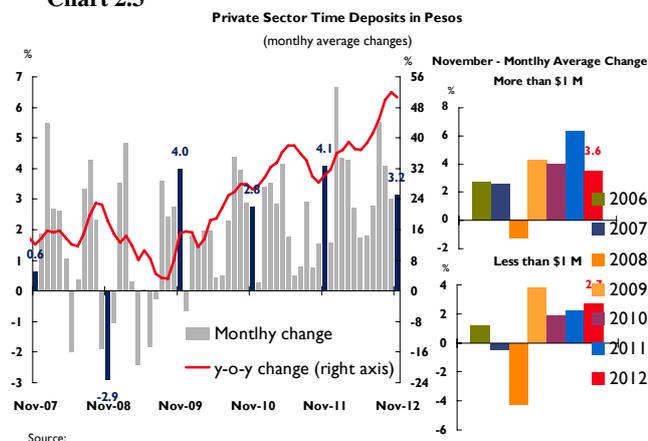


Chart 2.3



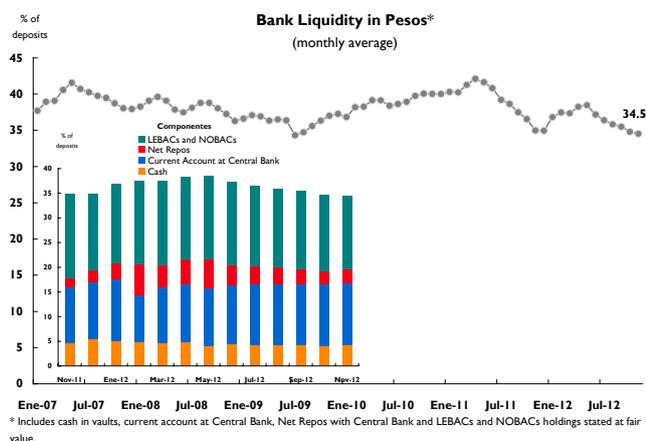
3. Bank Liquidity¹

Within a context where lending to the private sector accelerated its growth rate, the liquidity ratio (calculated as the sum of cash at banks, bank current accounts at the Central Bank, net repos with the Central Bank and Lebac and Nobac holdings, in terms of deposits) declined 0.3 p.p. vis-à-vis October. The drop was observed in longer-term assets (Lebac and Nobac) and was partially compensated by the remaining components

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

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

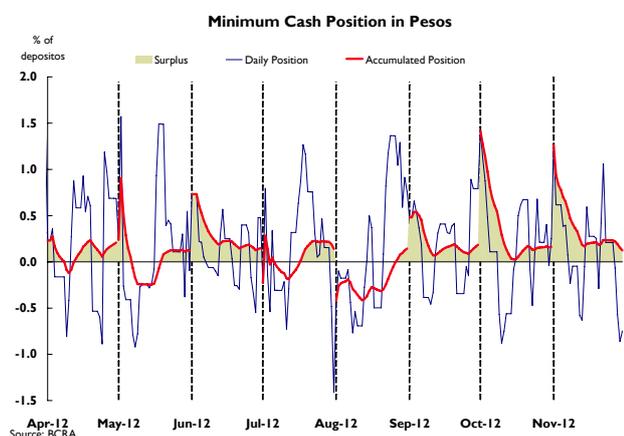
Chart 3.1



of bank liquidity. Thus, the liquidity ratio averaged 34.5% (see Chart 3.1).

Financial institutions would have recorded an excess position of minimum cash requirements at the end of the month equivalent to 0.2% of total deposits in pesos (see Chart 3.2). When analyzed by groups, both public and private banks would have met the requirement. November was the second month since the new minimum reserve requirement regime became effective, aimed at fostering financial services in areas with lower economic potential and population density. In December, coefficients and the limit on eligible cash⁴ deduction will continue declining on a gradual basis. Moreover, there will be an additional reduction in reserve requirements on the basis of the participation of loans to micro, small and medium-sized enterprises (MiPyMES) in the total amount of loans granted to the private sector.

Chart 3.2

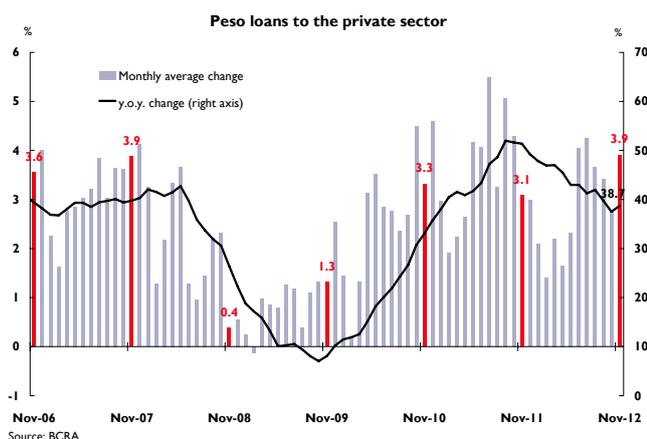


Concerning the foreign currency segment, the liquidity ratio averaged in November 89.4%. This means a 3.5 p.p. rise against October, which is mainly explained by the settlement of loans in foreign currency.

4. Loans^{1 5}

Loans in pesos granted to the private sector recorded in November an increase of 3.9% (\$12.30 billion), accelerating their monthly growth rate after the moderate growth pace observed over recent months (see Chart 4.1). The growth exhibited in November was one of the highest recorded over 2012 and in the same month of previous years. This led to stopping the y.o.y. rate of change which had been showing a slowdown since the end of the previous year, standing at 38.7%, up 1.2 p.p. against October.

Chart 4.1

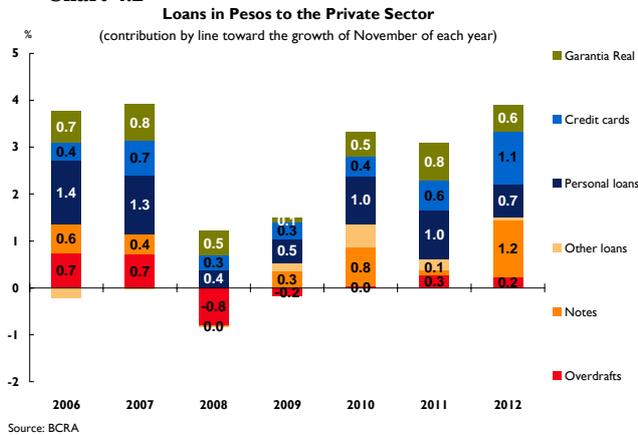


All credit lines exhibited an increase, although those instrumented through promissory notes and the ones aimed at financing consumption led the monthly rise. When analyzing the contribution of each line to the monthly increase, it can be seen that financing arranged through notes made the greatest contribution (1.2 p.p.), above the value observed in previous years. Second place goes to credit cards, which also contributed to the monthly increase to a greater extent than in previous years. In turn, personal loans showed a contribution

⁴ “Eligible cash” shall mean the cash used by financial institutions to meet minimum reserve requirements in March this year; and which as from April, may be deducted from the requirement in pesos.

⁵ Monthly changes for loans are adjusted for accounting movements mainly as a result of transfers of loans in bank portfolios to financial trusts.

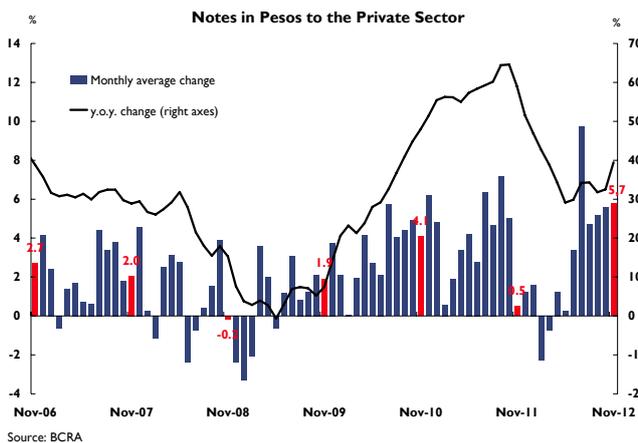
Chart 4.2



similar to that recorded in previous years (see Chart 4.2).

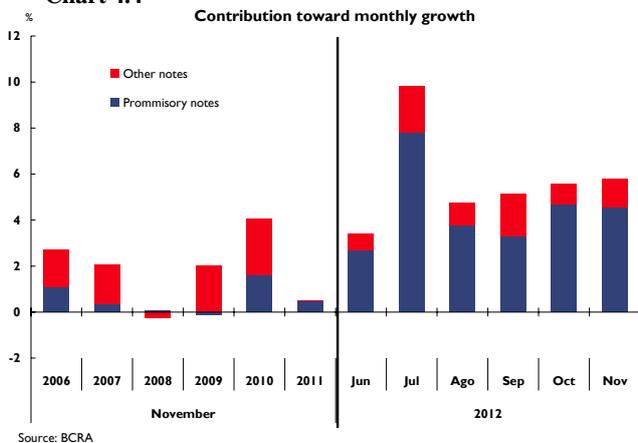
Concerning loans to finance commercial activity, overdrafts rose 1.6% (\$710 million) after recording a decrease in October. When analyzed by type of overdraft, it can be seen that those made in current accounts as well as “Other overdrafts” posted an increase, contributing to a rise in the credit line on a similar basis.

Chart 4.3



In turn, financing arranged through notes maintained a high expansion pace, with a rise in November of 5.7% (\$3.81 billion). This increase was similar to that of October and the highest of the last years for November, giving rise to a new acceleration in the y.o.y. rate of change, 6.9 p.p. up to 39.4% (see Chart 4.3). As the case has been since June, the contribution to the monthly growth of promissory notes continued being higher than the remaining notes, a performance which is not observed in the same month of previous years (see Chart 4.4). At least two factors would continue boosting promissory notes. On the one hand, they concentrated most of the loans that were previously channeled to the foreign currency segment. On the other hand, loans related to the Bicentenary Credit Line and “Credit Lines for Productive Investment” (granted within the framework of Communication A 5319).

Chart 4.4

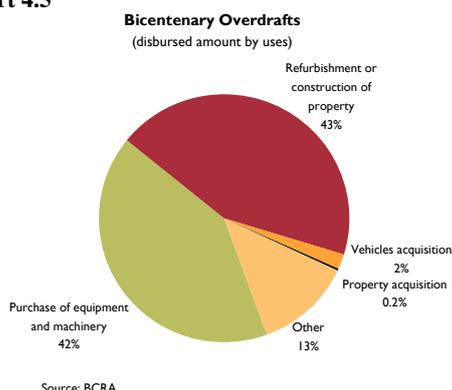


In November a new auction took place under the Bicentenary Productive Financing Program (PFPB). On this occasion, the auctioned amount reached \$480 million, out of which \$450 million were awarded. Hence, the total amount allocated since the start of the program has reached \$5.58 billion. Meanwhile, total disbursements amounted to \$3.75 billion, representing around 67% of total awards. When analyzing disbursements by purpose, it may be seen that the funds granted under the program have mainly been used to purchase machinery, equipment and other capital goods, and to build and refurbish property. As a whole, such purposes concentrate 85% of total funds disbursed under the program (see Chart 4.5).

Concerning loans aimed at financing households’ consumption, personal loans recorded in November a rise of 3.3% (\$2.30 billion), keeping their monthly expansion pace relatively stable. In turn, financing arranged through credit cards posted an increase of 6.9% (\$3.49 billion), the highest of the last years for November (see Chart 4.6).

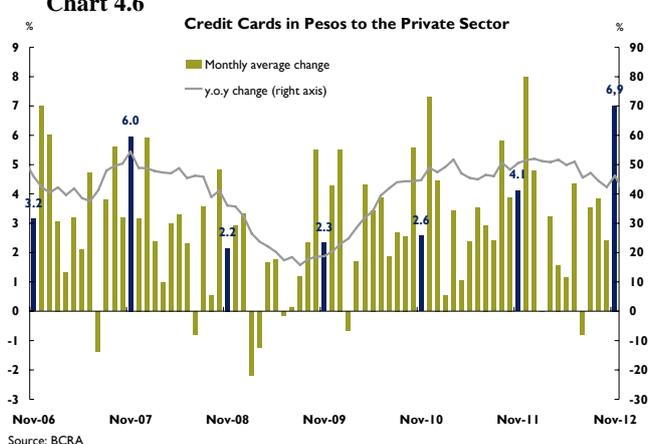
Within the framework of “Credit Lines for Productive Investment” (Communication A 5319), from July to November, financial institutions would have disbursed

Chart 4.5



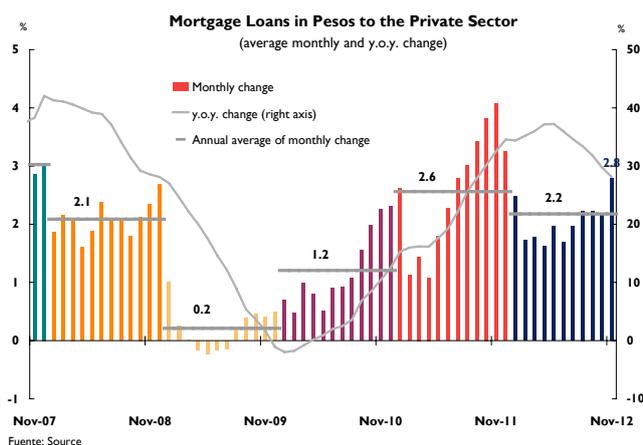
around \$9.50 billion, an amount equivalent to 64% of loans to be allocated. In addition, as boosted by the benefits of this credit line, loans with real collateral outgrew the values recorded in previous months. In effect, mortgage loans accelerated their monthly expansion pace against the performance they had been exhibiting during previous months. In November, they recorded a growth of 2.8% (\$900 million), which was the highest in the year (see Chart 4.7). By analogy, pledge-backed loans continued raising their monthly growth rate, exhibiting in November an increase of 4,3% (\$880 million).

Chart 4.6



Loans granted by financial institutions through leasing⁶ contracts have been showing in previous months an upward trend. In effect, according to last available data, financing arranged through leasing transactions posted an increase in October of 3% (\$190 million; see Chart 4.8), accumulating in the last three months a rise of 5.6% (\$350 million). The incipient momentum that have been exhibited by these loans would be driven by the “Credit Lines for Productive Investment” (Communication A 5319), since a portion of these loans would be channeled through leasing transactions.

Chart 4.7

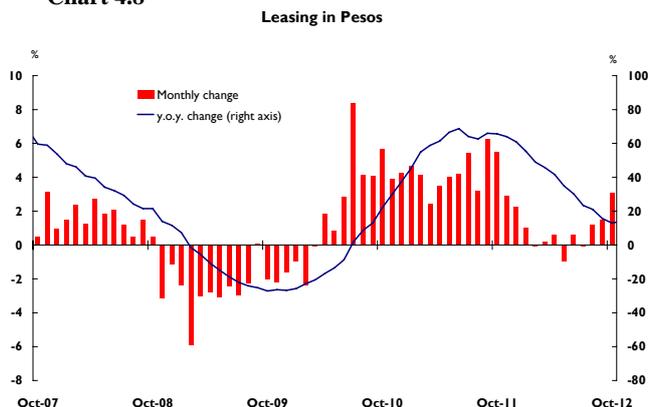


Loans in foreign currency to the private sector, mainly for export prefinancing purposes, recorded a drop of 4.8% (US\$280 million) in the month and 42.6% y.o.y. However, since mid-August the daily falling pace has been exhibiting a decreasing trend. In fact, the daily average reduction that in July reached around US\$44 million, decreased to about US\$24 million in August-September, to US\$14,5 million in October, and to an amount close to US\$8 million in November (see Chart 4.9). Such slowdown took place in a context of stabilization in the falling pace of deposits in foreign currency and stability in the interest rate for promissory notes (the main credit line which represents around 80% of total loans in foreign currency).

Concerning the foreign currency segment, when breaking down loans by economic activity, it is observed that most resources were channeled to the manufacturing industry and the primary production sector, both sectors concentrating over 80% of the total. Last available data shows that loans in foreign currency to such productive sectors continued falling in September. Such performance reflects a sharp contrast to the behavior recorded in the peso segment, exhibiting substitution of loans in foreign currency for financing in

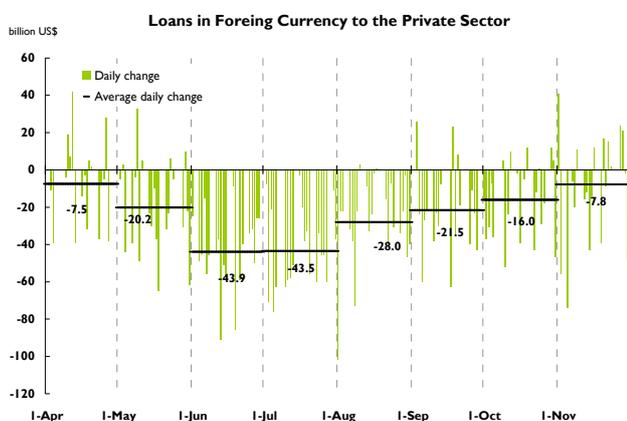
⁶ It includes the value of the capital goods (either personal or real property) rented to a third party, and specially purchased by the institution on their behalf, and for which the leaseholder pays a price on a regular basis throughout the previously agreed upon term, while being able to exercise the unilateral right to a purchase option by paying the residual value previously set forth. Information based on end-of-month data.

Chart 4.8



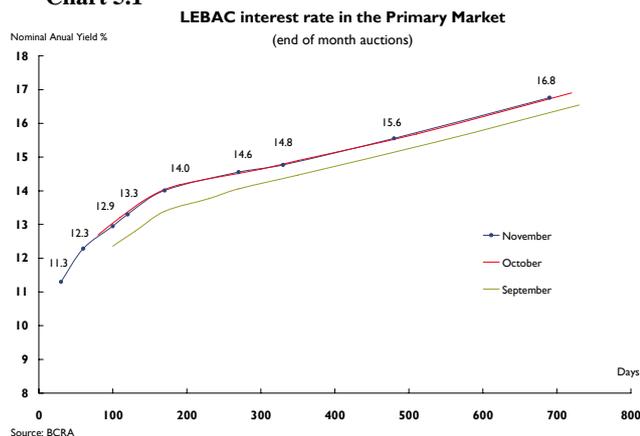
Source: BCRA

Chart 4.9



Source: BCRA

Chart 5.1



Source: BCRA

pesos. In fact, loans in pesos channeled to the manufacturing industry and the primary production sector recorded a significant hike over the second and third quarters. In particular, from June to September these loans grew 16.5% (\$ 4.80 billion) and 14.8% (\$ 6.40 billion), respectively, posting a growth of 49% y.o.y. and 44% in each case.

5. Interest rates ⁷

Central Bank securities ⁸

In November, interest rates on Central Bank security auctions remained relatively stable. In this context, LEBACs continued to concentrate most of the amount allocated with no changes recorded in interest rates. Securities issued over the month featured shorter terms. The interest rate on the LEBAC with the shortest term, i.e. a 30-day term, stood at 11.3%, while the one that corresponded to 700-day term reached 16.8% (see Chart 5.1). In turn, cut-off interest rates on NOBACs rose 0.2 p.p., in a period when only one issue was recorded for this type of instrument in the primary market.

Following the trend recorded over the last 12 months, LEBAC issues once again exceeded maturities and the monthly average nominal stock rose 2.1% (\$1.54 billion) reaching \$75.37 billion. Meanwhile, the amount allocated of NOBACs was scarce (reaching \$10 million), an amount lower than the one maturing; therefore, the stock of BCRA notes continued to decrease until reaching \$15.48 billion (see Chart 5.2). Thus, the monthly average nominal stock of Central Bank securities fell to \$90.85 billion, explained by a drop in public bank holdings.

In the secondary market, LEBAC interest rates recorded slight increases, the ones with shorter terms evidencing spreads between maximum and minimum interest rates close to 1 p.p., (see Chart 5.3); moreover, LEBACs daily average traded volume reached \$800 million, increasing \$90 million against the previous month. In turn, and in line with the performance recorded in the primary market, NOBACs traded volume continued to drop and stood at a daily average of \$25 million.

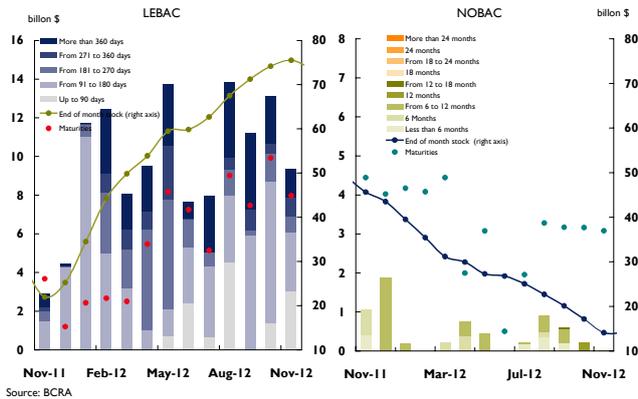
Central Bank repo transactions ¹

In November, interest rates on repo transactions of the Central Bank remained unchanged. Indeed, in the case of reverse repos, interest rates stood at 9% overnight and

⁷ Interest rates mentioned in this section are expressed in annual nominal rates (TNA).

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

Chart 5.2
Amount allocated of Central Bank Bonds in the Primary Market



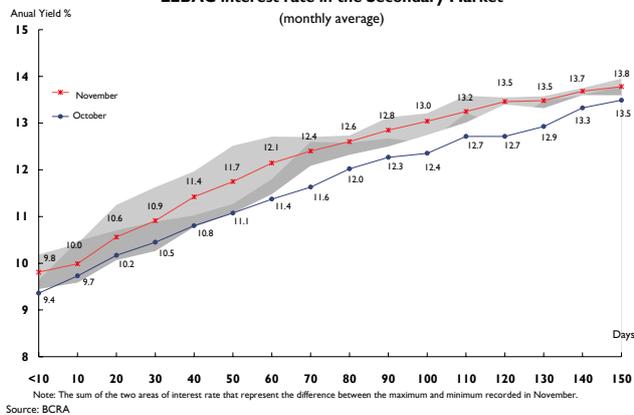
9.5% at seven days; whilst in the case of repo operations they remained at 11% overnight, and 11.5% at seven days.

The monthly average stock of reverse repos in all rounds where this institution participates rose 3.6% standing at \$17.75 billion, as a result of the performance recorded by interbank transactions.

Call money market¹

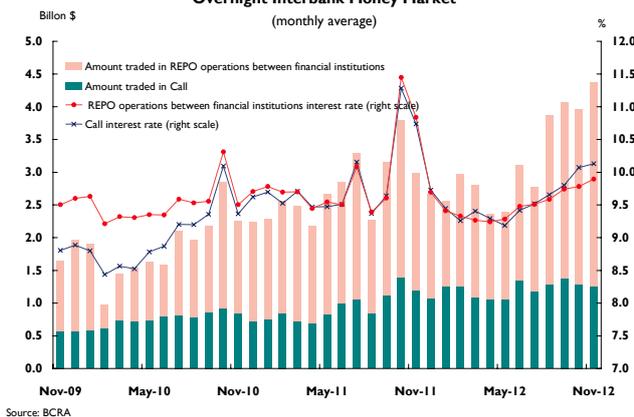
Interest rates on the call money market continued evidencing a slight growing trend. The average interest rate on overnight transactions amongst financial institutions on the secured market (REPO round), which concentrated the higher number of transactions, stood at 9.9%, whereas interest rates on the unsecured market (call) for the same segment of operations stood at 10.1% (see Chart 5.4).

Chart 5.3
LEBAC interest rate in the Secondary Market (monthly average)



Thus, the spread between both interest rates remained unchanged, a situation observed since October. This performance took place in a context where the call market exhibited a greater demand of funds requested by Non-Bank Financial Institutions (NBFI), mainly institutions with assets aimed at granting pledge-backed loans (see Chart 5.5). These institutions, that have access to resources at an interest rate 1 p.p. higher than that of the market average, recorded a creditor position of \$200 million in November (see Chart 5.6), with resources coming from foreign and local private institutions mainly.

Chart 5.4
Overnight Interbank Money Market (monthly average)



In turn, the traded amount remained relatively stable, around \$1.4 billion, whereas in the REPO round, it increased \$440 million until reaching \$3.1 billion, where the performance of public banks as offerers of funds stood out.

Borrowing rates¹

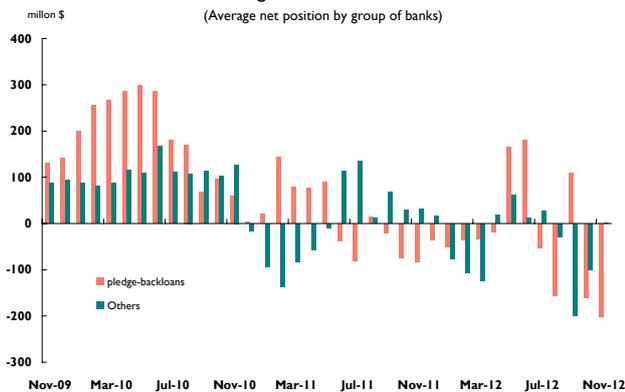
In November, short-term interest rates paid by private financial institutions recorded monthly increases, continuing with the upward trend that started in June.

Thus, the BADLAR of private banks –interest rate on time deposits of \$1 million or more, and up to 30-35-days– averaged 15.3% in November, recording a 0.4 p.p. monthly rise. However, the BADLAR is still 3.5 p.p. below the level observed in December 2011 (see Chart 5.7).

Regarding the BADLAR futures market, the traded amount was below the level observed in October, when

Chart 5.5

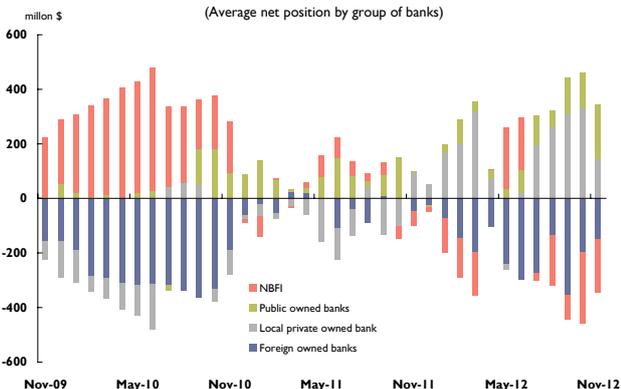
Non Banking Financial Institutions in Call
(Average net position by group of banks)



Source: BCRA

Chart 5.6

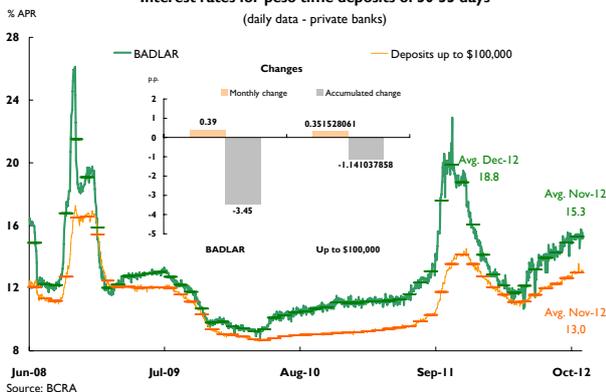
Call money market
(Average net position by group of banks)



Source: BCRA

Chart 5.7

Interest rates for peso time deposits of 30-35 days
(daily data - private banks)



Source: BCRA

a peak was recorded. Like in previous months, transactions concentrated on short-term instruments (with a maturity of up to 2 months in November). Monthly average of interest rates on contracts maturing at the end of November stood at 15.3%, 0.1 p.p. below the same maturity traded in October.

Meanwhile, in the retail segment, the interest rate paid by private banks on their time deposits (of up to \$100,000 and up to 35 days) recorded a monthly increase of 0.4 p.p., averaging 13% in November. Thus, since May it has accumulated an increase close to 2 p.p..

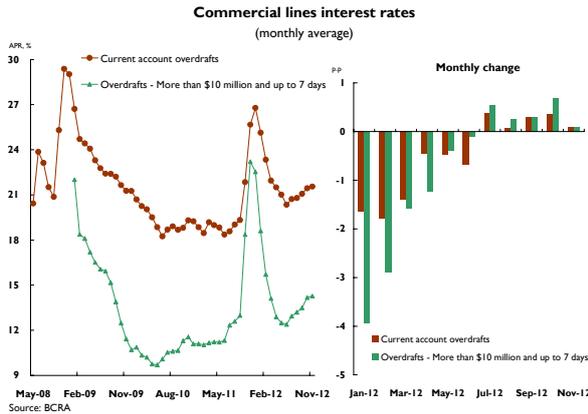
Lending rates¹⁹

Concerning interest rates on loans, some moderation was observed in the increase of the interest rate on current account overdrafts, which rose 0.1 p.p. in the month. In this regard, average of the interest rate of total current account overdrafts to the private sector stood at 21.6%, whereas that of overdrafts to companies for amounts of more than \$10 million and up to 7 days stood at 14.3% (see Chart 5.8). In turn, interest rates on discounted documents rose 0.4 p.p. above the level observed in October, averaging 19%. Meanwhile, the interest rate on unsecured promissory notes recorded a monthly increase of 0.2 p.p., after falling in September and remaining unchanged in October. Thus, in November, the monthly average of the interest rate of unsecured promissory notes stood at 18.1% (see chart 5.9). It should be noted that this line, as in the case of pledge-backed loans and mortgage loans, includes a portion of loans belonging to the “Credit Line for Productive Investment” and loans granted within the framework of the Bicentenary Productive Financing Program (PFPB), which have gained share in the amounts traded over the last few months. These loans are granted at relatively lower interest rates and longer terms; therefore, the segment with longer terms shows a higher participation (see Chart 5.10).

In turn, the interest rate on pledge-backed loans continued the downward trend that started at the beginning of the year. In November, it averaged 19.7%, falling 0.8 p.p. and thereby, accumulating a 5.4 p.p. drop over the year. In terms of household mortgages, the monthly average of the interest rate stood at 16.3%, increasing 0.2 p.p. against the average recorded in October. Meanwhile, the interest rate on personal loans averaged 33.7%, increasing 0.1 p.p. over the month (see Chart 5.10).

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

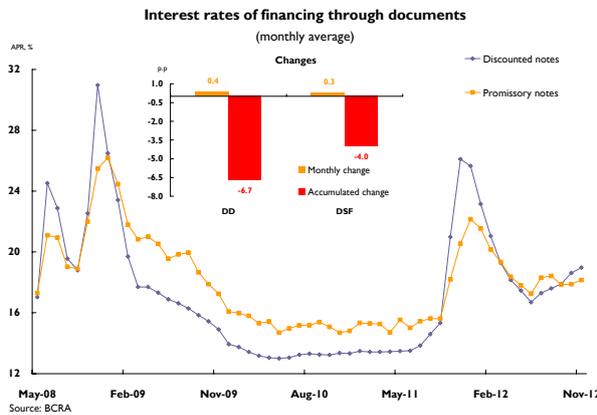
Chart 5.8



International reserves and foreign exchange market¹⁰

International reserves remained relatively stable in November, reaching a balance of US\$45.24 billion on the last day of the month, (see Chart 6.1). This was the result of several factors. On the one hand, those accounting for an increase in reserves, like minimum cash requirements and foreign currency purchases by the Central Bank on the Single Free Exchange Market (MULC); and on the other hand, those accounting for a drop in reserves, mainly, the use of the National Treasury accounts with the Central Bank in order to pay public debts in foreign currency.

Chart 5.9



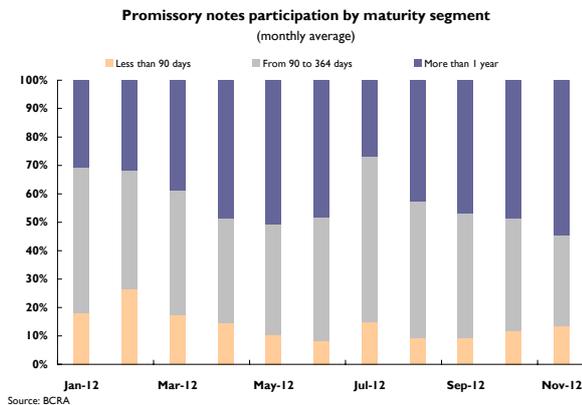
Regarding the foreign exchange market, the peso depreciated against the US dollar and the Euro, whereas it appreciated against the Real. Average exchange rates were 4.8 \$/US\$, (1.4% higher than in October), 6.16 \$/Euro (0.3%) and 2.32 \$/Real (-0.5%), respectively. On the futures market (ROFEX) daily average trading volumes stood at \$893 million, down 15% against the previous month. In turn, through contracts executed in this market, there were no changes recorded in the exchange rates expected for the coming months (see Chart 6.2).

7. Capital markets⁹

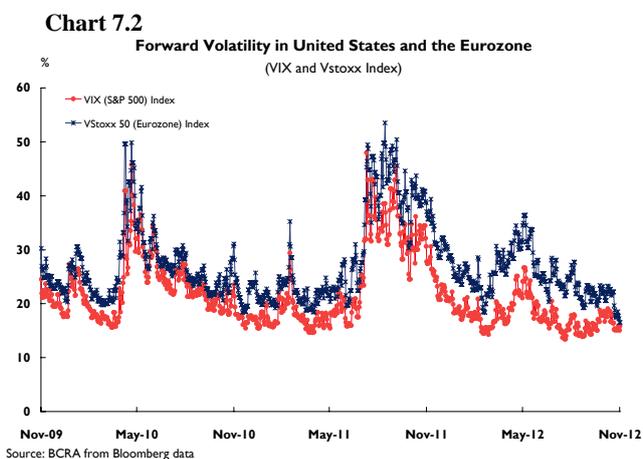
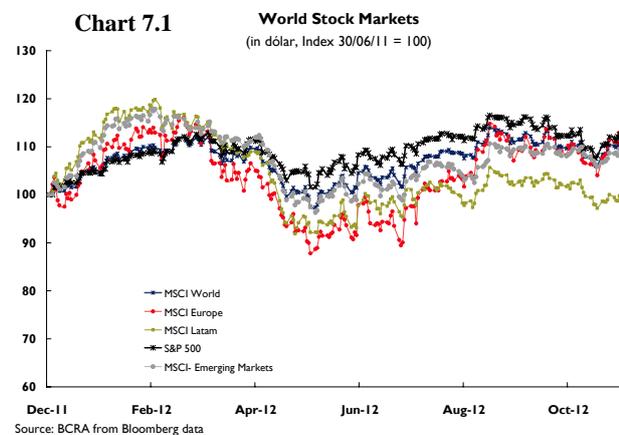
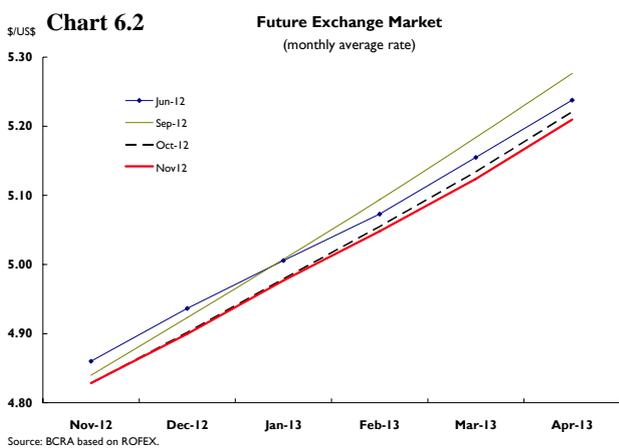
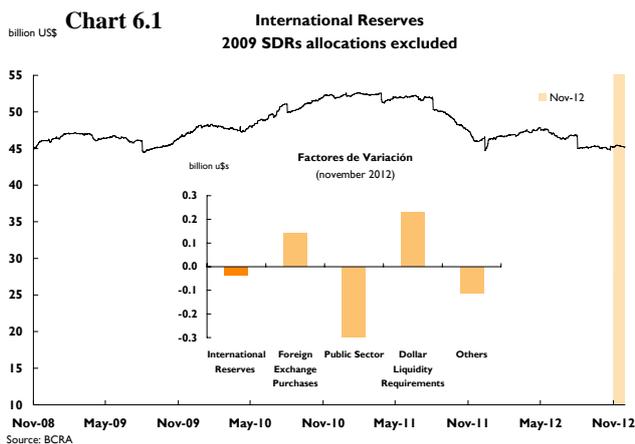
Like in October, international financial markets continued trading with caution during November, conditioned by a delayed agreement among Greece, the European authorities and the IMF (which was finally reached at the end of the month), coupled with negative economic estimations and available data for Europe. Moreover, in the United States, investors focused on negotiations related to the potential fiscal adjustments expected early next year.

Even though over the last few weeks leading central banks have not taken any political measures as relevant as those implemented in previous months, the measures undertaken by Japanese and Brazilian authorities are worth mentioning. The Bank of Japan launched the *Loan Support Program*, supplementing the already in place *Growth-Support Funding Facility* with the *Stimulating Bank Lending Facility*. Both lines grant long-term funds at low interest rates to the financial system; and their difference lies in their funding limit (¥

Chart 5.10



¹⁰ In this section, all figures are end of month data unless otherwise stated.



5.5 trillion and no limits whatsoever, respectively) and in the beneficiaries of such funds. In turn, the Central Bank of Brazil actively participated in swaps to avoid an excessive depreciation of the Real.

It is within this international context that local assets evidenced some volatility as a result of lawsuits in relation to the Argentine sovereign debt restructuring process filed by Vulture Funds in NY courts.

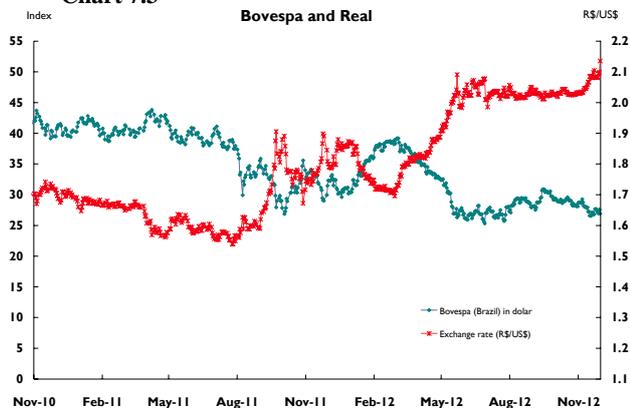
Equity

Leading stock exchange indexes ended the month with an upward trend. At an international level, the Global MSCI hiked once again, rising 1.1%. European markets, also measured by the MSCI index, continued with the upward trend recorded as of mid-year, posting the greatest hike of the month, 3.1%. In turn, the S&P 500 (main index for the US market) posted a 0.3% profit (see Chart 7.1). Expected volatility levels continued contracting in Europe, closing the existing gap with American markets. In fact, the index that measures the volatility of the Stoxx 50 (the reference index for the Euro Zone markets) declined again, falling 1.4 p.p. until reaching a monthly average of 20.4%. Meanwhile, expected S&P 500 volatility as measured by the VIX index, barely increased 0.3 p.p. until reaching 16.7% (see Chart 7.2).

In this context, emerging equity markets, as measured by the MSCI index, rose 1.2%. The exception to this performance was the MSCI Latin America index which once again dropped, in this case, 1.8%. However, results varied over the region. On the one hand, the Bovespa (Brazil) dropped 4.2% in dollars, exclusively as a result of local currency depreciation that exceeded the threshold of 2.03 Real/US Dollar observed since July (see Chart 7.3). Moreover, the IGBVL (Peru) and the IGPA (Chile) decreased 2.9% and 2.8% respectively, as a result of the decline observed in the local currency indexes. On the other hand, the Mexican market, as measured by the IPC index, grew 1.5% against the previous month, as a result of an increase in both the local currency index and its price.

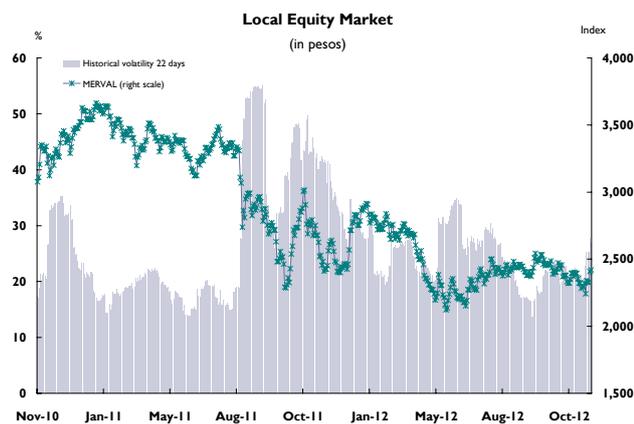
In the local market, the price of the Argentine variable income, as measured by the Merval index, recovered over the month and gained 2.6% in dollars as a result of an improvement in the local currency index (4.1%), due to the good performance recorded over the last week of the month. Equity performance was heterogeneous in the local market within a context where volatility levels posted an upward trend (see Chart 7.4). The main increases were recorded in instruments from banks,

Chart 7.3



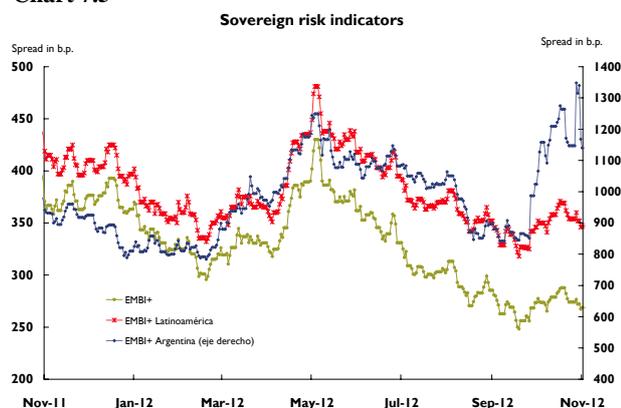
Source: BCRA from Bloomberg data

Chart 7.4



Source: BCRA based on Bloomberg

Chart 7.5



Source: BCRA from Bloomberg data

whereas the main reductions were observed in instruments from the energy sector. The historical volatility of Merval increased, closing the month at around 27%. In turn, the volume traded on the Buenos Aires Stock Exchange remained at low levels, standing at \$26 million.

Sovereign bonds

In November, like in the previous month, emerging fixed income rates remained relatively stable. However, spreads between yields on US treasuries, as per the EMBI+ declined by 10 b.p., due to the increase recorded in the rate on US Treasuries (see Chart 7.5).

It is within this international context that local assets evidenced some volatility as a result of lawsuits in relation to the Argentine sovereign debt restructuring process filed by Vulture Funds in NY courts (see Chart 7.5). At the end of the month, the EMBI+ Argentina rose 74 b.p., and stood at 1,144 b.p., after recording levels close to 1,300 b.p. throughout the month.

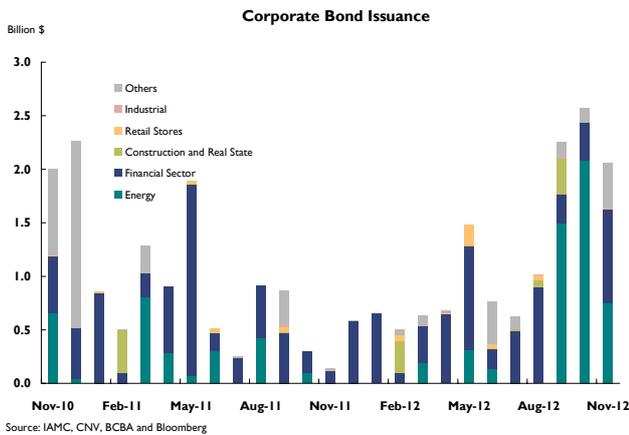
Corporate bonds

In November, the local corporate bond market continued showing a good performance with 21 issues, mainly in local currency, amounting to \$2.06 billion. Despite the fact that the values recorded are 20% below those posted in October, a peak in 3 years, it is still a historically high amount (see Chart 7.6).

Like in the previous two months, the performance recorded in November was influenced by one YPF issue that allocated \$750 million with a term just over 4 years. The oil company continues to be a key player in the debt market, where it has allocated \$4.27 billion so far this year (32% of the total). Likewise, after two months featuring low issue levels, the Financial Institutions sector met its financing needs with \$752 million, led by the performance recorded by Non-Bank Financial Institutions, with placements for \$486 million. Finally, the performance recorded by the food and beverages sector, represented 20% of the total amount, as a result of the issue made by Molinos Río de la Plata.

Throughout the month, the financing cost rose in the case of variable rate issues, although at a lower pace than that recorded in October. The cut-off interest rate of securities in pesos awarded at a variable rate (Arg BBB+ rating or over, and a maturity below 5 years) stood at 19.4%, recording a monthly increase of 0.4 p.p.; meanwhile, the average cut-off interest rate on issues at

Chart 7.6

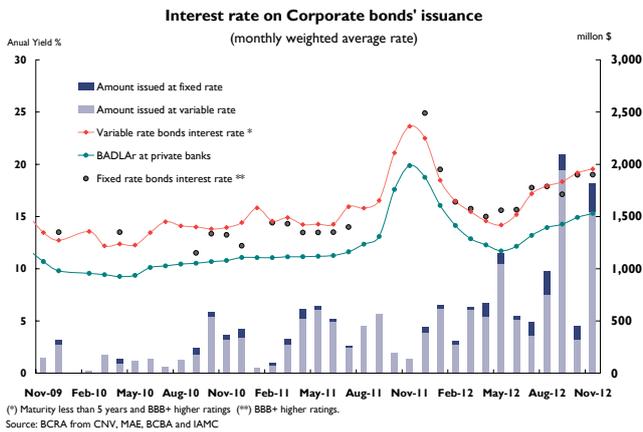


a fixed rate (over Arg BBB+ rating) stood at 19% (see Chart 7.7).

Mutual funds

Following the sharp rise recorded in October, the equity of mutual funds (FCIs), in pesos and in foreign currency, fell slightly in November. At the end of the month it stood at \$44.76 billion, down 0.7% (\$320 million) against the balance recorded the previous month. FCIs in pesos, accounting for 95% of total equity, dropped 0.9% as a result of the performance recorded by Money Market funds (see Chart 7.8).

Chart 7.7

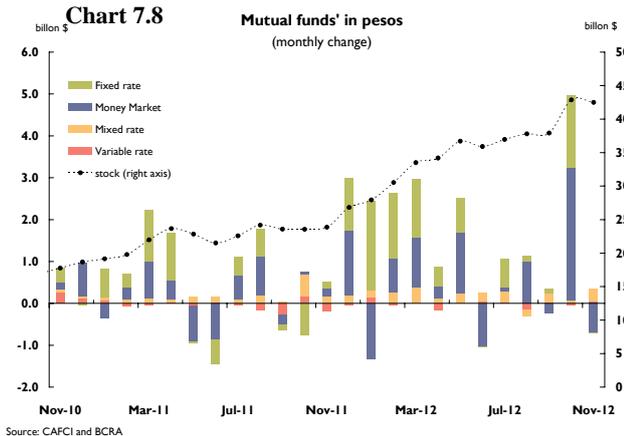


After the increase recorded in October, the equity of Money Market funds dropped 4.2% (\$720 million), due to unit share redemptions. This performance was partly offset by funds investing in mixed income, which posted an increase of 6.1% (\$310 million), and variable income funds which rose 4% (\$40 million). Meanwhile, fixed income funds remained stable throughout the month.

Variable income funds topped the monthly ranking with a return of 4.3%, in line with the performance recorded in the local equity market. At the same time, mixed and fixed income funds recorded earnings of 1.5% and 1.3% respectively (see Chart 7.9).

With a low impact on total equity performance, FCIs in foreign currency grew 0.5% (US\$2 million), amounting to US\$470 million. Mixed and variable income funds accounted for the whole increase.

Chart 7.8



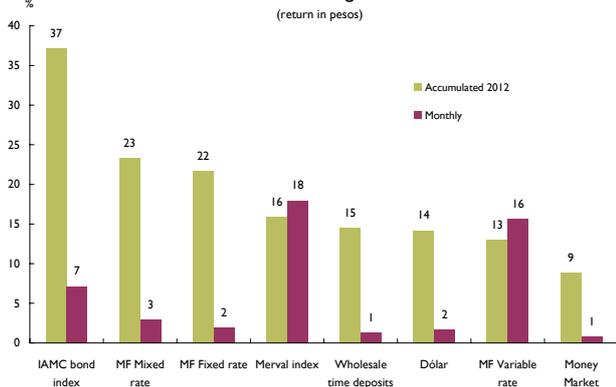
Financial trusts¹¹

In November, the issues of Financial Trusts (FTs) totaled \$1.53 billion, with no records of issues aimed at funding infrastructure work (see Chart 7.10). Such amount turned out to be the highest of the last few years, comparable to the one of December 2011, excluding issues aimed at funding infrastructure projects. In turn, there was a monthly increase of 45% out of total issues, a growth partly due to the moderate level of issues and transactions carried out in October (\$1.05 billion in 12 transactions). Thus, November issues stood notably above the average of the January-November 2012 period, close to \$1.1 billion.

The main trustors were mutual associations, cooperatives and non-bank issuers of credit cards with issues for \$600 million; thus, more than doubling the amount issued in October. In November, financial

¹¹ Only publicly traded financial trusts are considered.

Chart 7.9 Estimate Yield for Argentina Assets

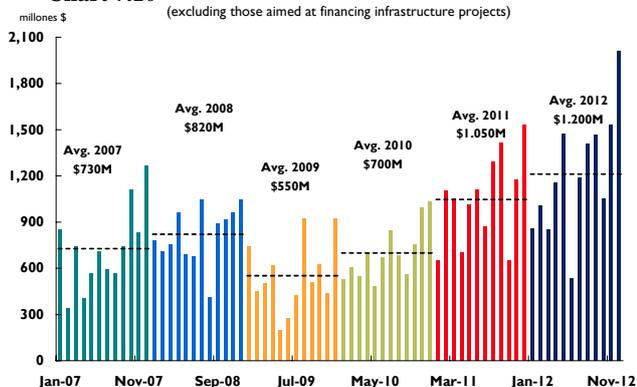


Source: BCRA

institutions securitized \$560 million, recording a monthly increase of 70%. In turn, retailers issued \$330 million, an amount slightly below the one recorded in October. The rest is an issue of selected PyMES related to agricultural production, which securitized bills of exchange for about \$25 million.

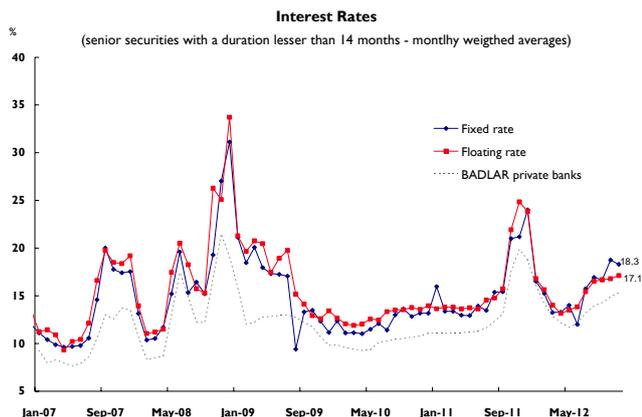
The cut-off interest rates on senior securities in pesos with variable yield were in line with the development of BADLAR at private banks (see Chart 7.11). In fact, the cut-off rate (weighed average per amount) on securities with variable yield recorded a slight rise (0.3 p.p.) against October, standing at 17.1%. In the segment for fixed income, the cut-off rate (weighed average per amount) stood at 18.3 %, falling 0.4 p.p. It should be noted that only four transactions were recorded under this scheme.-

Chart 7.10 Financial Trust Issues (excluding those aimed at financing infrastructure projects)



Source: BCRA based on CNV data

Chart 7.11 Interest Rates



Source: BCRA based on CNV data

8. Monetary and financial indicators

Figures in millions, expressed in their original currency.

Main monetary and financial system figures	Monthly average				Average change in percentage	
	Nov-12	Oct-12	Dec-11	Nov-11	Monthly	Last 12 months
					Nominal	Nominal
Monetary base	271,961	265,214	210,100	196,055	2.5%	38.7%
Currency in circulation	207,564	203,874	165,181	152,703	1.8%	35.9%
Held by public	186,412	183,928	144,288	135,323	1.4%	37.8%
Held by financial entities	21,150	19,943	20,891	17,377	6.1%	21.7%
Settlement check	2	2	2	0	5.0%	0.0%
BCRA current account	64,397	61,340	44,919	43,352	5.0%	48.5%
Repos stock						
Reverse repos	17,749	17,134	12,071	9,797	3.6%	81.2%
Repos	0	0	0	0	0.0%	0.0%
BCRA securities stock (in face value)	90,852	91,927	67,672	73,075	-1.2%	24.3%
<i>In banks</i>	<i>79,610</i>	<i>80,838</i>	<i>59,351</i>	<i>65,064</i>	<i>-1.5%</i>	<i>22.4%</i>
LEBAC						
In pesos	75,374	73,836	22,782	25,619	2.1%	194.2%
NOBAC	15,478	18,091	44,889	47,455	-14.4%	-67.4%
International reserves excluded 2009 SDRs allocations	45,316	45,076	45,983	46,465	0.5%	-2.5%
Private and public sector deposits in pesos ⁽¹⁾	506,363	491,369	382,886	377,382	3.1%	34.2%
Current account ⁽²⁾	138,935	128,611	106,893	100,636	8.0%	38.1%
Savings account	93,883	91,736	73,673	67,234	2.3%	39.6%
Not CER-adjustable time deposits	253,733	252,261	185,534	193,552	0.6%	31.1%
CER-adjustable time deposits	7	8	10	10	-6.1%	-27.3%
CEDRO adjusted by CER	0	0	0	0		
Other deposits ⁽³⁾	19,805	18,753	16,776	15,950	5.6%	24.2%
<u>Private sector deposits</u>	<u>353,834</u>	<u>343,576</u>	<u>262,112</u>	<u>251,725</u>	<u>3.0%</u>	<u>40.6%</u>
<u>Public sector deposits</u>	<u>152,529</u>	<u>147,793</u>	<u>120,774</u>	<u>125,657</u>	<u>3.2%</u>	<u>21.4%</u>
Private and public sector deposits in dollars ⁽¹⁾	9,320	9,043	13,158	14,145	3.1%	-34.1%
Loans to private and public sector in pesos ⁽¹⁾	358,336	346,161	268,587	261,682	3.5%	36.9%
<u>Loans to private sector</u>	<u>325,295</u>	<u>313,225</u>	<u>241,211</u>	<u>234,463</u>	<u>3.9%</u>	<u>38.7%</u>
Overdrafts	46,310	45,597	30,930	30,137	1.6%	53.7%
Promissory bills	70,433	66,620	51,144	50,534	5.7%	39.4%
Mortgages	33,302	32,398	26,835	25,989	2.8%	28.1%
Pledge-backed loans	21,190	20,311	16,397	16,180	4.3%	31.0%
Personal loans	73,415	71,334	58,115	57,169	2.9%	28.4%
Credit cards	54,093	50,571	39,942	36,990	7.0%	46.2%
Other loans	26,553	26,394	17,847	17,464	0.6%	52.0%
<u>Loans to public sector</u>	<u>33,041</u>	<u>32,936</u>	<u>27,377</u>	<u>27,219</u>	<u>0.3%</u>	<u>21.4%</u>
Loans to private and public sector in dollars ⁽¹⁾	5,641	5,924	9,607	9,893	-4.8%	-43.0%
Total monetary aggregates ⁽¹⁾						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	325,349	312,542	251,183	235,961	4.1%	37.9%
M2 (M1 + savings account in pesos)	419,232	404,278	324,857	303,195	3.7%	38.3%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	692,777	675,300	527,177	512,707	2.6%	35.1%
M3* (M3 + total deposits in dollars + settlement check in foreign currency)	737,474	718,072	583,612	572,978	2.7%	28.7%
Private monetary aggregates						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	281,750	275,472	218,627	207,473	2.3%	35.8%
M2 (M1 + private savings account in pesos)	368,151	360,927	288,231	271,347	2.0%	35.7%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	540,248	527,506	406,402	387,051	2.4%	39.6%
M3* (M3 + private total deposits in dollars + settlement check in foreign currency)	577,611	565,088	458,029	442,615	2.2%	30.5%

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	6,747	2.5%	14,175	5.5%	61,861	29.4%	75,906	38.7%
Financial sector	-440	-0.2%	1,161	0.5%	-2,872	-1.4%	-4,876	-2.5%
Public sector	4,655	1.8%	10,414	4.0%	32,786	15.6%	37,338	19.0%
Private external sector	614	0.2%	1,447	0.6%	42,176	20.1%	47,457	24.2%
BCRA securities	2,055	0.8%	1,596	0.6%	-8,791	-4.2%	-2,468	-1.3%
Others	-137	-0.1%	-443	-0.2%	-1,438	-0.7%	-1,545	-0.8%
International reserves excluded 2009 SDRs allocations	240	0.5%	101	0.2%	-667	-1.4%	-1,149	-2.5%
Foreign exchange market intervention	129	0.3%	307	0.7%	9,601	20.9%	10,835	23.3%
International financial institutions	-28	-0.1%	-121	-0.3%	-31	-0.1%	77	0.2%
Other public sector operations	1,120	2.5%	311	0.7%	-51	-0.1%	-1,192	-2.6%
Dollar liquidity requirements	553	1.2%	1,184	2.6%	274	0.6%	-234	-0.5%
Others (incl. change in US\$ market value of nondollar assets)	-1,535	-3.4%	-1,579	-3.5%	-10,460	-22.7%	-10,635	-22.9%

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 SISSEN Informative Regime.

Minimum Cash Requirement and Compliance

	Nov-12	Oct-12	Sep-12
	(1)		
Domestic Currency	% of total deposits in pesos		
Requirement	12.5	12.2	12.2
Compliance	12.6	12.4	12.4
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	63.3	63.4	62.2
30 to 59 days	24.4	22.8	24.5
60 to 89 days	7.2	7.7	6.2
90 to 179 days	3.4	4.3	5.4
more than 180 days	1.7	1.8	1.8
Foreign Currency	% of total deposits in foreign currency		
Requirement	20.1	20.1	20.0
Compliance (includes default application resource)	82.5	78.5	72.2
Position ⁽²⁾	62.5	58.5	52.1
<i>Residual time structure of term deposits used for the calculation of the requirement ⁽³⁾</i>	%		
Up to 29 days	52.1	53.2	55.1
30 to 59 days	22.3	22.0	22.4
60 to 89 days	10.2	10.2	9.3
90 to 179 days	13.4	12.1	10.8
180 to 365 days	1.8	2.3	2.3
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	Nov-12	Oct-12	Sep-12	Dec-11	Nov-11
Interbank Loans (overnight)					
Interest rate	10.24	10.18	9.91	9.99	10.96
Traded volume (million pesos)	1,422	1,387	1,491	1,126	1,216
Time Deposits					
<u>In pesos</u>					
30 days	13.05	13.25	11.89	14.74	14.62
60 days or more	15.02	14.46	13.45	16.50	16.33
Total BADLAR (more than \$1 million, 30-35 days)	12.93	12.91	11.60	14.76	15.84
Private Banks BADLAR (more than \$1 million, 30-35 days)	15.30	14.91	14.27	18.75	19.87
<u>In dollars</u>					
30 days	0.64	0.58	0.54	0.33	0.30
60 days or more	1.10	1.01	1.11	0.69	0.72
Total BADLAR (more than \$1 million, 30-35 days)	0.77	0.78	0.75	0.43	0.39
Private Banks BADLAR (more than \$1 million, 30-35 days)	0.95	0.95	0.86	0.63	0.56
Lending Interest Rates	Nov-12	Oct-12	Sep-12	Dec-11	Nov-11
Stock Repos					
Gross interest rates 30 days	15.13	15.02	14.89	15.98	17.89
Traded volume (all maturities, million pesos)	262	238	253	226	251
Loans in Pesos ⁽¹⁾					
Overdrafts	21.56	21.44	21.07	26.78	25.67
Promissory Notes	18.14	17.88	17.85	22.15	20.54
Mortgages	16.95	16.44	16.24	16.52	15.78
Pledge-backed Loans	19.63	20.50	20.96	25.10	23.10
Personal Loans	33.84	33.64	34.28	36.46	34.01
Credit Cards	s/d	34.16	34.62	33.15	31.96
Overdrafts - 1 to 7 days - more than \$10 million	14.28	14.18	13.49	22.56	23.21
International Interest Rates	Nov-12	Oct-12	Sep-12	Dec-11	Nov-11
LIBOR					
1 month	0.21	0.21	0.22	0.28	0.25
6 months	0.53	0.58	0.67	0.78	0.68
US Treasury Bonds					
2 years	0.26	0.27	0.25	0.25	0.25
10 years	1.64	1.72	1.70	1.96	2.00
FED Funds Rate	0.25	0.25	0.25	0.25	0.25
SELIC (1 year)	7.25	7.32	7.50	11.00	11.48

(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	Nov-12	Oct-12	Sep-12	Dec-11	Nov-11
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	9.35	9.27	9.29	9.13	9.60
7 days	9.51	9.51	9.50	9.56	9.91
Repo traded volumen (daily average)	12,516	10,459	9,299	8,454	7,811
Peso LEBAC Interest Rate¹					
1 month	11.30	s/o	s/o	s/o	s/o
2 months	12.34	s/o	s/o	s/o	s/o
3 months	12.88	12.44	12.33	s/o	13.97
9 months	14.56	14.21	14.10	s/o	14.08
12 months	s/o	14.93	14.51	14.26	14.27
Peso NOBAC with variable coupon Spread¹					
9 months BADLAR Private Banks	s/o	s/o	-1.99	s/o	s/o
1 year BADLAR Private Banks	s/o	-1.88	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)	809	716	662	378	497
Foreign Exchange Market	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12
Dollar Spot					
Exchange agencies	4.80	4.73	4.67	4.29	4.26
BCRA Reference	4.80	4.74	4.68	4.29	4.27
Future dollar					
NDF 1 month	4.91	4.82	4.75	4.36	4.40
ROFEX 1 month	4.87	4.80	4.73	4.33	4.30
Traded volume (all maturities, million pesos)	893	1,048	976	904	1,209
Real (Pesos/Real)	2.32	2.33	2.30	2.33	2.39
Euro (Pesos/Euro)	6.16	6.14	6.01	5.64	5.78
Capital Market	Nov-12	Oct-12	Sep-12	Dec-11	Nov-11
MERVAL					
Index	2,348	2,414	2,456	2,488	2,614
Traded volume (million pesos)	32	32	41	39	43
Governement Bonds (parity)					
BODEN 2015 (US\$)	116.08	120.82	122.68	98.40	97.05
DISCOUNT (US\$ - NY legislation)	97.15	108.83	103.11	81.40	88.50
BODEN 2014 (\$)	92.25	93.93	93.41	86.93	84.97
DISCOUNT (\$)	44.98	47.78	45.64	51.96	50.46
Country risk					
Spread BODEN 2015 vs. US Treasury Bond	1,502	1,121	1,090	980	1,033
EMBI+ Latin America (without Argentina)	356	336	358	409	415

¹ Corresponds to average results of each month primary auctions.

Glossary

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

APR: Annual percentage rate.

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

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

BODEN: Bonos optativos del Estado Nacional. Optional federal bonds

BOVESPA: Sao Paulo Stock Exchange Index (Brazil)

CAFCI: *Cámara Argentina de Fondos comunes de inversión*

CDS: Credit Default Swaps

CER: Coeficiente de Estabilización de Referencia. Reference Stabilization Coefficient

CNV: Comisión Nacional de Valores. National Securities Commission

CPI: Consumer Price Index

CPI GBA: Consumer Price Index for the Greater Buenos Aires metropolitan area

DISC: Discount Bond

EMBI: Emerging Markets Bonds Index

FCI: Mutual Funds

Fed: Federal Reserve

FTs: Financial Trusts

GBA: Greater Buenos Aires metropolitan area

GDP: Gross Domestic Product

IGBVL: Lima Stock Exchange Index (Peru)

IGPA: Santiago Stock Exchange Index (Chile)

LEBAC: *Letras del Banco Central.* BCRA Bills

LIBOR: London Interbank Offered Rate

M2: Notes and Coins + Current Accounts and Savings Accounts in \$

M3: Notes and Coins + Total Deposits in \$.

M3*: Notes and Coins + Total Deposits in \$ and US\$

MERVAL: *Mercado de Valores de Buenos Aires.* Buenos Aires Stock Exchange Index

MEXBOL: Mexico Stock Exchange Index

NDF: Non Deliverable Forward

NOBAC: Notas del Banco Central. BCRA Notes

NV: Nominal value

ONs: Corporate Bonds

PyME: Small and medium enterprises

ROFEX: Rosario Futures Exchange Rate Market

SAFJP: AFJP Superintendency

SELIC: Brazilian Central Bank's Benchmark Interest Rate

SISCEN: *Sistema Centralizado de Requerimientos Informativos.* BCRA Centralized Reporting Requirement System

S&P: Standard and Poor's 500 Index

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