

The Bond

Vigilantes

BLOG TEAM



ARGENTINA IN FOCUS

EMERGING MARKETS ARE NOT ALL THE SAME!

ONCE A WEALTH POWERHOUSE, ARGENTINA HAS ENDURED EVERY FINANCIAL CRISIS IMAGINABLE, SOMETIMES IN THE SAME WEEK.

WITH A NEW CHAINSAW-WIELDING PRESIDENT IN PLACE, WE EXPLORE ONE OF LATIN AMERICA'S MOST COLOURFUL DEBT ISSUERS.



CHARLES
EM FUND MANAGER

EVA
FUND MANAGER

CLAUDIA
EM FUND MANAGER



EDITION 3

THE ARGENTINE PARADOX

PERON, CRISIS & A DRAMA

A **MILITARY COUP** IN 1943 SAW ARMY OFFICER **JUAN PERON** TAKE HIS PLACE IN ARGENTINIAN HISTORY. WINNING POWER IN '46, RE-ELECTED IN '52 AND BACK AGAIN IN '73', HIS LEFT-LEANING POLITICS VEERED RIGHT AND THE COUNTRY WAS NEVER FROM CATASTROPHE. BUT HIS LEGACY ENDURES, INTERTWINING WITH THE WOMAN WHO STOOD BESIDE HIM... **EVITA**.

THE PARADOX IS AS PLAIN AS IT IS BAFFLING. ONE OF THE **10 WEALTHIEST COUNTRIES** IN THE WORLD (ADMITTEDLY IN 1910), ARGENTINA IS BLESSED WITH **RESOURCES, GEOGRAPHY AND AN EDUCATED POPULATION**. YET FOR 100 YEARS IT HAS STRUGGLED TO BREAK FREE FROM **FINANCIAL CRISIS**.

INFLATION

DEBT

TOU BILL \$659 \$2300

PAST DUE

EVA, LET'S NOT MAKE A DRAMA OUT OF THIS CRISIS...

LONDON, 1970

INTERESTING...



PERONISM

PERON'S POLITICS MAY HAVE SHIFTED TOWARDS POPULISM AND REPRESSION BUT THE ORIGINAL SOCIALIST IDEALS HAVE DOMINATED THE COUNTRY. DEFINED BY ITS SO-CALLED **THREE FLAGS**, SOCIOECONOMIC EQUALITY AND INCLUSIVE NATIONALISM LAY AT ITS HEART. WORKERS' RIGHTS AND EVA PERON'S FIGHT FOR WOMEN'S SUFFRAGE STAND OUT AS **EARLY MOMENTS OF PERONISM**.



IS IT ME OR ARE THEY STARTING TO LEAN TO THE RIGHT?

THE WORLD RECORD NO ONE WANTS

THE DEATH OF PERON IN '74 LED TO **CHAOS AND MILITARY RULE** BUT HAD THE PIVOTAL MOMENT ALREADY HAPPENED IN '52 WITH THE **DEATH** OF EVITA AND AN IDEA OF WHAT ARGENTINA COULD BE?

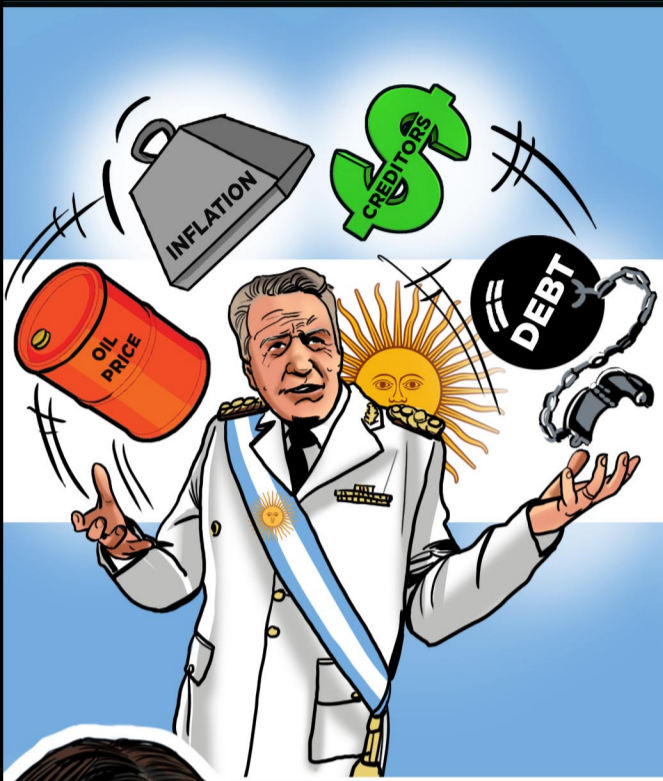
JUNTA MILITAR

REGARDLESS, IT'S BEEN A **ROLLER COASTER** SINCE THE 1920'S, WITH REVOLVING DOOR POLITICS AND **SPIRALLING DEBT** CULMINATING IN A RECORD **9 DEFAULTS**.

THE DEFAULT DEFaulTER

— ARGENTINA'S LOW POINTS IN FOCUS

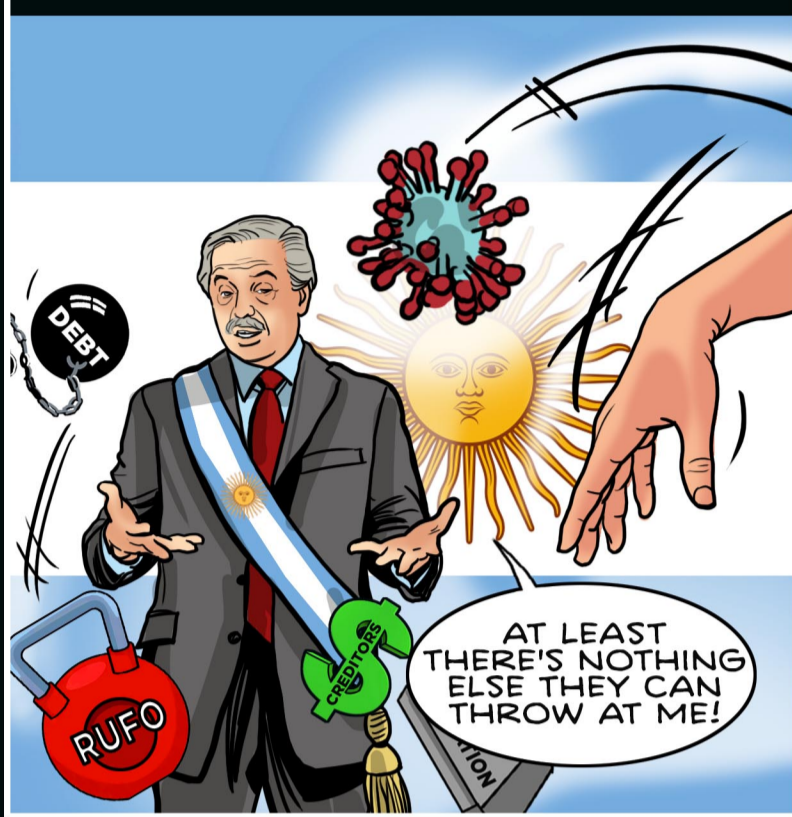
AUGUST 1982
THE 70S SAW MASSIVE BORROWING, PARTICULARLY FROM US BANKS, TAKING THE WIND OUT OF PERON'S 'THREE FLAGS'. BETWEEN '79 AND '82, LATIN AMERICAN DEBT LEAPT FROM \$59 BILLION TO \$327 BILLION. WHEN ANOTHER OIL CRISIS HIT, US INFLATION AND INTEREST RATES ROSE AND ARGENTINA'S DEBT BECAME UNSERVICABLE.



SEPTEMBER 2001
BETWEEN 1994 AND 2001, SPENDING AND BORROWING INCREASED WHILE ECONOMIC GROWTH WAS ANAEMIC. THE POLITICAL SITUATION WAS ARGUABLY WORSE, WITH FIVE PRESIDENTS IN JUST 14 DAYS IN THE RUN-UP TO THE LARGEST DEFAULT ON RECORD, AT \$95 BILLION.

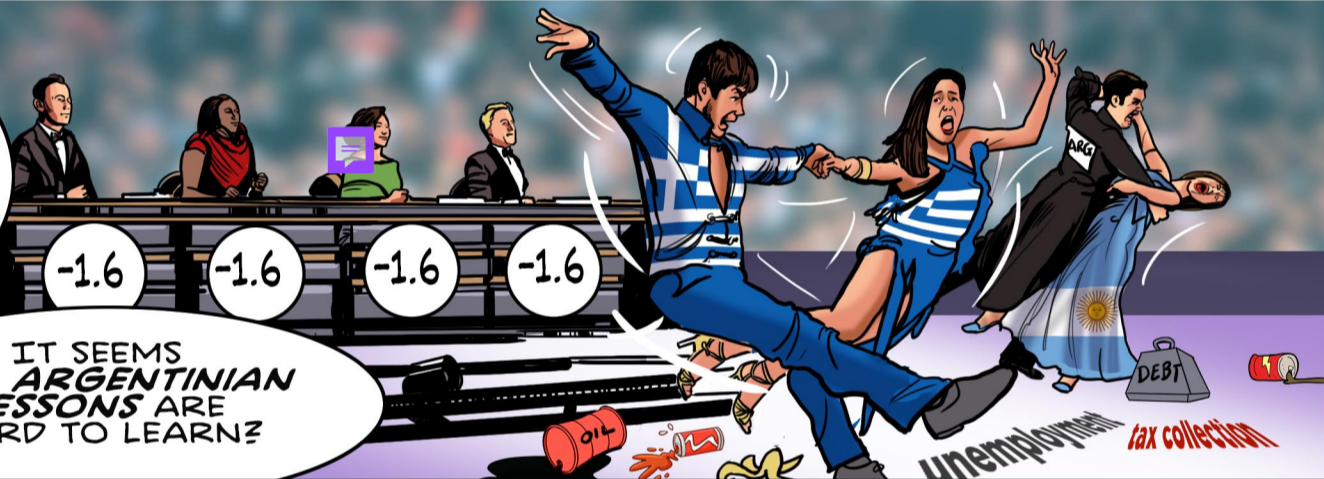


MAY 2020
AFTER 2001 CAME A TURBULENT PERIOD OF RESTRUCTURING, INTUNCTIONS AND DEFAULTS. THE INFAMOUS 'RUFO' CLAUSE SCUPPERED REPAYMENTS AND BY 2019 DEBT HAD REACHED \$323 BILLION. EVEN BEFORE COVID APPEARED, ANOTHER DEFAULT LOOKED UNAVOIDABLE.

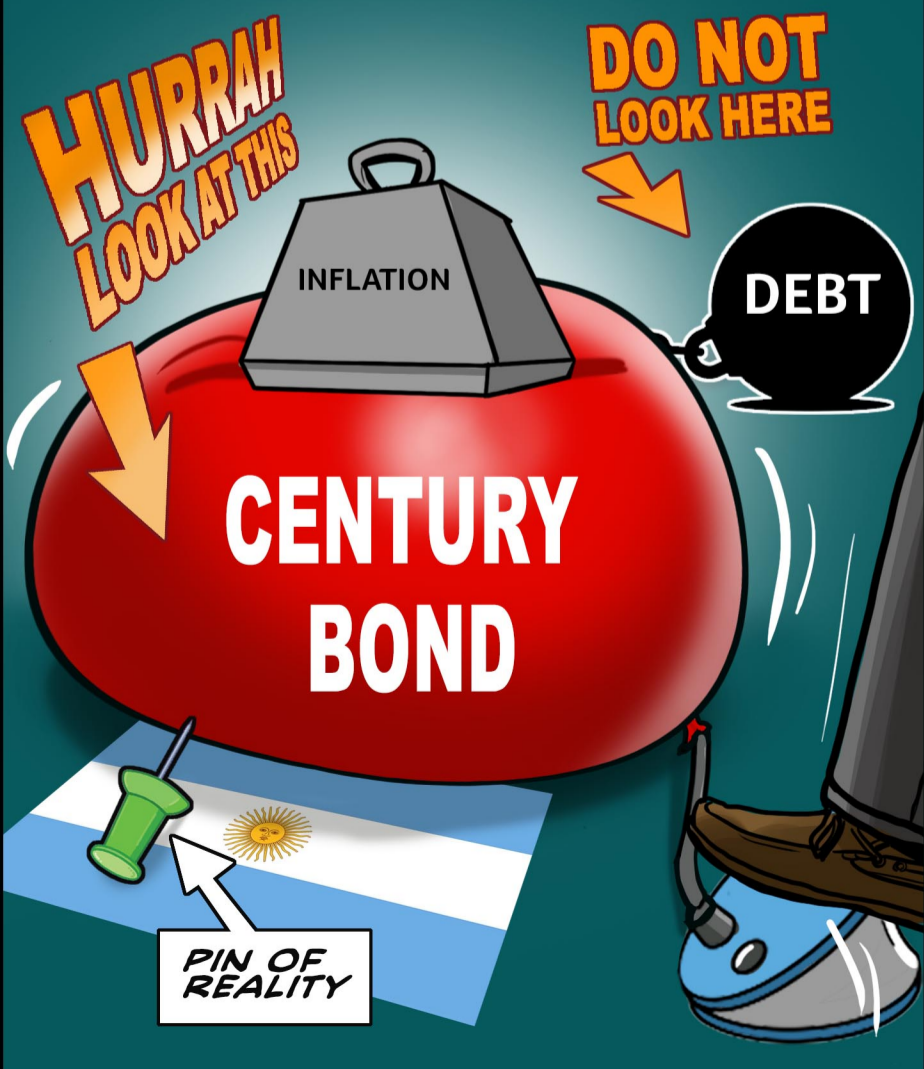


ARGENTINA'S TRAVAILS HAD MUCH TO TEACH GLOBAL FINANCIAL INSTITUTIONS. BUT WHEN GREECE DEFAULTED ON A PAYMENT OF £1.6 BILLION IN 2015, FOLLOWING MULTIPLE BAILOUTS, THERE WERE UNAVOIDABLE PARALLELS.

IT SEEMS SOME ARGENTINIAN LESSONS ARE HARD TO LEARN?

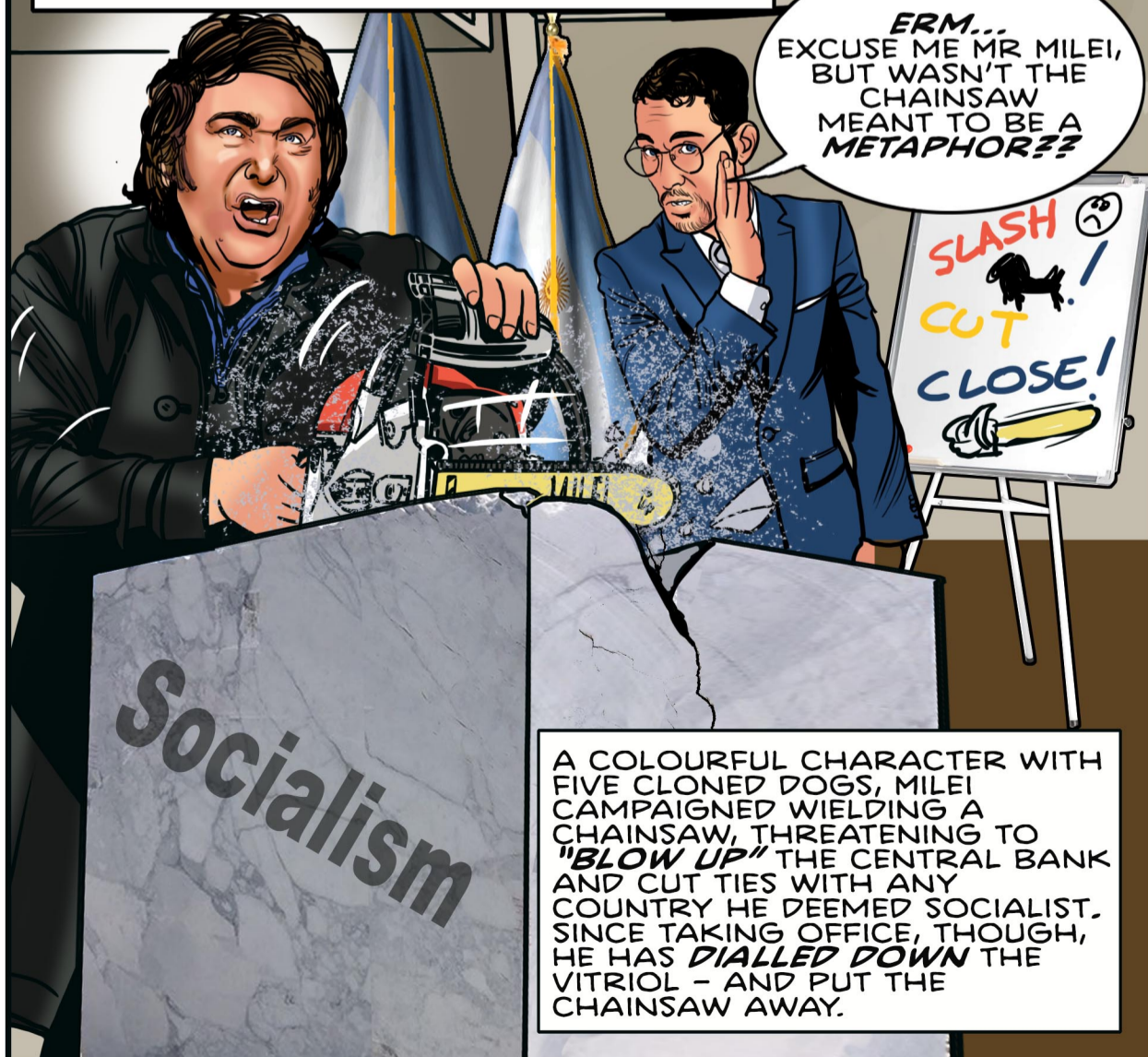


ONE FOR STUDENTS OF DEBT, THE HIGHLY UNUSUAL CENTURY BOND ISSUED IN 2017 WAS ONE UNEXPECTED ANSWER TO ARGENTINA'S DEBT CRISIS. DESPITE BEING ISSUED IN A ZERO-INTEREST ENVIRONMENT, IT ULTIMATELY FAILED (AS ANALYSTS PREDICTED AND HISTORY SUGGESTED) AND WAS ONE OF THE BONDS DEFAULTED ON IN 2020.



ENTER PRESIDENT MILEI

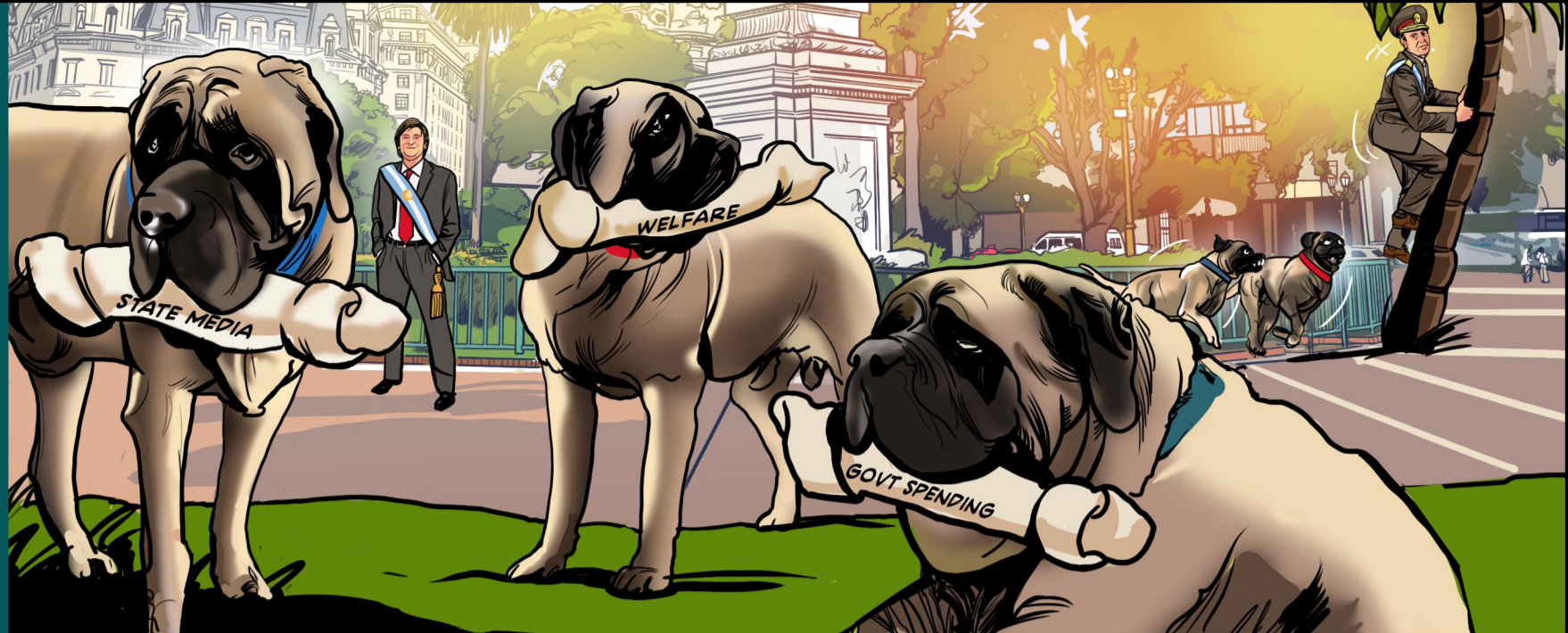
AGAINST THE BACKDROP OF ANOTHER DEFAULT AND WITH INFLATION PASSING 200%, THE 2023 ELECTION WAS WON BY ECONOMIST JAVIER MILEI ON AN ANTI-SOCIALIST TICKET.



A COLOURFUL CHARACTER WITH FIVE CLONED DOGS, MILEI CAMPAIGNED WIELDING A CHAINSAW, THREATENING TO "BLOW UP" THE CENTRAL BANK AND CUT TIES WITH ANY COUNTRY HE DEEMED SOCIALIST. SINCE TAKING OFFICE, THOUGH, HE HAS DIALLED DOWN THE VITRIOL — AND PUT THE CHAINSAW AWAY.

SHOCK THERAPY?

PRESIDENT MILEI MAKES NO SECRET OF HIS *DISLIKE* OF PERONISM, BLAMING IT FOR ARGENTINA'S WOES. HIS SELF-DESCRIBED '*SHOCK MEASURE*' POLICIES TO *REDUCE* DEBT AND *FIGHT* INFLATION INCLUDE CUTS TO *PUBLIC SPENDING* AND THE POSSIBLE PRIVATISATION OF SOVEREIGN ASSETS.



ARGENTINA TODAY

STILL ONE OF THE LARGEST ECONOMIES IN LATIN AMERICA, ARGENTINA HAS A LOT GOING FOR IT, SOME ONGOING CHALLENGES AND A FEW IDIOSYNCRASIES.

THE GOOD



BLESSED WITH *NATURAL RESOURCES*, FROM FERTILE FARMLAND TO GAS, OIL AND LITHIUM, ARGENTINA HAS A GDP OF AROUND \$600 BILLION. TRADE AND INVESTMENT WITH THE US, EUROPE AND CHINA ARE *STRONG*, THE LATTER BEHIND MAJOR INFRASTRUCTURE PROJECTS, INCLUDING *ANOTHER NUCLEAR POWER PLANT*.



INFLATION AND BOND VALUES MAY HAVE SETTLED BUT ARGENTINA'S DEBT CHALLENGES AFFECT *EVERY ECONOMIC DECISION*. RECENT AUSTERITY POLICIES DESIGNED TO COMBAT SPENDING WILL SURELY *AFFECT* LIVING STANDARDS FOR MANY.

THE BAD



THE UNUSUAL

A *QUIRK OF THIS ECONOMY* (ANYONE STILL THINK EMS ARE ALL THE SAME??) IS THAT PROVINCES CAN ISSUE DEBT. BUENOS AIRES AND CORDOBA HAVE BOTH RAISED FUNDS THIS WAY AND WHILE THEY ARE CLOSELY *TIED TO THE FORTUNES* OF THE SOVEREIGN IT SHOWS A CERTAIN INNOVATION, ONE WE MAY SEE MORE OF GIVEN THE CURRENT POLITICAL CULTURE.

GOOD OMENS?

ARGENTINA'S FINANCIAL PAST MAY BE LITTERED WITH CHALLENGES, BUT THIS PROUD NATION'S FOOTBALLERS REGULARLY *HIT THE HEIGHTS*. HISTORICALLY, ARGENTINA HAS *NEVER BEFORE* DEFAULTED DURING A *TROPHY-WINNING YEAR...*

DOES THIS MEAN *INVESTORS* SHOULD BE PAYING AS MUCH ATTENTION TO MESSI'S AGEING LEGS AS BOND PRICES?



FIFA World Cup 2026

ARGENTINA ECONOMY