Global markets advance after falling inflation in the US.

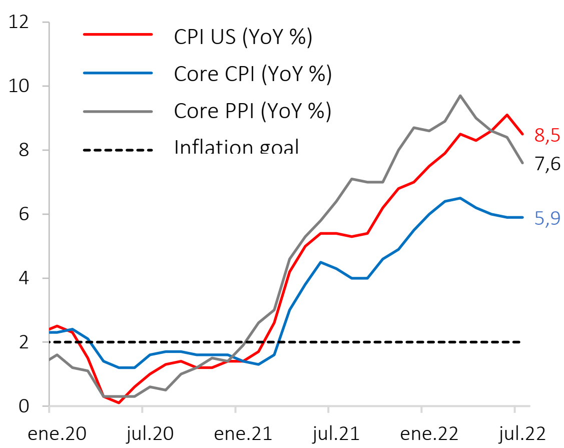
While in Chile it is higher than expected, growing 1.4%, with which greater increases in the MPR are anticipated.

During the week, the attention of the international financial markets was focused on the CPI figure for July in the US, which surprised on the downside (0% MoM vs. 0.2% expected; 8.5% YoY vs. 8.7% expected). This, added to the core component slowing down, after three consecutive months on the rise (0.3% MoM vs. 0.7% previous) and with the producer price index also cooling down (PPI: -0.5% MoM vs 0.2% expected), discouraged expectations of a more aggressive monetary tightening by the Fed, especially after the nervousness generated last week after the employment figures that reflected a still strong labor market.

At the close of this report, the preliminary reading for August of the confidence index of the University of Michigan was known, which, after having reached minimum levels, shows an advance for the second consecutive month (55.1 vs. 52.5 expected; 51. 5 previous). Among the components, the one-year-term inflation expectation stands out (5.0% YoY vs. 5.1% expected; 5.2% prior) which moderates in line with the figures released during the week.

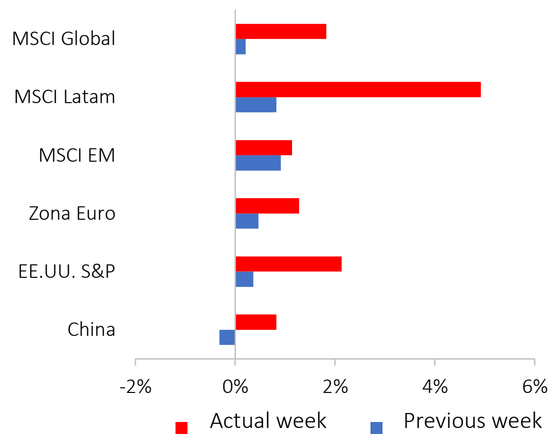
In this context, stock markets advanced across the board (MSCI Global: +2%; MSCI Emerging: +1%), with the Latin American bloc standing out, which expanded by almost 5% (led by Mexico, Brazil and Peru: +4 % on average). Long-term interest rates in the main economies moderated the advances registered during the previous week (+5bp on average) and the dollar depreciated about 1% (DXY: 105.7 points). For their part, commodity prices rose in sync (copper, WTI oil and wheat futures: +3%).

Lower inflationary pressures in the US.



Source: Bloomberg and Santander

Stock indices rise across the board



Source: Bloomberg and Santander

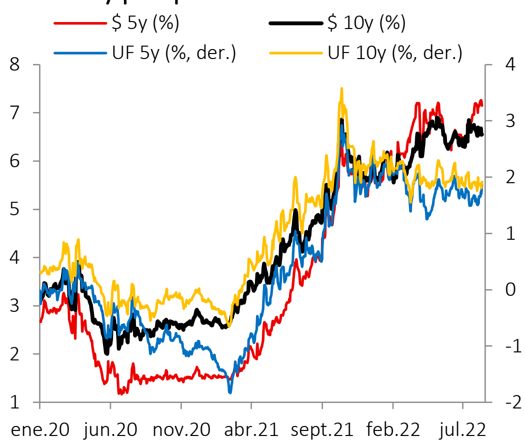
CPI in Chile surprises on the rise

While international inflation shows its first signs of moderation, the local CPI for July – which was published at the beginning of the week – had a higher variation than expected by the market (1.4%). These high records would continue for at least the next two months, as market surveys anticipate. This week's Survey of Economic Expectations estimates inflation of 1% for August and September.

With this, short-term rates rose moderately and anticipate a more abrupt rise in the MPR. However, the prospects of a correction in energy and food prices, as well as a slowdown in international and local activity, would moderate inflationary pressures towards the end of the year, which led to a reduction in long-term nominal interest rates 12 bp (BTP10: 6.6%) –in contrast to the increases in international benchmarks–, and to an increase in readjustable rates (BTU10:1.9%).

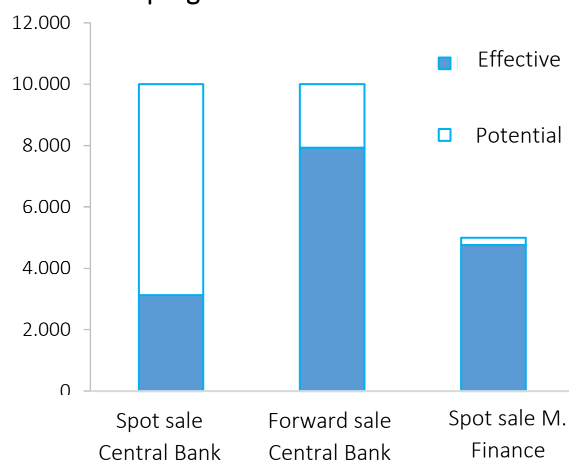
The dollar accumulates a new week of falls, closing below $890 (-2%), as a result of the lower international price (DXY: -0.6%) and the recovery of the copper price to US$3.7 per pound. Dollar sales by the Central Bank totaled US$625 million, lower than the amount of previous weeks. Meanwhile, the liquidations of the Ministry of Finance are nearing completion (close to US$5,000 million). In contrast, NDF positions remain short the local currency, which would push the dollar higher.

Inflationary prospects raise shorter-term rates



Source: Central Bank, Riskamerica and Santander

Forex sales programs advance



Source: Central Bank, Ministry of Finance and Santander