

Despite negative activity figures, markets close on a high

Topics of the week

- After a volatile week, financial markets close on a high
- Price of oil is at 20-year low
- Local assets follow global trends
- Congress dispatches Project to increase loans with state guarantees

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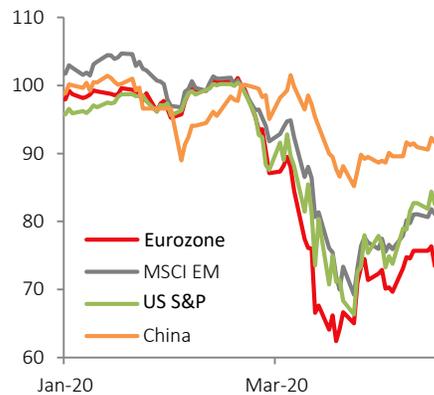
Despite a turbulent week, markets closed on a high

Guidelines to reopen and auspicious clinical results drive asset prices.

During the week the global financial markets presented swings, influenced by news about the advance of the pandemic, activity data and public policy responses, and the start of the first quarter corporate earnings season. Despite the historic contraction of the Chinese economy in the first quarter (-6.8% vs. -6.5% expected), the week ended with a predominance of increases, driven by the announcement of guidelines for opening the North American economy and auspicious clinical results of a drug for the treatment of the disease.

Likewise, the available data shows that the spread of contagions at the global level has continued to moderate, in main part due to the stabilization in the countries with the highest incidence: the USA, Spain and Italy. Thus, the average increase in the last seven days fell from 6.5% last week to 4.4%.

Graph 1: International exchanges (Index 100 = Feb.20)



Source: Bloomberg and Santander

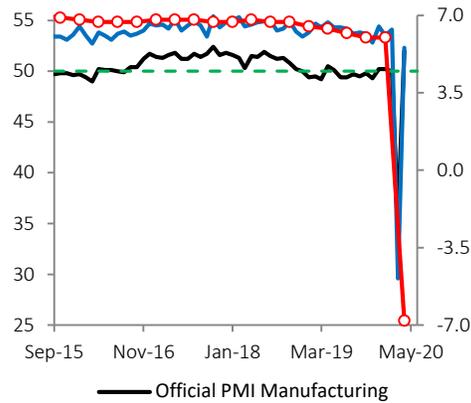
Graph 2: Daily increase in global cases (%)



Source: Bloomberg and Santander

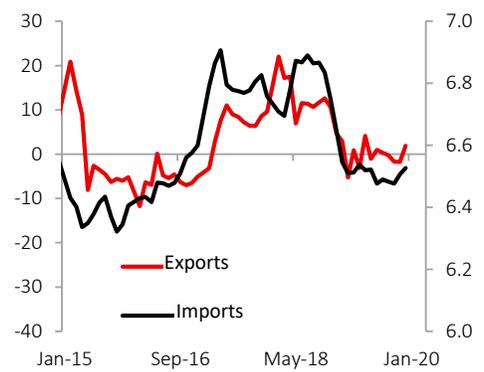
Although the contraction of GDP in China in 1Q20 was greater than expected, data from the external sector during March were somewhat better than expected. Exports contracted 6.6% (a 14% drop was projected) and imports contracted 0.9% (vs. 9.5% estimate). This is in addition to the significant rebound exhibited by the PMI of the month and which points to the fact that, once the containment measures were lifted, the economy has managed to resume a higher level of activity.

Graph 3: China GDP and PMI (Index 50 = neutral; %)



Source: Bloomberg and Santander

Graph 4: China foreign trade (var. annual, %)

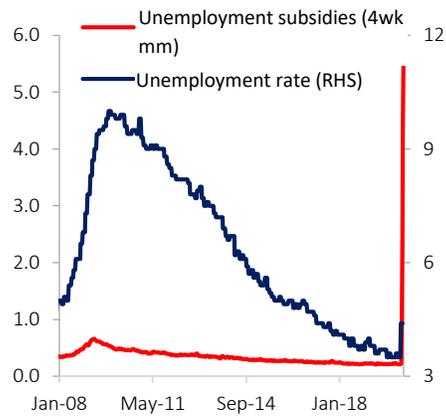


Source: Reuters and Santander

Activity figure for March in the US anticipate a strong contraction of the economy.

In the US the weekly applications for unemployment benefits reached 5.2 million, accumulating more than 22 million in the last moving month. The Fed's Beige Book - similar to the Central Bank's Economic Perceptions Report - noted that the sectors with the largest job cuts have been retail and hospitality, although many districts noted that job losses have been widespread, including manufacturing and energy. For its part, industrial production in March contracted 5.5% compared to the previous year, much more than the 4% drop expected by the market, and retail sales fell 6.2% YoY.

Graph 5: US employment (million, moving 4 week median; %)



Source: Bloomberg and Santander

Graph 6: US activity figures (var. annual, %)



Source: Reuters and Santander

IMF expect global GDP to contract 3% this year

In its April World Economic Outlook (WEO), the International Monetary Fund (IMF) sharply cut its growth projections for the global economy this year and projected a 3% contraction. This would be the worst performance since the Great Depression of the 1930s. All in all, the body anticipates an intense recovery and with global growth of 5.8% in 2021.

This scenario considers that the measures to contain the pandemic begin to dissipate towards the end of the first semester. However, they do not rule out that the disease and isolation measures could extend until the second part of the year and even until 2021, which would imply that the contraction this year could be more intense and the recovery slower.

Price of oil at 20-year low

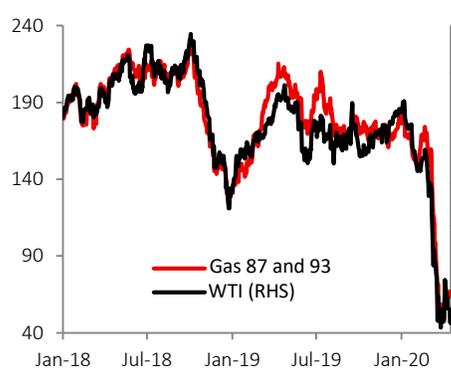
The price war between Saudi Arabia and Russia ended last week when expanded OPEC agreed to a cut of 9.7 million barrels of daily output (bpd) during May and June, from 7.7 million bpd between July and December, and from 5.8 million bpd through April 2022. However, the deal was deemed insufficient by the market due to estimates that point to more severe contractions in demand, and record inventory increases as early as April. In this context, at the close of this report, the barrel of WTI was trading at US \$ 17.8, 22% below its value at the close of last week.

Going forward, the price of oil should only rise partially and gradually starting in the second half, as the world economy recovers, and could close the year at around US \$ 30 per barrel by the end of the year.

The price of gas in Chile should fall \$6 weekly until the end of August.

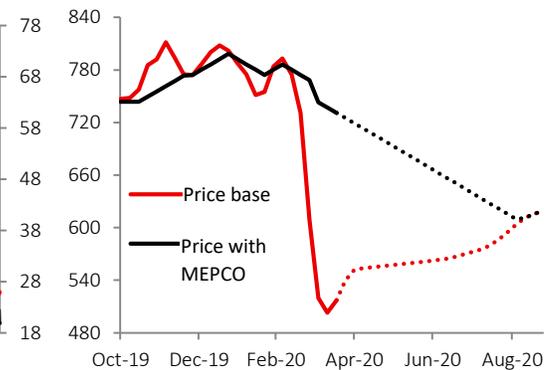
In Chile, under the current operating conditions of the MEPCO and if the exchange rate remains at current levels, this situation will mean that gasoline prices will drop weekly by \$ 6 per litre until the end of August.

Graph 3: Oil prices WTI and US Gas (cUS\$/gallon and US\$/bbl)



Source: Bloomberg and Santander

Graph 4: ENAP 93 Gas price (\$ per litre)



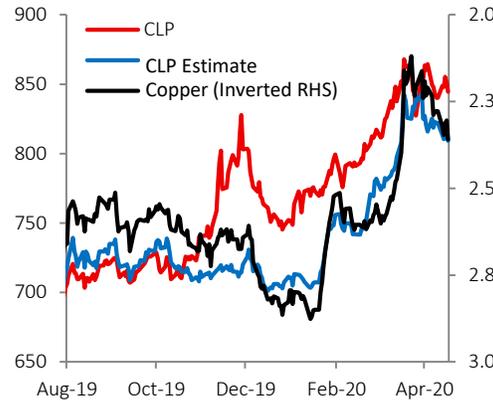
Source: Santander based on ENAP and the Ministry of Finance

Local assets follow global trends

Like the global stock markets, the IPSA presented swings during the week and ended up rising more than 1%, somewhat less than the rates of other Latin American countries. For its part, the exchange rate depreciated and at the end of this report it was around \$ 850. This was mainly

due to the global strengthening of the dollar, as the price of copper exhibited a significant increase of more than 3.5% in the week.

Graph 5: Exchange rate and copper (\$/US\$, US\$/lb.)



Source: Bloomberg and Santander.

Graph 6: Exchange market (Index 100 = Feb.20)



Source: Bloomberg and Santander.

Congress dispatches Project to increase loans with state guarantees

Congress approved in three days a capitalization of US \$ 3,000 million for Fogape, which will allow lines of credit with a state guarantee for working capital to the vast majority of companies in the country. The capitalization will be financed with the sale of assets of the Public Treasury, including resources from the Economic and Social Stabilization Fund.

For beneficiaries, the term of the financing will be between 24 and 48 months with a grace period of up to six months, the equivalent of three months of sales and an interest rate of MPR + 3%. Companies that access these guarantees will not be able to distribute dividends.

The dispatched text considers four categories of companies according to sales volume, with a maximum percentage of coverage and a financing cap of up to three months of sales. The decrees that establish the operation of the new guarantee scheme and the regulation of the CMF are still pending.

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