

The pandemic is once again a focus of concern for global markets

At the beginning of the week, the acceleration in infections as a result of the Delta variant - mainly in Europe - led to significant falls in the main markets (MSCI Global: -2% on Monday). However, as the days went by, the confidence in the vaccination processes and the reaffirmation of several governments of their opening strategies led to a partial recovery. In this way, the stock market indices closed with mixed movements, with the US and Euro Zone markets showing increases (between 1% and 2%) and the Latin American and emerging markets going down (-1.3% on average).

Although at a slower pace, the global dollar has continued to strengthen, in a context of less risk aversion (VIX: -1 point, close to 17 points), after the jump observed at the beginning of the week. Likewise, the long-term interest rates of the main economies have fallen again (4 bp on average at the close of this report since the end of last week), and the prices of raw materials reversed the setbacks of the previous week (copper: US \$ 4.4 per lb, + 1%).

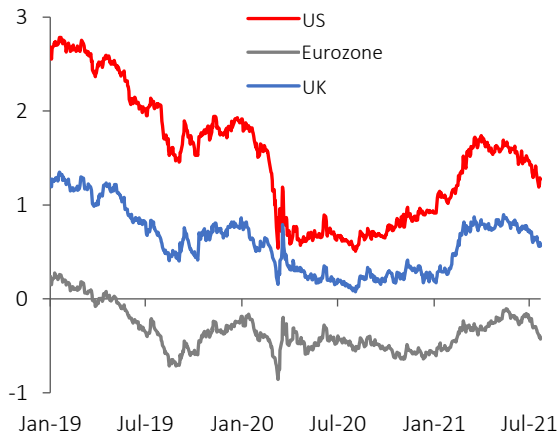
Last Sunday the expanded OPEC reached an agreement to increase production by 400 thousand barrels per day (bpd) starting in August and continue with monthly increases of the same magnitude until eliminating the current cut of 5.8 million bpd. Although the news had an important impact on the price of crude oil on Monday (WTI: -7%), in subsequent days the price recovered and at the end of this report it is trading at US \$ 72 per barrel, somewhat above the closing of the previous Friday. It should be noted that at the local level we expect gasoline prices to continue to rise for at least the next four weeks, as the MEPCO is still passing through the previous increases in crude oil and the exchange rate.

In terms of monetary policy, the European Central Bank (ECB) -in its July meeting- formalized the new symmetric inflation target of around 2% (announced on July 8) and confirmed its strategy of tolerance to transitory inflationary shocks. In their forward guidance, they insisted that the reference rate would remain stable until inflation reaches the 2% target "long before the end of its projection horizon and lastingly for the rest of it."

In the US, initial unemployment insurance disappointed the market by once again reaching over 400,000 (419,000 vs. 350,000 expected). This again showed signs of a still fragile recovery, in a context in which state aid is beginning to wane.

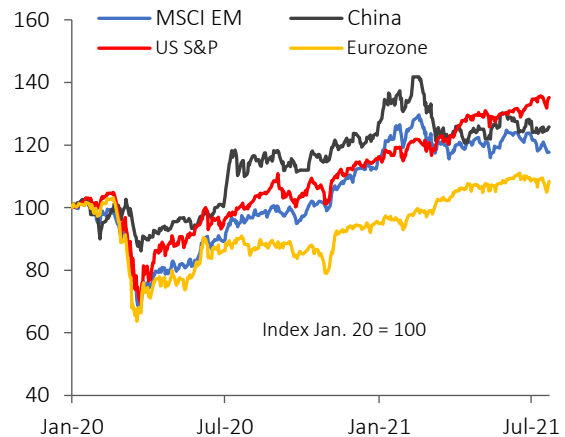
At the close of this report, the preliminary PMIs for July in Europe and the US were released, confirming optimistic prospects especially for the services sector -which reached all-time highs- in the Euro Zone (PMI services: 60.4 vs 59, 3 expected) and for US manufacturing (PMI Markit: 63.1 vs 62.0 expected). Markets react favorably to the figures (S&P 500 and Dow Jones: + 0.4%; Euro Stoxx 50: + 1.1%).

10Y rates continued the downward trend



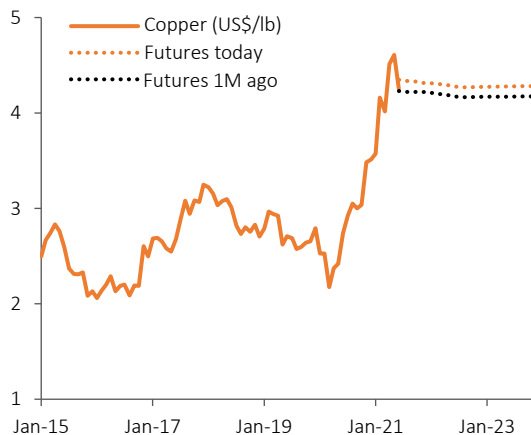
Source: Bloomberg and Banco Santander

Exchanges reverse fall from the start of the week and closed with mixed trends



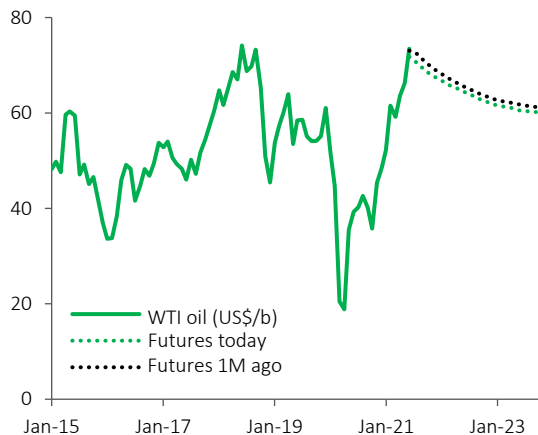
Source: Bloomberg and Banco Santander

Copper price around US\$ 4.4 per pound



Source: Bloomberg and Banco Santander

WTI oil closes the week with highs and is around US\$ 72 the barrel.



Source: Bloomberg and Banco Santander

Improvement in the local health situation delivers optimism

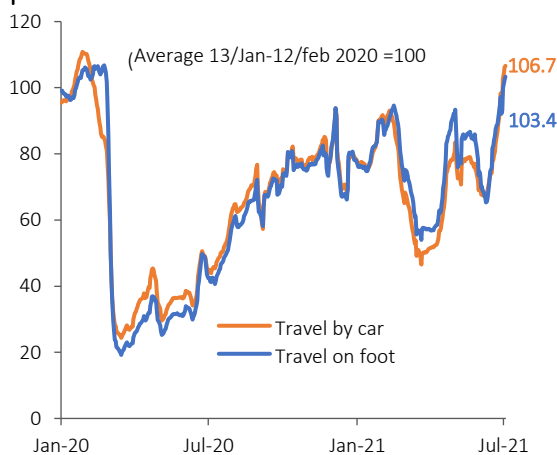
The continuous reduction in infections since mid-June, together with the progress in the vaccination process, has allowed the gradual deconfinement of most of the country's communes, which has been reflected in significant increases in population mobility. This, added to the result of the primary elections - where the winners in the two conglomerates that competed represent more moderate positions within them - injected optimism into the markets. The IPSA stopped the falls it had been exhibiting in previous weeks, and closed at around 4,230 points (1.8% compared to the previous Thursday). During the week the exchange rate appreciated both due to the movements of the international dollar and the price of copper, in a context where the foreign exchange auctions of the

Ministry of Finance have been somewhat lower (US \$ 780 million vs US \$ 1,400 million the week previous). However, at the close of this report it was trading around \$ 758, a similar level to the close of the previous Thursday.

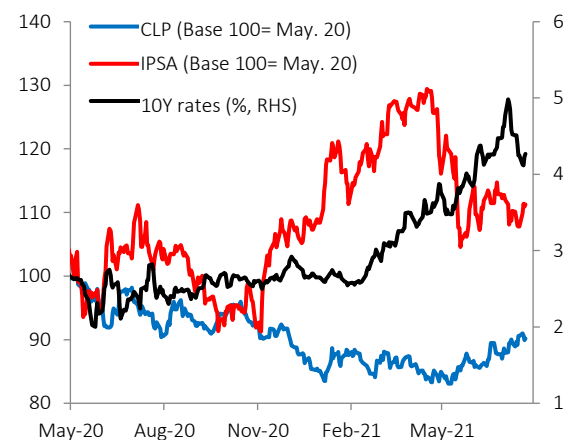
Los rendimientos del mercado de renta fija siguieron descendiendo en todos los plazos y denominaciones. En particular, el CLP a 10 años cerró la semana en 4,3%, revertiendo todo el aumento de los últimos 30 días. La caída en las tasas está en línea con los movimientos internacionales, pero se intensificó en lo más reciente tras el anuncio del Banco Central de una moderación en el retiro del estímulo monetario. Las tasas *swap* también presentan una caída de hasta 15 puntos base en la semana. Las recientes emisiones de deuda del Ministerio de Hacienda, concentradas en los mercados internacionales, también han contribuido a reducir la presión de las tasas locales.

Fixed income market returns continued to decline across all maturities and denominations. In particular, the 10-year CLP closed the week at 4.3%, reversing all of the increase of the last 30 days. The fall in rates is in line with international movements, but more recently intensified after the announcement by the Central Bank of a moderation in the withdrawal of monetary stimulus. Swap rates also show a drop of up to 15 basis points in the week. Recent debt issuances by the Ministry of Finance, concentrated in international markets, have also helped reduce pressure from local rates.

Mobility of the population reaches pre-pandemic levels for the first time **Local markets recover**



Source: Apple Inc. and Santander



Source: Bloomberg, RiskAmerica and Santander