

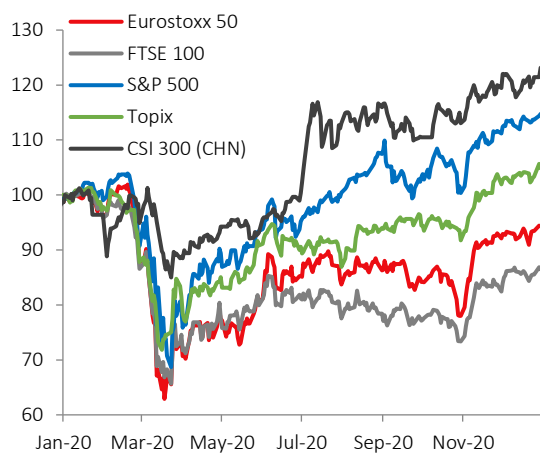
Markets close the year at maximum levels

Despite the strong impact of the pandemic on global activity and the outbreaks of COVID-19 in the main geographies, the financial markets end the year 2020 with positive returns. Backing this have been the important injections of liquidity from the principal central banks, and more recently, the news of the vaccine, the eventual new fiscal stimulus package in the United States and the commercial agreement post-Brexit between the UK and the EU. With this, the S&P 500 in the US closed at around 3,740 points, with a 16% advance compared to the previous year, while the Dow Jones increased 7%. The European stock indices also closed the year at a rise, but were not able to fully recover the loss caused by the pandemic.

President Trump finally enacted the economic help plan promoted by Congress for US\$900 billion, which avoided the partial closure of the government. The initial plan considers direct cash transfers of US\$600 to each person. However, at the close of this report the House of Representatives – with majority from the democratic party – pushed an increase of the individual check to US\$2,000, in line with what Trump had proposed. The project is being discussed in the Senate, where the Republicans – who up until now maintain majority – rejected the proposal. However, with the senatorial election in Georgia coming up (January 5, 2021) – where the control of the Senate will be defined -, the Republicans could cede and approve the proposal. This would mean US\$463 billion in additional costs to the stimulus package.

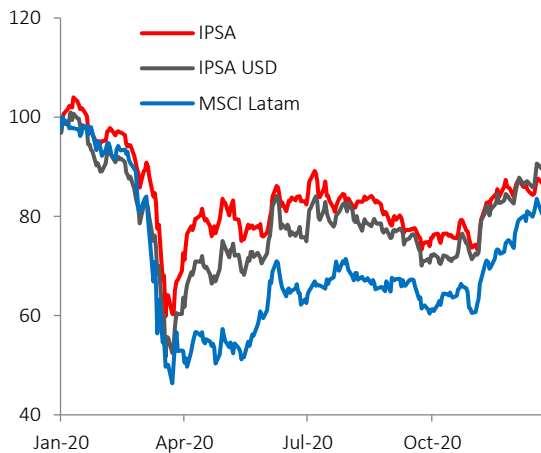
After several weeks of tension, the members of the European Union approved the commercial agreement with the United Kingdom. It is expected that tomorrow, Thursday December 31, the British Parliament should ratify the future commercial relations guidelines. With this, the United Kingdom would definitively leave the EU and the British will cease to benefit from the sole market and the customs union. Even though the agreement does not include tariffs nor quotas, there will be product control and the free circulation of citizens will be limited. There are still definitions to be discussed over key sectors such as the financial services sector.

New stimulus package in the US drives stocks



Source: Bloomberg and Santander

IPSA aligns to international tendencies

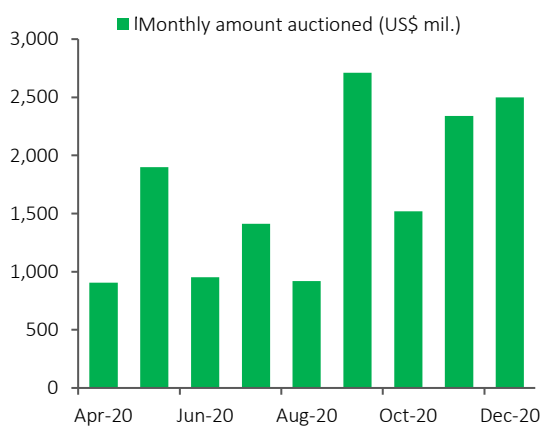


Source: Bloomberg and Santander

Locally, the IPSA aligned to the global movements and closed positively. However, it was not able to recover from the decline observed at the initial peak of the pandemic, which mean that compared to the previous year, the stock market dropped close to 10%. Likewise, the exchange rate continued to appreciate and at the close of this report, was at around \$710. This implies a strengthening of the peso of 7.5% since the end of November. With this, the real exchange rate has returned to historic levels, which had not occurred since October 2019.

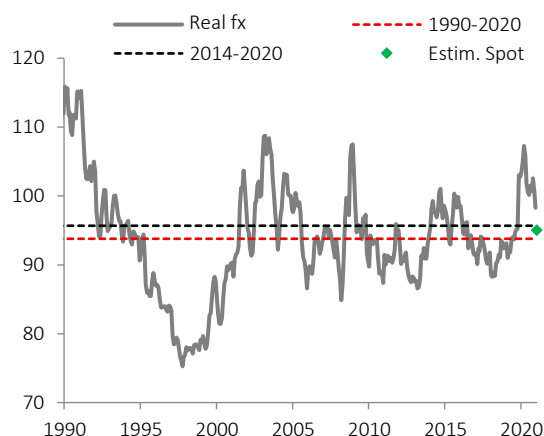
The high Price of copper and the depreciation of the dollar on a global scale explain in great part the movement in local parity. There was also influence from the portfolio adjustment and the higher liquidity of the foreign money. Although this week the Ministry of Finance did not auction dollars, during December it has sold US\$2.5 billion, accumulating US\$ 15.15 billion since the beginning of the auctions in April.

Ministry of Finance sold US\$ 15.15 billion in 2020 through auctions



Source: Ministry of Finance and Santander

The spot value of the dollar implies a real Exchange rate aligned with historical levels



Note: Data of Dec-2020 and spot value correspond to Santander estimate.

Source: BCCCh and Santander.

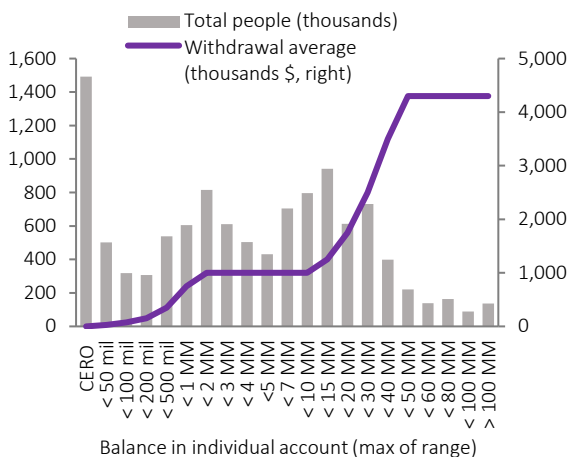
Requests for second pension fund withdrawal reach US\$ 11 billion

According to the Superintendence of Pension, up to December 18 the pension funds registered 6.25 million requests for the second funds withdrawal approved or in process. The total amount solicited ascends to US\$11.18 billion, of which over US\$9 billion have been paid (up to December 29). In the case of the first withdrawal, in a similar amount of days – from July 30 to August 9 – the amount solicited amount to US\$14.4 billion. Therefore, the recent withdrawal reaches up to 77% of the first under the same time horizon.

The decrease in rhythm of withdrawal requests is in line with our estimates, considering that the second withdrawal pays taxes – which will inhibit those with higher income to request it – and that an important fraction of the population after the first withdrawal had no more funds in their individual accounts. In any matter, the maximum amount that could be withdrawn according to our estimated surpass US\$18 billion, and therefore we do not discard the possibility of the requests to increase considerably in the coming weeks.

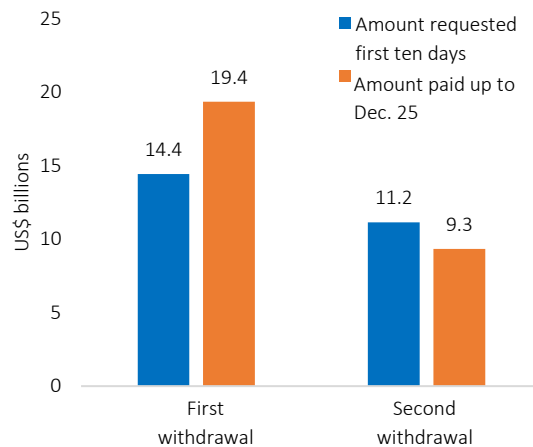
MARKET OUTLOOK December 28-31, 2020

Close to 2 billion contributors reached balances close to zero after first pension withdrawal



Note: Based on information of balance as of Sept 30.
Source: SPensiones and Santander

In a similar period, the amount requested for the second pension withdrawal has been less than the first



Note: All amounts consider an exchange rate of \$725.
Payments from second withdrawal are considered up to Dec 29.
Source: SPensiones and Santander.