National economy surprises on the rise again

At the international level, market volatility was generated by fears about the Chinese economy as well as the possibility of a partial shutdown of the US Government due to debt limits.

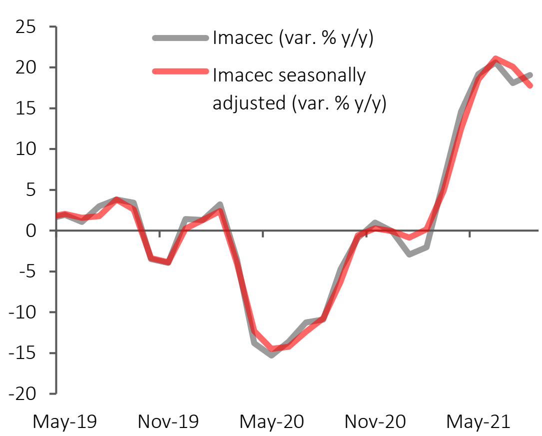
The Imacec for August (19.1% YoY) was above market estimates (Santander: 17.5%; Bloomberg: 16.5%), strongly influenced by the recovery of services, along with the lifting of sanitary restrictions during the month, state aid and the great liquidity still available in the economy. Trade remained well above its trend levels, although in monthly terms it fell 1.5% compared to July. Mining, which during 2020 did not suffer major impacts from the pandemic, was once again below the levels of the previous year (-3.4% y / y) despite the incentives generated by the higher price of copper. This accounts for the restrictions due to technical factors and the impact of the lower availability of water for production processes.

The labor market, for its part, showed an incipient recovery, with the creation of 110 thousand jobs and a decrease in the unemployment rate to 8.5%. However, there is still a very significant gap compared to the situation at the beginning of 2020, with about 700 thousand fewer people employed. The demand for work remains dynamic, but labor participation, even though it rose in the last record, remains below its trend.

In September - the month with the fewest health restrictions since the pandemic began - mobility rose again (107% vs. 102% in August, according to Apple indicators) and the IMCE had a moderate expansion, reaching the highest levels since 2012. Thus, it is expected that the activity has had a new increase, although somewhat more moderate (around 0.5%). With this, given the greater bases of comparison, annual growth would have been around 12%.

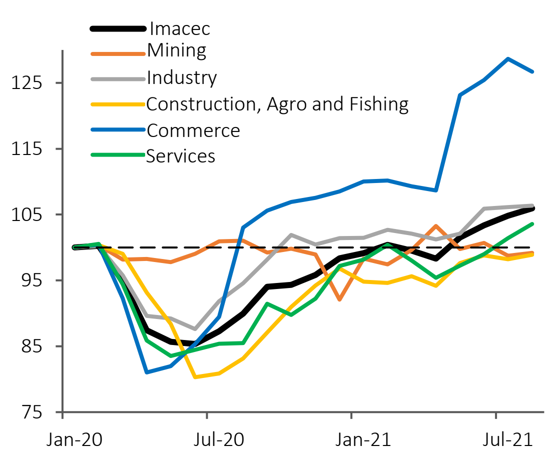
The latest available data does not change our baseline scenario for the year, which considers that GDP would close 2021 with growth of around 10.5% (somewhat lower than that estimated in the last Report).

Controlling for seasonality, growth has moderated for the second consecutive month



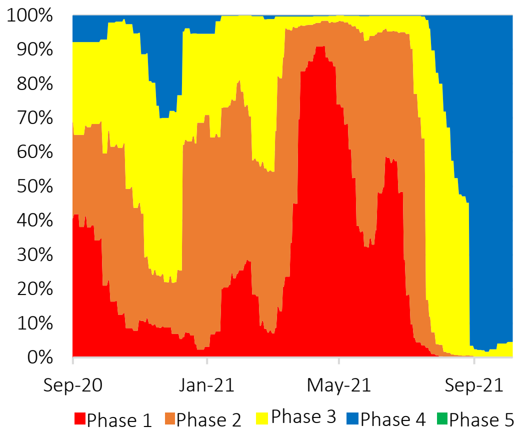
Source: BCCh and Santander

Services continue to recover, while commerce recedes in the margin



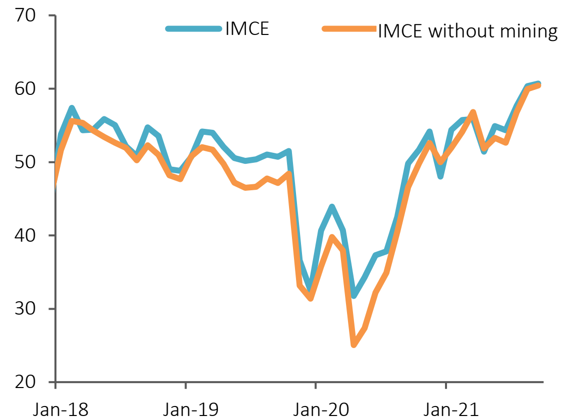
Seasonally adjusted series (Jan-20 =100)
Source: BCCh and Santander

September was the month with the least restrictions since the start of the pandemic



Source: Ministry of Health and Santander

Improving activity dynamics are reflected in the new highs of business expectations



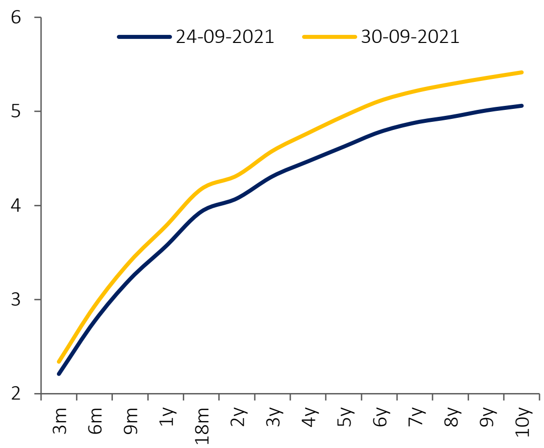
Source: BCCh and Santander

Local markets once again recede due to the progress of the new pension fund withdrawal project

Last Tuesday, the Chamber of the Chamber approved the project to withdraw pension funds, although with a narrow margin (94 votes in favor; 93 required for a quorum). While the prospects of being approved in the Senate are uncertain, the markets have reacted negatively. Long-term interest rates rose again strongly, accumulating increases of the order of 30 bp in the week (10-year BTP at 5.6%), driven both by the prospects of higher inflation that this new injection of liquidity would imply, as well as the excess supply of the sale of state instruments to finance withdrawals (approximately US $ 2,800 million), as well as the increases in international rates. Swap rates also increased (+ 27bp on average), with more pronounced increases in rates for higher maturities. With this, the prospects for the MPR have continued to rise in the medium term, despite the drop in public spending announced by the government in the 2022 Budget Law.

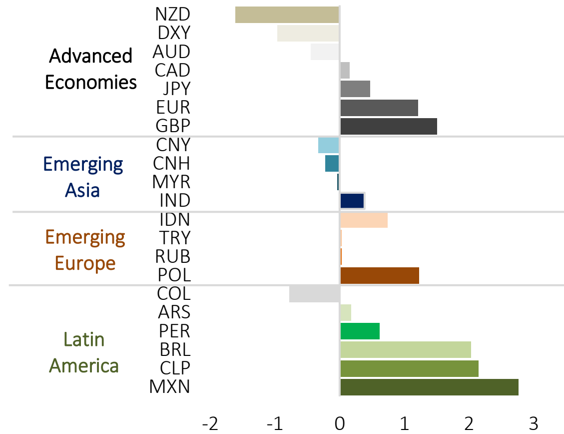
The progress of the fourth withdrawal project, together with the new corrections in the price of copper as a result of the weak economic indicators in China and the strengthening of the DXY, have been the main ingredients of the strong depreciation of the local currency during the week. At the close of yesterday, the exchange rate reached $ 810 per dollar, the highest level since June 2020, which makes the peso the second most depreciated currency in the region, with a certain correction being observed today. The Ministry of Finance announced that for the month of October 2021 it will maintain the currency auction amounts of the previous month, that is, a total amount of up to US $ 3,500 million, with a daily maximum of US $ 300 million.

Increasing swap curve



Source: Bloomberg and Santander

Local currency is the second most depreciated in the region



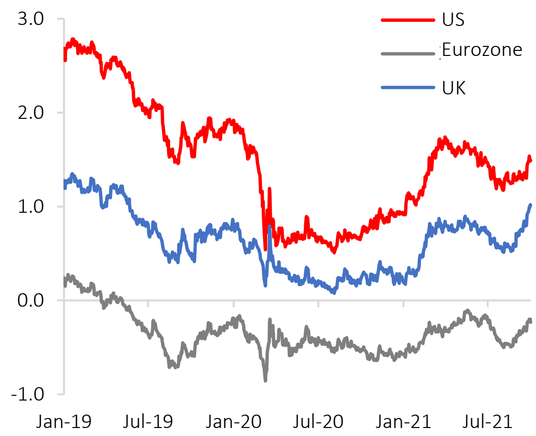
Source: Bloomberg and Santander

Global markets close the week with widespread falls

At the international level, the markets were focused on: 1) the renewed inflationary pressures, given the high fuel prices that are mainly driven by supply factors (WTI oil: + 2%; US $ 75 a barrel); 2) the imminent withdrawal of monetary stimulus in developed countries, which led to long Treasury rates in the US and the UK around 1.5% (+4 bp) and 1.0% (+9 bp), respectively; and 3) the economic-financial situation in China, with Evergrande defaulting on its second debt obligation in dollars this month; the pressure on the most energy-intensive industries, which experienced cuts and rationing during September, and the moderation of the economic outlook that led the manufacturing sector to border on pessimism (PMI: 49.6 vs. 50.0 expected; Caixin PMI: 50.0 vs. 49.5 expected), in contrast to services that showed a rebound (53.2 vs. 49.8 expected). Thus, the week ended with negative variations in the main stock markets (MSCI Global: -3%), highlighting the 5% decline in Japan and 3% in the Euro Zone; The US and Latam, with a global dollar that strengthened 1% (DXY: 94 points), in a context of greater aversion to risk (VIX: +4 points).

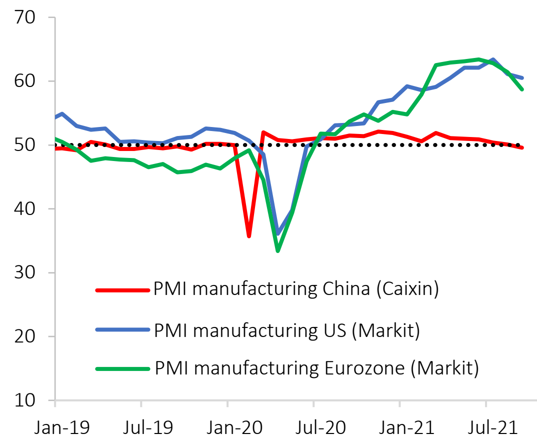
Investors remain concerned about the repercussions following the withdrawal of stimuli that would begin earlier than expected (tapering in November and rate increase during 2022) in the US. To this was added the discussion about the debt limit, after the Secretary of the Treasury, Janet Yellen, urged to reach an agreement before October 18 to avoid a default. Yesterday, President Biden signed a bill that extends government funding through Dec. 3, thus avoiding a partial shutdown hours before current funding expires, while negotiations on spending plans and debt ceiling suspension continue between Republicans and Democrats, in a polarized political context. Among the main figures known in the week, the initial unemployment subsidies stand out, which increased for the third consecutive week (362,000 vs. 330 thousand expected), moderating the signs of progress in the labor market and the second revision of the annualized GDP for 2Q21 was published, which was slightly higher than expected (6.7% vs. 6.6%), led by still very dynamic personal consumption (+ 12.0%).

10Y long term rates continue increasing trend



Source: Bloomberg and Santander

Global perspectives moderate in September



Source: Bloomberg and Santander