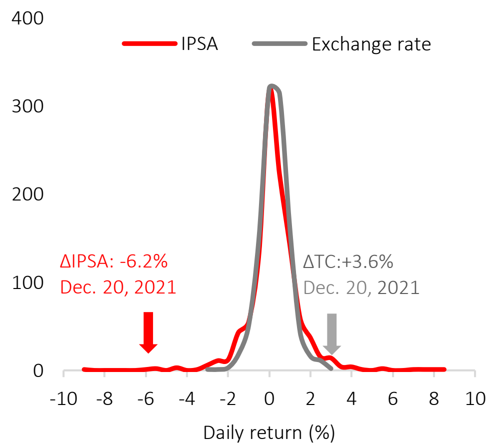
Presidential elections and the response in financial prices

The result of the second round of presidential elections occurred on December 19 – which had a historic participation of 55.02% of the electoral registrar – gave way as the winner the candidate from the coalition Apruebo Dignidad, Gabriel Boric, with 55.9% of the votes versus his contender José Antonio Kast, with 44.1% of the votes. Although the market had anticipated the election results, the most surprising aspect was the large margin of almost 12 percentage points between both candidates.

After the results, the local stock market had a large volatility, finishing the day with large falls (IPSA -6.2%; exchange rate +3.6%; BTP10 +10 bp; BTU +15 bp). However, during the week there were reversals in all prices, although the majority still closed below the levels of the previous Friday (IPSA at 4,242 points; exchange rate $859; BTP10 5.7%).

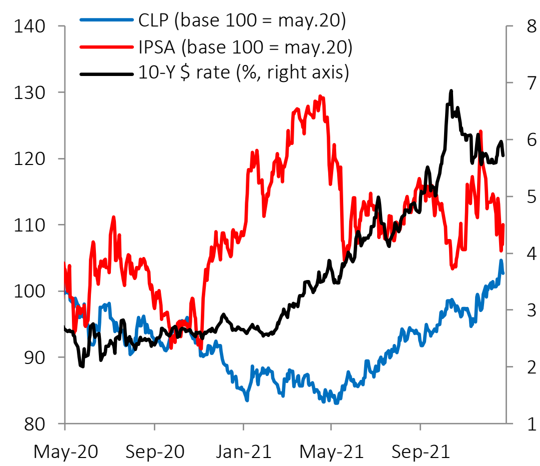
The markets will be attentive to the decisions of the new administration, with the most imminent being Cabinet. Additionally, the constitutional process will maintain uncertainty high until the constitutional text is written.

Stock and exchange rate lose value after election results



Note: considers daily returns since March 2017.
Source: Bloomberg and Santander

Financial market partially revert falls during the week



Source: Bloomberg and Santander

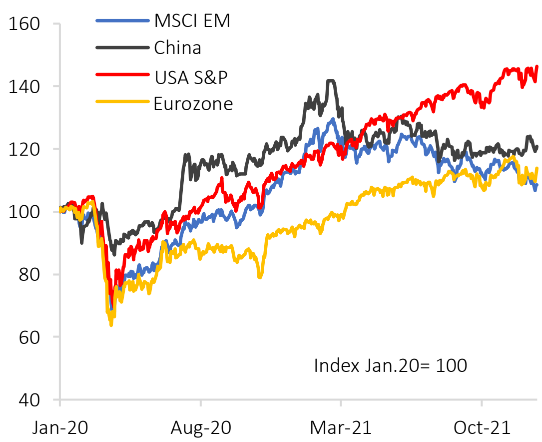
New studies on the Omicron variant encourage global markets

According to three studies conducted in South Africa, Scotland and Denmark, the new variant appears to show less risk in terms of lethality, hospitalization and severe symptoms compared to previous variants. This drove global markets to close with advances (Global MSCI +2.1%), except the Latin American block (-2.0%), with decreases led by Chile and Brazil due to idiosyncratic factors. The former, in a context with a weaker global dollar and less risk aversion (VIX -4 points).

Although the severity of the dominant virus could be less, some countries have already found the need to take measures to contain it quick propagation. On the one hand, in the United States – apart from reinforcing the PCR exams and to continue to bolster the vaccination program – it was approved to use the first oral treatment against the coronavirus, through the medication by Pfizer which will be distributed to high-risk patients. In the meantime, in Europe, some countries hard hit by the increase in cases such as the UK, where obligated to take more restrictive measures. In China, in line with their zero tolerance policy to the Covid-19, they have already announced strict quarantines in a city of close to 13 million citizens (Xi'an).

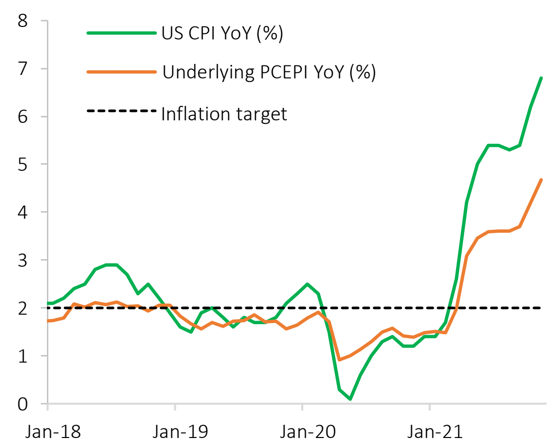
Finally, in the United States the activity reflects high dynamism (annualized GDP 3Q21 2.3% QoQ vs. 2.1% previously; durable goods orders 2.5% vs. 1.8% expected) in hand with personal consumption. This is added to consumer confidence, which in December showed a recovery (Conference Board 115.8 vs, 111.0 expected). Inflation continued being a factor of preoccupation, according to the personal consumption expenditure price index (PCEPI) – an underlying inflation measure the Fed follows -, that increased above the expected in November (0.5% MoM vs. 0.4% expected), reaching 4.7% inter annually (4.2% previously) – its largest advance since 1980 – and leading the 10-year interest rates to 1.5% (+9bp). With everything, in the second to last week of the year, the favorable economic perspectives, the persistent inflationary persistence and the sanitary risks, will continue to be dominant factors in the international markets.

Stock indexes reacted with optimism at the close of the week



Soruce: Bloomberg and Santander

Persistent inflationary pressure in the US continue to be a source of worry



Source: Bloomberg and Santander