

- *The Argentine presidential election in October will be a contest between the right-leaning incumbent and a ticket including his leftist predecessor, with both attempting to broaden their appeal by choosing moderate running mates.*
- *Macri's hopes hinge on his ability to bring the economy out of recession before the election.*
- *For analysis of political, regulatory, legal and other risks related to Argentine corporate issuers' controlling families, see Debtwire's [shareholder profiles](#).*

Argentine president Mauricio Macri and his predecessor Cristina Fernández de Kirchner are set to face each other in election this fall, but with an unexpected twist: Kirchner is running as the vice-presidential candidate on the ticket of her former cabinet chief Alberto Fernández. Macri's chances of reelection have been hurt by a recession that began in the second quarter of last year, combined with inflation of over 50%, currency depreciation, spending cuts and a rise in poverty rates. He accepted a USD 57bn IMF loan package in mid-2018, helping avoid a further collapse of the peso, but the bailout reminded Argentines of painful austerity policies that followed the 2001 default. With elections looming, Macri has made some populist moves, including freezing food prices and utility tariffs, and is pushing for new infrastructure projects to be inaugurated before October. However, the latest polls show him slightly behind Fernández and Kirchner (see p. 3).

Primaries for President, Senate and Congress, known as PASO (Simultaneous and Mandatory Open Primaries), will be held on 11 August, and the first round of elections will be on 27 October. If no presidential candidate receives more than 45% of the vote or 40% and a 10-point lead over the runner-up, there will be a runoff on 24 November. Eight gubernatorial elections have already been held this year between March and June, and three more will be held by the end of the year, including for the Province of Buenos Aires.

Kirchner, who was president from 2007 to 2015, was expected to challenge Macri but announced in May she would be [running as a vice-presidential candidate](#). Although she enjoys strong support from her base, especially lower-income voters, her polarizing populist history has made it difficult for her to appeal to more market-focused Macri supporters. She is also involved in several corruption cases, for which she will face trial but has avoided detention due to her status as a senator. Her economic policies as president included large-scale welfare programs, foreign-exchange controls, subsidies and other protectionist measures. These policies were sustained by a commodity boom that boosted the agricultural sector and brought an influx of dollars during the administrations of Kirchner and her husband Néstor Kirchner, who was president from 2003 to 2007 and died in 2010.

Both Macri and Kirchner are trying to capture support from moderate voters, who are likely to decide the election's outcome. Alberto Fernández was Néstor Kirchner's cabinet chief, and continued in the position briefly under Cristina. He reportedly resigned in protest against her decision to increase agricultural export taxes, and was a frequent critic of her administration afterwards. He is seen as a more pragmatic, moderate populist, and has better relations with international inves-

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Key election dates	
11 August	Primaries: President, Senate, Congress, Buenos Aires mayor and governor
27 October	First round: President, Senate, Congress, Buenos Aires mayor and governor
24 November	Runoff: President, Buenos Aires mayor
10 December	Inauguration

Policies and industries	
Agribusiness	Macri went back on a key campaign promise when he revived taxes on agricultural exports in September 2018, affecting Adecoagro and Cresud . In April 2019, the government agreed with producers to freeze prices on 64 staple food products until at least October. However, this powerful sector has a contentious history with Kirchner governments, including a 2008 dispute following an increase in soy taxes. Kirchner's export quotas and currency controls, which could be reinstated if she returns to office, included a 30-day deadline for producers to convert USD payments from exports into ARS under the overvalued official exchange rate. Alberto Fernández resigned in 2008 due to a disagreement with Kirchner over agribusiness policy. He told <i>La Nación</i> in June he does not have plans to increase these taxes, but also did not commit to decreasing them. Macri's advisors have told investors that he plans to eliminate export taxes, including those on grains, by the end of next year if the fiscal surplus exceeds 1% in 2020.
Banking	Given the central bank's tight monetary policy, with interest rates of up to 70% and 0% monetary-base growth through the end of the year, loan portfolios of banks such as Banco Macro , Banco Hipotecario , Banco Supervielle and Banco de Galicia y Buenos Aires are expected to remain flat in 2019 . The recession is likely to increase banks' non-performing loan ratios. The government lowered reserve requirements in December and on 1 July in a deviation from its broader contractionary policies. Monetary contraction targets are less likely to be pursued by a Fernández government.
Infrastructure	Although corruption charges in the "notebooks" case led executives of Albanesi , Clisa and MSU to step down and admit to bribery, their government contracts were not cancelled. Clisa and Pampa Energía have won new contracts. Albanesi has faced difficulties in obtaining financing for investments this year, suspending a USD 250m issuance in May. Clisa has had ARS 1.1bn in assets frozen related to the case, and has been hit by the peso's decline . The companies have suffered from cuts in infrastructure budgets related to last year's IMF deal, but Macri plans to increase infrastructure spending ahead of elections, especially in Buenos Aires province. (Table continues on p.2)

tors and the mainstream media, but lacks political experience and national recognition. The decision to put him at the top of the ticket has been effective in giving a moderate image to Kirchner's Frente de Todos coalition, which is supported by 14 of 19 non-Kirchnerist left-leaning governors. Sergio Massa, a prominent leader of the anti-Kirchnerist populist party Alternativa Federal, was expected to run for president but announced in June that he would support Fernández in exchange for heading the list of the coalition's lower-house candidates for Buenos Aires province (meaning he will be the first to receive a seat based on the party's vote count).

Macri is likewise trying to lure moderate voters, and to expand his congressional base with a view to passing labor, tax and pension reforms after the elections. His running mate, current Senate opposition leader Miguel Pichetto, was largely supportive of Kirchner during her time in office, but became more critical by the end of her administration. By running with Pichetto, Macri is seeking to [secure the support of Córdoba governor Juan Schiaretti](#), and has received implicit backing from Peronist governors of Rio Negro, Neuquén and Misiones, who chose not to present their legislative candidates with Frente de Todos. Support from these governors could help swing votes in states outside Macri's Buenos Aires base. Support from Córdoba was crucial to Macri's 2015 win, but he has since lost some of these votes due to the reinstatement of taxes on agricultural exports.

A third presidential option is Néstor Kirchner's economy minister Roberto Lavagna, whose running mate is Salta province governor Juan Manuel Urtubey. Both are former members of Alternativa Federal along with Pichetto, Massa and Schiaretti. This ticket may be the answer for the roughly 14% of voters who [dislike both Macri and Kirchner](#), according to Poliarquia's May poll. It may also take some votes from disappointed Macri supporters. Lavagna ran unsuccessfully against Kirchner in 2007, finishing third behind Macri ally Elisa Carrió.

With the main coalitions offering only one presidential candidate in the PASO, the primaries should provide a sense of their chances in October. In Argentinian primaries, voters cast one vote per position, regardless of coalition.

MACRI TRIES POPULISM

Besides prompting Macri to choose a centrist as his running mate, the impending elections have pushed him toward policies resembling those of Kirchner governments. In April, the government agreed with food companies on a price freeze for many essential food items until at least October. Macri had criticized previous governments' attempts to do this in 2003 and 2011. He also announced he was cancelling planned price increases in gas, utility and transportation tariffs. The government will absorb the cost of these measures, estimated at ARS 9bn, which it called "manageable" and in line with its target of balancing the budget in 2019. [Argentine bond prices fell](#) in the days following the announcement, putting pressure on the peso.

After years of low utility tariffs under Kirchner governments, tariff hikes under the Macri administration have contributed to inflation, which stood at an annualized 57% in May. His contractionary monetary policy has also failed to generate significant results in avoiding peso depreciation. To tackle inflation, interest rates increased in April to 71.03%, impacting companies' access to credit. There have only been two international bond issuances from Argentine issuers this year, and the primary market is expected to [remain closed for these issuers](#) until after the presidential election. Companies have reduced investment this year due to the lack of access to funding. However, IMF-mandated spending cuts have reduced Argentina's fiscal deficit, with the country booking a [primary surplus of ARS 10.3bn in 1Q19](#). More signs of eco-

Policies and industries (continued)

Oil & Gas	<p>In March, the government announced it would not apply planned natural gas rate increases this year, and froze the exchange rate for natural gas purchases by distributors. Oil and gas companies YPF, Pan American Energy, Tecpetrol, Pampa Energía and CGC protested the government's auction of natural gas contracts with fixed fuel prices in May. There has been an oversupply of natural gas, causing a drop in spot prices, mainly due to higher production from the Vaca Muerta shale deposit. Light oil production from Vaca Muerta has also exceeded domestic demand, and exports began this year. Further government intervention in the sector would be likely under a Fernández administration, adding to an already complex regulatory framework and potentially discouraging investment.</p>
Telecom	<p>Kirchner's government repeatedly clashed with Grupo Clarín, which includes Telecom Argentina. The group opposed a media law passed under Kirchner's government in 2009 to prevent media monopolies. However, Clarín maintained good relations with Néstor Kirchner's government through then-cabinet chief Alberto Fernández. A telecom bill proposed by Macri in April was approved by the Senate, but its shelving in the lower house in November benefited Vrio Corp and Telecom Argentina. It would have allowed cable and telephone companies such as Telefonica de Argentina to offer satellite TV services (DTH) in certain cities in 2020, and throughout the country by 2022. The company relied on DTH to compete with Vrio, a subsidiary of AT&T, and Telecom Argentina, the major providers of paid TV services.</p>
Utilities	<p>Utility charges were subsidized under Kirchner governments, causing underinvestment in the sector and an increase in the fiscal deficit. Charges increased under the Macri administration, which removed subsidies. An energy blackout on 16 June, caused by a Transener transmission line issue, served as a reminder that investment still lags. Macri vetoed a bill to freeze utility prices in 2018, but in April announced that the government was no longer implementing planned tariff increases, causing Pampa Energía to seek buyers for its 51% stake in energy distributor Edenor. A possible Fernández administration would likely include some form of subsidies and price controls, hindering investments by power generators such as MSU Energy and AES Argentina Generación. Kirchner's administration imposed fines on electricity distributors following blackouts.</p>

conomic recovery would help Macri's reelection chances.

Depressed economic activity and inflation have caused a rise in unemployment rates to 10.1% in 1Q19 (compared to 9.1% a year before), and poverty rates to 32% at end-2018 (compared to 25.7% in mid-2017). GDP contracted 2.5% in 2018, with a 6.2% year over year contraction in 4Q18.

IMF DEBT AND DEFAULT RISK

Federal, provincial and private-company debt has increased significantly during Macri's tenure. He settled with holders of defaulted sovereign bonds soon after taking office, opening the way for a foreign-borrowing binge that included the issuance of a USD 2.75bn 100-year sovereign bond in 2017. Pichetto, as head of the Senate opposition,

was instrumental in helping Macri strike a deal with holders of defaulted bonds, with a view to aiding exporters in his home province of Rio Negro access credit, according to the Wall Street Journal.

The prospect of a new Kirchner-linked government raises concerns about Argentina's commitment to sovereign debt repayment, even though Fernández has [vowed to avoid another default](#). He said he would seek to extend repayment of IMF and other debt, but would not seek haircuts. Their election could lead to capital flight, depressing the peso further and making any debt renegotiation more difficult.

Fernández criticized Macri for taking on foreign debt to boost reserves, but said that foreign exchange controls were also not a good solution for the matter. Fernández has better relations with international investors than Kirchner if they decide to renegotiate debt. In February, Kirchner's former economy minister Axel Kicillof met with IMF officials and denied there were default risks involved in the return of his party to power. However, names from Kirchner's former economic team, responsible for decisions during her government, are expected to form a new team in 2020, which suggests a continuation of policies, according to local brokerage Balanz Capital. Kirchner and her allies have been vocal critics of IMF interventions as a "risk to democracy."

Lavagna [wrote on Twitter](#) he would also negotiate with the IMF to postpone debt payments.

CORRUPTION CASES

A corruption scandal that broke in August 2018 added to Kirchner's legal troubles. She is now facing a total of 12 cases, with the first trial having started this May. The scandal was based on notebooks kept by the driver of a planning-ministry official under Kirchner governments, detailing bribes paid in exchange for government contracts. It implicated numerous owners and executives of infrastructure and energy companies, including Pampa Energía, Albanesi, MSU Energy, Clisa and Socma (owned by Macri's father and brother).

While some of the companies' owners and executives admitted to wrongdoing and stepped down from management, the contracts were not cancelled. The scandal did not seriously hurt Kirchner's popularity, and she denounced the investigation as politically motivated. She was ordered preventively detained, but her status as senator grants her immunity. In an interview with El Destape in May, Fernández spoke about the possibility of reviewing court rulings from the past few years. However, perceived interference in cases against Kirchner could cause a public backlash.

OTHER ELECTIONS

Other positions being contested in October are mayor of the City of Buenos Aires and governor of the Province of Buenos Aires. Macri's candidate for mayor is incumbent Horacio Rodríguez Larreta, who succeeded him in the role, while Kirchner's is Matias Lammens, the president of football team San Lorenzo de Almagro. Governor Maria Eugenia Vidal, a key Macri ally, will face Kirchner's former economy minister Axel Kicillof. Lavagna's Consenso 2030 coalition backs Matias Tombolini, who ran unsuccessfully for the lower house in 2017, for mayor and Eduardo Bucca, a lower house member, for governor.

Also up for grabs are 130 of 257 lower-house seats and 24 of 72 Senate seats. Candidate lists were submitted in June, with Macri and Kirchner both [favoring long-time allies](#). Candidates from La Cámpora, a far-left youth group led by Kirchner's son Máximo Kirchner, received top spots in the Frente de Todos party lists for the lower house and Senate.

Presidential Candidates

Mauricio Macri

VP: Miguel Pichetto

Party: Juntos por el Cambio

Support: 36.2%

Elected in 2015 after decades of populist Peronist governments, Macri was expected to be a neo-liberal shock to the economy. He failed to pass major reforms early in his administration, and borrowed heavily abroad. A currency crisis that began in 2018 forced him to turn to the IMF for a politically damaging USD 57bn loan package. Austerity measures have shown little success in tackling inflation, and with elections approaching he has attempted some populist measures including freezing food prices and fast-tracking infrastructure projects. His prospects for re-election likely hinge on positive economic news in the coming months. Miguel Pichetto, his running mate, is a moderate Peronist and is currently the leader of the Senate opposition. He was chosen in order to broaden Macri's support base.

Alberto Fernández

VP: Cristina Fernández de Kirchner

Party: Frente de Todos

Support: 40.3%

Cristina Fernández de Kirchner is widely seen as the real presidential candidate despite her position as the running mate of Alberto Fernández. She is currently a senator, and was president from 2007 to 2015. As president, she imposed capital controls, export tariffs and utility subsidies, and used central bank reserves to prop up the peso. Her policies hurt the export sector and investor confidence, and increased inflation. She likely chose her former cabinet chief to lead the ticket due to his moderate reputation. He also has better relations with investors and mainstream media. He has pledged to avoid a debt default, and criticized Kirchner's foreign exchange controls, but given Kirchner's influence and her past policies, an increase in government intervention would be likely.

Roberto Lavagna

VP: Juan Manuel Urtubey

Party: Consenso Federal 2030

Support: 9.1%

Roberto Lavagna served as economy minister under Néstor Kirchner. Before announcing his candidacy, he was part of Alternativa Federal, an anti-Kirchnerist left-leaning group. His running mate, Salta province governor Juan Manuel Urtubey, was also part of this group. Lavagna has called for Macri to renegotiate with the IMF this year to extend debt maturities, and has argued that maintaining fiscal balance during a recession was not sustainable. His criticism of IMF-mandated austerity measures suggest he will increase spending, but his experience restructuring debt after the 2001 default could be valuable in debt negotiations with the fund next year. His proposals include increasing the minimum wage and lowering taxes for small and mid-sized companies.

Poll source: Synopsis

With the election still months off, Fernández and Kirchner's narrow poll lead means relatively little, and the most important factor remains the economy. If Macri can campaign on a nascent recovery, he is likely to win back the voters who propelled him to victory in 2015. If the economy fails to improve, however, Argentina could see a return of the Kirchner dynasty – with its legacy of populism, protectionism and market intervention – albeit in a new and apparently more moderate guise.

Argentina Election Calendar			
Date	Jurisdiction	Election	Select Candidates
10-Mar-19	Neuquen	Governor	• Omar Gutierrez (MPN)* wins
12-May-19	Cordoba	Governor	• Juan Schiaretti (AF)* wins
7-Apr-19	Rio Negro	Governor	• Arabela Carreras (JSRN) wins
9-Jun-19	Chubut	Governor	• Mariano Arcioni (AF)* wins
9-Jun-19	Entre Rios	Governor	• Gustavo Bordet (PJ)* wins
9-Jun-19	Jujuy	Governor	• Gerardo Morales (Juntos por el Cambio)* wins
16-Jun-19	Santa Fe	Governor	• Omar Perotti (Frente de Todos) wins
16-Jun-19	Tierra Del Fuego	Governor	• Gustavo Melella (Forja) wins
11-Aug-19	Argentina (Federal)	President, Senators, Congress (Primary)	<ul style="list-style-type: none"> • Mauricio Macri (Juntos por el Cambio)* • Alberto Fernandez/Cristina Kirchner (Frente DT) • Roberto Lavagna (Consenso 2030) (Presidential candidates determined 24 June)
11-Aug-19	City of Buenos Aires	Mayor (Primary)	<ul style="list-style-type: none"> • Horacio Rodriguez (Juntos por el Cambio)* • Matias Lammens (Frente de Todos) • Matias Tombolini (Consenso 2030)
11-Aug-19	Buenos Aires Province	Governor (Primary)	<ul style="list-style-type: none"> • Maria Eugenia Vidal (Juntos por el Cambio)* • Axel Kicillof (Frente de Todos) • Eduardo Bucca (Consenso 2030)
29-Sep-19	Mendoza	Governor	<ul style="list-style-type: none"> • Rodolfo Suarez (Juntos por el Cambio) • Anabel Fernandez Sagasti (Frente de Todos)
6-Oct-19	Salta	Governor (Primary)	<ul style="list-style-type: none"> • Miguel Isa (AF) • Javier David (AF) • Jose Urtubey (AF) • Gustavo Saenz (Juntos por el Cambio) • Alfredo Olmedo (Juntos por el Cambio) • Sergio Leavy (Frente de Todos) • Elia Fernandez (Frente de Todos)
27-Oct-19	Argentina (Federal)	President, Senators, Congress	(primary 11 August)
27-Oct-19	City of Buenos Aires	Mayor	(primary 11 August)
27-Oct-19	Buenos Aires Province	Governor	(primary 11 August)
11-Nov-19	Salta	Governor	(primary 6 October)
24-Nov-19	Argentina (Federal)	President (Runoff)	(if necessary)
24-Nov-19	City of Buenos Aires	Mayor (Runoff)	(if necessary)
*incumbent			
Source: Clarin, La Nacion, Provincial Governments, Interior Ministry, Buenos Aires Times, El Tribuno, La Gaceta Salta			

DEBTWIRE COVERAGE

05 Jul 2019	Argentina secures USD 5.4bn disbursement after fourth review of IMF stand-by arrangement
03 Jul 2019	Transener says 'extraordinary circumstances' to blame for 16 June blackout, not lack of investment (translated)
02 Jul 2019	Argentina oil and gas production hits record in May
02 Jul 2019	Pampa Energia prices USD 300m 10NC5 bond: 9.375% yield
02 Jul 2019	IRSA analyzes new bond issue to refinance USD 140m September maturities
02 Jul 2019	Argentina to auction 4G spectrum in two months (translated)
02 Jul 2019	Transener is most responsible for 16 June blackout - report (translated)
01 Jul 2019	Argentine central bank reduces minimum reserve requirements by 3pp, monetary policy interest rate to 58%
28 Jun 2019	Argentina polls roundup: Macri voter intention continues to grow
28 Jun 2019	Argentine presidential candidates Fernandez, Lavagna would renegotiate IMF stand-by agreement (translated)
26 Jun 2019	Argentina: Macri, Fernandez advisors outline definitions on debt and economic policies in investor meetings
24 Jun 2019	YPF prices USD 500m 2029 bond: 8.75% yield
24 Jun 2019	Clisa subsidiary wins contract extension to operate Buenos Aires rail line
24 Jun 2019	Argentina: Macri, Kirchner reward loyalty, relegate new allies in legislative ballots
23 Jun 2019	Argentina books primary surplus of ARS 26bn in May
21 Jun 2019	Argentina polls round up: Macri favorability grows, but voting intention still favors Kirchner
19 Jun 2019	Albanesi works on USD 80m-USD 100m bond for refinancing, shelves USD 250m capex bond
19 Jun 2019	Argentina natural gas production fell 15% on blackout day - report (translated)
18 Jun 2019	Argentina prosecutor requests oral trial against Kirchner and others for notebooks corruption case (translated)
18 Jun 2019	Argentina: Sergio Massa decides not to run for president (translated)
17 Jun 2019	Santa Fe, Tierra del Fuego elect new governors (translated)
13 Jun 2019	Argentina: Macri-Pichetto in race against Lavagna-Urtubey to gain support of moderate Peronists, seduce "volatile" vote
13 Jun 2019	Argentina to launch natural gas pipeline tender on 15 July (translated)
12 Jun 2019	Argentina: Lavagna to enter presidential race with Urtubey as running mate - reported rumor (translated)

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SHAREHOLDER PROFILES

Family	Country	Companies
Elzstain	Argentina	IRSA, Cresud, Banco Hipotecario, IDB Development
Eurnekian	Argentina	Aeropuertos Argentina 2000, Compania General de Combustibles
Loson	Argentina	Albanesi
Mindlin	Argentina	Pampa Energía, Transener, Edenor
Roggio	Argentina	Clisa
Uribelarrea	Argentina	MSU Energy
Andrade & Gutierrez	Brazil	Andrade Gutierrez, AG Engenharia, AG Participações
Araújo	Brazil	Banco Mercantil do Brasil
Batista	Brazil	JBS, J&F Investimentos
Camargo	Brazil	Camargo Corrêa, Intercement, Cimpor
Constantino	Brazil	Gol Linhas Aéreas Inteligentes
Ermírio de Moraes	Brazil	Votorantim SA, Votorantim Cimentos, Banco Votorantim, Fibria Celulose
Efromovich	Brazil	Avianca, Synergy
Feffer	Brazil	Suzano Papel e Celulose
Gerdau	Brazil	Gerdau SA
Klabin	Brazil	Klabin SA
Molina dos Santos	Brazil	Marfrig Global Foods
Odebrecht	Brazil	Odebrecht SA, Braskem, Odebrecht Óleo e Gás, Odebrecht Engenharia e Construção
Ometto	Brazil	USJ Açúcar e Álcool SA
Queiroz Galvão	Brazil	Queiroz Galvão SA, QGOG Constellation SA, Galvão Engenharia SA
Rubens Ometto Silveira Mello	Brazil	Cosan SA Indústria e Comércio, Cosan Ltd, Rumo SA, Raízen
Simões	Brazil	JSL
Steinbruch	Brazil	Companhia Siderúrgica Nacional (CSN), Banco Fibra, Vicunha Têxtil
Veronezi	Brazil	General Shopping e Outlets do Brasil SA
Vilela de Queiroz	Brazil	Minerva
Wanderley	Brazil	Usina Coruripe Açúcar e Álcool, Coruripe Energética
Paulmann	Chile	Cencosud
Saieh	Chile	SMU, Itau Corpbanca, Copesa
Daes	Colombia	Tecnoglass
Gilinski	Colombia	Banco GNB Sudameris
Simán	El Salvador	Unicomer
Denis O'Brien	Jamaica	Digicel
Del Valle	Mexico	Mexichem, Elementia, CP Latina
Garza Sada	Mexico	Alfa (incl Alpek, Axtel, Nemark, Newpek, Sigma) , Femsas (incl Coca Cola Femsas), Vitro, Cydsa
Kalach	Mexico	Grupo Kaltex
Salinas	Mexico	Grupo Elektra, TV Azteca, Cobre del Mayo
Añaños	Peru	Aje, Grupo Embotellador Atic SA, Callpa Ltd
Dyer	Peru	Camposol
Hochschild	Peru	Hochschild Mining, Cementos Pacasmayo