

Monthly Monetary Report

September 2013



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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The closing date for statistics in this report was September 11, 2013. All figures are provisional and subject to review.

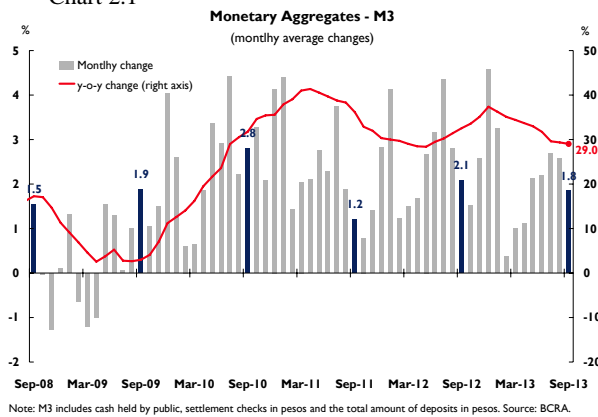
1. Summary¹

- In September, the broadest monetary aggregate in pesos (M3) posted a 1.8% monthly increase with a relatively stable year-on-year (y.o.y.) change rate of around 29%. In turn, the broadest private monetary aggregate (private M3) exhibited a 1.9% monthly rise and a 31.5% y.o.y. increase. Among private M3 components, time deposits posted a 2.9% monthly hike and continued increasing their share within private M3, accounting for 31%. Thus, the y.o.y. growth pace of the private sector's time deposits continued standing at historically high levels, reaching 40.9%.
- The main factors behind the expansion of the private M3 were loans in pesos to the private sector and the public sector transactions. Considering the first nine months of 2013, loans in pesos to the private sector consolidated as the most significant contributor to private M3, mainly encouraged by Central Bank's policies devoted to promote financing for productive activities.
- The broad bank liquidity ratio of the segment in pesos (measured as the sum of the cash in the banks, the current accounts of the institutions with the Central Bank, net repos with the Central Bank and LEBAC and NOBAC holdings with respect to total deposits in pesos) went up 0.2 percentage points (p.p.), standing at 32% in September. This increase mainly resulted from the rise of LEBAC and NOBAC holdings by the institutions. In turn, the compliance in excess of the requirement is estimated to be equivalent to 0.2% of the deposits in line with the values recorded in the previous months.
- Loans in pesos to the private sector kept the growth pace exhibited since May and rose 3% (\$12.37 billion) in September, reaching a y.o.y. expansion rate of 37.5%. Among loans with a higher momentum, the lines for commercial purposes (promissory notes and overdrafts) and personal loans stood out. Overdrafts recorded a higher-than-expected increase for this time of the year and grew 3.9%. As a result, their y.o.y. change rate went up 1.4 p.p. and stood at 28.9%. In turn, the financing arranged through promissory notes posted a 4.2% rise, one of the highest increases of the current year, while its y.o.y. change rate (55.6%) continued to stand at historically high levels.
- The policies of the Central Bank intended to lead banks to expand the credit portfolio to Micro, Small and Medium-Sized Enterprises (MiPyMEs), such as the requirement of granting at least 50% of the Credit Line for Productive Investment (LCIP) to this type of companies, are paying off. In this sense, the most relevant fact is the evolution of the financing at 3 years and more, which used to have a relatively low weight and has doubled its share in the amounts granted between the second quarter of 2012 and the third quarter of this year as a result of its remarkably high growth pace.
- A new auction was held in September under the Bicentennial Productive Financing Program (PFPB). This time, the auction was for \$570 million, out of which \$550 million were effectively awarded. Thus, the total funds paid out since the implementation of the PFPB amounted to \$5.57 billion, around 73% of the total amount awarded.
- The interest rates of the monetary market exhibited again a mixed performance in September. The rates paid by financial institutions to depositors posted a slight increase. On the other hand, the monthly average of the interest rate on unsecured promissory notes stood at 20.7%, down 0.2 p.p. in the month. The rate on mortgage-backed credits granted to families also went down, while the rates on the remaining financing lines exhibited limited rises.

¹ Unless otherwise stated, figures to which reference is made are monthly averages of daily data.

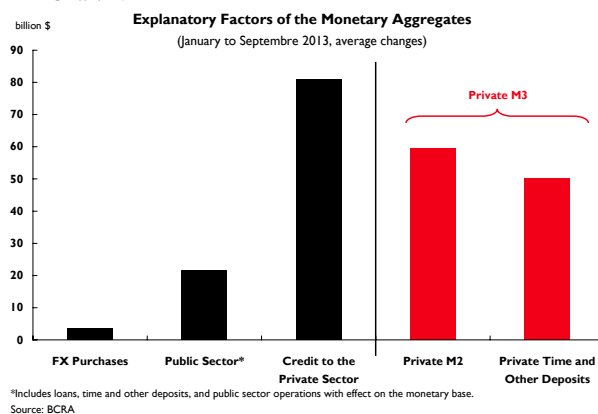
2. Monetary aggregates¹

Chart 2.1



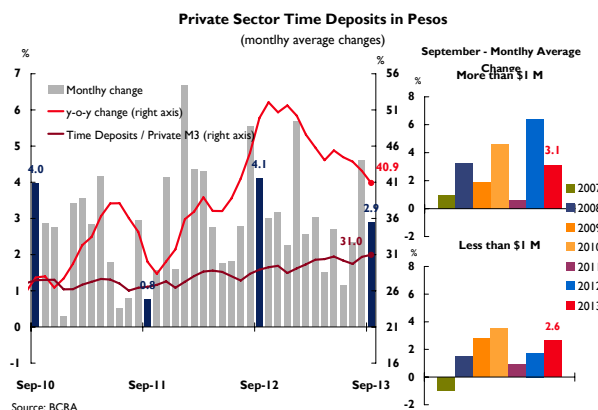
In September, the broadest monetary aggregate in pesos ($M3^2$) posted a 1.8% monthly increase with a relatively stable year-on-year (y.o.y.) change rate of 29% (see Chart 2.1). In turn, the broadest private monetary aggregate (private $M3^3$) exhibited a 1.9% monthly rise and a 31.5% increase in the last 12 months. During September, the expansion of loans in pesos granted to the private sector continued being the main factor behind the creation of the aggregate, followed by public sector transactions. Likewise, and during the first nine months of 2013, loans in pesos to the private sector consolidated as the most significant contributor to private $M3$, a performance boosted by the policies devoted to promote financing for productive activities (see Chart 2.2).

Chart 2.2



Among private $M3$ components, time deposits posted a 2.9% monthly hike in September (see Chart 2.3) and continued increasing their share within private $M3$, accounting for 31%. On a classification based on the amount of the deposit, both deposits under \$1 million and wholesale segment's deposits climbed up (2.6% and 3.1%, respectively). Thus, the y.o.y growth pace of the private sector's time deposits continued standing at historically high levels, reaching 40.9%. On the other hand, means of payment exhibited an expansion of 1.4% in September, mainly due to increases in sight deposits and, within this segment, specifically in current account deposits.

Chart 2.3



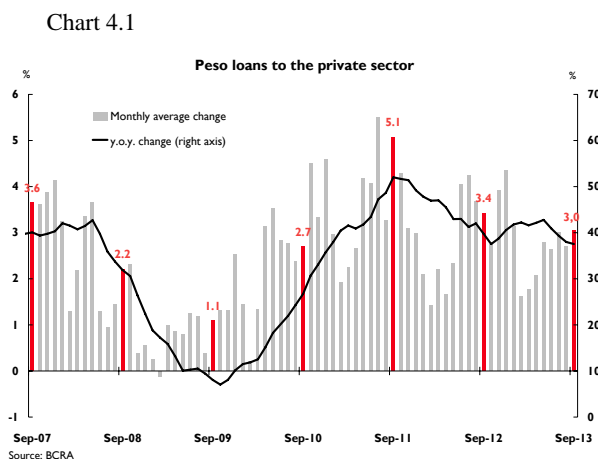
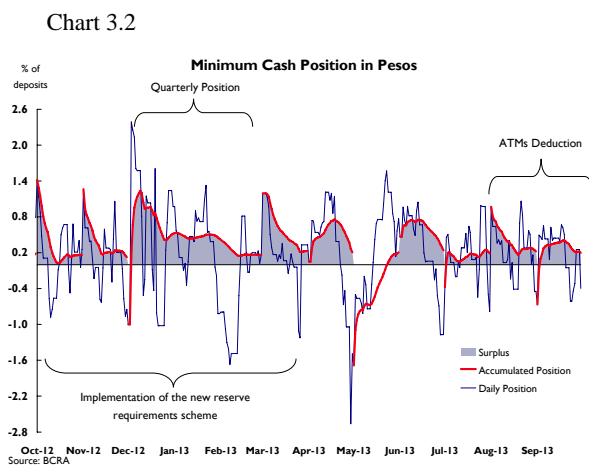
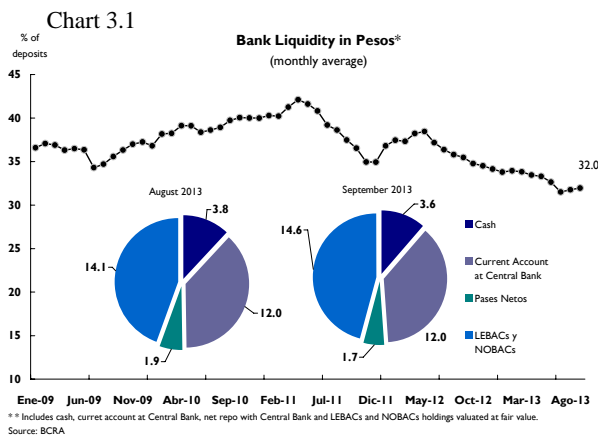
As regards primary money creation, the average stock of the monetary base went up 1% (\$3.3 billion) in September. Once again, this growth pace was slower than that of the same month of 2012 and led to a 0.6 p.p. reduction in the y.o.y change rate, which stood at 26%.

As for the foreign currency segment, the monthly stock of deposits went up, driven by the deposits from both the public and the private sectors.

The broadest monetary aggregate, $M3^*$, which includes the cash held by the public, settlement checks, Certificate of Deposits for Investment (CEDIN), and total deposits in pesos and in foreign currency (stated in pesos) went up 2%, and accumulates a 28.1% y.o.y. change rate.

² It includes cash held by the public, settlement checks in pesos and deposits in pesos.

³ It includes cash held by the public, settlement checks in pesos and deposits in pesos of the non-financial private sector.



Lastly, it is worth mentioning that, on September 30th, the expiration date of the new regime for the exteriorization of foreign currency was extended for three months (Executive Order 1503/2013). During the first three months of this regime, 8,046 instruments were underwritten for a total amount of US\$342 million. Part of these certificates has already been settled, after prior confirmation of CEDIN application for the intended purposes (see Communication “A” 5447). Thus, as of September, the amount of outstanding certificates was US\$272 million.

3. Bank Liquidity¹

In September, the broad liquidity ratio of the segment in pesos (measured as the sum of the cash in the banks, the current accounts of the institutions at the Central Bank, net repos with the Central Bank and LEBAC and NOBAC holdings with respect to total deposits in pesos) went up 0.2 p.p., standing at 32% (see Chart 3.1). Among the components of the ratio, this increase mainly resulted from LEBACs and NOBACs while shorter-term assets, in terms of deposits, either contracted (cash in banks and net repos in the Central Bank) or remained unchanged (current account in the Central Bank). This liquidity rise was observed both in public and private banks. In turn, the compliance in excess of the requirement is estimated to be equivalent to 0.2% of the deposits in line with the values recorded in the previous months.

As for the foreign currency segment, the average liquidity ratio continued standing at high levels and amounted to 118.3% on average of deposits in dollars, up 7.1 p.p. against August.

4. Loans^{1 4 5}

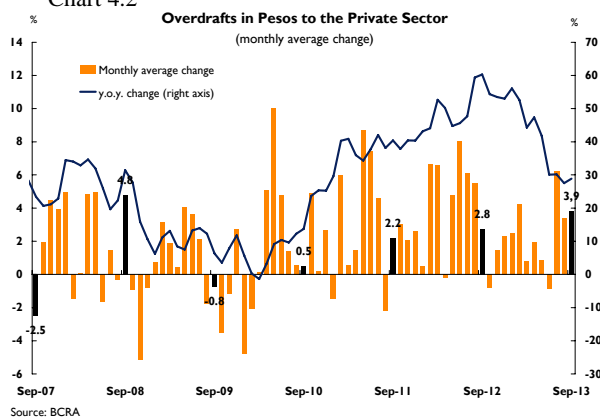
Loans in pesos to the private sector kept the growth pace exhibited since May and rose 3% (\$12.37 billion) in September. Thus, these loans recorded a y.o.y. change rate of 37.5% (see Chart 4.1). Among credits with higher momentum, the lines for commercial purposes (promissory notes and overdrafts) and personal loans stood out.

The monthly expansion pace of credit lines devoted to financing commercial activities accelerated in September. Overdrafts recorded a higher-than-expected rise for

⁴ Monthly changes of loans are adjusted for accounting movements, which are fundamentally due to transfers of loans in financial institutions’ portfolios to financial trusts.

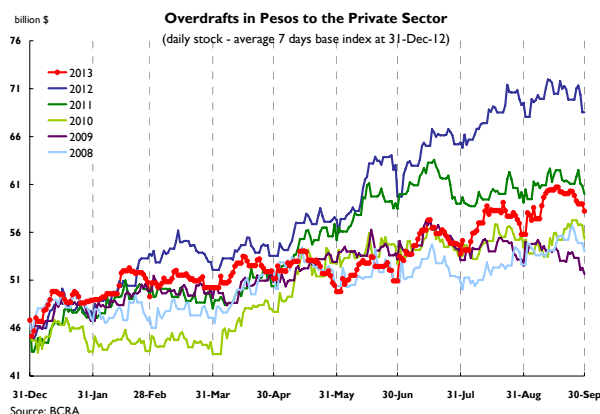
⁵ In this report, “amounts granted” or “new loans” refer to loans (new and renewed) arranged in a given period. In contrast, a change in stock consists of arranged loans minus amortizations and repayments for the period.

Chart 4.2



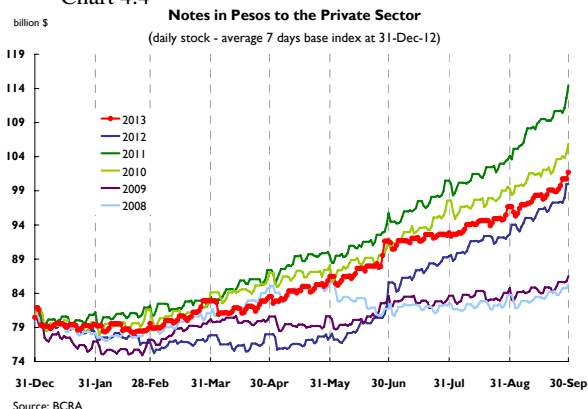
this time of the year and posted a 3.9% hike (\$2.2 billion). In fact, this increase stood remarkably above the average observed in September of previous years. As a result, their y.o.y. change rate went up 1.4 p.p., standing at 28.9% (see Chart 4.2). An analysis of overdrafts' daily balance reveals that after exhibiting a relatively stable performance between March and June, as from July they started to show an upward trend (see Chart 4.3). In turn, financing arranged through promissory notes posted a 4.2% rise (\$3.97 billion), one of the highest increases of the year, while its y.o.y. change rate (55.6%) continued to stand at historically high levels. Moreover, an analysis of the path followed by the daily balance reveals a rise in the slope in September against July and August (see Chart 4.4).

Chart 4.3



Now that half of the period corresponding to the third stage of the Credit Line for Productive Investment (LCIP) has elapsed, an increase in the amounts granted though unsecured promissory notes became evident. When breaking down the increase according to term and interest rate, it can be seen that such increase mainly concentrated in the financing agreed upon at a 15.25% interest rate and for 3 years or more, thus gaining share in the total (see Chart 4.5). These conditions of rate and term are consistent with LCIP's requirements (Communication "A" 5380 and 5449).

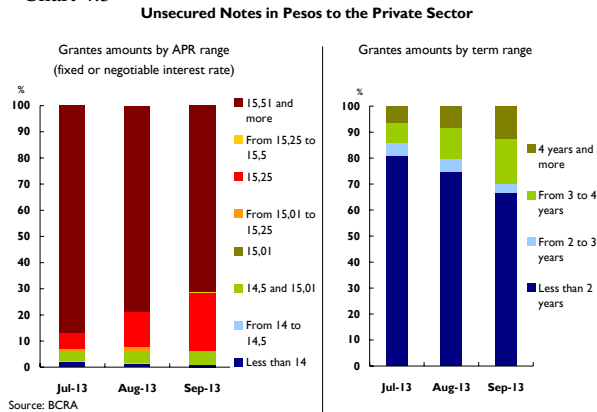
Chart 4.4



On the other hand, in line with the policy to promote credit for productive investment, a new auction was held in September under the Bicentennial Productive Financing Program (PFPB). This time, the auction was for \$570 million, out of which \$550 million were awarded (\$420 million to Banco de la Nación Argentina and \$130 million to Banco de la Provincia de Buenos Aires). Thus, total funds paid out since the implementation of the PFPB amounts to \$5.57 billion, around 73% of the total amount awarded.

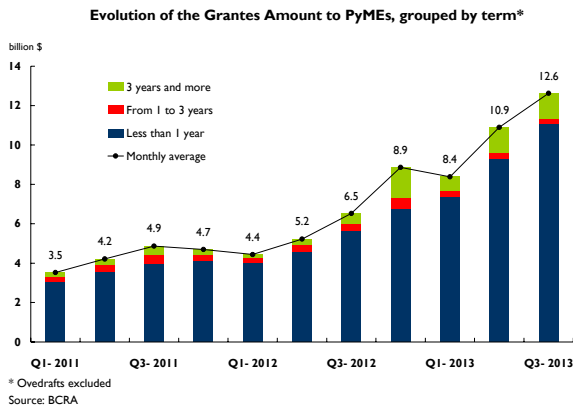
The policies addressed to lead banks to expand the credit portfolio to Micro, Small and Medium-Sized Enterprises (MiPyMEs), such as the requirement of granting at least 50% of the LCIP to these companies, showing satisfactory results. From the fourth quarter of 2012, the y.o.y. change rate of the new credits granted through this set of credit lines (excluding overdrafts and considering the monthly average of each quarter) to this group of companies exceeds 80% and, in the third quarter of 2013, it reached 94%. In this sense, the most remarkable fact is the evolution of financing at 3 years and more, which used to have a relatively low weight and has doubled its share in the amounts granted between the second quarter of 2012 and the third quarter of this year as a result of its remarkably high growth pace (see Chart 4.6).

Chart 4.5



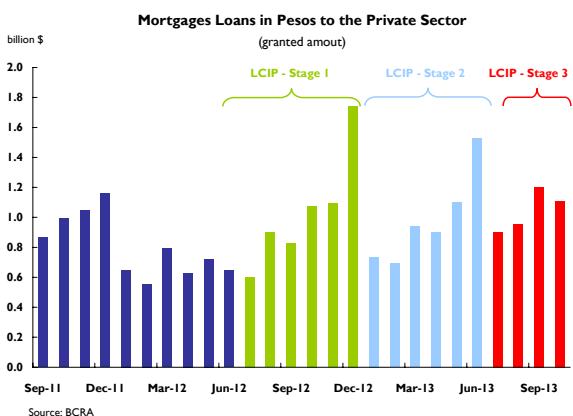
The credit lines devoted to financing household consumption exhibited a mixed performance during September. On the one hand, personal loans continued increasing their monthly expansion rate, up 3.3% during the period (\$2.9 billion), one of the highest rises of the year and similar to that of the same month of 2012. Consequently, the y.o.y. change rate remained stable at around 31%. On the other hand, credit card financing went up 1.9% (\$1.28 billion), after recording in August the highest increase of the year. In year-on-year terms, its growth has fluctuated since the beginning of the year at around 40%.

Chart 4.6



As regards collateralized loans, mortgage-backed credits continued exhibiting a modest growth pace while the monthly expansion rate of pledge-backed loans accelerated in September. The former grew 1.5% (\$610 million), in line with the figure recorded in August. In the last twelve months, these loans have accumulated an increase of 28.3%. It is worth mentioning that the analysis of the evolution of the loans granted shows that higher amounts were awarded under the framework of the LCIP, a traction that would gain momentum as we come closer to the expiration date of the third stage of this credit line (see Chart 4.7). Meanwhile, pledge-backed credits went up 2.9% (\$810 million), a rise exceeding that of August and similar to the one observed in September 2012. Thus, the y.o.y. change rate remained relatively stable at 46.4% (see Chart 4.8).

Chart 4.7



According to the latest available information, corresponding to August, the financing granted under leasing⁶ contracts increased 3.4% (\$286 million), thus exceeding the figure recorded in the previous month. Its year-on-year change rate continued accelerating and reached 39.5% in August, up 3 p.p. against July.

As regards foreign currency, loans to the private sector went down 3.4% (US\$150 million), with the monthly average balance standing at around US\$4.3 billion.

5. Interest Rates⁷

Central Bank Securities⁸

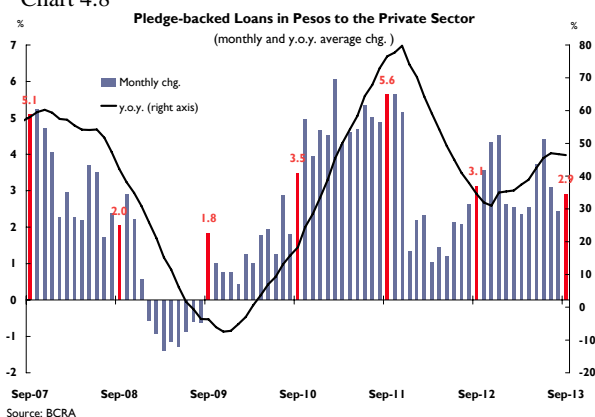
The interest rates on LEBACs and NOBACs in the primary market remained stable in September and, the same as in previous months, only fixed-rate securities

⁶ It includes the value of capital goods (personal and real property) leased to third parties, especially acquired by the institution on their behalf, under which the lessee periodically pays a price during the term agreed upon and holds the unilateral right of exercising the call option paying the residual value previously set forth.

⁷ Interest rates mentioned in this section are expressed as annual percentage rates (APR).

⁸ In this section, figures are end of the month data unless otherwise stated.

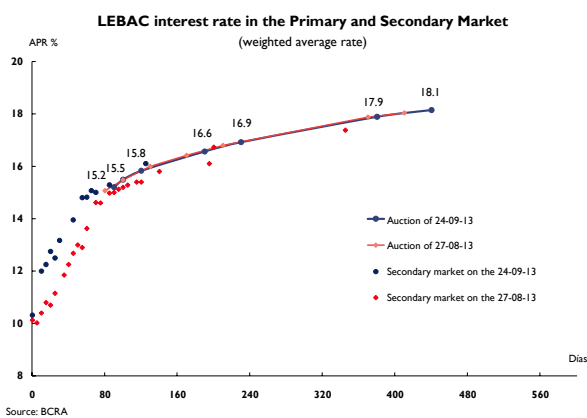
Chart 4.8



were awarded. Thus, by the end of the month, the interest rate on LEBACs for the shortest-terms, at 90 days and 100 days, auctioned at a predetermined cut-off rate, stood at 15.2% and 15.5%, respectively. Likewise, the longest-term interest rate –with a maturity of 440 days– stood at 18.1% (see Chart 5.1).

Market offers came mainly from banks. Even though the main issues concentrated in maturity instruments of up to 180 days, there was an increase in the issues over 360-day maturity instruments (see Chart 5.2).

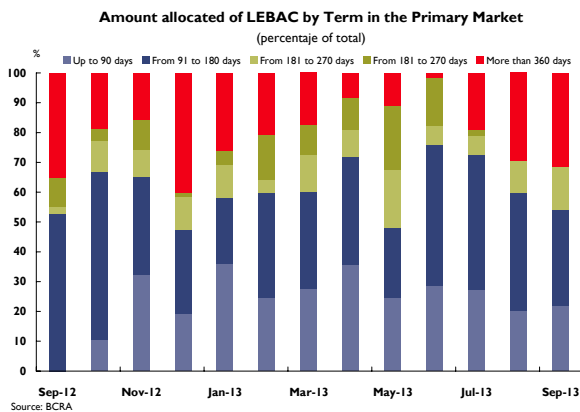
Chart 5.1



The amount issued during the month exceeded that of maturities and, as a result, the outstanding stock climbed by \$5.94 billion. This increase was boosted by banks’ demand while the remaining holders reduced their holdings (see Chart 5.3). Consequently, the outstanding stock stood at \$116.68 billion and accounted for 18% of total deposits.

In the secondary market, the interest rates on LEBACs corresponding mainly to instruments of a shorter residual term than those regularly auctioned by the Central Bank, recorded isolated increases during the month, even though they ended within averages similar to those seen in August. The average turnover traded shrank \$93 million, standing at \$1.07 billion per day. There were almost no transactions with NOBACs.

Chart 5.2

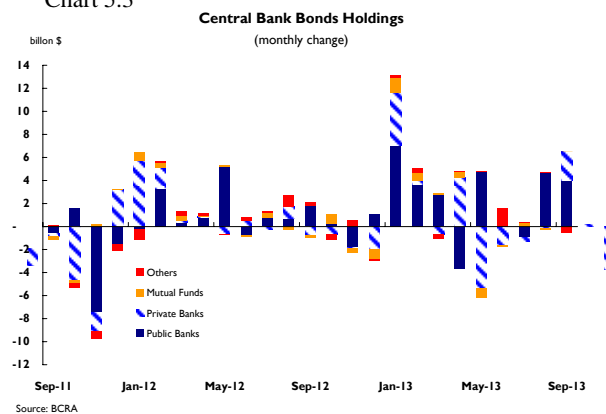


Central Bank repo transactions¹

The Central Bank reverse repo interest rates remained unchanged at 9% overnight and at 9.5% at 7 days, while rates on repo loans stood at 11% overnight and at 11.5% at 7 days.

The average stock of Central Bank reverse repos, considering all the transactions conducted by this institution, contracted slightly (2.3%) to \$14.9 billion in the month. This occurred within a context where no repo loans were recorded for the Central Bank.

Chart 5.3

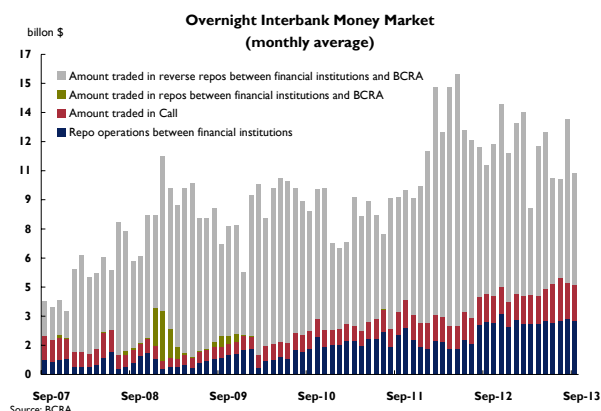


Call money markets¹

Interest rates in call money markets remained relatively stable in September. In the unsecured market (call), the average interest rate for overnight transactions stood at 12%. Likewise, the average interest rate on overnight transactions among financial institutions in the secured market (REPO round) stood at 11.7%.

As regards the amounts traded, the daily average amount also remained stable at \$4.74 billion. In turn, in the REPO round, excluding the transactions conducted by

Chart 5.4



the BCRA, the average traded volume in the month stood at \$2.91 billion and in the call money market at \$1.83 billion (see Chart 5.4). As regards the net position recorded in the call market, foreign institutions were once again the only net fund borrowers, while the remaining institutions were net fund lenders, as it has occurred in the last four months (see Chart 5.5).

Borrowing rates¹

In September, the interest rates paid by financial institutions to depositors posted slight increases. In fact, the interest rate for total new time deposits in pesos stood at 15.5% on average, increasing 0.4 p.p. against August.

In particular, short-term borrowing interest rates paid by private banks also hiked. The interest rate paid for time deposits up to \$100,000 (retail segment) and for up to 35 days averaged 15.2%, rising 0.4 p.p. against August. Meanwhile, the BADLAR of private banks –interest rate on deposits of \$1 million and more and for over 30-35 days– averaged 18%, recording a 0.3 p.p. monthly increase.

Lending rates¹⁹

In September, lending interest rates on loans in pesos to the private sector exhibited a heterogeneous performance.

The interest rate on current account overdrafts averaged 23.5%, recording a 0.2 p.p. monthly increase. Particularly, the monthly average of the interest rate on overdrafts to companies for over \$10 million and up to 7 days grew 0.4 p.p. in the month, standing at 17.4%.

As regards financing arranged through promissory notes, interest rates exhibited a mixed performance. The monthly average of interest rates on unsecured promissory notes stood at 20.7%, declining 0.2 p.p. in the month. On the contrary, the monthly average of the interest rate on discounted documents rose 0.6 p.p. against August, standing at 22.1%.

As regards personal loans, the monthly average interest rate stood at 36.3%. In turn, among collateralized loans, the interest rate on pledge-backed loans averaged 21.7% while, as it occurred in August, the monthly average interest rate on mortgages granted to natural persons decreased 0.2 p.p. and stood at 15.3%.

Chart 5.5

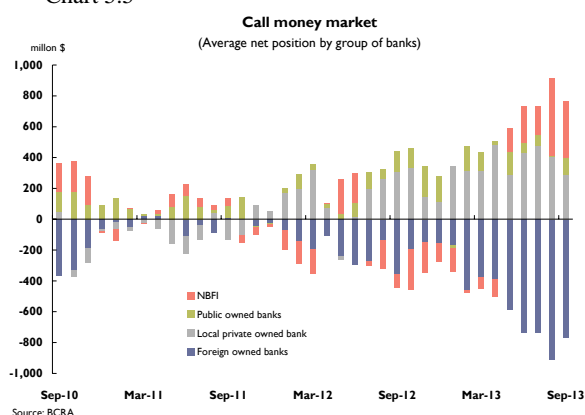
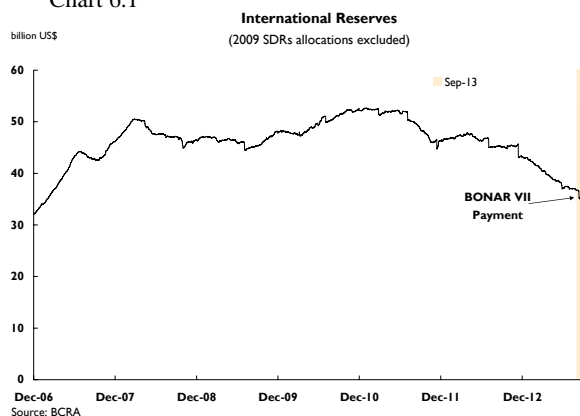


Chart 6.1



⁹ Interest rates mentioned in this section are annual percentage rates and do not include assessment or granting expenses or other expenditures (e.g. insurance) which are taken into account in the total financial cost of loans.

Chart 6.2

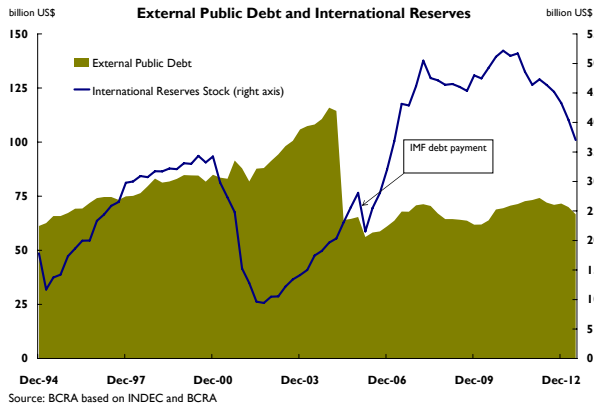


Chart 6.3

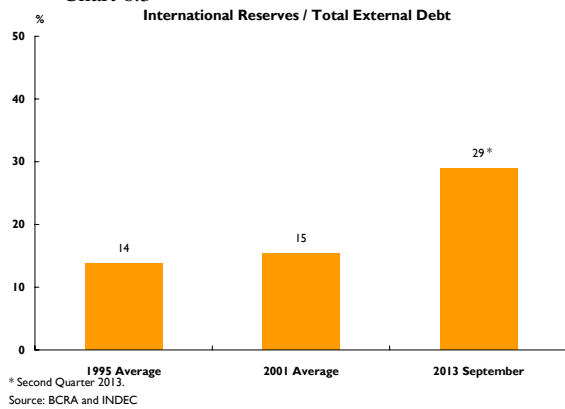


Chart 6.4

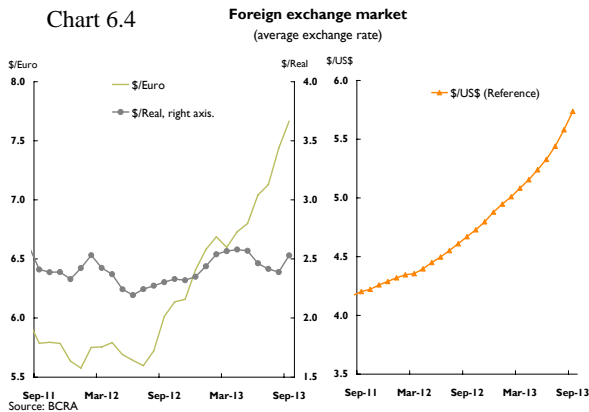
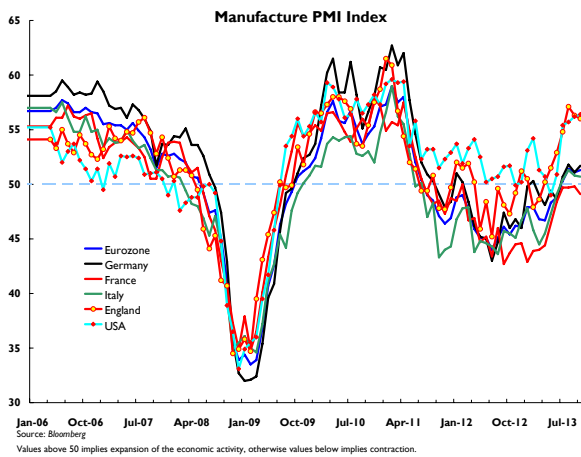


Chart 7.1



6. International reserves and foreign exchange market

The balance of international reserves ended September at US\$34.47 billion on the last day of the month (see Chart 6.1), down US\$1.9 billion against the balance recorded at the end of August. The monthly decrease was mainly due to the payment of the public debt in foreign currency (BONAR VII) and, to a lesser extent, to the net sales of foreign currency by the Central Bank in the Free and Single Foreign Exchange Market (MULC). During the last years, the evolution of the international reserves balance has been associated to the debt reduction strategy and the consequent reduction of the external public debt (see Chart 6.3).

Regarding the foreign exchange market, the peso depreciated against the US dollar and the euro, while it has reversed its appreciation against the real, a situation that had been observed in the last four months. As a result, the average exchange rates in September stood at 5.74 \$/US\$ and 7.67 \$/euro (3.5%) and 2.53 \$/real, resulting in changes against August of 2.8%, 3.1% and 5.9% respectively (see Chart 6.4). In turn, the depreciation expected for the next months in the dollar futures market (ROFEX) went up, and the daily average amount traded remained stable against August (\$1.8 billion).

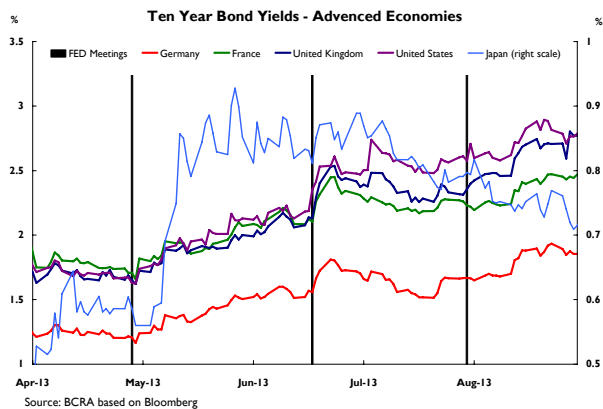
7. Major policy measures taken by other Central Banks

During September, most of the main central banks¹⁰ kept the bias of their monetary policies unchanged. Particularly in emerging nations, minor changes were observed but they were driven by context-related and concrete factors.

On September 5th, the European Central Bank (ECB), the Bank of England (BoE) and the Bank of Japan (BoJ) held their respective meetings. The three monetary authorities decided to keep their monetary policies unchanged within a framework of relatively positive activity indicators (see Chart 7.1). As a result, the ECB maintained its benchmark interest rate –applicable to the Main Refinancing Operations (MRO)– at a historically minimum level (0.5%). This time, the ECB’s president was cautious about the improvements in the activity indicators and reaffirmed that he expects the monetary policy rate will stand at the current level for a protracted period. In turn, the BoE stated once again that it will

¹⁰ They are considered “main central banks” because of their impact on the Argentine economy and on global trends.

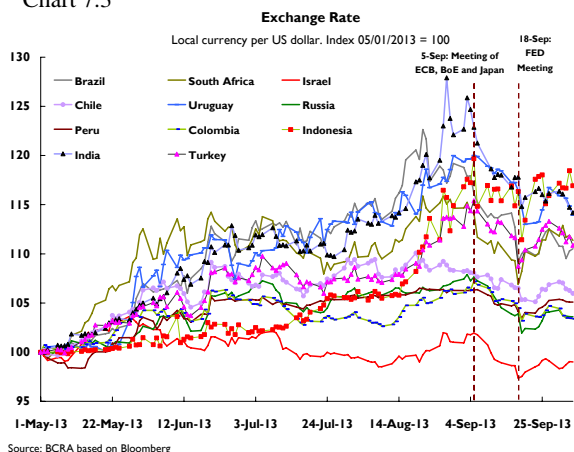
Chart 7.2



maintain the monetary policy interest rate –Bank Rate– at 0.5% and that it will not change its Asset Purchase Facility (currently at £375 billion) until unemployment drops below 7% (it is currently standing at 7.7%). Finally, the BoJ confirmed its target of doubling the monetary base between April 2013 and April 2015.

Likewise, by mid-September, the US Federal Reserve (FED) decided to keep the pace of its assets purchase program at US\$85 billion per month. It is worth mentioning that in May the FED had anticipated that it might reduce its purchase pace (“tapering”), an event that the markets deemed as very likely to occur at this meeting. However, even though the labor market recorded positive data, the Federal Reserve underscored a deceleration of the economic activity and the financial conditions. As a result, the risks related to a slow recovery of the labor market still prevailed.

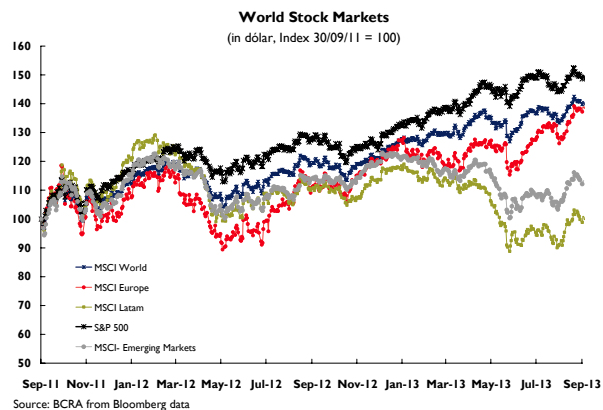
Chart 7.3



These decisions impacted on the evolution of the different markets. On the one hand, the yields of the main financial assets stopped growing, while the currency depreciation process of emerging countries, which started in May after the “tapering” announcement, reversed partially (see Charts 7.2 and 7.3).

Vis-à-vis the recent appreciation of the emerging markets’ currencies, some central banks adjusted their policies. In this sense, the Central Bank of Turkey reduced the minimum amount of the daily auctions of foreign currency sales from US\$100 million to US\$20 million. In turn, the Reserve Bank of India, which had implemented temporary measures to cope with the sharp volatility, reduced the percentage of the daily minimum reserve requirement from 99% to 95% (originally standing at 70%) and reduced the upper limit of the interest rate corridor from +3 p.p. to +2 p.p. above the benchmark interest rate (originally at 1 p.p.).

Chart 8.1



8. Capital Markets

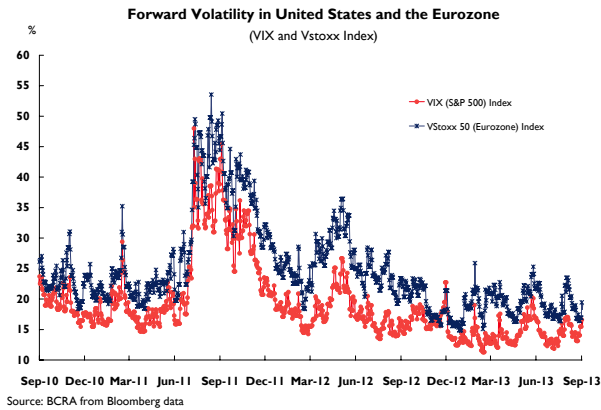
Equity¹¹

Equity in the main stock markets ended September with a positive sign. Among advanced economies, the S&P500, the main index for the US market, went up 3% whereas the European marketplace, measured through the MSCI index, expanded 8.7% (see Chart 8.1). In this context, the expected volatility widened both in Europe, where the index that measures the volatility of the Stoxx 50 (stock market benchmark index for the Euro Zone) posted a 0.5 p.p. rise, and in the United States, where

¹¹ Unless otherwise stated, the change in indexes is represented in US dollars.

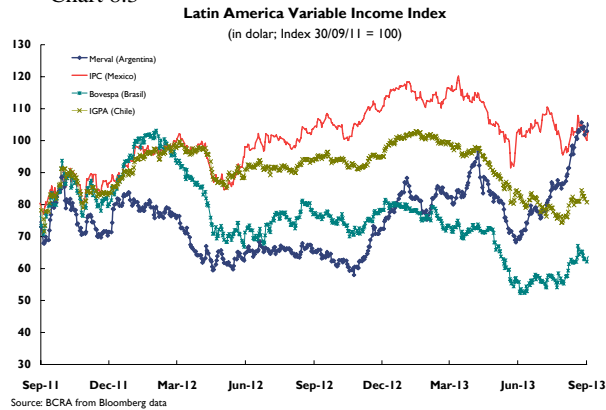
S&P500 volatility, measured by the VIX Index, went up 0.7 p.p. (see Chart 8.2).

Chart 8.2



Mainly driven by the rebound of risk appetite, the price of variable income assets of emerging countries gained ground after the drops recorded in August. According to the MSCI Index, Emerging Markets expanded 6.2% while Latin American Markets rose 8.4%. The Brazilian Bovespa Stock Index, which is the benchmark for the region, went up 12.6%, the Mexican IPC climbed 4% and the Chilean IGPA increased 5.8%. In all cases, the rebound was due to both the performance of the index in local currency and the appreciation of the domestic currency against the US dollar (see Chart 8.3).

Chart 8.3

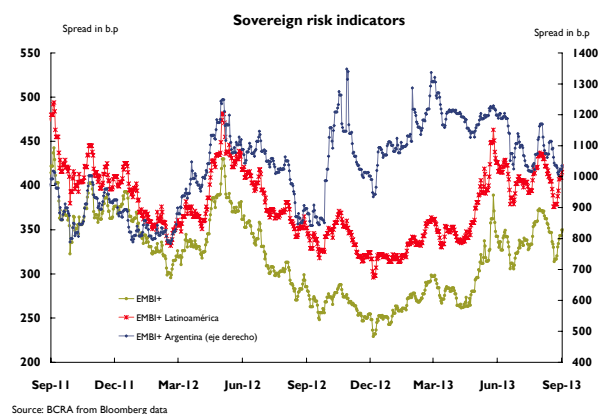


The local benchmark index (Merval) measured in dollars recorded once again a positive performance and ended September with a monthly 19% hike, driven by the price increase of banks and energy companies stocks. As a result of the performance seen in September, the local stock exchange accumulates a 42% rise so far in 2013. The daily average amount traded in shares in the 9th month of the year reached \$111 million, up 35.2% in monthly terms.

Sovereign bonds

In September, a reduction was observed in the yields of the US sovereign debt instruments. The 10-year Treasury bond went down almost 20 b.p. (basis points) to 2.6%. Within this context, the yield spreads of emerging sovereign bonds above the US Treasuries decreased 22 b.p. to 347 b.p. by late September, as measured by the EMBI+. Likewise, at regional level, the EMBI Latin America fell 20 b.p. to 415 b.p. In Argentina, the yield spread of sovereign bonds contracted 135 b.p. to 1,035 b.p. by the end of September (see Chart 8.4).

Chart 8.4



Corporate bonds

In September, corporate financing through debt issues amounted to \$486 million (see Chart 8.5). Following the trend of the previous months, most issues were denominated in pesos maturities shorter than 2 years. As regards issuers, the farming sector was the main issuer with \$217 million, followed by a company from the food sector with a \$150 million issuance and by the financial sector with issues for \$118 million.

In turn, even though the energy sector did not issue debt for the second consecutive month, by the end of September YPF made an initial public offering and issued a bond for US\$150 million in the international market un-

Chart 8.5

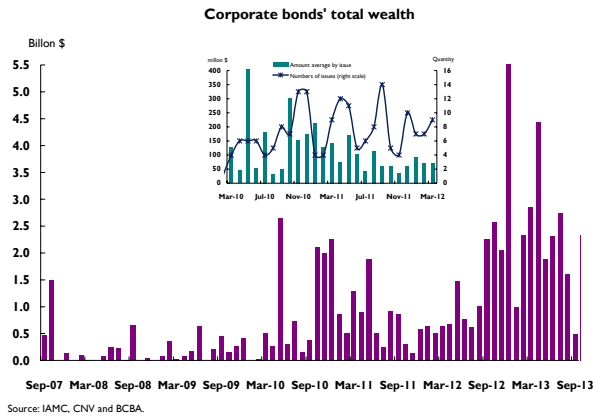


Chart 8.6

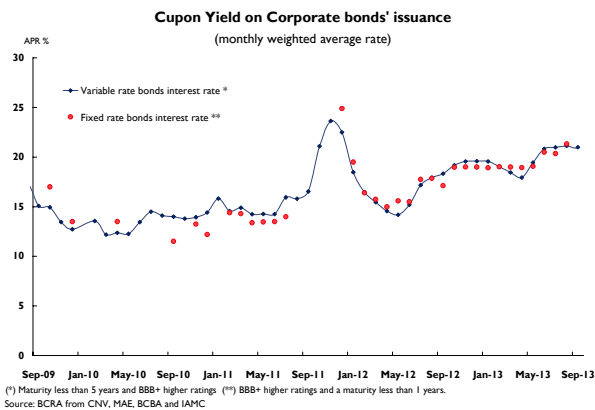
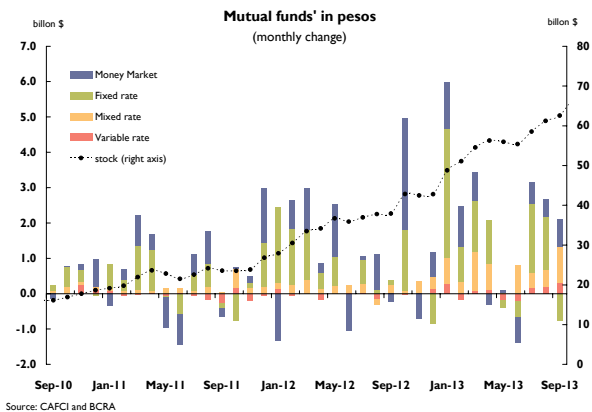


Chart 8.7



der the New York Law, which will be settled during the first days of October. It is the first issue of a local listed company abroad since May 2012. The bond, which is due in August 2018, is secured by a special guarantee based on some export duties. The income and amortization will be made in quarterly coupons accruing LIBOR (London Interbank offered rate) plus 7.5 p.p. payable in dollars, excluding the first accrual period, during which the rate will be 7.76%.

As for the cost of financing, in the variable rate issues, the interest rates applicable to bonds with a rating over Arg BBB+ and a maturity below 2 years remained relatively stable at 21.2% (see Chart 8.6). It is worth stating that in September no fixed rate issues were made.

Mutual Funds

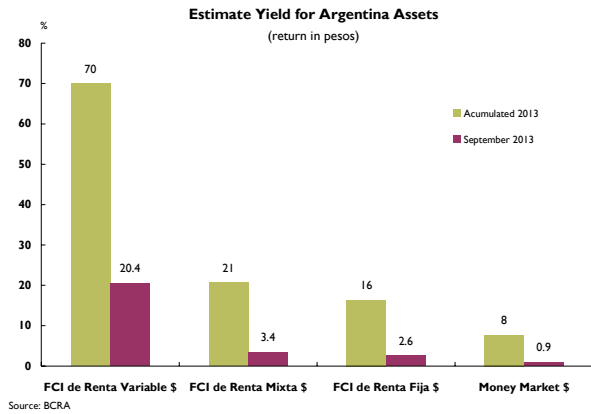
The net worth of Mutual Funds (FCIs) in pesos and in foreign currency increased \$1.41 billion (2.2%) in September, standing at \$64.59 billion by the end of the month. Once again, FCIs in pesos, which account for almost all the industry, were the main factor behind the monthly rise due to the good performance of mixed income funds and, to a lesser extent, of money market funds.

The funds investing in mixed income assets recorded their second best monthly performance of the year, growing \$1.04 billion (10%). The rise of portfolio asset prices, together with the increase in the amount of unit shares, contributed to the monthly growth of the segment. Likewise, Money Market funds expanded \$780 million (3.8%), mainly boosted by the increase in the amount of unit shares. In turn, variable income funds went up \$300 million (24%) as a result of the price increase of the main domestic stock market assets. In the opposite direction, after growing for two consecutive months, the fixed income funds contracted \$760 million (2.6%), driven by the redemption of unit shares (see Chart 8.7).

As regards the profitability recorded, variable income funds continued exhibiting the best relative performance with a monthly estimated return of 20% and a 70% profit accumulated so far in 2013. Likewise, mixed and fixed income funds posted monthly profits of 3.4% and 2.6%, respectively. Finally, Money Market funds recorded, on average, a 0.9% monthly profitability. The high share of sight accounts and REPO transactions in their total net worth is the reason behind their lower profitability level against other remaining segments (see Chart 8.8).

Lastly, FCIs' net worth in foreign currency expanded after falling for four months in a row. The net worth went up US\$3 million and stood at US\$346 million, driven exclusively by mixed income funds.

Chart 8.8

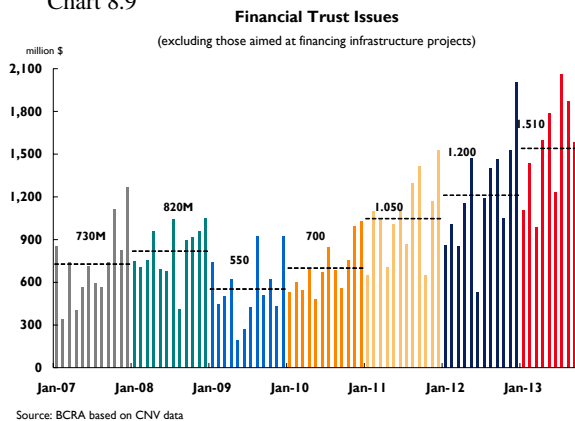


Financial Trusts¹²

In September, financial trust (FT) issues totalized around \$1.64 billion, including an issue of \$56 million to finance infrastructure works in the Province of Chaco with a view to improving the power transmission and distribution capacity (see Chart 8.9).

As for trustors, retail businesses and financial institutions stood out since they accounted for around 40% of the total issuance of the month. The retail segment issued around \$650 million, exhibiting a slight increase against the securitized assets volume recorded in August. In turn, financial institutions issued around \$630 million, exhibiting a decline against the high amounts recorded in July and August and reaching an amount similar to that of June 2013. In turn, mutuals, cooperatives, non-bank credit card issuers and other financial service providers issued around \$260 million (16% of the total), down 24% against August. The rest corresponded to issues by a group of SMEs belonging to the farming sector, and by the already-mentioned FT from the energy sector, Servicios Energéticos del Chaco Empresa del Estado Provincial (SECHEEP). Except for these two issues, the remaining FTs were backed by loans for consumption (personal loans and credit card coupons).

Chart 8.9



As regards the cut-off interest rate, the weighted average by amount on senior bonds in pesos with a term below 14 months and agreed upon at a variable rate stood at 19.5%, up 1.1 p.p. In the fixed rate segment, there were no transactions.

¹² Only publicly traded financial trusts are considered.

9. Monetary and financial indicators

Figures in millions, expressed in their original currency.

Main monetary and financial system figures	Monthly average				Average change in percentage	
	Sep-13	Aug-13	Dec-12	Sep-12	Monthly	Last 12 months
Monetary base	329,769	326,429	292,138	261,624	1.0%	26.0%
Currency in circulation	254,326	252,804	224,211	200,992	0.6%	26.5%
Held by public	231,355	229,485	199,335	180,684	0.8%	28.0%
Held by financial entities	22,970	23,317	24,872	20,307	-1.5%	13.1%
Settlement check	2	2	4	0	5.1%	0.0%
BCRA current account	75,443	73,625	67,927	60,632	2.5%	24.4%
Repos stock						
Reverse repos	14,892	15,235	17,432	17,261	-2.3%	-13.7%
Repos	0	0	0	0	0.0%	0.0%
BCRA securities stock (in face value)	113,561	107,354	88,681	91,379	5.8%	24.3%
In banks	98,905	93,425	77,641	81,114	5.9%	21.9%
LEBAC						
In pesos	108,809	101,755	74,569	70,134	6.9%	55.1%
NOBAC	4,753	5,599	14,112	21,245	-15.1%	-77.6%
International reserves excluded 2009 SDRs allocations	35,612	37,001	44,134	45,228	-3.8%	-21.3%
Private and public sector deposits in pesos ⁽¹⁾	626,962	613,253	525,028	484,466	2.2%	29.4%
Current account ⁽²⁾	171,847	167,844	150,959	127,171	2.4%	35.1%
Savings account	124,791	122,578	104,730	91,894	1.8%	35.8%
Not CER-adjustable time deposits	306,890	299,738	248,802	246,793	2.4%	24.4%
CER-adjustable time deposits	6	7	7	8	-10.6%	-25.0%
CEDRO adjusted by CER	0	0	0	0		
Other deposits ⁽³⁾	23,428	23,087	20,530	18,601	1.5%	26.0%
<u>Private sector deposits</u>	<u>449,911</u>	<u>439,239</u>	<u>372,490</u>	<u>337,481</u>	<u>2.4%</u>	<u>33.3%</u>
<u>Public sector deposits</u>	<u>177,050</u>	<u>174,014</u>	<u>152,538</u>	<u>146,985</u>	<u>1.7%</u>	<u>20.5%</u>
Private and public sector deposits in dollars ⁽¹⁾	8,150	8,033	9,393	8,985	1.5%	-9.3%
Loans to private and public sector in pesos ⁽¹⁾	457,312	445,705	373,913	337,523	2.6%	35.5%
<u>Loans to private sector</u>	<u>420,091</u>	<u>408,198</u>	<u>339,103</u>	<u>305,469</u>	<u>2.9%</u>	<u>37.5%</u>
Overdrafts	59,232	57,026	47,326	45,950	3.9%	28.9%
Promissory bills	98,195	94,226	76,170	63,094	4.2%	55.6%
Mortgages	40,687	40,075	34,475	31,715	1.5%	28.3%
Pledge-backed loans	28,716	27,905	22,135	19,613	2.9%	46.4%
Personal loans	91,125	88,697	75,069	69,629	2.7%	30.9%
Credit cards	69,053	67,777	56,352	49,384	1.9%	39.8%
Other loans	33,084	32,492	27,576	26,084	1.8%	26.8%
<u>Loans to public sector</u>	<u>37,221</u>	<u>37,507</u>	<u>34,810</u>	<u>32,053</u>	<u>-0.8%</u>	<u>16.1%</u>
Loans to private and public sector in dollars ⁽¹⁾	4,293	4,439	5,549	6,337	-3.3%	-32.3%
Total monetary aggregates ⁽¹⁾						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	403,203	397,330	350,298	307,856	1.5%	31.0%
M2 (M1 + savings account in pesos)	527,994	519,908	455,028	399,750	1.6%	32.1%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	858,318	842,740	724,367	665,151	1.8%	29.0%
M3* (M3 + total deposits in dollars + settlement check in foreign currency)	905,591	887,675	770,217	707,109	2.0%	28.1%
Private monetary aggregates						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	342,738	337,341	299,301	270,395	1.6%	26.8%
M2 (M1 + private savings account in pesos)	454,924	448,578	395,489	356,229	1.4%	27.7%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	681,268	668,726	571,829	518,166	1.9%	31.5%
M3* (M3 + private total deposits in dollars + settlement check in foreign currency)	720,890	706,785	609,684	555,971	2.0%	29.7%

Explanatory factors	Average Change							
	Monthly		Quarterly		YTD 2011		Last 12 months	
	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾
Monetary base	3,340	1.0%	18,765	6.0%	37,631	12.9%	68,145	26.0%
Financial sector	459	0.1%	-2,820	-0.9%	4,063	1.4%	4,422	1.7%
Public sector	11,147	3.4%	28,002	9.0%	43,430	14.9%	63,987	24.5%
Private external sector	-4,187	-1.3%	-4,251	-1.4%	3,507	1.2%	7,613	2.9%
BCRA securities	-3,754	-1.1%	-1,817	-0.6%	-11,423	-3.9%	-5,379	-2.1%
Others	-326	-0.1%	-347	-0.1%	-1,946	-0.7%	-2,498	-1.0%
International reserves excluded 2009 SDRs allocations	-1,389	-3.8%	-2,622	-6.9%	-8,522	-19.3%	-9,616	-21.3%
Foreign exchange market intervention	-735	-2.0%	-737	-1.9%	773	1.8%	1,624	3.6%
International financial institutions	92	0.2%	83	0.2%	249	0.6%	209	0.5%
Other public sector operations	7,004	18.9%	6,886	18.0%	1,366	3.1%	109	0.2%
Dollar liquidity requirements	216	0.6%	206	0.5%	-872	-2.0%	316	0.7%
Others (incl. change in US\$ market value of nondollar assets)	-7,966	-21.5%	-9,059	-23.7%	-10,039	-22.7%	-11,874	-26.3%

1 Excludes financial sector and foreign depositors. Loans's figures correspond to statistical information, without being adjusted by financial trusts. Provisory figures.

2 Net of the use of unified funds.

3 Net of deposits pending of swap by public bonds (BODEN).

4 "Contribution" field refers to the percentage of change of each factor versus the main variable corresponding to the month respect which the change is being calculated.

5 Provisory data subjected to changes in valuation.

Sources: BCRA Accounting Department and SISCEN Informative Regime.

Minimum Cash Requirement and Compliance

	Sep-13	Aug-13	Jul-13
	(1)		
Domestic Currency	% of total deposits in pesos		
Requirement	11.7	11.7	12.1
Compliance	11.9	11.9	12.3
Position ⁽²⁾	0.2	0.2	0.2
<i>Residual time structure of term deposits used for the calculation of the requirement ⁽³⁾</i>	%		
<i>Up to 29 days</i>	63.0	63.2	61.6
<i>30 to 59 days</i>	24.6	24.6	25.0
<i>60 to 89 days</i>	7.0	7.0	8.3
<i>90 to 179 days</i>	3.8	3.8	3.7
<i>more than 180 days</i>	1.5	1.4	1.3
Foreign Currency	% of total deposits in foreign currency		
Requirement	19.1	19.0	19.3
Compliance (includes default application resource)	104.8	102.1	98.5
Position ⁽²⁾	85.7	83.1	79.2
<i>Residual time structure of term deposits used for the calculation of the requirement ⁽³⁾</i>	%		
<i>Up to 29 days</i>	49.8	48.6	50.8
<i>30 to 59 days</i>	23.1	23.9	21.6
<i>60 to 89 days</i>	11.4	11.9	11.7
<i>90 to 179 days</i>	12.2	12.3	13.2
<i>180 to 365 days</i>	3.4	3.3	2.6
<i>more than 365 days</i>	0.0	0.0	0.1

⁽¹⁾ Estimates data of Requirement, Compliance and Position.

⁽²⁾ Position= Requirement - Compliance

⁽³⁾ Excludes judicial time deposits.

Source: BCRA

Interest rates in annual nominal percentage and traded amounts in million. Monthly averages.

Borrowing Interest Rates	Sep-13	Aug-13	Jul-13	Dec-12	Sep-12
Interbank Loans (overnight)					
Interest rate	12.19	11.98	13.64	10.71	9.92
Traded volume (million pesos)	1,874	1,855	2,183	1,313	1,491
Time Deposits					
<u>In pesos</u>					
30-44 days	15.57	15.22	14.96	13.69	11.96
60 days or more	15.80	14.33	15.46	15.43	11.65
Total BADLAR (more than \$1 million, 30-35 days)	15.18	14.79	15.65	13.43	11.60
Private Banks BADLAR (more than \$1 million, 30-35 days)	18.00	17.70	17.24	15.37	14.27
<u>In dollars</u>					
30-44 days	0.47	0.49	0.49	0.60	0.54
60 days or more	0.95	0.89	0.85	1.11	1.22
Total BADLAR (more than \$1 million, 30-35 days)	0.53	0.57	0.57	0.65	0.75
Private Banks BADLAR (more than \$1 million, 30-35 days)	0.61	0.68	0.65	0.61	0.86
Lending Interest Rates	Sep-13	Aug-13	Jul-13	Dec-12	Sep-12
Stock Repos					
Gross interest rates 30 days	18.23	17.64	18.17	15.57	14.89
Traded volume (all maturities, million pesos)	259	263	277	235	253
Loans in Pesos ⁽¹⁾					
Overdrafts	23.54	23.38	23.17	21.79	21.08
Promissory Notes	20.66	20.87	20.84	18.58	17.99
Mortgages	16.20	16.42	15.87	17.23	16.24
Pledge-backed Loans	21.71	20.64	20.48	19.60	20.96
Personal Loans	36.26	35.75	34.91	34.31	34.32
Credit Cards	s/d	34.51	34.11	34.90	34.62
Overdrafts - 1 to 7 days - more than \$10 million	17.39	17.03	17.32	14.44	13.49
International Interest Rates	Sep-13	Aug-13	Jul-13	Dec-12	Sep-12
LIBOR					
1 month	0.18	0.18	0.19	0.21	0.22
6 months	0.38	0.40	0.40	0.51	0.67
US Treasury Bonds					
2 years	0.39	0.34	0.33	0.25	0.25
10 years	2.80	2.72	2.55	1.70	1.70
FED Funds Rate	0.25	0.25	0.25	0.25	0.25
SELIC (1 year)	9.00	8.57	8.36	7.25	7.50

(1) Observed data from Monthly Informative Regime SISCEN 08 up to April and estimated data based on Daily Informative Regime SISCEN 18 for May and June.

Interest rates in annual nominal percentage and traded amounts in million. Monthly averages.

Reference Interest Rates	Sep-13	Aug-13	Jul-13	Dec-12	Sep-12
BCRA Repo Interest Rates					
Overnight reverse repo	9.00	9.00	9.00	9.00	9.00
7-day reverse repo	9.50	9.50	9.50	9.50	9.50
7-day repo	11.50	11.50	11.50	11.50	11.50
Total Repo Interest Rates					
Overnight	10.04	9.84	10.97	9.36	9.29
7 days	10.03	10.19	10.20	9.53	9.50
Repo traded volumen (daily average)	8,488	11,291	7,875	10,111	9,299
Peso LEBAC Interest Rate¹					
1 month	s/o	s/o	s/o	11.60	s/o
2 months	s/o	14.94	14.94	11.98	s/o
3 months	15.34	15.45	15.42	12.93	12.33
9 months	s/o	s/o	s/o	14.52	14.10
12 months	17.89	17.88	17.94	14.99	14.51
Peso NOBAC with variable coupon Spread¹					
9 months BADLAR Private Banks	s/o	s/o	s/o	s/o	-1.99
1 year BADLAR Private Banks	s/o	s/o	s/o	s/o	s/o
2 years BADLAR Private Banks	s/o	s/o	s/o	s/o	s/o
3 years BADLAR Private Banks	s/o	s/o	s/o	s/o	s/o
LEBAC and NOBAC traded volume (daily average)	1068	1161	1078	786	662
Foreign Exchange Market	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12
Dollar Spot					
Exchange agencies	5.74	5.58	5.44	4.88	4.67
BCRA Reference	5.75	5.58	5.44	4.88	4.68
Future dollar					
NDF 1 month	5.97	5.76	5.61	4.98	4.75
ROFEX 1 month	5.87	5.69	5.55	4.95	4.73
Traded volume (all maturities, million pesos)	1,799	1,762	891	818	976
Real (Pesos/Real)	2.53	2.39	2.42	2.35	2.30
Euro (Pesos/Euro)	7.67	7.44	7.13	6.41	6.01
Capital Market	Sep-13	Aug-13	Jul-13	Dec-12	Sep-12
MERVAL					
Index	4,531	3,744	3,283	2,672	2,456
Traded volume (million pesos)	120	86	53	54	41
Government Bonds (parity)					
BODEN 2015 (US\$)	145.78	142.04	134.52	120.57	122.68
DISCOUNT (US\$ - NY legislation)	100.15	97.83	91.05	97.99	103.11
BODEN 2014 (\$)	94.64	93.77	93.09	92.24	93.41
DISCOUNT (\$)	48.50	45.11	45.44	46.02	45.64
Country risk					
Spread BODEN 2015 vs. US Treasury Bond	1,118	1,112	1,273	1,204	1,090
EMBI+ Latin America (without Argentina)	381	386	379	298	336

¹ Corresponds to average results of each month primary auctions.

10. Glossary

- ANSES:** *Administración Nacional de Seguridad Social*. Social Security Administration
- APR:** Annual percentage rate.
- BADLAR:** Interest rate for time deposits over one million pesos between 30 and 35 days for the average of financial institutions
- BCRA:** *Banco Central de la República Argentina*. Central Bank of Argentina
- BODEN:** Bonos optativos del Estado Nacional. Optional federal bonds
- BOVESPA:** Sao Paulo Stock Exchange Index (Brazil)
- CAFCI:** *Cámara Argentina de Fondos comunes de inversión*
- CDS:** Credit Default Swaps
- CER:** Coeficiente de Estabilización de Referencia. Reference Stabilization Coefficient
- CNV:** Comisión Nacional de Valores. National Securities Commission
- CPI:** Consumer Price Index
- DISC:** Discount Bond
- EMBI:** Emerging Markets Bonds Index
- FCI:** Mutual Funds
- Fed:** Federal Reserve
- FTs:** Financial Trusts
- GBA:** Greater Buenos Aires metropolitan area
- GDP:** Gross Domestic Product
- IAMC:** Instituto Argentino de Mercado de Capitales.
- IGBVL:** Lima Stock Exchange Index (Peru)
- IGPA:** Santiago Stock Exchange Index (Chile)
- LEBAC:** *Letras del Banco Central*. BCRA Bills
- LCIP:** Credit Line for Productive Investment.
- LIBOR:** London Interbank Offered Rate
- M2:** Notes and Coins + Current Accounts and Savings Accounts in \$
- M3:** Notes and Coins + Total Deposits in \$.
- M3*:** Notes and Coins + Total Deposits in \$ and US\$
- MERVAL:** *Mercado de Valores de Buenos Aires*. Buenos Aires Stock Exchange Index
- MEXBOL:** Mexico Stock Exchange Index
- NBFI:** Non-Banking Financial Institutions
- NDF:** Non Deliverable Forward
- NOBAC:** Notas del Banco Central. BCRA Notes
- NV:** Nominal value
- ONs:** Corporate Bonds
- PyME:** Small and medium enterprises
- ROFEX:** Rosario Futures Exchange Rate Market
- SELIC:** Brazilian Central Bank's Benchmark Interest Rate
- SISCEN:** *Sistema Centralizado de Requerimientos Informativos*. BCRA Centralized Reporting Requirement System
- S&P:** Standard and Poor's 500 Index
- TIR:** Internal rate of return (IRR).
- y.o.y.:** Year-on-year