

Trip Notes

Argentina Investor Trip

Aktia

Summary

- **Three days on the ground:** We spent the second week of November in Buenos Aires meeting senior officials, IMF representatives, political analysts, and private sector leaders.
- **Core themes:** FX policy and reserve accumulation, structural reforms, fiscal and monetary strategy, and liability management dominated discussions.
- **Broader perspective:** Conversations provided a multi-dimensional view of Argentina's evolving political, economic, and corporate landscape. Topics included reform priorities, banking sector dynamics, and sector-specific outlooks in energy, infrastructure, and industrials.
- **Key takeaway:** Argentina stands at an inflection point. Momentum and credibility are driving investor sentiment, but execution risks remain high.



Argentina – Don't Look Back in Anger

For many sovereign credit investors, Argentina has long been synonymous with disappointment. A history of defaults, restructurings, and abrupt policy shifts have left deep scars. The phrase “*Don't Look Back in Anger*,” borrowed from Oasis who as it happened were on their reunion tour in Buenos Aires the same week (while Dua Lipa headlined her own separate concert, for readers with more contemporary tastes) feels apt. History offers plenty of reasons for caution, but dwelling on past missteps risks overlooking what could be a rare window of opportunity. With a reform-minded administration consolidating power and external anchors reinforcing credibility, Argentina may be entering a new chapter. Execution risks however remain high.

Following the recent midterm elections, President Milei's administration has consolidated power and appears capable of securing a congressional majority. This development continues the structural shift in Argentina's political system since 2023, reducing the long-standing dominance of Peronist/Kirchnerist policies. President Javier Milei's LLA (La Libertad Avanza) party is positioned to command a majority in both the Senate and the lower house through its alliance with the PRO (Propuesta Republicana) party and other moderate representatives.

However, challenges remain, including internal rivalries within the government and negotiations with provincial governors, each with their own demands. While Milei's electoral victory was decisive, the opposition led by Kirchnerist factions still controls approximately 38% of seats, which could create legislative friction and potential market volatility, particularly if electoral sentiment shifts ahead of the 2027 presidential elections.

Following the midterm success, the Milei administration enjoys strong support and commitment from the United States. Officials have framed the relationship as one of ideological and political alignment, though independent analysts caution that the depth of U.S. involvement remains unclear. The U.S. is now perceived as a stronger anchor for Argentina's policy credibility than the IMF, imposing stricter criteria for support. Meanwhile, the IMF program remains flexible and willing to adapt conditions if reforms progress. Pension reform, included in the program, is largely symbolic and not intended for implementation; the Fund's focus is on fiscal credibility and structural reforms.

Across all meetings, there was consensus that a window of opportunity exists to enact reforms and foster growth but this must be done swiftly to maintain momentum and credibility. Beyond passing the 2026 budget bill, the government aims to implement structural reforms in tax, labor, and criminal law. Tax reform will simplify the system across federal, provincial, and municipal levels while reducing tax pressure. Labor reform, a top priority, seeks to increase job formality, decentralize collective bargaining, and allow sector-level agreements to override general labor laws. Employers' social security and severance obligations could also be reduced. On criminal law, proposed legislation builds on prior “tax amnesty” measures, aiming to mobilize U.S. dollars held informally by Argentines. In practice, this could mean reducing bureaucracy for asset purchases such as real estate or high-value consumer goods.

Argentina

The government has demonstrated credibility in pursuing fiscal discipline, with a primary surplus as a key anchor of the current IMF program. Both parties reaffirmed this view, with the IMF targeting a primary surplus of +2.3% for 2026, while the government may aim slightly lower. Disinflation is expected to continue, with inflation moderating from ~30% in 2025 to ~18% in 2026. Economic activity has been stagnant this year, after the sharp tightening of monetary conditions due to political volatility seen pre-midterm elections. Most analysts forecast real GDP growth of ~3% in 2026, while the government presented a more optimistic V-shaped scenario.

To revitalize structural growth, the Milei administration is promoting large-scale investments in oil & gas, mining, energy, and infrastructure through the RIGI scheme. Over the medium term, Argentina aims to triple energy exports from roughly USD 6bn in 2025 to USD 18–20bn by 2030, supported by new projects in the Vaca Muerta shale fields and significant LNG investments. Net oil exports from Vaca Muerta could rise from 260k bpd to 700k bpd over five years. Planned copper mining investments of USD 4–5bn could eventually generate USD 15–20bn in annual exports, though these gains will materialize only in the next decade.

On the monetary side, the current FX regime with diverging bands is expected to remain for now. Adjustments to the crawl rate (from 1% to 1.5%) or the upper band were widely discussed. Post-election monetary policy will focus on re-monetizing the economy (boosting peso demand), normalizing interest rates from restrictive levels and promoting growth. Private sector credit remains depressed, so any pickup in activity could be amplified by credit normalization.

Reserve accumulation was a recurring concern, given underperformance relative to IMF targets. Net reserves need to grow by roughly USD 1bn per month through end-2026 to meet program goals (USD 8.4bn). Potential sources include increased peso demand, corporate bond issuance, FDI, and privatizations, though outright reserve purchases were seen as the most practical near-term solution.

To capitalize on positive market sentiment post-election, a liability management exercise appears on the government's agenda. While details remain unofficial, the goal is to reduce near-term debt service via a buyback or exchange involving Eurobonds maturing in 2029–2030. Although interest costs may rise, the transaction would significantly reduce amortization pressure by replacing amortizing bonds with bullet structures and hence lead to lower debt service needs.

Our view:

Our Hard Currency strategy currently holds an approx. 2% position in Argentina. We are cautiously constructive on the Milei administration's ability to enact needed reforms, but will follow execution closely over the coming months along with reserve accumulation.

Our Local Currency Frontier strategy has an exposure of above 2% in ARS. We are actively monitoring developments surrounding reserves, fx volatility and the administration's reform momentum.

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