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Country Coverage

Editor: Christopher Ecclestone
cecclestone@hallgartenco.com

Argentina: The Art of Being Spectacularly Wrong

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Argentina

The Art of Being Spectacularly Wrong

- + The Milei Ascendancy got a new lease of life with some fairly spectacular results in the mid-term elections for Congress held last Sunday
- + The Libertarians (LLA) obtained over 40% of the vote compared with only around 31% for the Peronists (PJ)
- + These numbers plus the haul of seats from 2023 (and the support of allies) finally gives the Administration a majority in both houses
- + The results flew in the face of public expectations, most polling and the perpetual nay-saying of the foreign “quality press”
- + If the opposition Peronists were fractious before, then now they are in full-scale crisis, with infighting between the forces of Cristina Kirchner (promoting her ne’er-do-well son) ranged against most other factions for future power
- + Participants in the mining space should be very happy as the outcome provides an extended guarantee of lifespan for the RIGI regime and even presages a RIGI 2.0
- + The support of Donald Trump for Milei in the midst of a currency run since September was a key factor in staving off a crisis
- + Will this support extend to a dollarization move?
- ✗ The honeymoon period after the lifting of (most) exchange controls earlier in the year was well and truly past with the currency having slumped to \$1500 to the dollar
- ✗ Majorities can be fleeting in Argentina with floating deputies prone to selling votes to the highest “bidder”
- ✗ The economic pulse remains weakish (away from the go-go sectors of mining, oil & gas and agriculture)
- ✗ The peso is certainly seen as overvalued largest because entrepreneurs cling doggedly to their high-margin pricing
- ✗ The 1% are clearly the enemy within and first to sabotage the currency regime and liberation thereof

How Wrong Can one Be?

On the day after the Argentine mid-term elections, humble pie is on the menu in the canteens of The Economist, The FT, the Guardian and the New York Times. There will be few takers though as that is how journalist, pundits and editors roll at these august institutions. The Guardian, Lord bless them, still managed to term Milei’s political grouping as “Far-right” in its headlines, despite the LLA (his party) being well to the Left (in actions if not in dialectic) than Starmer’s Labour Party, but ho-hum, hypocrisy is

never in short supply in the UK these days.

The electoral steamroller that crushed the punditry of the “quality press” was not seen coming neither by the international media, the local media nor indeed by the voters that made it happen. When the electors went into their dark place to vote on Sunday they thought they were alone and being transgressive in casting their lot for the weirdo with the strange hairdo and a penchant for pulling off stunts. Like did they know that 40.84% of their compatriots were thinking the same and duly vomited all over the prospects of the Peronist Party staging a revival without doing suitable penance in the political wilderness.

Even the lone LLA voters proved to not be so alone after all.

The Status Quo Ante

The Argentine legislative elections was held on Sunday, the 26th of October 2025, renewing 127 of the 257 seats in the Chamber of Deputies for the legislative period 2025–2029, along with 24 of the 72 seats in the Senate of the Nation for the period 2025–2031.

The world over mid-term elections are seen as opportunities to give a slap to incumbents who have not performed as promised. They may also serve as a chance to rein in over-reaching or over-weaning administrations that have let power go to their heads.

Right from the get-go of the Milei Administration the mid-terms have been targeted as the best chance that the incoming president would have to level the fairly difficult legislative landscape he inherited with the legislative elections that accompanied his rise (back in October of 2023) only changed half the chamber of deputies and one third of the Senate.

His party, La Libertad Avanza (LLA), was little more than a focus group before then and had less than a handful of deputies (he being one of them) and yet the ramshackle organization managed to deliver LLA the presidency but largely delivered seats to his allies, the PRO, lead by Mauricio Macri and Patricia Bullrich.

The Harbinger of Doom

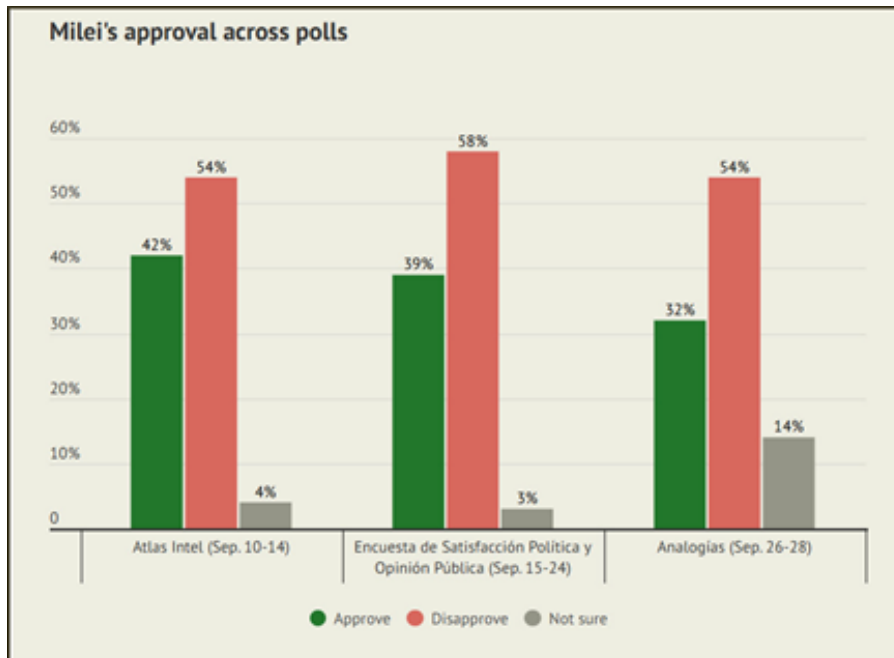
The 7th of September 2025 was the date on which elections for the province of Buenos Aires took place. The latter is Argentina’s largest province by far with nearly half of the country’s population living in this bloated province (including the sprawling suburbs of the megalopolis). We discussed these results in our [report of last month](#).

The Eve of Whatever

One can see on the following page (Source: AS/COA) the approval ratings of Javier Milei on the eve of the mid-terms.

Most politicians facing such a test would give their right arm for a 42% rating, most notably Trump or

Starmer. Macron goes without saying.



As it turned out the actual vote somewhat approximated the high-end approval rating of the Atlas Intel polling result.

This is also in the context that Milei has delivered on a lot of what he promised, while few other leaders get so much done in their first two years in power.

We would not be so bold as to say inflation is under control, but it is certainly way less than before, and some things are even declining in price. However, a lot more is required to wind back from a position where the country is one of the most expensive places in terms of food items and consumer goods. Utilities are still ridiculously cheap but they are a standout against an economy where vested interests have remained sheltered behind tariff walls with clothing, in particular, being outrageously expensive.

Even fans must admit that Milei has focused on the macro and done little to improve the micro issues.

The Legislative State of Play

The national election represented the first chance for the Libertarians led by Milei to capture a majority in the Congress, where they had hitherto been thwarted on multiple fronts by reliance on the "comfort of strangers" (essentially parties in the centre and on the right). The Radicals in particular proved to be slippery allies. But then again, Milei himself went into every negotiation well-oiled like a Turkish wrestler!

While 40.66% of the vote is still a way off the majority, the hefty lead over the Peronists (with their 31.77%) delivered Milei his long-awaited majority in both houses. In the Deputies the result was:

- The LLA went from 37 seats to 80
- The Peronists went from 99 to 99 (interestingly)
- The PRO (LLA's "partners") from 35 to 24
- Provincias Unidas from zero to 8
- The Radicals (UCR) from 14 to 6
- The Left from 5 to 4
- Dissident Radicals from 12 to 3
- Encuentro Federal from 15 to 8
- Others from 40 to 25

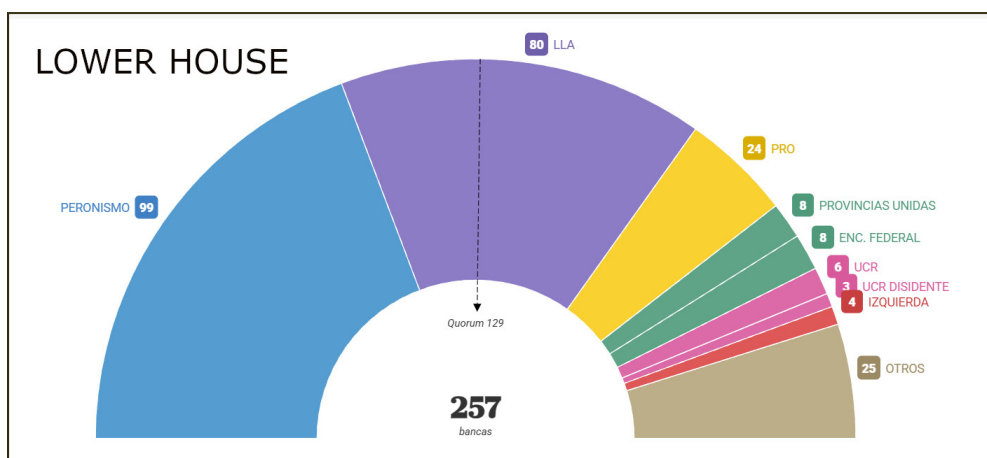
Despite the spin on electoral night the Peronists were not the losers here, having held their ground. Milei's LLA essentially ate the lunch of allies and third-party parties. The Radicals, sometime governors of the country, had a very bad night. Some Radicals had supported Milei's various agendas in the Congress and some had not. To the public this was clearly not an acceptable fence-sitting strategy and they paid the price, being reduced to a rump.

Provincias Unidas is a recent construct which we do not see passing the test of time.

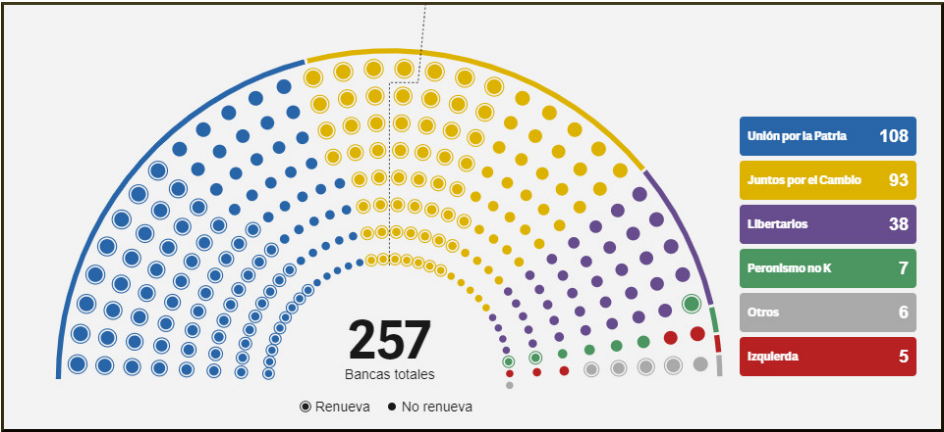
While the LLA does not have a majority in its own right, with the PRO and other fellow travelers it does. In some way one draws comfort from this as it acts as a brake on what could be an overweening sense of carte blanche on the President's part.

The Final Outcome

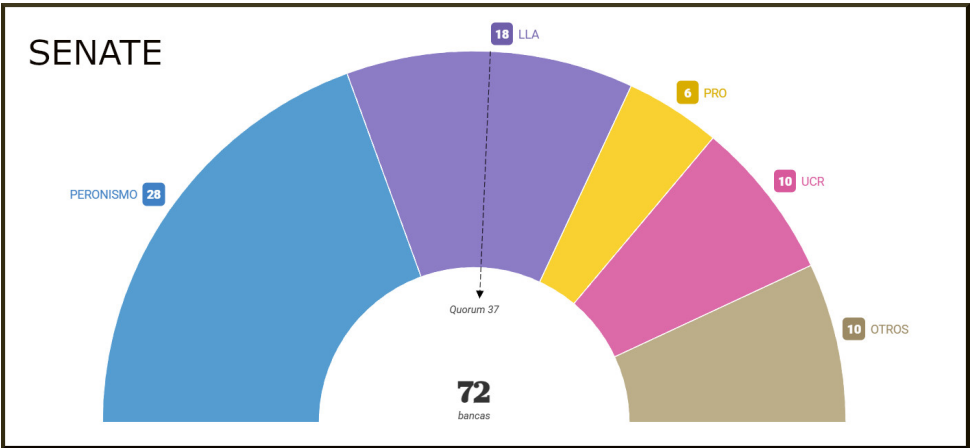
The new makeup of the lower house is shown here:



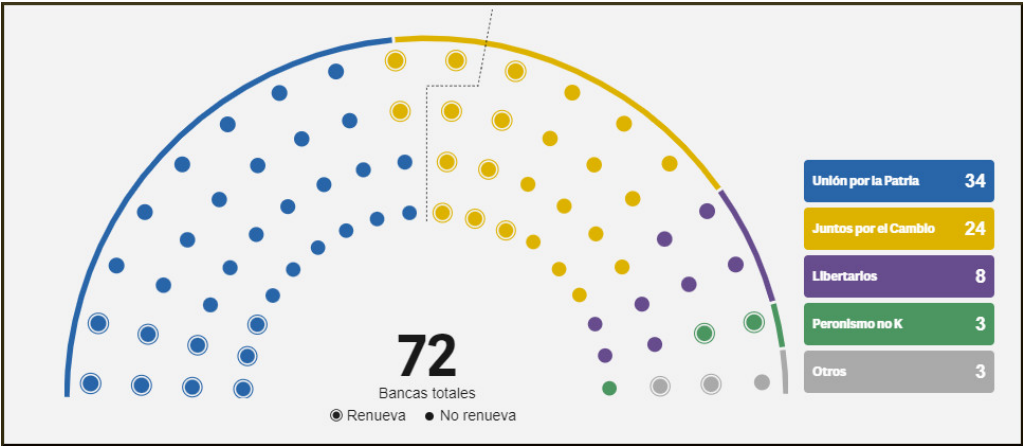
The state of the Lower House, in the wake of the 2023 elections that swept Milei to power, can be seen below:



The new Senate's make up is:



The state of the Senate after Milei's election is shown below:



These graphics provide a snapshot of what things were like when Milei ascended to power. However, due to heavy-handed actions and tactics that seemed more like bludgeoning, the *Juntos X Cambio* block fractured and became less and less friendly/compliant.

In his first year in power, the Administration won 83% of the votes on laws proposed, meanwhile in its second year the Administration lost 94% of the votes. This flip was caused by Milei falling out with various provincial governors that he attempted to suborn and simultaneously browbeat. Then there was his rough treatment of his allies in the *Juntos X Cambio* bloc where he scantily distributed political benefits in his first year and has spent the last year, with his sister and the Menem “cousins”, trying to cobble together a Libertarian Ascendancy to unseat members of his own “coalition” in the mid-terms. Understandably they did not take kindly to this.

The interesting thing about the Senate seat renewals is that it is only some provinces that renewed their Senate representation this time. In other countries with staggered Senate elections (the US and Australia come to mind) half or a third of senators for all states are up for grabs. In Argentina this time, it will only be in eight districts that Senate renovation took place. These were the Capital (CABA), Entre Rios, Rio Negro, Neuquen, Tierra del Fuego, Salta, Santiago del Estero and Chaco. The results were:

- LLA from 6 to 18
- Peronists from 34 to 28
- Radicals from 13 to 10
- The PRO from 8 to 6
- Others from 11 to 10

None of the seats held by the LLA were being renewed, so it faced no downside. Its upside was limited though also. The LLA though is a long, long way from having a majority so must rely upon the PRO and the ever-fickle Radicals.

All in the Family

The old adage of “a week being a long time in politics” definitely applies here. On the eve of the election many were sharpening their throwing knives with the target being on the back of the President’s sister. She has haunted the Casa Rosada since Day One and may have been the catalyst for the total sidelining of the Vice President (and head of the Senate) Victoria Villaruel where the marginalization has been almost total.

A high quotient of the Administration’s SNAFUs can be laid at the doorstep of Karina Milei, who erupted on the scene as an opinionated political ingenue assuming a mother lioness role in protecting her brother. How many of the “sudden deaths” in the political career of the inner circle of cabinet and ministers and functionaries can be attributed to them falling afoul of her may never be known. Females

don't seem to get much of a look-in in the halls of power, except for formidable Patricia Bullrich.

Karina Milei was going to get the blame for the pratfalls that led to a mid-term debacle, but with the electoral success, she now comes out the other side of this theoretically near-death experience being mooted as the other half of the Milei-Milei ticket for the Presidential elections of 2027. Now that is a frightening prospect. It even, in some fevered imaginations lays the ground for a swapabout Milei-Milei ticket in 2031. Dynasty anyone?

Whither Dollarisation

It may be a distant memory for some, but the original manifesto of the Milei team lent heavily upon the silver bullet of dollarization to solve inflation, chronic devaluation and lacklustre growth.

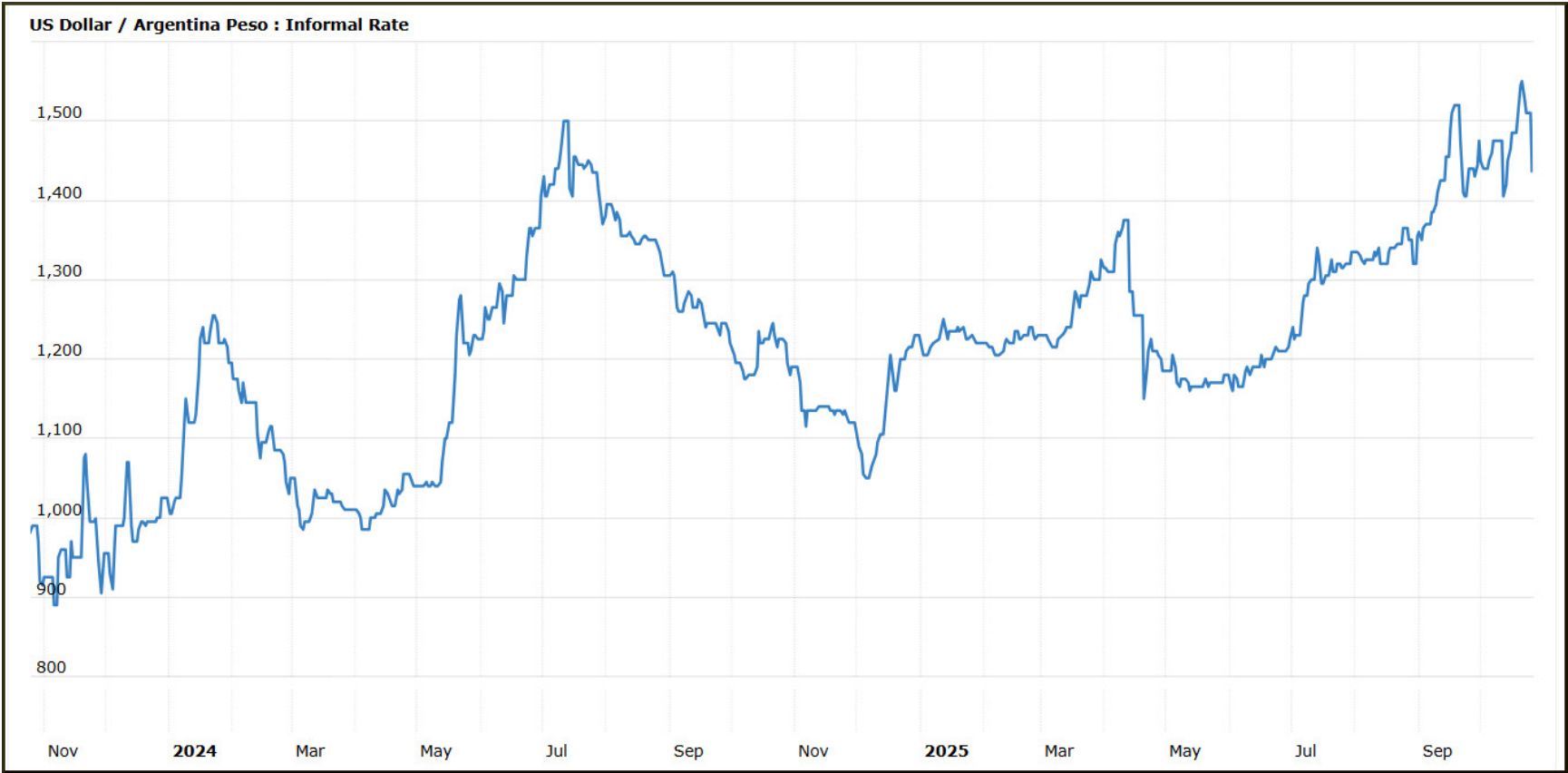
The dollarization policy objective was underpinned by another premise that without the peso (and no need for reserves at the Central Bank - the BCRA) then the Central Bank could be shut down. The plan still got some airtime in the first few months of the Administration and then faded into the background as the President rode the mechanical bull of the peso and *dolar blue* exchange rates (not to mention the handful of other official rates).

In mid-April in a surprise, but not unsurprising, move the Milei administration "liberated" the exchange rate of the peso and abolished the much-loathed *cepo*, a combination of exchange controls and a proliferation of exchange rates. The abolition was not quite as all-encompassing as painted as it introduced a dirty float with a band with the US\$ being "worth" AR\$1,000 to \$1,400.

The chart on the following page shows the evolution of the peso/dollar rate under the Libertarian Ascendancy.

For us AR\$1000 was the magic number for any sort of *Convertibilidad* as we had [written](#) in March of last year as being a possible base for introduction of a new *Convertibilidad* scheme, echoing Menem & Cavallo's enormously successful regime that reigned from 1991 to 2001.

After the release from the restrictive exchange rate regime there was a brief window, a second chance, in which *Convertibilidad* at AR\$1,000 to the US\$ could have been introduced. On the eve of the latest set of elections, the rate briefly passed AR\$1,500 to the dollar. Despite the positive election result we do not see the peso back at 1,000 to the dollar. Prognostications on the eve of the election, in the generally gloomy perception of the LLA's prospects was talking of the peso swiftly at \$2,000 if calamity engulfed the Administration. That is now staved off. But like hanging, forced devaluation focusses the mind of Argentine presidents.



If the Administration eschews moving to a *Convertibilidad* scheme or redenomination of the currency (i.e. lopping off zeros) then it remains a hostage to fortune. On the day after the mid-terms the peso rallied strongly back to \$1,400 and then promptly, on Day 2, the peso went back to where it had been on Friday.

The supreme irony is that Milei's economic theory is that the Great & Good whom he is benefiting so directly will be the engine of growth once they see stability. Instead, the 1% have proven to be the first in line to convert their pesos and whisk them off to their Miami and Swiss bank accounts. Meanwhile the bemused middle and working classes are looking on (and voting for Milei).

Longer term and short term the Argentine Great & Good are neither of those things. They will say one thing and do the other. They wanted the *cepo* removed and then stormed the lifeboats like the First Class on the Titanic. Governing for their interests is like helping them into the lifeboats then bravely going down with the ship. If anything, it is the G&G who don't want dollarization as they make their turn constantly on the peso and jet off to Miami to shop when internal prices become untenable.

Milei now has a window to decide what to do. Does he still believe in dollarization? The love-in with Trump gives him a moment when the policy can be implemented without the US Treasury and the Fed bleating that the imposition of a rogue 51st state would upset the apple-cart of US economic stability, whatever that might be these days. In the battle for hearts and minds over BRICs and Chinese Yuan ambitions of the Trumpian strategy establishment (an oxymoron, we know) might well be served by adding the X Factor of grafting the Argentine economy onto that of the US.

A Monroe Doctrine without guns has always been the US's most successful means of incursion South of the Border.

Conclusion

Argentina never fails to surprise and has now surprised itself twice in two years with its embrace of the Libertarian experiment. The other surprised parties have been the "quality press" at the international level who have always had their axe to grind on Argentina. They ended up with egg of face, but that seems to be the peculiar fetish of the perpetually wrong Economist magazine. Fake news... dare we say it.

Everyone knew the turnaround would be long and tough and it proved to be the case. That the Argentine public took the first spoonful of Milei's bitter medicine and then lined up for more shows, in particular, that they are NOT confused that it was grim years of the Peronist Ascendancy from 2001-2015 and then a repeat dose from 2019 to 2023 that created the national malaise after the Golden Years of the Menem Era.

Milei has pulled off one of the swiftest financial corrections in Argentine history (or indeed anywhere) in swinging massive fiscal deficits, that fed inflation, into a surplus. Institutionalizing these changes by reforming QUANGOS is being blocked by legislators as they see these potential lucrative sources when

the gaze into their own political crystal balls and see their parties returning to power. "Softly, softly, catchee monkey" is seemingly not a saying that translates into Spanish for Milei. An approach of mugging, one by one, his targets has been eschewed in favour of the grand gesture and omnibus laws and decrees that were not well thought out. This has let his political friends and foes coalesce to show they have residual muscle. Still the public saw through the noise. The provincial elections in BA province in September let off a head of steam and thus enabled the voters to give Milei a spanking and his ultimate reward.

While the Peronists had the most to lose in the October midterms, due to their large number of seats at stake, the political chessboard has taken on a makeup that Milei could only have dreamed of two months ago. The mere fact of not having made any progress after so many grand hopes has left the Peronists to undertake a long overdue navel-gazing which they eschewed after the disastrous 2023. Now the knives are out and a ferocious battle for control will be fought by the discredited Kirchneristas and the "Rest". Not having any policy prescriptions beyond kleptocracy makes for a thin manifesto offering.

For foreign investors the election is great news. Dollarisation would dispel any lingering exchange rate/currency/capital movement fears. The prospect of Milei surviving full term is now guaranteed, which comforts those dependent upon the RIGI regime in the mining and oil & gas sectors. Should Milei feel confident about a second term (and no reason not to) then RIGI might be opened up for a second life after the first deadline passes.

Milei now needs to pivot to a "growth within a balanced budget" scenario, this would be a change from the penny-pinching virtuousness we have seen thus far. Here's hoping....

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