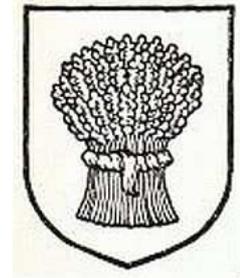


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HALLGARTEN + COMPANY

Country Coverage

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Primaries in Argentina It's the Maps, Stupid!

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Primaries in Argentina

It's the Maps, Stupid!

- + The “winner” of the Argentine presidential primaries is a free-marketeer dark-horse, which has produced a commotion amongst those who thought they knew who would win
- + Despite the ostensible result, commentators in Argentina (including ourselves) see Patricia Bullrich as the likely winner of the presidential elections in October
- + The real story is shown by the maps not by the “big” numbers
- + The government came out of the polls looked even more battered and less supported than before and promptly devalued the currency by 21%
- ✗ The real winner of the primaries was absenteeism being the choice of the largest share of the voting population
- ✗ The “winner” is widely regarded as a weirdo... there is no other word for it
- ✗ The elections in October are likely to go to a ballotage, extending the uncertainty

Herd on the Street

Argentina was long afflicted in the 1990s by uninformed comments emanating from Wall Street. Fortunately, the country fell off the radar (and into total disgrace) in 2001 and we did not need to listen to Wall Street anymore. Neither were their analysts/strategists/“economists” interested in pontificating on the “Land that Time Forgot”. They had moved on to ravage other economies.

Much of the Wall Street commentary in those days was back-scratching, with Domingo Cavallo’s fan club being rewarded by privatization mandates. When no more mandates were on offer then Wall Street hewed to the World Bank line, particularly resistance to the ultimate end-game of Convertibility, which was dollarization. The latter policy though did not fit the needs and wants of the foreign banks that then ruled the heights of the Argentine banking system because it would mean they would need to make good to Argentine depositors on the dollar deposits they had rapaciously and deceptively collected from them. We were strong supporters of dollarization at that time.

The rest is history, Cavallo betrayed the middle-class depositors and made good on his sycophancy to the Wall Street crowd. Cavallo was despatched to the dustbin of history, with his brilliant Convertibility construct being derided, despite it bringing ten years of zero inflation to Argentina. Ironically, all these years later, one of the main policy pillars of Javier Milei, the “winner” of Sunday’s presidential primaries, is the very dollarization that Wall Street then excoriated.

How it Panned Out

The surprise results of the primary vote was that the highest share of the votes went to the libertarian candidate, an “economist” Javier Milei (pictured right). His policy mix, to put it mildly, is a mélange of initiatives (including an abortion ban which has earned him the epithet of being far-right, while being pro same-sex marriage).



For us the most intriguing thing is his five dogs, English mastiffs - all named after economists, which he refers to as his four-legged children. Murray Rothbard is said to be the least congenial of his pets, with Milton Friedman being the most friendly (for us, too). His consort is his sister, Karina... Milei’s consort not Milton’s...

Not too many have paid attention to his policy details as he was not considered a serious candidate... until now. The expectation was that he would be considered to have a successful result if he managed to reach 20% of the popular vote. Instead, he managed to bag 30.04%, as compared to 28.27% for Juntos por el Cambio (Bullrich/Larreta) and 27.27% for Sergio Massa, the government candidate (the outgoing minister of economy).

Turnout

The real winner, wags pointed out, was absenteeism (combined with spoiled/blank ballots) ... a veritable landslide. The turnout was 70% in what is a system with compulsory voting. It did not help that there were lots of teething problems with electronic voting that was introduced for the first time. The opposition candidate Patricia Bullrich tried to vote seven times at a defective machine in one of the prime polling places in the capital. Such was the tide of complaints that extending voting hours was even considered in some circumscriptions.

The turnout at the last set of presidential primaries four years ago was around 76%, with the latest fall representing what commentators were calling the “*bronca*” vote, which signifies a sort of orneriness/anger/disgust.

As we don’t know the demographics of who turned out to vote we can only guess at the demographics of those who stayed home.... and thus who they would have voted for if they had turned out.

The punishment for non-voting has been devalued, literally, with the currency and inflation as the fines

Tuesday, August 15, 2023

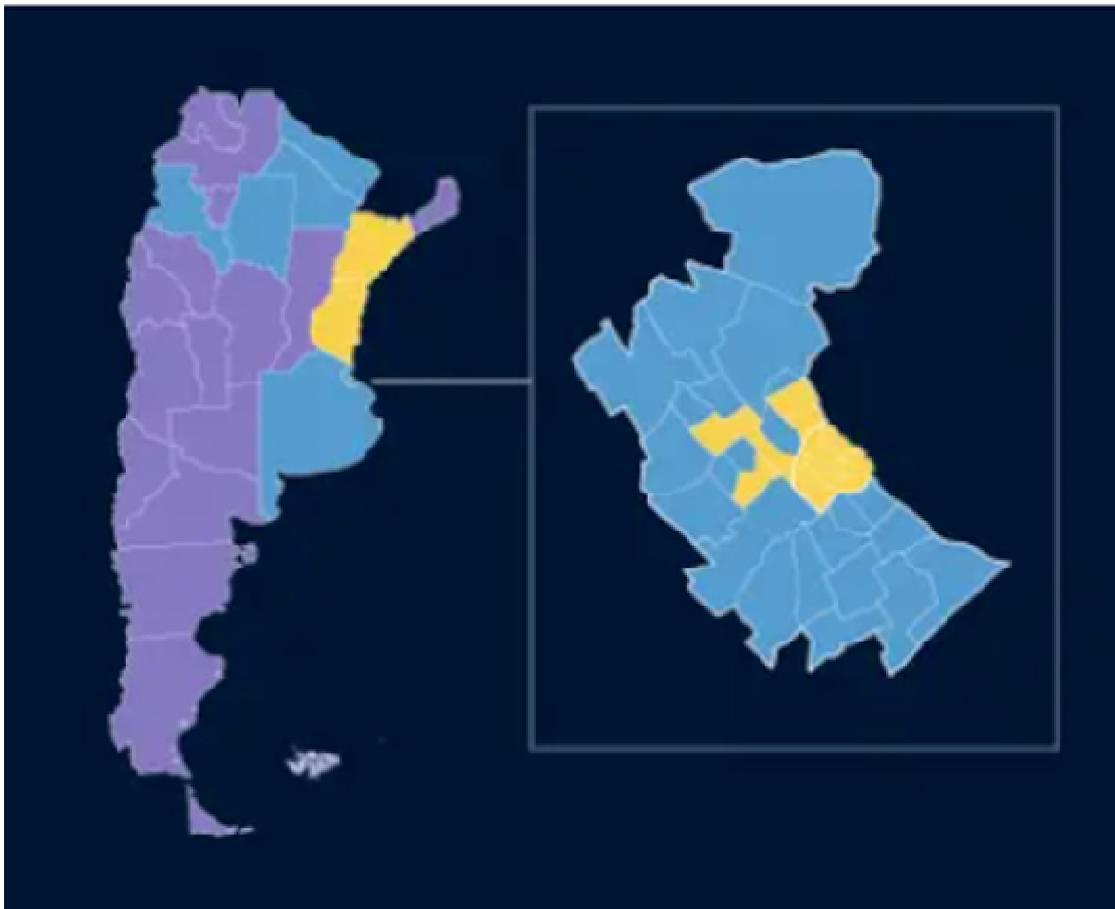
have not been indexed for inflation and are now minuscule. The stronger form of deterrence from staying home is that if individuals cannot show they voted or good reason why not they are blocked from undertaking a whole swathe of “*tramites*” (paperwork) with the government like driving license renewal, passports, address changes etc.

It should also be noted that there was no provision for voting by the estimated one and half million Argentine diaspora scattered around the world. They are required to vote in the national elections (not the primaries) and do so enthusiastically. They are largely regarded as being anti-K in their disposition.

It will be interesting to see if the government tweaks these sticks and carrots to ensure higher attendance in October and who that benefits.

It's All in the Maps

The most stunning thing for us was the map of the provincial results, shown below. The yellow areas where the opposition won the highest share are the Mesopotamian provinces of Corrientes and Entre Rios and CABA (the district of Buenos Aires city).



Source: *La Nacion*

The provinces where the outgoing government won (in blue) were Buenos Aires (massively overweight in everything in Argentine politics – except Senate seats), Catamarca, Santago de Estero, Formosa and Chaco. All the rest (in purple) showed Libertad Avanza (the coalition around Milei) in the lead position. However, this borders on almost a cruel joke upon Milei as a swathe of these jurisdictions are hardcore Peronist and equally as hardcore in their support of Kirchnerism in the last twenty years.

With no Kirchnerite flagbearer in the race (beyond the feeble Juan Grabois's challenge to the current finance minister, Sergio Massa) the *descamisados* have seemingly found neoliberal cutting of the flow of largesse from the centre (to them) to be more attractive than continuing to suck at the udder of the state. Thus, the truly bizarre outcomes are those where hardcore Peronist strongholds like Jujuy, La Rioja, La Pampa, Santa Cruz, San Luis, Tierra del Fuego and Tucuman decided to embrace the tousle-haired loon of Milei to mess with the minds of anti-Kirchnerite forces.

More conventional were the results in Buenos Aires province and the Capital, where voters inclined towards their usual poisons and rejected the siren song of libertarianism. The votes for the *Juntos por el Cambio* opposition group were led by Patricia Bullrich and amounted to 48.31%, the government candidate of *Union por la Patria* received only 23.58% (no surprise), but Milei managed only 17.77%. The share of the opposition was only down 3.16% compared to 2019, while the government share was down 20 points.

In Buenos Aires province the sprawling megalopolis largely supported the government forces, but without great enthusiasm, the vast agricultural pampas and a few upmarket municipalities in the *conurbano* went with the opposition and Milei figured as a "winner" in two rural municipalities. Thus UFP (Massa) received a puny 32.12% of the vote, JxC (Bullrich et al.) gained 29.13% and Milei a respectable, but ultimately diminished 24.52%.

In the October race, the remaining candidates need to harvest the most support in Buenos Aires province, the Capital, Cordoba, Santa Fe and Mendoza to win. Salta is rising to join this group.

Run-Offs (Ballotage)

If no candidate receives at least 45% of the vote, or 40% with a lead of 10% over the runner-up, a second round is held. Thus, the appearance of Milei on the scene and him managing to glean a decent percentage of the vote at this late juncture is what has upset the apple cart.

Despite this it appears almost certain that the election will now go to a run-off. The most bizarre outcome would be Milei topping the share of the government candidate and the run-off being Bullrich vs Milei. This would be akin to the situation in France when Macron appeared out of the woodwork and decimated the Left by leaving them without a candidate in the run-offs and forcing the Great Unwashed to make an unenviable choice between two candidates which were both diametrically unattractive to their interests.

However, we feel that the run-off will be a conventional one and that the bulk of Milei voters will

Tuesday, August 15, 2023

migrate to Bullrich on the second round.

Conclusion

Argentina has not lost its ability to surprise is the message of the primaries. But the lesson of the presidential elections is that it always tends to trend back to the tried-and-true groupings (no matter how incompetent or venal they might be).

Ergo, the run-off will be Massa/Bullrich and in light of the inflation/currency debacle and the upwelling of security concerns the “prize” will go to Bullrich. She will be the first “get tough” President in a long while and while she may be able to do battle with the *moto-chorros*, taking the fight to the economic dragons will be the real challenge she faces and thus far the policy prescriptions are being mumbled rather *sotto voce*. As per usual, watch this space....

Appendix I:

Patricia Bullrich – Establishment to Montonero to Establishment

Focus of the chattering classes is now turning towards Patricia Bullrich (67), whose current political status is as the chairwoman of Republican Proposal (*Propuesta Republicana*). In a country where politicians are frequently Peronists of many different hues competing against each other (showing what a catch-all Juan Domingo's policy offering was) Bullrich also started off her career involved with the Peronist Youth (and in more than a few versions, was intimately involved with the Montonero guerilla movement of the 1970s-80s).

Ironically, she came from a family that matched the classic definition of the Argentine oligarchy.

After the return of democracy in the mid-1980s, she became Organisation Secretary of the Partido Justicialista (the Peronist Party) of Buenos Aires and was elected as a Peronist deputy in 1993. In 1995, she was named the Legislator of the Year, though in Argentina this can be a dubious distinction indeed.

Following the election of Mauricio Macri to the presidency on 22 November 2015, it was announced that Bullrich had been nominated the Minister of Security.

She became disillusioned with the Peronist cause (though the Peronist cause is so amorphous that it boggled even the mind of Peron himself) and left Congress in 1997. She then popped up, in 2001, as a cabinet minister, as Secretary of Labour, Employment & Human Resources (and later that year as Secretary of Social Security) in the ill-fated government of Fernando De La Rúa.

After years in the political wilderness (following De la Rúa's implosion), she managed to clamber back into Congress as a deputy, from whence, upon the election of Macri to the presidency in November of 2015, she became the Minister of Security. A role in which Bullrich became one of the few bright spots of the Macri years creating a good impression as a tough and competent operator (both internally and internationally).

Argentina has become accustomed to female presidents and candidates, so Bullrich is not an exception.

She may just be what the doctor ordered to fix the malaise. Having been a deputy under Menem (the



Tuesday, August 15, 2023

Wunderpraesident of the 1990s), then minister under De La Rúa's Radical-led clown-car and more recently shining in the distinctly dull Macri crowd, she has seen it all and knows the highways and byways of dealing with that notorious snake-pit, otherwise known as Argentina's Chamber of Deputies.

If she pulls it off, then fasten your economic seatbelts for an almost vertical rally in all things Argentine.

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