

## ARGENTINA DEBT SWAP ARCHITECT LORENZINO TO LEAD THE COUNTRY'S ECONOMY MINISTRY



Argentina's Finance Secretary Hernan Lorenzino, who helped to oversee a \$12.9 billion defaulted debt restructuring from last year, will be the country's next Economy Minister. Lorenzo, age 39, will help to determine whether South America's second-biggest economy returns to international debt markets for the first time since the record 2001 default on \$95 billion of bonds. Also, he will be charged with tackling annual inflation economists estimate is running at 25 percent, which is the fastest in the world among major economies after Venezuela. The Argentine dollar bonds rallied on the news. The yield on the 2015 bond tumbled 48 basis points, or 0.48 percentage points, to 10.43 percent at 3:24 New York time, which is the biggest decline in a month. According to JPMorgan Chase & Co., the extra yield, or spread, that the investors demand to own Argentine debt over US Treasuries tumbled 61 basis point, the most among the major emerging markets. "He's someone who has plenty of experience dealing with the markets," said Carola Sandy, who is an economist at Credit Suisse Group AG in New York. "This is welcome news." Lorenzino, who accompanied President Cristina Fernandez de Kirchner to a summit of G-20 leaders in France last month, replaces Amado Boudou, who will become vice president when Fernandez begins her second term on December 10. He had previously worked as undersecretary of finance for the Buenos Aires province, where he managed the 2005 restructuring of \$3.1 billion in default provincial bonds. In 2008, he was named Argentina's financial representative in Washington State. Fernandez's decision "is great news," said Alberto Bernal, who is the head of fixed-income investments at Bulltick Capital Markets in Miami. Lorenzino was "the best choice among the bulk of the candidates." Mercedes Marco del Pont, who has led the central bank since February of 2010, will remain in her post, presidential spokesman Alfredo Soccimarro told the reporters in Buenos Aires yesterday. Juan Manuel Abal Medina will become the cabinet chief, replacing Anibal Fernandez, who was elected senator for the Buenos Aires province, while Norberto Yauhar will become the agriculture minister. Lorenzino, who studied law at the University de La Plata, will have to manage one of the region's fastest-growing economies, accompanied by an inflation rate economists calculate is more than double the previous 9.7 percent that was reported by the government. In its budget, the government forecasts economic growth will slow to 5.1 percent in the next year from 8.3 percent in 2011. The new minister will also have to tackle the accelerating capital flight fueled by investor concern that Fernandez would devalue the peso to boost competitiveness. Capital flight in the third quarter reached \$8.4 billion, which is the most in a decade. The outflows caused central bank reserves to fall to \$46 billion in the month of November from a record \$52.6 billion in January.

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