

Argentina's political landscape, August 12th 2019

Last evolutions

- With 98,8% of the votes counted, the formula Fernandez-Fernandez (F-F) got 47,6%, and Macri-Pichetto got 32,1% in yesterday's simultaneous mandatory primary elections (PASO). This difference of more than 15% is significantly larger than predicted by most of the polls over the last months. Consenso 2030, with the formula Lavagna-Urtubey, achieved 8,2% of the votes; Del Cano-Del Pla, 2,9%; Gomez Centurion-Hotton, 2,6%; Espert-Rosales, 2,2%; and other parties less than 1%. The gap between F-F and Macri-Pichetto is a huge challenge for the government, really difficult to revert.
- Key elements to analyze upcoming October's elections, in addition to main candidates' percentage of votes, are: a) how close to 45% of votes got the winner; b) what is the level of participation; c) what is the percentage of blank votes; and d) how was the performance of parties with no chances to win in the presidential elections. In that sense, main outcomes are the following:
 - a) Extreme polarization increases chances to define results in October 27th, with no need of run off. In order to win in October, a party must achieve at least 45% of the votes, which was in fact surpassed yesterday by F-F. This gives to Frente de Todos very high chances to win in next presidential elections.
 - b) Participation was around 76%, high in comparison with previous PASO, but around 5% lower than expected for October's elections. Historically, supporters of Juntos para el Cambio tend to increase their participation in presidential elections versus primaries more than others, which is perceived as a little opportunity by the government.
 - c) Blank votes are counted in primaries but, according to the electoral law, don't count in presidential elections. In case blank voters (about 760,000) repeat their behavior in October, their votes benefit the winner because the pie reduces, automatically increasing whatever is the percentage of votes achieved. The government will need to double its efforts to attract sceptic blank voters.
 - d) Due to yesterday's results, left-wing voters could enlarge the number of F-F's voters, and a significant number of supporters of Lavagna-Urtubey, Espert-Rosales and Gomez Centurion-Hotton, should change their votes to support Macri-Pichetto. This effect, initially expected for the run off, very probably will

apply to October's elections. The addition of votes for these political forces, plus blank votes, doesn't look big enough to revert yesterday's results.

- Analysts agree that the government will need to focus on governability and economic stability -very probably including an agreement with F-F- in order to finish its administration next December with no significant social and economic restlessness. Chances for Juntos por el Cambio to win the elections are close to zero.
- So far, the language used by Frente de Todos' main candidates in the context of celebrations for the electoral results has been inclusive and moderate, showing political responsibility and openness to other sectors.
- Markets' reactions over the next days must be closely monitored. Argentine companies' stocks will probably fall today and, despite the Central Bank has tools to intervene the market, turbulences in the foreign exchange rates are expected.

Background

- a) Key pending milestones around October's presidential elections are:
 - a. October 27, presidential elections;
 - b. November 24, second round of presidential elections (in case there is not a winner on October 27);
 - c. December 10, inauguration of new presidential period.
- b) In order to win the election on October 27, the most voted candidate must have 45% of the votes or 40% and achieve at least 10 points of difference from the second most voted party. In case these requirements are not met, the two most voted candidates will compete in a second round.
- c) President Macri will seek reelection, having the Peronist senator Miguel Pichetto as candidate for vice president. The government's party, Cambiemos, is a coalition of three moderate parties: PRO, UCR and Coalicion Civica. With the addition of Pichetto, who brings a Peronist branch to the coalition, Cambiemos is now called Juntos por el Cambio (Together for Change).
- d) There is a consensus among analysts on the importance of keeping two interrelated variables under control in order for Juntos por el Cambio to have a chance to win the election: stability in the currency rate and inflation. That goal is being achieved since early May.

- e) The main portion of the opposition to Macri's government is represented today by Frente de Todos, with the formula Fernandez-Fernandez (F-F). Alberto Fernandez, pre-candidate for president, was Kirchner's government chief of cabinet and then resigned from his government position. He later on presented himself as a moderate politician, capable of criticizing the most controversial aspects of the administration of which he had been a part of. Although Cristina Fernandez de Kirchner (CFK) is a pre-candidate for vice president, the common assumption among analysts is that she will have all the power behind the scenes. Despite the different context, considering CFK's previous administration, a government led by F-F would be left-winged, which would foreseeably make the business climate more difficult.
- f) F-F's chances of succeeding depend on being able to convince moderate voters to side with them and being able to break the 35%+ acceptance ceiling that CFK had until May 2019. In order to achieve that, the strategy during the campaign is to express moderation, so Alberto Fernandez has more public exposure than CFK.
- g) Other Peronist politicians, more moderate and conservative (Pichetto, Urtubey, Schiaretti and Massa), have been initially grouped in the Alternativa Federal party. After Massa, Pichetto and Urtubey's last movements, the group was dismantled. According to some analysts, most of the potential voters to Alternativa Federal are Peronists more likely to support Pichetto and Urtubey than Massa, now allied with F-F.
- h) Separately, the pre-candidate Roberto Lavagna, Minister of Economy of Presidents Eduardo Duhalde and Nestor Kirchner, is positioned as a moderate politician and expert in economics. He is trying to capture Macri's voters who are disappointed by the progress of the economy. Lavagna finally reached a deal with Juan Manuel Urtubey to run together within Consenso 2030, a brand-new party.