

MONEYBEAT

Argentina's Markets Rally After MSCI Upgrade

NATACHA PISARENKO/ASSOCIATED PRESS PHOTO: DEMONSTRATORS PROTEST AGAINST GOVERNMENT ECONOMIC MEASURES OUTSIDE THE CENTRAL BANK IN BUENOS AIRES LAST MONTH.

By Julie Wernau and Chelsey Dulaney

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Argentine stocks surged Thursday following the nation's upgrade to emerging market status by index provider MSCI, providing a shot of confidence in the country's financial markets after a recent currency rout rattled global investors.

The MSCI Argentina rose 8%, erasing a week of losses. The peso edged higher against the U.S. dollar and Argentine bonds rose 1.7% in the JPMorgan EMBI Global Diversified benchmark.

The upgrade from a frontier country to an emerging market follows two years of reforms by market-friendly President Mauricio Macri and is expected to bring billions in investment to the country's stocks.

The news was a relief to investors who had feared a widespread selloff in Argentine assets in recent months would derail its chances of earning a spot in the the widely-tracked index.

Argentina's inclusion, which adds foreign-listed stocks to the emerging markets index in May 2019, will bring an estimated \$3 billion in active and passive investment into Argentina, said Uto Shinohara, Head of Research & Portfolio Management at Mesirov Financial Currency Management, which has approximately \$80 billion under management.

That comes as Argentina continues to deal with the fallout of a currency selloff that began in April amid rising U.S. interest rates and a stronger dollar. A series of missteps by the central bank led to the resignation and replacement of the the country's central bank chief and a \$50 billion bailout by the International Monetary Fund.

Even with improved confidence in markets, Argentina is still facing soaring inflation and a likely recession after the the country hiked interest rates to 40% to stem the tide of the peso.

Moving Up

Argentine stocks rallied after index provider MSCI upgraded the country's stocks to emerging market status.

MSCI Argentina index



Source: Thomson Reuters

The currency remains down 32% against the dollar this year.

MSCI CEO Henry Fernandez said Wednesday that despite the volatility, the country did not resort to capital controls or other measures that, in the past, have disrupted market access for investors.

“We at MSCI do not take political factors into account in our index decision except if those political factors affect the irreversibility of the market opening changes that could take place,” he said.

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