Treasury leaks a misleading swap result, as private sector participation disappoints

- **ARS debt swap reached a 58% of participation level, below the 64% consent initially announced**
- **Only 13.8% of private investors entered the swap**
- **Risks of further FX pressures ahead of the election remain valid**

Following the conclusion of yesterday's ARS debt swap, the Treasury sent a press release to journalists saying that the exchange reached a 64% participation rate. Normally, the Treasury sends the results to the press and then publishes the transaction details on the Economics Ministry's official website. Yesterday, the authorities delayed the publication until almost midnight, probably due to the poor results of the swap. With the results officially released this morning, we were surprised to verify that the participation level was 58%, 6ppt lower than the figure initially reported by the press. Later in the morning, the Treasury explained to the media that the 64% participation level included the March maturities, even though these had been already exchanged in the previous ARS debt swap on 3 January.

According to the official results, the Treasury was able to extend ARS4.3tn debt payments out of a total ARS7.5tn of March and 2Q ARS debt maturities combined. The 58% consent rate was well below expectations, as public entities held roughly 50% of the total eligible debt. Additionally, the government on 6 March had announced an agreement with private banks, which owned c20% of the outstanding eligible debt, according to private estimates. In this context, expectations were around a minimum level of acceptance of 70%. Assuming that all public holdings entered the swap, private sector participation stood at 13.8% of the total.

The Treasury accepted 97.5% of the bids, validating practically all the creditor's offers. In spite of this, there were 42% of investors, who were not even willing to participate in the swap. As we assume that practically all the public entities joined the exchange, we believe that this 42% is almost entirely composed of private investors who have not decided to extend their ARS debt holdings beyond this year. As a reminder, the swap offered two baskets, with instruments maturing in 2024 and 2025. Given this unwillingness to prolong exposure on ARS debt, reflected by the disappointing private sector participation in the swap, we think that the risks of further FX pressures ahead of the elections remain valid (see Argentina Economics and Strategy: "The new elephant in the room", 12 January). Nevertheless, so far the reaction of the Blue Chip Swap (BCS) has been rather muted, with an increase of 0.9% to ARS391 per USD at the outset of today's trading.

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