



Latam Focus

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Quarterly Call Q2



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The political situation in Latam – never a dull day

As usual, when we turn our gaze to Latin America, the political sphere deserves attention and a special section in our analysis. Hence, today we will dive deeper into the region's current events.

In our last quarterly call, we stated that 2023 seemed like a calmer year in political terms for Latin America, considering that only one presidential election was to take place – Argentina in the last quarter of the year. Nonetheless, life tends to surprise us, and the political front has been packed with events in the first quarter of 2023.

Argentina's economic and political debate has been commonly called a “ticking time bomb.” Amid dimin-

ishing levels of cash in the domestic markets, fragile macroeconomic indicators, and the worst drought in over 60 years that jeopardizes the inflows of cash through soybeans and corn exports, the country is at a crossroads on how to improve its macroeconomic stance while being able to comply with the guidelines established by the IMF. All this, while also trying to provide additional subsidies to segments of the Argentinian population.

On this matter, on March 31, the IMF Board approved a USD 5.4bn loan disbursement after completing the fourth loan review, a key step in the implementation process of a larger USD 44bn program. The entity highlighted that Argentina needs a stronger policy package that includes potential changes to currency policies while also stating that the downside risks to Argentina's economic outlook had increased, which warranted a need for more central bank rate increases if the country continues to experience inflation shocks. This approval came after Argentina had requested the IMF to change its foreign reserve program. The request was granted, but the new reserve target had not been published at the time of this writing.

Meanwhile, the presidential race continues to garner importance, even more so after expresident Macri announced he will not participate in the October presidential elections. This did not come as a surprise to markets; instead, it opens the opportunity for a more open primary election within the expresident's coalition (Juntos por el Cambio). Against this backdrop, Macri asked the Argentinian population not to vote for candidates promoting a single-figure leadership style but to advocate for a solid government team. It is worth highlighting that Juntos por el Cambio already has defined its candidates for the primary elections, whereas the opposition has yet to announce them.

In **Brazil**, the focus has been shifting from fiscal uncertainty to the consolidation of the Lula administration amid lingering political tensions. Since Lula took office

in January of this year, he has faced governability challenges from a highly polarized country.

Even if the legislators are calling for a congressional inquiry after the Brasilia insurrection in January, Lula has remained skeptical about walking down that path since he would prefer having a less polarized Congress supporting his upcoming reforms. In terms of those reforms, FinMin Fernando Haddad presented his proposals for new fiscal rules that aim to balance limits on spending growth while promising to increase social programs and public investment. The proposal, which seeks to replace the spending cap, would allow federal expenditure to rise in real terms by up to 70% of revenue growth, according to the Economist Intelligence Unit (EIU). Most analysts considered the new framework positive since it still comprises limits on spending growth – a rising concern amid market participants trying to gauge how Lula would comply with the previous framework while implementing the announced increases in social spending and investment.

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Furthermore, the presentation of the new fiscal framework also functioned as a starting point to iron out the differences between the Lula administration and the Central Bank amid criticism over tighter monetary policy. The Copom’s governor, Roberto Campos Neto, stated that the early proposals were reasonable. The

proposal was presented to Congress during the first week of April, and it is expected to be approved by mid-year with only limited changes. Still, this negotiation and the corresponding debates will be Lula’s first test in terms of congressional favorability.

In the case of **Chile**, the second constitutional reform process is taking center stage. On March 6, the Commission of Experts was appointed to start working on a new draft of the Constitution, which should be presented to the constitutional council to be elected on May 7 via a mandatory voting process. The council will begin deliberations on June 7, finalizing the process with an exit referendum on December 17. This time, changes were implemented to the election process, and market analysts expect this new version of the Constitution to be more pragmatic than the first attempt.

Aside from the constitutional developments, the Boric administration will have to deal with the waning popularity of the President, which undermines his political capital when presenting reforms. The tax reform presented in March could not garner enough votes in the House for its approval, which led analysts to believe that the drafts of any potential reforms – the pension reform amongst those – will have to be less ambitious. According to the EIU, the Boric administration could present a more diluted version of its tax reform in 2024; however, this will not suffice to generate the additional revenue that the proposals under Boric’s plan initially required. Moreover, amid the previously mentioned waning popularity of the president, it is also worth highlighting that the opposition has strengthened its stance within Congress, a fact that should further undermine the passing of Boric’s legislative agenda until the end of his tenure in 2026.

In **Colombia**, the honeymoon period between Congress and the Petro administration seems to have ended. Petro’s plan to leverage his political capital by proposing the most ambitious reforms – pensions,

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health, labor, and the political bill – first appears to be failing. The political reform bill, which aimed to overhaul the Colombian political and electoral system, had to be withdrawn hours before it was set for a Senate commission vote. This decision was seen as the government’s first legislative setback while also displaying the initial cracks of the government coalition that does not necessarily operate as a unified front.

Moreover, the health and labor bills are still under discussion. If any of these reforms gets congressional approval, it will be amid tight and complex discussions because the Petro administration no longer holds congressional majorities and has been forced to look for approval votes on an individual legislator basis. Furthermore, members of the ruling government coalition have started showing dissent from some of the government’s proposals, such as allowing the government to have a more significant role within the health system or even holding dialogues with some of the guerrilla groups amid the “Total Peace” initiative. For example, the Conservative Party already announced it would not support the government labor reform currently being discussed in Congress. Against this backdrop, it is worth mentioning that Petro’s favorability has decreased significantly since he took office: according to the latest Datexco poll, Petro’s approval currently stands at 35% vs. 39% registered the week before. Another poll by Cifras y Conceptos published at the beginning of March established that Petro’s

unfavorable image stood at 40%, a sharp increase from November’s print of 31%.

Aside from a shaky governing coalition, the government will also face the regional elections in October to elect mayors and governors. These could further dent Petro’s governability and the soundness of the ruling coalition due to member parties backing their candidates, aside from those that decide to run for Petro’s Pacto Historico party.

Switching over to **Mexico**, the AMLO administration continues to devote all its efforts to implementing a reform to the electoral authority (INE for its Spanish acronym); however, this reform is at risk of being significantly diluted since it lacks majorities in the Supreme Court. This reform has put the Supreme Court and the government at odds, especially when considering the previous efforts by the AMLO administration to limit the autonomy of those governmental institutions that are not under his control, as is the case of the INE. This is relevant amid AMLO’s interest in making substantial changes to Mexico’s electoral process ahead of the 2024 general election. Even if he is not allowed to run for a second term, several members of the ruling party, Morena, have expressed their intention to do so amid the high favorability that AMLO exhibits.

The beginning of the presidential race in 2024 shows Morena and Morena candidates as favorites, profiting from what the Latin America Risk Report called “a five-year anti-incumbent wave.” Nonetheless, the election is everything but won for Morena since it is still unclear how AMLO would pass his strong support to other candidates and, more importantly, how AMLO will try to intercede in the election of the Morena candidate. The latter, considering AMLO’s desire to run the party the same way that the PRI was run in the 20th century. Thus, according to the Latin America Risk Report, the primary may largely be smoke and mirrors, and López will have the final say in the selection.

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Meanwhile, the election focus will shift to the state elections to be held in Estado de Mexico and Coahuila on June 4 since these two campaigns could be highly competitive, even if one considers them previous Partido Revolucionario Institucional (or PRI, for its Spanish acronym) strongholds. Furthermore, this initial phase in the state elections will provide some guidance for the 2024 presidential elections. Lastly, it will also be relevant to monitor how AMLO’s approval rating changes between now and the elections. Since this measure was affected by the President’s effort to reform the electoral authorities, any sign that this approval continues to deteriorate would be a potential source of trouble for the party and its potential nominee in the upcoming presidential elections.

Lastly, the political situation in **Peru** remains volatile and dominated by protests against Dina Boluarte amid very low approval ratings for her administration. After taking office in December, following the tumultuous ousting and failed coup of former President Pedro Castillo, President Boluarte is expected to remain in office at least until early elections take place. These are scheduled for April 2024, with the next government taking office in July, two years before its originally scheduled date.

Still, Boluarte’s governability will be very limited, and the probability of an impeachment proceeding against Boluarte is still around. This situation, combined with the political instability that the country has experienced since the previous administration, has undermined business confidence and could be a potential factor for an economic deceleration that exceeds expectations. On another note, and in what could be an additional element undermining President Boluarte’s stance at the helm of the administration, an investigation against her and her predecessor, former president Pedro Castillo, was announced on March 28. This investigation alleges that Boluarte and Castillo could be involved in a potential corruption scandal, and it bodes ill for the frail social stability that Peru has exhibited in the last month. Even if President Boluarte has denied all accusations, the government’s lack of credibility and poor crisis management have left the administration with few tools remaining at their disposal. There is some risk that President Boluarte may have to resign if the scandal makes the center and right-leaning parties withdraw their support for the administration. Indeed, the main reason she has not been impeached already is due to their support.

Fintech in Latam: a diamond in the rough?

In the last decade, the digitization of everyday tasks occurred at rampant speed with the implementation of technology in several sectors, including banks. This modernizing act has evolved so pervasively within society that, on most occasions, we do not even remember how we used to carry bills in our wallets, or how sending money from one country to another instantaneously was close to an impossible task.

Nonetheless, this digitization of the banking industry has happened at a different pace across the world. Specifically, Latam was a late bloomer in this field, but

progress amid several nascent opportunities has been remarkable. Today, we will take a deeper dive into the fintech industry in Latam. We will analyze industry trends in the region, which spaces have developed most, and which companies have been its most prominent trailblazers.

According to a recent study by the IDB, “towards the end of 2021, 2,482 fintech companies were identified in Latin America, more than double that of the last data collection in 2018.” This growth shows an evident dynamism and expansion in the industry that simultaneously portrays opportunities to address the unmet demand for financial services from the unattended market segments, whose needs increased after the

Within the fintech segments in the region, it is worth highlighting the expansion of the digital banks, averaging a yearly growth of 57% between 2017-2021. Among the several factors that have accounted for this expansion, one needs to remember that Latin America is a region with a low financial inclusion rate and a high percentage of the population with access to mobile technology. According to the Global Findex report published by the World Bank in 2021, 24% of adults are unbanked globally. Amongst the main reasons for remaining unbanked, those surveyed signaled the high costs and the distance to financial institutions. This report stated that, in Latam, more than 60% of unbanked adults cited costs as a barrier to accessing the financial sector. However, this report highlighted

— “The main business that **Fintech companies in Latam and the Caribbean** have been targeting is **payments and remittances**, closely followed by the **lending segment** and by **Business Technology Solutions** for Financial Institutions.”

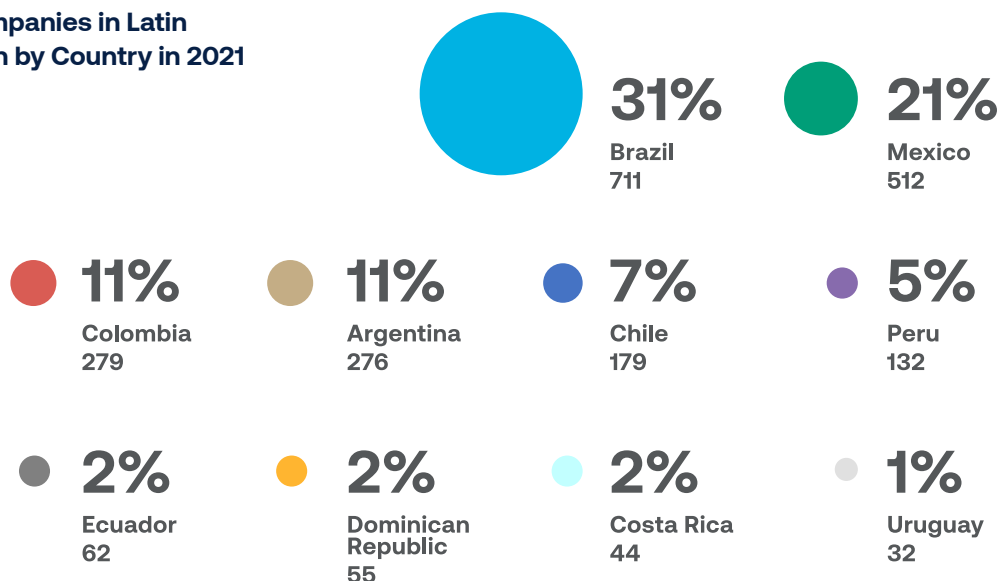
pandemic. Against this backdrop, Mexico and Brazil stand out as the two main players in the fintech industry in Latam, being closely followed by Colombia, Argentina, and Chile. Furthermore, the countries that have an emerging presence within the Fintech industry are Peru, Ecuador, Dominican Republic, Costa Rica, Uruguay, and Guatemala.

The main business that Fintech companies in Latam and the Caribbean have been targeting is payments and remittances, closely followed by the lending segment and by Business Technology Solutions for Financial Institutions. In the following years, Latam will probably follow the same trend observed in the Pacific Alliance countries, and the lending segment may surpass that of payments and remittances.

that Latam was one of the regions that had the biggest expansion in financial inclusion, with the share of adults who have a bank account rising 18 percentage points compared to the previous 2017 edition. Against this backdrop, a favorable environment for developing digital payment solutions across all sectors has blossomed. An example of a well-implemented digital payment solution in the region is the PIX in Brazil. This platform was launched by the Central Bank in May 2020, enabling access to payments for a large part of underserved Brazilians.

Furthermore, when analyzing the lending segment of the fintech sphere, it stands out as one with the most significant number of companies participating in rounds of funding in the region, further emphasizing the

Distribution of Fintech Companies in Latin America and the Caribbean by Country in 2021



Source: IDB

existence of an unsatisfied market and, in turn, a business opportunity. Within this segment, let us zoom into digital banking, its challenges, and its main players.

The first term that should be defined within this space is that of digital banks. According to the IDB, a “neo-bank” – a term that is used interchangeably with “digital bank” – is a digital product that provides a specific financial solution to its users in addition to one or more financial services that are either provided by the same company or through commercial alliances with other entities. The growth trend in digital banking ventures has been evident in Latam, with close to 60 digital banks present in the region from an initial figure of 10 in 2018.

One of the main reasons for the rise of digital banks is their value proposition. The digital solution aims to meet the demand for financial services in market niches usually overlooked or neglected by the traditional alternatives, namely, the underbanked consumer. As stated in the IDB report previously mentioned, 32% of the digital banks in Latin America focus their solutions on these underbanked consumers.

As the country with the second-largest number of digital banks in the region, Brazil has, once again, another example to offer. Brazil’s Nubank had more than 48 million customers by the end of 2021, and after it carried out its IPO in December of that year, it now ranks as the most valuable listed bank in the region. Moreover, Nubank has become an even more important player in the banking space after expanding to Mexico and Colombia. Another example of a digital bank that has been successful in Latam is the Argentine Ualá which recently expanded its operations to Mexico.

Ualá’s CEO, Pierpaolo Barbieri, recognized that part of the boost of fintech solutions in Latam occurred because of its underbanked population. Barbieri stated that 50% of the population does not have access to the financial system, and for those who live outside of the main urban centers, fintech solutions that are within an app’s reach become the best alternative. Furthermore, he highlighted the contribution of Ualá to financial inclusion in the region: digital banking alternatives have allowed people to perform everyday tasks from the convenience of their phones instead of having to attend the physical branches of a bank.

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This backdrop shifted consumers’ preferences towards digital alternatives and, ultimately, generated additional users for neobanks.

In summary, Latam is a market that comprises all the potential conditions to continue experiencing the disruption of its financial services sector. Trailblazers like Nubank and Ualá have proven to the traditional players that if you are willing to implement technology in your day-to-day tasks while taking into consideration the needs of those who are usually underserved, the opportunity for growth and innovation is at hand’s reach.





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Nearshoring and Latin America

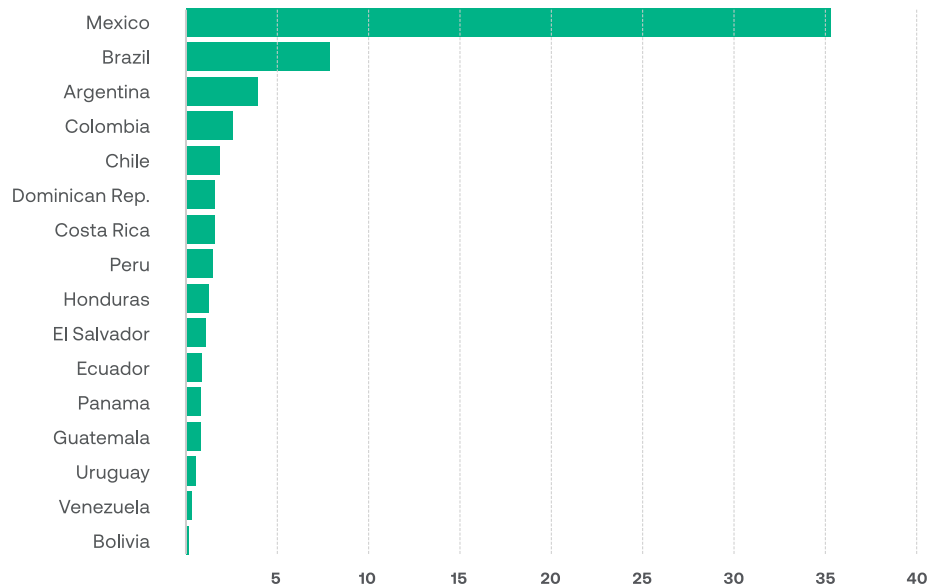
After the pandemic, the term “nearshoring” became popular in the media. Given the potential implications of this phenomenon on the Latin American region, it is worth exploring it in more detail. Forbes describes nearshoring as a “*tactic that allows companies to move their operations to the closest country with a qualified workforce and reduced cost of living without the time difference.*” (Maritza Diaz, Forbes, 2021). In essence, nearshoring is a form of offshoring, but with different goals in mind.

Offshoring became popular in the 1980’s as many companies relocated their production facilities to countries such as China, India, and Bangladesh, as relatively lower labor costs reduced manufacturing expenses and increased profit margins. Eventually, this

trend grew to encompass the relocation of service facilities. However, offshoring presented two main problems, namely geographic distances, and time zone differentials. Vastly different time zones meant that colleagues in the same company would have to work very different hours, with some working through the night to provide the support or services needed by their teammates or end clients. Most impactful were the geographic distances that had to be traversed in order to ship materials and finished products halfway around the world. This dynamic became painfully evident during the Covid-19 Pandemic.

As we can all remember, the world came to a grinding halt during the Pandemic. Most people were working from home or within limited hours. That also meant companies were producing less, and airplanes and ships were transporting less goods. This dynamic put severe pressures on the world’s supply chains of goods and services. As the global economy began to eventually reopen and goods were slowly being produced again, production lines were sometimes forced to stop due to lack of supplies or raw materials required to complete production. Consumers around the world had to wait months for appliances or furniture, as a product manufactured in one country could not be shipped to a different country because of lack of materials or heavy backlogs and bottlenecks in the logistic supply chains. This dynamic was most evident in the supply of semiconductor chips, the infamous “chip shortage”. These experiences made companies in the West keenly aware of their dependance on Asian suppliers, especially on China. Understandably so, this heavy dependence on China posed significant security risks, particularly for the United States. Trade wars between the United States and China had frayed commercial relations between both countries before the Pandemic began. Combined with the supply chain issues experienced in 2020-2021, these dynamics pushed the United States to seek diversification in its supply chain. This is where the concept of nearshoring emerged.

Additional Potential Exports for the Region (in billions of USD)



Source: Interamerican Development Bank, Bloomberg Linea, Insigneo, March 2023

In a move to reduce its dependence on Asia, the United States has been working to bring back manufacturing and services either back to the country (reshoring), or close to it (nearshoring). Some production is being brought back to Canada; however, most of it will likely be relocated to Latin America. In the chart above, we can see the Interamerican Development Bank’s estimates for incremental exports expected to arise in the region from the nearshoring movement. The bank expects as much as \$78 billion in incremental exports from the region over the short and medium term. Of this number, it expects approximately 80% to stem from the production of goods, and 20% from the production of services. The automotive, pharmaceutical, textile, and renewable energy industries are expected to see the largest gains. As is evident on the table, Mexico is expected to be the biggest beneficiary in the region, followed by Brazil, Argentina, Colombia, and Chile.

Due to its geographic proximity to the United States, Mexico should prove to be the biggest beneficiary of nearshoring, potentially seeing incremental exports

almost five times greater than the next country on the list, Brazil. In Mexico’s northern region, cities like Monterrey are already seeing a boost in the technology industry. Local universities, such as Tecnológico de Monterrey, are producing well-trained engineers capable of handling specialized, tech-oriented roles that were previously handled in Asia. Companies such as Tesla, Volkswagen, and BMW continue to expand their presence in the region. We are seeing railway companies such as Canadian Pacific expand their networks from Canada to Mexico in an effort to reduce lead times and get products to market quickly and efficiently. Banks such as Banorte are investing heavily in Mexico’s northern region to support its booming industries. The bank foresees a migration of workers from the south to the north of the country, as opportunities brought about by nearshoring create more employment. In fact, Banorte recently announced it will add 800 jobs in northern Mexico to have the capacity it needs to meet increased demand for mortgages, business loans, and general banking services. An increased need for infrastructure to support increased demand should also lead to job

creation, helping the local economy. In fact, the expectation of this dynamic has helped bolster the Mexican Peso, as well as the country's equity markets. We are even seeing the flourishing of new startup companies in the country, such as the logistics company Nowports, that are positioning themselves to benefit from nearshoring trends. Multilateral trade agreements between the United States, Mexico, and Canada should continue to facilitate increased trade between these countries.

— “The nearshoring phenomenon has the potential to be a game changer for many countries in Latin American. It is up to these countries to properly embrace this dynamic”

Mexico will not be the only country to reap the benefits of nearshoring. Countries like Brazil, Argentina, and Colombia are also investing in education programs to produce a skilled workforce of engineers and other specialized roles that will enable them to meet the requirements of multinational companies. El Salvador, Guatemala, and Honduras are seeing an increased number of call-centers relocating to their countries. As a result of its stable financial system and friendly business policies, Uruguay is increasingly seeing the expansion of Free Trade Zones. Like Mexico, these countries share similar cultures and democratic values, as well as time zones that are, for the most part, aligned with those of the United States.

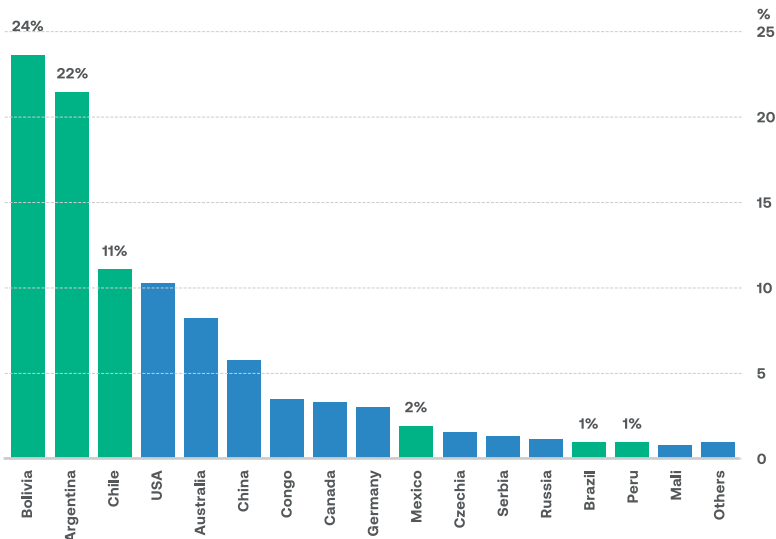
There are a few important dynamics that could pose a challenge to the full embrace of nearshoring in the region. The most important is potential political instability. Most governments in the region recognize the benefits that nearshoring could bring to their countries. However, changing political regimes, along with the regulatory changes these could entail, could give pause to companies looking to relocate their operations to the region. Onerous or ambiguous regulatory frameworks could also pose barriers to nearshoring opportunities. Most companies in the United States operate under a regulatory framework, that although sometimes cumbersome, tends to be clearly defined. Ambiguous or seemingly arbitrary frameworks could cause companies to look elsewhere for relocation opportunities. High crime rates, or the perception thereof, is also an important consideration. Companies looking to relocate operations have to send employees from other regions to the host nations. Many times, these companies will choose not to operate in areas with high crime rates to not put their existing employees in danger.

The nearshoring phenomenon has the potential to be a game changer for many countries in Latin American. It is up to these countries to properly embrace this dynamic for the good of their economies, as well as their people.

Lithium and Latin America

Latin America and Lithium are intertwined in a nascent relationship. It is estimated that out of the 89 million tons of lithium reserves in the world, as much as 60% of these are found in Latin America. The majority of these deposits, over 55% of total global deposits, lie in a region known as the “Lithium Triangle”, comprised of Chile, Argentina, and Bolivia. As we can see on the chart, approximately 24% of lithium resources lie in Bolivia, 22% in Argentina, and 11% in Chile.

Global Lithium Reserves



Source: United Nations Development Program, U.S. Geological Survey, Insigneo, as of 2022

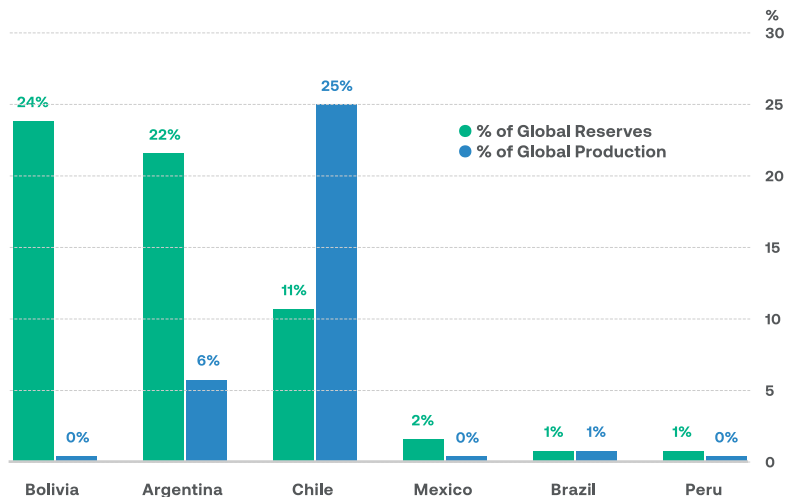
Mexico, Brazil, and Peru also play into the mix, as these three countries combined represent about 4% of global resources.

However, not all lithium reserves are created equal. The basic raw materials needed for the creation of lithium generally come from two sources: a mineral rock called Spodumene and a salt-based brine. As of 2020, 65% of lithium production stemmed from Spodumene, 33% from brine, and 2% from other sources. Most of the production of Spodumene is in Australia, while brine production is mostly found in the salt flats of Chile and Argentina. It is because of the resources in these flats, that the “Lithium Triangle” has the potential to have a major impact on the region. That being said, lithium can be hard and expensive to produce, particularly in regions requiring intensive mining. This could explain why certain countries, such as Mexico, are having limited success developing this industry. In a recent report by the United Nations Development Program, the UN Assistant-Secretary General and UNDP Regional Director for Latin America and the Caribbean noted that industry experts believe that *“the marginal cost of producing refined lithium of both carbonate and hydroxide would range*

between \$6,000–\$8,000/ton through 2036.” (Luis Felipe Lopez-Calva, UNDP, 2022). This cost level poses significant limitations to the development of reserves in certain countries in the region. When we compare the potential reserves that could be mined, against what countries are actually producing, we can see the effects of these high costs of production. For example, as we pointed out before, Bolivia accounts for 24% of global lithium deposits, with Argentina and Chile coming in at 22% and 11%, respectively. However, data from the U.S. Geological Survey, and published by the United Nations Development Program, paint a different picture with regards to actual production. As we can see on the next chart, despite accounting for the largest amount of reserves in the world as of 2021, Bolivia accounted for 0% of global lithium production. On the other hand, accounting for only 11% of reserves, Chile accounted for 25% for global production. So, why this discrepancy?

Blessed by geography, Chile is home to the largest portion of the Atacama Desert. As a result, the country has some of the best lithium brine deposits in the world, which again due to favorable geography, can be produced at relatively lower costs than in other regions.

Lithium: Global Reserves Vs Global Production



Source: United Nations Development Program, U.S. Geological Survey, Insigneo, as of 2022

Additionally, the country’s access to the Pacific Ocean gives it easy access to ports, from which the product can be exported to Asia. For these reasons, Albemarle and Sociedad Quimica y Minera de Chile, two of the world’s largest producers of lithium, have meaningful operations in the country. However, permitting and other regulatory constraints pose a challenge for production growth in Chile, as well as in other countries in the region.

Resource nationalism is another dynamic that we are seeing play a role in limiting lithium production in the region. Fearing the influence of other countries on their reserves, countries like Bolivia and Mexico are pushing for the creation of an OPEC-like “Lithium Cartel” to act as a group in setting prices for the product. However, this attempt to set price controls could prove to be detrimental to some countries in the region, as not all lithium reserves and their mining requirements are equal. Additionally, given the region’s fluctuating political environment, this could also add an extra layer of complexity to an already volatile pricing backdrop for the commodity. Lithium pricing is dictated by different variables across different markets. After lithium is mined from Spodumene or produced from brine, these raw materials must then be processed into lithium carbon-

ate and lithium hydroxide, the chemicals that are used to create batteries. Approximately, 65% of this processing takes place in China. As a result, pricing varies depending on the type and quality of the material, as well as the market where it is produced or processed. As we can imagine, the demand for lithium has increased over the past decade as demand for Electric Vehicles has meaningfully grown around the world. Demand has increased significantly in North America and Asia, particularly in the United States and China. As could be expected, this has driven prices of lithium through the roof. Prices for some of the key chemical components needed to produce lithium are much more expensive than they were over the last 5 years. However, over the past few months, lithium prices have retreated off their highs by as much as 20%, particularly in China. This latest drop was caused by lower end market demand in that country. In our view, prices could remain volatile over the short-term. However, the supply/demand dynamics for lithium are still favorable, and although prices could come down temporarily from elevated levels, their trend is most likely to continue to point upward over the long-term.

As mentioned before, most of the processing of raw lithium into finished products happens in China.

— “This has driven prices of lithium through the roof. Prices for some of the **key chemical components** needed to produce lithium are **much more expensive** than they were over the last 5 years.”

There is interest from both the United States and China to increase the amount of processing facilities in Latin America. The United States, for example, is interested in this dynamic for two reasons. First, there is the geographic advantage to having lithium mined and fully processed close to end markets at home. Companies like Albemarle already have a presence in the country, yet other companies are also making inroads, as evidenced by Tesla’s newly announced lithium processing plant in Texas. However, and likely more important, processing lithium in Latin America would eliminate the country’s dependence on China for this part of the production chain. As we can imagine, diversifying its production and processing base has meaning-

ful implications for the United States, from a national security standpoint.

If Latin America adopts policies that will create a benign environment for lithium producers, the region could be poised to be a big beneficiary of the increased long-term demand for this product. If instead governments enact policies that make it difficult for companies to establish themselves in the region, the benefits of this natural resource could be limited. Granted, all stakeholders have to derive some form of benefit from the abundance of lithium in the region. Compromise that favors everyone involved is key. ■

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