



Argentina: A Brighter Future Ahead?



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LLA’s unexpected midterm victory boosted Argentine assets, with CDS spreads narrowing and markets anticipating structural reforms, though macroeconomic stabilization remains critical for sustained improvement.

Milei’s administration faces urgent tasks: reserve accumulation to meet IMF guidelines, fiscal consolidation, and passing tax and labor reforms aimed at reducing corporate burdens and increasing flexibility in employment.

Economic indicators show tentative progress—single-digit monthly inflation, modest growth, and improving consumer confidence—while foreign investment initiatives like RIGI could attract up to \$50bn over the coming years.

Energy, financial, and infrastructure sectors stand to benefit most from reforms and investment inflows, potentially driving broader economic recovery if political support and confidence persist.

Now that the dust has settled around the Argentinian mid-term elections, where La Libertad Avanza – LLA – surprised markets, pundits, and polls alike by achieving a landslide victory, we wanted to perform a forward-looking analysis where we can assess the real implications of that victory for financial assets, and what are President Milei’s most pressing tasks for the second half of his administration.

Argentinian financial markets were shrouded in uncertainty leading up to the midterm elections, as most analysts were penciling in a base-case scenario where LLA would garner around 30-35% of the votes, an increase from 15%, but still below a simple majority. **After seeing that LLA received ~41% of the votes, Argentinian assets ripped higher anticipat-**

Graph 1: Calm comes back to the Argentinian markets – 5-year CDS (bps)



Source: Bloomberg.
Data as of November 4, 2025

ing a more optimistic future for the country, paving the way for the implementation of President Milei’s pending reforms. This was strongly visible in Argentina’s five-year CDS that, at the time of this report, was trading close to this year’s lows, after having overshoot above 2,200 points after the Buenos Aires provincial elections.

It should be noted that one of the necessary conditions for Argentina to return to the international capital markets for financing is a stabilization of the country’s CDS. For the indicator to maintain its descent, a clear macroeconomic stabilization is needed.

Moreover, the initial reaction of the exchange rate was a favorable one. The provincial midterm elections generated an important depreciation in the Argentinian peso – ARS – that led to the support from the Trump administration in the form of a USD 20bn currency swap, coupled with additional USD 20bn in financing and the US Treasury’s intervention in the Argentinian FX markets. This was crucial to maintaining certain macroeconomic stability ahead of the elections, while also increasing Milei’s appeal to voters.

However, after the positive election result, but in the absence of a clear future macroeconomic stabilization plan, the ARS later depreciated, making the job of the Argentinian central bank – BCRA – of accumulating reserves a more challenging one.

The reserve accumulation program is one of the main points for the Milei administration in the upcoming months, since Argentina will need fresh resources not only to comply with the guidelines established in the IMF program, but to appease investors’ worries about the country’s capacity to honor its short-term debt obligations. While some local analysts estimate that the government may accumulate reserves in December through cash inflows from the wheat winter crop harvest, the BCRA stated that if money demand recovered via an uptick in economic activity, the bank could accumulate reserves by issuing pesos without having to sterilize them.

On this note, Fitch Ratings stated that a rating improvement for Argentina will depend on further policy changes that enable the country to “sustainably accumulate FX buffers on its own and recover market access, so

that it no longer needs to rely on emergency loans [...] and can eventually pay off its large stock of such loans from past crises.”

Hence, the urgency to perform structural reforms that lead to a sustained fiscal improvement that is not reliant on transitory factors, as Fitch puts it, becomes more pertinent.

On the latest political developments, Milei performed a cabinet reshuffle, where Manuel Adorni replaced Guillermo Francos as cabinet chief, and Alejandro Lew was appointed finance secretary. This cabinet reshuffle is expected to reflect both the positive performance of LLA in the midterm elections, as well as the agreements Milei is expected to reach with other political parties that will allow him to carry on his reform agenda. This reshuffle is taking place alongside seven lawmakers in the lower house switching sides from former President Macri’s PRO party to LLA, further strengthening Milei’s agenda in congress.

Going forward, Milei will need to leverage its increased support in Congress, especially with the upcoming challenge of the approval of a labor and tax reform when the new legislative session begins on December 10. In a nutshell, the tax reform should be aimed at simplifying the Argentinian tax system while reducing the current tax burden that Argentinian corporations face. According to the country’s industrial lobby, said tax burden is around 50.7%, one of the region’s highest. Therefore, Milei has promised to eliminate about 20 taxes, as well as to reduce income tax and perform a revamp of the system that redesigns how levies are divided between provinces and the nation, hoping to increase productivity.

Meanwhile, LLA’s labor reform is aimed at giving employers more flexibility in the hiring and firing processes, while also extending the hours of the legal work-

day and allowing wages to be paid in non-monetary forms. It is worth noting that this is the most challenging of the two since it is not supported by large segments of the population.

On the macroeconomic front, Argentina’s economic activity in August surprised to the upside by printing a 2.4% YoY increase. Still, this figure is lower than previous numbers, and that could translate into a weak 3Q25 GDP reading. In addition, the country has suffered through higher rates and market volatility that may have been partially ameliorated by a depreciating ARS. On the other hand, inflation has reached single-digit monthly prints, which is no small feat considering that monthly inflation readings were at a 5-year high above 25% MoM when Milei took office. While the headline September print was mildly higher, core inflation provided a respite by remaining relatively stable on a monthly basis.

These small signs of potential improvement could be backed by the latest consumer confidence reading that, even if lower than the highs observed in July and still below last year’s levels, increased 6.3% in October. It is worth mentioning that the data collection period for this index is during the first 15 days of the month, so it wouldn’t be surprising if we saw an uptick in consumer confidence in November, once the elections results are captured by the indicator. Increased confidence, both at home and abroad, will prove crucial for successful economic growth over time.

Through initiatives such as the Régimen de Incentivo para Grandes Inversiones or RIGI, the Milei administration has laid out the groundwork to attract foreign investment. Targeting some of the country’s key industries, including energy, infrastructure, mining, technology, and tourism, RIGI attempts to grant special concessions to foreign companies looking to in-

vest in some of these industries, including legal, tax, and foreign exchange incentives. So far, approximately USD 13bn has been committed under RIGI in 2025. Although this number is lower than initially expected, increased political instability leading up to the midterm elections could have kept foreign investors on the sidelines, as they waited for a clearer vision of what lay ahead. With the elections now behind us, foreign investment could once again begin to flow into the economy. The Milei administration had estimated that up to USD 50bn could flow into the country over the new few years because of initiatives like RIGI. 2026 will be a telling year to gauge if flows are on track to meet that target.

One of the country's largest beneficiaries of the initiatives already under way, as well as some of the proposed reforms, will be the country's energy sector. Lying at the intersection of business-friendly initiatives and a prolific oil and gas basin, companies that operate in the Vaca Muerta region are likely to be some of the biggest beneficiaries of this juncture.

“Increased confidence from consumers will be the door that opens the country to a brighter future, while increased foreign investment could prove to be the key needed to help Argentina open that door to sustainable growth”

Companies involved in the production of oil and gas, such as YPF, Vista Energy, and Pampa Energia, appear to be well positioned to reap the fruits provided by a favorable environment. However, companies involved in the distribution and processing of these commodities throughout the country could also stand to benefit, including companies such as Transportadora de Gas del Sur and Central Puerto.

Another sector that could also be a meaningful beneficiary from reforms would be the financial sector. First, policy continuation from the Milei administration should bring back financial stability, as reduced regulations could unleash banks' ability to lend and increase profit margins. However, banks can only lend if there is demand from consumers. On this point, improved economic conditions will likely result in increased consumer confidence, potentially resulting in increased borrowing for consumption as well as investment. In a more nuanced manner, the successful passing of Milei's proposed reforms, particularly the tax and labor reforms, could even open the door for some of the nearly 9 million estimated Argentinians that are currently unbanked to join the financial system, increasing the revenue potential for many of the country's banks.

Lastly, if the president can pass the proposed reforms and continue to push his initiatives already in place, Argentina could potentially also see an increase in local construction and infrastructure spending. Such a dynamic could potentially benefit local steel and cement producers such as Ternium and Loma Negra, as well as real estate and construction companies such as IRSA Inversiones.

An improving macroeconomic environment, including many of the proposed reforms, will likely lead to increased confidence at home and abroad. Increased confidence from Argentinian consumers

will be the door that opens the country to a brighter future, while increased foreign investment could prove to be the key needed to help Argentina open that door to sustainable growth.

As a matter of full disclosure, the Latin American Equity portfolio managed by Insigneo has positions in some of the companies mentioned above and retains an overweight position in Argentina relative to its benchmark. Additionally, we are not endors-

ing the investment in any of the companies mentioned above, simply referencing them as potential beneficiaries of an improving economic and political environment. ■



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House Views Matrix

Global Asset Allocation	TACTICAL (UP TO 3 MONTHS)	CYCLICAL (UP TO 12 MONTHS)
	Equities	NEUTRAL
Fixed Income	OVERWEIGHT	NEUTRAL
Cash	NEUTRAL	NEUTRAL
US Equities¹	OVERWEIGHT	NEUTRAL
European Equities	NEUTRAL	NEUTRAL
Japanese Equities	OVERWEIGHT	NEUTRAL
Emerging Market Equities	NEUTRAL	NEUTRAL
Chinese Equities	OVERWEIGHT	NEUTRAL
US Treasuries²	OVERWEIGHT	OVERWEIGHT
Investment Grade Fixed Income	UNDERWEIGHT	UNDERWEIGHT
High Yield Fixed Income	UNDERWEIGHT	UNDERWEIGHT
Emerging Market Sovereign	NEUTRAL	NEUTRAL
US Dollar	NEUTRAL	UNDERWEIGHT
Energy³	UNDERWEIGHT	UNDERWEIGHT
Precious Metals	OVERWEIGHT	OVERWEIGHT

¹Relative to global equities in USD

²Relative to aggregate fixed income markets in USD

³Relative to an overall commodity allocation

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