



Market Commentary
November 21th, 2025

English Version

Insigneo Weekly Dispatch

Chile: A Latin American Nonconformity Story

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Andres Salamanca
Research Analyst

Chile: A Latin American Nonconformity Story

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Latin America is showing that **political nonconformity has become the region's strongest electoral force**. In this new election cycle, we saw Uruguay shift from right to left with the election of Yamandú Orsi. Soon after, Javier Milei secured a sweeping victory in Argentina's mid-term legislative elections outperforming the traditional, left-wing opposition. Then, Bolivia elected the right-wing candidate Rodrigo Paz Pereira, unseating the incumbent left-wing party. Last Sunday, Chile joined this trend in the first round of its presidential elections. What occurred there further reinforces the narrative of voter nonconformity that has defined recent elections across the region. Looking ahead, **Peru, Colombia, and Brazil will hold presidential elections in 2026**, making it likely that this political wave will continue to reshape Latin America's landscape. So, what happened in Chile? Let's divide the analysis into two parts: 1) Political Background, and 2) Economic and Market Implications.

1. A Political Movement of the Apolitical

As a quick background, the 2025 Chilean presidential race revolved around four main candidates. On the left was Jeannette Jara, the Communist Party's nominee and former Labor Minister under President Boric. Opposing her were three right-wing contenders spanning across the conservative spectrum: Evelyn Matthei from the center-right Chile Vamos coalition, José Antonio Kast of the hard-right Republican Party, and Johannes Kaiser, the libertarian candidate.

Jeannette Jara became the main figure of the Chilean left after clearly defeating Carolina Tohá in the Unidad por Chile primary elections, where she secured around 60% of the votes. Her win not only

strengthened the Communist Party's position inside the governing coalition but also helped bring together a left that had been divided for months.

By beating a more moderate and establishment-leaning candidate like Tohá, Jara emerged as the unifying choice for the progressive-wing heading into the presidential race. However, Jara had to contend with something larger than her rivals: the drag of the government's low approval ratings, with the outgoing president at nearly 60% unfavorability. That backdrop complicated her campaign, as she had to acknowledge public frustration with security, economic pressures, and stalled reforms while still positioning herself as the left's path to renewal. This is where two key forces emerged: the rise of the apolitical vote and the unexpected strength of Parisi.

Apolitical? With Chile reintroducing mandatory voting in 2022, the 2025 presidential election was the first in which nearly every citizen aged 18 or older was required to vote. Fines range from USD 35 to 100 for eligible voters who fail to participate. **The measure aimed to address the historically low turnout of previous elections, and it worked.** Last Sunday, 13.5 million people voted, compared to just 7.1 million in the first round of the 2021 presidential race. So, who are these almost 7 million people? Political analysts say they are the apolitical: people who don't care about politics, don't identify with any ideology, and generally stay outside the traditional party system. According to Juan Pablo Lavín from Universidad del Desarrollo, they are mostly men from lower-income segments living outside major cities, who distrust institutions and politicians. It's a mix of indifference, anger, and frustration toward the political class. A study by the same university even shows that, without mandatory voting, the 2022 Constitutional Reform proposed under Boric would likely have passed, as eight out

of ten mandatory voters at the time voted against the new constitution.

Against this political backdrop, a candidate called Franco Parisi appeared. He is an independent right-wing populist whose campaign lives mostly on social media, and who is against traditional parties. After polling 5th for the presidential race, Parisi managed to capture almost 20% of last Sunday's vote, becoming the third most voted for candidate. **His result helps to explain why Jara faces such a difficult path to the presidency.** Parisi represents exactly what many apolitical are looking for: someone who confronts the political establishment. Jara, meanwhile, is perceived as the continuation of Boric's legacy. It's not only that right-wing candidates together received nearly 70% of the vote, but also that Jara doesn't represent what a majority of these new voters are looking for.

2. Tailwinds for the Right

As part of the general elections, Chileans also voted to renew both chambers of Congress. In the Senate, where 50 seats were contested, the results produced an even split between the current government and the opposition. The dynamics in the Lower House, however, were notably different. Left-wing parties secured 64 of the 155 seats, while the opposition captured the remainder. A key surprise was the performance of Parisi's bloc, which obtained 14 seats, significantly above polling expectations. **Including these seats, the opposition reaches a simple majority in the Lower House (78 out of 155), a configuration that would provide Kast with a more favorable legislative environment to advance his economic agenda.** On the other hand, if Jara wins, she will face a more challenging congressional landscape to secure approval for her political priorities.

Given the political backdrop discussed earlier, markets appear to be pricing in a comfortable victory for Kast on December 14. While investors reacted positively to the stronger-than-expected presidential results, the parliamentary outcome fell slightly short of what the market had anticipated. With this context in mind, let's assess the implications for the key segments of the Chilean economy:

FX (Positive):

The CLP remains strongly correlated with copper prices. Some analysts estimate that the metal accounts for roughly 40% of the currency's movements.

Copper's fundamentals remain robust, supported by its essential role in electrical infrastructure, power grids, and electric vehicles.

The CLP has gained some ground year-to-date (YTD); however, relative to other Latin American currencies, it still has room to catch up with its regional peers.

COP: +14.5% YTD

BRL: +15.5% YTD

MXN: +11.2% YTD

PEN: +8.4% YTD

CLP: +5.9% YTD

Chile currently benefits from a stronger fiscal position, with reduced deficits and fewer fiscal constraints. **While CLP did not rally alongside COP, MXN, or BRL, it could reasonably be expected to at least close the gap with the PEN, given that both**

currencies share exposure to copper.

Sovereign Bonds (Neutral):

Despite the positive electoral results, Chilean sovereign bonds appear fairly valued, leaving limited room for further spread compression. Relative to the U.S. Aggregate Index, Chilean bonds are trading only about 13 bps wider.

Equities (Positive):

Very similar to Trump's campaign, Kast is proposing a Corporate Tax Rate Cut from 27% to 23% for medium to large companies.

This is expected to generate an immediate improvement in Chilean corporate earnings.

Local companies such as Latam Airlines, Banco de Chile, SQM and Cencosud should benefit from increased economic and political stability, while foreign commodity operators such as Albemarle should enjoy a friendlier business environment. As a matter of full disclosure, the Latin American Equity portfolio managed by Insigneo holds positions in Latam Airlines, Banco de Chile and SQM.

It is difficult to expect Kast's policy agenda to deliver an immediate boost to GDP growth. However, the proposed spending cuts (USD 6 billion) should support compliance with Chile's fiscal rules. **Although this remains a substantial challenge, both initiatives are expected to add momentum to the economy. Citi analysts estimate that these measures could place Chile's GDP growth around 3.0%. With a few days remaining before the second electoral round, Chile continues to offer a compelling opportunity for markets and potential capital appreciation.**

In this environment, maintaining a disciplined strategy and making informed decisions will be essential for capital preservation.■



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