



# Weekly Economic Report

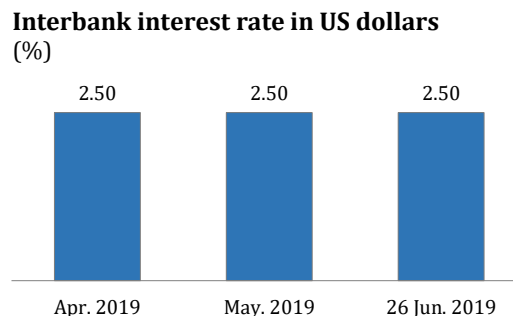
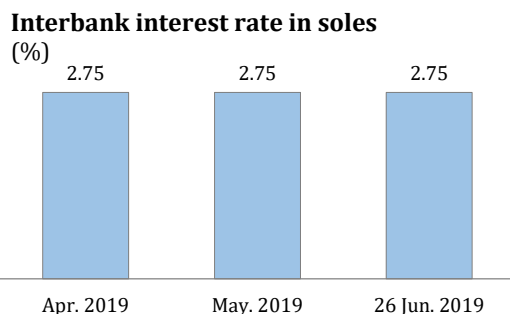
June 27, 2019

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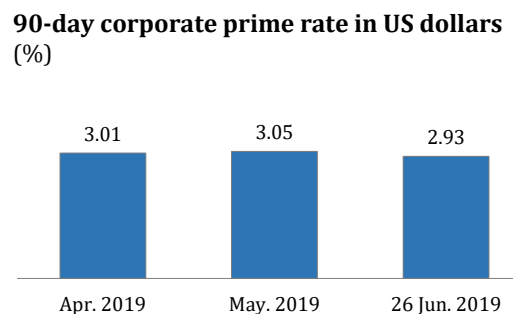
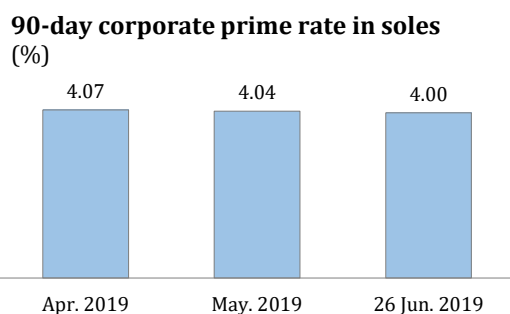
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### INTERBANK INTEREST RATE IN SOLES AT 2.75 PERCENT

On June 26, the **interbank interest rate** in soles showed an annual rate of 2.75 percent and this rate in dollars registered 2.50 percent.



On the same date, the average **90-day corporate prime rate** –the interest rate charged by commercial banks to lower risk businesses– in soles was 4.00 percent, while the prime rate in dollars was 2.93 percent.



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**BCRP MONETARY OPERATIONS**

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BCRP has made the following **monetary operations** as of June 26:

- i. CD BCRP: The balance of BCRP certificates of deposit on June 26 was S/ 27.22 billion, with an average interest rate of 2.7 percent, while this balance at end-May was S/ 27.50 billion, with an average interest rate of 2.8 percent.

**Interest rate of auctions of CD BCRP  
(%)**

	Term (Months)		
	6	12	18
27 May.	2.57		
29 May.			2.74
30 May.		2.65	
3 Jun.	2.56		
5 Jun.			2.70
6 Jun.		2,60-2,62	2.68
7 Jun.		2.58	2.67
10 Jun.	2.50		
11 Jun.		2.62	
12 Jun.	2.57	2.64	2.64
13 Jun.		2.65	
17 Jun.	2.60		
19 Jun.			2.66
20 Jun.		2.63	
24 Jun.	2.59		
26 Jun.			2.65

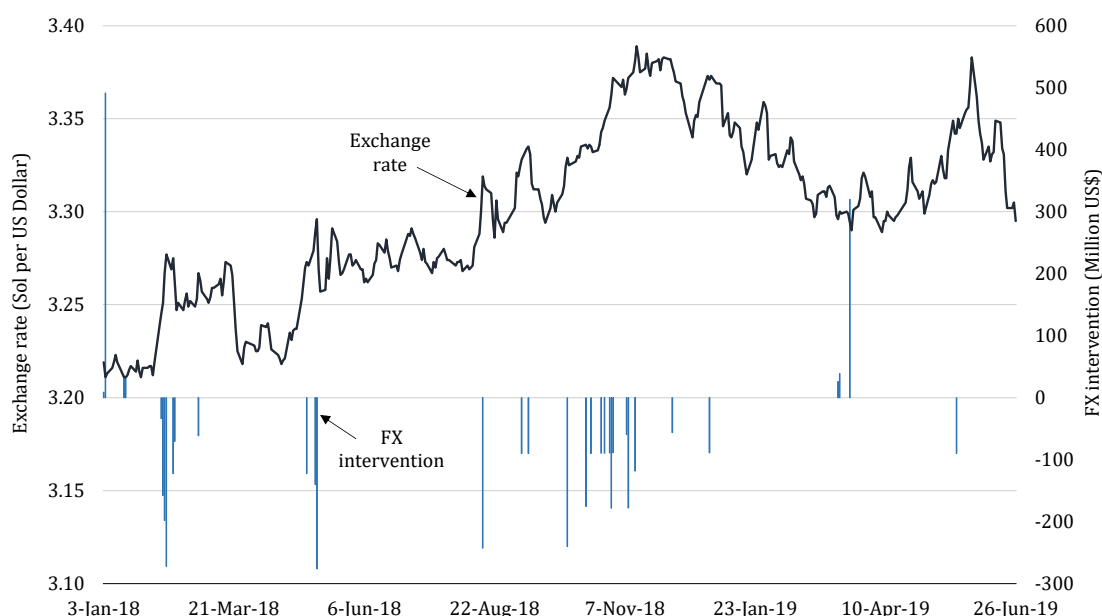
- ii. Overnight deposits: The balance of this instrument on June 26 was S/ 376 million, with an average interest rate of 1.5 percent. At end-May the balance was S/ 1.48 billion, with the same average interest rate.
- iii. Currency repos: On June 26, the balance of regular currency repos was S/ 11.30 billion, with an interest rate of 3.9 percent, while the balance at end May was S/ 10.95 billion, with an interest rate of 4.0 percent. Moreover, like at the end of May, credit expansion repos and credit substitution repos showed zero balances.
- iv. Security repos: The balance of security repos on June 26 was S/ 5.90 billion with an average interest rate of 4.0 percent, while this balance at the end of May was S/ 6.75 billion, with an average interest rate of 3.9 percent.
- v. Term deposits: Like at the end of May, term deposits showed a zero balance on June 26.
- vi. Auctions of Treasury funds: The balance of this instrument on June 26 was S/ 4.10 billion, with an average interest rate of 4.4 percent. At the end of May, the balance of this instrument was S/ 4.40 billion with an average interest rate of 4.3 percent.

The BCRP **foreign exchange operations** as of June 26 included the following:

- i. BCRP has not intervened in the spot market.
- ii. FX Swaps-sell: The balance of this instrument on June 26 was S/ 300 million (US\$ 90 million), with an average interest rate of 1.3 percent. At the end of May, this instrument showed the same balance.
- iii. CDLD BCRP, CDR BCRP, and FX Swaps-buy: Like at the end of May, these instruments showed zero balances on June 26.

On June 26, the **interbank selling price of the dollar** closed at S/ 3.30 per dollar, a result 2.6 percent lower than at end-May. With this, the sol accumulates an appreciation of 2.2 percent so far this year.

#### Exchange rate and FX intervention of BCRP <sup>1/</sup>



<sup>1/</sup> Includes sell / purchases of US\$, placements of CDR BCRP and FX-Swaps, and CDLD BCRP.

As of June 26, the monetary base has increased by S/ 74 million compared to the end of May due to banks' higher demand for banknotes and coins. In this context, BCRP injected liquidity through the net placement of currency repos (S/ 347 million), the net maturity of term deposits (S/ 1.10 billion) and CDBCRP (S/ 199 million). These operations were in part offset by the net maturity of security repos (S/ 850 million), the increase of public sector deposits at BCRP (S/ 1.02 billion), and net placements of auctions of Treasury funds (S/ 300 million)

In the last 12 months, the monetary base grew 4.6 percent, mainly as a result of the 4.2 percent increase observed in the banknotes and coins issued in the same period, in line with the expansion of economic activity.

## Monetary balance of the Central Reserve Bank of Peru

(Million S/)

	Balance			Flows	
	Dec 31, 18	May 31, 19	Jun 26, 19	2019	Jun 26, 19
<b>I. NET INTERNATIONAL RESERVES</b>	<b>202,609</b>	<b>223,463</b>	<b>220,776</b>	<b>22,375</b>	<b>1,954</b>
<i>(Millions US\$)</i>	<i>60,121</i>	<i>66,309</i>	<i>66,902</i>	<i>6,780</i>	<i>592</i>
1. Foreign Exchange Position	39,548	40,924	41,272	1,723	347
2. Deposits of the Commercial Banks	12,898	17,626	17,063	4,166	-563
3. Deposits of the Public Sector	8,202	8,313	9,161	959	848
<b>II. NET DOMESTIC ASSETS</b>	<b>-141,242</b>	<b>-165,515</b>	<b>-162,753</b>	<b>-25,720</b>	<b>-1,880</b>
1. Credit to the financial sector in soles	-9,017	-4,424	-3,926	5,091	498
a. Security repos	5,950	6,750	5,900	-50	-850
b. Currency repos	7,358	10,953	11,300	3,942	347
c. Securities issued	-24,523	-25,049	-24,850	-327	199
i. CDBCRP	-24,523	-25,049	-24,850	-327	199
d. Auctions of funds of PT and BN	4,000	4,400	4,100	100	-300
e. Other deposits in soles	-1,802	-1,478	-376	1,426	1,102
2. Net assets public sector in soles <sup>1/</sup>	-45,439	-56,580	-57,600	-12,162	-1,021
3. Credit to the financial sector in dollars	-43,465	-59,399	-56,308	-13,746	1,857
<i>(Millions US\$)</i>	<i>-12,898</i>	<i>-17,626</i>	<i>-17,063</i>	<i>-4,166</i>	<i>563</i>
a. Deposits in foreign currency	-12,898	-17,626	-17,063	-4,166	563
4. Net assets public sector in dollars	-25,749	-26,028	-28,247	-3,033	-2,760
<i>(Millions US\$)</i>	<i>-7,641</i>	<i>-7,723</i>	<i>-8,560</i>	<i>-919</i>	<i>-836</i>
5. Other Net Accounts	-17,572	-19,084	-16,672	-1,870	-455
<b>III. MONETARY BASE (I+II) <sup>2/</sup></b>	<b>61,367</b>	<b>57,948</b>	<b>58,022</b>	<b>-3,345</b>	<b>74</b>
<i>(% change 12 months)</i>	<i>7.3%</i>	<i>6.8%</i>	<i>4.6%</i>		

1/ Public sector excluding auctions of funds of PT and BN

2/ Currency plus reserve requirement in domestic currency.

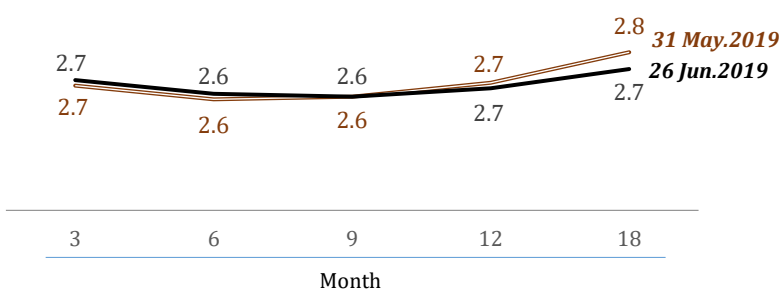
## SHORT-TERM YIELD CURVES

So far in June (at June 26), the yield curve of CD BCRP shows values similar to those observed at the end of May, except in the case of 18 month-CD BCRP, which show a lower value.

BCRP Certificates of Deposit (CD BCRP) are a monetary sterilization instrument that can be traded in the market or used in interbank repos or in repos with BCRP. The yields in the representative terms –3 months to 18 months– provide a guide for short-term financial operations. The shape of this yield curve is influenced by expectations of future monetary policy rates and by liquidity conditions in the market.

### Yield curve of CDBCRP

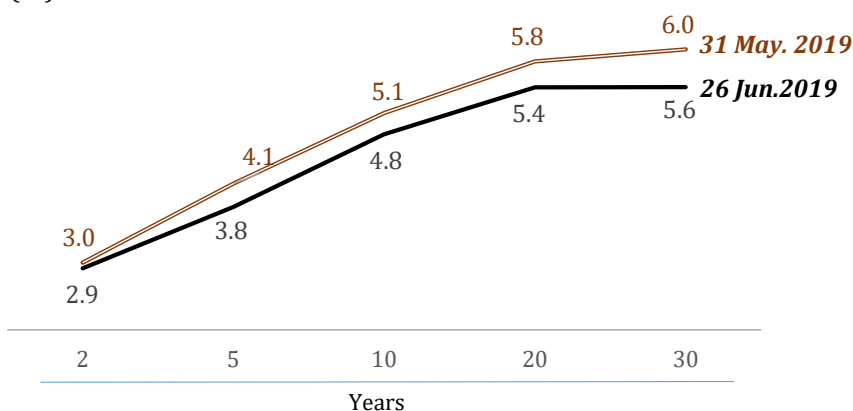
(%)



## PUBLIC TREASURY BONDS

Markets use the yield on the Public Treasury bonds as a benchmark for terms of 2 years or more. At June 26, 2019, the yield curve of sovereign bonds shows lower values than those observed in December 2018.

**Yield curve of BTP**  
(%)

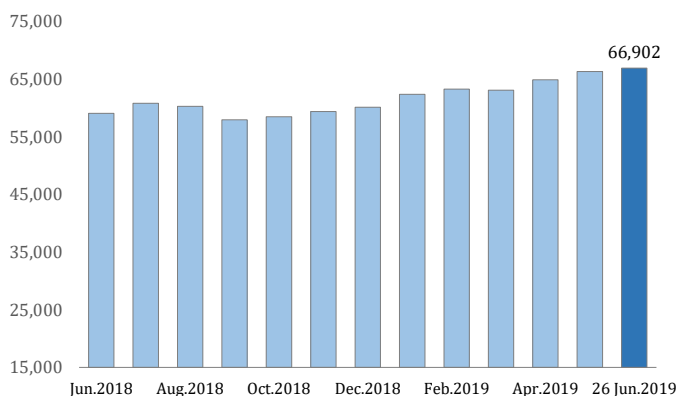


## INTERNATIONAL RESERVES AT US\$ 66.90 BILLION ON JUNE 26

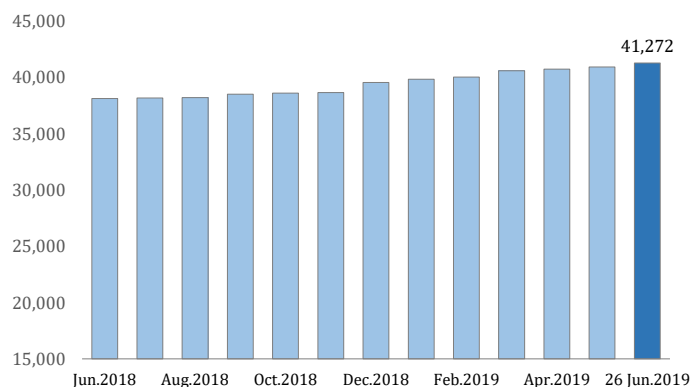
On June 26, Peru's net international reserves –made up mainly by liquid international assets– amounted to US\$ 66.90 billion. This level of reserves, which is US\$ 592 million higher than the amount of NIRs at the end of May and US\$ 6.78 billion higher than the amount of NIRs at end December 2018, is equivalent to 30 percent of GDP.

The foreign exchange position of BCRP on June 26 was US\$ 41.27 billion, US\$ 347 million higher than at the end of May and US\$ 1.72 billion higher than at the end of December 2018.

**Net International Reserves**  
(Million US\$)



**Exchange Position**  
(Million US\$)



INTERNATIONAL MARKETS

International prices of metals rose in June 19-June 26

In the week of June 19 – 26, the price of **copper** rose 1.9 percent to US\$ 2.72 the pound.

The behavior of copper price was associated with the decline in the production of refined copper in China and with production cuts in a Chilean mine.

**Copper Price**  
(cUS\$/pound)



% change			
26 Jun.2019	19 Jun.2019	31 May.2018	31 Dec.2018
<b>US\$ 2.72/pound</b>	<b>1.9</b>	<b>3.9</b>	<b>0.7</b>

In the same period, the price of **gold** climbed 4.5 percent to US\$ 1,404.0 the ounce.

This price rise is explained by the depreciation of the dollar and by increased probabilities that the Federal Reserve will lower its interest rate in July.

**Gold Price**  
(US\$/tr. ounce)



% change			
26 Jun.2019	19 Jun.2019	31 May.2018	31 Dec.2018
<b>US\$ 1,404.0/troy oz.</b>	<b>4.5</b>	<b>8.4</b>	<b>9.5</b>

In June 19 - 26, the price of **zinc** increased 0.6 percent to US\$ 1.19 the pound.

This rise is associated with a report of the International Zinc and Lead Study Group (ILZSG) that says that the physical supply of zinc remains tight.

**Zinc Price**  
(ctv. US\$/lb.)



% change			
26 Jun.2019	19 Jun.2019	31 May.2018	31 Dec.2018
<b>US\$ 1.19/pound</b>	<b>0.6</b>	<b>-2.3</b>	<b>4.5</b>

The price of **WTI oil** climbed 10.5 percent to US\$ 59.4 the barrel in the week of June 19-June 26.

This rise is explained by the reduction of US inventories and by the high probabilities that the OPEC will continue with its production cuts until the end of the year.

### WTI Oil Price

(US\$/barrel)



% change			
26 Jun.2019	19 Jun.2019	31 May.2018	31 Dec.2018
US\$ 59.4/barrel	10.5	11.0	30.8

### Price of soybean fell in international markets

In June 19-26, the price of **soybean oil** fell 1.9 percent to US\$ 621.9 a ton.

The price of soybean was affected by the decline in the price of palm oil, which is used as a substitute of soy to produce edible oils.

### Soybean oil price

(US\$/ton.)



% change			
26 Jun.2019	19 Jun.2019	31 May.2018	31 Dec.2018
US\$ 621.9/ton.	-1.9	0.4	3.3

In the same period, the price of **wheat** rose 2.5 percent to US\$ 177.5 the ton.

Delayed harvests as a result of excessive rains in the US wheat growing areas account for this rise in the price of wheat.

### Wheat price

(US\$/ton.)



% change			
26 Jun.2019	19 Jun.2019	31 May.2018	31 Dec.2018
US\$ 177.5/ton.	2.5	0.2	-4.2

The price of **maize** increased 1.6 percent to US\$ 172.4 a ton in June 19 – June 26.

The price increase was favored by a report of the US Department of Agriculture (USDA) indicating a deterioration in the conditions of maize crops in the United States.

### Maize price

(US\$/ton.)



	% change		
26 Jun.2019	19 Jun.2019	31 May.2018	31 Dec.2018
<b>US\$ 172.4/ton.</b>	<b>1.6</b>	<b>8.4</b>	<b>27.7</b>

## Dollar depreciated in international markets

In June 19 - 26, the **dollar** depreciated 1.3 percent against the **euro**, influenced by reports showing lower-than-expected economic data in the United States.

### Evolution of US\$ per Euro

(US\$/Euro)



	% change		
26 Jun.2019	19 Jun.2019	31 May.2018	31 Dec.2018
<b>1.14 US\$/euro</b>	<b>1.3</b>	<b>1.8</b>	<b>-0.9</b>

The US dollar has been appreciating against most other currencies in recent years, as reflected in the evolution of the **FED index**. This appreciation of the dollar is associated with expectations that the Federal Reserve (FED) will start normalizing its interest rates.

### FED index

(January 06=100)



	Variation in basis points		
21 Jun.2019	14 Jun.2019	31 May.2019	31 Dec.2018
<b>114.9</b>	<b>-0.9</b>	<b>-1.6</b>	<b>-0.6</b>

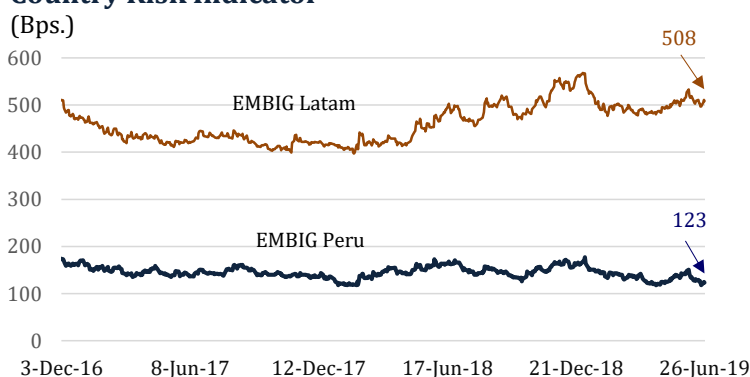


## Country risk fell to 123 basis points

In June 19-June 26, the country risk indicator, measured by the **EMBIG Peru** spread, fell from 127 to 123 bps.

On the other hand, in the same period the **EMBIG LatinAmerica** spread rose 5 bps to 508 bps in a context marked by greater geopolitical tensions.

### Country Risk Indicator



	Variation in basis points			
	26 Jun.2019	19 Jun.2019	31 May.2018	31 Dec.2018
EMBIG Peru (bps)	123	-4	-25	-45
EMBIG Latam (bps)	508	5	-19	-60

## Yield on 10-year US Treasuries rose to 2.05 percent

In the week of June 19-June 26, the yield on the 10-year **Treasury bonds** rose 2 bps to 2.05 percent amid optimistic expectations regarding the negotiations between China and the US in the G20.

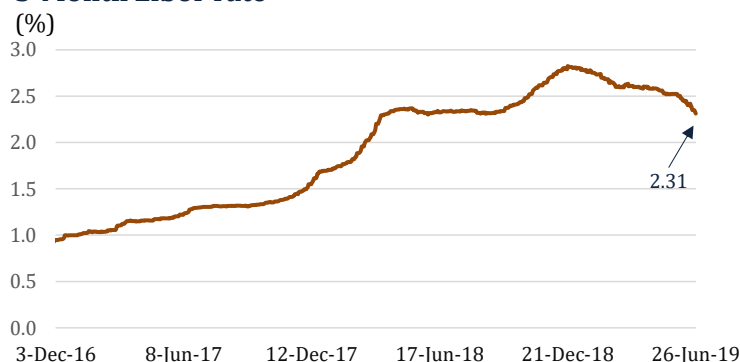
### 10-Year US Treasury rate



	Variation in basis points			
	26 Jun.2019	19 Jun.2019	31 May.2018	31 Dec.2018
10-Year US Treasury rate (%)	2.05%	2	-8	-64

In the same period, the **3-month Libor** dropped 8 bps to 2.31 percent, amid signals indicating that the European Central Bank could increase monetary stimulus in the Eurozone.

### 3-Month Libor rate



	Variation in basis points			
	26 Jun.2019	19 Jun.2019	31 May.2018	31 Dec.2018
3-Month Libor rate (%)	2.31%	-8	-19	-50

INDICES OF THE LSE ROSE IN JUNE 19-JUNE 26

The **General Index** (IGBVL-Peru General) of the Lima Stock Exchange (LSE) rose 1.5 percent in the week of June 19-June 26, while the **Selective Index** (ISBVL-Lima 25) rose 0.6 percent.

This rise in the LSE indices is associated with the rise in the international price of metals.

Year-to-date, the General Index has risen 6.5 percent, while the Selective Index has fallen 1.7 percent.

**Peru General index of the LSE**  
(Base Dec.1991=100)



	As of:		% change compared to:	
	26 Jun.2019	19 Jun.2019	31 May.2018	31 Dec.2018
Peru General	20,609	1.5	3.4	6.5
Lima 25	26,063	0.6	3.3	-1.7

