



Weekly Economic Report

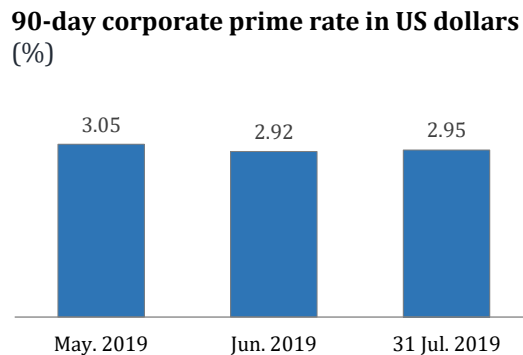
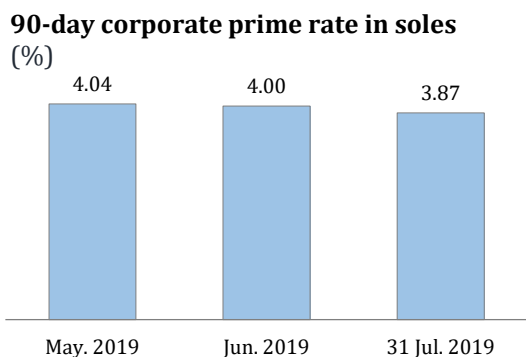
August 1, 2019

CONTENTS

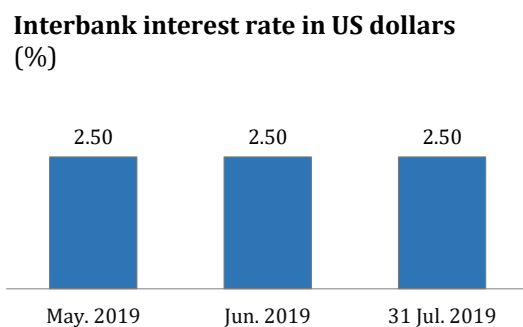
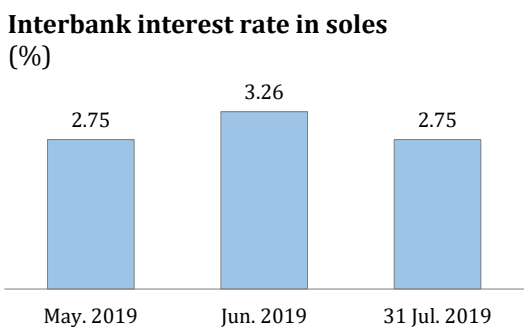
• 90-Day corporate prime rate in soles at 3.87 percent	ix
• BCRP Monetary operations	x
• Short-term yield curves	xii
• Public Treasury bonds	xiii
• International reserves at US\$ 66.75 billion on July 31	xiii
International price of gold remained in July 24 – July 31	xiv
International prices of food commodities down	xv
Dollar appreciated in international markets	xvi
Country risk at 117 basis points	xvii
Yield on 10-year US Treasuries fell to 2.02 percent	xvii
• Indices of the Lima Stock Exchange	xviii

90-DAY CORPORATE PRIME RATE IN SOLES AT 3.87 PERCENT

On July 31, the **90-day corporate prime rate** —the interest rate charged by commercial banks to lower risk businesses— in soles was 3.87 percent and the prime rate in dollars was 2.95 percent.



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



BCRP MONETARY OPERATIONS

As of July 31, BCRP has made the following **monetary operations**:

- i. CD BCRP: The balance of BCRP certificates of deposit on July 31 was S/ 26.64 billion, with an average interest rate of 2.7 percent, while this balance at end-June was S/ 27.27 billion, with a similar average interest rate.

Interest rate of auctions of CD BCRP

(%)	Term (months)			
	6	12	18	24
1 Jul.	2.55			
3 Jul.			2.64	
4 Jul.		2.60		
8 Jul.	2.55	2.58		
9 Jul.		2.57	2.62	
10 Jul.			2.62	
11 Jul.			2.62	
12 Jul.			2.55	2.69
15 Jul.	2.49		2.54	2.68
17 Jul.			2.45	
18 Jul.		2.50		
22 Jul.	2.46			
24 Jul.			2.44	
25 Jul.		2.46		
31 Jul.				2.41

- ii. Overnight deposits: The balance of this instrument on July 31 was S/ 2.35 million, with an average interest rate of 1.5 percent. At end-June the balance was S/ 2.84 billion, with the same average interest rate.
- iii. Currency repos: On July 31, the balance of regular currency repos was S/ 11.75 billion, with an interest rate of 3.9 percent, while the balance at the end of June was S/ 11.45 billion with a similar average interest rate. Like at the end of June, credit expansion repos and credit substitution repos showed zero balances.
- iv. Security repos: The balance of security repos on July 31 was S/ 7.11 billion with an average interest rate of 3.8 percent, while the balance at end-June was S/ 8.58 billion with the same average interest rate.
- v. Term deposits: The balance of term deposits on July 31 was S/ 300 million with an average interest rate of 2.0 percent, while the balance at end-June was zero.
- vi. Auctions of Treasury funds: The balance of this instrument on July 31 was S/ 4.10 billion with an average interest rate of 4.3 percent, the same balance as that recorded at end-June.

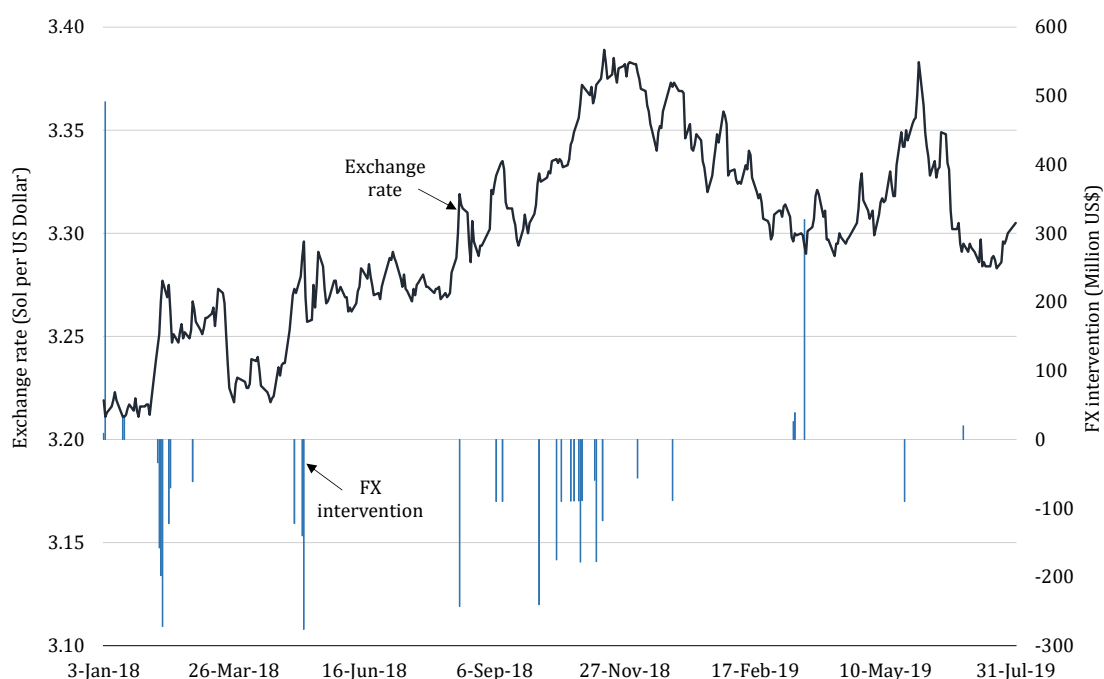
As of July 31, BCRP **forex operations** has not intervened in the forex market.

- i. BCRP has not intervened in the spot market.

- ii. FX Swaps-sell: On July 31, this instrument showed a zero balance. The balance at the end of June was S/ 300 million (US\$ 91 million), with an average interest rate of 1.3 percent.
- iii. CDLD BCRP, CDR BCRP, and FX Swaps-buy: Like at the end of June, these instruments showed zero balances on July 31.

The **interbank selling price of the dollar** closed at S/ 3.31 per dollar on July 31, which has been higher in 0.3 percent, respect the observed at the end of June. Year-to-day, the sol accumulates an appreciation of 1.9 percent.

Exchange rate and FX intervention of BCRP ^{1/}



^{1/} Includes sell / purchases of US\$, placements of CDR BCRP and FX-Swaps, and CDLD BCRP.

As of July 31, the monetary base has increased by S/ 1.59 billion compared to the end of June due to an increase in banks' demand for liquidity, which tends to be high in this month due to a seasonal effect. In this context, BCRP injected liquidity through the net placement of currency repos (S/ 300 million), the net maturity of CDBCRP (S/ 909 million), and the net maturity of term deposits (S/ 190 million), offset in part by the maturity of security repos (S/ 1.47 billion). The reduction of the public sector deposits held at BCRP (S/ 1.24 billion) contributed to the expansion of the monetary base as well.

In the last 12 months, la monetary base has increased by 6.0 percent, mainly as a result of a 6.0 percent increase of currency issued in the same period, associated with the growth of economic activity.

Monetary balance of the Central Reserve Bank of Peru

(Million S/)

	Balance			Flows	
	Dec 31, 18	Jun 30, 19	Jul 31, 19	2019	Jul 31, 19
I. NET INTERNATIONAL RESERVES	202,609	218,826	220,952	21,885	794
<i>(Millions US\$)</i>	<i>60,121</i>	<i>66,512</i>	<i>66,753</i>	<i>6,632</i>	<i>241</i>
1. Foreign Exchange Position	39,548	41,380	41,461	1,913	81
2. Deposits of the Commercial Banks	12,898	16,551	16,955	4,057	404
3. Deposits of the Public Sector	8,202	9,150	8,919	717	-231
II. NET DOMESTIC ASSETS	-141,242	-160,335	-160,873	-23,173	794
1. Credit to the financial sector in soles	-9,017	-3,610	-3,676	5,341	-66
a. Security repos	5,950	8,575	7,110	1,160	-1,465
b. Currency repos	7,358	11,450	11,750	4,392	300
c. Securities issued	-24,523	-24,900	-23,992	532	909
i. CDBCRP	-24,523	-24,900	-23,992	532	909
d. Auctions of funds of PT and BN	4,000	4,100	4,100	100	0
e. Other deposits in soles	-1,802	-2,835	-2,645	-842	190
2. Net assets public sector in soles ^{1/}	-45,439	-57,506	-56,265	-10,827	1,241
3. Credit to the financial sector in dollars	-43,465	-54,453	-56,120	-13,389	-1,332
<i>(Millions US\$)</i>	<i>-12,898</i>	<i>-16,551</i>	<i>-16,955</i>	<i>-4,057</i>	<i>-404</i>
a. Deposits in foreign currency	-12,898	-16,551	-16,955	-4,057	-404
4. Net assets public sector in dollars	-25,749	-28,120	-27,518	-2,220	772
<i>(Millions US\$)</i>	<i>-7,641</i>	<i>-8,547</i>	<i>-8,313</i>	<i>-673</i>	<i>234</i>
5. Other Net Accounts	-17,572	-16,645	-17,294	-2,078	180
III. MONETARY BASE (I+II) ^{2/}	61,367	58,491	60,079	-1,288	1,588
<i>(% change 12 months)</i>	<i>7.3%</i>	<i>5.2%</i>	<i>6.0%</i>		

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

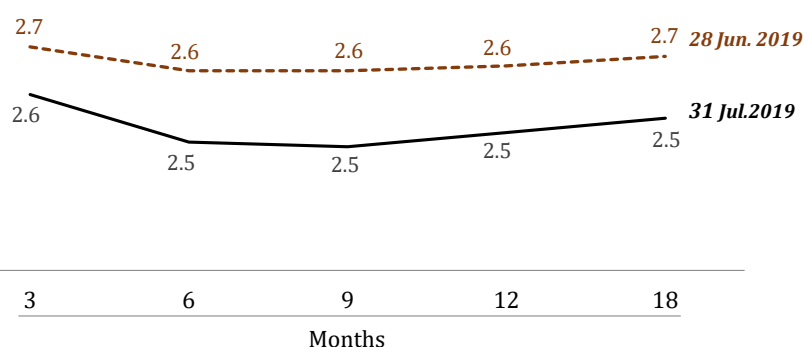
2/ Currency plus reserve requirement in domestic currency.

SHORT-TERM YIELD CURVES

So far in July, as of July 31, the yield curve of CDBCRP shows lower values than those observed at the end of June.

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.

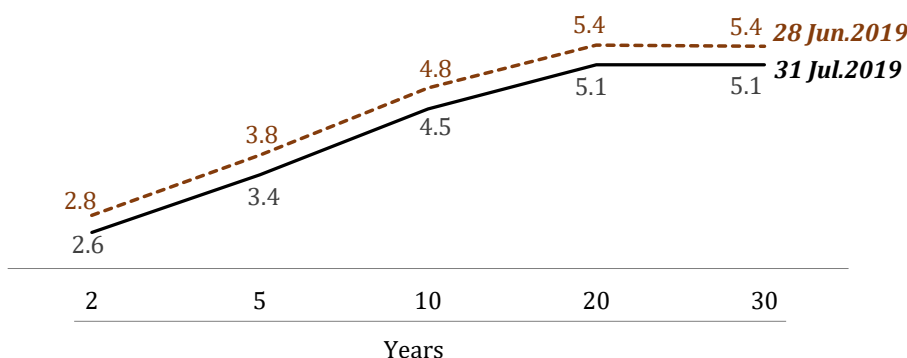
Yield curve of CDBCRP
(%)



PUBLIC TREASURY BONDS

Markets use the yield on the Public Treasury bonds as reference for terms of more than 2 years. As of July 31, 2019, the yield curve of sovereign bonds shows lower values than those observed at the end of June.

Yield curve of BTP
(%)

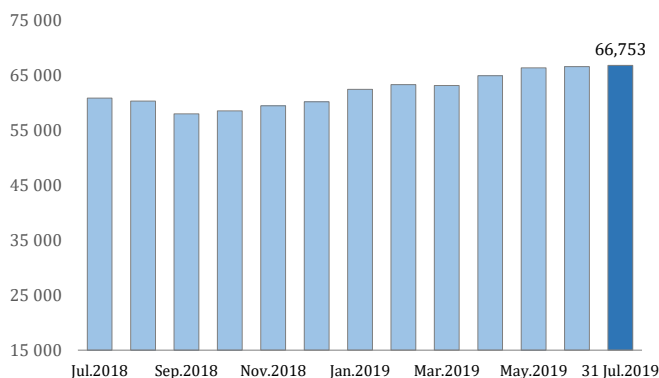


INTERNATIONAL RESERVES AT US\$ 66.75 BILLION ON JULY 31

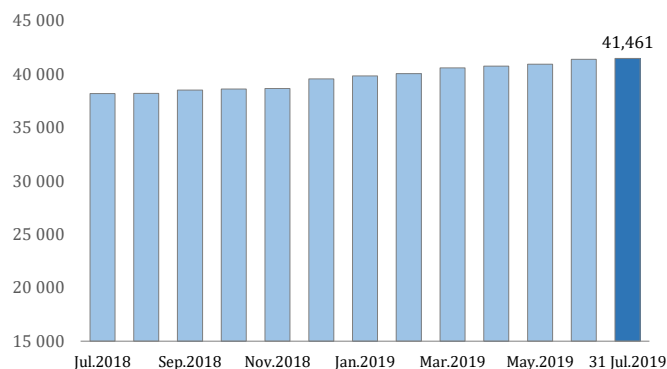
On July 31, Peru’s net international reserves –made up mainly by liquid international assets– amounted to US\$ 66.75 billion. This level of reserves, which is US\$ 240 million higher than the amount of NIRs at end June and US\$ 6.63 billion higher than the amount of NIRs at the end of December 2018, is equivalent to 30 percent of GDP.

The foreign exchange position of BCRP on July 31 was US\$ 41.46 billion, US\$ 81 million higher than at the end of June and US\$ 1.91 billion higher than at the end of December 2018.

Net International Reserves
(Million US\$)



Exchange Position
(Million US\$)



INTERNATIONAL MARKETS

International price of gold remained in July 24 – July 31

In the week of July 24 – 31, the price of **gold** remained at US\$ 1,427.6 the troy ounce.

This result was consistent with the appreciation of the dollar and the renewed trade disputes.

Gold Price
(US\$/tr. ounce)

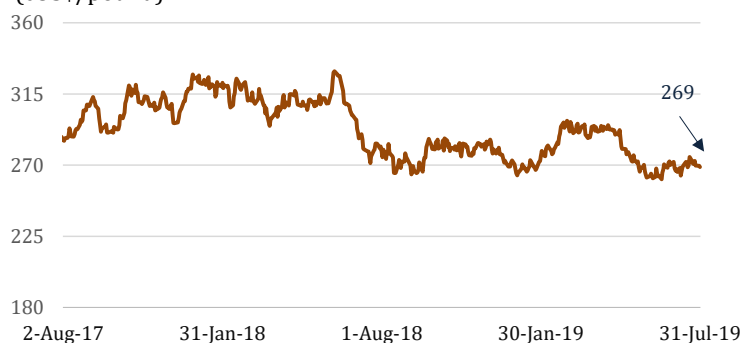


	% change		
	31 Jul.2019	24 Jul.2019	28 Jun.2019
US\$ 1,427.6 / oz tr.	0.0	1.3	11.4

In the same period, the price of **copper** fell 0.9 percent to US\$ 2.69 a pound.

The reduction in the price reflected the downturn of manufacturing activity in China.

Copper Price
(cUS\$/pound)

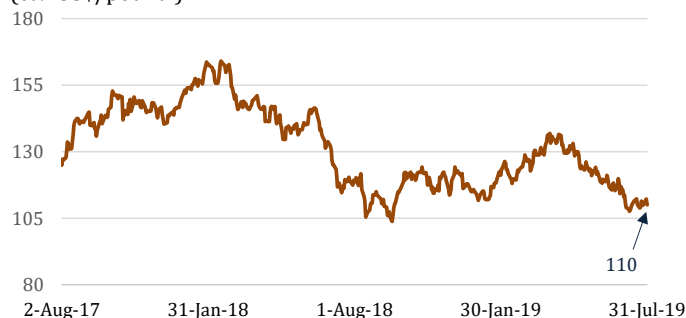


	% change		
	31 Jul.2019	24 Jul.2019	28 Jun.2019
US\$ 2.69/pound	-0.9	-0.8	-0.7

On the other hand, in July 24 – 31, the price of **zinc** fell 1.2 percent to US\$ 1.10 the pound.

The reduction in the price of zinc was explained by the recovery of inventories and the lower global demand.

Zinc Price
(ctv. US\$/pound.)



	% change		
	31 Jul.2019	24 Jul.2019	28 Jun.2019
US\$ 1.10 / lb.	-1.2	-6.0	-3.4

WTI Oil Price

(US\$/barrel)

The price of **WTI oil** rose 5.2 percent to US\$ 58.6 the barrel in the week of July 24 to July 31.

This performance was associated with the reduction of crude oil inventories in the United States and with the lower production of the fuel by the OPEC.



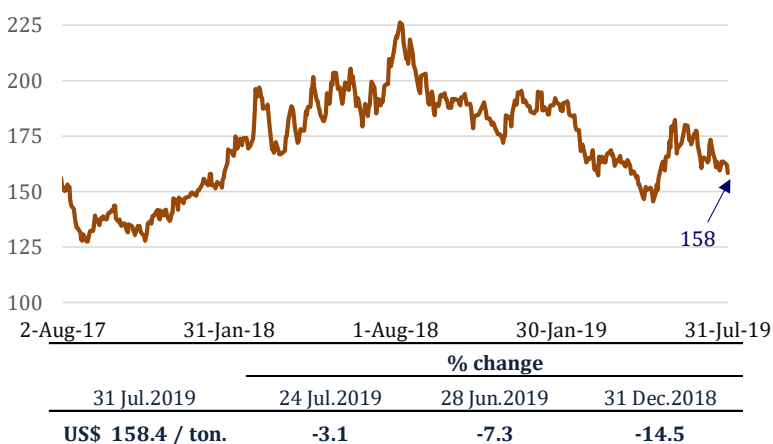
International prices of food commodities down

Wheat price

(US\$/ton.)

In July 24 – 31, the price of **wheat** fell 3.1 percent to US\$ 158.4 a ton.

The price drop was explained by the report of higher yield of spring wheat crop in the United States.

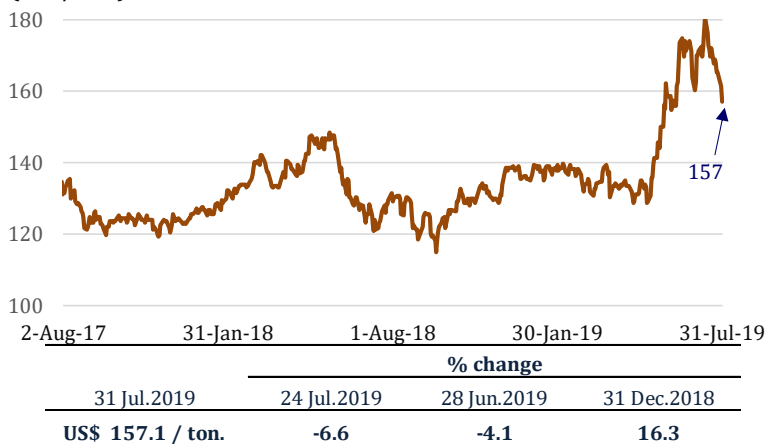


Maize price

(US\$/ton.)

The price of **maize** fell 6.6 percent to US\$ 157.1 per ton in July 24 – 31.

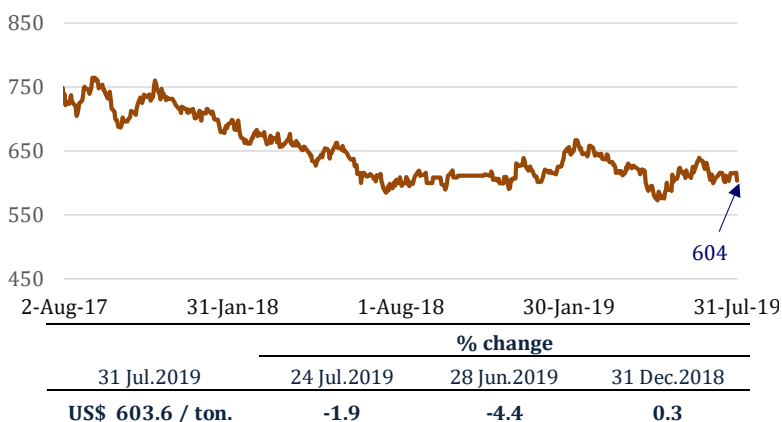
This price fall performance was influenced by the possible presence of some rains, which would favor the crop in the United States.



Soybean oil price (US\$/ton.)

In the same period, the price of **soybean oil** dropped 1.9 percent to US\$ 603.6 a ton.

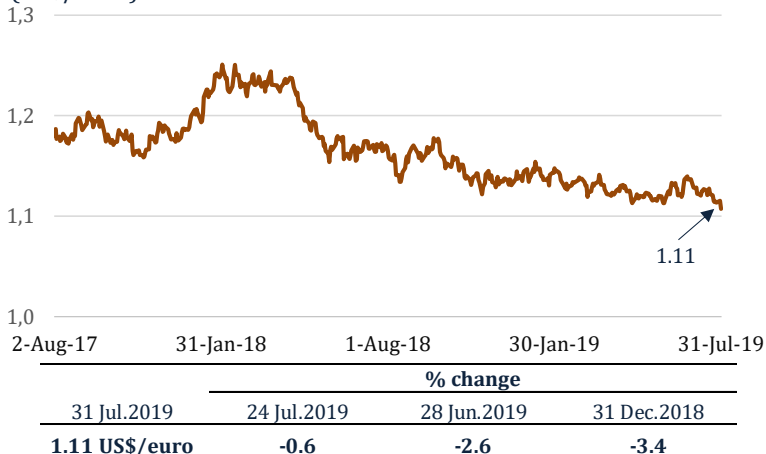
This result was influenced by the fall in the price of palm oil, which was partly offset by the increased demand of the grain.



Dollar appreciated in international markets

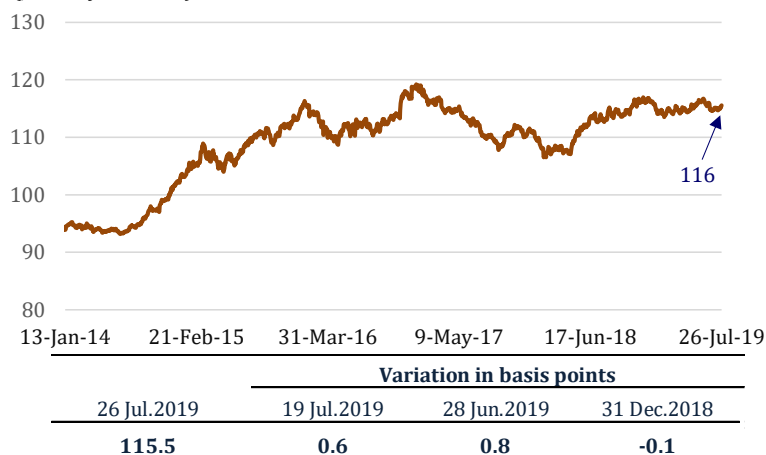
Evolution of US\$ per Euro (US\$/Euro)

In the week of July 24–31, the dollar appreciated 0.6 percent against the **euro**, according to comments of the Fed Chairman Jerome Powell, who constrain expectations about future drops in the US interest rate.



The US dollar has been appreciating against most other currencies since January 2013, 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)

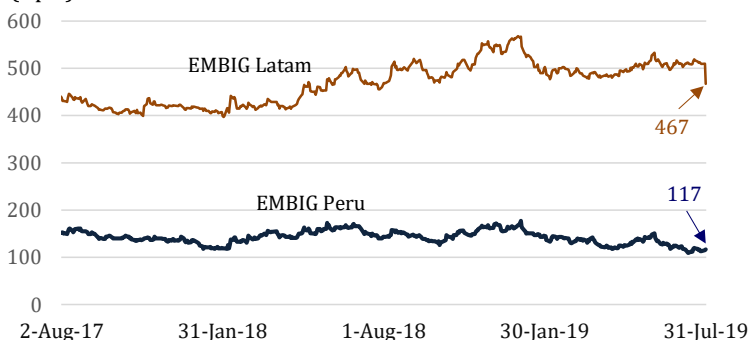


Country risk at 117 basis points

In July 24–31, the country risk indicator, measured by the **EMBIG Peru** spread, rose from 116 bps to 117 bps.

On the other hand, in the same period the **EMBIG LatinAmerica** spread fell 46 bps to 467 bps, due to a decrease in the FED interest rate and expectations of greater monetary easing of other central banks.

Country Risk Indicator (Bps.)

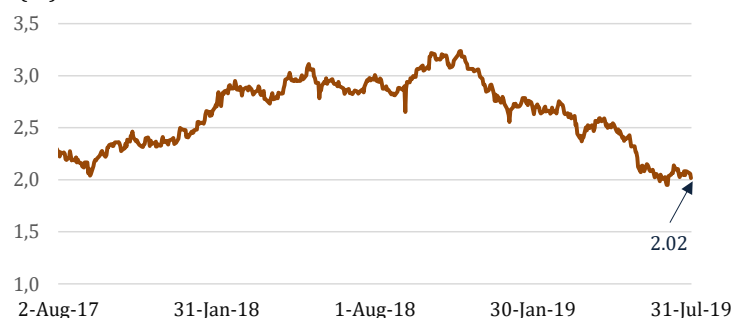


	Variation in basis points			
	31 Jul.2019	24 Jul.2019	28 Jun.2019	31 Dec.2018
EMBIG Peru (bps)	117	1	-7	-51
EMBIG Latam (bps)	467	-46	-50	-101

Yield on 10–year US Treasuries fell to 2.02 percent

In July 24 – July 31, the yield on the 10-year **Treasury bonds** fell 3 bps to 2.02 percent due to uncertainty about the global economy and trade disputes.

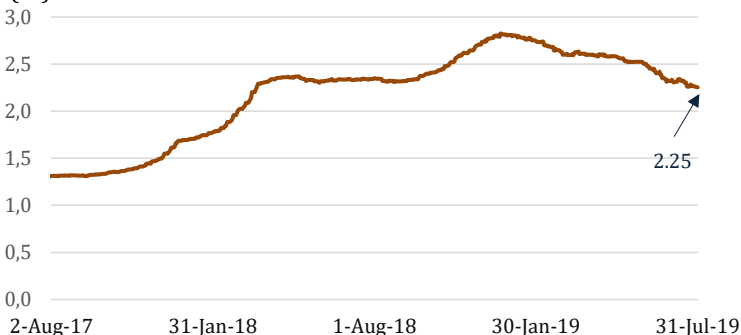
10-Year US Treasury rate (%)



	Variation in basis points			
	31 Jul.2019	24 Jul.2019	28 Jun.2019	31 Dec.2018
10-Year US Treasury rate (%)	2.02%	-3	1	-67

In the same period, the **3–month Libor** fell 2 bps to 2.25 percent, amid expectations of greater monetary easing by the European Central Bank.

3-Month Libor rate (%)



	Variation in basis points			
	31 Jul.2019	24 Jul.2019	28 Jun.2019	31 Dec.2018
3-Month Libor rate (%)	2.25%	-2	-7	-55

INDICES OF THE LIMA STOCK EXCHANGE

In July 24–31, the **General Index** (IGBVL–Peru General) of the Lima Stock Exchange (LSE) fell 3.9 percent while the **Selective Index** (ISBVL–Lima 25) dropped 3.0 percent.

This performance was associated with the lower international price of metal commodities.

Year-to-date, the General Index has risen 3.1 percent, while the Selective Index has fallen 4.5 percent.

Peru General index of the LSE

(Base Dec.1991=100)



	2-Aug-17	31-Jan-18	1-Aug-18	30-Jan-19	31-Jul-19
	As of:		% change compared to:		
	31 Jul.2019	24 Jul.2019	28 Jun.2019	31 Dec.2018	
Peru General	19,957	-3.9	-3.2	3.1	
Lima 25	25,328	-3.0	-2.7	-4.5	

