



# Weekly Economic Report

October 30, 2019

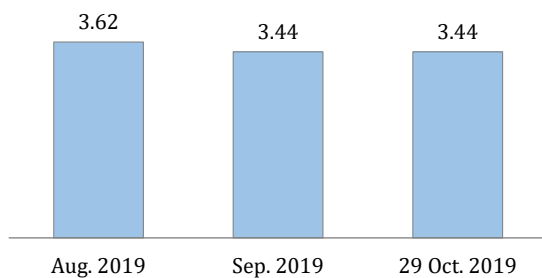
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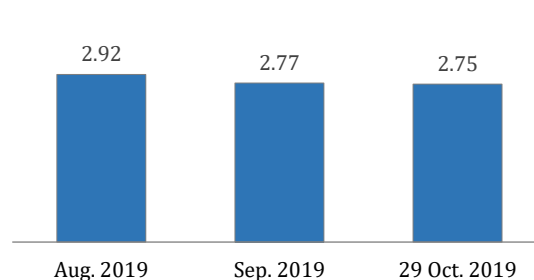
### 90-DAY CORPORATE PRIME RATE IN SOLES AT 3.44 PERCENT

On October 29, the **90-day corporate prime rate** –the interest rate charged by commercial banks to lower risk businesses– in soles was 3.44 percent, while the prime rate in dollars was 2.75 percent.

**90-day corporate prime rate in soles**  
(%)

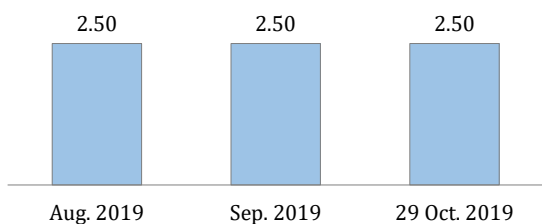


**90-day corporate prime rate in US dollars**  
(%)

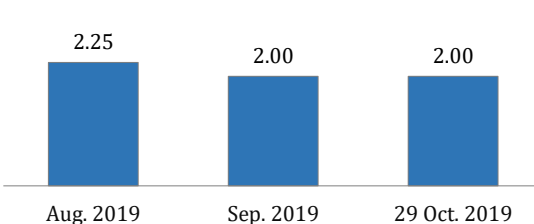


On the same date, the **interbank interest rate** in soles showed an annual rate of 2.50 percent and this rate in dollars registered 2.00 percent.

**Interbank interest rate in soles**  
(%)



**Interbank interest rate in US dollars**  
(%)



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**BCRP MONETARY OPERATIONS**

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As of October 29, BCRP has made the following **monetary operations**:

- i. CD BCRP: The balance of BCRP certificates of deposit on October 29 was S/ 29.62 billion, with an average interest rate of 2.6 percent, while this balance at end-September was S/ 28.69 billion, with a similar average interest rate.

**Interest rate of auctions of CD BCRP**

	Term (months)		
	6	12	18
30 Sep.	2.26		
3 Oct.		2.30	
7 Oct.	2.23		
9 Oct.			2.34
10 Oct.	2.21	2.26-2.28	
11 Oct.	2.22	2.29	
14 Oct.	2.21	2.27	
15 Oct.	2.21	2.27	
16 Oct.			2.34
17 Oct.		2.26	
21 Oct.	2.21		
23 Oct.			2.36
24 Oct.		2.27	
28 Oct.	2.22		

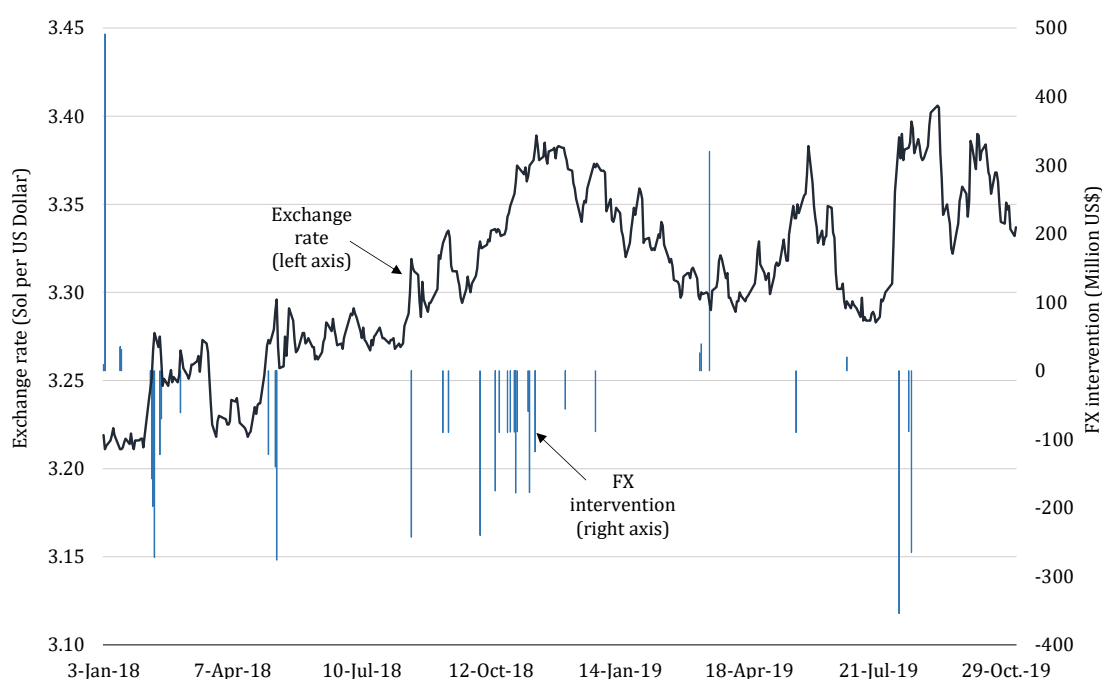
- ii. Overnight deposits: The balance of this instrument on October 29 was S/ 829 million, with an average interest rate of 1.3 percent. At end-September the balance was S/ 2.37 billion, with the same average interest rate.
- iii. Currency repos: On October 29, the balance of regular currency repos was S/ 11.75 billion, with an interest rate of 3.9 percent. On the other hand, the balance at end-September was S/ 11.45 billion, with a similar interest rate. Like at the end of September, credit expansion repos and credit substitution repos showed zero balances.
- iv. Security repos: The balance of security repos on October 29 was S/ 3.30 billion with an average interest rate of 4.0 percent, while this balance at the end of September was S/ 4.30 billion, with an average interest rate of 3.8 percent.
- v. Term deposits: On October 29, the balance of term deposits was S/ 500 million, with an interest rate of 2.4 percent. At the end of September, term deposits showed a zero balance.
- vi. Auctions of Treasury funds: The balance of this instrument on October 29 was S/ 4.10 billion, with an average interest rate of 4.2 percent, the same balance as that registered at the end of September.

In its **foreign exchange operations**, BCRP showed a short position of US\$ 623 million on October 29.

- i. BCRP did not intervene in the spot market.
- ii. FX Swaps-sell: The balance of this instrument on October 29 was S/ 300 million (US\$ 85 million), with an average interest rate of 1.1 percent. At the end of September, this instrument showed a balance of S/ 2.40 billion (US\$ 708 million), with an average interest rate of 1.0 percent.
- iii. CDLD BCRP, CDR BCRP, and FX Swaps-buy: Like at the end of September, these instruments showed zero balances on October 29.

On October 29, the **interbank selling price of the dollar** closed at S/ 3.34 per dollar, a rate 1.0 percent lower than that recorded at end-September. With this, the sol accumulates an appreciation of 0.9 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 October 29, the monetary base increased by S/ 211 million compared to the end of September, mainly as a result of a higher demand for currency. In addition, the reduction of public sector deposits at BCRP increased the monetary base by S/ 144 million. In this context, BCRP injected liquidity through the net placement of currency repos (S/ 300 million) and the net maturity of term deposits (S/ 1.04 billion). These operations were in part offset by the net maturity of security repos (S/ 1.00 billion) and net placements of CDBCRP (S/ 914 million). In addition to this, the Central Bank bought foreign currency for a total of US\$ 152 million (S/ 511 million) from the Public Sector.

In the last 12 months, the monetary base has increased by 5.7 percent, mainly as a result of the 5.2 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	Sep 30, 19	Oct 29, 19	2019	Oct 29, 19
<b>I. NET INTERNATIONAL RESERVES</b>	<b><u>202,609</u></b>	<b><u>229,368</u></b>	<b><u>227,444</u></b>	<b><u>26,319</u></b>	<b><u>781</u></b>
<i>(Millions US\$)</i>	<i>60,121</i>	<i>67,860</i>	<i>68,097</i>	<i>7,976</i>	<i>237</i>
1. Foreign Exchange Position	39,548	41,787	42,017	2,468	230
2. Deposits of the Commercial Banks	12,898	17,939	17,995	5,098	56
3. Deposits of the Public Sector	8,202	8,724	8,692	489	-32
<b>II. NET DOMESTIC ASSETS</b>	<b><u>-141,242</u></b>	<b><u>-170,262</u></b>	<b><u>-168,128</u></b>	<b><u>-28,371</u></b>	<b><u>-570</u></b>
1. Credit to the financial sector in soles	-9,017	-8,336	-8,906	111	-570
a. Security repos	5,950	4,300	3,300	-2,650	-1,000
b. Currency repos	7,358	11,450	11,750	4,392	300
c. Securities issued	-24,523	-25,813	-26,727	-2,204	-914
i. CDBCRP	-24,523	-25,813	-26,727	-2,204	-914
d. Auctions of funds of Public sector	4,000	4,100	4,100	100	0
e. Other deposits in soles	-1,802	-2,373	-1,329	473	1,044
2. Net assets public sector in soles <sup>1/</sup>	-45,439	-53,310	-53,166	-7,728	144
Holding of CDBCRP by Banco de la Nación	-2,538	-2,878	-2,888	-173	-10
3. Credit to the financial sector in dollars	-43,465	-60,634	-60,105	-16,823	-186
<i>(Millions US\$)</i>	<i>-12,898</i>	<i>-17,939</i>	<i>-17,995</i>	<i>-5,098</i>	<i>-56</i>
a. Deposits in foreign currency	-12,898	-17,939	-17,995	-5,098	-56
4. Net assets public sector in dollars	-25,749	-27,428	-27,013	-1,475	90
<i>(Millions US\$)</i>	<i>-7,641</i>	<i>-8,115</i>	<i>-8,088</i>	<i>-447</i>	<i>27</i>
5. Other Net Accounts	-17,572	-20,554	-18,938	-2,456	-48
<b>III. MONETARY BASE (I+II) <sup>2/</sup></b>	<b><u>61,367</u></b>	<b><u>59,105</u></b>	<b><u>59,316</u></b>	<b><u>-2,051</u></b>	<b><u>211</u></b>
<i>(% change 12 months)</i>	<i>7.3%</i>	<i>5.4%</i>	<i>5.7%</i>		

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

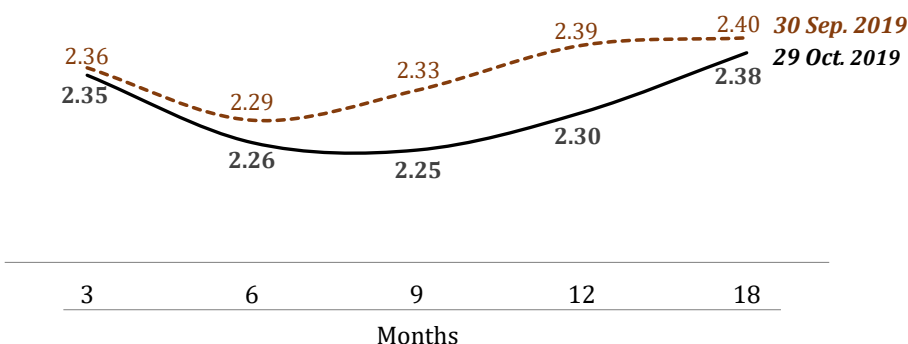
2/ Currency plus reserve requirement in domestic currency.

### SHORT-TERM YIELD CURVES

So far this month, as of October 29, the yield curve of CD BCRP shows lower values than those observed at the end of September.

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 market liquidity conditions.

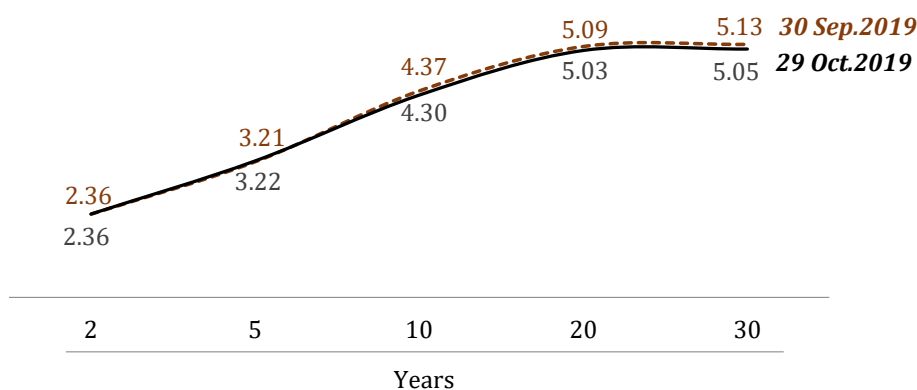
**Yield curve of CDBCRP**  
(%)



**PUBLIC TREASURY BONDS**

Markets use the yield on the Public Treasury bonds as a benchmark for terms of 2 years or more. As of October 29, 2019, the yield curve of sovereign bonds shows lower values than the ones observed at the end of September for bonds with 10-year, 20-year, and 30-year maturities, while bonds with 2-year and 5-year maturities show similar yield rates.

**Yield curve of BTP**  
(%)

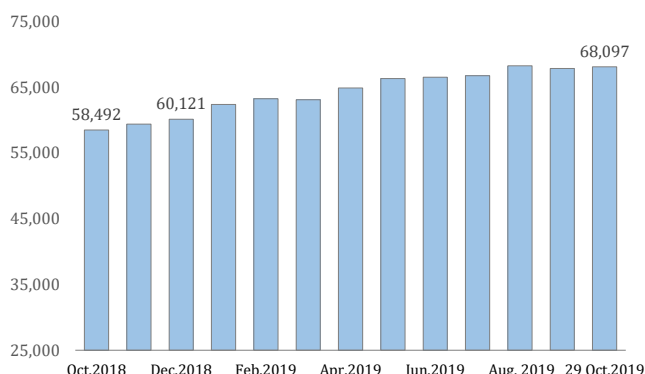


**INTERNATIONAL RESERVES AT US\$ 68.10 BILLION AS OF OCTOBER 29**

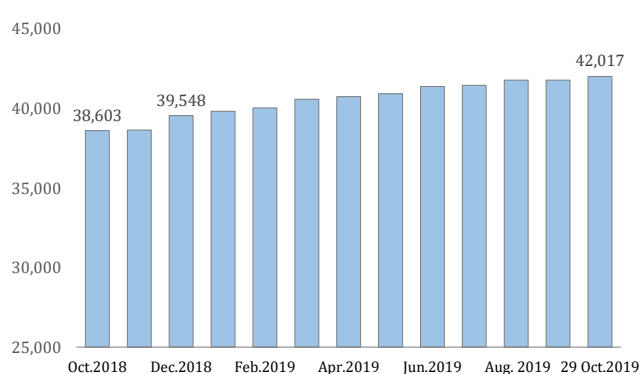
As of October 29, Peru's net international reserves –made up mainly by liquid international assets– amounted to US\$ 68.10 billion. This level of reserves, which is US\$ 237 million higher than the amount of NIRs at the end of September and US\$ 7.98 billion higher than the amount of NIRs at end December 2018, is equivalent to 30 percent of GDP.

The foreign exchange position of BCRP on October 29 was US\$ 42.02 billion, US\$ 230 million higher than at the end of September and US\$ 2.47 billion higher than at the end of December 2018.

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



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



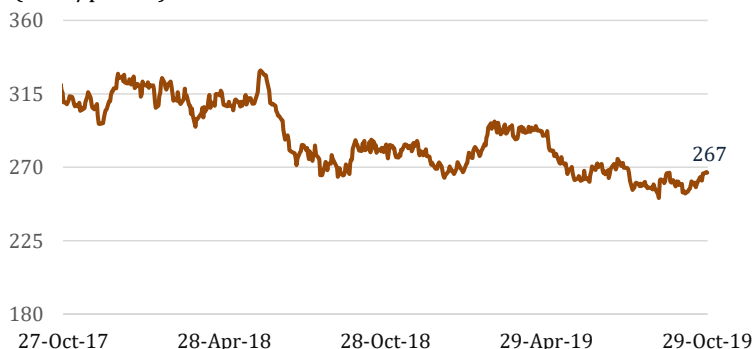
## INTERNATIONAL MARKETS

### International prices of copper and zinc up

In the week of October 23-29, the price of **copper** rose 1.8 percent to US\$ 2.67 the pound.

This price is associated with fears of the effects that social protests in Chile may have on copper production as well as with the reduction of global inventories.

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



	% change			
	29 Oct. 2019	23 Oct. 2019	30 Sep. 2019	31 Dec. 2018
<b>US\$ 2.67/pound</b>	<b>1.8</b>	<b>2.6</b>	<b>-1.4</b>	

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



	% change			
	29 Oct. 2019	23 Oct. 2019	30 Sep. 2019	31 Dec. 2018
<b>US\$ 1.17 / pound</b>	<b>3.0</b>	<b>8.8</b>	<b>3.0</b>	

In the week of October 23 to October 29, the price of **gold** fell 0.5 percent to US\$ 1,486.8 the troy ounce.

This price fall is associated with the strengthening of the US dollar.

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



	% change		
	29 Oct.2019	23 Oct.2019	30 Sep.2019
<b>US\$ 1,486.8 / tr. ounce</b>	<b>-0.5</b>	<b>0.1</b>	<b>16.0</b>

The price of **WTI oil** fell 0.4 percent to US\$ 55.5 the barrel in October 23-October 29.

This lower price is explained by the increase of crude inventories in the United States.

### WTI Oil Price (US\$/barrel)



	% change		
	29 Oct.2019	23 Oct.2019	30 Sep.2019
<b>US\$ 55.5 / barrel.</b>	<b>-0.4</b>	<b>2.7</b>	<b>22.3</b>

## Prices of wheat and maize fell in international markets

In October 23 – October 29, the international price of **wheat** dropped 0.9 percent to US\$ 154.0 the ton.

This price fall is explained by favorable weather conditions for the cultivation of winter crops in the United States.

### Wheat price (US\$/ton.)



	% change		
	29 Oct.2019	23 Oct.2019	30 Sep.2019
<b>US\$ 154.0 / ton.</b>	<b>-0.9</b>	<b>1.2</b>	<b>-16.9</b>

In the same period, the price of **maize** fell 0.8 percent to US\$ 148.8 a ton.

The price of maize was affected by prospects of an earlier-than-expected harvest of this grain.

### Maize price

(US\$/ton.)



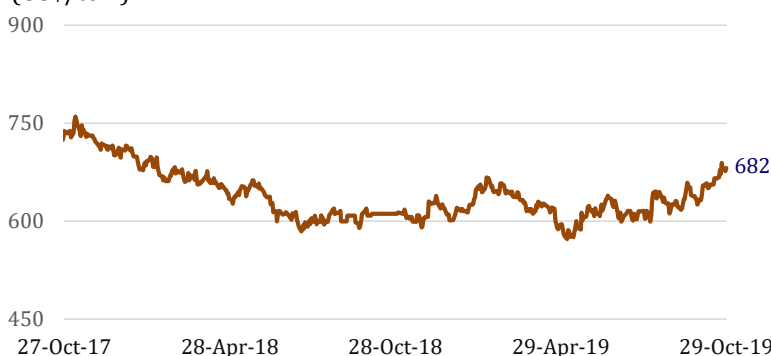
% change			
29 Oct.2019	23 Oct.2019	30 Sep.2019	31 Dic.2018
<b>US\$ 148.8 / ton.</b>	<b>-0.8</b>	<b>1.1</b>	<b>10.2</b>

On the other hand, in October 23-October 29, the price of **soybean** oil rose 1.4 percent to US\$ 681.7 a ton.

This price rise was supported by expectations of higher demand.

### Soybean oil price

(US\$/ton.)



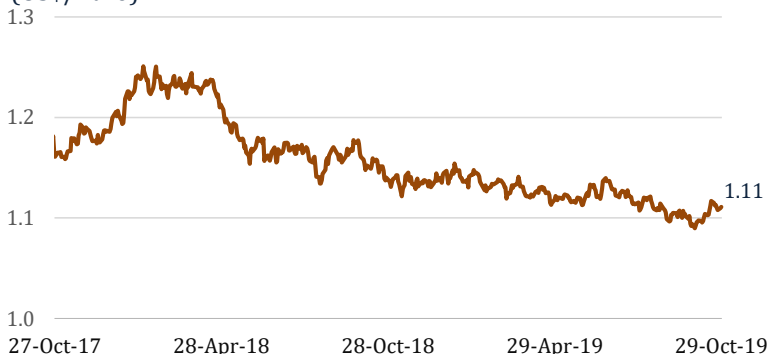
% change			
29 Oct.2019	23 Oct.2019	30 Sep.2019	31 Dic.2018
<b>US\$ 681.7 / ton.</b>	<b>1.4</b>	<b>7.6</b>	<b>13.3</b>

## US Dollar appreciated in international markets

In October 23 – October 29, the **dollar** appreciated 0.2 percent against the **euro**, influenced by reports indicating favorable employment data in the United States.

### Evolution of US\$ per Euro

(US\$/Euro)



% change			
29 Oct.2019	23 Oct.2019	30 Sep.2019	31 Dic.2018
<b>1.11 US\$/euro</b>	<b>-0.2</b>	<b>1.9</b>	<b>-3.1</b>



The US dollar has been strengthening 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 and, more recently, with the easing of monetary policy by other central banks.

### FED index

(January 06=100)



Variation in basis points			
25 Oct.2019	18 Oct.2019	30 Sep.2019	31 Dec.2018
116.2	-0.1	-1.6	0.5

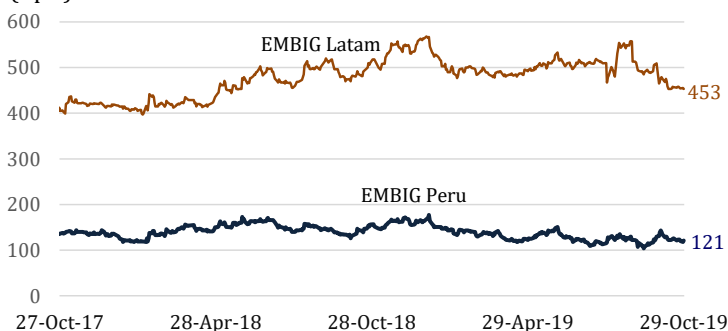
### Country risk fell to 121 basis points

In October 23 – October 29, the country risk indicator, measured by the **EMBIG Peru** spread, fell from 123 to 121 bps.

In the same period, the **EMBIG LatinAmerica** spread decreased by 5 bps to 453 bps amid greater optimism concerning global trade.

### Country Risk Indicator

(Bps.)



	Variation in basis points			
	29 Oct.2019	23 Oct.2019	30 Sep.2019	31 Dic.2018
EMBIG Peru (bps)	121	-2	-10	-47
EMBIG Latam (bps)	453	-5	-12	-115

### Yield on 10-year US Treasuries rose to 1.84 percent

In the week of October 23 – October 29, the yield on the 10-year **Treasury bonds** rose 7 bps to 1.84 percent, influenced by a lower demand for these bonds associated with lower trade tensions and with lower noise in the Brexit negotiations.

### 10-Year US Treasury rate

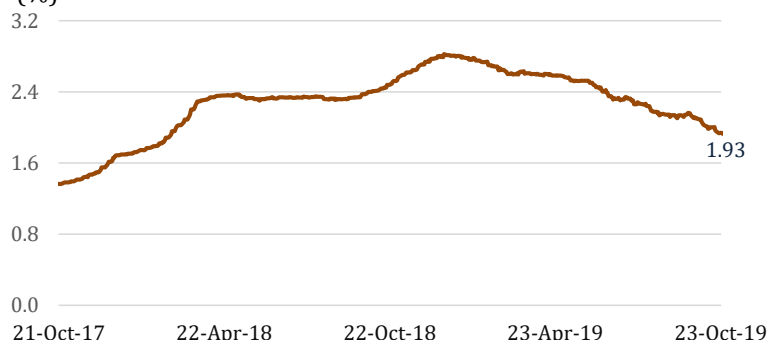
(%)



Variation in basis points			
29 Oct.2019	23 Oct.2019	30 Sep.2019	31 Dec.2018
1.84%	7	17	-85

### 3-Month Libor rate

(%)



In the same period, the **3-month Libor** fell 1 bp to 1.93 percent, amid greater optimism concerning the Brexit.

Variation in basis points			
29 Oct.2019	23 Oct.2019	30 Sep.2019	31 Dec.2018
1.93%	-1	-16	-88

## INDICES OF THE LIMA STOCK EXCHANGE

In October 23 – October 29, the **General Index** (IGBVL-Peru General) of the **Lima Stock Exchange (LSE)** rose 1.1 percent and the **Selective Index** (ISBVL-Lima 25) rose 0.9 percent.

The conduct of the LSE indices is explained by the increase in the international prices of metals.

Year-to-date, the General Index of the LSE has risen 1.9 percent, while the Selective Index has fallen 6.3 percent.

### Peru General index of the LSE

(Base Dec.1991=100)



	As of:	% change compared to:		
	29 Oct.2019	23 Oct.2019	30 Sep.2019	31 Dic.2018
Peru General	19,720	1.1	0.6	1.9
Lima 25	24,846	0.9	-0.3	-6.3

