Monthly Monetary Report

JANUARY 2004

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1. Summary[1]

- The Broad Monetary Base (BMB) increased $839 million in January (equivalent to 1.8% for the month and 26% in y.o.y. terms). Given the current stock of BMB and its seasonal behavior, this variable is performing as established in the Monetary Program for 2004.

- Interest rates continued on the downward path they have shown for several months, given the comfortable liquidity situation of financial institutions. Interest rates on the call market decreased 0.2 p.p., registering their lowest value in the last few decades (1.4%). Borrowing rates declined nearly 1 p.p. for all maturities, with that corresponding to 30- to 59-day deposits at 2.7%. Lending rates showed declines in all credit lines, especially commercial loans, which dropped to 10.5% (with a 3.6 p.p. fall). The LEBAC market also saw negative interest rate changes, especially for longer maturities. Beginning in January, the LEBAC began trading on the Buenos Aires bourse, a new trading ground for the secondary market of these securities.

- New deposits continued with the upward trend seen in the last several months: peso deposits increased 2%, or 23% in y.o.y. terms, with dollar deposits increasing 5%.

- Total time deposits in pesos increased $480 million, consistent with the seasonal behavior that characterizes this type of deposit in the first month of the year.

- The increase in means of payment in pesos (M2) was $1.8 billion (2.8% in January, or 37% in y.o.y. terms). This total can be broken down into the nearly $2 billion increase in sight deposits and $560 million in cash in the hands of the public, partially compensated by the $755 million fall in the stock of quasi-monies. The public sector's sight deposits in pesos explain a good part of the means of payment increase ($600 million), in large measure due to the increase in tax receipts.

- Loans in pesos to the private sector declined $200 million (0.7%). Loans of this type destined for consumption showed considerable activity during the month, increasing $160 million. Nonetheless, this rise does not make up for the fall seen in commercial and collateral credit lines. Commercial loans in dollars declined, whereas all other credit lines in dollars showed positive changes.

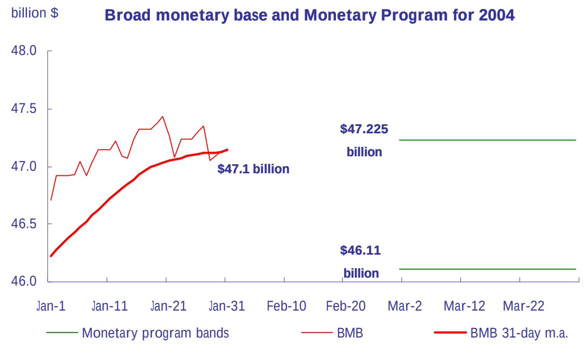
- The peso showed a small depreciation in nominal terms against the euro and the Brazilian real (0.4% in both cases), while there was a 2% appreciation against the US dollar. The multilateral real exchange rate showed a 0.5% increase for the peso against a basket of its main trading partners' currencies.

The international reserves stock of the BCRA increased US$801 million, to US$14.9 billion by the end of January, the highest level in the last two years.

[1] Unless otherwise noted, all figures in this report are expressed in monthly averages of daily balances.

2. Monetary program

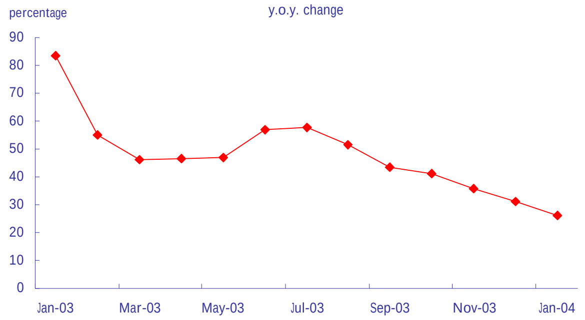
Chart 2.1



Just as in 2003, the Monetary Program for 2004 set bands for the value of the principal monetary variables, although in this case the targets are set over averages. Given the current stock of BMB and its seasonal behavior, this variable is changing in accordance with the targets of the Monetary Program of 2004 (see Chart 2.1).

The Broad Monetary Base (BMB) increased an average of $839 million (1.8%) for the month, or 26% in y.o.y. terms (see Chart 2.2). The monthly rise can be broken down into a $1.1 billion increase in the stock of current accounts in pesos by institutions with the BCRA, a $ 489 million increase in cash in circulation and a $755 million decrease in the quasi-monies stock. The BMB increased 1% in real terms.

Chart 2.2



The BCRA kept with its policy of supplying the demand for liquidity via the external sector, and, as in 2003, the main source of BMB expansion was the net purchase of foreign currency from the private sector. The increase in the BMB linked to these transactions totaled $1.9 billion.

The other sources causing a change in the BMB had a contractive effect. The placement of BCRA securities was the most significant, causing a monetary contraction of $577 million.

Table 2.1

*Monthly flows, in million pesos - **JANUARY 2004***	Average	Stocks
Broad Monetary Base	**839**	**433**
Quasimonies	-755	-169
Monetary Base	**1.594**	**602**
Currency in circulation	489	2.372
Currency held by public	566	-1.080
Currency in financial intitutions	-77	-690
BCRA Current Account	1.105	2.372
Broad Monetary Base Explanatory Factors		
Financial Sector	-92	-205
Public Sector	-350	-65
Temporary Advances + BCRA Profits Advances	-437	0
Governement Account Utilization	350	-939
External Credit	-263	874
Private External Sector	1.859	1.628
BCRA Securities	-577	-932
Monetary effect of quasimonies	-19	0
Others	18	8

Public sector transactions led to a $350 million decrease in the BMB. This fall is explained by the use of funds to cancel liabilities with international organizations and by the effect that the cancellation of temporary advances made at the end of December had on the average for January.

Movements linked to the financial system included the cancellation of repos and interest accrued on rediscounts, resulting in a monetary contraction averaging $92 million.

The redemption of quasi-monies had little impact on the change in the BMB ($18 million). Within the framework of the Monetary Unification Program (*Programa de Unificación Monetaria*, or PUM), Patacones and LECOP were redeemed at par value. Of the two provinces not adhering to the PUM, Mendoza continued to redeem the PETROM, and La Rioja advanced with the redemption of the Consolidation Bonds (*Bonos de Consolidación*, series A and B), colloquially known as the "Evita" bonds.

3. IMF monetary targets

Table 3.1

Monetary Targets: December 2003	In million	Average		
Measurement between 16-Dec-03 and 15-Jan-04	Currency	As of 15-Jan	Target	Difference*
Net Domestic Assets (NDA)	Pesos	56.050	62.443	-6.393
Net International Reserves (NIR)	Dollars	-3.158	-5.060	1.902
Broad Monetary Base -indicative- (BMB)	Pesos	46.892	47.770	-878

* Difference: For NDA and BMB minus (-) sign indicates over-compliance.
For NIR plus (+) sign means over-compliance.

Within the framework of the agreement signed in September with the IMF, balances registered by the variables monitored between December 16 and January 15 were used to calculate compliance with the monetary targets for December 2003. Including debt settlement to the IADB and the World Bank made since September 1, the targets were adjusted and were set at the levels noted in Table 3.1. As is seen, there was an overperformance of the targets, with an ample margin for the three variables considered. The next targets were set for March.

4. Interest rates

Interest rates continued to reflect the abundant liquidity of financial institutions, resulting in new declines in rates corresponding to BCRA securities, the call market, time deposits and loans.

4.1. BCRA securities

Chart 4.1.1

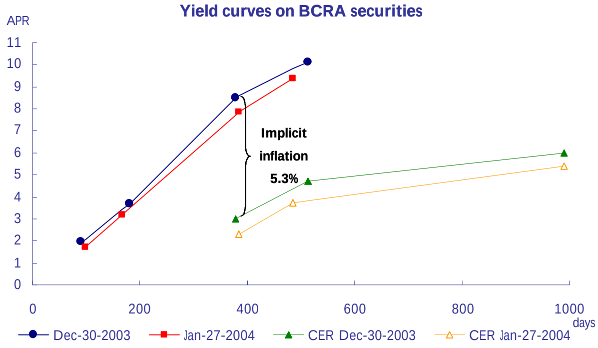
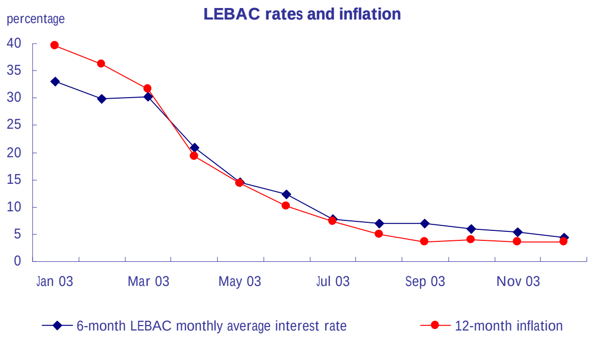


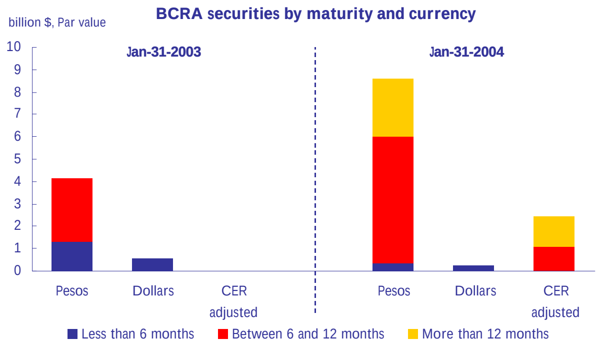
Chart 4.1.2



Keeping with the trend begun in mid-2003, yields to maturity on the issue of BCRA securities continued to decrease in January. The biggest decline (considering the results of the last auction in January with respect to the auction at the end of 2003) was for the cut-off rates on 12- and 18-month securities, which dropped by 0.8 and 0.7 p.p., respectively. Interest rates on CER-indexed securities fell between 0.6 and 0.8 p.p. whereas the implicit inflation in the margin between the cut-off rate for LEBAC in pesos and that of the CER-indexed security held at about 5% for 12 months (see Charts 4.1.1 and 4.1.2).

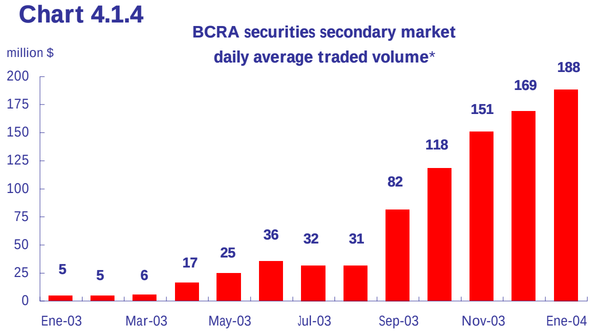
At the end of January, the outstanding stock of LEBAC in pesos was PV $10.7 billion, of which PV $2.1 billion correspond to CER-indexed bills. The stock of NOBAC totaled PV $327 million, with PV US$79 million in LEBAC issued in dollars outstanding. The y.o.y. increase in the stock of BCRA securities came about via the issue of longer-maturity debt (Chart 4.1.3). By the last day of January, securities with over 12-month maturities represented 35% of the total outstanding stock, and around 70% of the outstanding stock had a residual maturity above 6 months.

Chart 4.1.3



As from January, the LEBAC began to trade on the Buenos Aires bourse (BCBA), thus constituting a new option for the LEBAC secondary market, in addition to the Open Electronic Market (*Mercado Abierto Electrónico*, or MAE). In its first month of operation, the traded amount on the new market represented 2% of the total traded on the MAE. The total daily average traded was $188 million, 12% higher than that of the previous month, and substantially higher than the $5 million traded daily a year ago (see Chart 4.1.4). Secondary trading of NOBAC also began in January, although their share in the total volume traded is still small.

Chart 4.1.4



*Includes MAE and BCRA traded volumes.

4.2. Call money market

Rates in the call market declined against December. A decrease in the number of participating institutions was also observed, although the amount transacted held relatively stable.

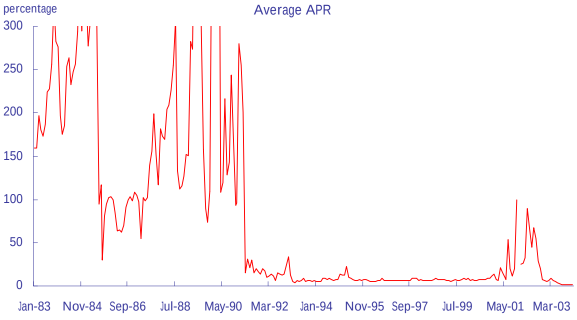
The average monthly interest rate went from 1.6% in December to 1.4% in January, the lowest rate seen in decades (see Chart 4.2.1). Volatility, measured by means of the coefficient of variation, also declined, going from 0.16 in December to 0.09 in January.

Only 50% of banking institutions participated in this market, whereas in December they represented about 60% of the system's

Chart 4.2.1

Call money market up to 15 days

Average APR



total. Of those participating in January, 50% exclusively offered interbank loans, 30% received them, and the rest acted in both roles.

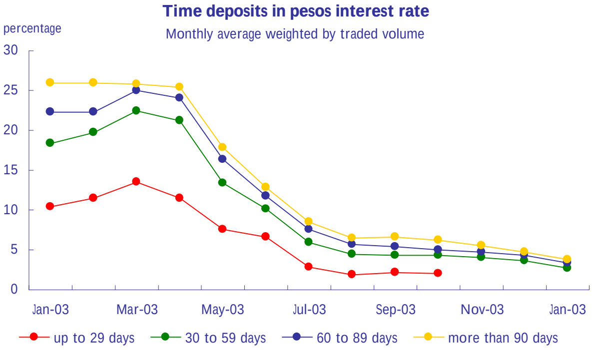
Lastly, the monthly average of daily amounts transacted decreased somewhat less than 5% against the previous month, down to approximately $105 million. The little activity seen in this market results mainly from the excess liquidity that financial institutions have held since the middle of last year.

4.3. Borrowing rates

Chart 4.3.1

Time deposits in pesos interest rate

Monthly average weighted by traded volume



Borrowing rates continued to decrease, with a low monthly average of 0.9 p.p. seen in all maturities, within a context in which institutions are continuing with their policy of offering higher interest rates to small depositors as compared to large ones.

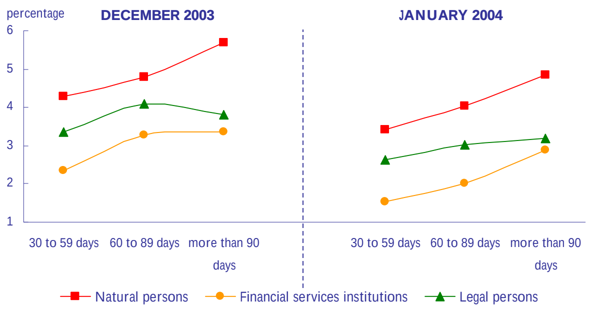
In the case of 30- to 59-day deposits, the average interest rate went from 3.6% in December to 2.7% in January. Likewise, the average interest rate on 60- to 89-day deposits declined from 4.3% to 3.4%, with the average interest rate on deposits of over 90 days going from 4.7% to 3.8% (see Chart 4.3.1).

An analysis of the term structure of deposit rates by depositor type and amount shows in all cases a downward shift in the yield curve from January to December, as seen in Charts 4.3.2 and 4.3.3. A mild flattening of these curves is also observed, except for that corresponding to financial service providers.

Chart 4.3.2

Time deposits in pesos yield curves

By kind of depositor

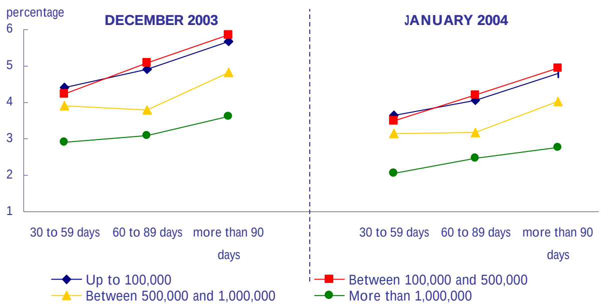


In the analysis by type of depositor, this flattening is perceived especially in the deposits of natural persons. These benefited from the highest interest rates, which in January stood at nearly 5% for deposits of over 90 days. The average interest rate, however, for this type of deposit received by legal persons and financial service providers such as Pension Fund Managers (AFJP), mutual funds, etc. was approximately 3%. The share of these depositors in new and rolled over deposits increased in January, totaling 54% of new deposits.

Chart 4.3.3

Yield curves on time deposits in pesos

By amount of deposit



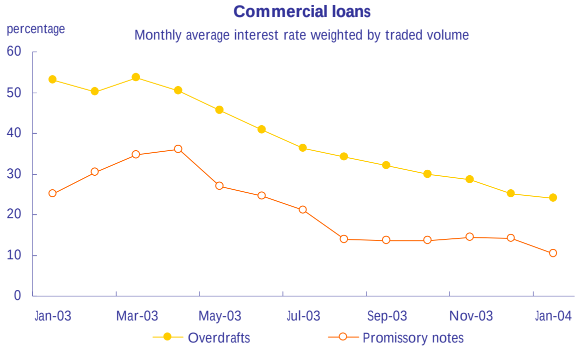
Observing yield curves per amount bracket shows that deposits of under $500,000 flattened the most, which is consistent with what was explained above as the better part of deposits by natural persons are in this range. The yield curve on deposits of over $1 million also showed some flattening, registering the lowest interest rates. It is worth pointing out these accounted for over 55% of new deposits in January.

4.4. Lending rates[2].

The downward trend in lending rates continued during January.

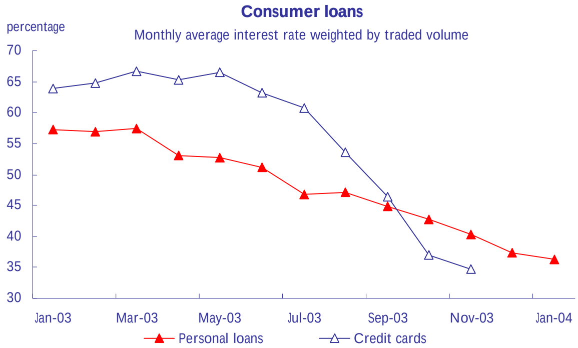
[2] The information used in preparing this section comes from the daily informational requirement SISCEN 18, with data on loans granted to the private sector in the City of Buenos Aires and the Buenos Aires Metropolitan Area, except for credit card interest rates, which comes from the monthly requirement SISCEN 08.

Chart 4.4.1



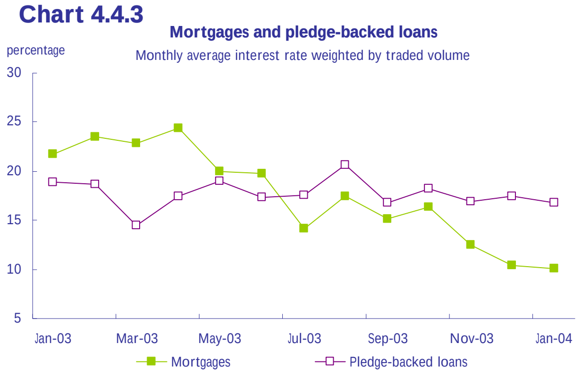
In the case of commercial loans, the greatest fall was seen in the interest rates on promissory note acceptances, whose rates decreased 3.6 p.p. from December, down to 10.5%. The amounts transacted of these loans continued to increase, totaling about $260 million. In contrast, current account overdrafts showed less activity than they did the previous month, with the amount transacted decreasing by nearly $360 million, down to $2.1 billion. This behavior is mainly seasonal due to lower economic activity in summer. Nonetheless, the interest rate for this type of loan continued to decline, going from 25.1% in December to 23.9% in January (see Chart 4.4.1).

Chart 4.4.2



With respect to consumer loans, there was a new drop in interest rates on personal loans, which went from 37.4% in December to 36.3% in January. There was a slight decline in the amounts transacted in this type of credit line when compared to December (about $100 million was transacted in January). Credit card data are not yet available for January, but December saw a slight 0.2 p.p. interest rate increase, rising to 34.8% at the end of the month. This rise was accompanied by an increase of over $100 million in the amount transacted, the product of the typical increase in the use of this means of payment owing to increased consumption during the holiday season. (see Chart 4.4.2).

Chart 4.4.3

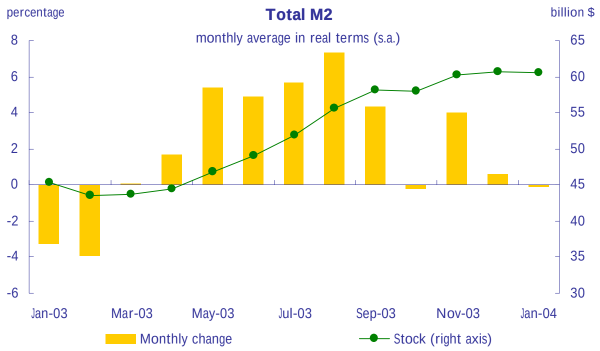


Lastly, interest rates on loans with collateral showed no significant changes. There was a mild decrease in the rate on mortgage loans, which went from 10.4% in December to 10% in January. However, due to the scarce value of new loans (around $6 million) and the few institutions participating in that market (around 10% of the system's total), this decline is not very representative. Interest rates on lending with pledged collateral (typically auto and equipment loans) declined by 0.7 p.p. from December, dropping to 16.8%. Just as in the case of mortgages, the value of new loans is very low, with January's figure totaling only $10 million (see Chart 4.4.3)

5. Means of payment, deposits and liquidity

Total deposits in pesos increased by approximately $1.8 billion for the month under analysis. This amount involved an increase of roughly $1 billion in bank reserves in pesos. Total deposits in dollars also continued on an upward trend, rising US$97 million.

Chart 5.1.1



5.1. Means of payment

Total means of payment in pesos (M2[3]) increased approximately $1.8 billion (2.8%). This behavior is compatible with the positive seasonality that characterizes this aggregate in the first month of the year, in seasonally adjusted real terms the M2 dropped 0.1% (see Chart 5.1.1).

3 Includes cash in hands of the public, private and public sector sight deposits and quasi-monies.

Still in average figures, the amount of cash in circulation followed the seasonal pattern and increased $560 million. As mentioned in Section 2, there was a $755 million redemption of quasi-monies, while sight deposits increased by nearly $2 billion.

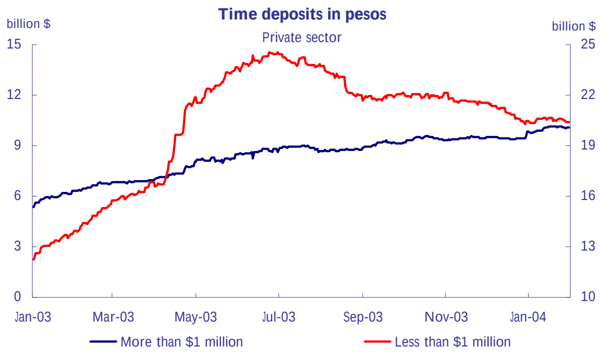
A significant part of the increase in sight deposits was due to actions by the public sector. Using average figures, the sum of the changes in current account and savings account deposits in pesos of this sector totaled some $600 million (7%), or an increase of approximately $1.9 billion (22%) using end of month figures. This result was linked to the increase in tax receipts in January and to the redemption of provincial and national quasi-monies.

The impact of the redemption of quasi-monies in the composition of the M2 is thought to have changed over time. As the redemption process advanced, quasi-monies came to be held increasingly by businesses, which used them for working capital, or by public entities which had received them as payments on taxes. In whichever case, the quasi-monies were in the custody of financial institutions, and on redemption were held as sight deposits. As a result, it can be inferred that a large fraction of the value corresponding to quasi-monies put out circulation has ended in sight deposits by both the private and public sectors.

In this sense, demand deposits explained practically all of the increase in private sector deposits, which totaled approximately $800 million in January.

5.2. Time deposits

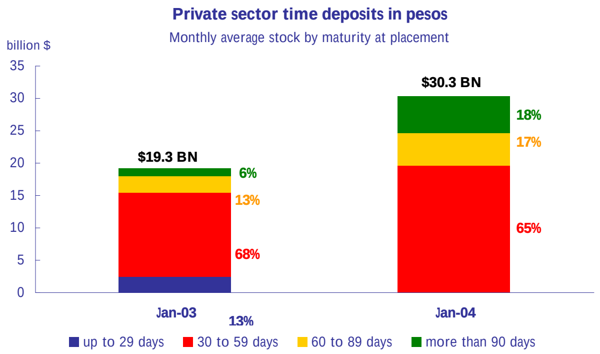
Chart 5.2.1



Private sector time deposits in pesos increased by an average of $80 million in January. The change becomes negative if CEDRO are included, as their average stock fell by about $370 million.

As shown in Chart 5.2.1, the behavior of deposits depended on their size. Deposits of under $1 million decreased some $450 million, whereas those of over $1 million increased by approximately $530 million. The fall in smaller deposits could be associated with low interest rates, which might have led these depositors to prefer sight to time deposits. The increase in deposits of greater amounts was mainly driven by financial service providers (pension fund managers, mutual funds, etc.), which due to regulated restrictions on the composition of their portfolios turned to this type of deposit.

Chart 5.2.2



In line with the above, the share of deposits by financial service institutions in terms of all new time deposits increased from 13% in December 2003 to more than 16% in January. Legal persons made up 38% of new deposits, a level similar to that registered in November. The share by natural persons decreased to 46% of new deposits, the lowest share since March 2003.

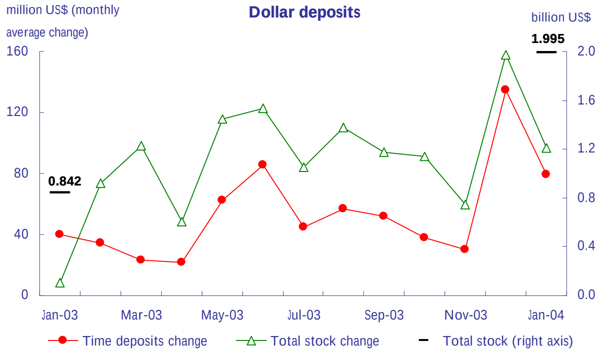
Although the average maturity of new deposits dropped slightly in January, going from 44 to 42 days, this is still 9 days longer than that registered for the same month in 2003. The lengthening of these maturities is also reflected in the overall stock of new time deposits broken down by maturity bracket. On a y.o.y. comparison, deposits have shifted towards longer maturities (see Chart 5.2.2).

The segment of deposits for over 90 days showed the greatest increase in terms of total share, from 6% in January 2003 to 18% in January 2004. Deposits for 60- to 89-days also increased their share of the total stock, to 17% in January. Lastly, deposits with the shortest maturities (between 30 and 59 days), whose stock saw an important increase over the last 12 months, had their share in the total stock fall from 68% in 2003 to 65% in 2004. It is worth pointing out that at the end of November 2003, the BCRA increased the minimum maturity on new time deposits from 7 to 30 days, with a good part of these deposits shifting to the 30- to 59-day segment.

Public sector time deposits saw a $400 million increase as a result of new deposits made by trust funds.

Taking into account the changes explained in Section 5.1 and this one, total peso deposits increased by around $1.8 billion (2%).

Chart 5.3.1

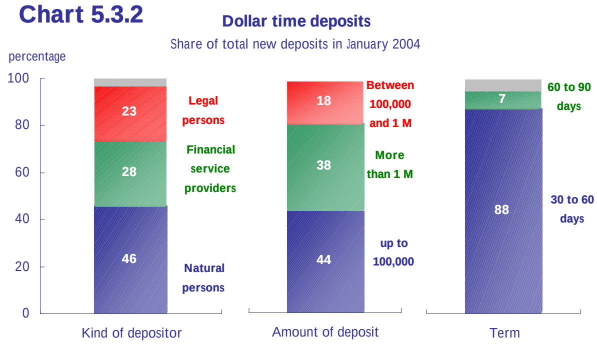


5.3. Dollar deposits

The average stock of dollar deposits totaled nearly US$ 2 billion in January, which more than doubles the deposits in that currency a year earlier.

Dollar deposits increased steadily throughout 2003 (see Chart 5.3.1). Continuing with this trend, January saw a US$97 million (5%) monthly increase, which, as in previous months, was principally driven by the rise in time deposits, which represented over 80% of the increase for the month.

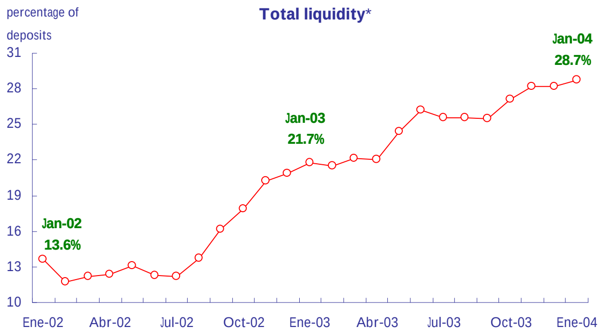
Chart 5.3.2



New and rolled over deposits totaled approximately US$460 million, nearly the same volume as in December. Once again, these transactions were concentrated in the 30- to 60-day segment, with the average maturity at around 42 days. In terms of the amounts involved, new deposits were generally concentrated in the under US$100,000 and over US$1 million brackets, constituting 44% and 38%, respectively, of the total. Likewise, 46% of new deposits were carried out by natural persons, whereas both legal persons and financial service providers had a more or less uniform share in the remaining transactions (see Chart 5.3.2).

5.4. Bank liquidity

Chart 5.4.1

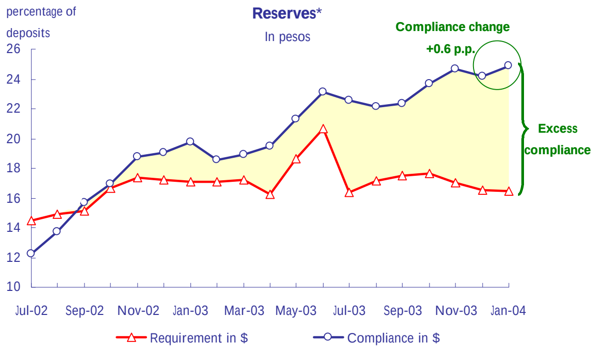


* Includes pesos and dollars expressed in pesos at the free exchange rate.

Bank liquidity remained high, in line with that seen during previous months. As seen in Chart 5.4.1, the liquidity ratio, defined as the quotient of total bank reserves to total deposits, rose to nearly 29% (half a percentage point above the level in December and 7 p.p. higher than a year earlier).

Specifically, bank reserves in pesos increased $1 billion in January, essentially due to the increase in current accounts of financial institutions with the BCRA. Taking into account the $1.8 billion increase in deposits during the month (see Section 5.1), financial institutions held nearly 60% of new deposits entering the system as bank reserves.

Chart 5.4.2



*Excess compliance data observed up to December 2003. January figures are estimated.

Chart 5.4.3

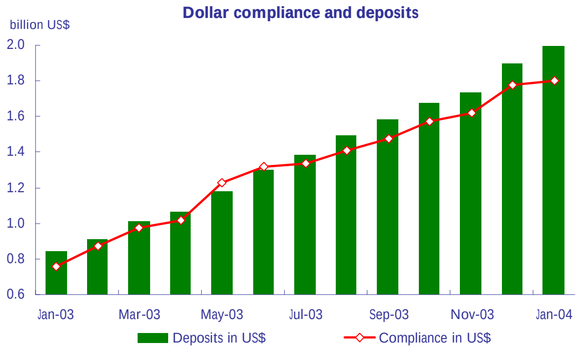


Chart 6.1

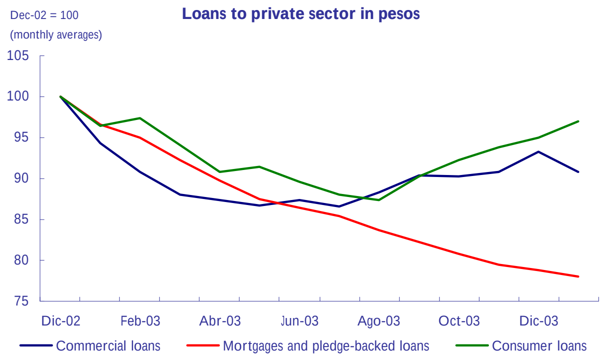
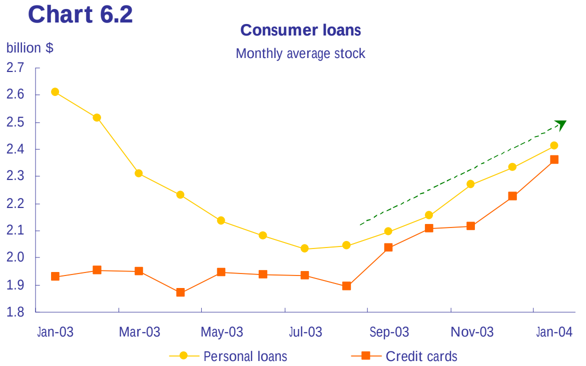


Chart 6.2



Although it was not until the last quarter of 2003 that the credit market began showing signs of an incipient recovery, expectations for the future are optimistic. Financial institutions are therefore keeping to their policy of increasing their lending capacity, with the aim of granting loans in the future.

With respect to the minimum cash compliance in pesos, Chart 5.4.2 shows the legal requirement together with the compliance carried out by financial institutions in the form of cash or current accounts held in the BCRA, both expressed as a percentage of deposits. Given that a good part of the increase in deposits registered in January was kept by these institutions in BCRA accounts, compliance as a percentage of deposits showed a 0.6 p.p. increase. As a result, excess compliance in pesos stood at about 9 p.p. (approximately $7.2 billion).

The dollar segment saw no significant changes, and still features a strong excess compliance as a result of the scarce use of foreign currency resources by financial institutions[4]. Chart 5.4.3 shows that total deposits and minimum cash compliance in dollars moved in step, leading to a bulging excess liquidity above US$ 1.3 billion in January[5].

Consolidating both segments results in a total liquidity of more than $26 billion in January, while the liquidity requirements ruled by the BCRA via the Minimum Cash Regime come to around $15 billion, the difference being the excess compliance.

6. Loans

Among loans in pesos to the private sector, those destined to consumption were the most active (see Chart 6.1). However, despite their good performance, this did not make up for the fall in commercial lines and loans with collateral.

Consumer loans increased about $160 million, equivalent to 2% of the average outstanding stock in December. Both personal lines and credit card financing showed increases, while the segment comprising other loans registered a negative change. In the case of personal loans, the increase totaled some $80 million, with private locally controlled banks most responsible for the continued drive in this type of credit since mid-2003. The increase in credit card financing exceeded $130 million. As indicated in previous reports, new offers for payments in up to 6 installments without interest, and the lower interest rates on longer term credit card loans and the financing of outstanding balances spurred the use of credit cards as a means of payment, leading to a steady increase in the average stock since September 2003 (see Chart 6.2).

4 The BCRA recently broadened the uses authorized for the application of lending capacity resulting from foreign currency liabilities. The authorized uses currently include export financing, call loans, BCRA bills, financial trusts whose underlying assets are loans for export financing, and loans to final or intermediate goods producers with registered backing from exporters.

5 Shortfalls in the application of foreign currency lending capacity by financial institutions in a determined period are subject to an equivalent increase in the minimum cash requirement in the same period. For this reason, the excess liquidity which is "legally" attributed to financial institutions is lower than mentioned in this section, in which only the requirement from legal reserve coefficients on foreign currency liabilities is computed, without considering the equivalent increase due to shortfalls in the application of resources.

Chart 6.3

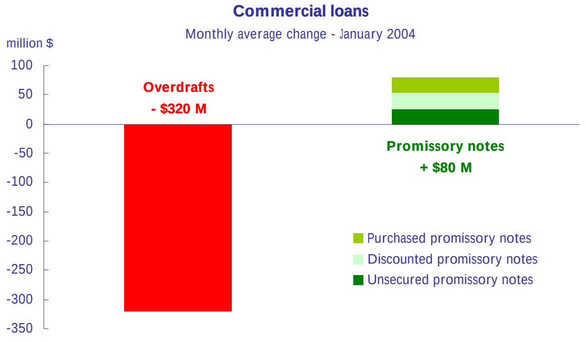
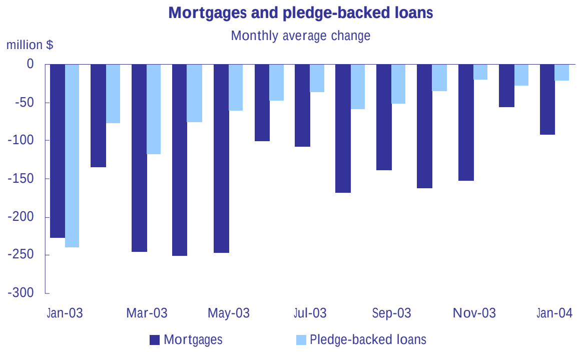


Chart 6.4



Commercial loans, however, decreased about $240 million on average, representing a 2.5% negative change with respect to December. This fall was due to current account overdrafts, as promissory note acceptances continued to increase. These in fact increased by an average of about $80 million, doubling the average change in December. For the first time since August 2002, the three lines making up this segment had a positive change in January. Unsecured promissory notes, which had dropped since August, increased by about $25 million. Discounted and purchased promissory notes continued to increase, with rises of approximately $30 million and $25 million, respectively (see Chart 6.3).

Lastly, collateral loans decreased by an average of about $115 million, representing a 1% drop. Although mortgage and pledge-backed lines showed negative changes, both saw a deceleration in the declining trend they are undergoing. In the case of loans with mortgage collateral, the average stock declined about $90 million, whereas in the case of financing with a pledge collateral (typically auto and equipment loans), the average stock decreased approximately $20 million (see Chart 6.4).

With respect to the segment in dollars, loans to the private sector saw an average fall of US$15 million, in contrast to the upward trend registered since October 2003. The fall should not be taken to be a break in trend, as it occurred mostly in commercial lines. The behavior of these lines is closely tied to foreign trade and is therefore affected by lower activity in January. Overdrafts saw an average decrease of approximately US$6 million, and promissory note acceptances decreased on average by about US$17 million. Collateral loans registered an average increase of about US$2 million, and credit card financing increased nearly US$3 million.

7. Financial markets

The Single Free Exchange Market (Mercado Único y Libre de Cambios) showed a surplus for the third consecutive month, and BCRA international reserves continued to rise. In addition, both the local equity and bond markets continued to perform well, while the corporate debt market is still undergoing regularization through the restructuring of corporate liabilities.

7.1. Foreign exchange market

The Single Free Exchange Market[6] once again showed a surplus, which totaled approximately US$625 million. This result arose from the combination of a trade balance surplus of about US$1.2 billion, partially offset by income and capital payments (US$500 million, approximately). The balance of trade result, nearly US$300 million higher than that of the previous month, was mainly linked to lower import payments while export receipts held at levels similar to those of December. Nonetheless, the net result is similar

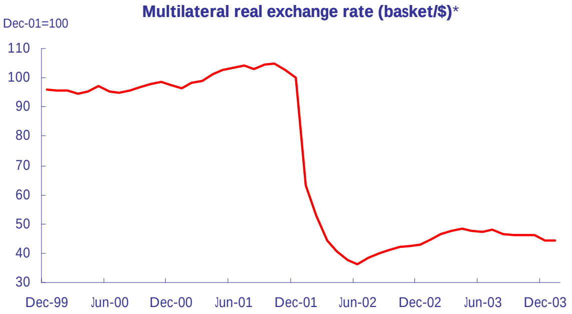
[6] For further details, see the *Informe de la Evolución del Mercado Cambiario* covering January 2004.

in y.o.y. terms, although the sum of foreign trade payments and receipts was approximately US$400 million less a year ago.

The counterpart was the net purchase of currencies by the BCRA from the private sector, totaling US$563 million. The public sector registered a net inflow of foreign currency, with international reserves increasing US$801 million and totaling US$14.9 billion at the end of January.

The nominal depreciation of the peso was small compared to the currencies of its two main trading partners, the Brazilian real (0.4%) and the euro (0.4%). Bearing in mind the average quote of the reference exchange rate in January, however, the peso appreciated 2% against the US dollar. The peso also appreciated slightly (0.5%) in real terms against a basket of the currencies of Argentina's main trading partners (see Chart 7.1.1).

Chart 7.1.1



*Increase/decrease implies appreciation/depreciation of the peso.

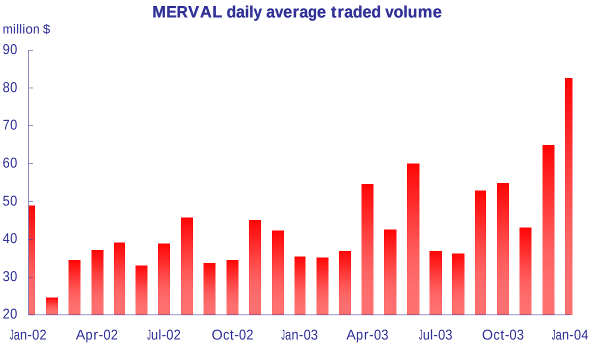
7.2. Capital markets

7.2.1. Equities

The prices of local market equities continued on the upward trend that has been almost uninterrupted since mid-2003. A measure of its performance through the MERVAL index shows the equity market registered a 6.4% monthly increase.

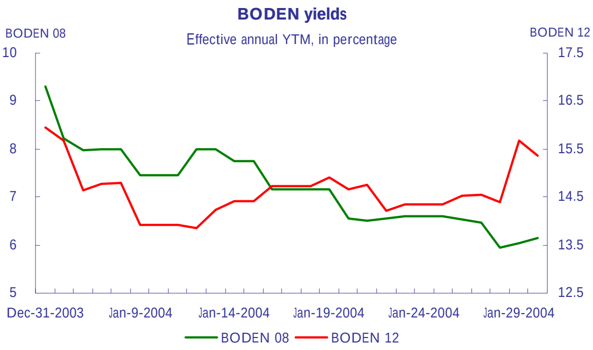
The prolonged downward path of interest rates on alternative investments, the stability of the peso against the US dollar and the consolidation of the process by which index quoted corporations are restructuring their liabilities contributed to the MERVAL registering a record-high closing value of 1,260 points on January 20. The company whose price showed the greatest rise was Telecom (21%), which, as will be described in the section on corporate bonds, announced its proposal for the total restructuring of its financial debt.

Chart 7.2.1.1



The trading volume in January displayed a significant increase in the market's liquidity. The average daily traded volume totaled $83 million, 28% higher than the previous month and considerably higher than over the last two years (see Chart 7.2.1.1). This rise could be attributed to the greater interest by institutional and some retail investors in this investment class given that, as mentioned before, the yields on alternative investments continued at low levels. The most heavily traded securities were those of Grupo Galicia and Acindar, with a monthly total of $269 million and $211 million, respectively. Grupo Galicia announced during the month the issue of preferred stock within the framework of its foreign debt restructuring; Acindar offered a preferred subscription totaling US$80 million in convertible subordinated bonds to its holders of Class A and B common stock.

Chart 7.2.2.1



7.2.2. Sovereign bonds

Bonds making up the national public debt issued after the default registered rises driven by the increased demand by institutional investors and local banks.

The CER-indexed BODEN in pesos performed best, with the yield to maturity on the BODEN 08 and BODEN 07 falling by 240 bps and 320 bps respectively. The dollar-denominated BODEN also saw a fall, although of a smaller magnitude, in its yield to maturity at the end of January compared to the last day of 2003 (see Chart 7.2.2.1).

According to data as of writing this report, the daily average volume traded for BODEN on the local market was 8% lower than in December, with the BODEN 12 comprising 60% of the transactions and the BODEN 08 making up 27%[7].

7.2.3. Corporate bonds

Corporate news in January continued to focus on liability restructuring.

Telecom Argentina announced a restructuring proposal for the whole of its financial debt by means of a preliminary out-of-court agreement (*Acuerdo Preventivo Extrajudicial*, or APE). Corporate debt holders were made three offers in exchange for each 1,058 units of outstanding debt in pesos, dollars, euros, or yen[8]. The first of these includes a combination of (1) 169 in principal for 4-year bonds at a floating rate, maturing in 2008, (2) 730 in principal on 10-year step-up bonds maturing in 2014, and (3) 159 in principal in 13-year payment-in-kind bonds maturing in 2017. The second option consists of the combination of (1) 541 in principal on 5-year bonds at a fixed rate, maturing in 2009 and (2) a cash payment of 338. Lastly, debt holders can opt for a cash payment neither greater than 75% nor less than 65% of 1,058, to be determined via a modified Dutch auction. It is worth mentioning that by September 30, 2003, the corporation's outstanding debt was equivalent to approximately US$2.6 billion, including accrued but unpaid interest and increases in interest rates following the default. Simultaneously, its subsidiary Telecom Personal S.A. is proposing the restructuring of the whole of its debt, which by September 30, 2003 stood at US$590 million.

Cablevisión announced that by January 28, holders of approximately 38% of the principal on its debt included in the restructuring process had accepted the company's swap offer. It also announced an extension on the acceptance deadline to February 4.

Lastly, **Banco Hipotecario** revealed details on the new securities issued within the framework of the restructuring of its liabilities. The bank reported that securities denominated in US

[7] This paragraph is based on preliminary information from the MAE.

[8] The proposal contemplates that a portion of the accrued but unpaid interest of the financial debt of each holder will be capitalized and restructured for the period between June 25, 2002 and December 31, 2003. As a result of the capitalization of interest, for each 1,000 denominated in US dollars, euros or yens of the amount of capital of financial debt, a holder will have 1,058 denominated in US dollars, euro or yens, correspondingly, of the financial debt to be restructured under the APE.

dollars maturing in 2013 totaling US$411 million, securities denominated in euros maturing in 2013 totaling 256 million and guaranteed securities maturing in 2010 totaling US$108 million will be issued for the purpose of the swap

8. Monetary and financial indicators

Figures in millions, expressed in their original currency.

Main Monetary and Financial System Figures	Montlhy Average				Average Change in Percentage			
					Monthly		Last 12 months	
	Jan-04	Dec-03	Nov-03	Jan-04	Nominal	Real	Nominal	Real
Broad Monetary Base	**47.140**	**46.301**	**44.814**	**37.409**	**1,8%**	**1,4%**	**26,0%**	**22,6%**
Quasimonies	167	922	1.315	7.814	-81,9%	-82,0%	-97,9%	-97,9%
Monetary Base	**46.973**	**45.378**	**43.498**	**29.595**	**3,5%**	**3,1%**	**58,7%**	**54,5%**
Currency in circulation	29.205	28.716	26.331	18.755	1,7%	1,3%	55,7%	51,6%
Currency held by public	25.989	25.423	23.413	16.398	2,2%	1,8%	58,5%	54,3%
Currency in financial entities	3.216	3.293	2.918	2.356	-2,3%	-2,7%	36,5%	32,9%
BCRA Current Account	17.767	16.662	17.167	10.840	6,6%	6,2%	63,9%	59,5%
BCRA International Reserves	**14.484**	**13.820**	**13.285**	**9.933**	**4,8%**		**45,8%**	
Total Deposits in Pesos [1]	**87.253**	**85.498**	**84.666**	**71.586**	**2,1%**	**1,6%**	**21,9%**	**18,6%**
Private Deposits	70.633	69.850	69.365	63.489	1,1%	0,7%	11,3%	8,3%
Current Account	15.303	14.743	14.076	11.111	3,8%	3,4%	37,7%	34,1%
Savings Account	13.578	12.852	12.108	8.324	5,7%	5,2%	63,1%	58,8%
Time Deposits	30.530	30.450	31.103	19.165	0,3%	-0,2%	59,3%	55,0%
Other Deposits	4.636	4.835	4.708	4.138	-4,1%	-4,5%	12,0%	9,0%
BODEN swap (registered)	1.704	1.717	1.738	2.267	-0,7%	-1,1%	-24,8%	-26,8%
CEDRO adjusted by CER	4.882	5.254	5.633	18.483	-7,1%	-7,5%	-73,6%	-74,3%
Public Sector Deposits	15.690	14.763	14.532	7.553	6,3%	5,8%	107,7%	102,2%
Total Deposits in Dollars [1]	**1.995**	**1.899**	**1.741**	**842**	**5,1%**		**137,0%**	
Loans to Non Financial Sector in Pesos [1]	**50.238**	**49.963**	**52.504**	**61.926**	**0,5%**	**0,1%**	**-18,9%**	**-21,0%**
To Private sector	26.630	26.828	26.577	29.413	-0,7%	-1,2%	-9,5%	-11,9%
Overdrafts	4.066	4.387	4.181	4.128	-7,3%	-7,7%	-1,5%	-4,5%
Bills	4.807	4.728	4.688	5.090	1,7%	1,3%	-5,6%	-8,4%
Mortgages	9.225	9.318	9.374	11.082	-1,0%	-1,4%	-16,8%	-19,0%
Pledges	1.249	1.270	1.298	1.878	-1,6%	-2,1%	-33,5%	-35,3%
Personals	2.489	2.333	2.270	2.608	6,7%	6,2%	-4,6%	-7,1%
Credit Cards	2.290	2.227	2.117	1.932	2,8%	2,4%	18,5%	15,4%
Others	2.506	2.566	2.651	2.694	-2,3%	-2,7%	-7,0%	-9,5%
To Public Sector	23.608	23.136	25.927	32.513	2,0%	1,6%	-27,4%	-29,3%
Loans to Non Financial Sector in Dollars [1]	**1.433**	**1.445**	**1.412**	**1.414**	**-0,8%**		**1,3%**	
Total Monetary Aggregates								
M1 (Currency held by public + Current Account in Pesos and Dollars)	49.643	48.825	46.283	38.485	1,7%	1,2%	29,0%	25,6%
M2 (M1 + Savings Account in Pesos and Dollars)	66.552	64.731	61.422	47.852	2,8%	2,4%	39,1%	35,4%
M3 (M2 + Time Deposits in Pesos and Dollars + CEDRO adjusted by CER)	117.457	115.724	112.659	96.280	1,5%	1,1%	22,0%	18,7%
Private Monetary Aggregates in Pesos								
M1 (Currency held by public + Private Sector Current Account)	41.459	41.089	38.805	35.324	0,9%	0,5%	17,4%	14,2%
M2 (M1 + Private Sector Savings Account)	55.037	53.941	50.913	43.647	2,0%	1,6%	26,1%	22,7%
M3 (M2 + Private Sector Time Deposits + Private Sector CEDRO adjusted by CER)	95.084	94.479	92.357	85.434	0,6%	0,2%	11,3%	8,3%

Explanatory Factors	Average Change							
	Monthly		Quarterly		YTD 2004		Last 12 months	
	Nominal	Contribution [1]	Nominal	Contribution [1]	Nominal	Contribution [1]	Nominal	Contribution [1]
Broad Monetary Base	**839**	**1,8%**	**3.228**	**7,4%**	**839**	**1,8%**	**9.731**	**26,0%**
Financial Sector	-92	-0,2%	-245	-0,6%	-92	-0,2%	-1.592	-4,3%
Public Sector	-350	-0,8%	-548	-1,2%	-350	-0,8%	-337	-0,9%
Temporary Advances + BCRA Profits Advances	-437		1.415		-437		6.167	
Governement Account Utilization	350		350		350		-421	
External Credit	-263		-2.312		-263		-6.083	
Private External Sector	1.859	4,0%	5.409	12,3%	1.859	4,0%	16.243	43,4%
BCRA Securities	-577	-1,2%	-1.326	-3,0%	-577	-1,2%	-4.965	-13,3%
Monetary effect of quasimonies	-19	0,0%	-62	-0,1%	-19	0,0%	-220	-0,6%
Others	18	0,0%	1	0,0%	18	0,0%	601	1,6%
International Reserves	**664**	**4,8%**	**1.237**	**9,3%**	**664**	**4,8%**	**4.551**	**45,8%**
Foreign Exchange Market Intervention	634	4,6%	1.892	14,3%	634	4,6%	5.697	57,4%
Payments to International Financial Institutions	-89	-0,6%	-771	-5,8%	-89	-0,6%	-1.714	-17,3%
Other Public Sector Operations	-2	0,0%	-5	0,0%	-2	0,0%	-104	-1,0%
Dollar Liquidity Requirements	32	0,2%	-39	-0,3%	32	0,2%	379	3,8%
Change in US$ Market Value of Nondollar Assets	49	0,4%	82	0,6%	49	0,4%	65	0,7%
Others	25	0,2%	82	0,6%	25	0,2%	231	2,3%

(1) Provisory figures.

(2) "Contribution" field refers to the percentage of change of each factor versus the main variable corresponding to the month respect which the change is being calculated.

(3) Includes quasimonies change without monetary effect.

Sources: BCRA Accounting Department and SISCEN Informative Regime.

Interest rates in annual nominal percentage and traded amounts in million. Monthly averages.

Borrowing Rates	Jan-04	Dec-03	Nov-03	Oct-03	Jan-03
Interbank Loans between Private Banks					
Interest rate	1,44	1,69	1,65	1,52	5,47
Traded volume (million pesos)	74	72	99	120	113
Time Deposits					
In pesos					
30 days	2,81	3,71	4,32	4,53	18,00
30-44 days, more than 1 million	2,06	2,93	3,55	3,83	18,38
more than 60 days	3,52	4,45	5,16	5,48	23,03
In dollars					
30 days	0,57	0,58	0,51	0,59	1,58
30-44 days, more than 1 million	0,71	0,70	0,76	0,81	2,23
more than 60 days	0,90	0,93	0,79	0,81	2,00
Lending Rates	**Jan-04**	**Dec-03**	**Nov-03**	**Oct-03**	**Jan-03**
Prime in Pesos 30 days	9,90	10,32	10,76	11,18	27,49
Stock Repos					
Gross interest rates 30 days	1,90	3,33	3,71	3,94	11,55
Traded volume (all maturities, million pesos)	52	63	63	59	139
Loans in Pesos (1)					
Overdrafts		22,41	24,48	24,78	56,15
Promissory Notes		11,48	10,94	12,77	23,90
Mortgages		14,23	14,52	16,22	21,74
Pledge-backed Loans		16,02	16,25	17,72	18,94
Personal Loans		34,18	34,52	34,98	56,67
Credit Cards		34,83	34,60	36,96	63,93
Reference Rates	**Jan-04**	**Dec-03**	**Nov-03**	**Oct-03**	**Jan-03**
LIBOR					
1 month	1,10	1,15	1,12	1,12	1,36
6 months	1,19	1,24	1,24	1,21	1,37
US Treasury Bonds					
2 years	1,72	1,88	1,90	1,72	1,71
10 years	4,12	4,25	4,28	4,27	4,02
FED Funds Rate	1,00	1,00	1,00	1,00	1,25
SELIC (1 year)	16,50	17,07	18,45	19,68	25,20

(1) Data from Monthly Informative Regime SISCEN 08.

Interest rates in annual nominal percentage and traded amounts in million. Monthly averages.

Central Bank Securities	Jan-04	Dec-03	Nov-03	Oct-03	Jan-03
Primary Market					
LEBAC in Pesos Interest Rate					
1 month	n/d	n/d	n/d	0,60	8,19
2 months	n/d	n/d	n/d	2,01	9,73
3 months	1,79	2,30	2,65	2,98	11,93
6 months	3,37	4,38	5,29	5,94	36,22
12 months	8,09	8,99	10,30	11,82	43,66
18 months	9,72	10,80	11,99	13,89	n/d
LEBAC in Pesos adjusted by CER Interest Rate					
12 months	2,58	3,71	5,63	6,63	n/d
18 months	4,12	5,46	7,13	8,00	n/d
NOBAC in Pesos Interest Rate	12,55	n/d	n/d	n/d	n/d
NOBAC in Pesos adjusted by CER Interest Rate	5,73	6,65	n/d	n/d	n/d
LEBAC in Dollars Interest Rate					
1 month	n/d	n/d	n/d	0,00	0,00
2 months	0,00	-0,06	0,00	-0,03	n/d
3 months	0,00	-0,04	0,00	n/d	n/d
Secondary Market					
Traded volume (daily average, million pesos)	178	169	151	118	5
Foreign Exchange Market	**Jan-04**	**Dec-03**	**Nov-03**	**Oct-03**	**Jan-03**
Dollar Spot					
Wholesale	2,89	2,96	2,89	2,86	3,26
Exchange agencies	2,90	2,95	2,88	2,85	3,27
BCRA Reference	2,89	2,96	2,88	2,86	3,26
Future dollar					
NDF 1 month	2,90	2,97	2,89	2,86	3,29
INDOL 1 month	2,91	2,98	2,89	2,87	3,37
Traded volume (all maturities, million pesos)	0	1	1	2	2
ROFEX 1 month	2,89	2,96	2,89	2,86	3,29
Traded volume (all maturities, million pesos)	40	38	43	43	15
Real (Pesos/Real)	1,02	1,01	0,99	1,00	0,95
Euro (Pesos/Euro)	3,66	3,64	3,39	3,34	3,46
Capital Market	**Jan-04**	**Dec-03**	**Nov-03**	**Oct-03**	**Jan-03**
MERVAL					
Index	1.185	1.020	950	882	565
Traded volume (million pesos)	83	65	43	55	35
Government Bonds					
BODEN 2012 (US$)	65,7	61,7	58,9	60,3	n/d
BODEN 08 (AR$)	92,1	87,7	83,4	80,6	n/d
Country risk					
Spread BODEN 2012 vs. US Treasury Bond	1.171	1.355	1.447	1.366	1.860
EMBI+ Latin America (without Argentina)	341	372	405	435	784