

Our View On-The-Ground

REGIONAL MARKET VIEWS

Argentina's Legislative Elections:

Uncertainty and Economic Pressure

This upcoming Sunday, October 26, will be the Argentinian legislative elections. Milei considers this a fundamental one, as it will renew half of the Chamber of Deputies and one-third of the Senate. Although it is a legislative election, it is crucial to support his economic and political program, as the outcome will determine Milei's governability and international economic backing if he secures a majority.

Polls indicate that Milei's party is only slightly ahead; the race remains close, with Fuerza Patria as the main opposition and Peronist bloc. What was once seen as an easy, wide-margin victory for Milei's coalition is now predicted to be a tight contest, far from the sense of triumph and momentum he enjoyed immediately after taking office. This sudden change is overshadowed by the fading promise of radical change; attention has shifted to economic struggles, political instability, and declining credibility.

Argentina's peso has been falling since April. After Milei lifted restrictions on buying and selling foreign currency, demand for dollars surged while confidence in the peso kept dropping, losing around 25% of its value. To stabilize the economy, President Milei received financial backing from Donald Trump's administration: a \$20 million currency swap allowed Argentina to temporarily exchange pesos for U.S. dollars and reinforce its reserves. There was also direct intervention from the U.S. Treasury, with the government entering the Argentine exchange market to sell dollars and prevent further depreciation. In addition, a \$20 million credit line was extended through major U.S. banks, including JPMorgan, Goldman Sachs, Citigroup, and Bank of America. However, banks are struggling to structure the loan, seeking guarantees to ensure repayment.

Despite all the U.S. support, the currency market remains unstable. Investors remain concerned that post-election, the government may need to revise its economic strategy. To hedge against a potential devaluation or policy shift, they're buying dollars, further fueling the peso's decline.

Economic hardship and the decline in Milei's local political popularity, fueled by allegations of corruption and internal conflicts, have shaken the trust Argentinians once placed in his government. The transparency he projected and the public confidence he enjoyed have weakened, opening space for the Peronist party to regain support. In fact, Milei's party suffered a decisive defeat in Buenos

Aires' September elections, a clear sign of the shift in public sentiment. This loss could further undermine his government, as reduced legislative presence would make it harder to pass policies aimed at tackling the economic crisis. Moreover, Trump's financial support might now be perceived as conditional, hinging on Milei's success in the legislative elections.

At OTG, we continuously track the latest news, market shifts, and political developments impacting the LATAM region, providing investors with a well-informed view of the evolving landscape and the key factors reshaping the market.

This opinion article was written on October 22, 2025, by the team of analysts at OTG Asset Management.

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