



WELDON FINANCIAL

GLOBAL MACRO RESEARCH & MONEY MANAGEMENT

Weldon LIVE

Special Focus: “Fourteen–For–Fourteen”

Mid–Year Update

Part 2 – Peso Wars

MAY 27, 2014

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“Fourteen-For-Fourteen” - Mid-Year Update: Peso Wars

Our theme linked to “Peso Wars” has played out quite well ... most specifically as it relates to our “call” for the Argentine Peso to lead the way, with Argentina moving to devalue their currency just twenty-days after we published our Special Focus.

Indeed, the US Dollar has gained nearly +23% versus the Argentina Peso already in 2014, with all of that move taking place in January.

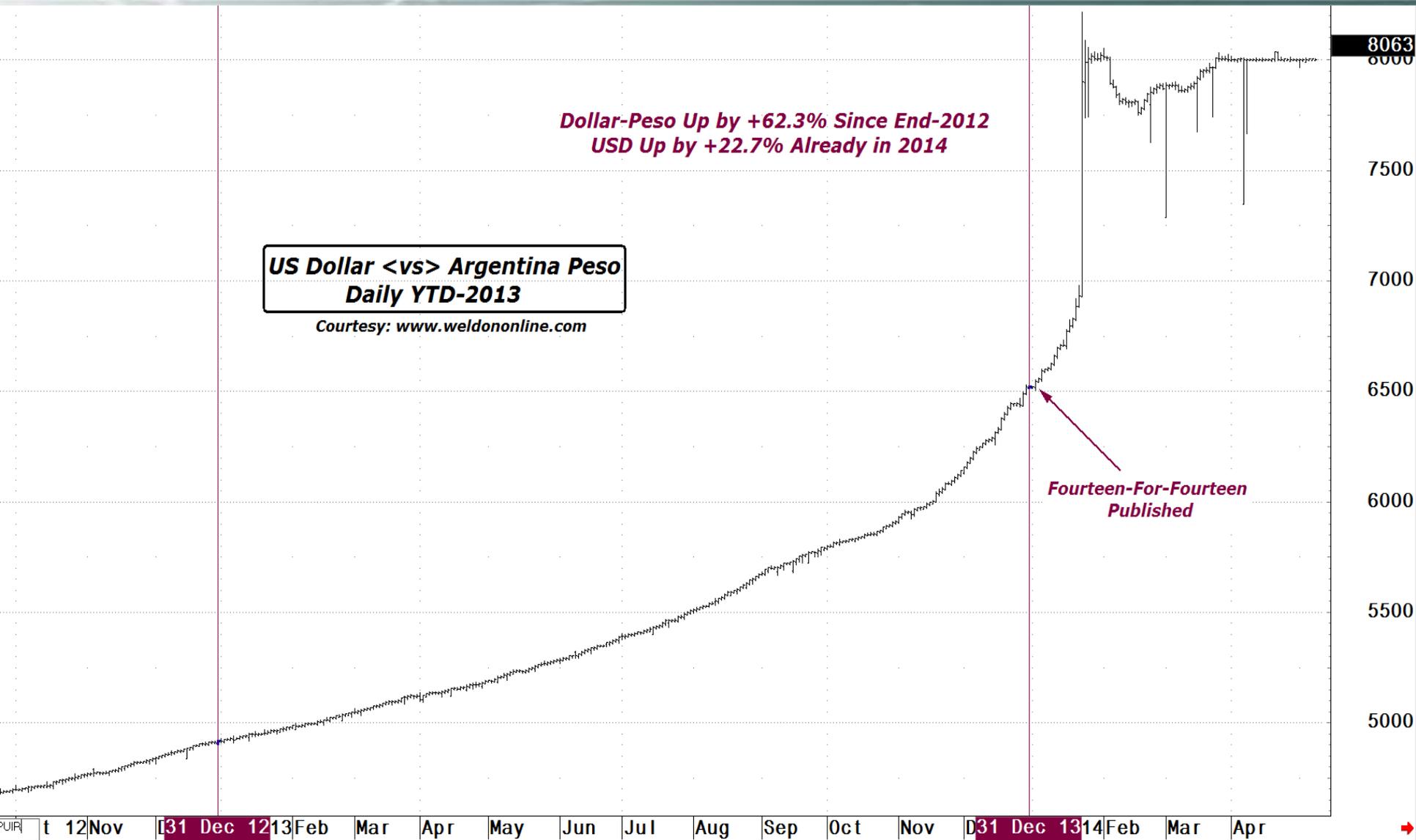
We also anticipated a more intensified move towards depreciation in the Brazilian Real and Chilean Peso. So far this call has been a “wash”, with a 5% rise in Dollar-Chile and a (-) 5% decline in Dollar-Brazil.

However, Argentina’s Peso has just reached a new record low versus the Brazilian Real, at the same time that the fixed-income market has began a move to ‘de-price’ additional rate hikes from the Brazilian Central Bank. In fact, it was the aggression shown by the COPOM that has helped keep the Real from depreciating against the USD, and with that support now being removed we might anticipate a renewed push lower in all of the South American currencies, perhaps a move to be led now by the Brazilian Real and Chilean Peso.

This thought is fully supported by the technical set-up of the market as well.

We have been right-on with this them, and we feel strongly that it is likely to continue to evolve in a similar way, throughout the year.

Prescient Call ... Argentina Devalues the Peso Just Weeks After the "Fourteen-For-Fourteen" Was Published



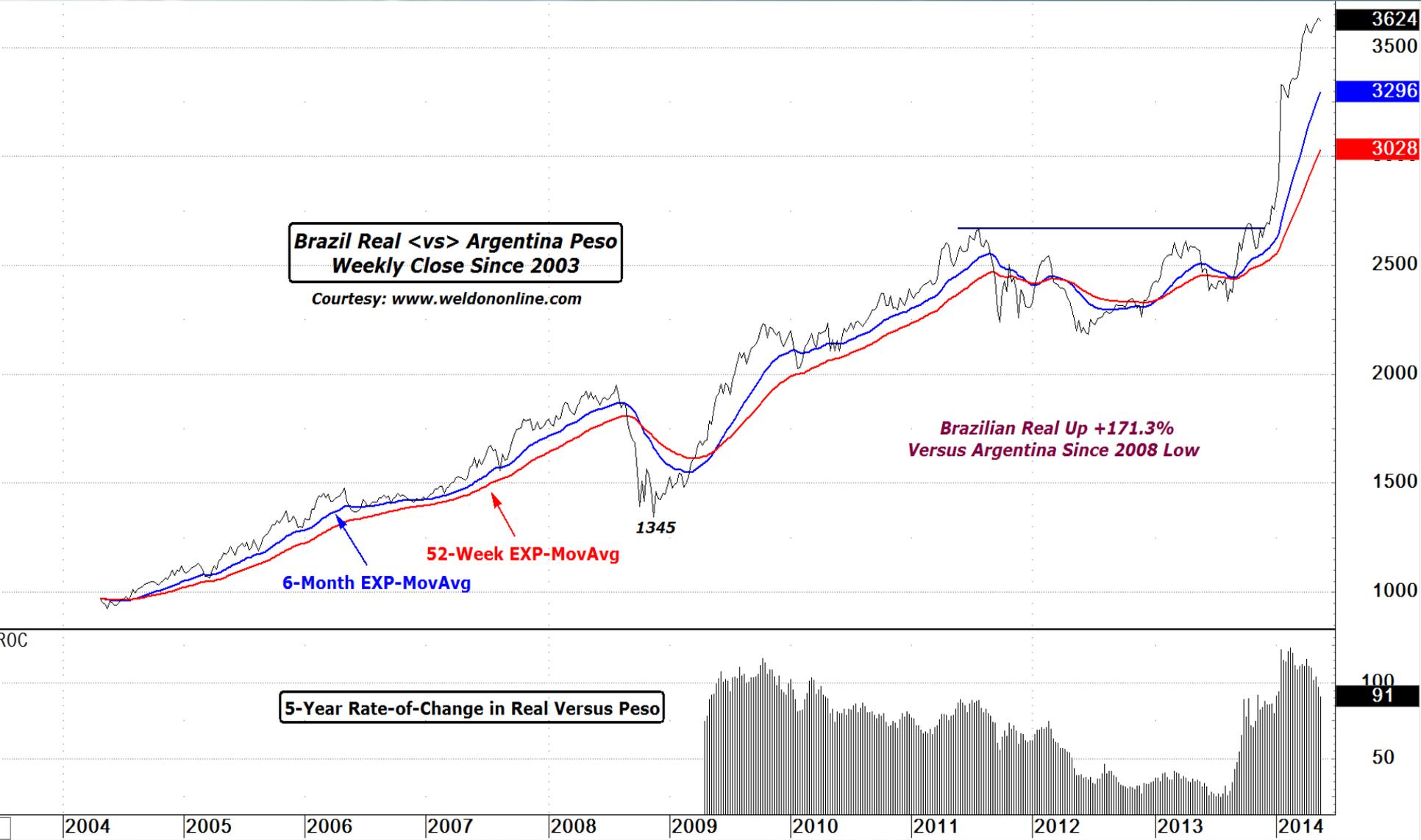
Dollar-Peso Up by +62.3% Since End-2012
USD Up by +22.7% Already in 2014

US Dollar <vs> Argentina Peso
Daily YTD-2013

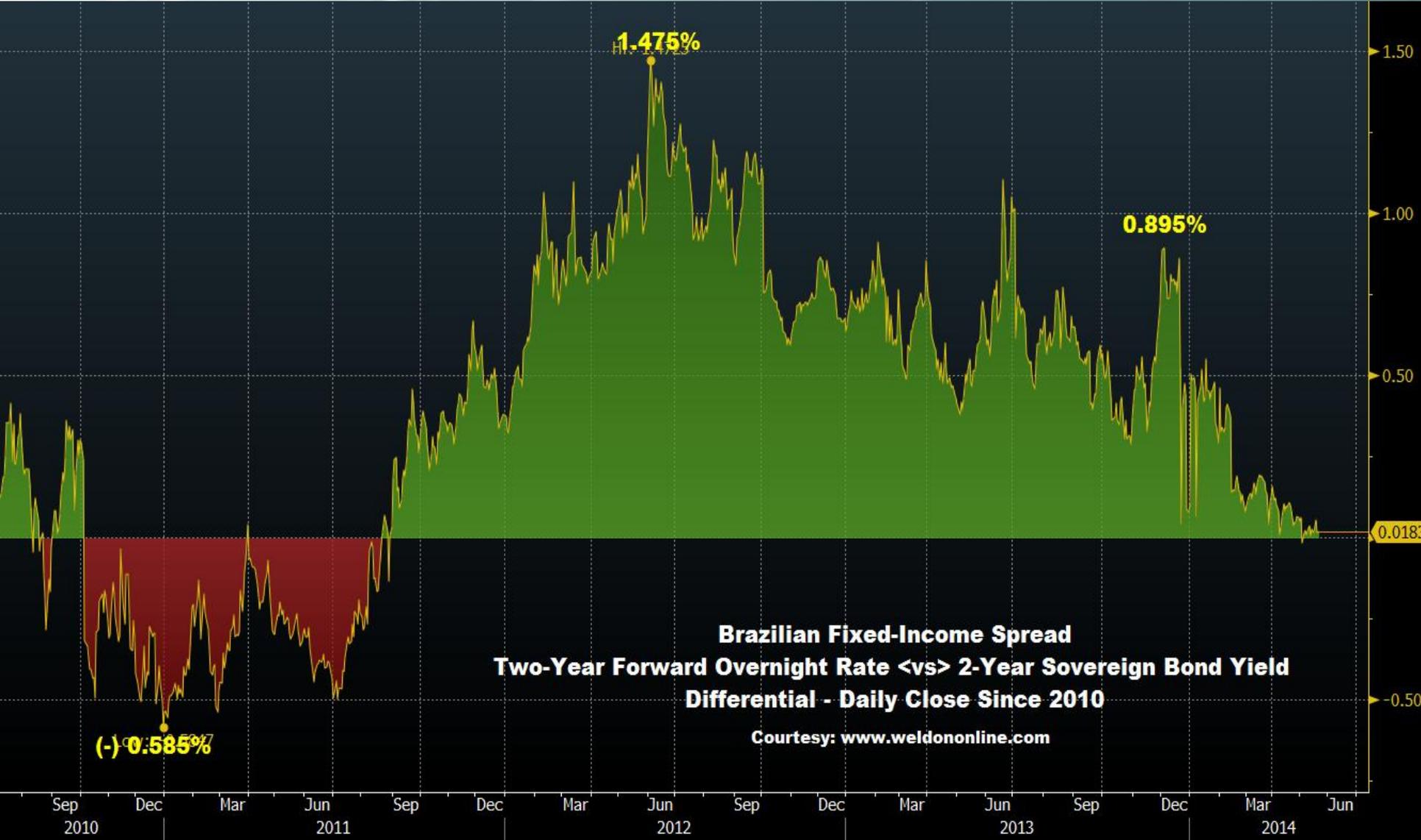
Courtesy: www.weldononline.com

Fourteen-For-Fourteen
Published

Argentina's Peso Continues to Slide Versus the Brazilian Real



**Premium in Brazil's Forward Overnight Rate Versus the 2-Year Bond Yield
Has Completely Vanished ... Moving Towards Easing Expectations !!**



**Brazilian Fixed-Income Spread
Two-Year Forward Overnight Rate <vs> 2-Year Sovereign Bond Yield
Differential - Daily Close Since 2010**

Courtesy: www.weldononline.com

Rate Hikes Have Helped Support the Real ... Until Now ??

**US Dollar <vs> Brazilian Real
Daily Since 2012**

Courtesy: www.weldononline.com



Chilean Peso ... Grinding Lower, We Expect a Run at 600 Per Buck

US Dollar <vs> Chilean Peso
Daily Since 2011

Courtesy: www.weldononline.com



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