Aurora Australis: Runoff Roulette– Aug 29, 2025

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- **Bolivia** elections between rounds
- **Veny** – U.S. confrontation
- **Argentina's** Milei plays chicken with midterms
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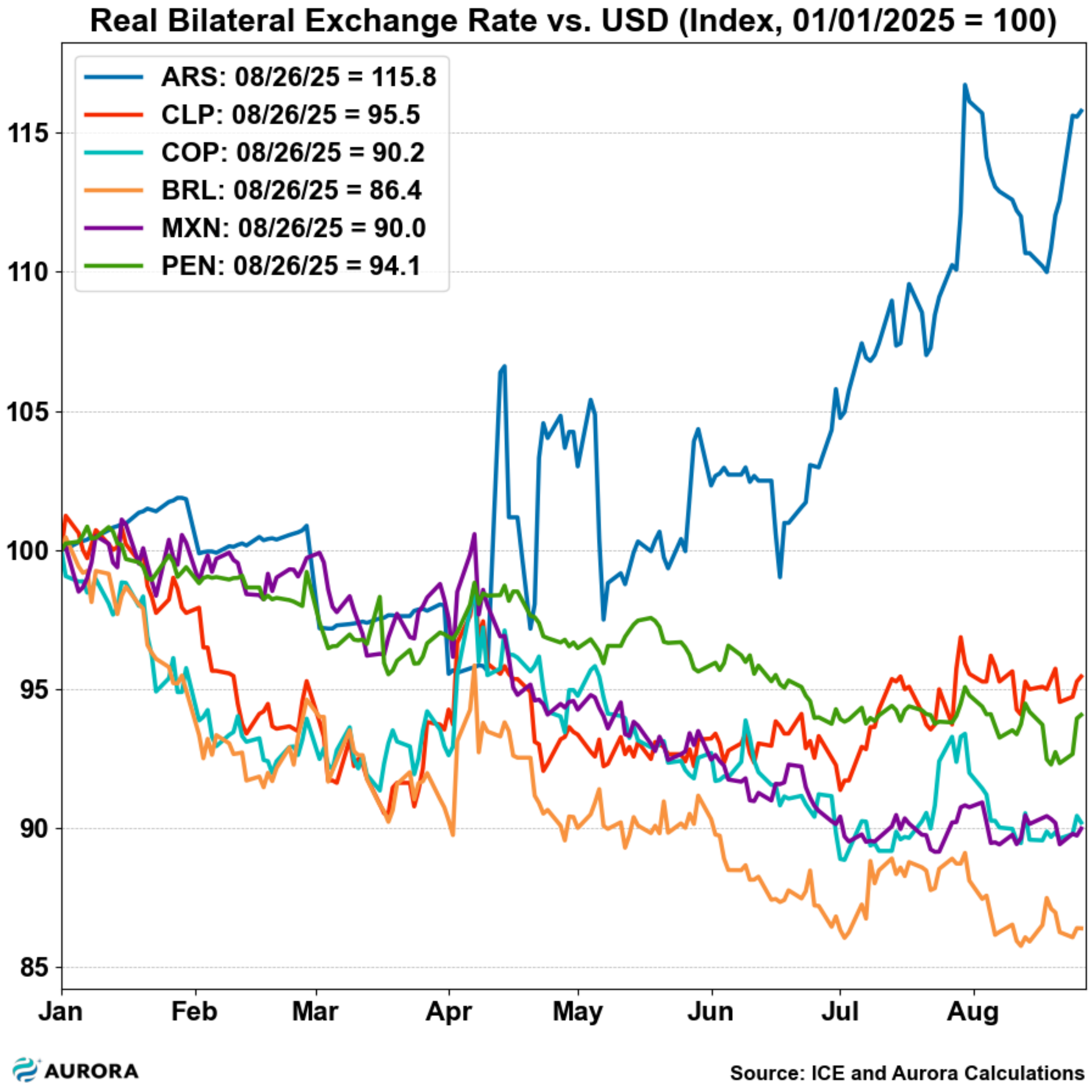
- **Peru's** next president is being decided in closed chambers
- **Colombia's** new presidential contender boosts the institutional right

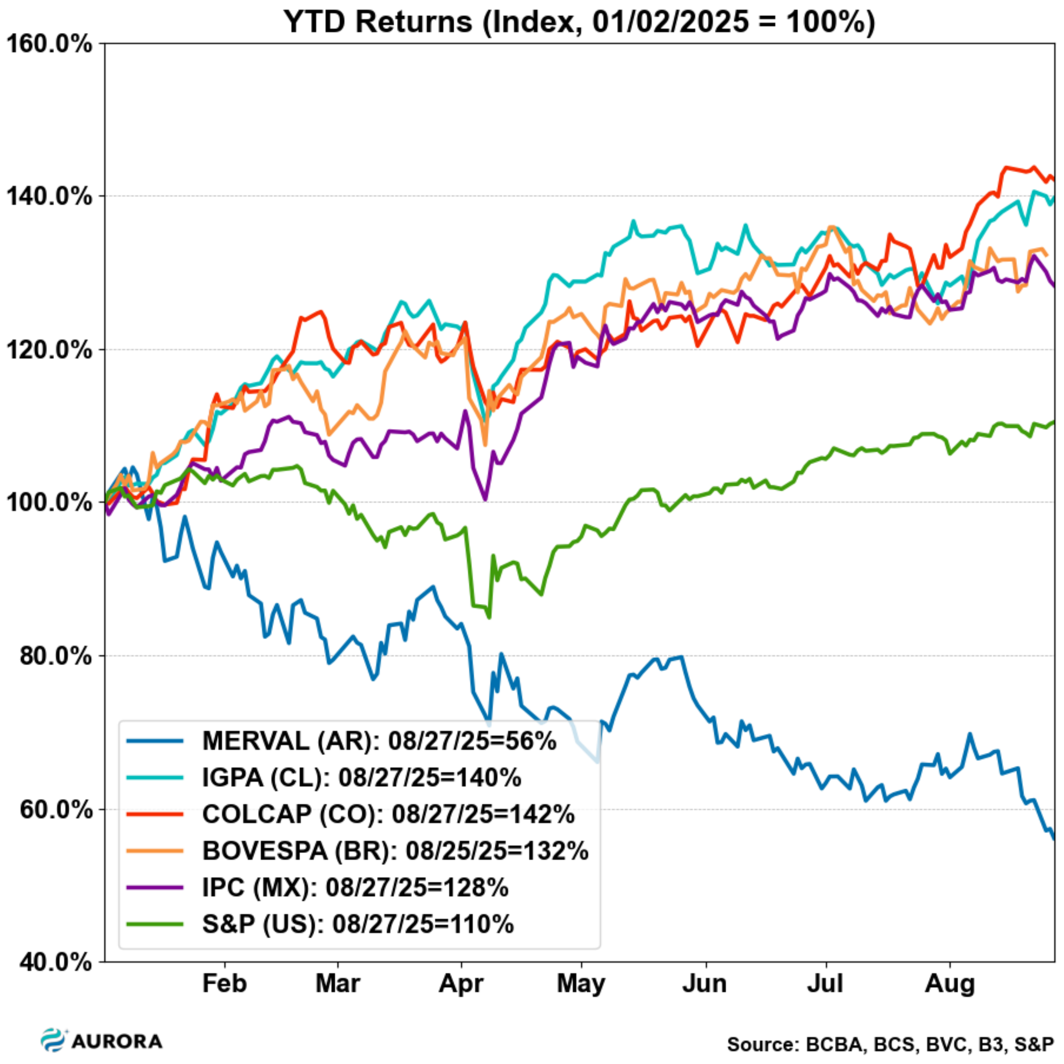
**Aurora Averages reflect a proprietary weighted aggregate of major polls (e.g., Gallup, Latinobarometro) and reputable local pollsters (e.g., Data Folha, Mitofsky)*

FX Overview

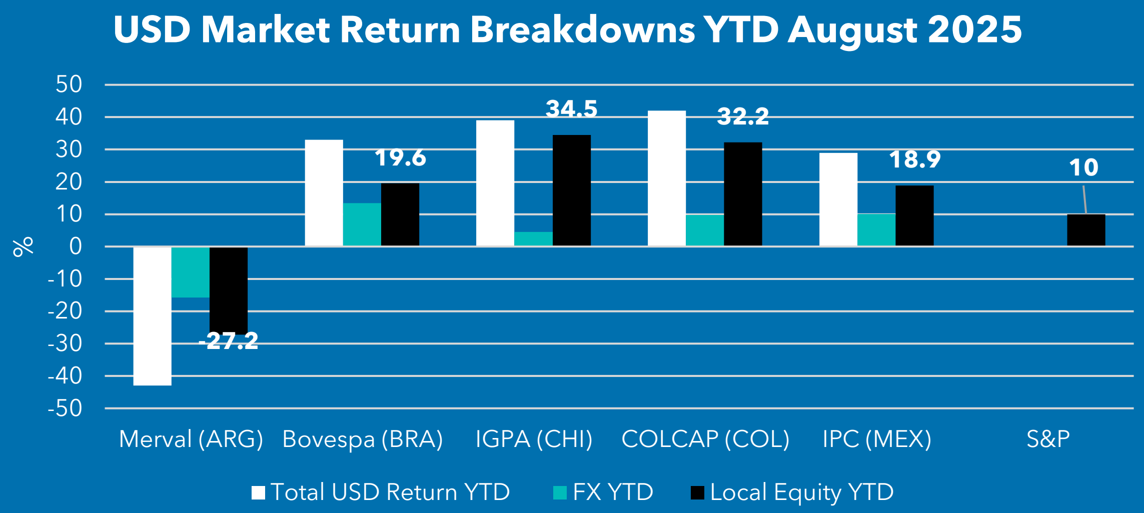
- **Global USD weakness offset by local shocks:** Despite a still-soft dollar, tariff headwinds, weaker commodities, and domestic risks eroded earlier FX gains across LatAm.
- **Regional divergence emerging:** CLP and COP weakened since late July, while BRL showed a modest rebound, and MXN and PEN remained broadly stable.
- **Mexico supported by carry trade:** High real rates and steady inflows anchor the peso, keeping it resilient despite tariff jitters.
- **Peru steady on external strength:** PEN stable on strong mining exports and anchored expectations.
- **Argentina decoupled:** ARS remains an outlier; Central Bank tried to contain recent volatility by tightening. Pressure continues and could deepen around the midterms, starting with Buenos Aires provincial elections on September 7 (covering ~40% of the electorate) and followed by the national midterms on October 26.



Returns Overview (FX vs. Equities)



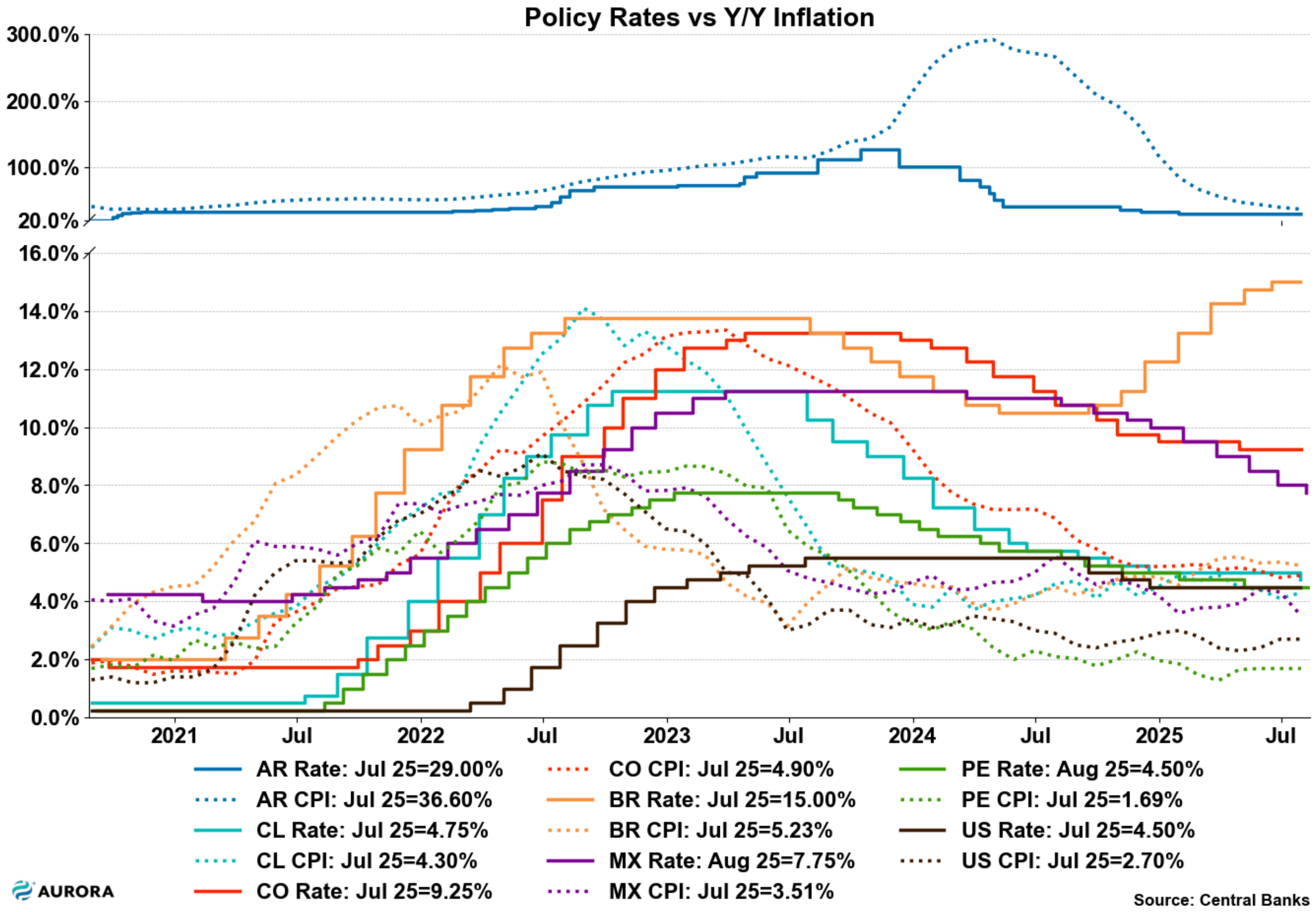
- **In LatAm, equities cannot be disentangled from FX** – currency paths largely defined which rallies stuck and which evaporated.
- **FX and equities moved in tandem:** Chile (+34.5%), Colombia (+32.2%), Brazil (+19.6%), Mexico (+18.9%) all beat the S&P (+10%).
- **Currencies amplified returns:** Broad LatAm FX appreciation boosted local equity rallies into outsized USD gains; in contrast, ARS depreciation amplified Argentina's equity losses (MERVAL −44%).
- **Carry *cum* commodities:** High real rates and copper/oil exposure created a double-boost – attractive FX carry and stronger equity performance.



Source: Bloomberg, Aurora Analysis

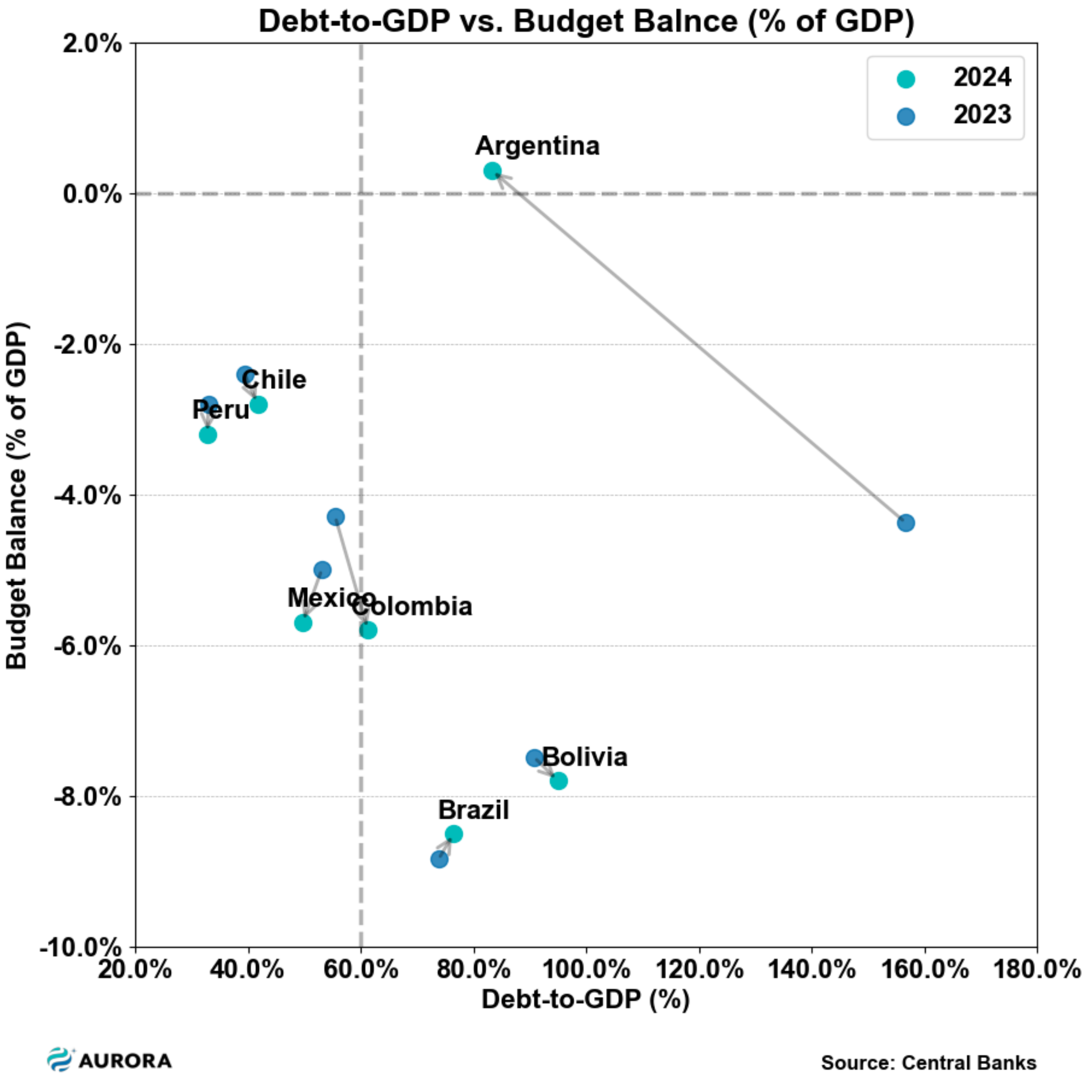
Monetary Policy Overview

- **Cautious stance persists:** Most LatAm central banks kept rates steady in August, holding a restrictive stance despite progress on disinflation.
- **Disinflation uneven:** Brazil, Colombia, Mexico, and Peru are near targets, but Chile's July CPI uptick and Argentina's extreme levels highlight persistent risks.
- **Higher-for-longer:** Rates remain elevated relative to history, with the Fed steady at 4.25/4.5%, reinforcing regional caution.
- **Argentine outlier:** Inflation far above policy rate; effective tightening relies on deposit and reserve measures, while broader disinflation depends heavily on fiscal adjustment.



Fiscal Policy Overview

- **Deficits remain the norm:** LatAm fiscal balances typically range from –2% to –6% of GDP, reflecting persistent post-pandemic pressures and limited consolidation.
- **Mexico constrained by Pemex:** A tattered veil separates the sovereign from its oil giant; the alter-ego risk stitched into every spread means Pemex's liabilities shadow Mexico's fiscal accounts far beyond headline deficits.
- **Brazil and Colombia under strain:** Brazil's debt exceeds 75% of GDP with deficits near –8%, belying Finance Minister Haddad's zero-deficit pledge and casting doubt on the new fiscal framework. Colombia shows little appetite to enforce its fiscal rule, with deficits around –6% and debt still rising.
- **Bolivia most vulnerable:** Extremely high debt (95% of GDP) and large deficits (–8%) expose severe financing risks.
- **Argentine outlier:** Near balance projected for 2025, though sustainability hinges on fiscal discipline amid inflationary and political headwinds.



Politics Overview

- **2025–26 elections tilt pro-market and anti-establishment:** *Ecuador's* Noboa was reelected in an April landslide; *Bolivia's* upcoming runoff excludes the left; *Chile's* 4Q25 contest likely delivers a hard-right win – setting the regional tone.
- **Potential leftwing holdouts:** One-round systems (Honduras) can lock in continuity, while in Brazil Trump's tariff diplomacy has buoyed Lula as post-Bolsonaro infighting keeps the right divided.
- **Sui generis cases**:
  - *Peru* would track *Chile's* trajectory, but Keiko Fujimori's eligibility – decided by the courts on an uncertain timeline – will define whether 2026 is right-vs-right or outsider free-for-all.
  - *Colombia* looked primed for a right-wing comeback, but a new ban on polling publication leaves specifics harder to gauge.
- **Regional stakes:** As pro-market optics normalize, differentiation will hinge less on ideology and more on institutional quality and volatility—whether processes are sclerotic or mercurial versus expedient, the degree of transparency, the risks of judicial or regulatory intervention, and the perceived staying power of current leadership.

Non-Stop Voting for the Next 16 Months

Calendar of Latin American elections, 2025-2026

Date	Country	Election Type	Outlook
1-Sep-25	**Guyana**	**Parliamentary → President**	**Incumbent Ali Win. FDI for Oil production**
19-Oct-25	**Bolivia**	**Runoff**	**End of MAS era, pro-market shift**
26-Oct-25	Argentina	Midterms	Weak Milei coalition strengthens
16-Nov-25	Chile	1st Round	Right (populist right favored vs Matthei) vs Hard Left (Jara)
30-Nov-25	**Honduras**	**Single-Round**	**Close, incumbent left benefits opposition split + one-round system.**
14-Dec-25	**Chile**	**Runoff**	**Opposition win from a Pro-Market Right**
1-Feb-2026	Costa Rica	1st Round	Incumbent, disruptor populist, pro-market leads. Establishment Pro-Market trails.
5-Apr-2026	**Costa Rica**	**Runoff**	**Pro-market win**
12-Apr-26	Peru	1st Round	Fragmented field. If Keiko allowed, she advances; otherwise, outsiders dominate.
31-May-26	Colombia	1st Round	Polarization between left anti market & Right promarket)
7-Jun-26	**Peru**	**Runoff**	**"Right vs Right" if Keiko runs, or outsider vs outsider if barred.**
21-Jun-26	**Colombia**	**Runoff**	**Right-wing pro-market victory**
4-Oct-26	Brazil	1st Round	Polarization (Lula leads)
25-Oct-26	**Brazil**	**Runoff**	**Tight Race**

Key Theme: Waning Presidents and Rising Runoff Runner-ups

- **Runoffs surge:** Constitutional reforms and party fragmentation pushed the share of elections going to runoffs from ~15% (1950s–70s) to 77% (2015–25).
- **Front-runners falter:** First-round winners now lose 67% of runoffs, versus 24% before 2015, as diverse groups consolidate to block them rather than on policy or ideology.
- **Weakened winners:** Runoff victors often enter office without congressional strength (typically finishing second when seats were allocated) and quickly lose support once the "lesser evil" dynamic fades.

R1 Victories Are Perilous

Country	Year	Runoff (R2)	Outcome for R1 Winner
Bolivia	2014	No	–
Guatemala	2015	Yes	Lost
Argentina	2015	Yes	Lost
Peru	2016	Yes	Lost
Dominican Rep.	2016	No	–
Chile	2017	Yes	Lost
Ecuador	2017	Yes	Won
Costa Rica	2018	Yes	Lost
Colombia	2018	Yes	Won
Brazil	2018	Yes	Won
El Salvador	2019	No	–
Guatemala	2019	Yes	Lost
Uruguay	2019	Yes	Lost
Argentina	2019	No	–
Bolivia	2019	No*	–
Dominican Rep.	2020	No	–
Bolivia	2020	No*	–
Ecuador	2021	Yes	Lost
Peru	2021	Yes	Won
Chile	2021	Yes	Lost
Colombia	2022	Yes	Won
Brazil	2022	Yes	Won
Costa Rica	2022	Yes	Lost
Argentina	2023	Yes	Lost
Ecuador	2023	Yes	Lost
Guatemala	2023	Yes	Lost
Dominican Rep.	2024	No	–
Uruguay	2024	Yes	Won
Ecuador	2025	Yes	Won (re-elected)
Bolivia	2025	Yes	TBD (runoff pending Oct 19)
Chile	2025	TBD	TBD (election scheduled Nov 16)

Key Theme: Second Rounds Favor Disruptors

- **Disruptors defined:** Anti-establishment candidates seeking to break political systems and challenge traditional governance, versus establishment figures defending the status quo.
- **Populism proliferates:** Since 2019, disruptors have captured 67% of runoffs, including Boric, Petro, Milei, Arévalo, Noboa – and Peru, where every presidential victor has been an outsider since 2011.
- **Machines fail:** For decades, incumbency was the best predictor of victory; before Macri, only two Latin American presidents had ever failed to win reelection. Today, traditional parties increasingly lose even with experienced candidates and strong machinery.
- **Firewalls collapse:** Runoffs once blocked outsiders (e.g., García vs. Humala 2006 in Peru; Duque vs. Petro 2018), but establishment candidates now routinely fall to disruptors.

Runoffs Increasingly Favor Disruptors

Country	Year	R2 Winner	Classification
Argentina	2015	Mauricio Macri	Establishment
Peru	2016	P.P. Kuczynski	Establishment
Chile	2017	Sebastián Piñera	Establishment
Ecuador	2017	Lenín Moreno	Establishment
Costa Rica	2018	Carlos Alvarado	Establishment
Colombia	2018	Iván Duque	Establishment
Brazil	2018	Jair Bolsonaro	Disruptor
Guatemala	2019	Alejandro Giammattei	Disruptor
Uruguay	2019	Luis Lacalle Pou	Establishment
Ecuador	2021	Guillermo Lasso	Establishment
Peru	2021	Pedro Castillo	Disruptor
Chile	2021	Gabriel Boric	Disruptor
Colombia	2022	Gustavo Petro	Disruptor
Brazil	2022	Lula da Silva	Establishment
Costa Rica	2022	Rodrigo Chaves	Disruptor
Argentina	2023	Javier Milei	Disruptor
Ecuador	2023	Daniel Noboa	Disruptor
Guatemala	2023	Bernardo Arévalo	Disruptor
Uruguay	2024	Yamandú Orsi	Establishment
Ecuador	2025	Daniel Noboa (reelect.)	Establishment

Key Theme: Disruptors Struggle to Govern

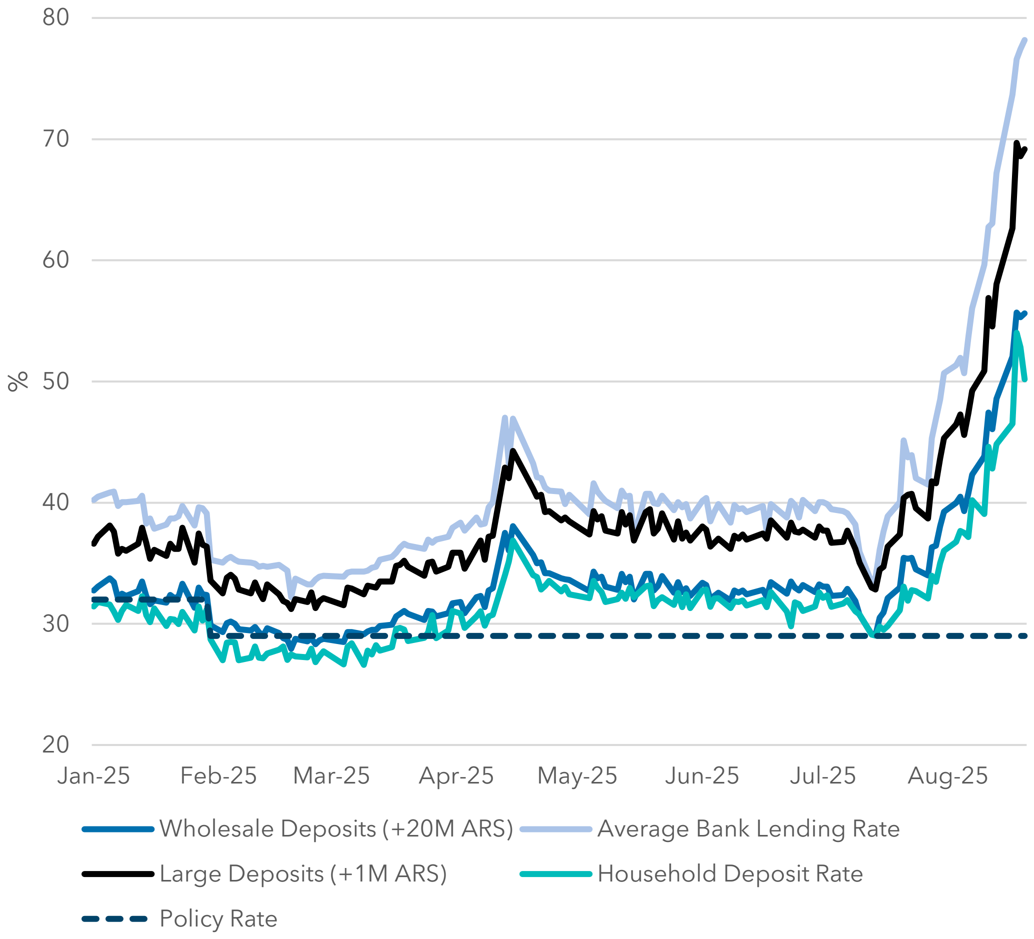
- **Disruptor presidents:** Often arrive without congressional coalitions or governing experience.
- **Vulnerability windows:** New presidents are most exposed in the first 6–18 months, when they must pass budgets and launch reforms. Pressure rises again at midterms, when coalitions often reshuffle; during IMF program reviews, when fiscal promises are tested; and in security crises, which can quickly drain – or, in rare cases like Noboa's Ecuador, expand – political capital.
- **Institutions strike back:** Congress blocks flagship reforms (*e.g., Brazil, Argentina, Guatemala*) while courts suspend presidential initiatives (*e.g., Colombia, Ecuador*).
- **Authority fragments:** Power shifts from stronger presidential systems (*e.g., Mexico*) to fragmented institutionally fractured contexts (*e.g., Peru*).
- **Investor implication:** Tracking Congress is not enough, courts, central banks, and regulators, are increasingly key policy drivers and market movers.

President	Country	Institutional Constraints
Milei	Argentina	Ley de Bases initially rejected, then passed heavily diluted; governs via executive decrees and vetoes, many rejected by Congress
Petro	Colombia	Multiple complications advancing agenda; health reform stalled, pension reform returned by Constitutional Court, governed by decree in 2024
Boric	Chile	Pension reform (core 2019 protest demand) forced to maintain AFP system, creating mixed model instead of promised overhaul
Arévalo	Guatemala	Faced institutional blocking before taking office
Noboa	Ecuador	Fragmented Congress limits execution capacity
Peru Presidents	Peru	Congress imposes own agenda; legislative paralysis leads to removals

1a. Argentina Macro Overview

- **Economic recovery shows mixed signals:** GDP grew 6.4% YoY in June, reflecting a rebound from 2024's deep recession. Monthly momentum slowed to 0.7% MoM suggesting a moderating recovery pace.
- **Exchange rate volatility ahead of midterms:** FX moved amid Central Bank cancellation of short-term fiscal debt instruments (LEFIs) to avoid large peso liquidity releases at maturity.
- **Central Bank responded with aggressive tightening through higher overnight rates** and increased reserve requirements, containing dollar pressure but elevating borrowing costs. Government prioritizes FX stability instead of economic activity ahead of October midterm elections, though the fiscal cost of higher rates makes this stance unsustainable.
- **Inflation progress continues:** June CPI was 1.9% MoM with core at 1.5%, though July faces potential pass-through effects from recent FX volatility.
- **Trade balance under pressure:** July surplus of USD 986Mn–year's highest–but 7-month total of USD 3.75Bn trails 2024 pace as imports (17.7% YoY) outpace exports (7.5% YoY), pressuring the external sector.

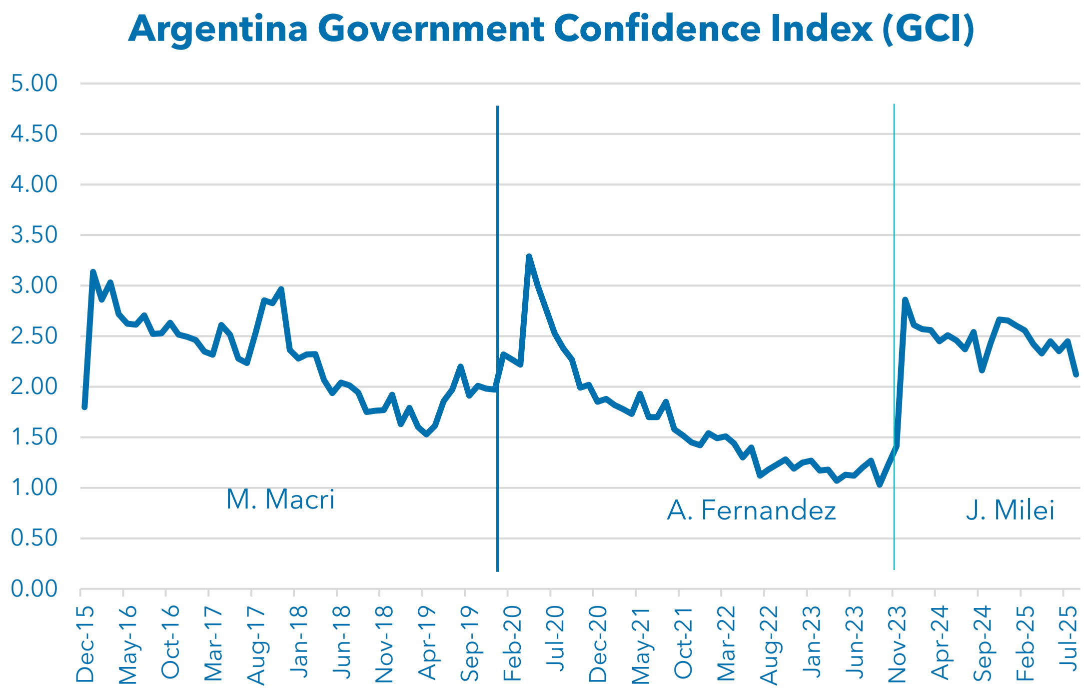
Seeking FX stability through liquidity squeeze



Source: Banco Central de la República Argentina.

1b. Argentina Political Overview

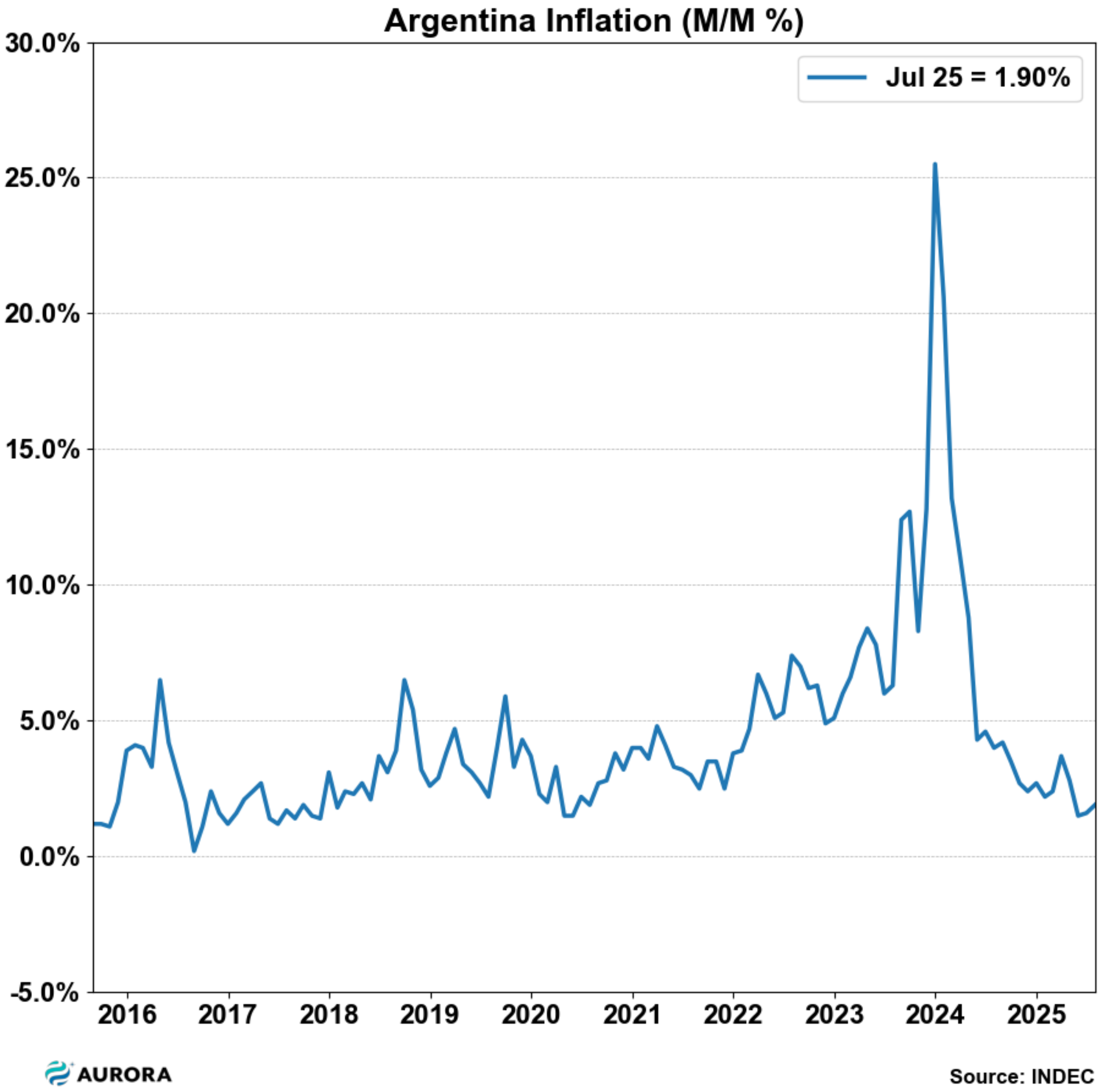
- **Confidence dips pre-midterms:** Government Confidence Index (GCI) fell to 2.12 in August (-13.6% MoM; lowest since Milei took office), just weeks before Buenos Aires Sept. 7 midterms and two months ahead of the national vote.
- **GCI as election proxy:** Current level is 16% below Macri (2017), who won the Oct. '17 midterms. Milei's 20-month average (2.48) trails Macri (2.58) but remains above Fernández (2.17).
- **Congressional setbacks:** Milei suffered defeats as deregulation decrees were overturned and fiscal vetoes rejected, underscoring weak legislative support and dependence on allied governors.
- **High-stakes vote:** A Kirchnerite win in Buenos Aires would pressure FX; a Milei victory would build momentum for October midterms and pro-market reforms.



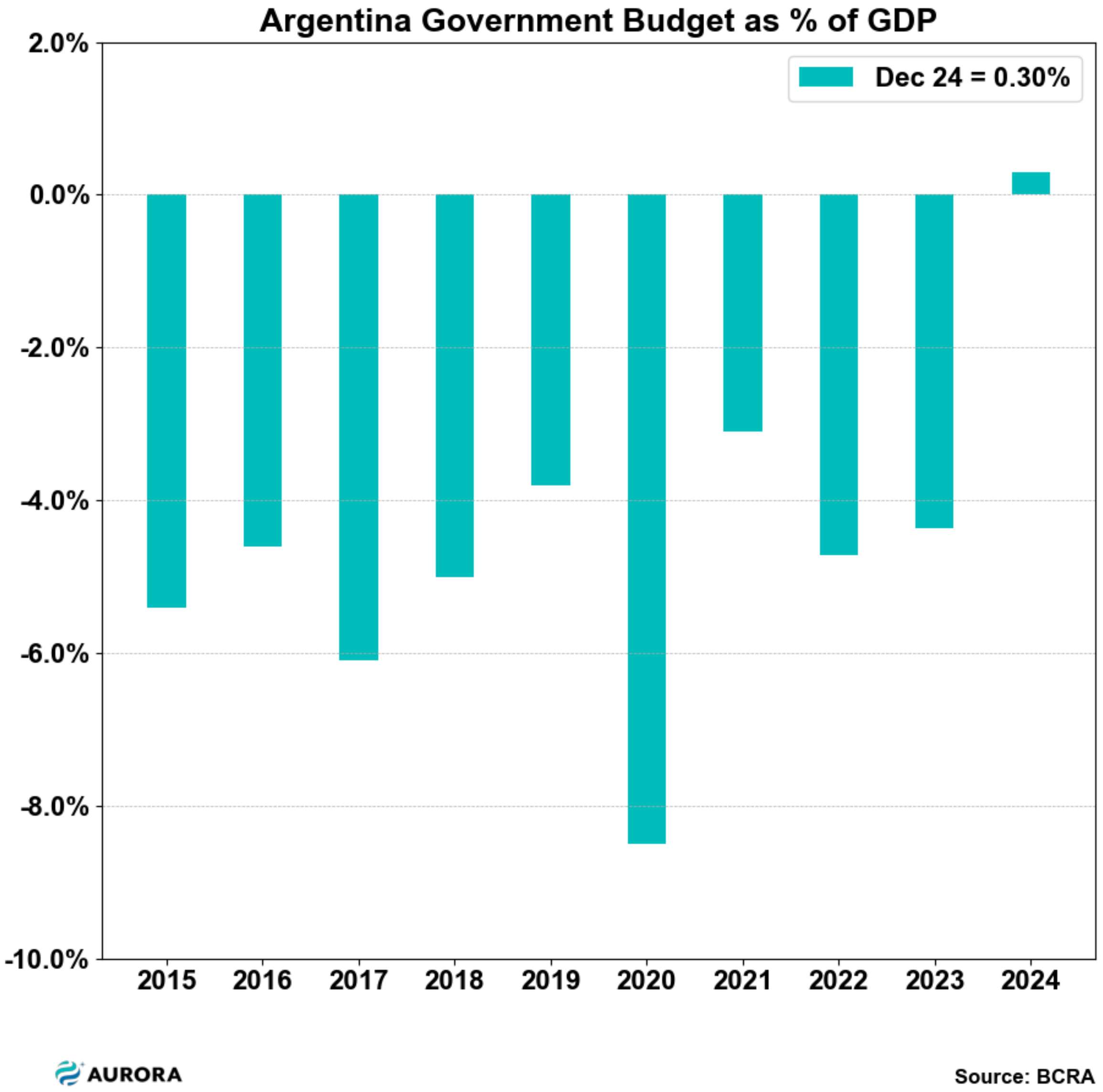
Source: Universidad Torcuato Di Tella

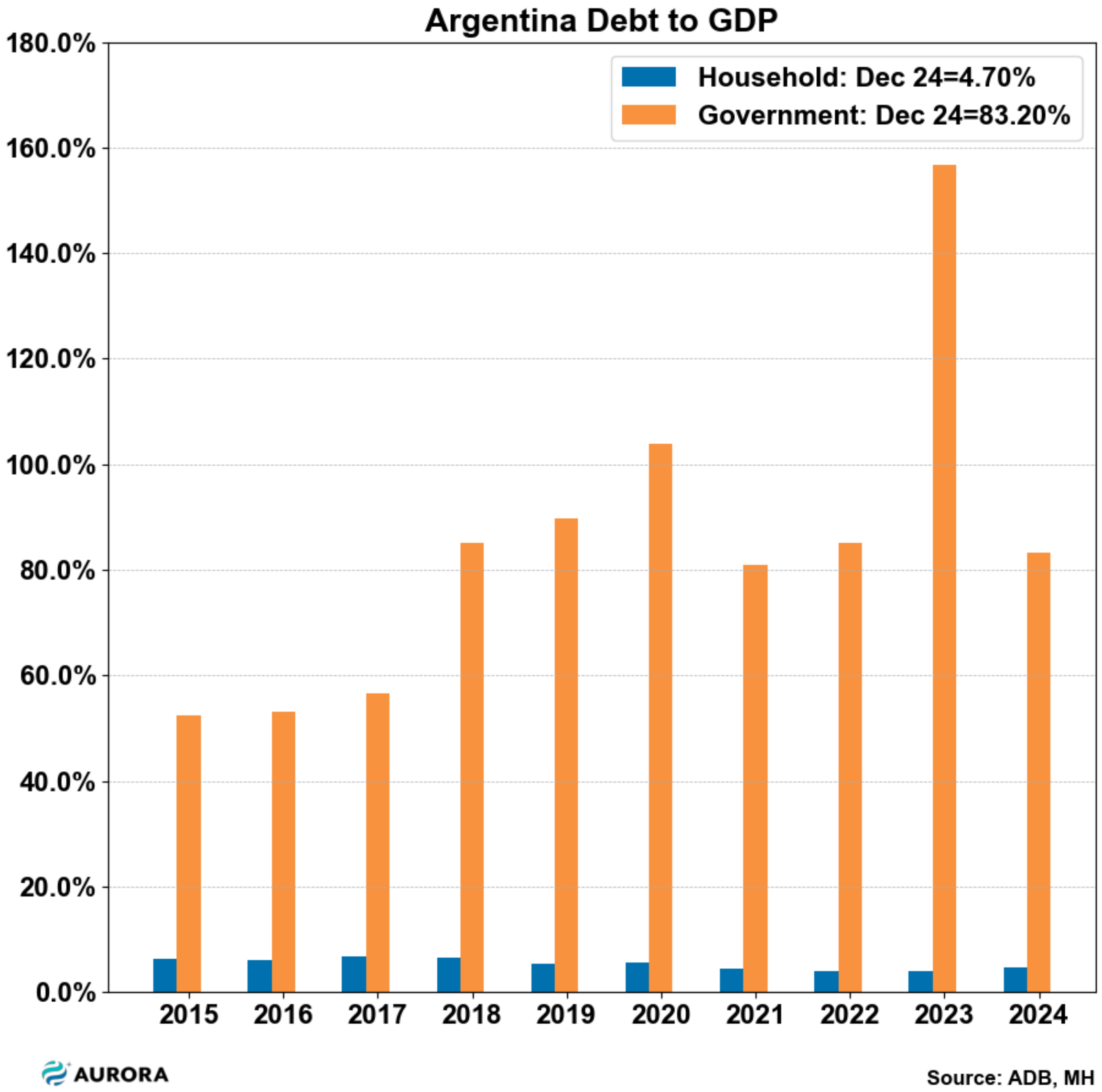
1c. Argentina by the numbers: GDP

1d. Argentina by the numbers: Monetary Policy

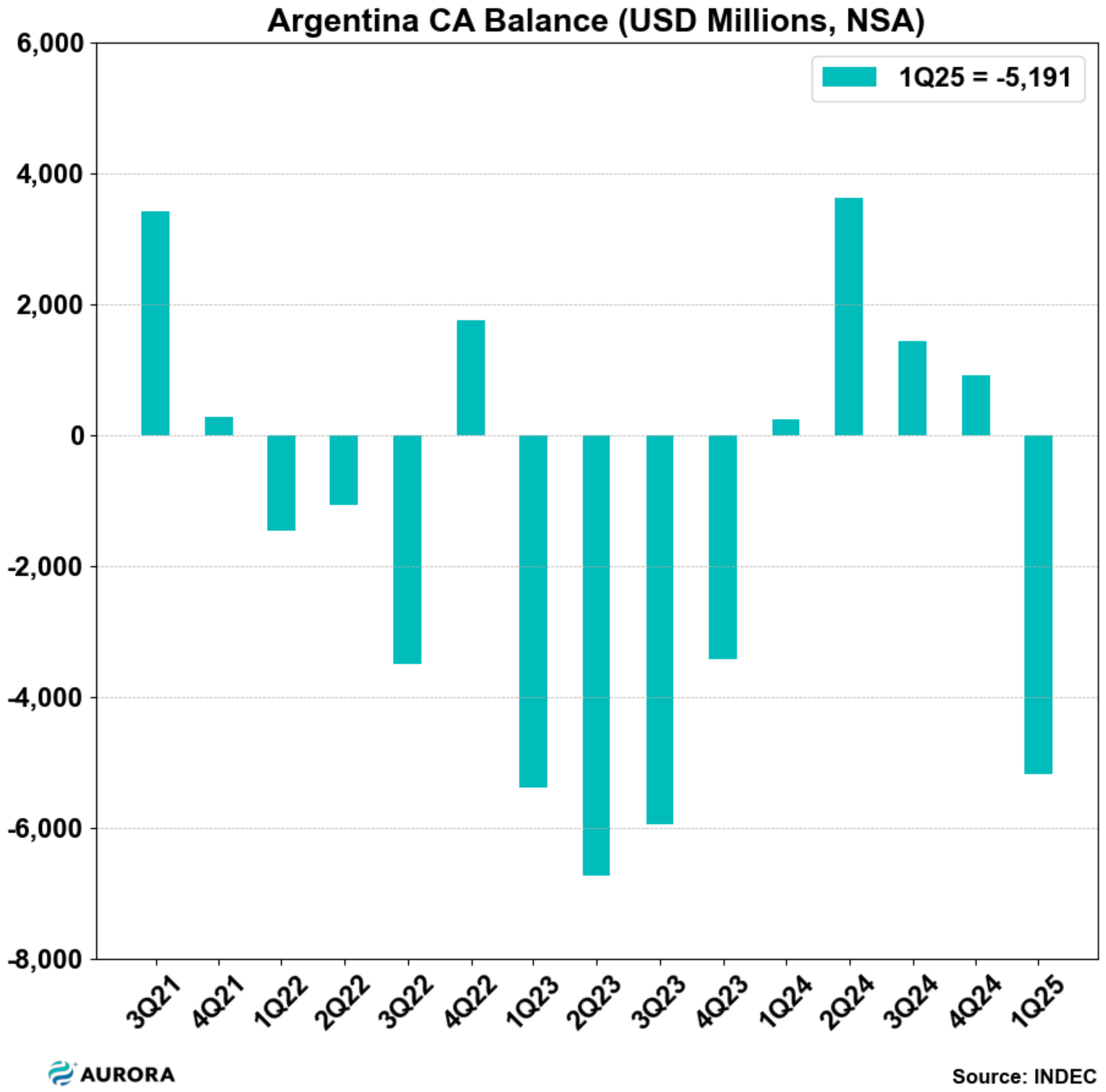


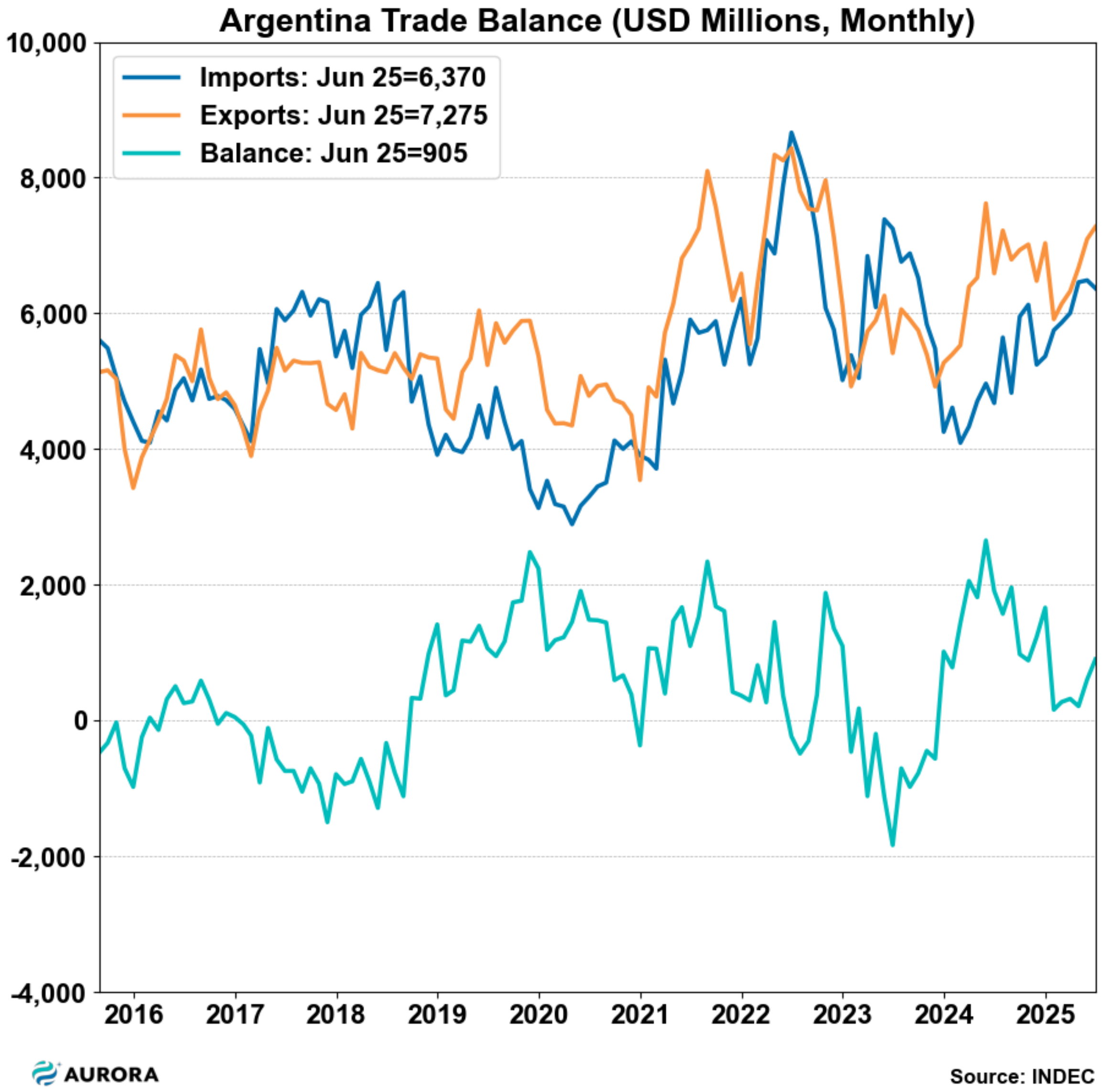
1e. Argentina by the numbers: Fiscal Overview



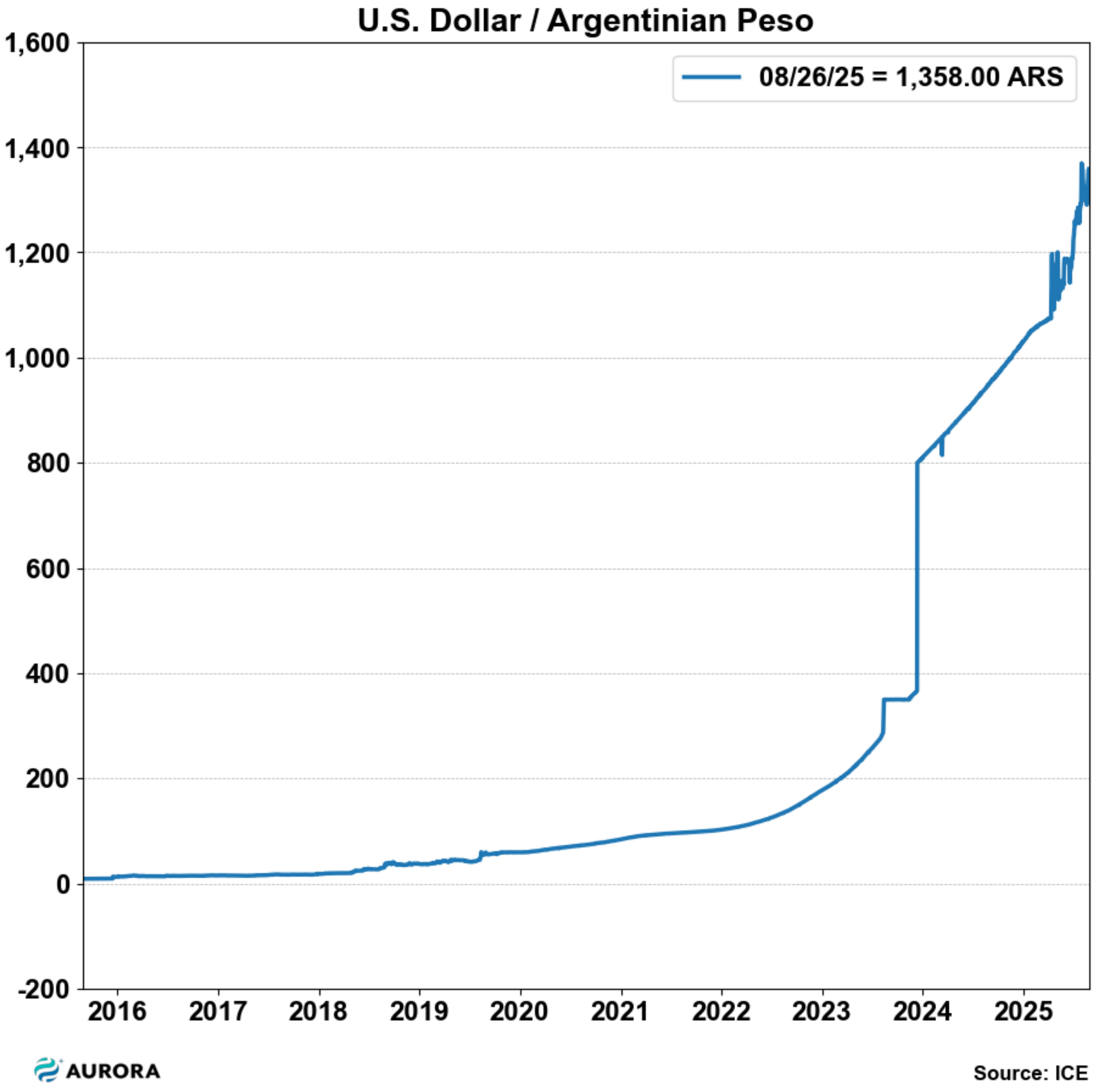


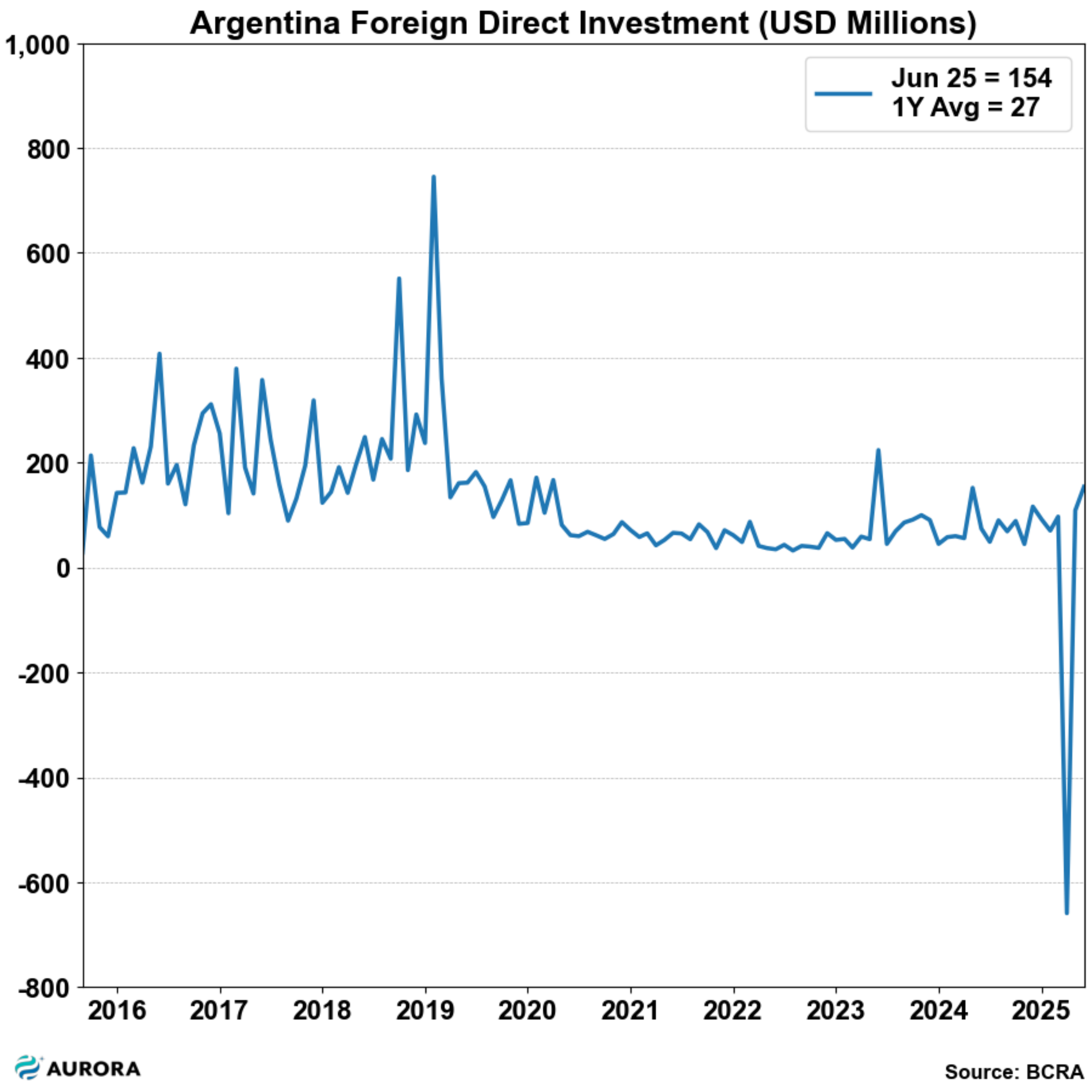
1f. Argentina by the numbers: External Sector



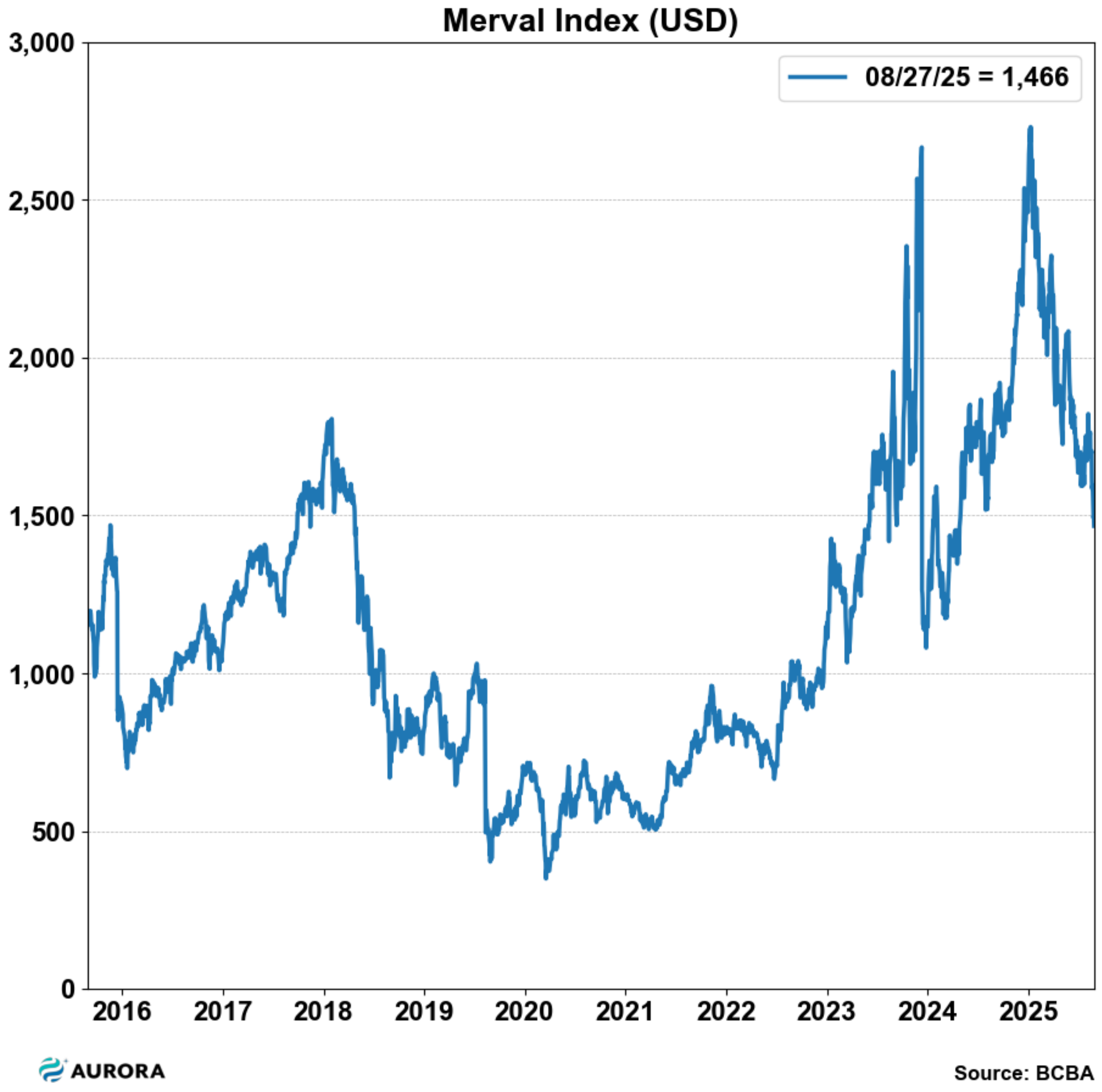


1g. Argentina by the numbers: Finance and Investment



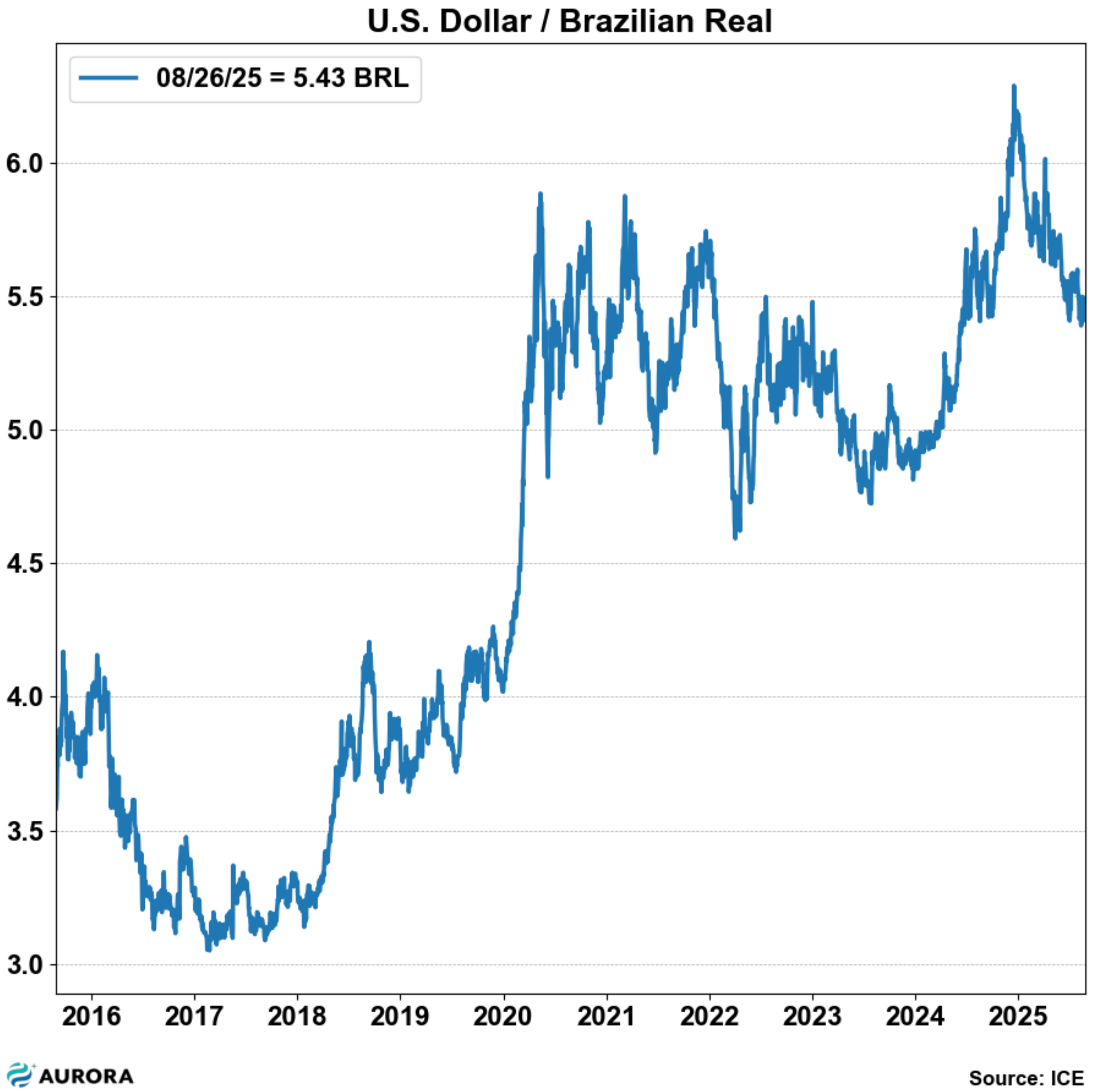


1h. Argentina by the numbers: Financial Markets



2a. Brazil Macro Overview

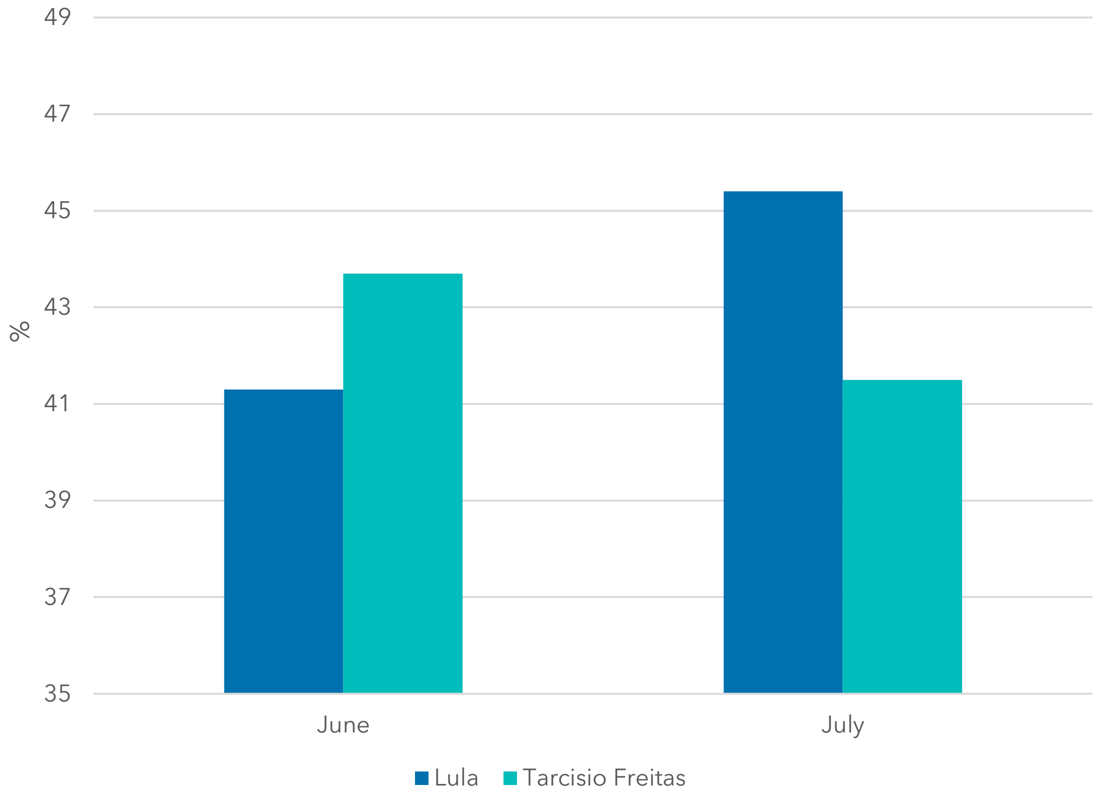
- **FX shows mixed signals post-tariffs:** BRL appreciated nominally in early August (to 5.43/USD), but in real terms it continued to weaken, as Brazil's inflation outpaced the U.S.
- **Trade disruption prompts government response:** Tariffs expected to shave USD 8Bn off exports, trimming 2025 surplus forecast to $65Bn from $74.5Bn in 2024. July export surge reflects accelerated US shipments before August implementation.
- **Fiscal constraints deepen with tariff response:** Government preparing tax rebates and export subsidies, while apparent fiscal improvements stem from delayed government payments rather than structural fixes, raising sustainability questions. Business Confidence stalled.
- **Selic held at 15% signaling cycle peak:** First consecutive hold after seven hikes signals tightening end. GDP forecasts unchanged at 2.1% (2025) despite external headwinds.



2b. Brazil Political Overview

- **Lula's tariffs tailwind:** U.S. tariff threats (50%) have sparked a nationalist response that is boosting Lula's polling, reversing previous declines as voters rally behind sovereignty and pushback against foreign leverage.
- **Conservative fractures deepen:** Eduardo Bolsonaro's advocacy in Washington has triggered domestic backlash and internal rifts within the right, widening the divide between hardliners and moderates.
- **Tarcísio's presidential prospects increasingly contingent**: Though polling as the strongest right-wing contender, his path is constrained by intra-coalition rifts, with Bolsonaro loyalists—especially Eduardo—resisting his rise in favor of keeping the candidacy in the family. Signaling caution, Tarcísio has prioritized his São Paulo governorship and hinted at seeking re-election over a risky national bid, complicating efforts to unify the conservative bloc under a single ticket capable of mounting a serious challenge to the incumbent PT.

Runoff scenario: Lula takes narrow lead in July after U.S. Tariffs measures



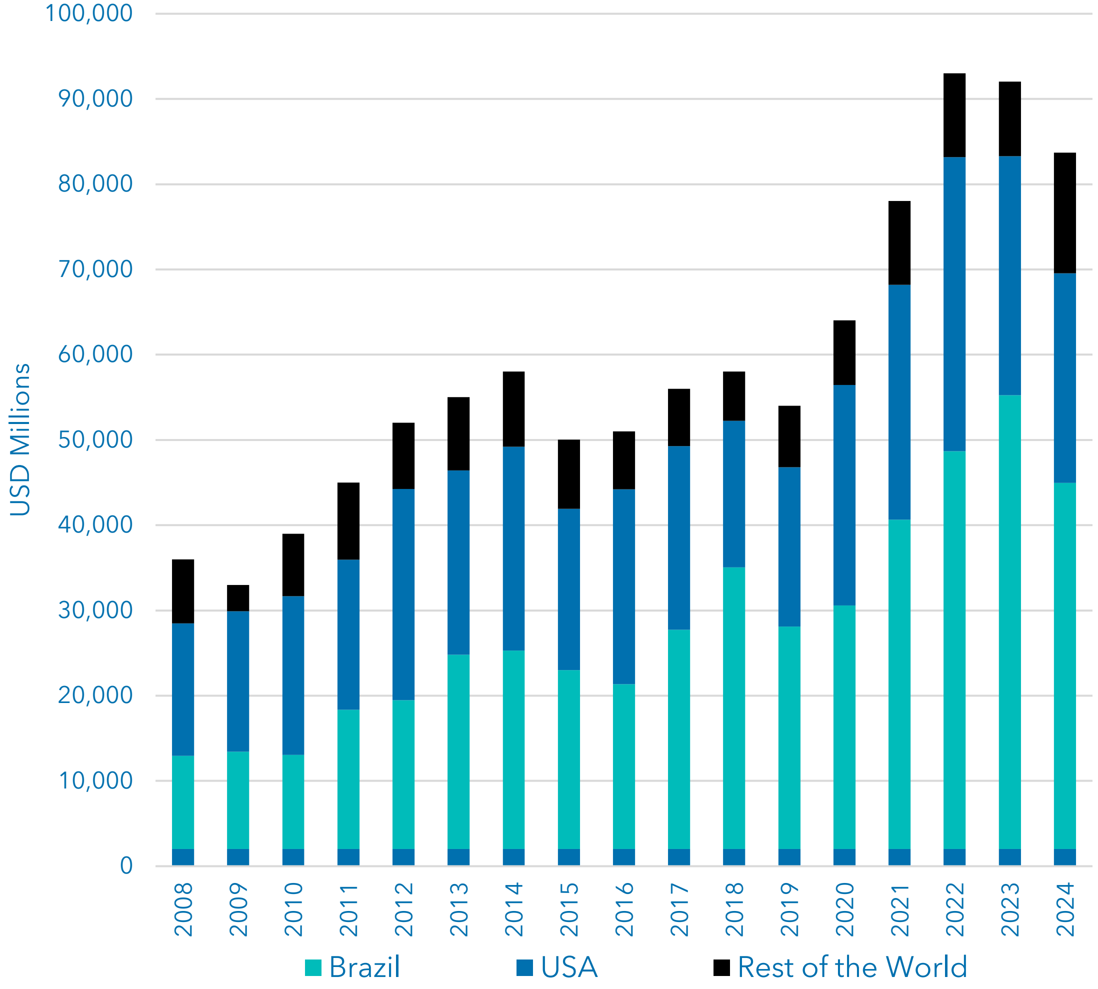
Source: Aggregated from multiple July and June polls (Datafolha, Quaest, AtlasIntel, and others). Aurora Macro Strategies calculations.

2c. Brazil Judicial Overview

- **Soy moratorium clash raises regulatory and trade risk**: On Aug 18, antitrust authority CADE suspended the Soy Moratorium—a pact banning soy from Amazon land deforested after 2008—and opened a probe into grain traders for alleged collusion. The move sparked backlash and took the moratorium site offline. Beyond reputational concerns, the fight threatens market access, export competitiveness, and ESG-linked financing ahead of COP30.
- **Judicial volatility resurfaces**: On Aug 26, a federal court issued an injunction restoring the soy moratorium pending appeal, underscoring once again the courts' outsized role as arbiters of regulatory disputes. As noted in last month's *Australis*, this pattern provides short-term certainty but amplifies institutional volatility, feeding investor unease over the predictability of Brazil's regulatory, trade, and fiscal frameworks.

Brazil leads global soybean exports

Soybean Exports Value (USD Millions, 2008–2024)



Source: UN Comtrade

2d. Rising Judicial and Geopolitical Risk

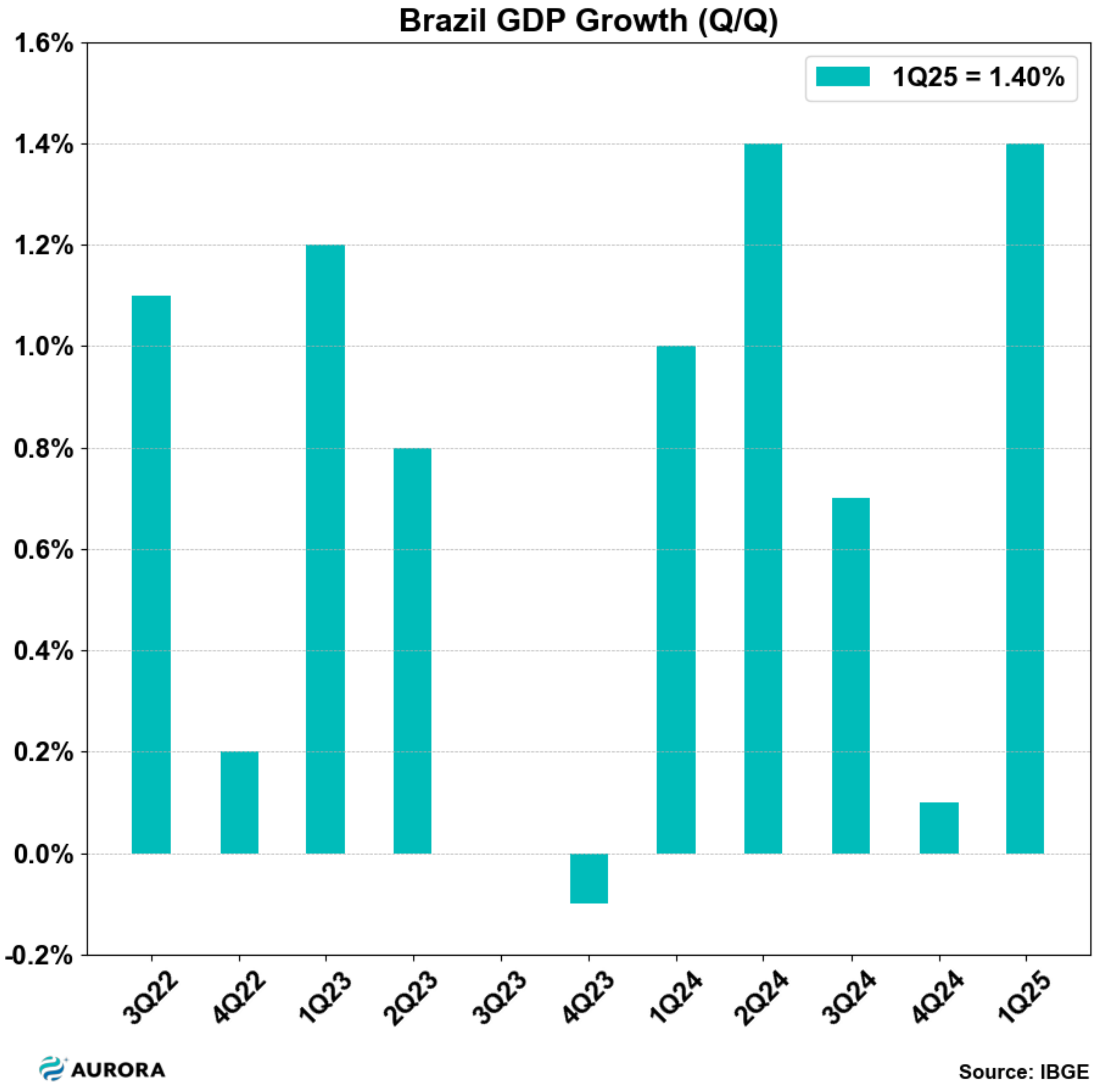
- **Magnitsky escalation targets Brazilian Supreme Court:** U.S. imposed sanctions on Chief Justice Alexandre de Moraes under Magnitsky Act - unprecedented targeting of Latin American judicial officials. Originally crafted for kleptocrats, statute now stretched to cover actions Washington defines as "against democracy."
- **Congressional warfare intensifies against STF:** Bolsonarista deputies shut down lower house for two days demanding de Moraes impeachment and amnesty for coup plotters. Centrão backing immunity-rollback bills to limit Court oversight of budget amendment investigations, targeting congressional slush fund.
- **Bolsonaro assassination trial nears verdict:** Decision due next month on charges of plotting to kill Lula, de Moraes, and VP Alckmin in December 2022. Brasília betting line has former president facing long prison stretch as judicial pressure mounts.
- **U.S. diplomatic leverage expands beyond trade:** Washington's willingness to weaponize financial tools in Brazilian institutional disputes signals broader strategy likely to resonate in friendly capitals (San Salvador, Buenos Aires, Quito) while energizing Trump-aligned campaigns across region.

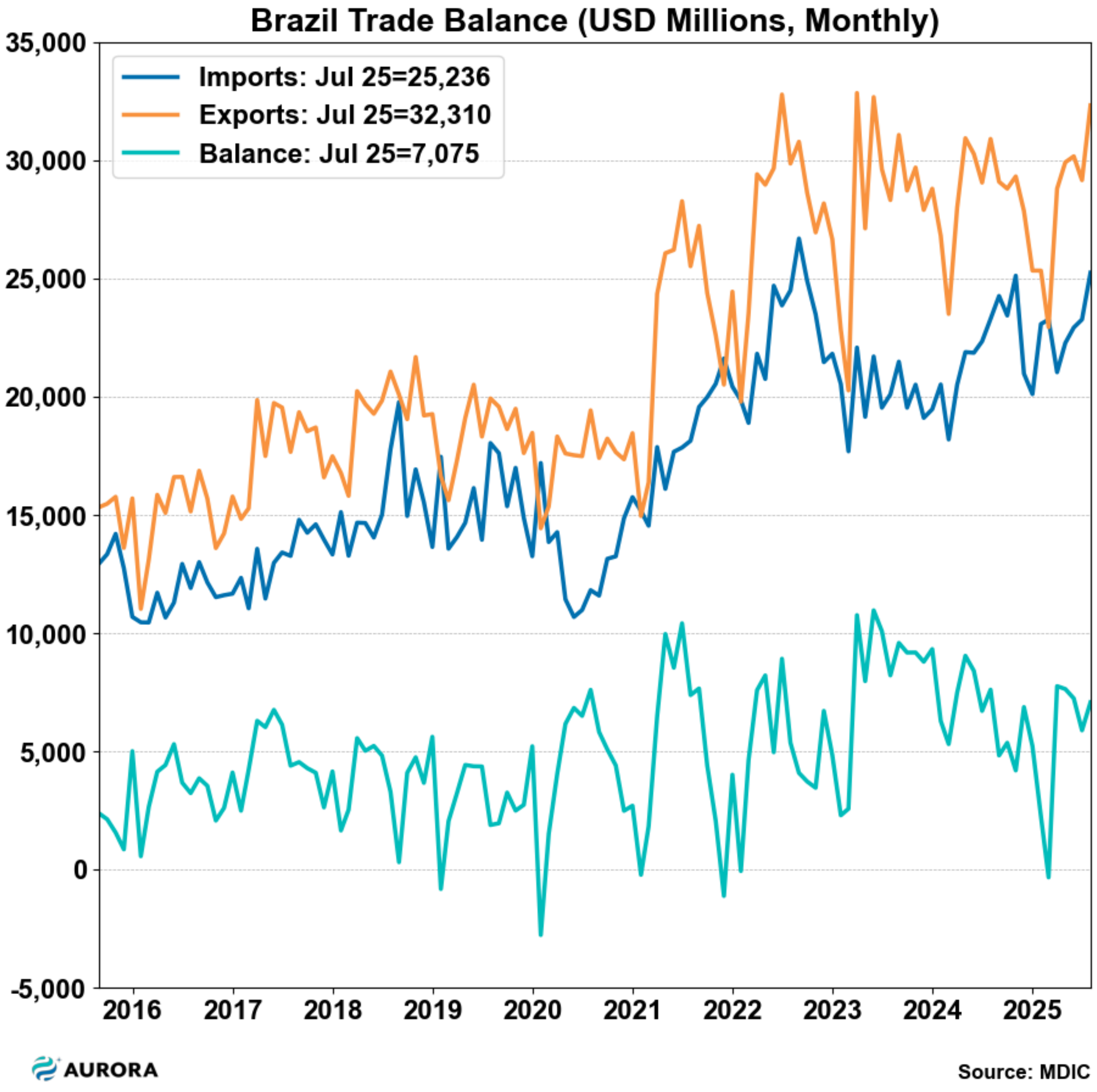
Recent market-moving STF decisions

Date	STF Decision	Sector Impacted	Investor & Market Impact
August 26, 2025	Federal court injunction restoring Soy Moratorium (pending appeal)	Agriculture, Trade, ESG Financing	Export risk, ESG financing uncertainty, regulatory unpredictability
July 18, 2025	Bolsonaro house arrest & diplomatic restrictions	Political Stability, Governance	Higher volatility, increased diplomatic tensions
July 2025	Suspension of Lula's IOF tax hike	Finance, Banking, Exporters	Fiscal policy uncertainty, bond market volatility
June 2025	Expanded digital platform liability	Tech, Digital Media	Increased compliance burdens, regulatory uncertainty
Aug-Oct 2024	Nationwide suspension of X (Twitter), Elon Musk's assets frozen	Tech, Communications	Severe operational disruption, regional reputational risk
May 2024	Petrobras tax liability (R$987Mn verdict)	Energy (Oil & Gas)	Immediate financial liabilities, valuation impacts
October 2023	Petrobras tax liability upheld (R$6.5Bn)	Energy (Oil & Gas)	Earnings impact, bond & equity volatility
February 2022	Petrobras labor liability reversed (R$17Bn)	Energy (Oil & Gas)	Positive market reaction, judicial unpredictability
November 2022	Mariana Dam disaster settlement approval (R$170Bn)	Mining	Significant financial obligations, long-term valuation uncertainty

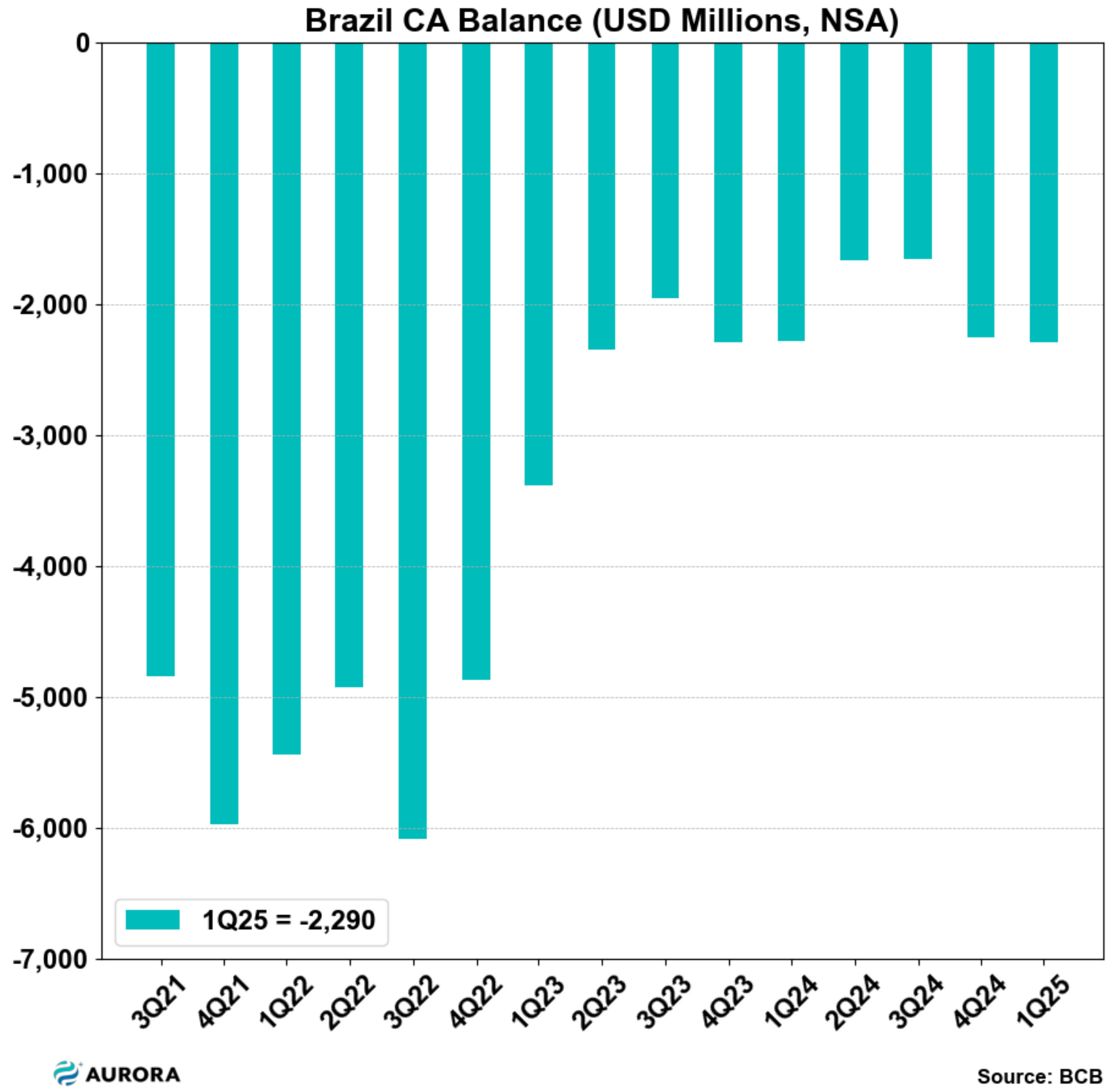
Source: Aurora Analysis

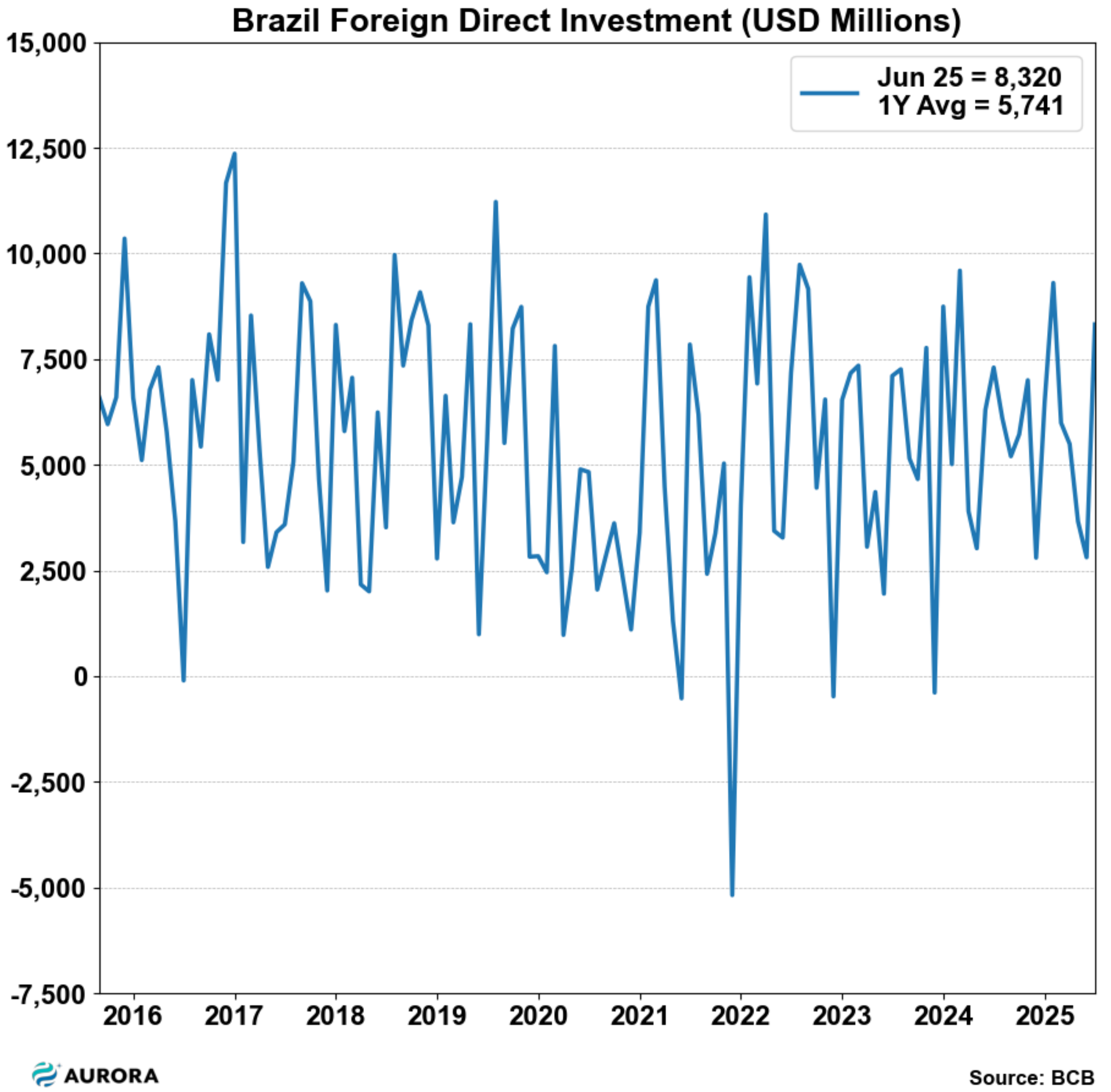
2d. Brazil by the numbers: GDP / Trade



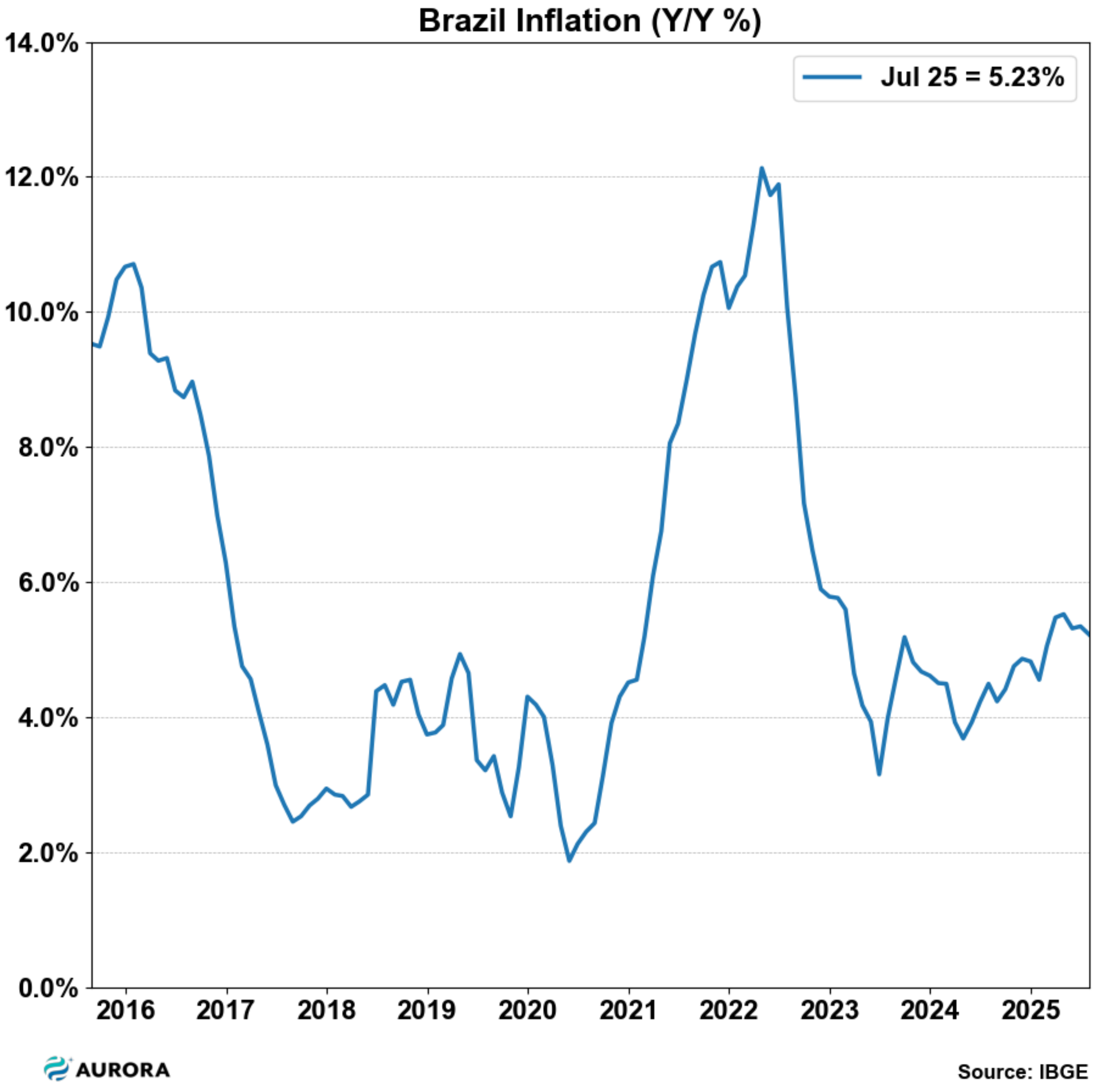


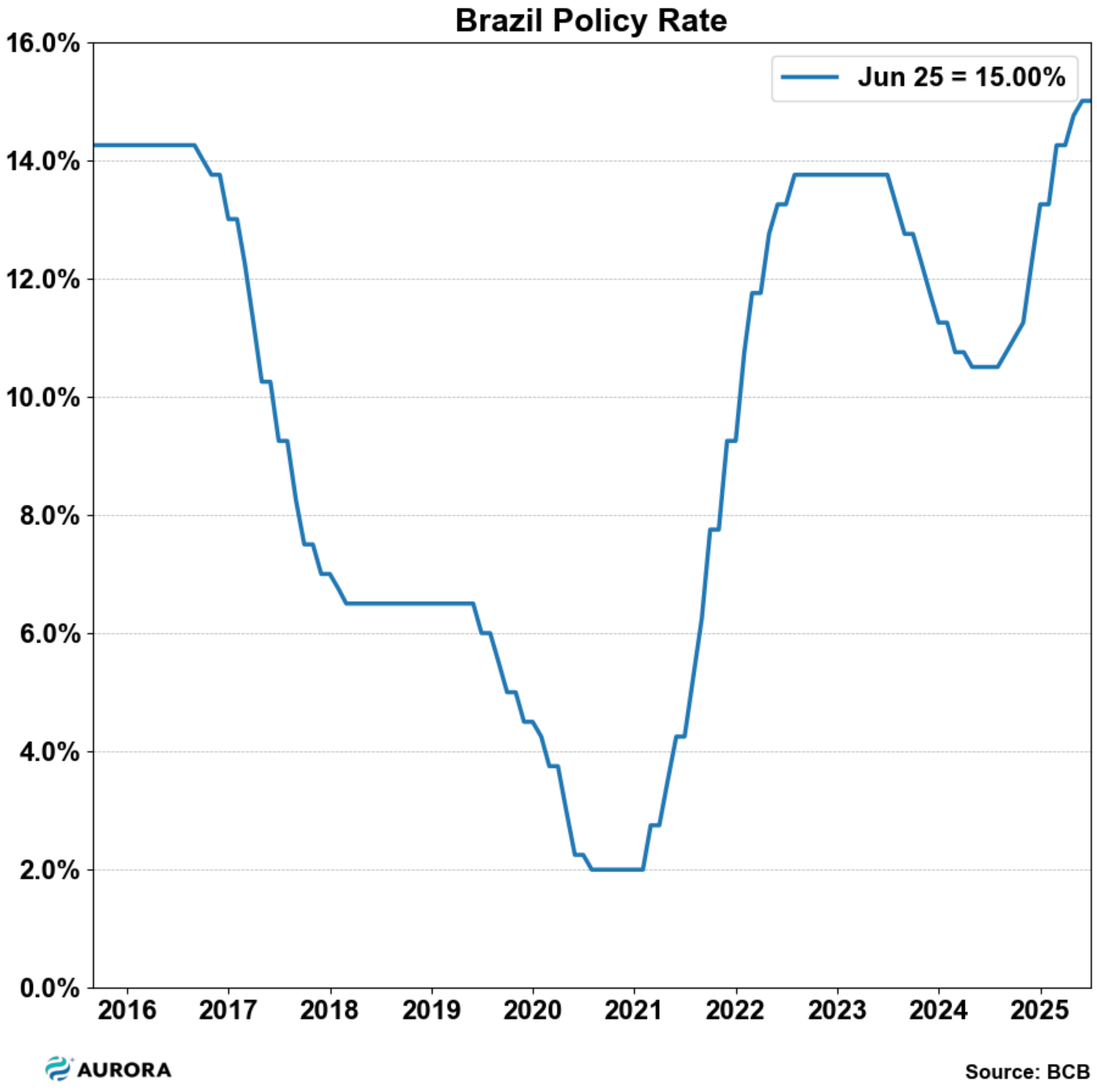
2e. Brazil by the numbers: External Sector



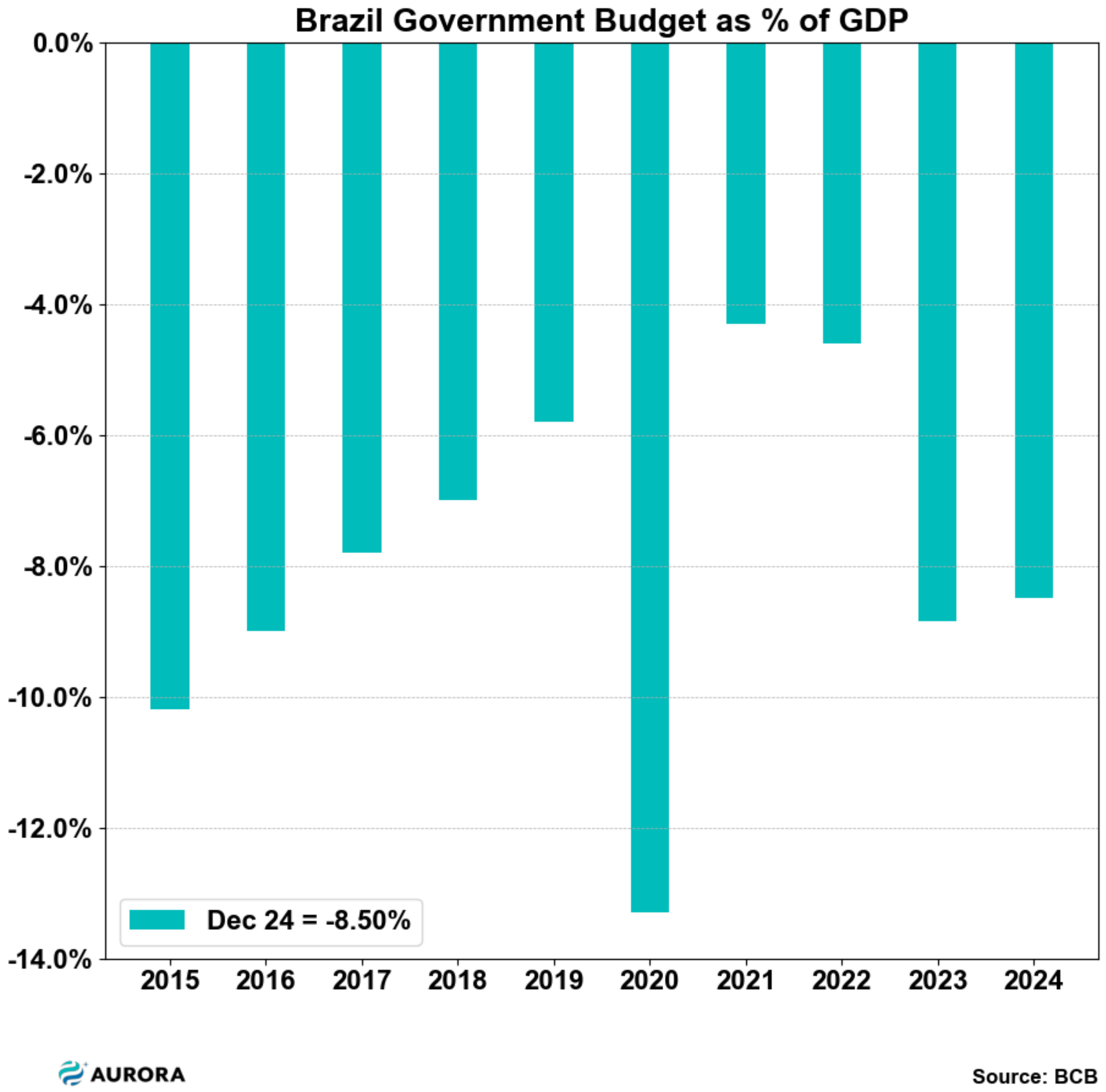


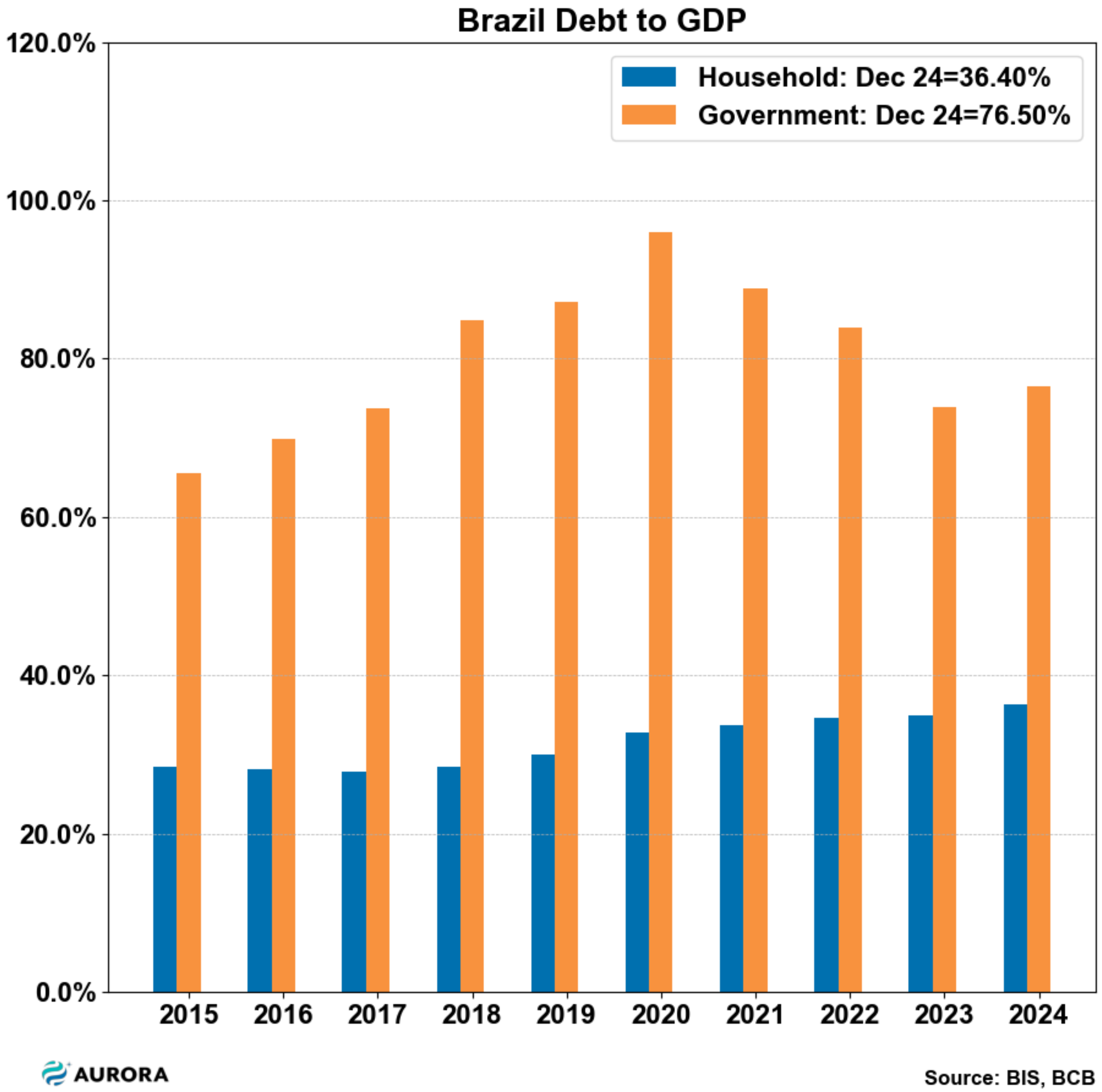
2f. Brazil by the numbers: Monetary Policy



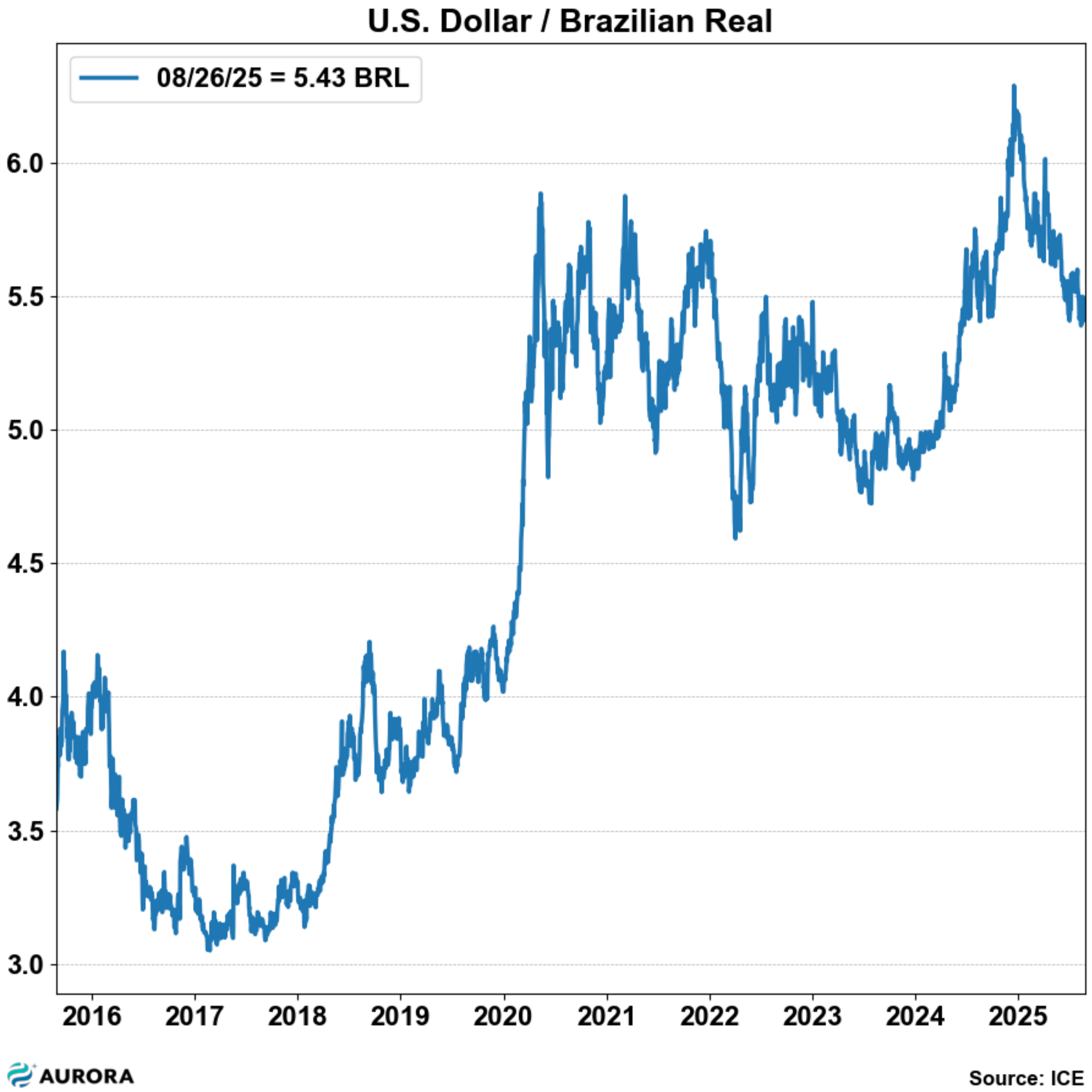


2g. Brazil by the numbers: Fiscal Policy



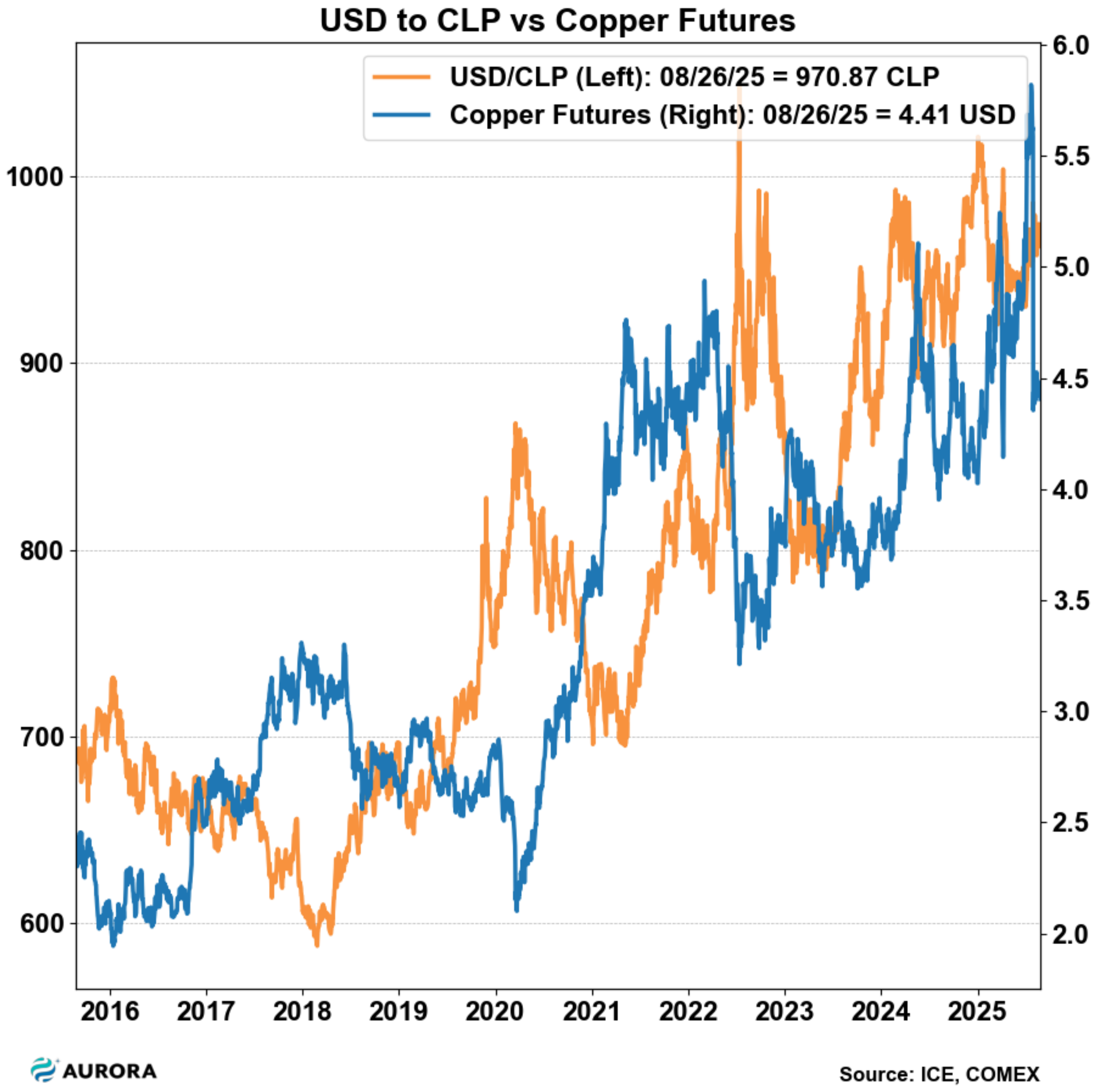


2h. Brazil by the numbers: Equities / Business Confidence



3a. Chile Macro Overview

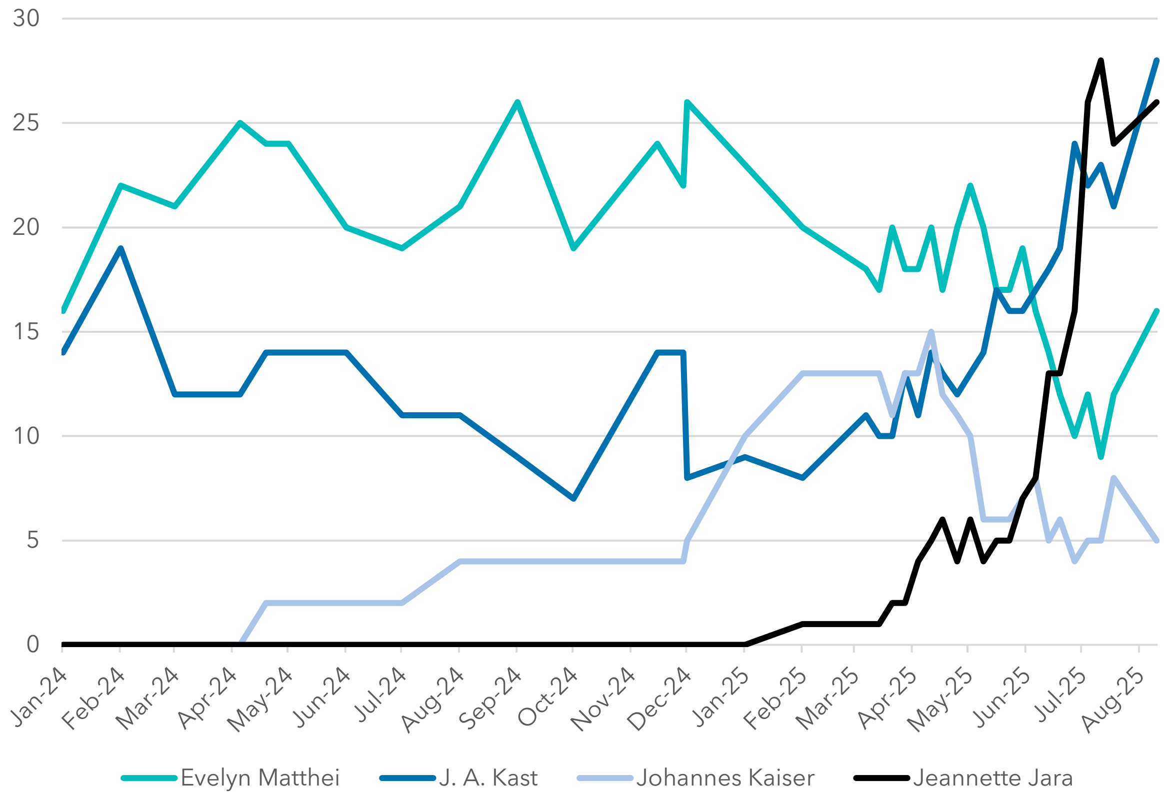
- **Central Bank cut rate amid labor market and moderating growth:** Policy rate lowered 25bps to 4.75% in July, citing weak job creation and rising unemployment. The move also came as Q2 2025 GDP slowed to 0.4% QoQ (vs. 0.7% in Q1), underscoring decelerating growth.
- **Inflation reaccelerates:** July CPI rose to 4.3% YoY, up from 4.1% in June, challenging the case for further easing.
- **Trade balance slips into deficit:** July posted a USD 63m shortfall (vs. USD 1.1bn surplus a year earlier). Exports fell 1.8% YoY, led by a ~20% one-day copper crash on COMEX after the U.S. exempted refined metal from its 50% tariff. The move unwound speculative import bets and collapsed the COMEX–LME premium, even as global benchmark (LME) prices stayed steadier against a backdrop of trade frictions and softer Chinese demand.
- **Peso and equities diverge from copper:** While copper prices dropped, the CLP held broadly stable. This divergence underscores how, unlike pre-2019 when FX and equities moved in lockstep with copper; political risk, investor positioning, and domestic liquidity have become stronger drivers.



3b. Chile Political Overview

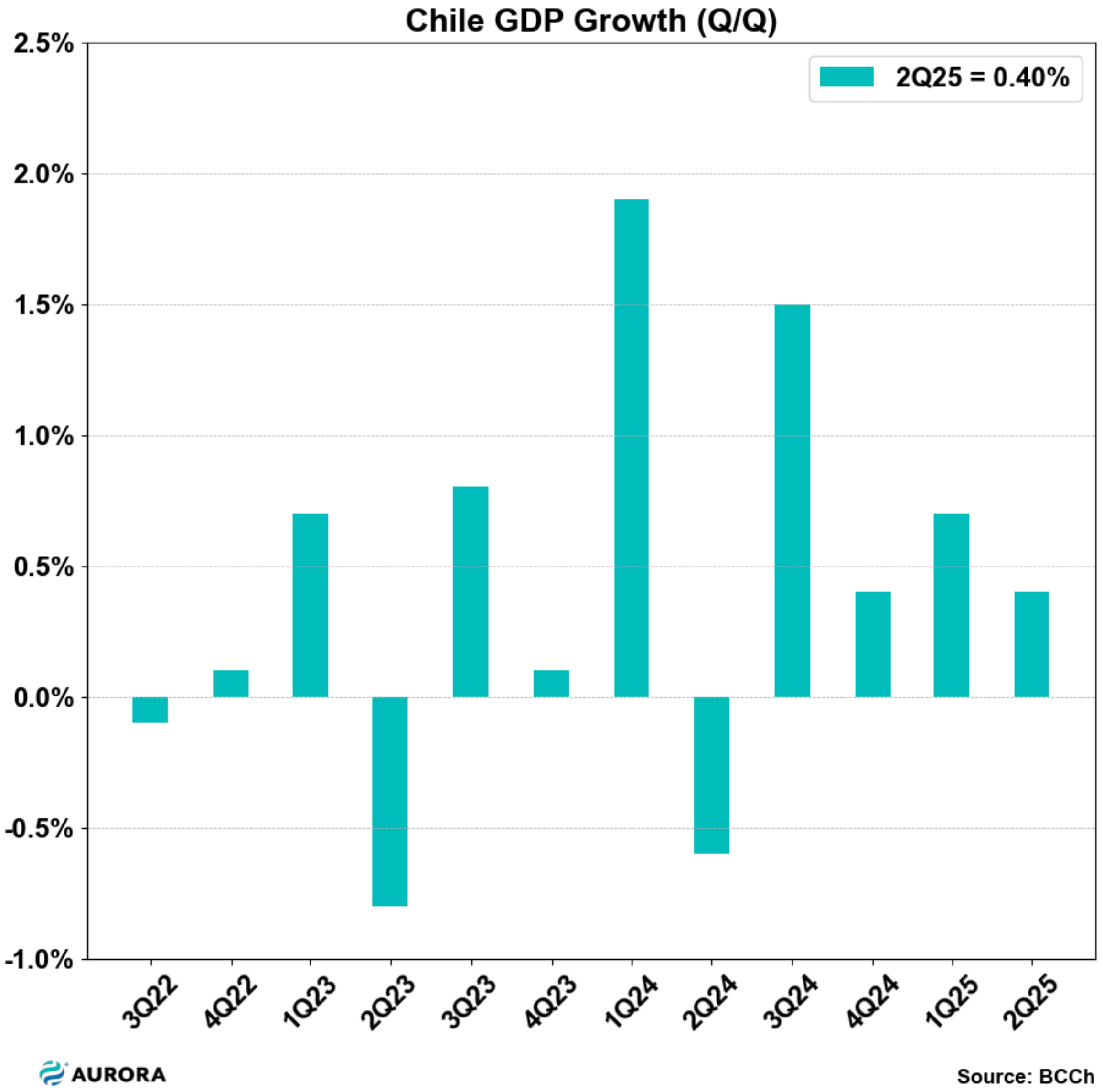
- **Fragmented Nov 16 presidential race:** Kast (Republicans) and Kaiser (National Libertarians) still run separately, Matthei anchors the traditional right, and Communist Jara heads the ruling coalition.
- **Congressional dynamics:** Kast and Kaiser align in Congress while cutting pacts with Matthei's bloc, signaling likely viable majorities for any right-wing contender.
- **Dec 14 runoff:** With no contender near 50%, current trends point to a likely Jara–Kast runoff, advantaging the latter. Only a rapidly deflating Kaiser would enter a hypothetical runoff against Jara as anything other than the underdog.
- **Compulsory vote with migrant twist:** Since 2022 turnout is mandatory—but migrant residents (~5% of the electorate) remain exempt from fines. The far-right legislative bloc is pushing to include them in the sanction regime to boost turnout among this largely Venezuelan, presumed anti-left group. The bill is bogged down in committee, and Aurora assesses a 75%+ chance it remains so through November, leaving the vote "compulsory" but unenforced for foreigners.

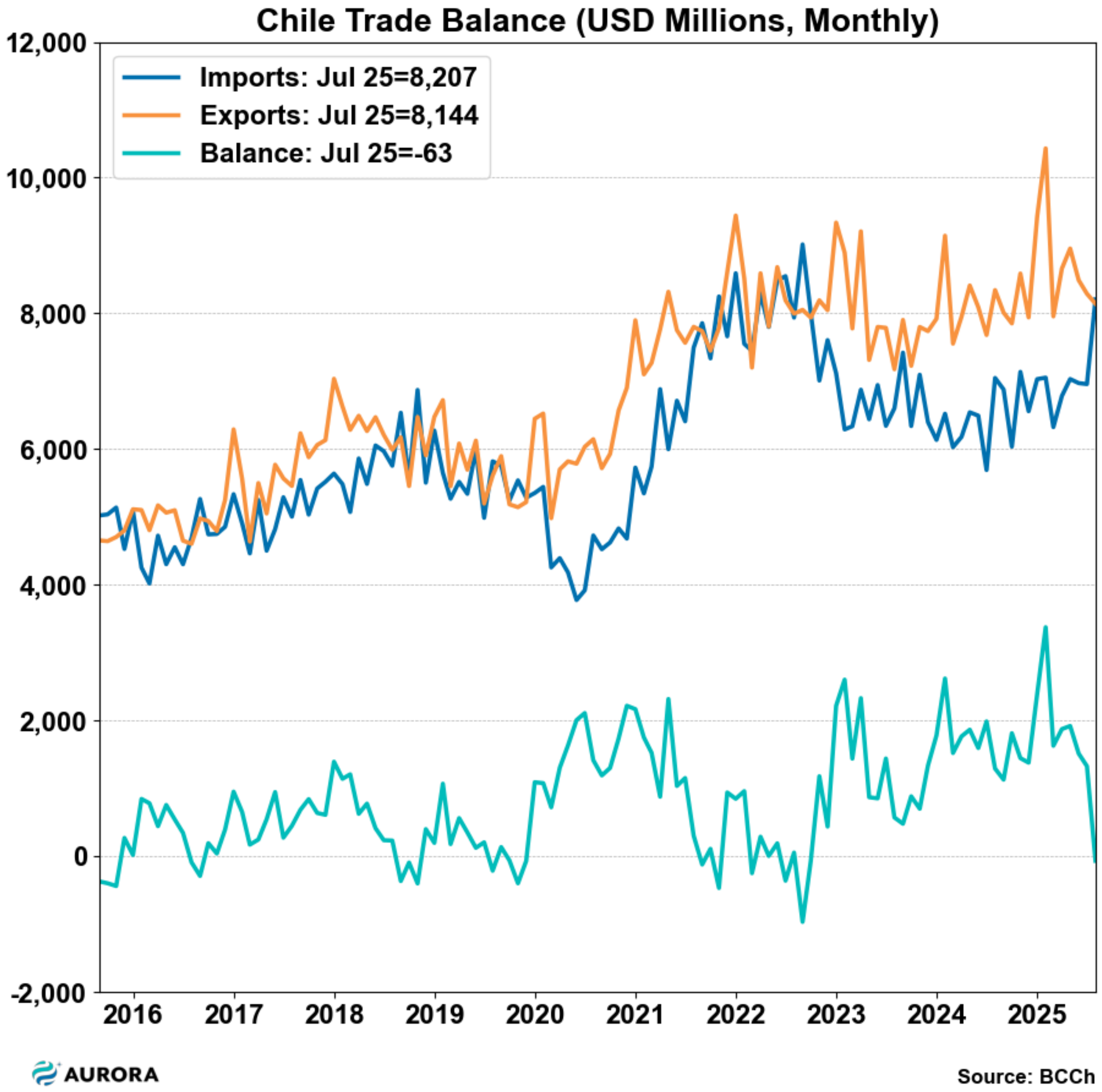
Chile Presidential Preference August '25



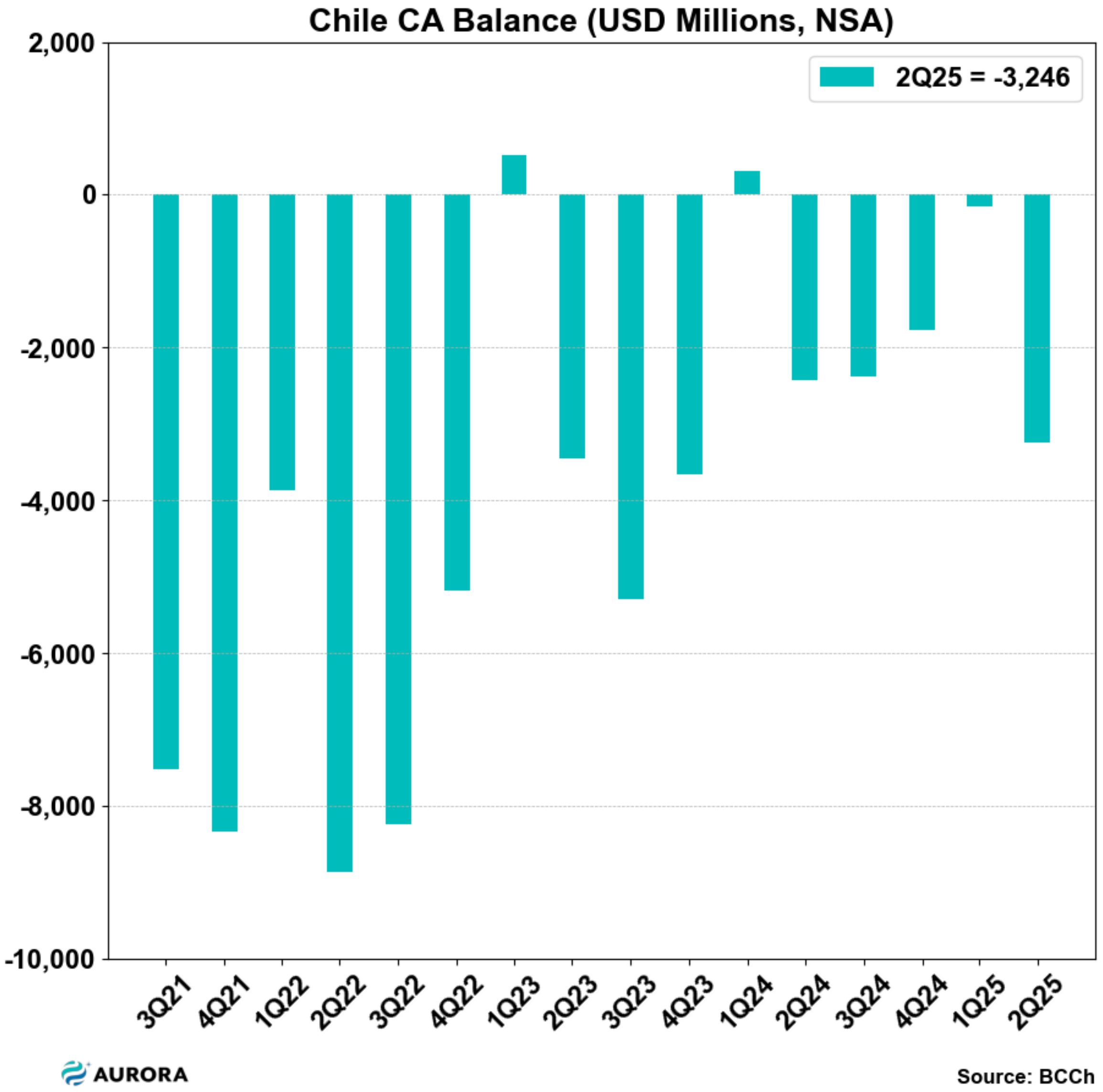
Source: Plaza Pública - Cadem

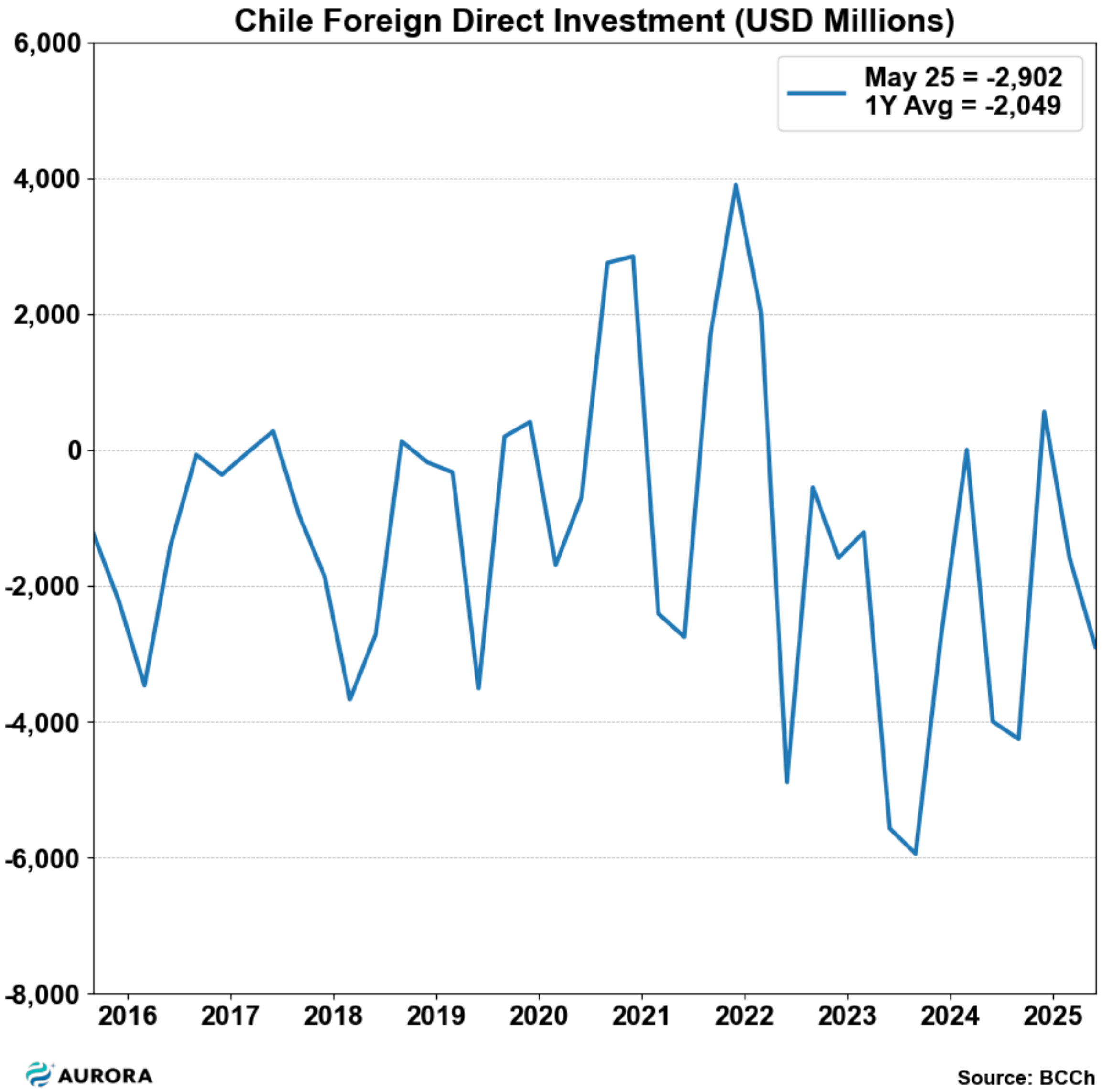
3c. Chile by the numbers: GDP / Trade



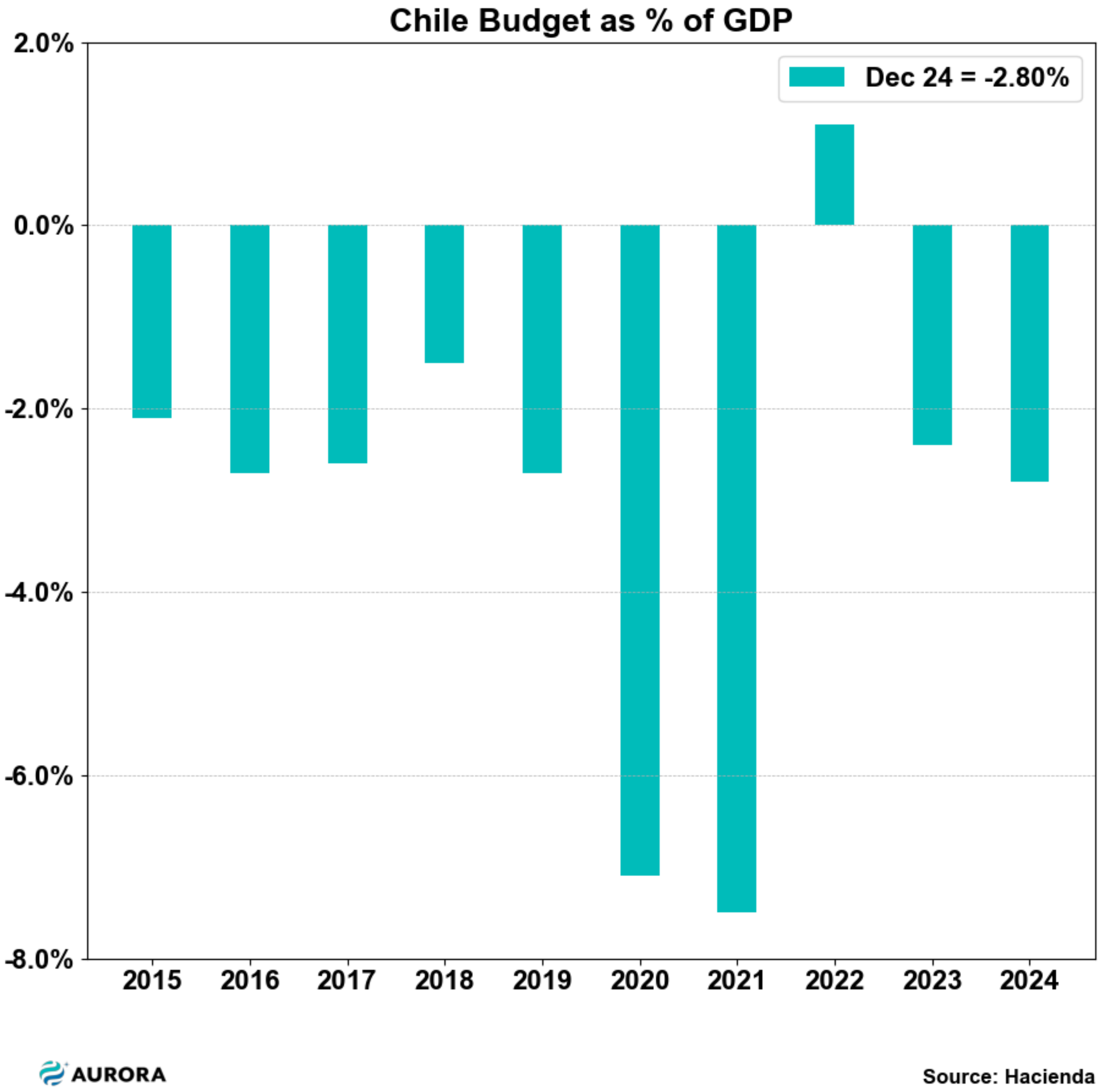


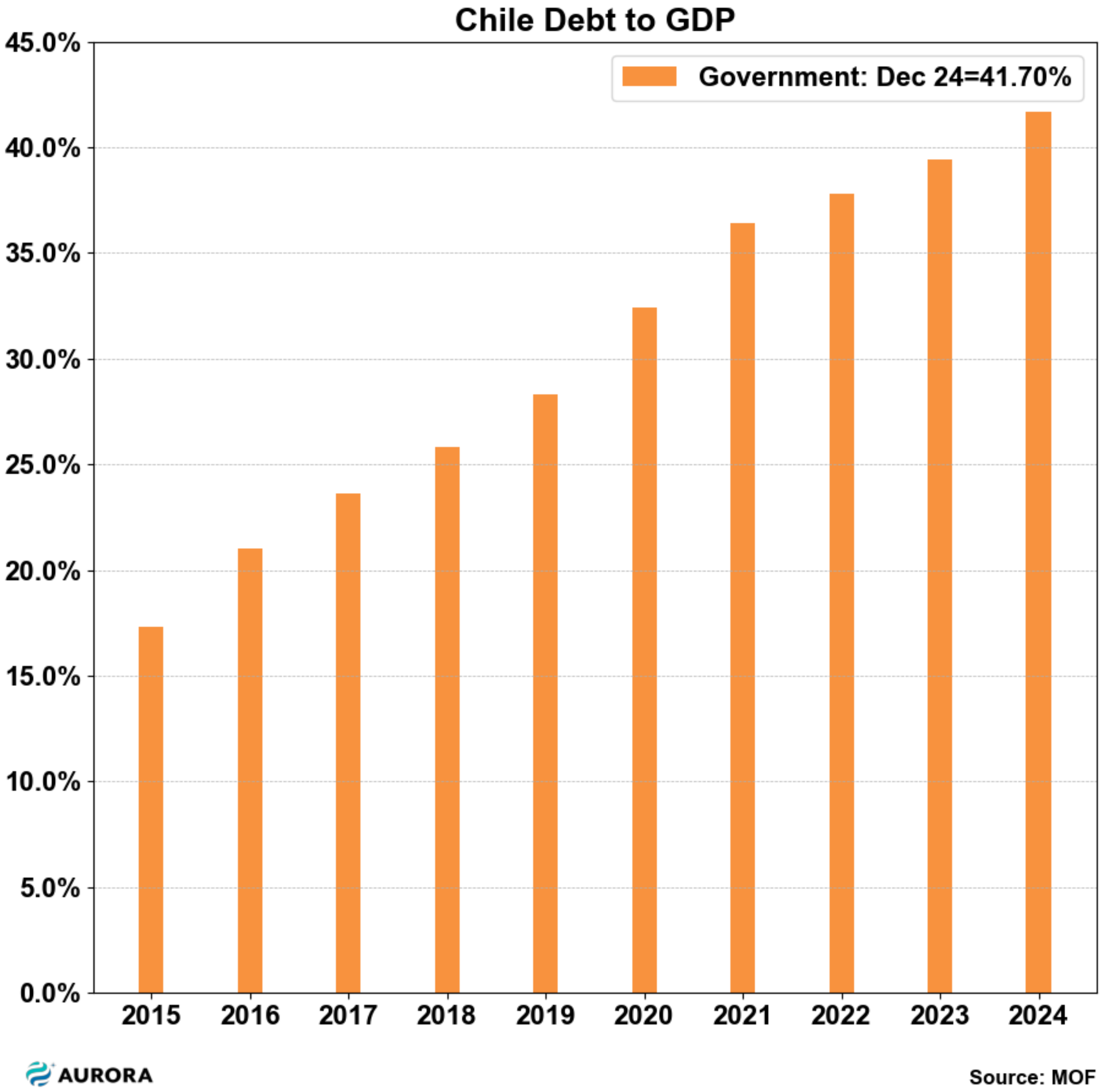
3d. Chile by the numbers: External Sector



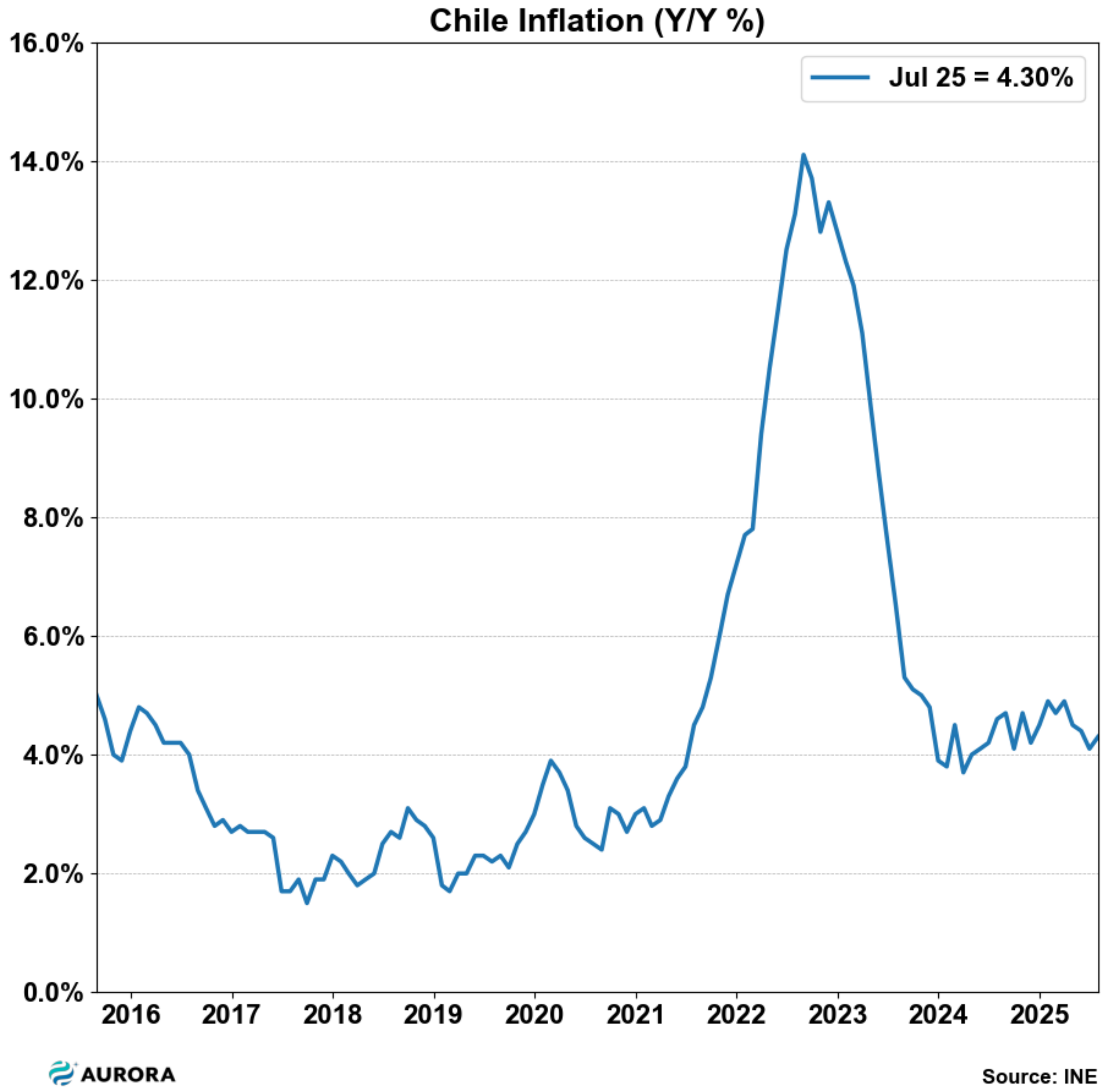


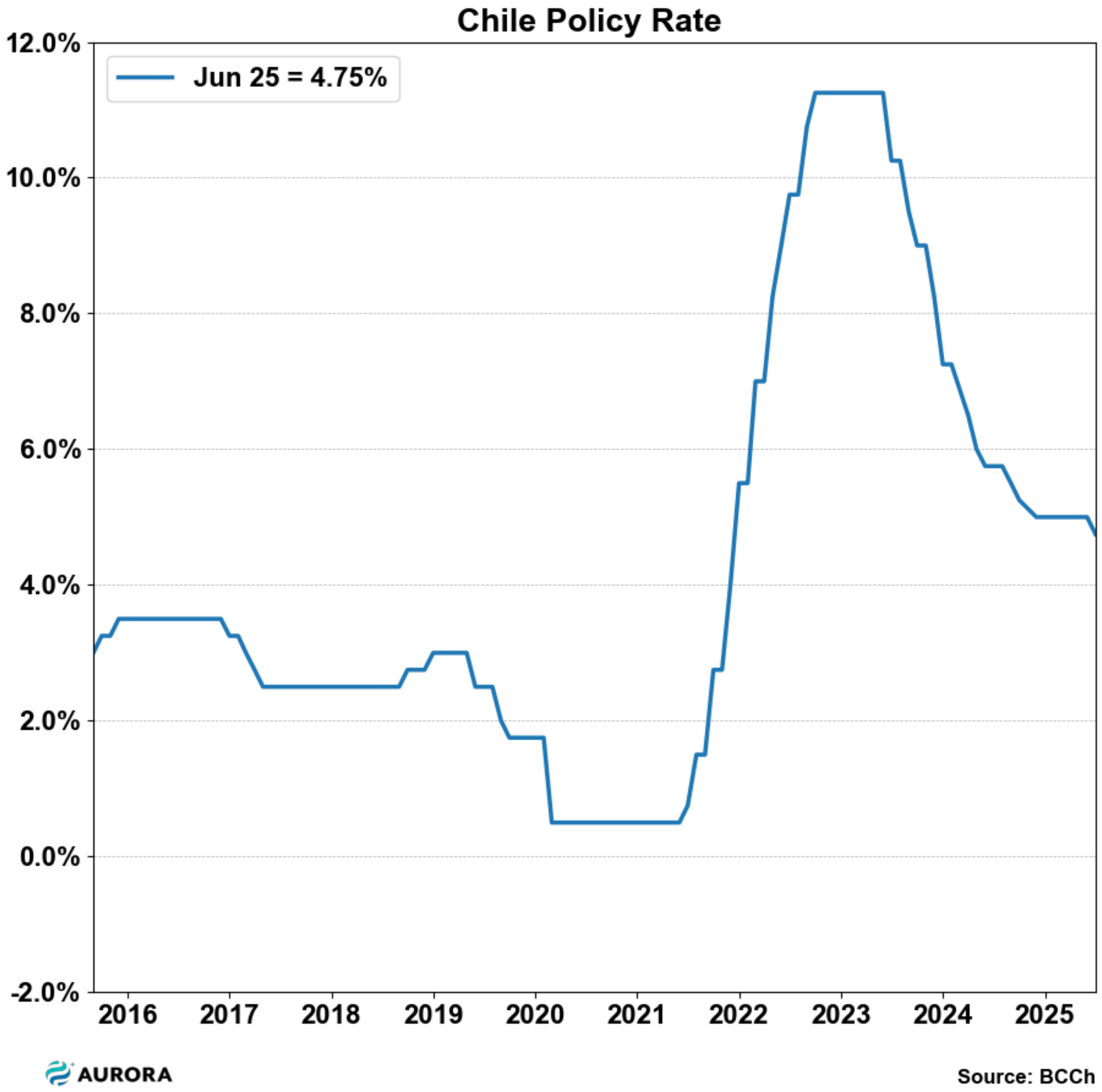
3e. Chile by the numbers: Fiscal Policy



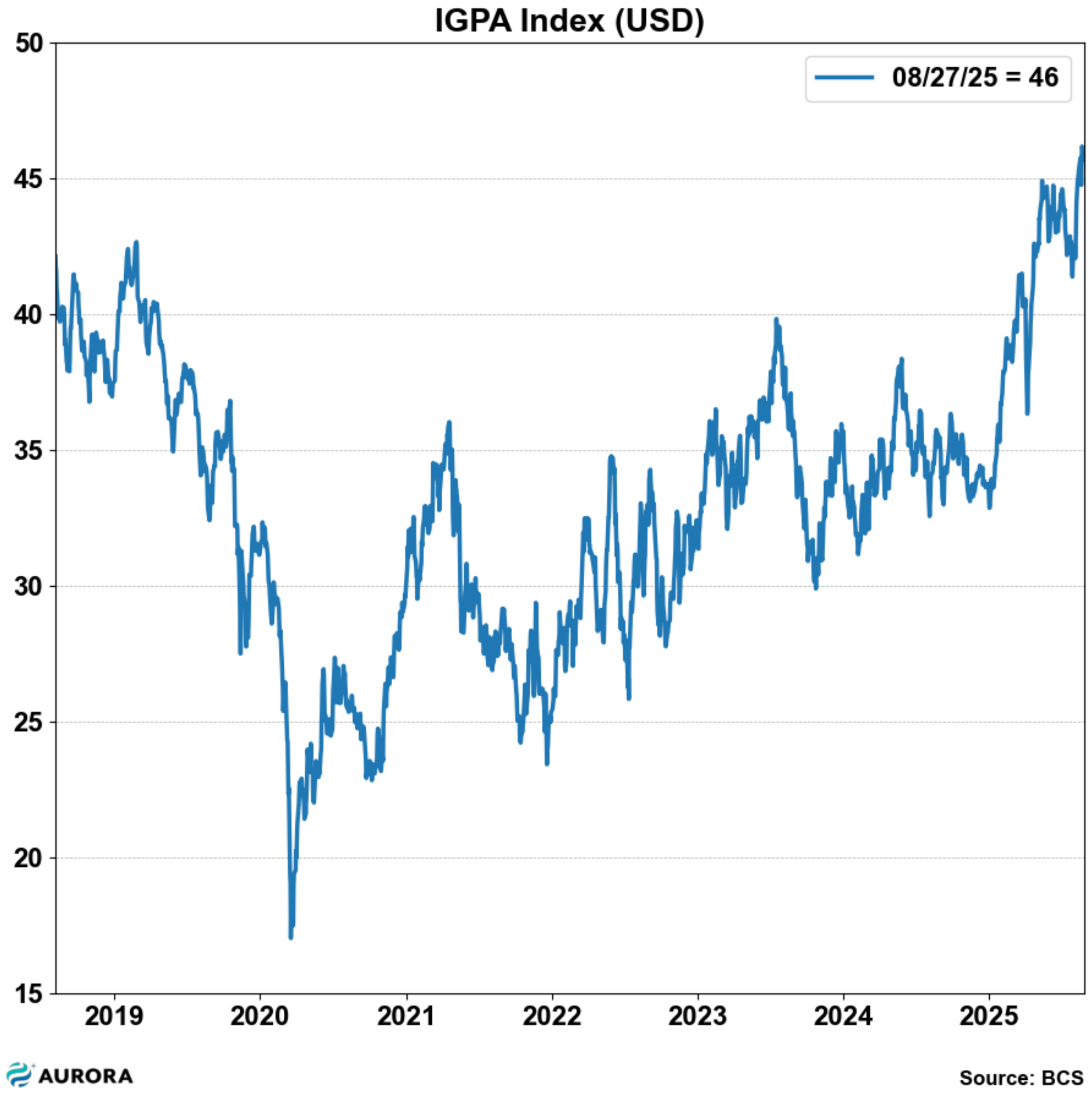


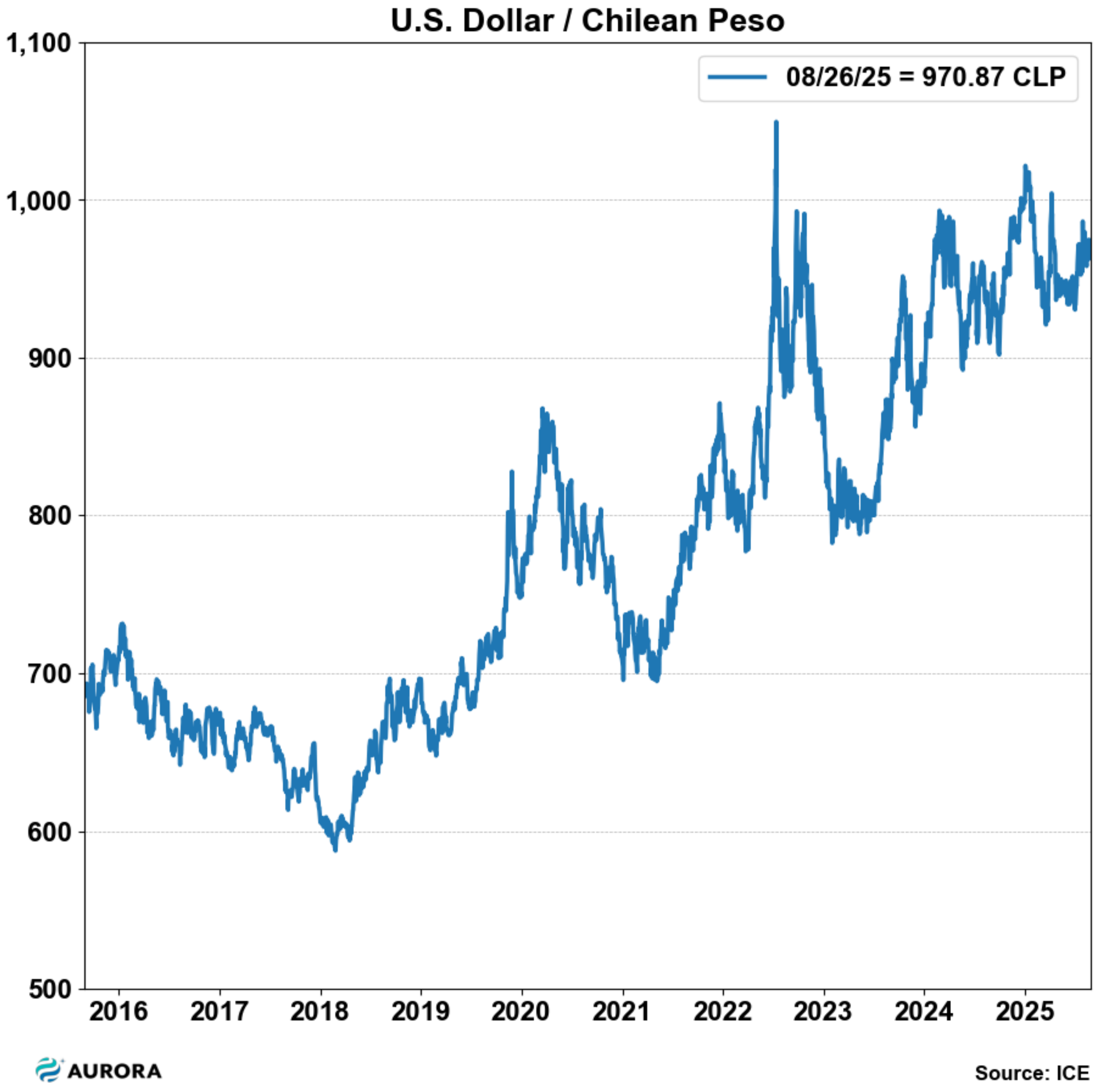
3f. Chile by the numbers: Monetary Policy



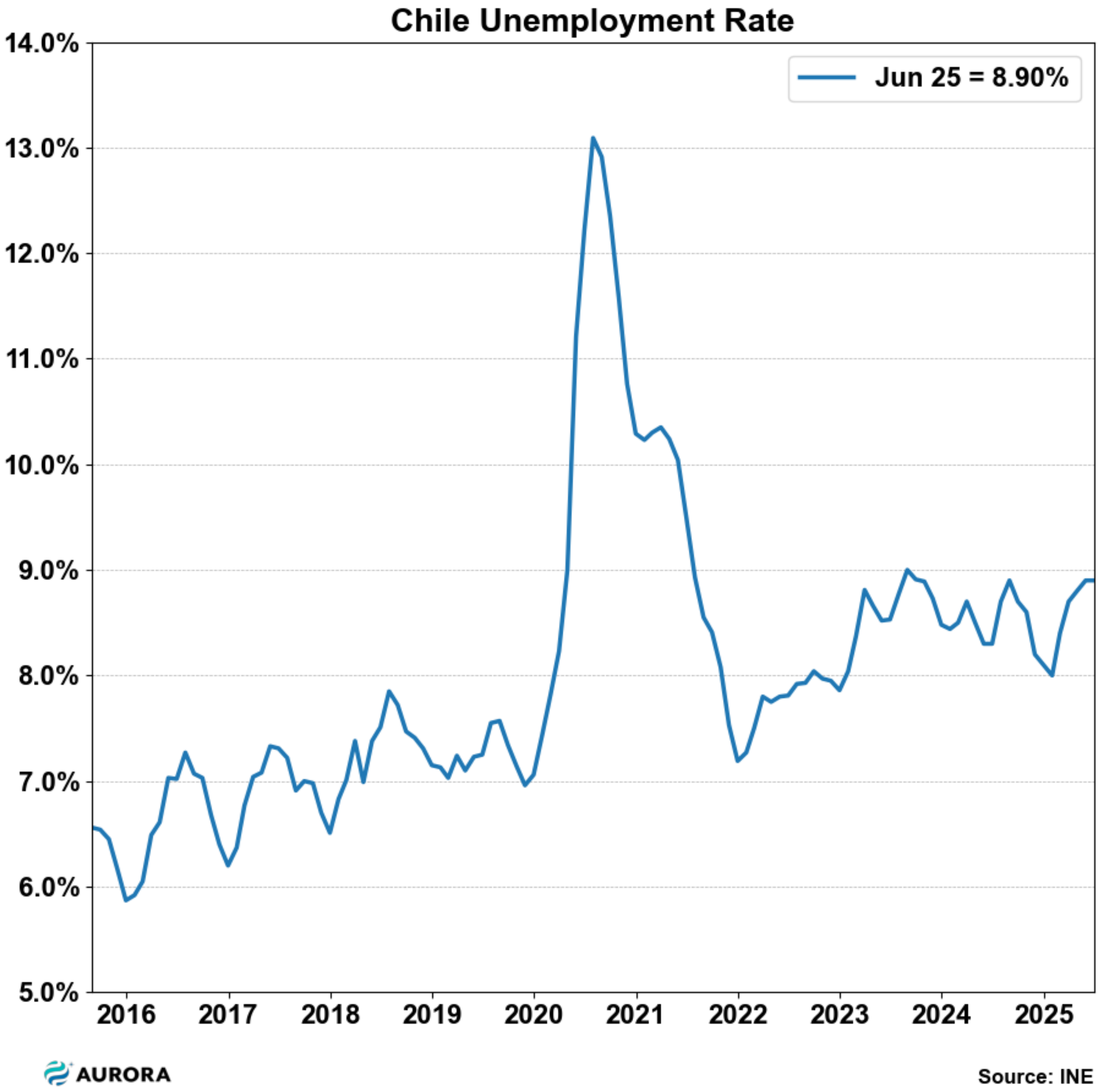


3g. Chile by the numbers: Equities / FX Performance





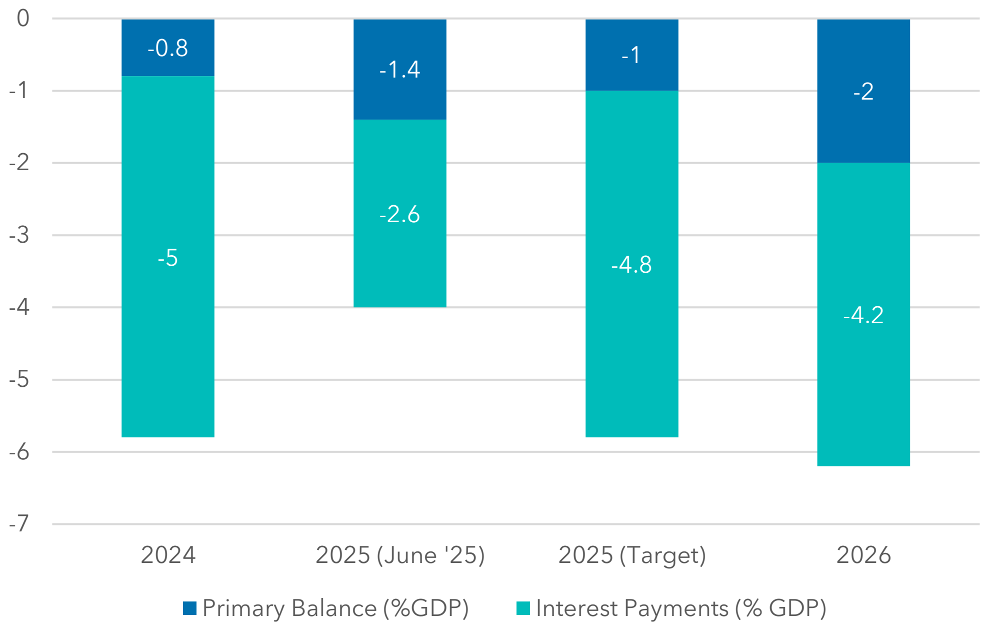
3h. Chile by the numbers: Unemployment



4a. Colombia Macro Overview

- **Growth slows in Q2 2025:** GDP +0.5% Q/Q vs. 0.8% in Q1. Output lost momentum, though activity remains positive. Domestic demand remains a key driver, but pace is easing.
- **Fiscal impetus despite strained accounts:** 2026 budget bill shows strong fiscal impetus, lifting the primary deficit to 2% of GDP. In 2025, the mid-year primary balance was already –1.4% of GDP, making the overall deficit target of –5.8% unlikely to be met. With a –5.8% deficit in 2024 and a –6.2% target for 2026, the outlook points to further deterioration, as the 2026 plan depends on a new financing law and temporary revenues rather than spending cuts.
- **BanRep keeps policy rate at 9.25%:** The Board (4–2–1 split) highlighted June inflation at 4.8% as justification. With July CPI ticking up to 4.9%, the central bank is likely to extend its cautious stance, prioritizing inflation control over growth support.

Government Budget Breakdown: Primary Balance and Interest Payments. (% of GDP)



Source: BanRep, Comité Autónomo de la Regla Fiscal (CARF)
Aurora Macro Strategies calculations.

4b. Colombia Political Overview

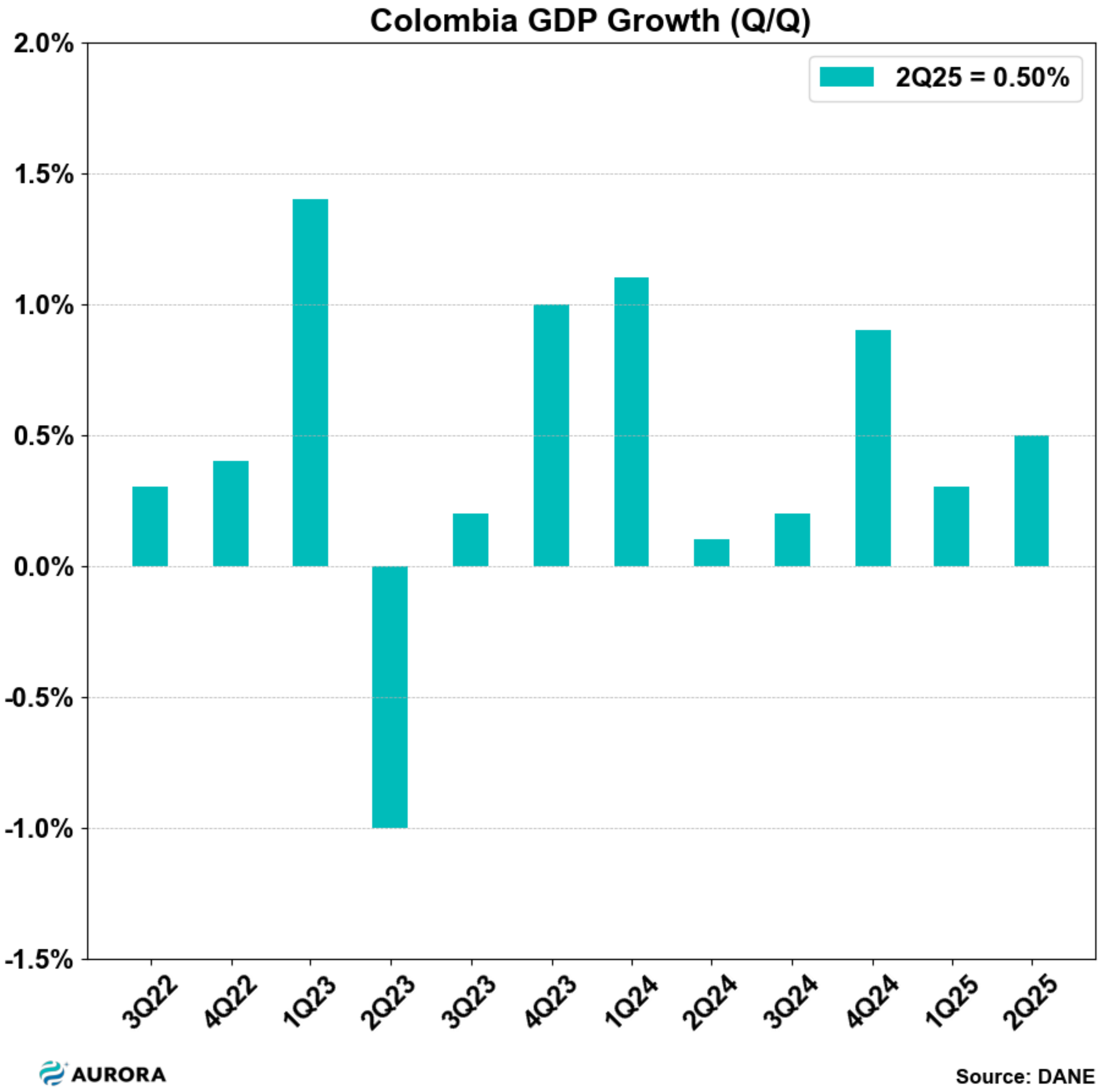
- **Petro lame-duck, but not toothless**: Congress resists the financing law, but Petro can still impose his budget and shape outcomes administratively through decrees – market-relevant in the short term even as he loses traction on broader policy.
- **Pacto Histórico fragmented but relevant:** Multiple candidacies within the coalition preserve Petro's dominance over the left and influence over succession, even with re-election barred.
- **Security dominates the campaign:** Miguel Uribe's assassination and escalating FARC dissident attacks – including a drone strike on an army helicopter and a bombing in Cali – have made law and order the top electoral issue.
- **Traditional right reorders:** With Álvaro Uribe freed and Miguel Uribe Londoño – Miguel Uribe's father – set to secure Centro Democrático's nomination, the institutional right could unify by 1Q26, stalling momentum for outsiders like Vicky Dávila and Abelardo de la Espriella.
- **Polling blackout until Oct. 31:** A new law bans publication of presidential voting-intention polls until late October, except for intra-party consultations (in practice limited to the Left, which will hold its primary that month).

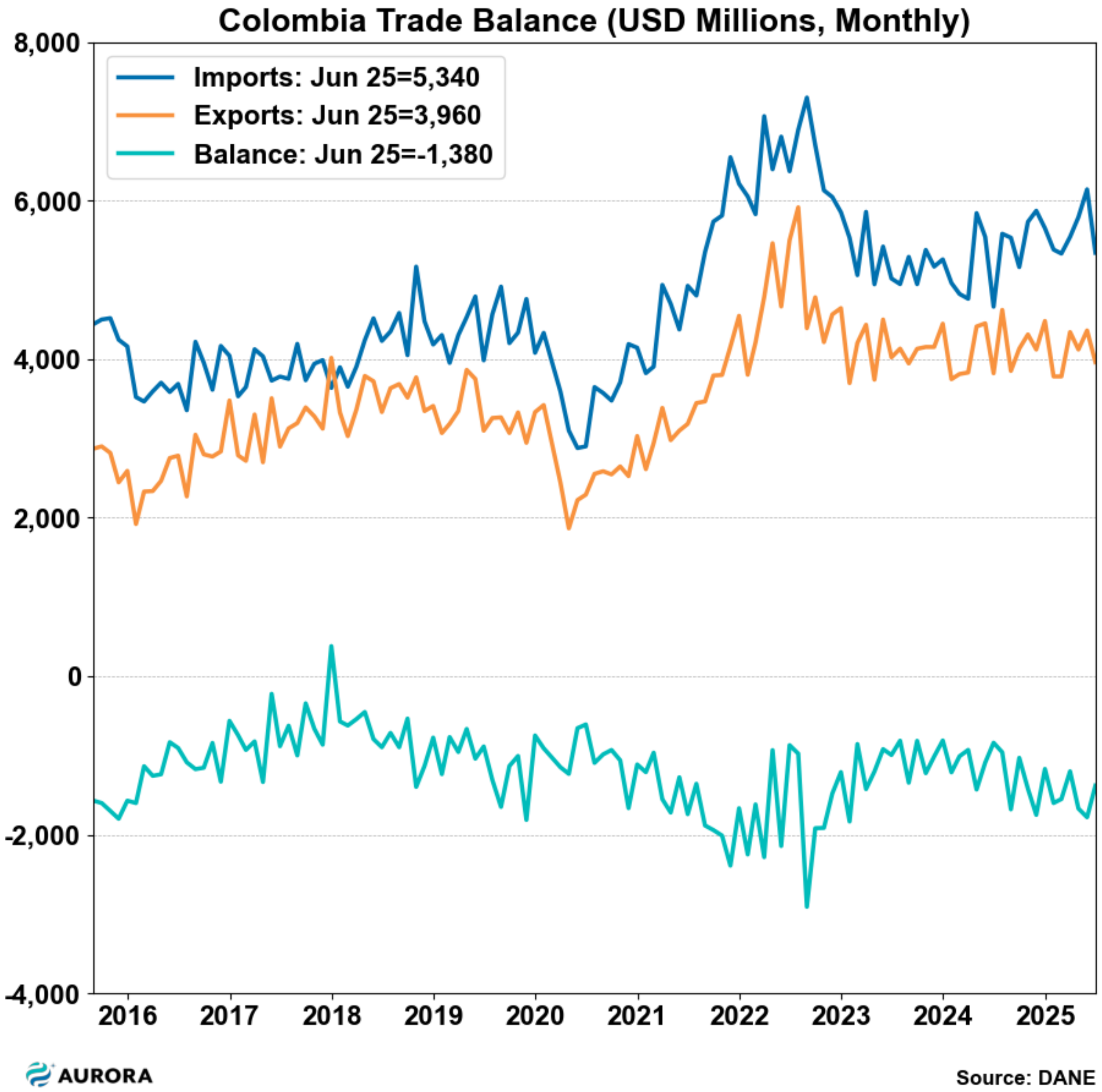
Political Bloc	October 2025 (Pre-candidates)	March 2026 (Primaries / Coalition Talks)	May 2026 (Final Candidacies)	Our Poll Projections (est.)*
Left (Pacto Histórico)	D. Quintero, Cepeda, Bolívar, María José Pizarro, Susana Muhamad, others. Internal consultations in to narrow candidacies.	Possible broader coalition talks with other progressive/independent forces; left could seek to unify beyond PH ahead of first round.	Single left-wing candidate; Petro remains kingmaker despite re-election ban.	**30%** - Quintero ~11, - Cepeda ~10, - Bolívar ~9.
Center	Claudia López, Germán Vargas, Sergio Fajardo, other lesser independents	Possible centrist primary to consolidate, (Fajardo says he will not participate)	Either a single centrist candidate or fragmented independents	**12%** - Fajardo 8, - C. López 4.
Institutional Right (Centro Democrático) & Rightwing Outsiders	CD: Miguel Uribe Londoño (MUL) joins as main contender, alongside other party hopefuls. Outsiders: Vicky Dávila and Abelardo de la Espriella (projecting a Bukele-style appeal)	CD will hold an international poll (Dec 2025–Jan 2026). In March, Outsiders (Dávila, De la Espriella) may join reconcile with CD in broader right-wing bloc	Unified right-wing candidate, potentially reinforced by alliances with outsiders and other right-leaning parties	**32%** - 15% for CD - 17% - (Dávila 9, De la Espriella 8)

Source: Based on latest published polls (March–July 2025) and Aurora projections.

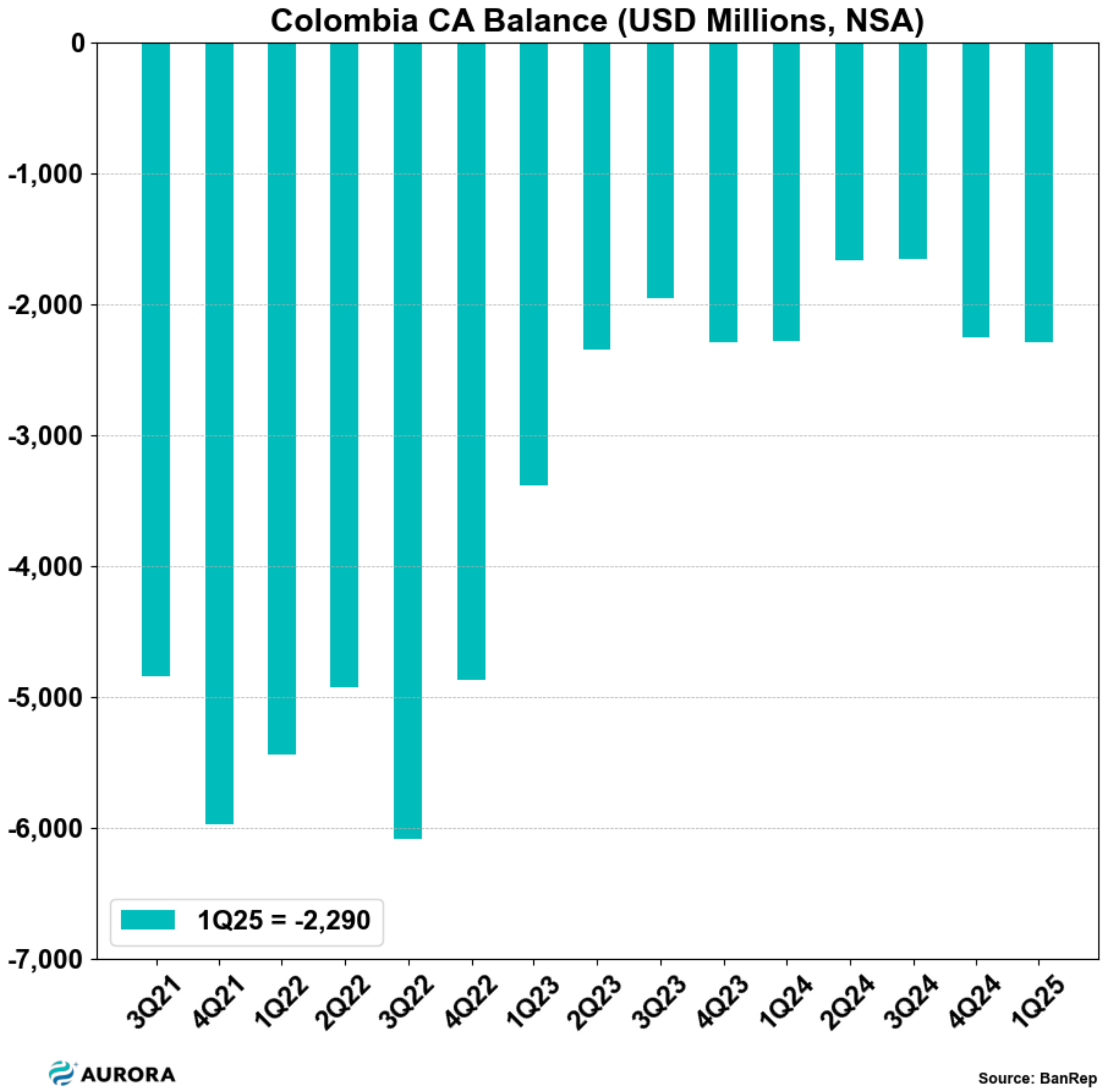
*** ~26%:** *Undecided/Other.*

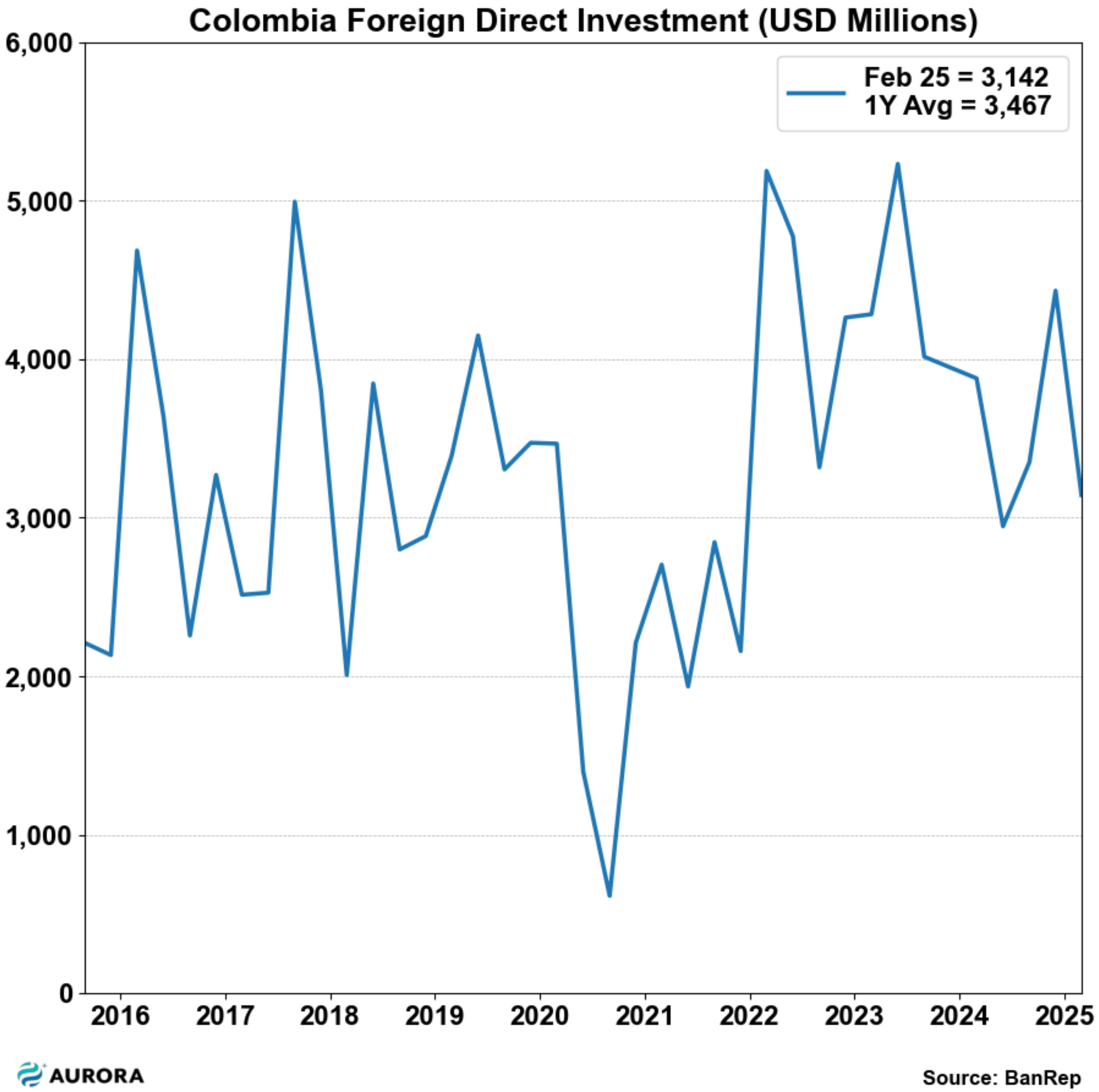
4c. Colombia by the numbers: GDP / Trade



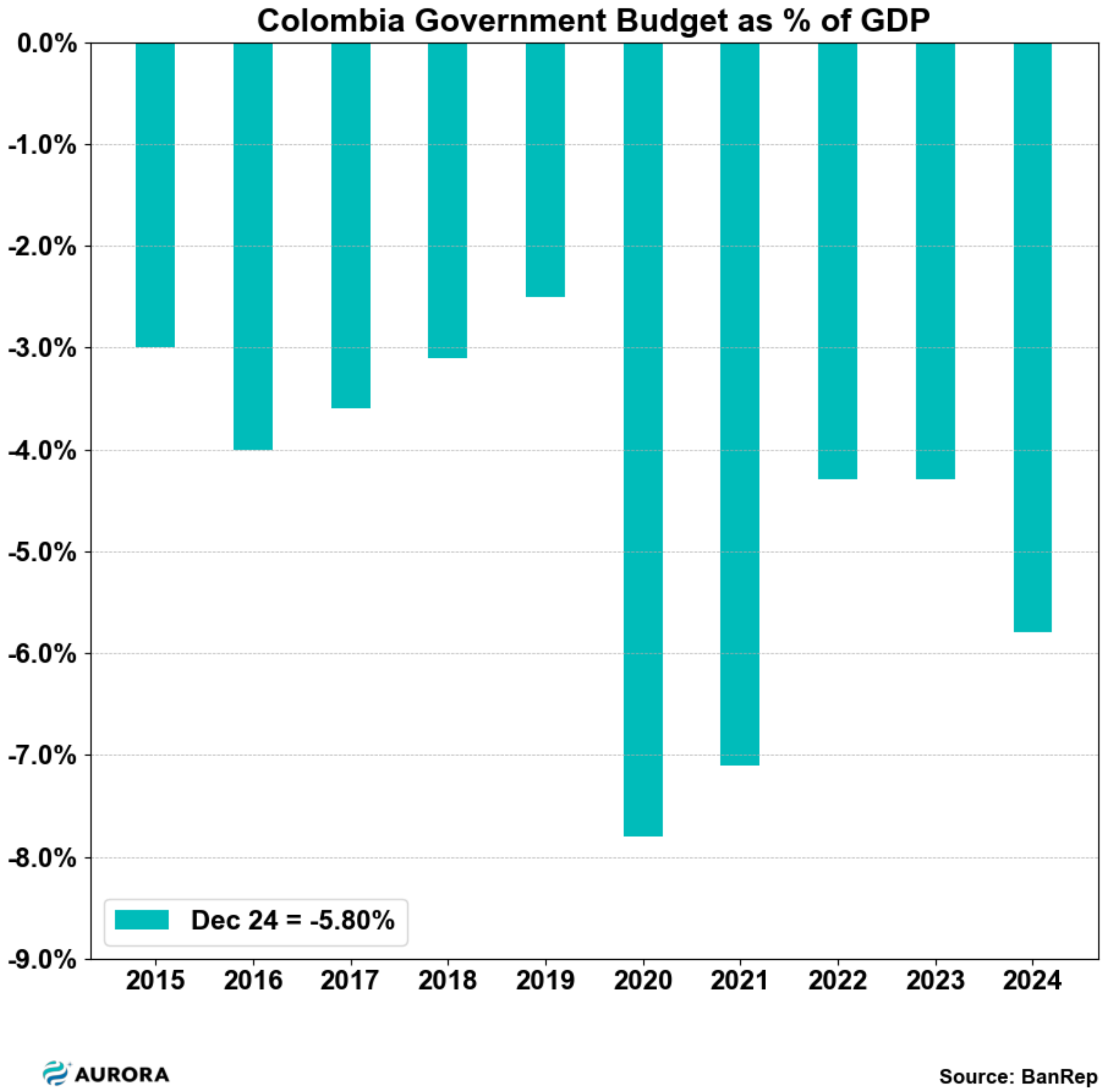


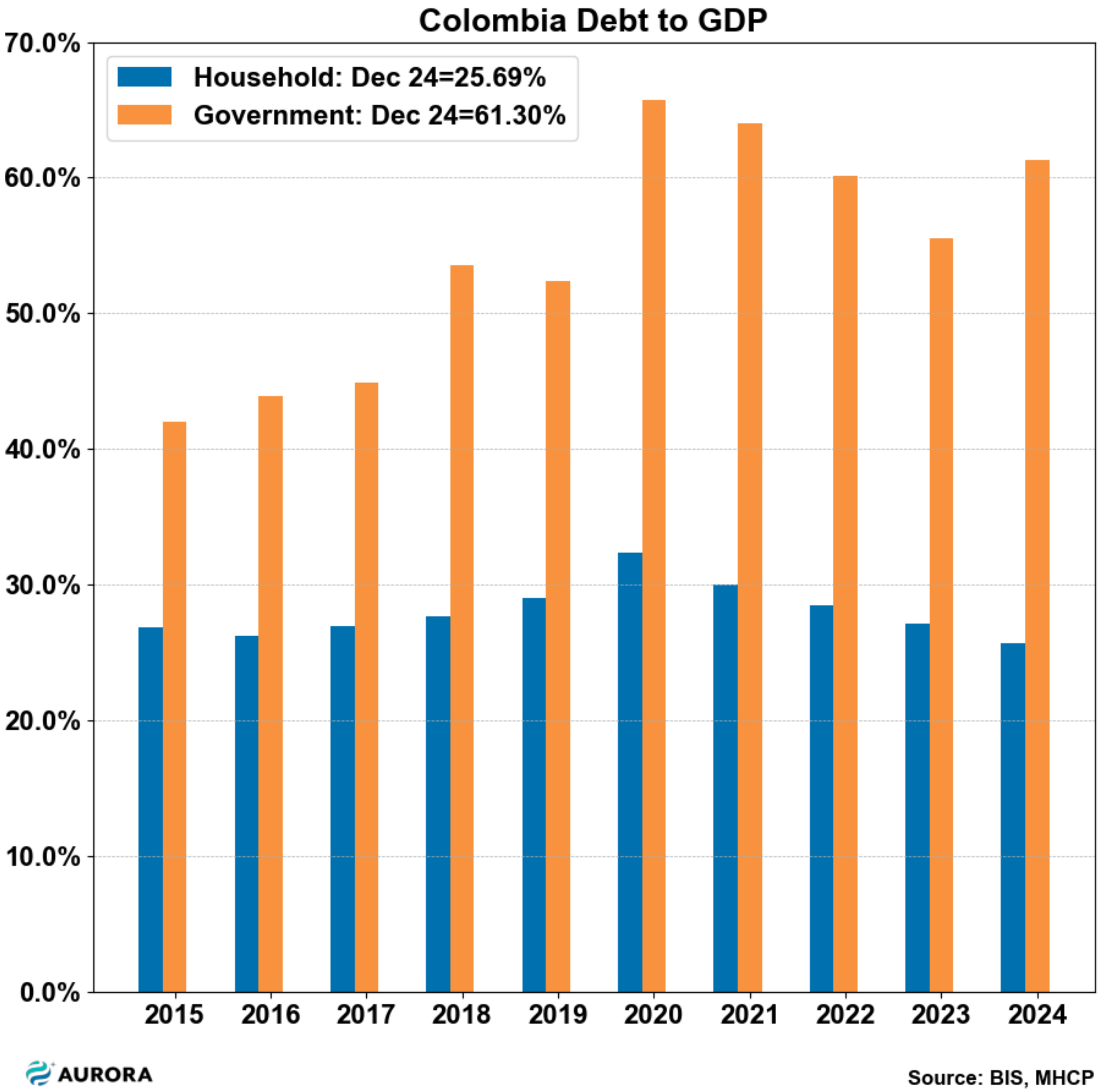
4d. Colombia by the numbers: External Sector



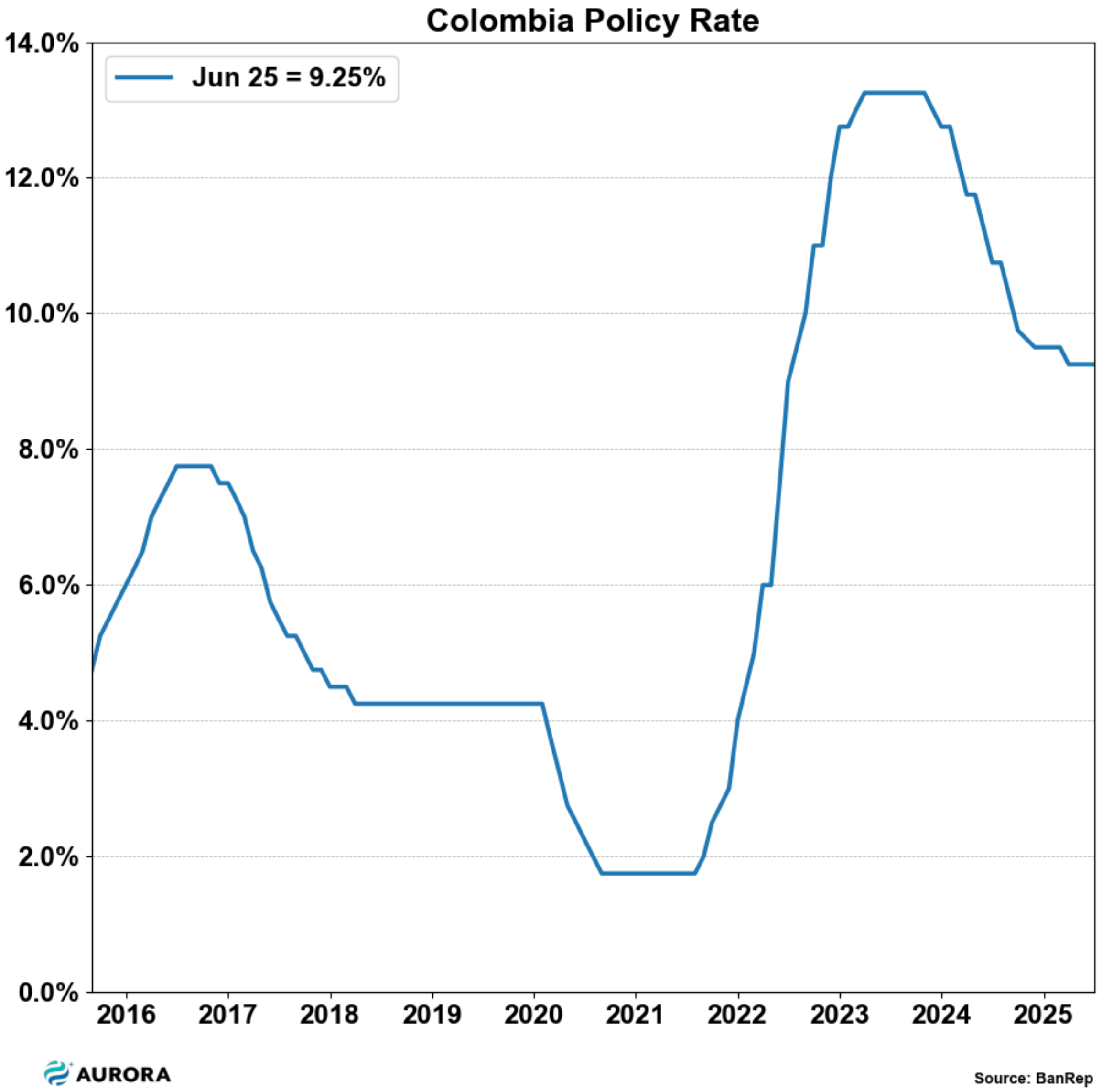


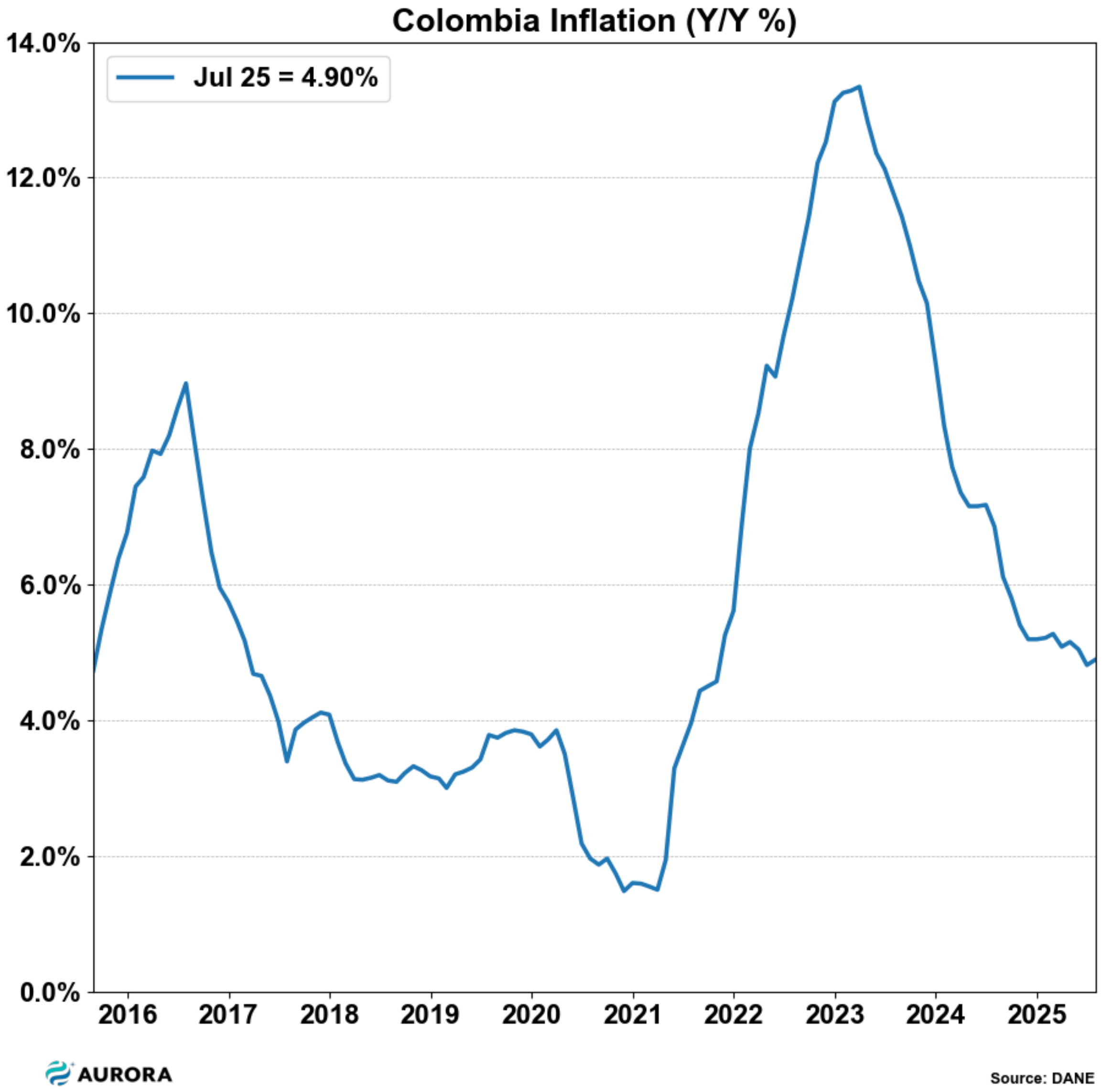
4e. Colombia by the numbers: Fiscal Policy



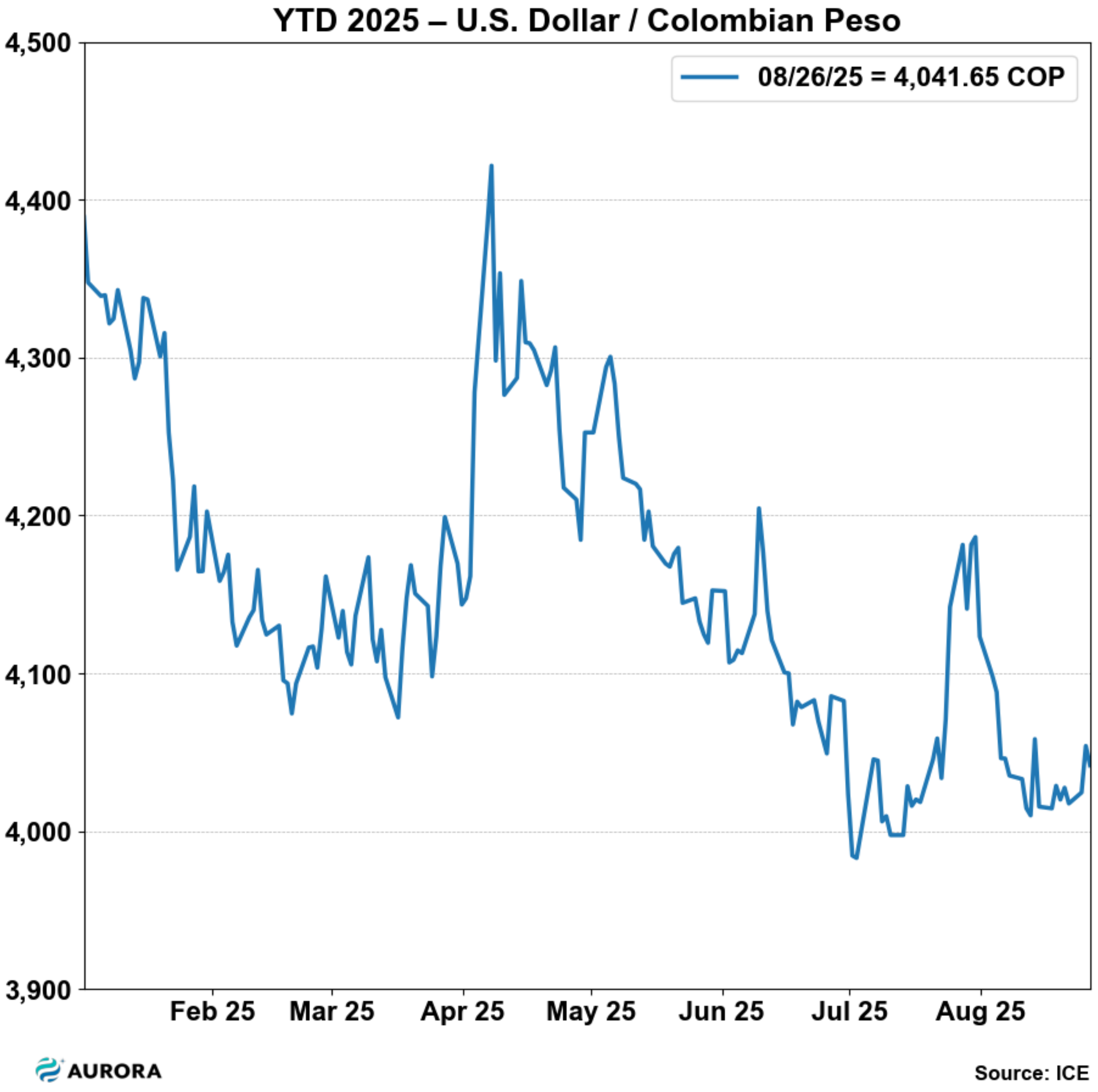


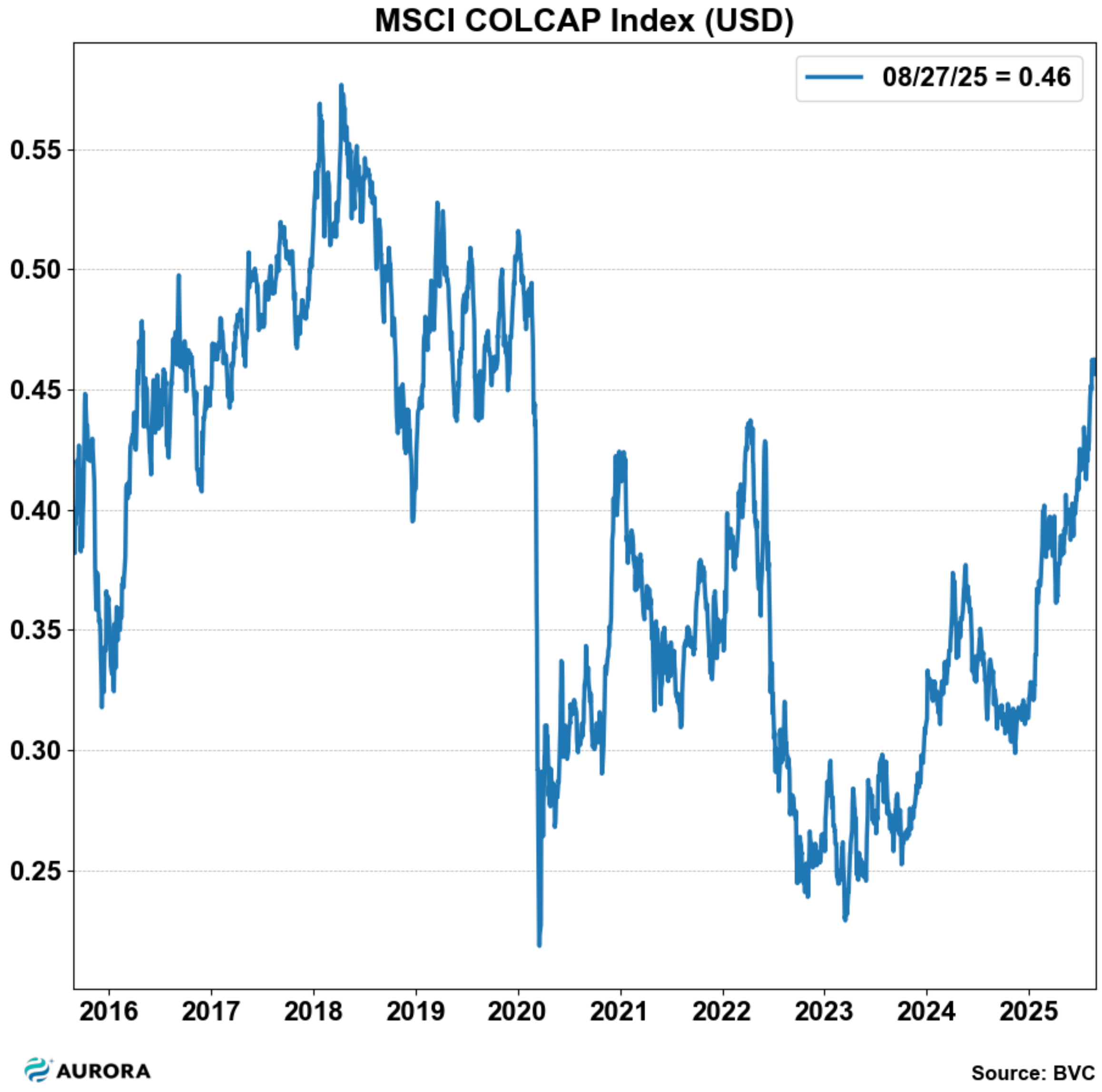
4f. Colombia by the numbers: Monetary Policy





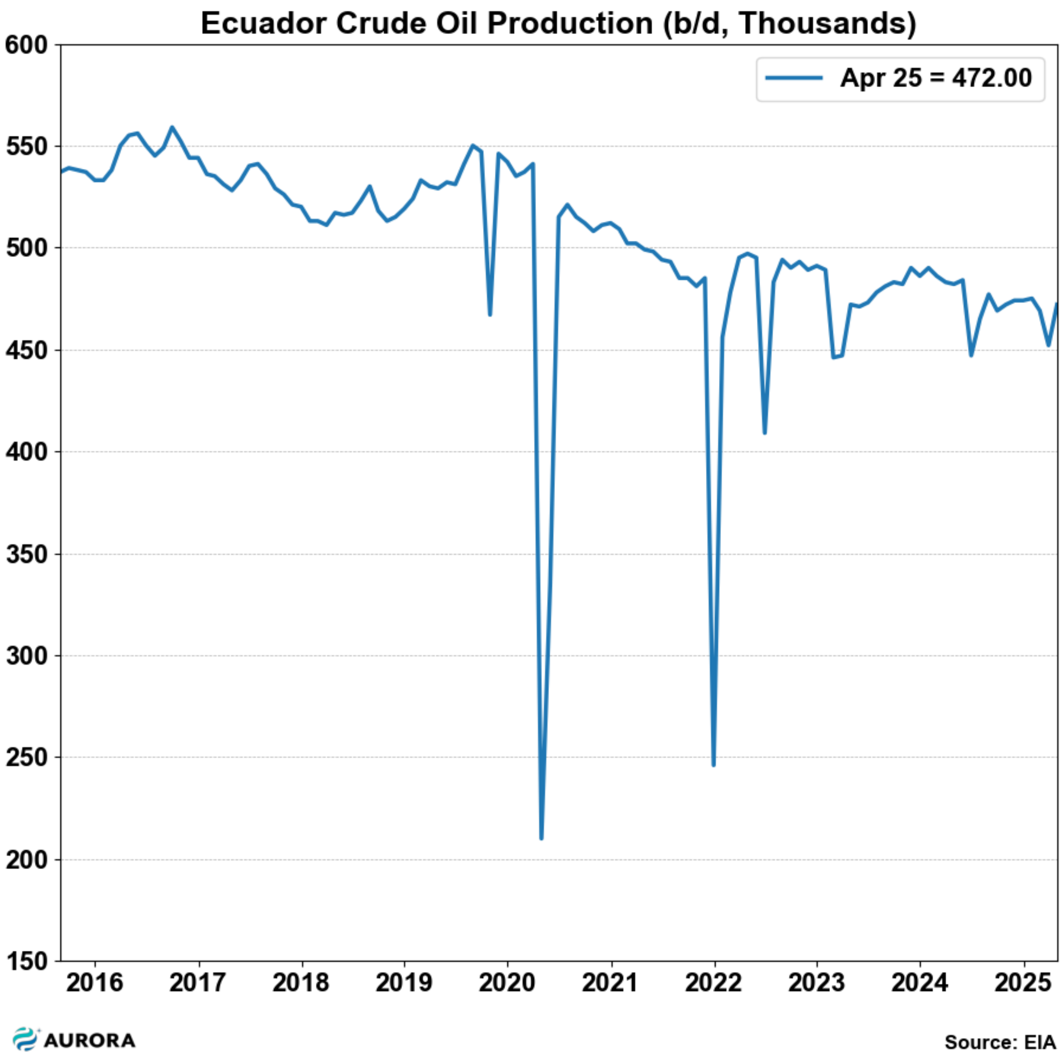
4g. Colombia by the numbers





5a. Ecuador Macro Overview

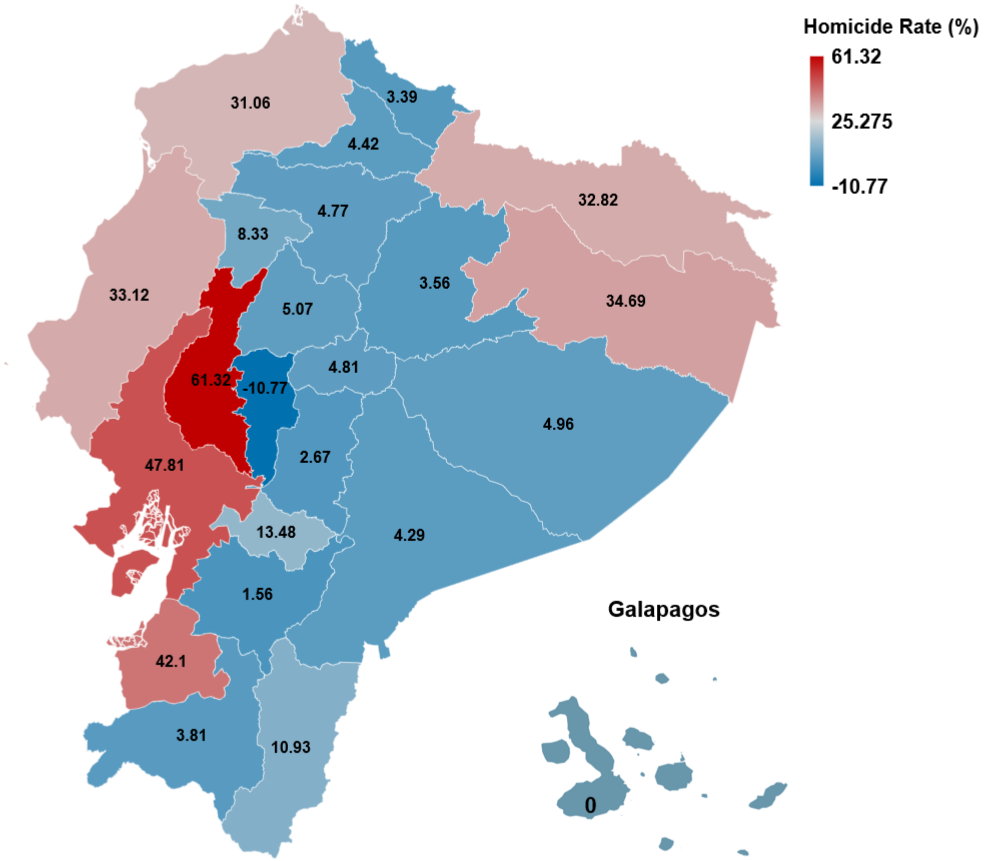
- **Economic activity rebounds:** GDP grew 3.5% q/q in Q1 2025, accelerating from 1.3% in Q4 2024. Growth was supported by stronger oil output and non-oil exports.
- **Trade surplus holds but narrows:** Ecuador posted a USD 565m surplus in June 2025, the 20th consecutive monthly surplus. Exports rose 13.8% y/y on bananas, shrimp, cocoa, and oil, but import growth (+19% y/y) partly offset gains.
- **External position strengthens:** The current account surplus reached a record USD 2.53bn in Q1 2025, reflecting strong commodity exports. FDI inflows remain modest at USD 128m in Q1 2025, underscoring limited investor confidence despite favorable external balances.
- **Fiscal consolidation continues:** The fiscal deficit narrowed to 1.9% of GDP in 2024, while debt declined to 50.6% of GDP. Solid oil revenues support the adjustment, though subsidy spending and external financing costs remain key risks.



5b. Ecuador Politics Overview

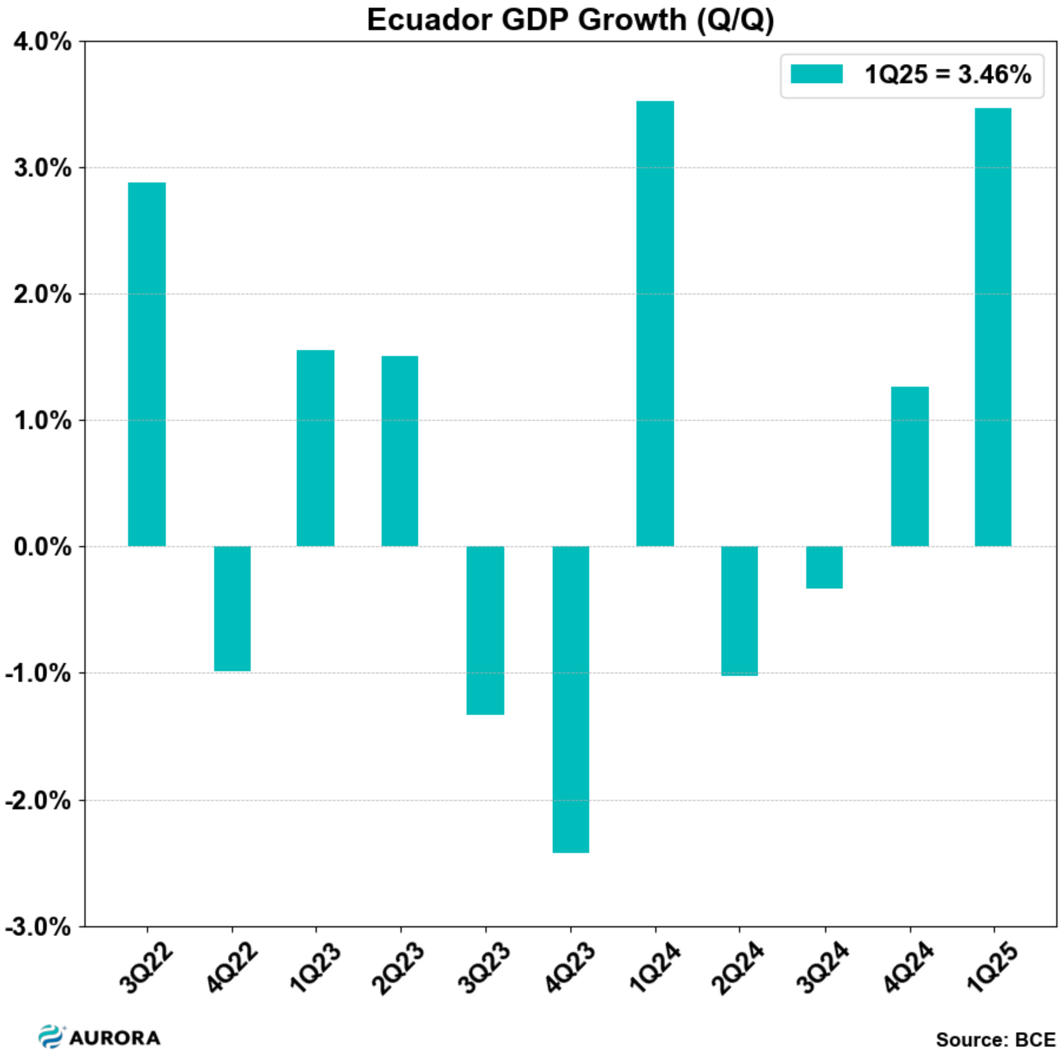
- **Security crisis escalates but focalized:** Homicides rose 47% y/y in H1 2025, on track to top 50/100k, but nearly one-third occurred in Guayaquil, concentrating risks in ports, logistics, and insurance.
- **Illegal mining drives violence and leakage:** Amazon provinces like Zamora and Orellana see rising disputes; informal mining erodes fiscal revenue and deters formal investment in extractives.
- **Noboa's pro-mining push sparks resistance** from Indigenous groups, NGOs, and opposition. CONAIE – the main indigenous association, historically able to paralyze the country and topple governments – is currently weakened by infighting but remains a key structural risk to reforms and stability.
- **Cozy U.S. ties sustain remittance cushion:** Noboa's alignment with Washington – especially the Trump team – has spared Ecuador mass deportations, keeping migration steady and remittances (~4–5% of GDP) growing. These inflows support dollar liquidity, consumption, and stability under dollarization.

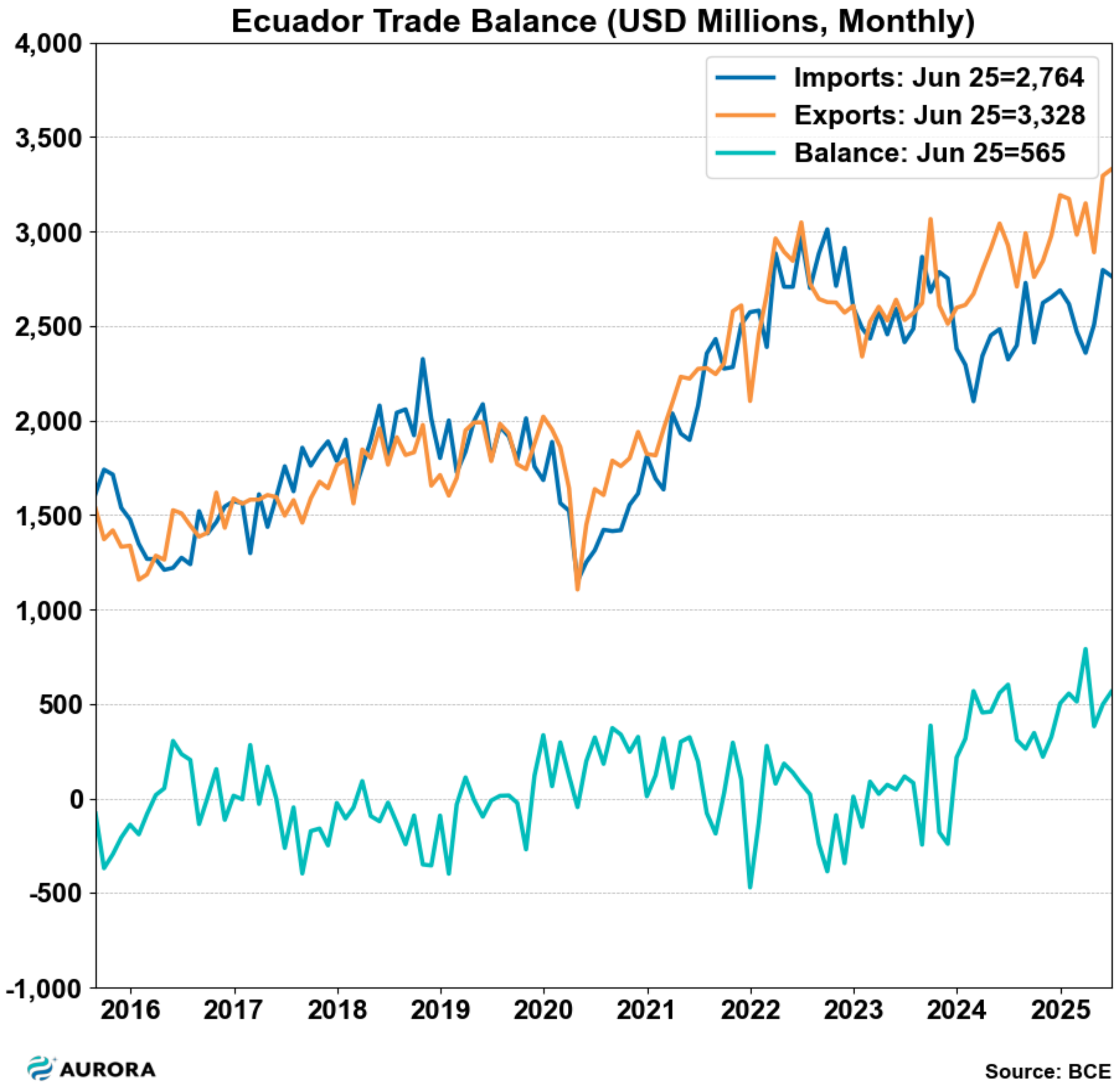
Ecuador: Homicide Rate by Province (H1 2025)



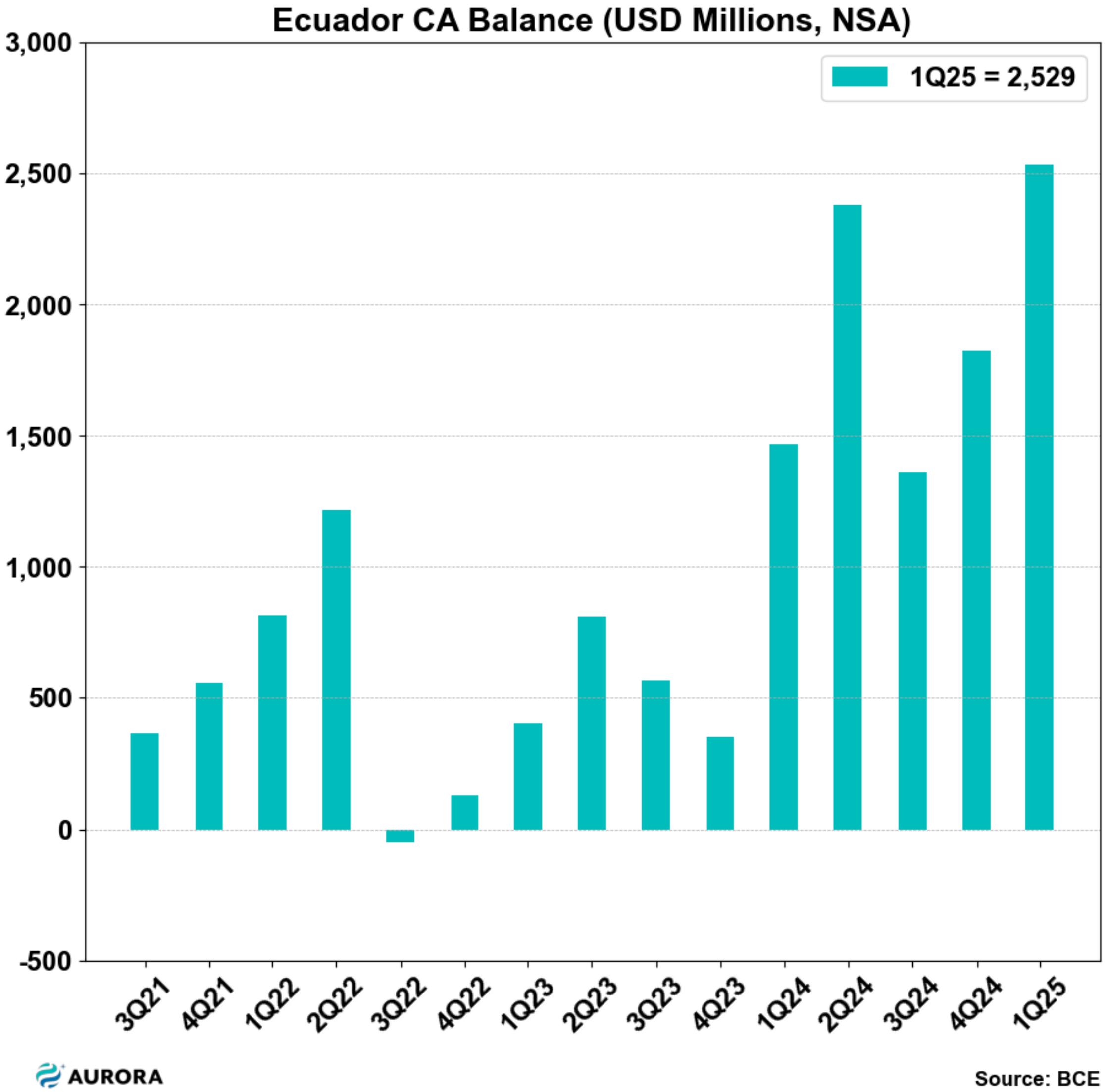
Source: Observatorio Ecuatoriano de Crimen Organizado

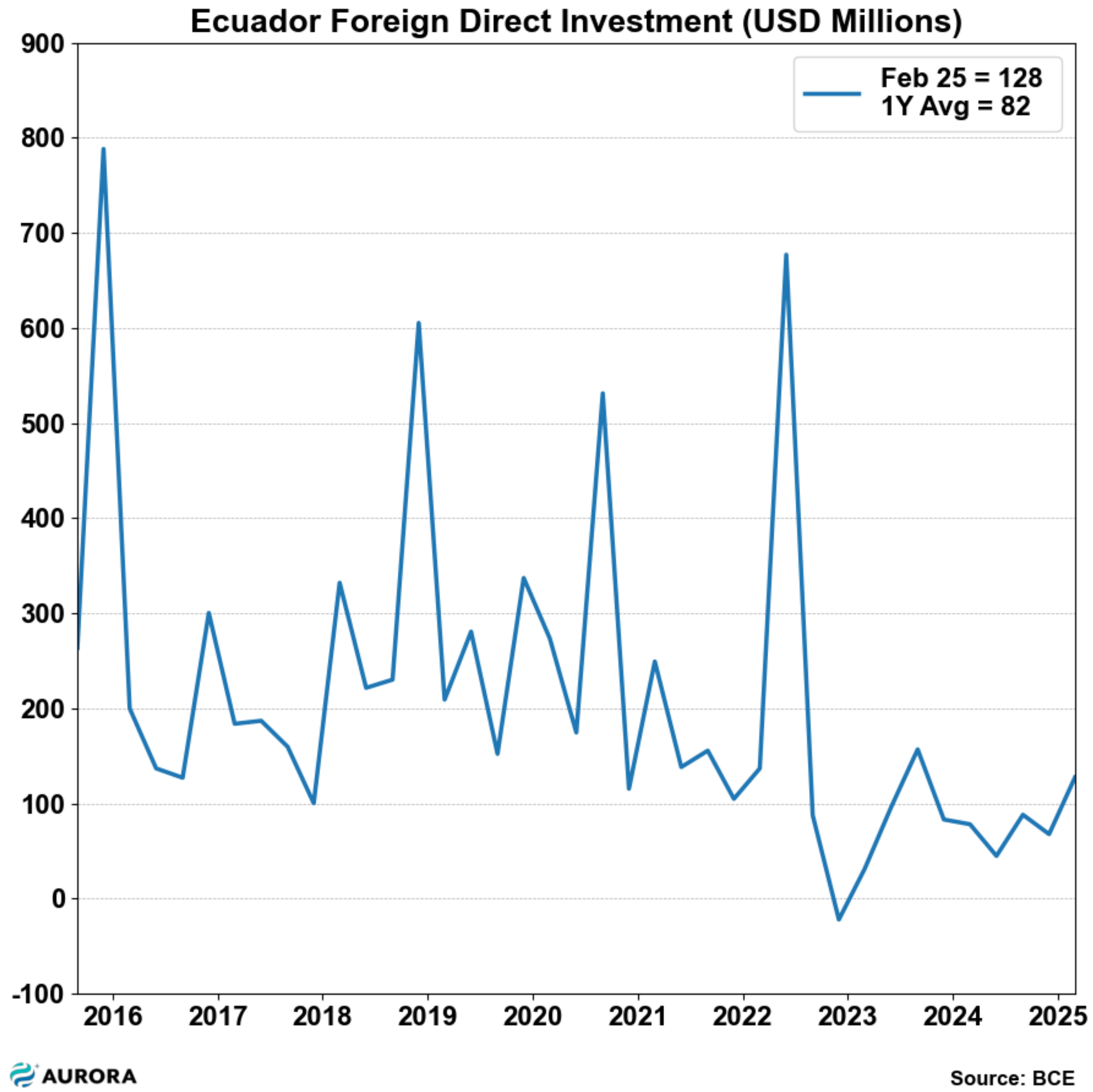
5c. Ecuador by the numbers: GDP / Trade



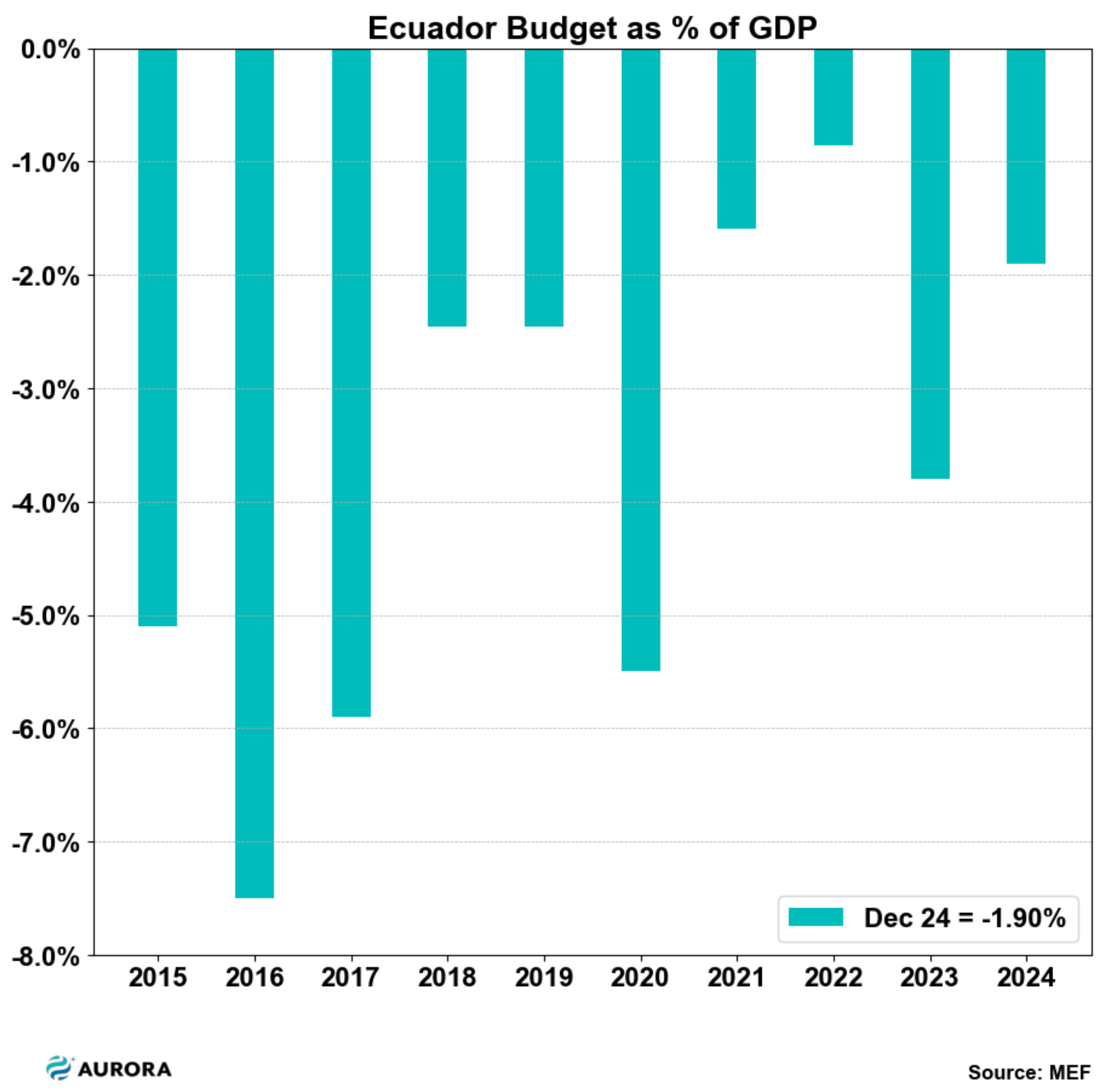


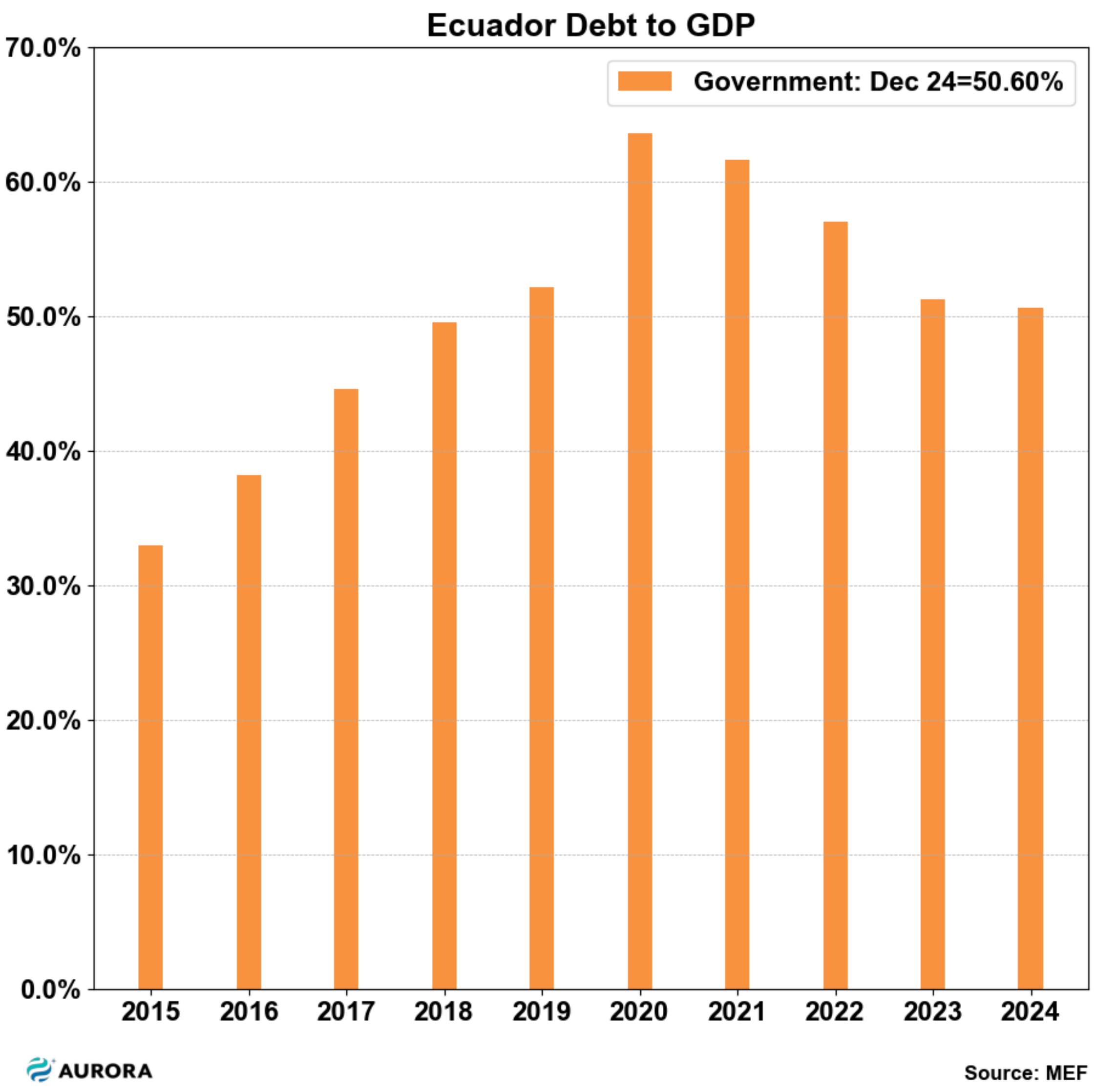
5d. Ecuador by the numbers: External Sector





5e. Ecuador by the numbers: Fiscal Policy

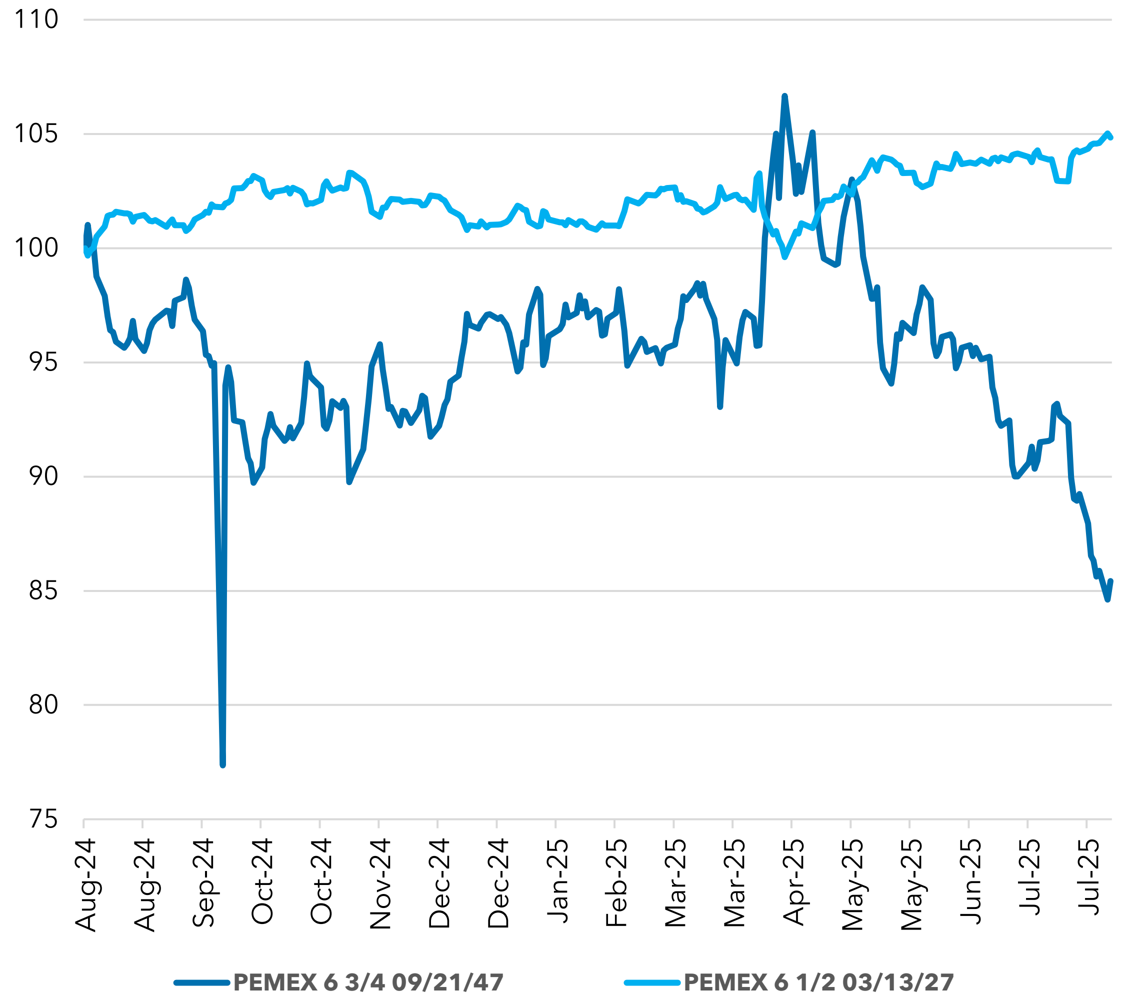




6a. Mexico Macro Overview

- **Growth shows modest pickup:**, GDP expanded 0.50% q/q in 2Q25, up from 0.20% in 1Q25, though "slack persists" and the outlook remains clouded by trade tensions and global uncertainty.
- **Banxico shifts to smaller cuts:** Headline CPI fell to 3.51% YoY in July (from 4.32% in June), driven by non-core items. Policy rate trimmed 25bps to 7.75% in August, signaling a slower easing pace after June's 50bps cut. Banxico still projects convergence to its 3% target by 3Q26, but the board left the door open to further cuts if disinflation continues.
- **Pemex roadmap faces September fiscal test:** The new 2025–2035 Strategic Plan promises self-sufficiency by 2027 via tax relief, a 250bn peso investment fund, and new mixed contracts (Zama, Trion), alongside ambitious expansions in refining, petrochemicals, and lithium. But Pemex still carries >USD 100Bn in debt and >USD 25Bn in arrears, leaving long-dated bonds under pressure.
- **The upcoming Sept 8 budget** will be the first real test of whether this roadmap is credible or simply dressing for by deeper sovereign support.

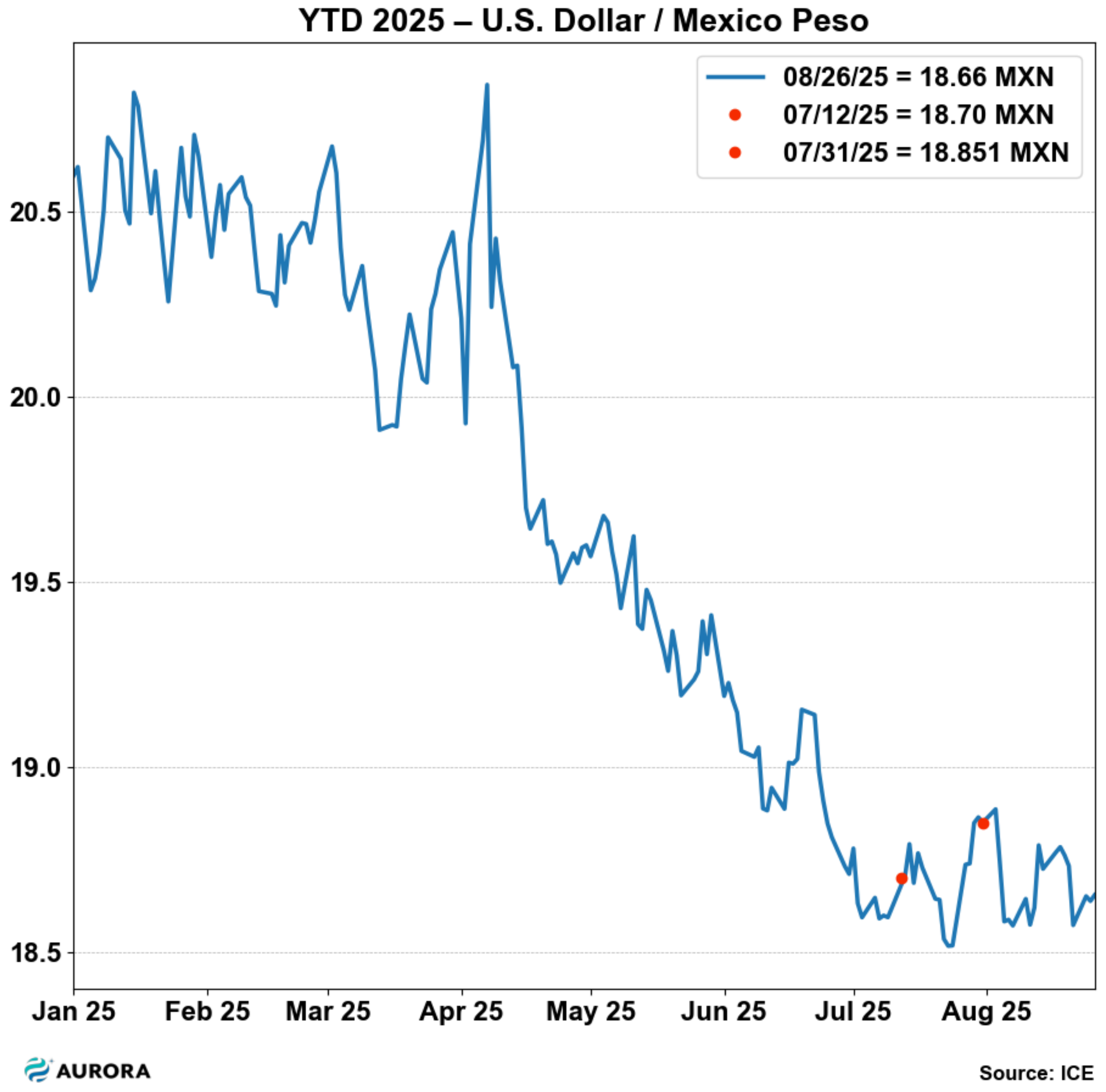
PEMEX Bonds: 2047 vs. 2027 – Indexed Price Movement (Aug 2024 = 100)



Source: Bloomberg

6b. Mexico Trade and Investment Overview

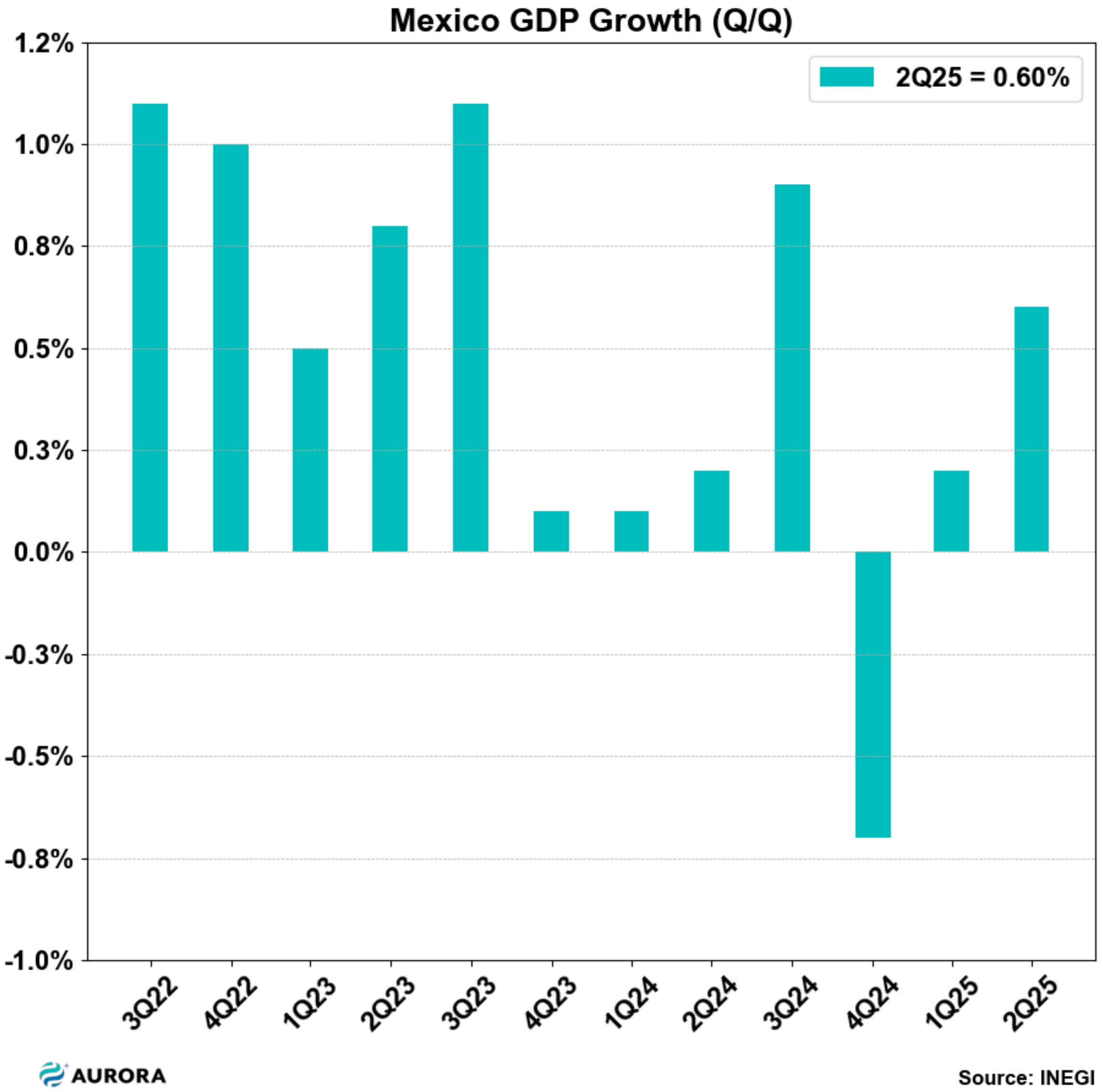
- **Tariff threat paused, but risks linger:** Trump's 30% tariff on Mexican imports, set for Aug 1, was suspended for 90 days after a last-minute deal. Existing duties (25% non-USMCA, 50% metals, 25% autos/parts) remain in place, keeping trade risk alive.
- **Peso holds steady despite tariff jitters:** MXN weakened after Trump's 30% tariff threat (18.7 on Jul 12, 18.85 by Jul 31), then regained ground once a suspension deal was reached, stabilizing in the mid-18s.
- **Trade balance narrows:** June surplus slipped to USD 514m (exports 54.0bn, imports 53.5bn), down from the prior month, reflecting softer U.S. demand.
- **Labor rights enforcement bites:** On Aug 21, a USMCA Rapid Response panel ruled that Atento call centers violated freedom of association by retaliating against union organizers—the first such "denial of rights" finding. The decision confirms that facility-specific labor disputes can now trigger trade penalties and reputational costs under USMCA, raising compliance risk across Mexico's manufacturing and services supply chains.
- **Investor caution persists:** Tariff overhang, Pemex's fiscal strain, and institutional/legal risks keep Mexico's risk premium elevated despite resilient FX.

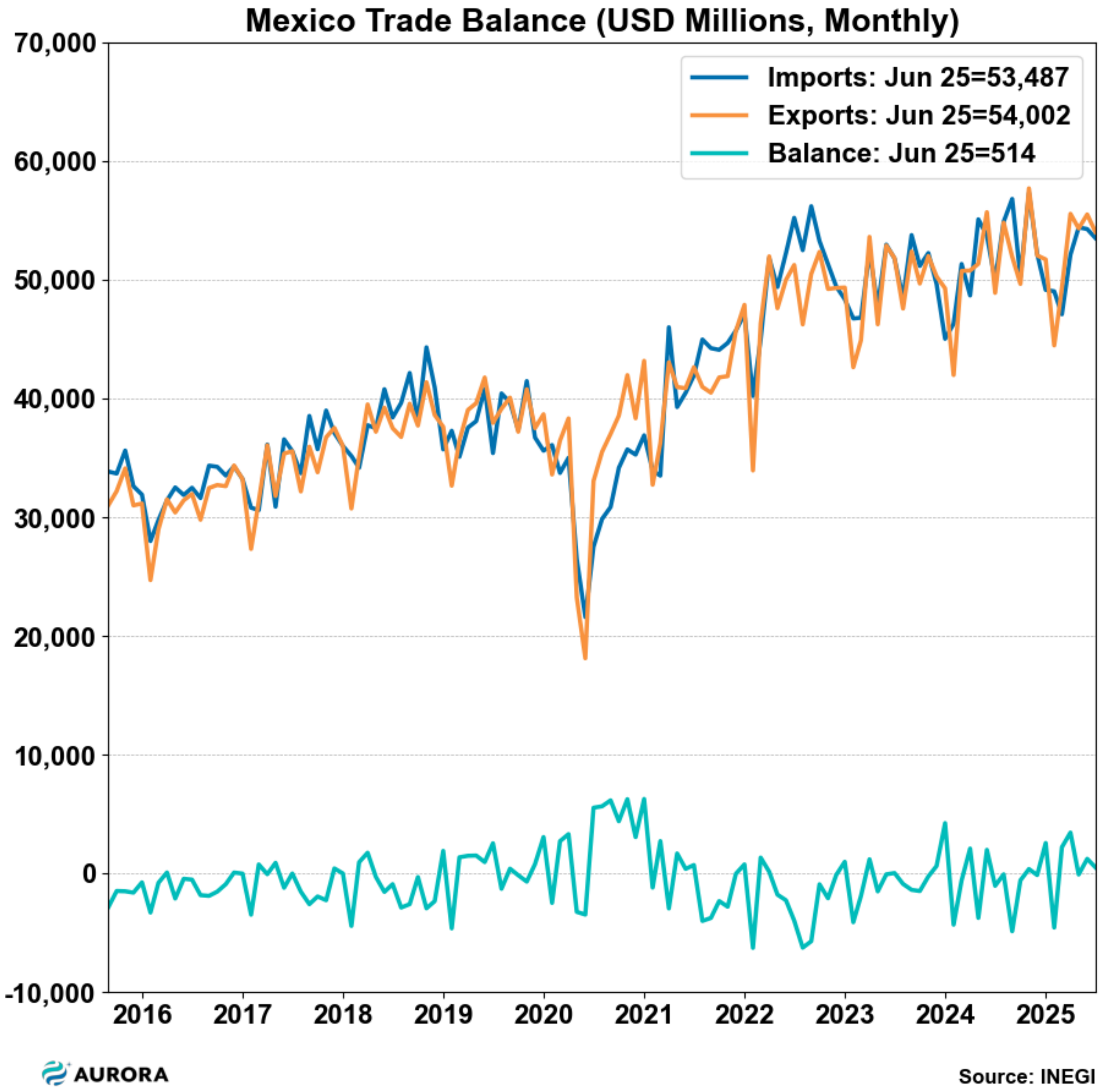


6c. Mexico Politics Overview

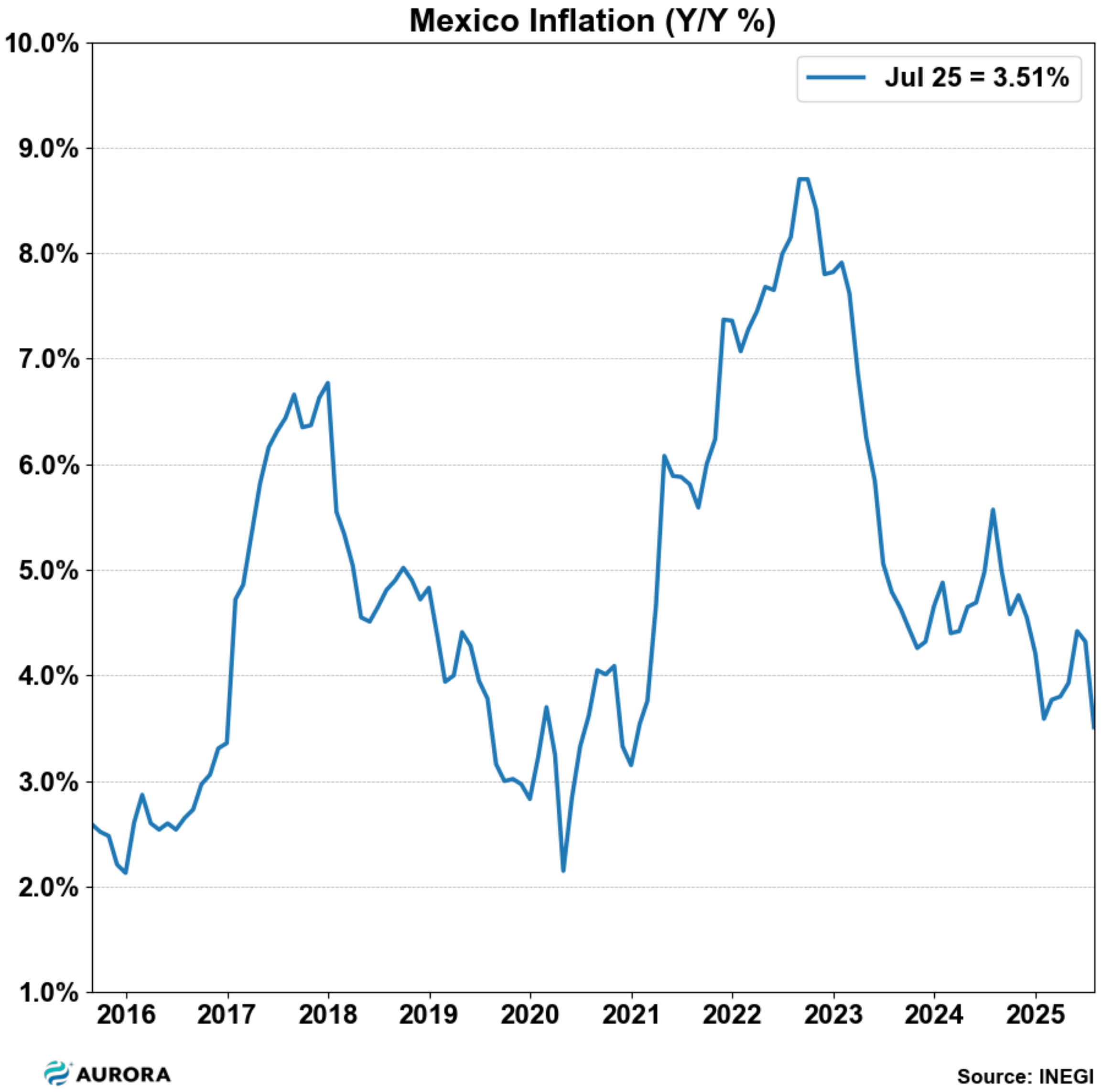
- **Judicial reform aftershocks:** Morena's sweep in June's low-turnout judicial elections consolidates executive control of the courts, weakening amparo protections and leaving investors with fewer legal defenses against state policy shifts.
- **Cartel violence in productive zones:** Turf wars between CJNG and Sinaloa factions have intensified in Chiapas and Sinaloa, disrupting agriculture, mining, and logistics hubs. Violence has also spread into tourism corridors, where federal deployments in Cancún and Tulum have reassured some locals but carry terrible optics for investors and visitors.
- **Cross-border frontier strain:** New migration/security coordination with Guatemala and heavy deployments along the southern border underline Sheinbaum's tougher line. But the concentration of forces in the south risks diverting resources from northern trade and manufacturing corridors, raising concerns about protection for Mexico's core export hubs and the resilience of supply chains.
- **AMLO–Sheinbaum co-habitation tilts toward friction**: Sheinbaum's perceptible recent shift away from key AMLO allies and *mañanera* populism signals her growing autonomy push. While AMLO still dominates grassroots and legislative machinery, the relationship is moving from seamless deference to **uneasy cohabitation**, with divisions increasingly visible in fiscal, energy, and institutional arenas.

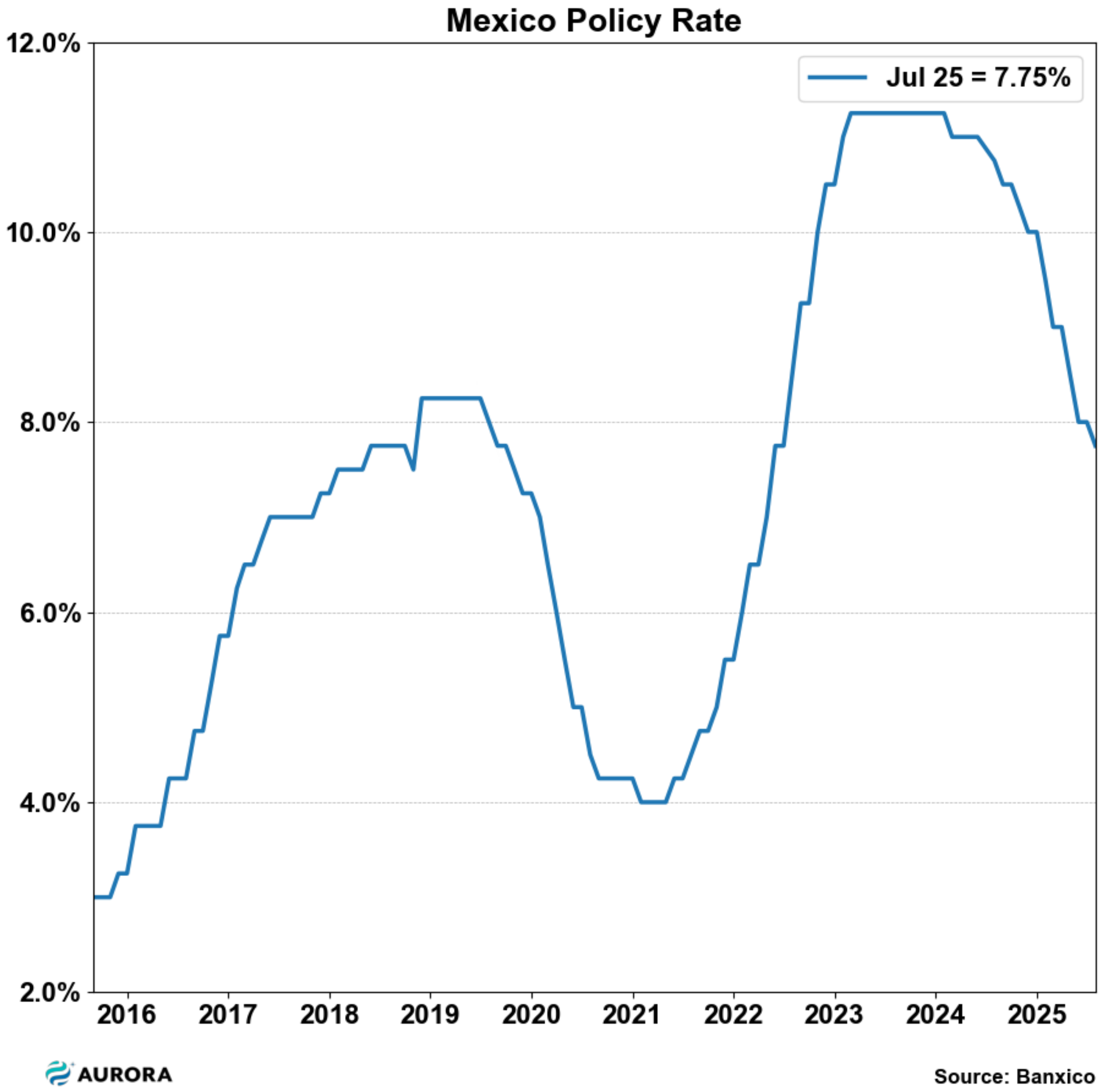
6d. Mexico by the numbers: Growth / Trade



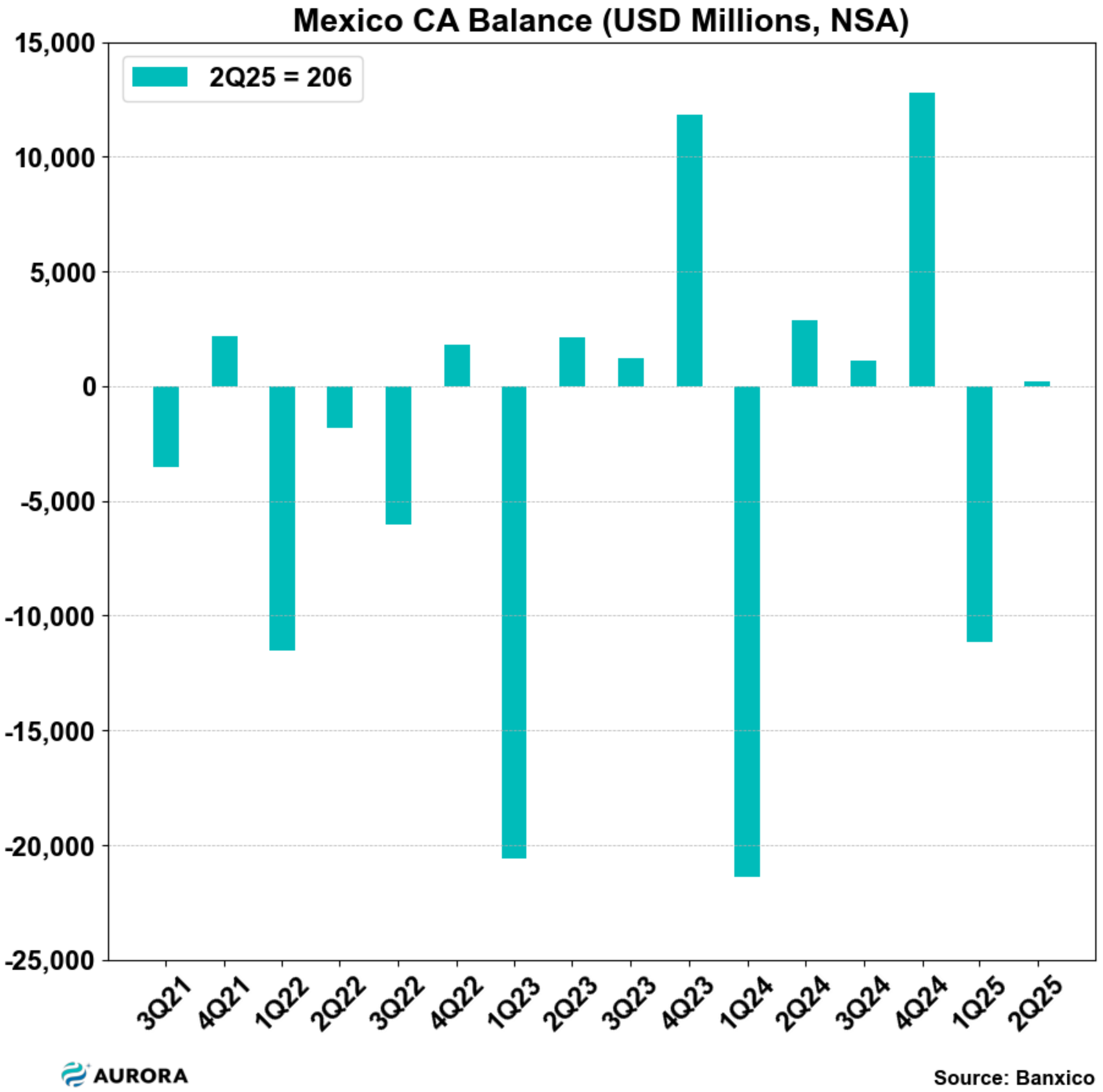


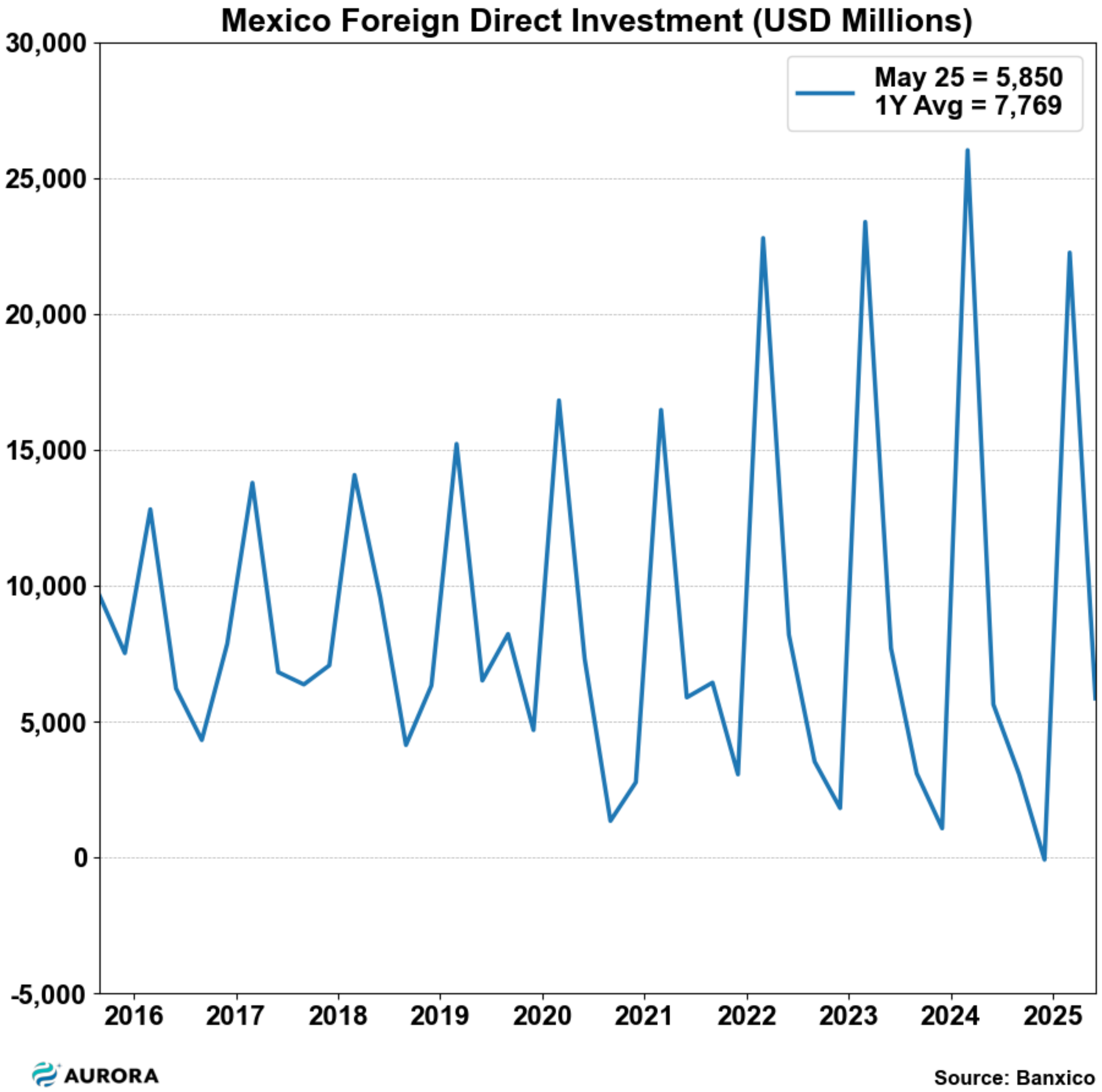
6e. Mexico by the numbers: Monetary Policy



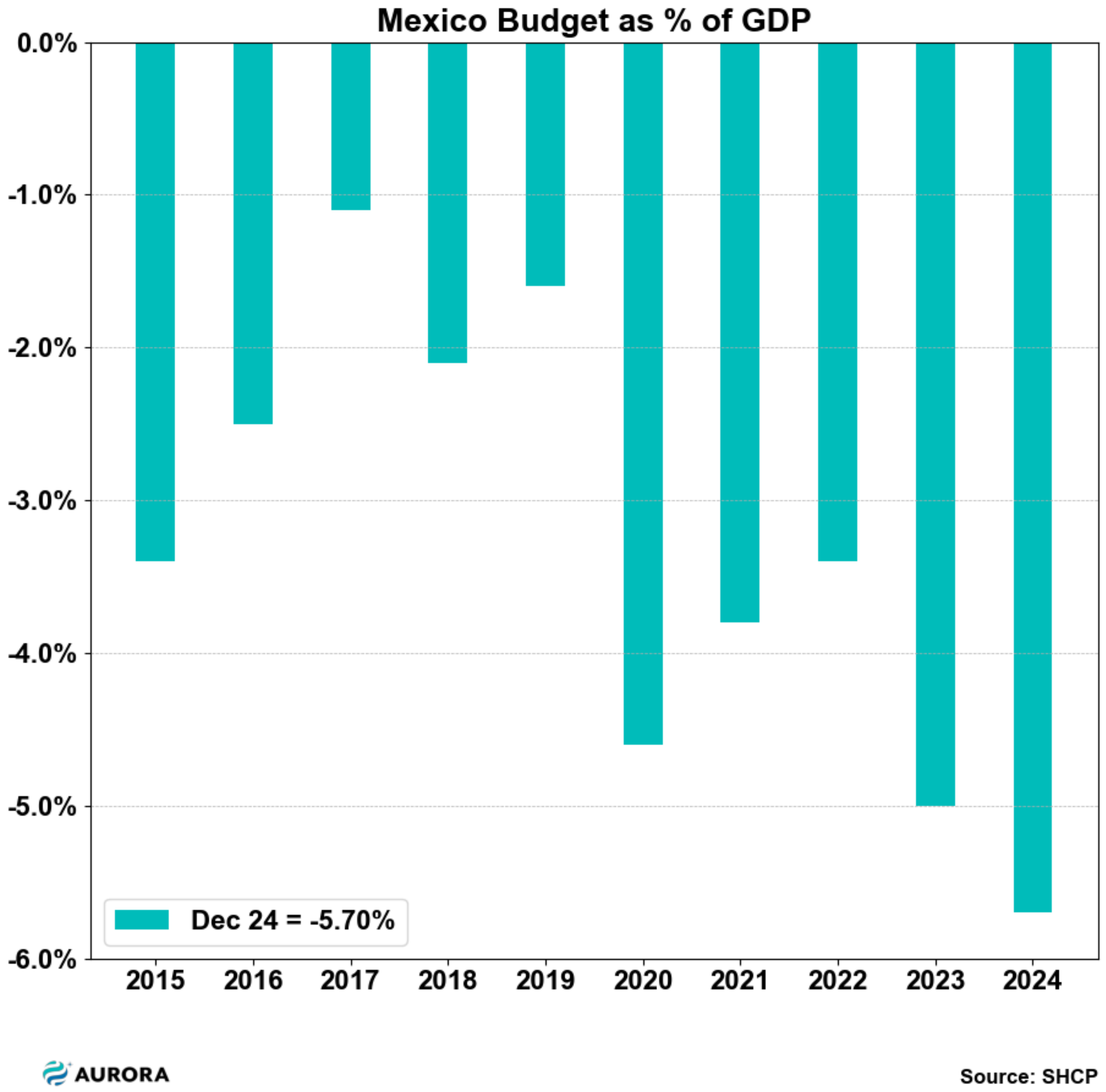


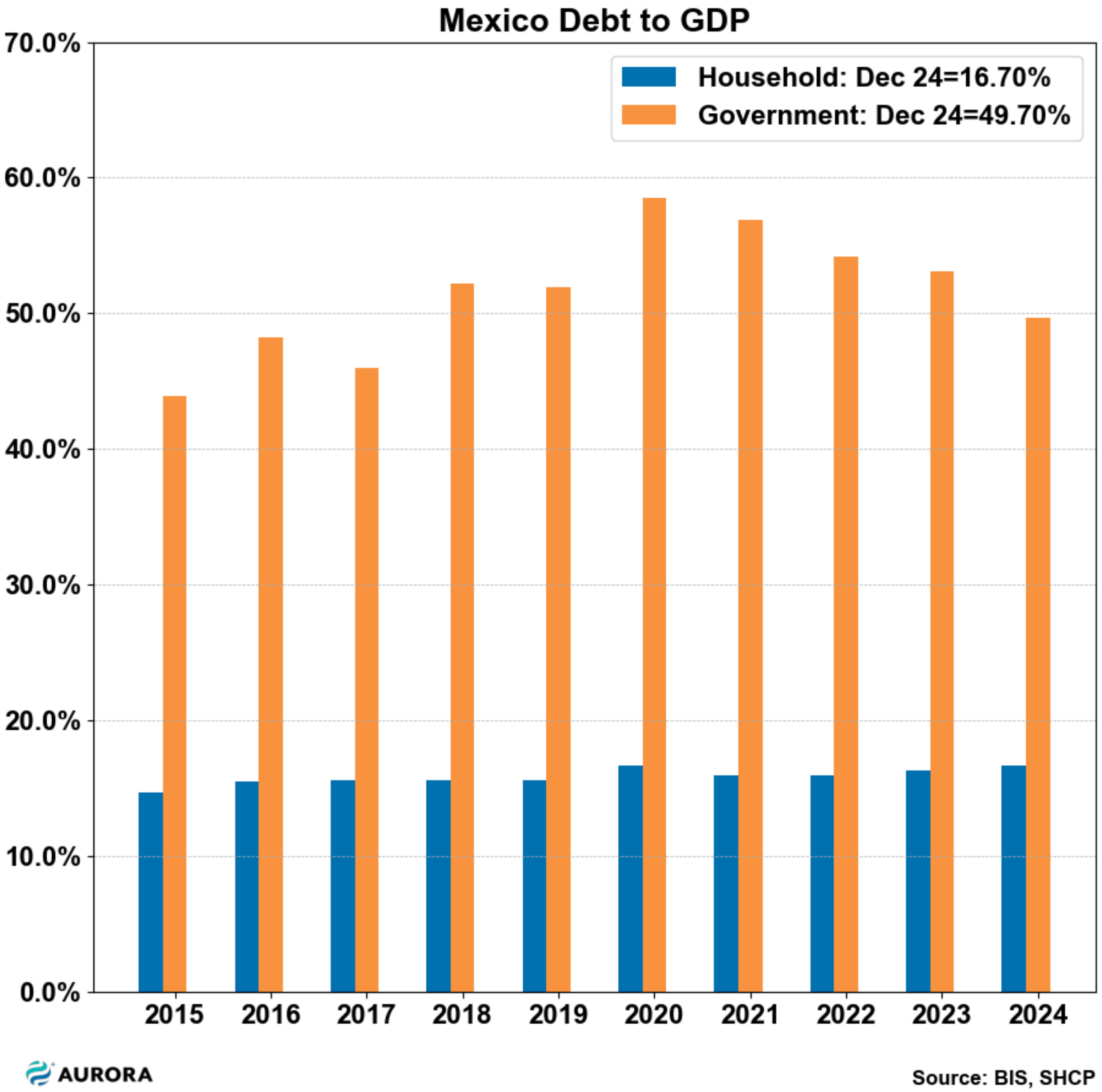
6f. Mexico by the numbers: External Sector



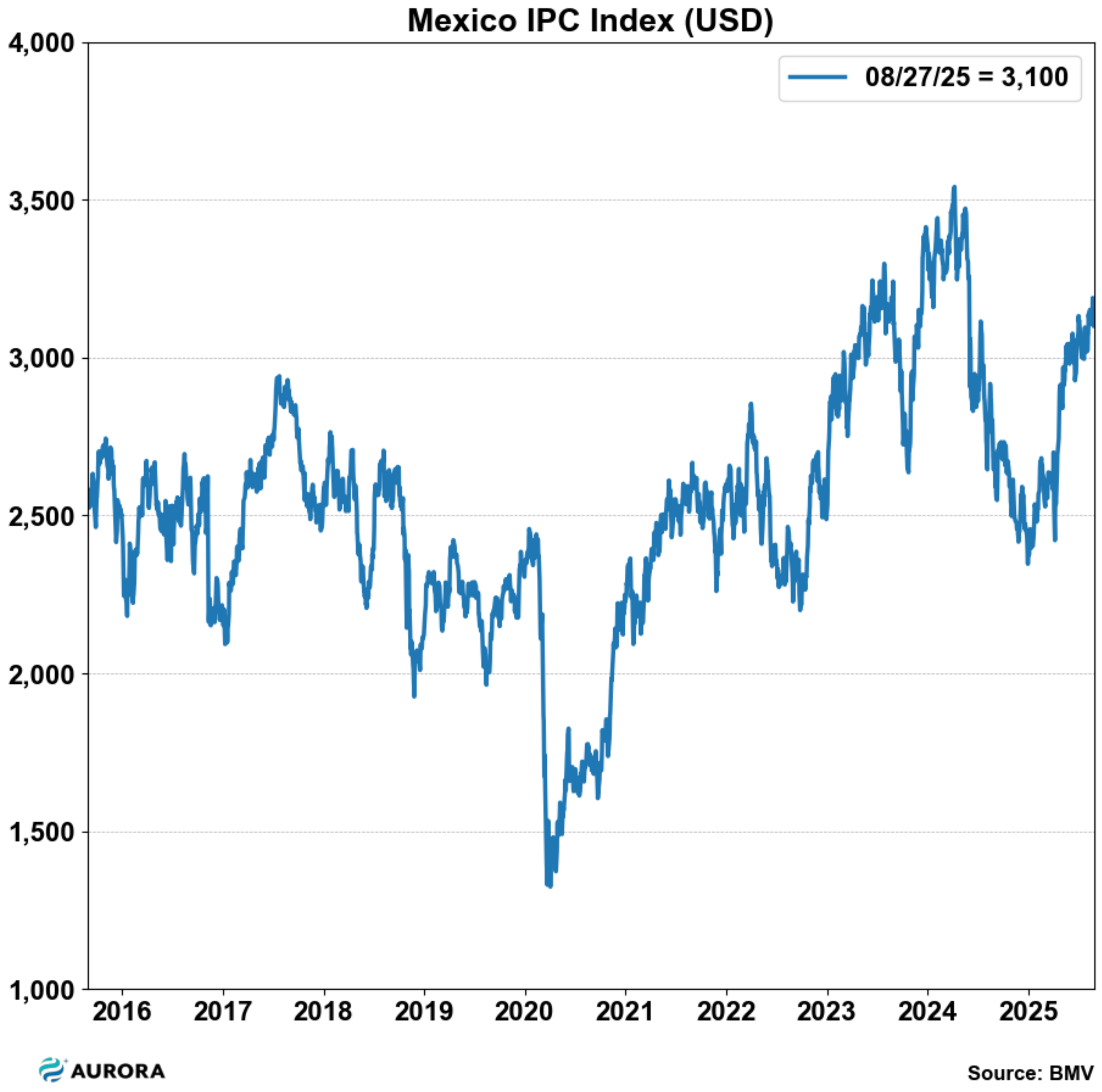


6g. Mexico by the numbers: Fiscal Policy





6h. Mexico by the numbers



7a. Peru Macro Overview

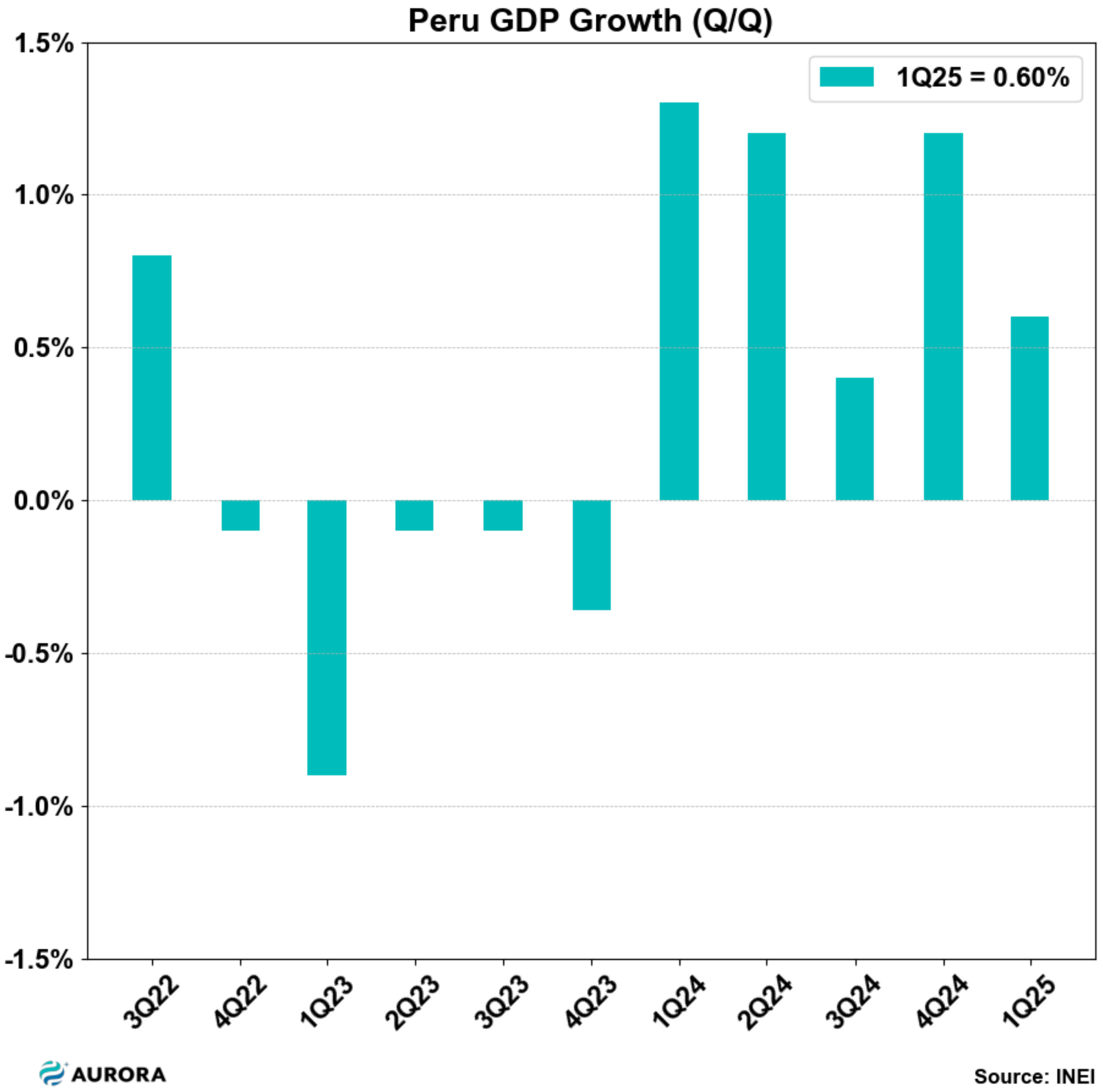
- **GDP recovery signs:** Economic activity improved in June, with GDP up 4.5% y/y. Q2 GDP y/y grew 2.8%, bringing H1 2025 growth to 3.4% y/y.
- **Trade surplus strengthening:** June's trade balance widened on the back of strong mining exports. Falling copper prices could weigh on the surplus ahead.
- **Inflation stable, policy rate unchanged**: Annual inflation held at 1.7% in July (core at 2.0%). Expectations eased to 2.2%, within target. The BCRP kept its policy rate at 4.5%, signaling vigilance but comfort with current dynamics.
- **FX stable:** The sol remained steady, supported by solid external accounts and anchored expectations despite global volatility.
- **AFP withdrawals add fiscal-populist risk:** Congress is debating new pension withdrawals. While not widening the deficit, they weaken local capital markets and could raise long-term financing costs, despite Peru's still solid fiscal position.

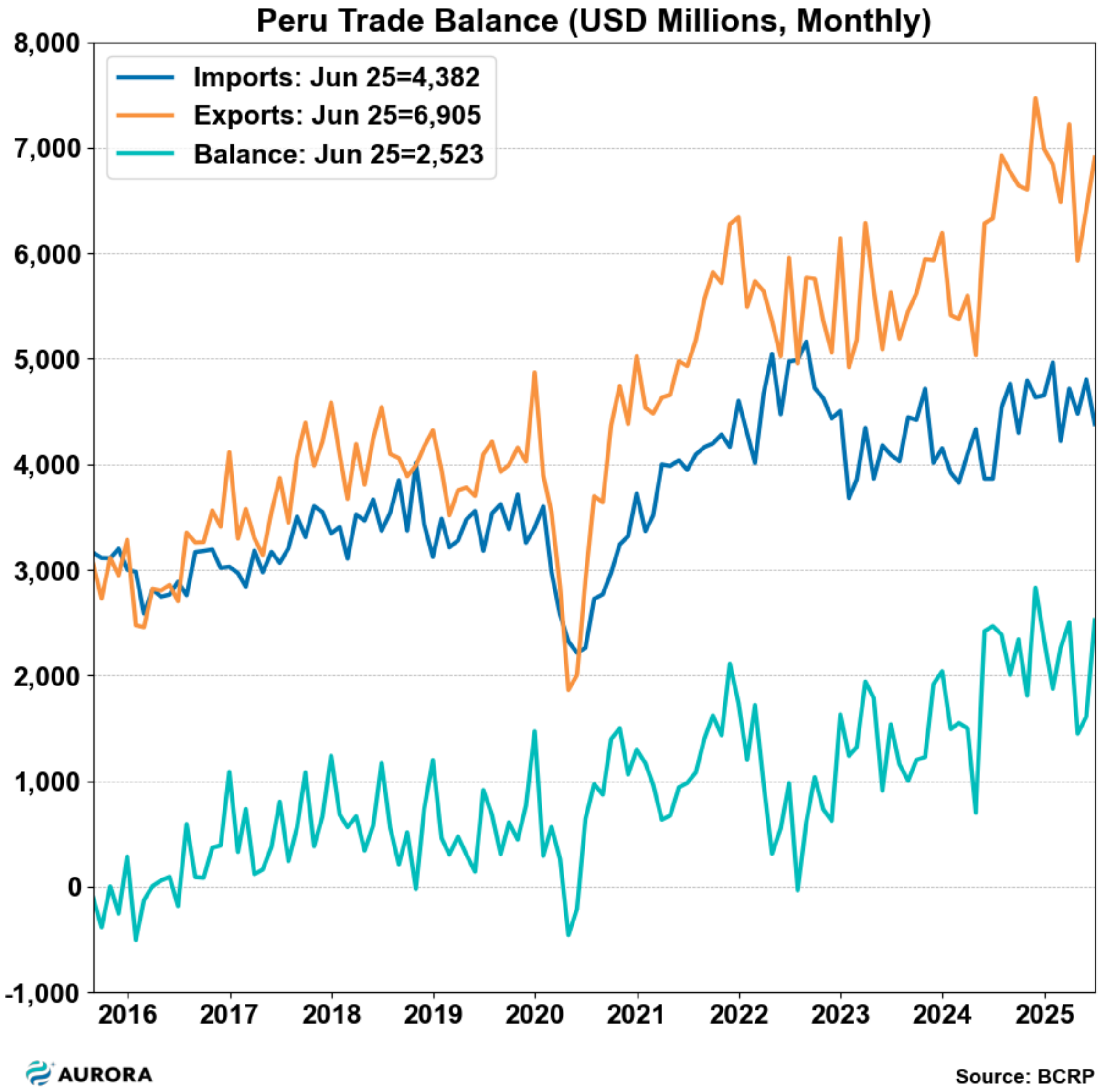
7b. Peru Political Overview

- **Judicially defined election:** Peru's April 12, 2026 vote may hinge on the courts. Article 34-A bars candidates with a first-instance conviction; Keiko Fujimori's trial was annulled in Jan 2025 but re-filed in Jul 2025 with harsher charges (35-year request).
- **A conviction** during the Jan–Mar 2026 registration window would exclude her, making this an election decided in closed chambers rather than open polls.
- **Political implications:** If Keiko runs, she is almost certain to reach the runoff and well positioned to win, yielding a right-vs-right contest with Rafael López Aliaga that mirrors Bolivia's 2025 race and foreshadows Chile's likely shift. If barred, the right fractures and the center/left regain a genuine opening into a second round against a hard-right outsider, transforming a near-certain conservative outcome into a competitive, open-field election.

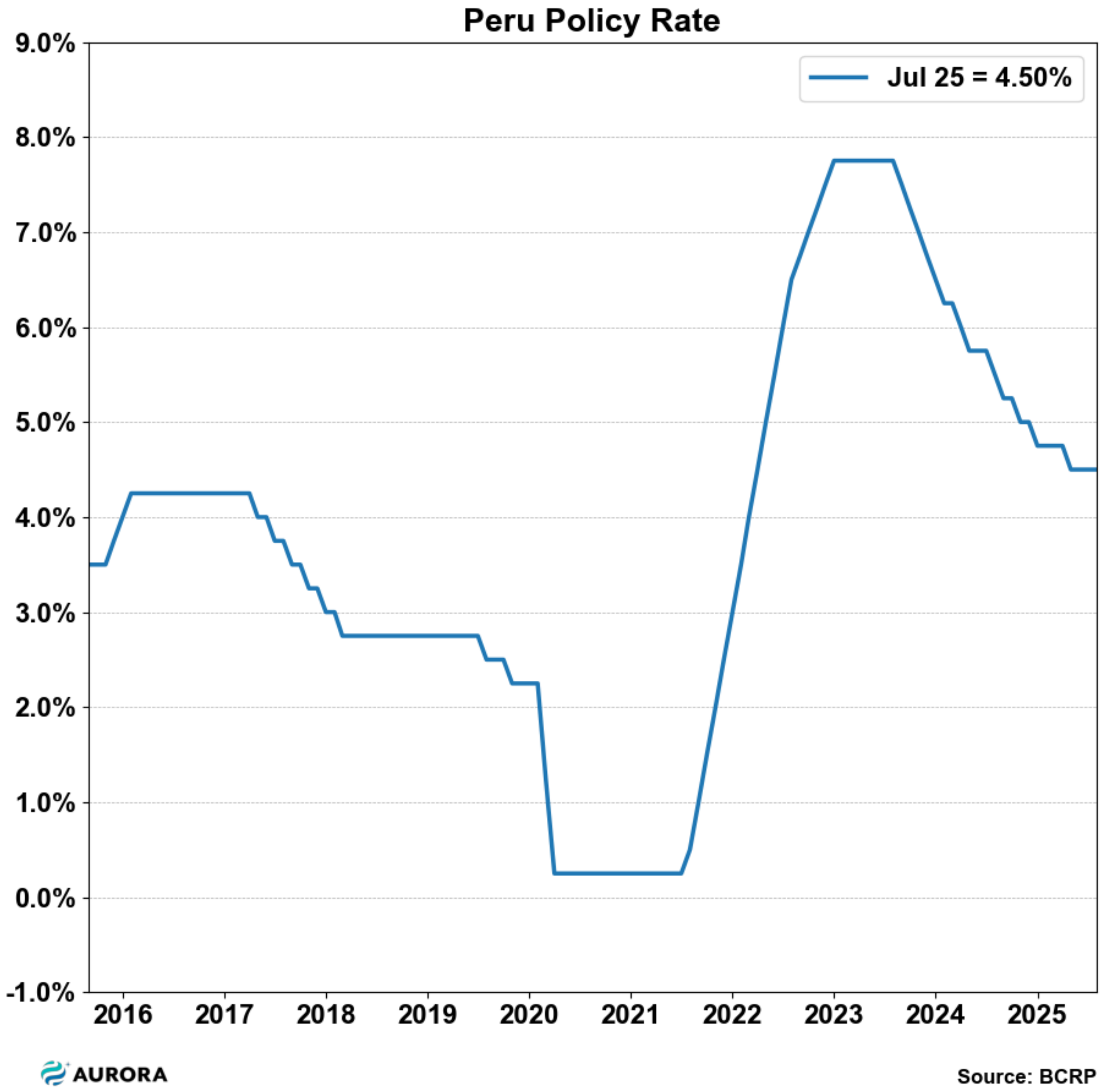
Judiciary Decision on Keiko (2026)	Scenario	Details	Result
If Eligible (~70%)	Keiko runs → Runoff (likely vs. López Aliaga)	Keiko favored 55-45 Combined Keiko + RLA → >75% win	Conservative Andean wave
If Barred (~25-30%)	Keiko excluded → right-wing vote fractures	López Aliaga ceiling at 35-40%; Alvarez protest surge possible; Technocrats and left-wing candidates become competitive	Open, competitive field

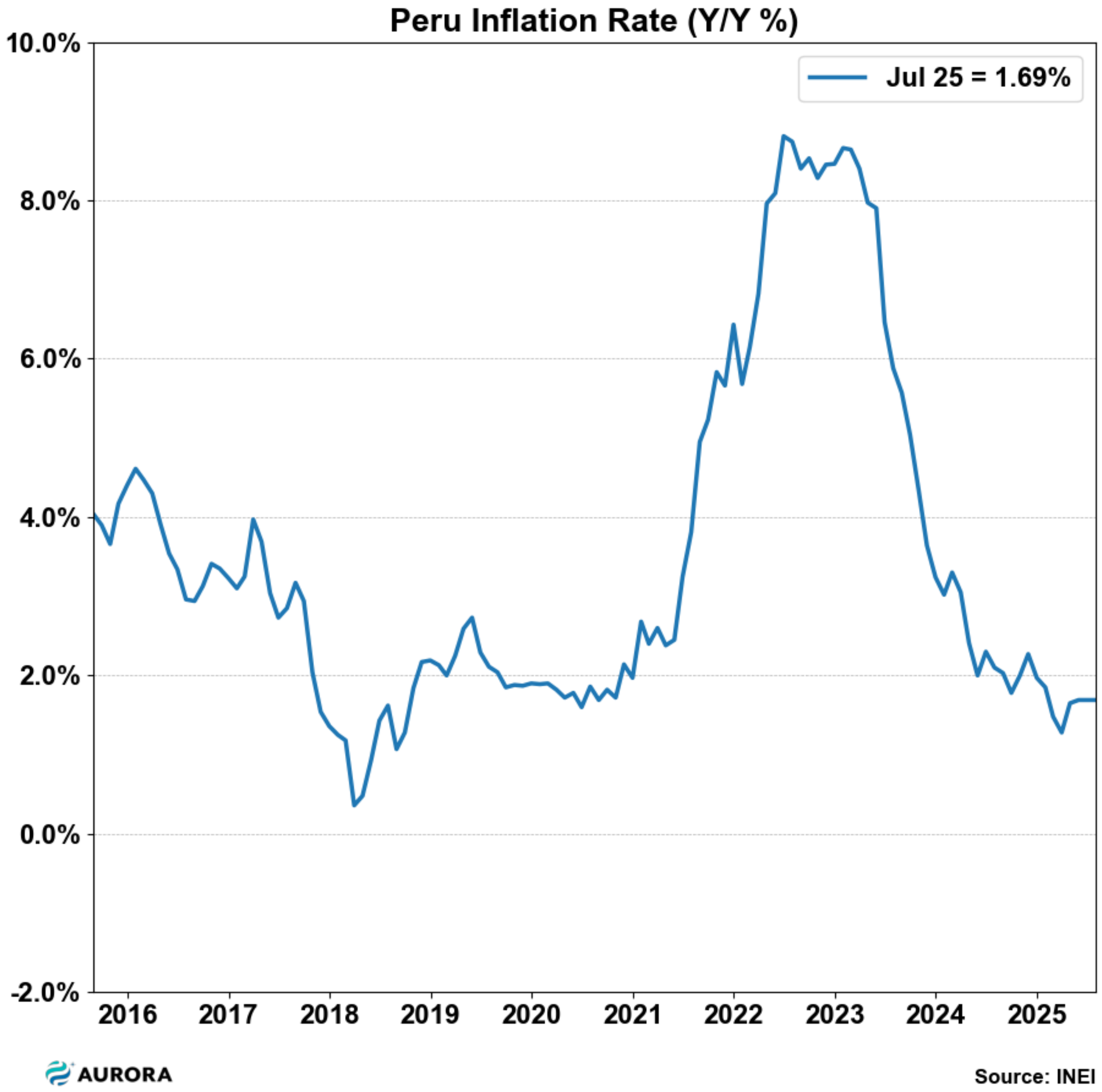
7c. Peru by the numbers: GDP / Trade



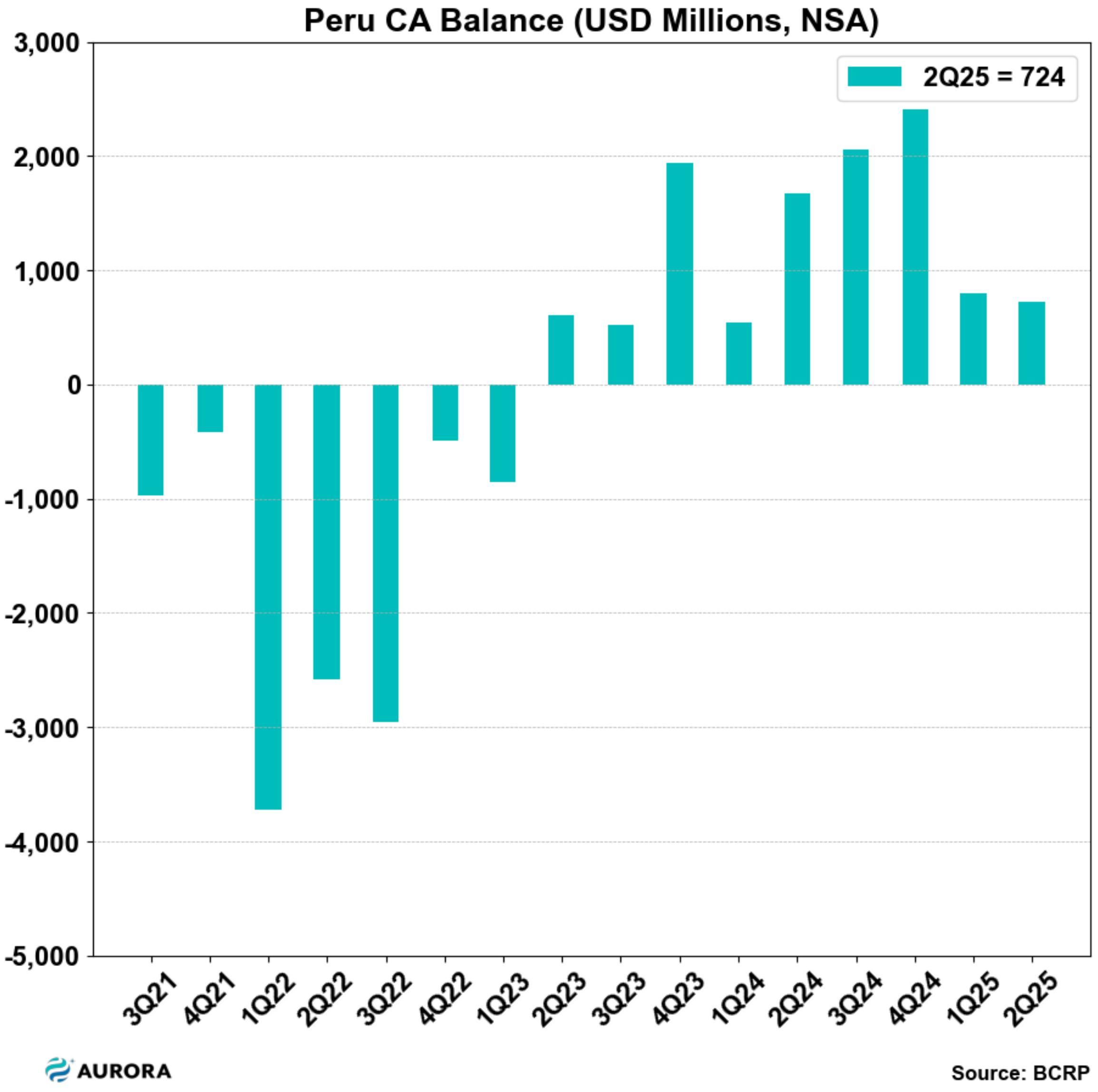


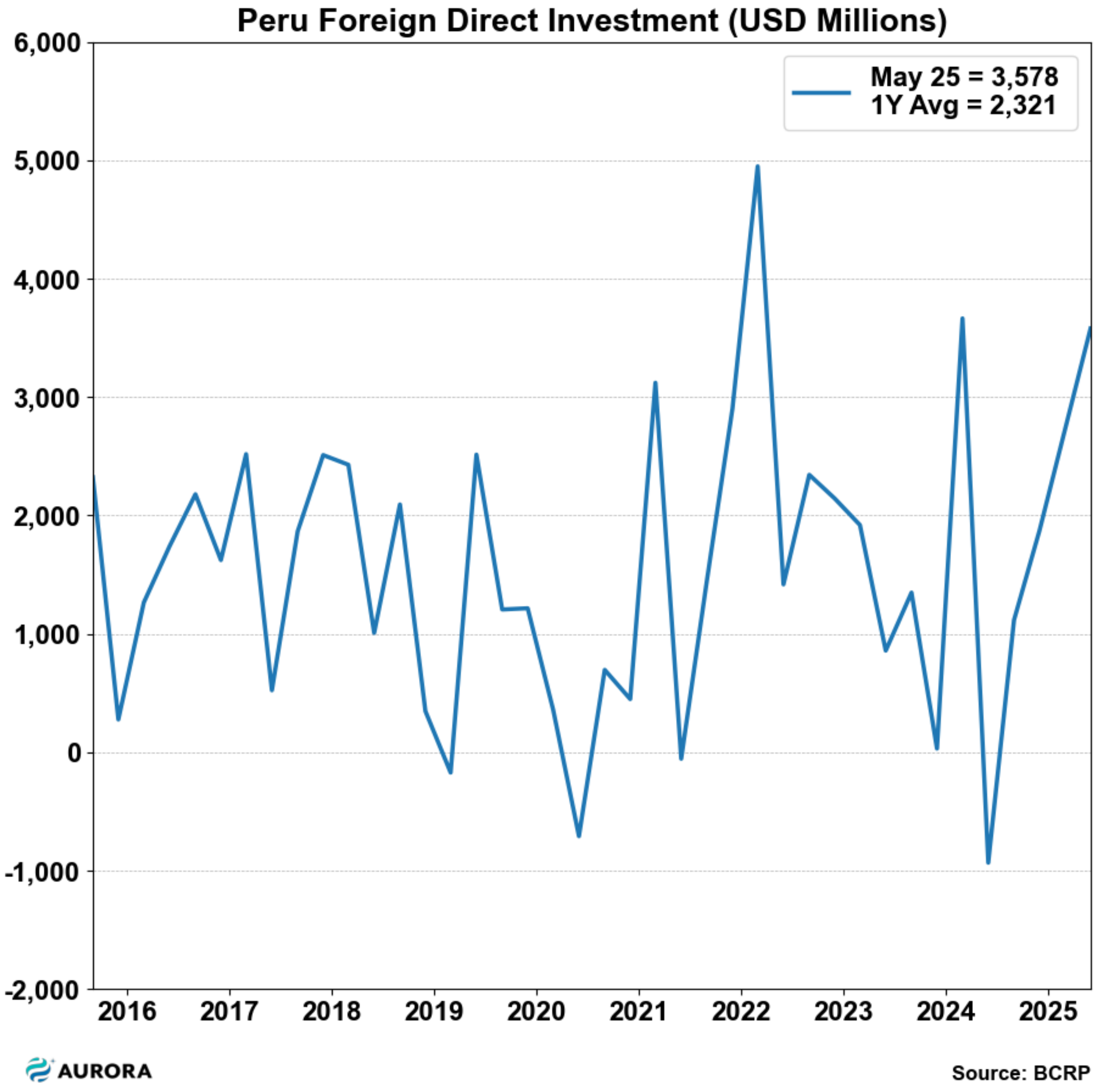
7d. Peru by the numbers: Monetary Policy



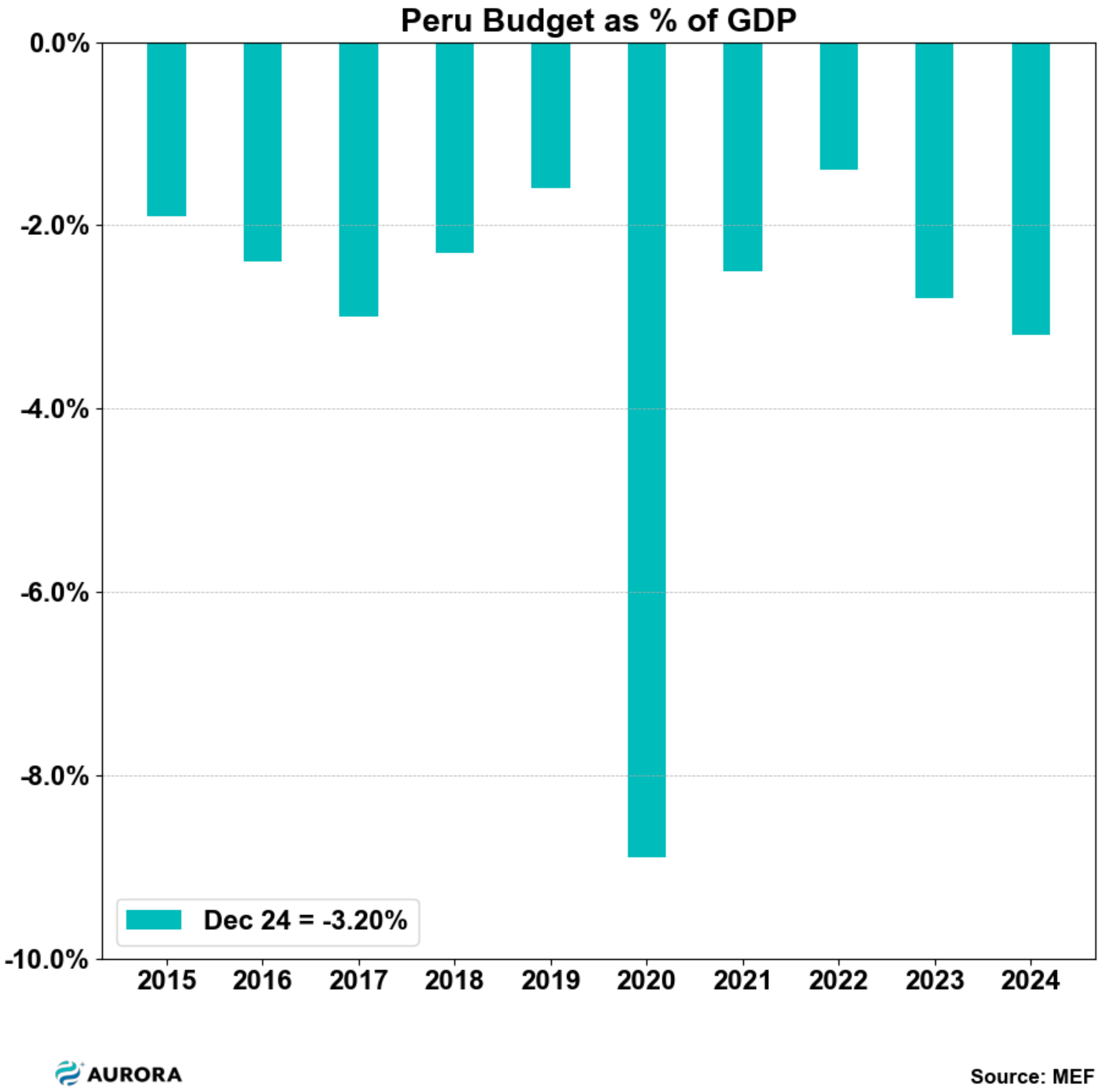


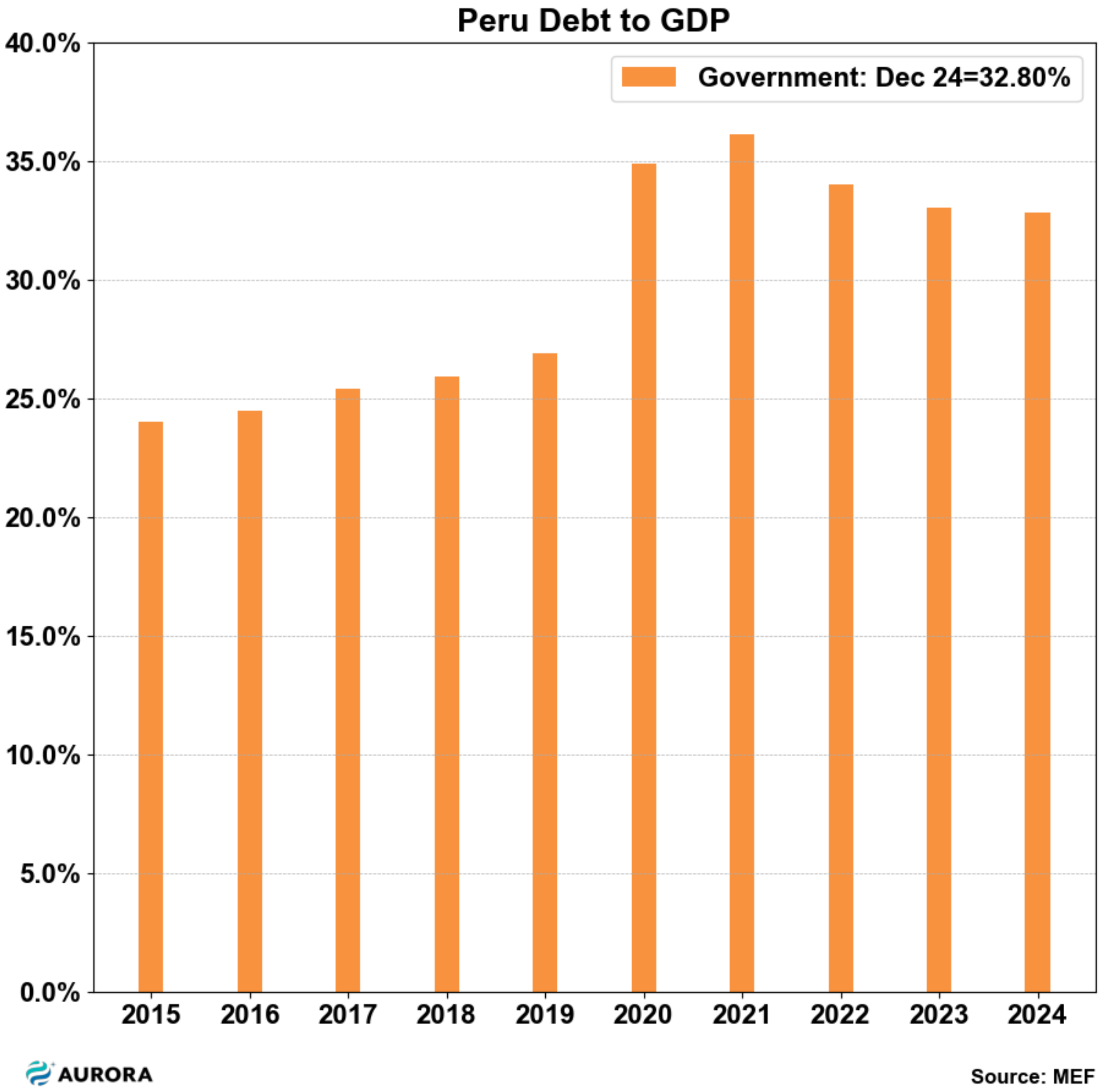
7e. Peru by the numbers: External Sector





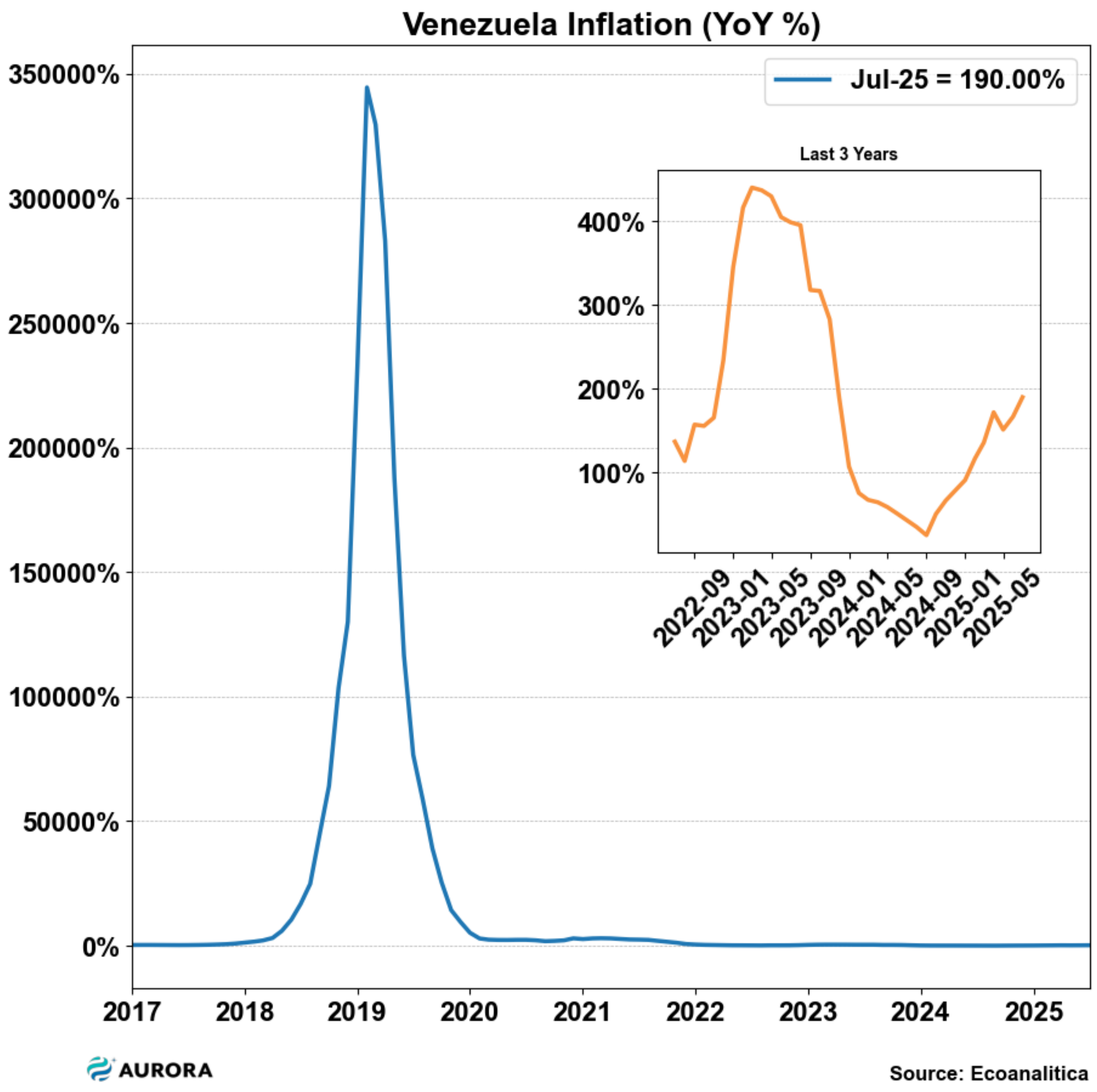
7f. Peru by the numbers: Fiscal Policy





8a. Venezuela Macro Overview

- **Venezuela's economy** is driven by high inflation, a weakening currency, ad-hoc government controls, and U.S. sanctions. Headlines create noise, but U.S. licensing and sanctions decisions ultimately define oil flows and barrel margins.
- **Inflation climbing:** Official data is suppressed, but independent estimates and street perceptions show a fast-worsening picture. *Ecoanalítica* puts July inflation at 11.5%, with 190% over 12 months and a projected 117% for 2025. Triple-digit inflation looks locked in, potentially much higher.
- **Currency weakness:** The official rate fell 3–4% in a week. Because all retailers must use it, the drop is already pushing up food and service prices.
- **Emergency decrees:** Government reissued its "Economic Emergency" powers (Aug 8) and added a 30-day drone ban (Aug 18) – ad-hoc rules that hit logistics, construction, and agritech.
- **Price caps return:** Authorities are again forcing retailers to accept "agreed prices" on staples; enforcement is inconsistent but risky for businesses.



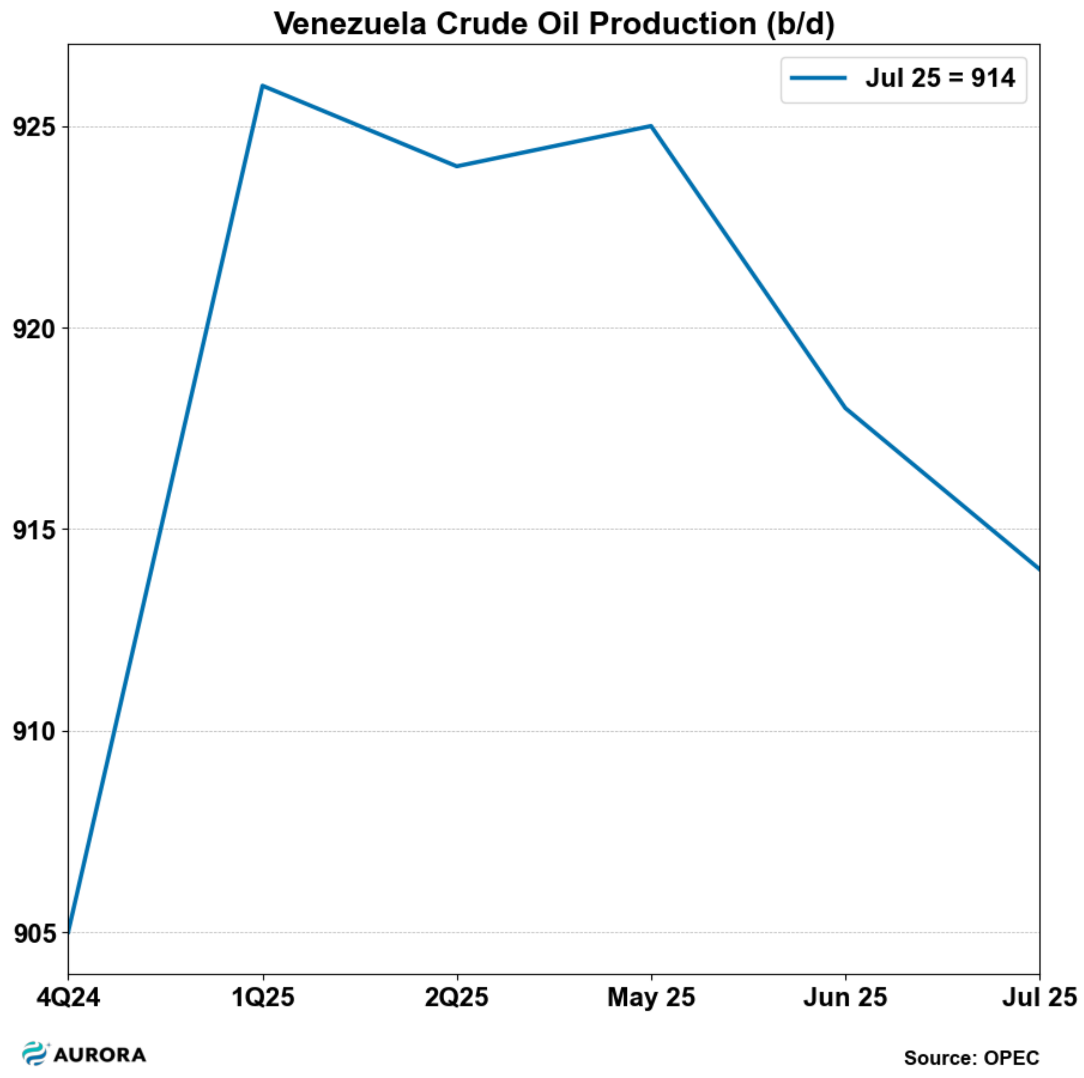
8b. Venezuela Politics Overview

- **Optics of invasion:** U.S. naval deployments are framed in Washington as counternarcotics but cast in Caracas as encirclement. Both sides gain politically from the theater, so the "imminent invasion" narrative is likely to persist.
- **Why it helps Trump:** The posture projects toughness to his base ("Biden would never"), reinforces the U.S. narrative abroad that Maduro is a narco-state rather than a governance problem, and shores up ties with small but strategic partners like Guyana and Trinidad, who are pressed to choose sides.
- **Maduro's playbook:** Siege optics help him demand loyalty from elites, stage unity rituals with Cabello and Padrino, and justify sacrifices under the banner of national emergency.

Scenario	Probability	Explanation
Invasion (the Miamero fanfiction scenario)	~1% (highly improbable)	A Panama 1989–style decapitation (~27,000 troops) is often used as shorthand but doesn't map. Venezuela is thirty times larger, with militias embedded in dense urban terrain. A Grenada 1983 raid (~7,600 troops) is even less plausible, and the only true scale analog is Iraq 2003 (~150,000 troops) – a campaign Washington has no desire to repeat. Geography compounds the deterrent: Caracas sits behind the Cordillera de la Costa, forcing any landing force uphill through mountain passes. Conceivable in theory, but prohibitively costly and politically toxic.
Pure theatrics ("puro show")	~25% (somewhat improbable)	The theatrics are incontrovertible but the invasion optics are puro show – MAGA toughness contrasted with "Biden weakness." Yet deployments this costly seldom justify themselves on optics alone; quality theatre tends to be a layer within larger missions, not the whole rationale.
MAGA securitization	~40% (Base Case)	The most plausible posture is force projection under "economic security is national security," aimed at drug and human trafficking networks. Maritime interdictions, ISR patrols, port monitoring, and DOJ indictments paired with naval visuals all fit. Functional, bureaucratic, defensible to allies – this is the anchor scenario.
Elite trolling & destabilization (possible add-on to Base Case)	~29% (overlay on base case)	Built atop securitization, this adds selectorate trolling: seizures of elite cargoes, timed indictments or bounty posters, selective visa pulls, Magnitsky designations, and quiet pressure on Curaçao/Aruba. The goal is sowing paranoia and divisions among regime elites in hopes of provoking a flashpoint. Psy-ops piggybacking on functional security.
Noriega-style strike (possible add-on to Base Case)	~5% (overlay on base case)	A surgical snatch or decapitation raid against Maduro himself, framed as counternarcotics. In Panama 1989 it was one element inside a full invasion; here it would be attempted without occupation. Caracas's Cordillera barrier makes such a strike far harder than Panama City, and without invasion cover it would be risky and exposed. Conceivable, but politically fraught and operationally high-risk – more imaginable than a full-scale invasion, but still marginal.

8d. Venezuela by the numbers: Oil Production

- **Oil production today:** Output sits well recent highs; most growth tied to Chevron JVs. Aging infrastructure and lack of investment limit upside.
- **New license regime:** Chevron's waiver has shifted from broad permission to short-term authorizations. Each renewal is a checkpoint where Washington can tighten terms, creating ongoing uncertainty for revenue flows and pricing.
- **Barrels, not cash:** Caracas often takes its share in crude or products rather than money. Much is diverted domestically or sold through gray channels, further reducing effective netbacks.
- **Discounted crude:** Venezuelan barrels still sell at steep discounts (**$20–25/bbl below Brent**) given sanctions risk.



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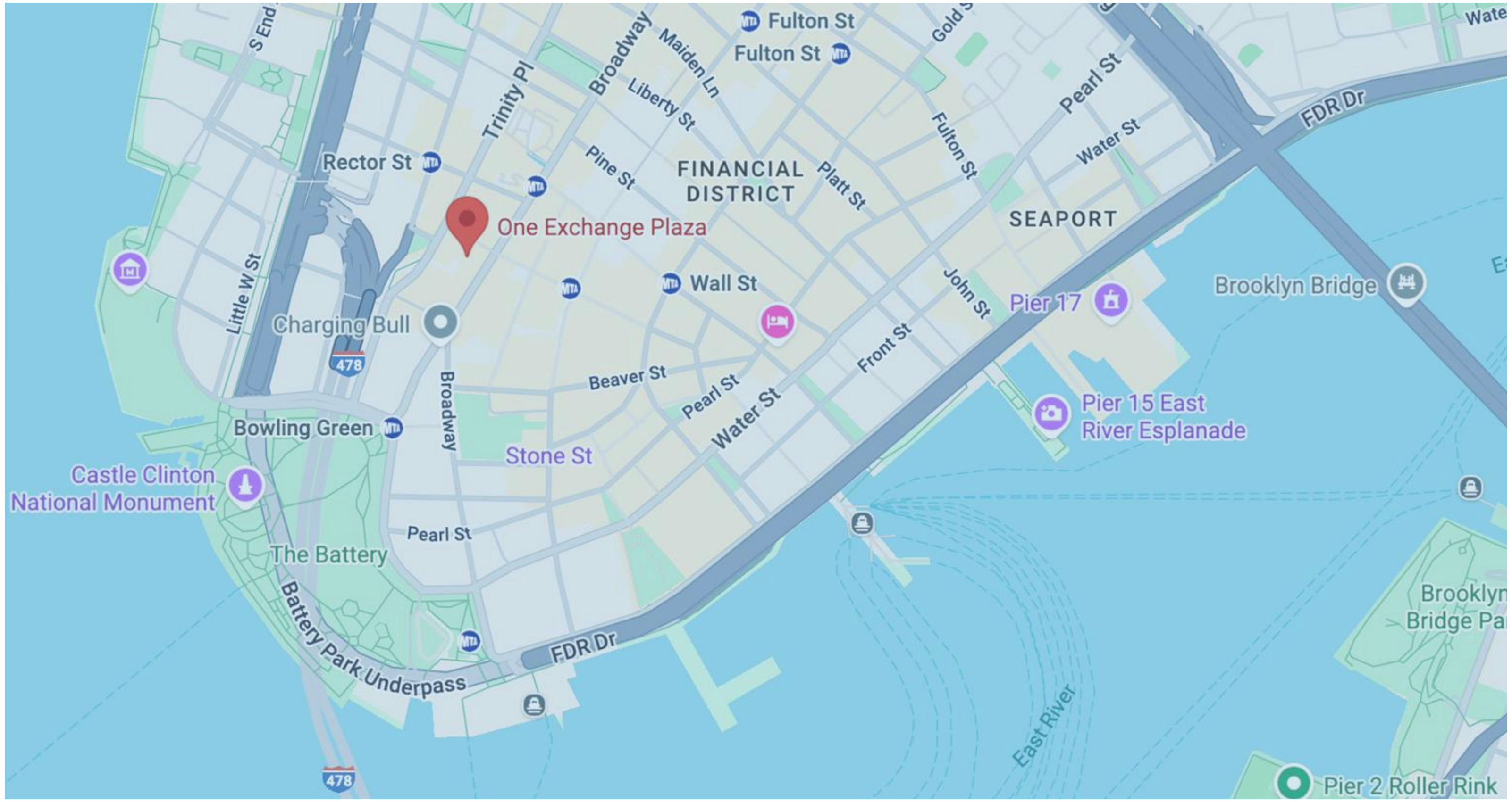

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