

Latam Daily: Reading Sunday's Election in Chile; Peru BCRP Board Appointments

- **Chile:** How to read Sunday's presidential election—a few tips
- **Peru:** Congress completes appointment of the BCRP's Board

CHILE: HOW TO READ SUNDAY'S PRESIDENTIAL ELECTION—A FEW TIPS

1. **Presidential Candidates José Antonio Kast and Gabriel Boric, each from the political right and left respectively, are considered the most likely candidates to move forward to the runoff vote in December, according to polls.** Such a scenario would not be a surprise. Other combinations such as Mr Boric versus centre-left Ms Yasna Provoste, or Mr Boric versus centre-right Sebastián Sichel, would have positive market implications.
2. **The sum of votes for Sichel and Kast, on the right end of the political arena, will matter for the runoff.** Getting a combined 40%-45% of the votes would make the December 19 runoff more competitive than is already perceived. Again a favourable effect for the market.
3. **Mr Kast coming out with more votes than Mr Boric would give the former a psychological advantage for the second round.** This is common in elections with a two-round system and would apply equally in the reverse if Mr Boric were to land ahead instead. Either scenario would have a positive market effect. However, if Mr Boric ranks significantly ahead of Mr Kast, he would have less of an incentive to moderate his program to capture centre-left votes, which would be read negatively by the market.
4. **Also on the left, Mr Fanco Parisi's vote share (at around 10%) is important because it would be the great loot to capture, in the understanding that left-leaning votes for Provoste and others would largely redirect to Mr Boric in the second round (also because candidates would likely endorse him or join the campaign against the right-wing candidate).** CADEM polling in September indicates that 69% of Mr Parisi's votes would go to Boric in the second round, with a caveat that a lot has happened since then.
5. **Political fragmentation in Congress is to be expected, except without significant representation from pure independents, such as what happened in electing the Constituent Assembly which allowed for the nomination of lists of independents.** Chilean congress representatives from the Podemos Más (allied with Sichel) and Nuevo Pacto Social (allied with Provoste) would lose in favour of more extreme coalitions. For the market reaction, it will be key to see if the right-wing coalitions maintain around 45% of their deputies and senators. Keeping that balance, even with a recomposition within the left and right and more fragmentation, would be read positively. If the right-leaning coalitions get less than that percentage, we would expect a negative reading.

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6. **Voter turnout is expected at around 54% (versus 51% in the 2020 referendum, and the elections of last May around 44–45%).** This is a projection from Scotiabank Economics where we expect a vote close to 8 million cast votes. A higher turnout is a symptom of the return of the adult voter (over 50 years) since the voter with less than 40 years already has turnouts close to their possible maximums (56%), which makes the second round more competitive in the understanding that a second round vote always adds between 1 and 2 pts of higher participation. Greater participation will also have a favourable reading for the market.

—Jorge Selaive

PERU: CONGRESS COMPLETES APPOINTMENT OF THE BCRP'S BOARD

Congress appointed the remaining three members to the Board of the central bank (BCRP). The voting had an ample margin with 76/130 votes in favour (of a minimum of 66 required). The three new members have a more technical profile than the other three appointed earlier by the president in October, strengthening decision-making. In October the government ratified Julio Velarde as Head of the BCRP's Board and ratified three members (see [Latam Daily](#) October 8, 2021), thus completing a total of seven Board members to a 5-year term. To select the three Congress-picked Board members, the Congressional Economic Commission approved the criteria based on knowledge, with a minimum experience of 10 years, and defined the legal impediments and conflicts of interest. We expect that the composition of the new BCRP Board would be more solid than the previous one, which would help strengthen the BCRP's institutional framework.

—Mario Guerrero

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