

The stock market, an option for hedging?

In the last weeks of May we have seen how the volatility of the unofficial dollar has increased in Venezuela, so much so that it went from VEB 350.4/US\$ to VEB 402.0/US\$ in just one day, an increase of 14.%, only to fall in the next few days to VEB 343.1/US\$, a drop of 14.6%.

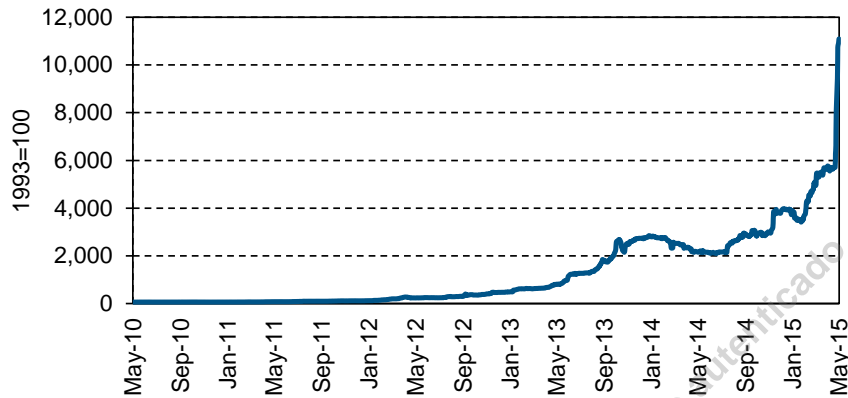
Given this instability, as we mentioned in our special foreign exchange situation report, at **Ecoanalítica** we consider that our clients should implement coverage schemes other than buying foreign currency. Continuing in this vein, in this report we seek to offer the local stock exchange market as a coverage option together with different analyses to make taking decisions easier.

The Venezuelan market and how it behaves

The Caracas Stock Exchange Index (IBC after its initials in Spanish) is the arithmetic capitalization endowment average of 11 securities traded with the highest level of capital endowment and liquidity in the securities market on the Caracas Stock Exchange (BCV). These securities are chosen regardless of the company's area of endeavor, which means that it can be said that this is the most representative index of what is actually happening in the Venezuelan stock market.

Historically, the IBC remained stable at between 55.0 and 95.0 points (expressed in thousands), marking a slightly upward trend and very low volatility of between 2.0% and 3.0%. However, in 2012, when this upward trend started to rise exponentially, the index reached historic highs, going to 11,091.9 points (thousands) at the close of May 2015. Among the reasons that explain these movements is the increase in monetary liquidity, which grew by an average of 62.8% a year between 2010 and 2014. At **Ecoanalítica** we consider that both variables will maintain their trends in 2015 and that in 2016 the IBC will post growth of 105.8% and that growth in monetary liquidity will be 77.9%.

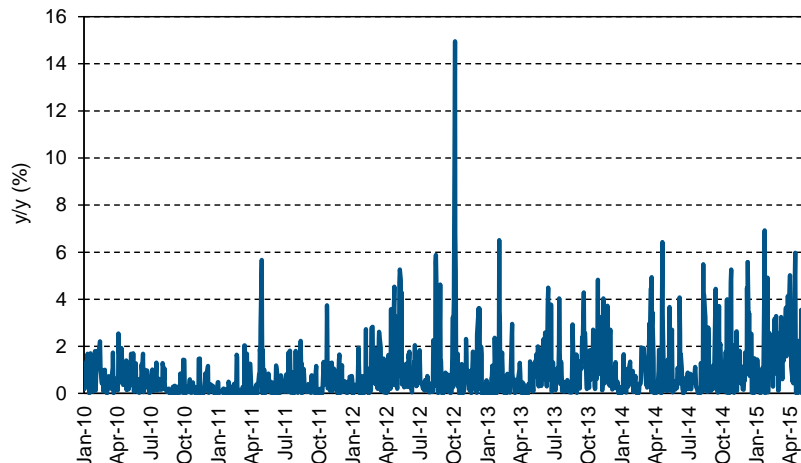
IBC Historic Prices



Sources: IBC and Ecoanalítica

In finance, volatility is a measure that simply gauges the extent to which the yield of an asset has deviated from its historic mean; in other words, it is a first approximation of an asset's risk. High deviation means that the yields of the financial asset have experienced wide variations, which is the same as saying that the risk is greater; whereas low deviation implies the contrary. When we analyze the historical performance of the IBC, it should be noted that, despite there being annualized average variations of 23.0%, they are not very high if we take into account that the best substitute for the risk-free rate in the market is between 11.0% and 14.0%, determined by 022 operations of the Central Bank of Venezuela. It is important to understand, moreover, that this does not imply that the risk is low but that we are talking of a difference of only ten percentage points compared to the "safest" investment in Venezuela. Likewise, it should be noted that there is a direct relationship between risk and yields. Put more simply, the greater the risk the greater the expected yield to compensate the investor's exposure.

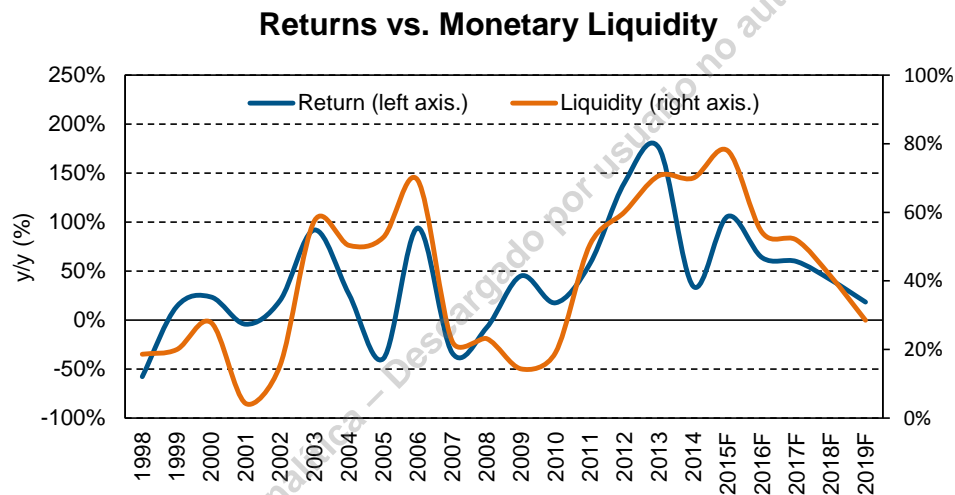
IPC Price Volatility



Sources: IBC and Ecoanalítica

And the yields are...

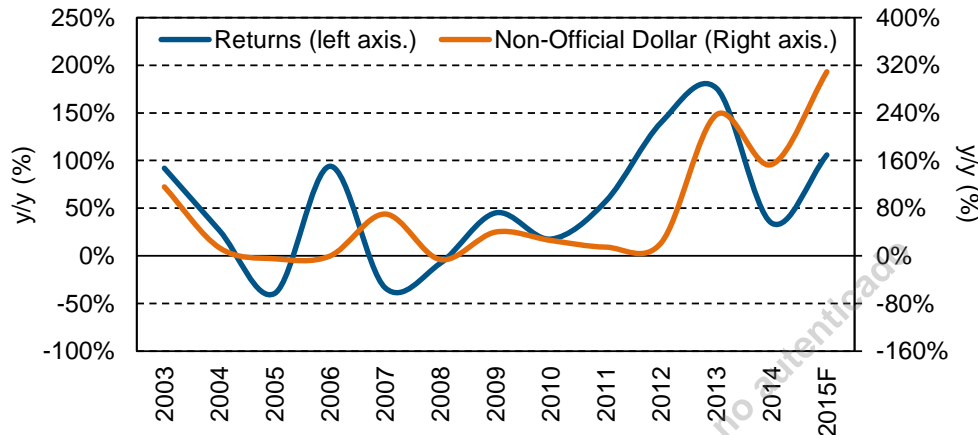
When we talk of the capital market, it is always necessary to study both volatility and yields. Zoning in on the yields, we find that they have increased remarkably since 2011. Now then, the most important question that comes to mind is: Why, after a period of relative stability, have yields disappeared? There are a large number of analyses we have to do; however, at **Ecoanalítica** we consider that there are several fundamental factors that have an impact on this upturn. First of all, there is monetary liquidity, which, as we have already said, has increased as a consequence of the financing of the fiscal deficit engaged in by the Executive.



Sources: IBC and Ecoanalítica

Secondly, given the inefficient foreign exchange policy the Executive has been implementing, we see how the price of the parallel dollar has shot up, making it daily more expensive for agents to cover their position in foreign currency. The trend in the variation in the unofficial exchange rate year-on-year is upward, as is the trend in the IBC and, as long as the necessary adjustment measures are not taken, this trend will not change.

Returns vs. Non-Official Dollar



Sources: IBC and Ecoanalítica

Thirdly, in Venezuela we are seeing three-digit inflation and at **Ecoanalítica** we forecast that it will close 2015 at 130.0%, whereas core inflation will be nearly 213.2%. These extremely high levels of inflation will undoubtedly have a significant impact on the index and, therefore, it is highly unlikely that the upward trend will be reversed in the short term.

The future of the IBC

Financial asset appraisal theory establishes that yields perform in accordance with a self-regressive model; in other words, in a market where there are no distortions, the expected yield today is going to depend on yesterday's yield and, consequently, our best forecast is that it is going to remain the same. However, given that the absence of distortions is an assumption that is difficult to maintain, today an increasingly larger number of academicians are conducting studies on how distortions affect prices and, therefore, yields. This time at **Ecoanalítica** we have used monetary liquidity and the unofficial exchange rate as distortions to forecast expected yields for the period 2015-2019.

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IBC Returns

Year	Returns
2005	-39.4%
2006	94.0%
2007	-33.6%
2003	92.0%
2004	26.4%
2008	-7.7%
2009	45.1%
2010	17.6%
2011	57.6%
2012	140.1%
2013	175.9%
2014	34.4%
2015F	105.9%
2016F	63.7%
2017F	59.7%
2018F	40.9%
2019F	18.3%

Sources: IBC and Ecoanalítica

*Annual Average

If we compare the yields that we could achieve in the stock market with a maximum borrowing rate of 12.5% for demand deposits of more than VEB 20,000 and of 14.5% for time deposits, we are faced with an opportunity for putting the bolivars we have to work at higher expected rates. Now comes the more difficult question: What can we invest in?

Analyses to suit all tastes

There are various methodologies in the world of finance for comparing different assets with a view to taking investment decisions. Below we present several options to provide our clients with a variety of approaches.

Yield is what matters

If the investor wants to base his decision on seeking a higher yield without taking risk ratings into account, then Banco Mercantil, Banco Provincial, and Envases Venezolanos are the companies that first spring to mind, with average monthly yields over the period 2010-2015 of 8.4%, 7.8%, and 7.2%, respectively.

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Highest-Return Industries

	Monthly Average
Mercantil Servicios Financieros B	8.4%
Mercantil Servicios Financieros A	8.2%
Banco Provincial	7.8%
Envases Venezolanos	7.7%
Banco Nacional De Credito	6.1%
Fondo de Valores Inmobiliarios B	5.5%
CANTV	4.7%
Manpa	4.6%
Sivensa	3.2%

Sources: IBC and Ecoanalítica

For the less venturesome

When talking of risk, there are two types of investor, those who are unwilling to take risks and the risk takers. Bearing in mind that the companies whose assets represent a lower risk will, in turn, have a lower yield, we find that Banco Mercantil, Manpa, and Sivensa stand out with volatility of 9.3%, 12.1%, and 12.7%, respectively.

Lowest-Volatility Industries

	Monthly Average
Mercantil Servicios Financieros B	9.3%
Mercantil Servicios Financieros A	9.9%
Manpa	12.1%
Sivensa	12.7%
Banco Provincial	13.6%
CANTV	16.0%
Envases Venezolanos	17.3%
Banco Nacional De Credito	18.7%
Fondo de Valores Inmobiliarios B	20.3%

Sources: IBC and Ecoanalítica

And if we adjust yields to risk?

The *Sharpe Ratio* is the measure for calculating yields adjusted to the risk taken; in other words, by subtracting the risk-free rate from the asset's yield and dividing the result by the standard deviation associated with the asset, we isolate the result obtained from a certain degree of risk in the investment. Using this ratio, the companies that appear in the lead are Banco Mercantil with 17.9 points, Envases Venezolanos with 2.5

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points, and CANTV with 1.5 points, bearing in mind that the higher the value of the asset, the better the share is considered.

Sharpe Ratio	
	Monthly Average
Mercantil Servicios Financieros B	17.9
Envases Venezolanos	2.5
CANTV	1.5
Banco Nacional De Credito	1.5
Banco Provincial	1.1
Fondo de Valores Inmobiliarios B	1.0
Manpa	0.6
Sivensa	-0.2
Mercantil Servicios Financieros A	-0.2

Sources: IBC and Ecoanalítica

And how does the market rate a company?

The market value of a company is given by its capital endowment, which is obtained by multiplying the number of shares by their unit price. In this regard, the value of a company may vary not only due to its financial health but also because of an external factor potentially affecting the capital market. Bearing this in mind, the companies that stand out in the Caracas Stock Exchange are Banco Venezuela, Banco Mercantil and Banco Provincial.

Industries' Capitalization				
	Market Value	Cencoex (US\$)	Simadi (US\$)	Non-Official Dollar (US\$)
	MM VEB		MM US\$	
Banco de Venezuela	401,184.7	63,680.1	2,005.9	1,003.0
Banco Provincial	291,134.2	46,211.8	1,455.7	727.8
Mercantil Servicios Financieros A	267,306.0	42,429.5	1,336.5	668.3
Mercantil Servicios Financieros B	214,068.1	33,979.1	1,070.3	535.2
Banco Nacional de Crédito	25,530.2	4,052.4	127.7	63.8
Fondo de Valores Inmobiliarios B	11,821.0	1,876.4	59.1	29.6
Proagro	8,165.3	1,296.1	40.8	20.4
Envases Venezolanos	7,307.7	1,160.0	36.5	18.3
Manufacturas de Papel (Manpa)	6,882.3	1,092.4	34.4	17.2
Grupo Zuliano	3,880.4	615.9	19.4	9.7
Dominguez & CIA	3,609.4	572.9	18.0	9.0
Cerámicas Carabobo	2,653.5	421.2	13.3	6.6
Ron Santa Teresa	2,250.7	357.3	11.3	5.6
Siderúrgica Venezolana (Sivensa)	2,179.8	346.0	10.9	5.4
Fábrica Nacional de Cementos, SACA	1,217.0	193.2	6.1	3.0
Corímon	1,153.6	183.1	5.8	2.9
Corp. Industrial de Energía C.A SACA	534.1	84.8	2.7	1.3

Sources: IBC and Ecoanalítica

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Given the present conditions, there are several points in this table we wish to highlight. First of all, it is correct to compare the value in dollars calculated at the SIMADI (Marginal Foreign Currency System) rate and the value in dollars calculated at the parallel dollar rate. Second, the market has adjusted the price of shares to the country's economic climate as the value of companies at the SIMADI rate is very close to their true financial value. Third, using the parallel dollar, we find that companies are undervalued. Fourth, as the market is efficient in adjusting the price of financial assets, the coverage option for the investor is a viable one; in other words, when the Executive decides to make the necessary economic adjustments, it will be the market that will adjust the prices and, therefore, your investments will not lose value. Taking this as a premise, at **Ecoanalítica** we believe that Banco Mercantil, Banco Provincial, Fondo de Valores Inmobiliarios, and Envases Venezolanos assets are ideal for hedging positions.

There is another factor we cannot overlook: the fact that the local market is not as liquid as more developed markets (by liquidity we mean the facility with which the investor can buy and sell securities on the Caracas Stock Exchange at the desired price). Consequently, it is extremely important to bear in mind that this circumstance implies an added risk.

Finally, it is important to note that what this report seeks to do is to invite our clients to think about the stock market as a means for obtaining coverage and that, given the nature of the stock market, it is necessary to obtain more in-depth advice that takes into account daily stock market movements in order to take the best investment decisions.

Carlos Miguel Álvarez
Daniel Cárdenas

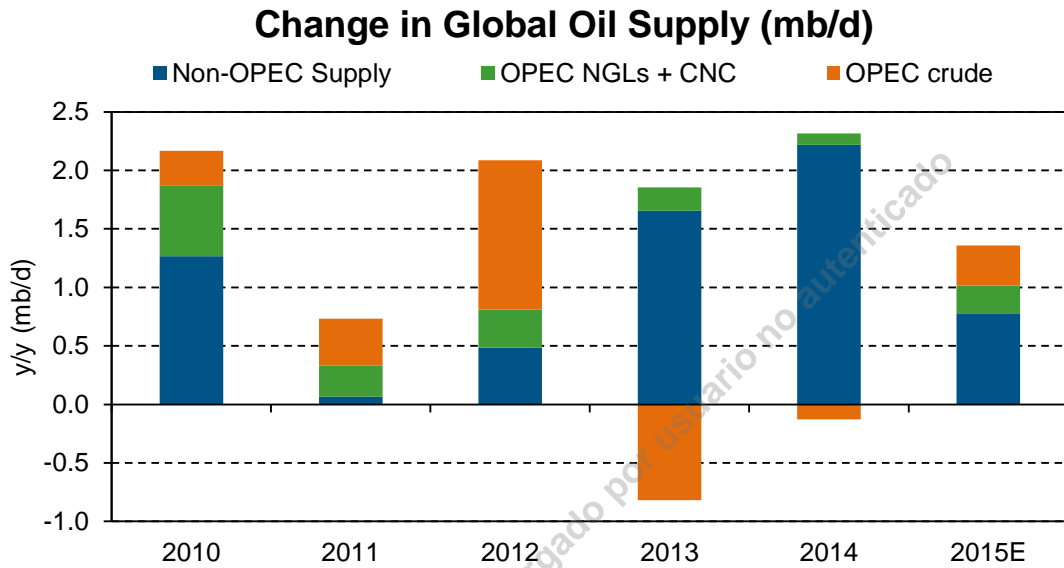
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WEEKLY INDICATORS

Weekly Economic Indicators			
	3rd Week May	Weekly var. (pp)	Annual var. (pp)
Lending interest rate (%)	19.3	-0.4	2.1
	4th Week May	Weekly var. (pp)	Annual var. (pp)
Overnight interest rate (%)	0.9	-2.9	-3.6
	3rd Week May	Weekly var. (%)	Annual var. (%)
International reserves (Bn US\$)	17.52	-1.8	-16.6
	4th Week May	Weekly var. (%)	Accum. var. (%)
Central Government spending (Bn VEB)	46.05	-8.6	50.5
	3rd Week May	Weekly var. (%)	Annual var. (%)
Monetary liquidity (Bn VEB)	2,372	1.4	70.0
Price of International Oil Baskets (US\$/b)			
	4th Week May	Weekly var. (%)	Annual var. (%)
WTI	58.5	-1.4	-43.6
Brent	63.9	-2.9	-42.0
Price of the Venezuelan oil basket (US\$/b)			
	4th Week May	Weekly var. (%)	Annual var. (%)
Weekly average	55.4	-1.6	-43.7
Annual average	48.4	0.7	-49.9

Sources: BCV, Menpet, ONT and Ecoanalítica

GRAPH OF THE WEEK: “IN THE OIL DASHBOARD: OPEC STRUGGLES TO REGAIN SPACE”



Sources: IEA, EIA, OPEC y Ecoanalítica

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ECONOMIC TIPS

More money to meet the payroll. The National Assembly's Finance Committee approved a supplementary appropriation in the sum of VEB 83.6 billion to cover the June payroll and the wage increase for government service employees. The money is to be shared out among government agencies, ministries and the vice presidency. The Ministry of Defense will get the largest share, VEB 19.22 billion. This is the second supplementary appropriation approved by the National Assembly to cover the increase in the minimum wage.

Talk of unifying the exchange rates. Government bench deputy for Lara state, Germán Ferrer, believes it is necessary to promote macroeconomic changes that will guarantee the sustainability of the country's growth and development. In his opinion, *"there should be just one exchange rate, and that would progressively solve a series of distortions until we gradually balance things; it would also help to boost domestic production."* He also warned that *"the only way to fight inflation is with the production of goods and services and with productivity. There's no other way."*

Tax receipts fell in May. According to a Seniat press release, the tax agency collected VEB 72.6 billion in May, down 6.5% from the previous month; even so this was equivalent to 201.2% of the established target. However, at **Ecoanalítica** we are of the opinion that, on the one hand, these targets are underestimated by Seniat and, on the other, spiraling inflation means that tax receipts grow in nominal terms but not in real terms.

Fine tuning the foreign exchange scheme. Several private meetings were held simultaneously this week between the Central Bank and the state-owned and private banks to fine tune the details of a new foreign exchange scheme. With this measure, the government is seeking to reduce the pressure that is pushing up the parallel dollar. Apparently the foreign exchange system that is being proposed is a dual scheme based on two exchange rates: a free rate and an official rate. However, the outcome of the meetings will not be known until Finance Minister Marco Torres returns from his tour of Russia.

You offer the dollars. In connection with the meetings between the Central Bank and the banking sector, it was learned, unofficially, that the government

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is interested in suggesting that the banks use part of their positions in dollars to offer foreign currency in the Marginal Foreign Currency System (SIMADI). However, this is something that is still being discussed and, as yet, no decision has been taken. It is calculated that there is an average of US\$2.0 billion in positions in foreign currency in the domestic financial system.

The debt is beginning to weigh heavy. The international reserves came to US\$17.44 billion at the close of this week, down US\$1.72 billion compared to the previous month. However, if we compare them to their highest point of the year (02/29/2015), they have fallen by US\$6.82 billion. This behavior is due to the foreign debt payments made in the first months of the year. However, what is important here is that the drops in the international reserves be only temporary and that the possibility exists of them recovering in order to maintain and even increase the economy's payment capacity.

DirectoBCV auction. Last Friday, the Central Bank called the 61st auction of *DirectoBCV* bonds in the sum of VEB 600 million. This auction was intended for private individuals, savings banks, savings funds, and other groups. This is a primary placement at par value (without a discount) at 90 and 180 days with interest rates of 16.5% and 17.0% and maturity dates of the bonds are September 3, 2015, for those at 90 days and December 2, 2015, for those at 180 days. The Central Bank announced the results of the auction on June 3.

OIL TIPS

Fair oil prices. Minister for Oil and Mining Asdrúbal Chávez traveled to Vienna to request the Organization of Petroleum Exporting Countries (OPEC) to promote different initiatives that would favor defining joint energy policies aimed at stabilizing the oil market and returning it to the path of a fair price for oil, which has been estimated at US\$100/bbl. Since the end of 2014, Venezuela has requested OPEC on several occasions to cut production quotas in order to push up prices and achieve "stability" in the market.

Production quotas likely to remain unchanged. OPEC will probably maintain its production quotas as they are, given that the world crude market seems to be in good shape and expectations are that crude prices will recover from their present levels. *"It is unlikely that OPEC will make a decision regarding its production ceiling for two reasons: the first one that*

Russia and other non-OPEC producers have expressed their non-desire to cooperate in any idea of a production cut,” said the Gulf delegate.

Don't expect a cut! Before the OPEC meeting, Oil Minister Ali al Naimi of Saudi Arabia, the most powerful of the cartel's 13 members, said that the present strategy being implemented by OPEC is working, as oil demand is increasing and supply is slowing down and that, therefore, the international crude market is going to stabilize. At the moment, OPEC is pumping around 30.0% of world crude and it decided to maintain production at 30 million barrels a day (mb/d) at its last meeting held in November.

Going cap in hand to Russia. President Nicolás Maduro announced that the meeting with Russia's state-owned oil company, Rosneft, resulted in investment agreements worth more than US\$14.0 billion for oil and gas projects. Russia and Venezuela have expressed their interest in expanding plans for extracting crude in the “Hugo Chávez” Orinoco Oil Belt via the state-owned oil companies Petróleos de Venezuela (PDVSA) and Rosneft. The two countries currently have several joint ventures in the Orinoco Oil Belt.

Satisfying demand. According to Rosneft, in a few years' time, PDVSA could help to cover the oil demand from the United States and Canada if the production of shale oil drops in those markets. Rosneft said that it plans to produce 8 million tons of crude a year in Venezuela by 2019.

New finds. The oil companies Falkland Oil and Gas (FOGL), Premier Oil (PO), and Rockhopper Exploration announced the discovery of oil in the Isobel Deep exploration well, which is located in an oil field to the north of the Falkland Islands, where they plan to carry out more work. In April, PO and FOGL said that they had discovered oil in a well off the Falkland Islands, the first discovery after months of drilling. It is expected that these new findings will generate diplomatic friction between Argentina and England.

Oil smuggling. According to government bench Deputy German Ferrer, the current macroeconomic and foreign exchange imbalances have generated strong distortions in the economy, a situation that has encouraged the smuggling of gasoline out of the country. According to the former president of PDVSA, Rafael Ramírez, more than 100,000 barrels a day (kb/d) are being smuggled out of the country, which means a loss of some US\$4.0 billion.

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Granting concessions. Nicaragua has granted the Norwegian oil company Statoil four permits to explore for and exploit hydrocarbons in four areas along the Pacific coast totaling 15,995 square kilometers. Statoil is to operate in alliance with Nicaragua's state-owned oil company, Empresa Nicaragüense del Petróleo (Petronic), as allowed by Nicaragua's Hydrocarbons Act.

BUSINESS SECTOR TIPS

Back in the day we produced greenbacks. The president of the Venezuelan Chemical and Petrochemical Industry Association (Asoquim), Pablo Olalquiaga, said that the industry wants to cease being "*a burden to the State*" as far as foreign currency is concerned. Olalquiaga explained that, in 2005, the chemical and petrochemical industry had a trade surplus of some US\$50 million, which offset the imports that they required, whereas today the industry has to rely on the foreign currency allocated by the government.

We're a necessary link in the production chain. The president of Asoquim, Pablo Olalquiaga, also said that it is necessary to revive the country's chemical sector as it is a key link in the domestic production chain of a variety of goods. "*We cut across absolutely all the rest of the industrial sector and without us the rest start to experience shortfalls in raw materials.*" Olalquiaga also commented that the allocations of foreign currency for the sector have been getting less since halfway through 2013, which has resulted in the chemical and petrochemical industry's inventories shrinking.

Vegetables are more expensive. Enmanuel Escalona, the vegetables director at the Confederation of Agricultural and Livestock Producers Associations (Fedeagro), said that the collapse in production is what has caused the sudden hike in vegetable prices. "*The drop in the volumes of crops harvested brings about shortages and, therefore, prices go up; more so if the middlemen can't find spare parts, there aren't any tires, the national guardsmen at the checkpoints want more and more, and hijacking on the roads are a daily occurrence,*" he commented.

A change is needed. José Cinnirella, the president of the National Auto Parts Chamber of Commerce (CANIDRA), said that the chamber had

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requested the government to amend Foreign Exchange Agreement No. 33, as, according to him, this mechanism has been totally ineffective and has impeded the flow of goods in the auto parts market still further. He also pointed out that the Fair Prices Act needs to be revised because, as it is at present, it hinders the proper functioning of the sector.

Waiting for the increase. The president of the Venezuelan Federation of Rice Producers (Fevearroz), Fuaz Kassen, said that, following a meeting with Food Minister Carlos Osorio and Agriculture and Lands Minister José Luis Berroterán, the federation is waiting for a price increase throughout the rice production and marketing chain. *“The primary and agro-industrial sector should be made profitable and it is necessary to start planning the logistics for the north-summer cycle so that both the public and private sectors can attend to farmers’ needs,”* said Kassen.

Decontrol is an option. Carlos Osorio, the vice president for food security and sovereignty, said that they are considering lifting the price controls on sunflower seeds, arguing that *“it isn’t fair for soy to have a fair value and for oilseeds to be kept down.”* Osorio, who is also the Minister for Food, explained that the price increases for agricultural items such as rice, corn, and sugarcane, would be announced by President Nicolás Maduro. He hopes that, if an agreement is reached on decontrolling prices, there will not be any profiteering.

It would take a miracle to put milk back on the shelves. The Milk Processing Association (Asoprole) has declared a crisis owing to the situation the beverages pasteurization sector is facing because prices have lagged behind and because of the lack of containers. Edecio Pineda, the association’s president, said that, due to the fact that the price of milk in all its forms has lagged behind, the industry cannot even cover its operating costs. *“The cost structures have gone up by between 100.0% and 500.0% in raw materials, packaging materials and containers, freight, labor, spare parts and other items, which makes production difficult,”* said Pineda.

It’s not just the price. Asoprole’s president, Edecio Pineda, stressed that price controls are not the only distortion that is affecting the sector. In his opinion, the lack of plastic and plastic-lined cardboard containers is causing delays in production. He also explained that the delay in allocating foreign currency is yet another factor that is affecting production at the milk processing companies.

We can't do business without electricity. Cipriana Ramos, the president of the National Commerce and Services Council (Consecomercio) announced that the blackouts have affected commerce in several states. *"If a shopping mall doesn't have its own power plant, it doesn't have electricity to be able to stay open. Then there's the matter of the pharmacies that need refrigeration to maintain the cold chain; the same happens with the supermarkets. Electricity is the starting point of any business,"* she said.

WORLD ECONOMY TIPS

Still very slow. With few signs that the United States' economy is recovering following a very weak quarter, the Federal Reserve is not in a position to start raising interest rates, said Eric Rosengren, president of the Boston FED, last Monday. With growth in the first half of the year probably below the economy's potential of nearly 2.0%, *"I do not expect to see timely improvements in the unemployment rate and sufficient progress towards the 2 percent inflation target,"* said Rosengren.

No date for an agreement. Last Tuesday, the head of the Eurogroup, Jeroen Dijsselbloem, said that it was not even theoretically possible that Greece's lenders would resume their emergency support this week while discussions over its economic reforms are taking place. Dijsselbloem also said that *"even if the institutions in Greece reach an agreement this week, it would have to go through the Eurogroup (...) for that reason, even in theory, it is not possible for payments to be resumed this week."*

Now it's up to Europe to decide. Greek Prime Minister Alexis Tsipras gave assurances that the Greek Government had submitted a comprehensive program of reforms in which it has made concessions and that now the decision is in the hands of the European leaders. Tsipras warned that the Greek people have to be prepared for difficult times once the negotiations have been concluded. The prime minister stressed that an agreement with the institutions would mean the *"end of division in Europe,"* but insisted that now the decision rests with the European political leaders.

Unemployment drops in Spain. Unemployment in Spain posted its biggest drop ever recorded for the month of May. The speeding up of the drop in unemployment and the creation of jobs coincides with a time of evident

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expansion in the economy, although Spain's deteriorated labor market will still take time to recover from the long economic crisis, given that nearly 24% of the economically active population is still unemployed.

It's necessary to focus on productivity. This year Latin America's economy, which will post growth of less than 1.0%, will have to focus on recovering productivity in order to progress once again, according to analysts at the International Monetary Fund (IMF). In the opinion of IMF First Deputy Managing Director David Lipton, the Latin American region will complete five years of a slowdown of the economy and he insisted that the countries of the region *"cannot afford to lose the precious economic and social gains that they have accomplished in the recent past."*

A new director at the ILO. On June 1, José Manuel Salazar Xirinachs became the director of the International Labour Organization's Regional Office for Latin America and the Caribbean, headquartered in Lima, Peru. The new regional director stressed the importance of promoting inclusive growth, the creator of more and better jobs, as a short-term policy for reducing inequality in Latin America.

POLITICAL TIPS

His health's at risk. Lilian Tintori, Leopoldo López's wife, said that López had lost 5 kg since he started his hunger strike eight days ago and that the request that he be taken to the court hearing his case in an ambulance was denied. Among the demands that López is making is the release of the political prisoners, setting the date for the parliamentary elections, and the presence of international observers at those elections.

Enough is enough. Former presidential candidate Diego Arria called on Leopoldo López and Daniel Ceballos to lift the hunger strike they started recently. In a letter, the former ambassador to the United Nations expressed his concern for the opposition leaders' health. *"You and Daniel, through your sacrifice and the sacrifice of your families have brought about new circumstances (...) by reviving the hope that we're going to recover our freedom; but in order to do that Venezuela needs you alive and in full health. Broken or dead you would only give comfort to this wretched regime,"* stressed Arria.

Censorship continues. Former President of Colombia Andrés Pastrana and former President of Bolivia Jorge Quiroga visited the General Penitentiary of Venezuela in San Juan de Los Morros, Guárico, to try to see opposition leader Daniel Ceballos, who is being held prisoner there and is on hunger strike. Pastrana clarified that the only purpose of the visit was to verify that Ceballos was all right. *“It isn’t a political visit; it’s a humanitarian visit,”* confirmed the former Colombian President.

Mass mobilization. Thousands of people in different cities around the country turned out for the march called by Leopoldo López and Daniel Ceballos to demand, among other things, that the date for the parliamentary elections be set and the release of the political prisoners. In Caracas and in towns and cities in the provinces, political, student, business association and labor union leaders responded to the call to march, defying the party line. People went with slogans calling for freedom of expression, against the economic crisis, and demanding the release of the political prisoners.

More join the hunger strike. Ernesto Palacios, an industrial safety specialist, joined the hunger strike being held by a group of young people in La Guadalupe Church located in Las Mercedes, Caracas, bringing the number of people on strike to seven. They are striking for the release of the political prisoners. The leader of the JAVU Movement requested that a special team from the International Red Cross check the health of the young people as a matter of urgency.

King at home, a commoner abroad. The president of the National Assembly, Diosdado Cabello, confirmed that he is to file a lawsuit in Spain against the newspaper ABC and another in the United States against The Wall Street Journal for *“publishing libelous information linking him to drug trafficking networks.”* The Wall Street Journal has pointed out that the prosecutor’s offices in Miami and New York are investigating Cabello on the basis of accusations made by his former bodyguard Leamsy Salazar.

The Wall Street Journal isn’t worried. Juan Forero, the South America Bureau chief at The Wall Street Journal, claimed that the information published in the paper regarding an alleged investigation by the US authorities of Venezuelan government officials had been verified by reliable sources. Forero explained that The Wall Street Journal started to investigate the case against Cabello and other Venezuelan government officials after the arrest of Hugo “El Pollo” Carvajal in 2014. He also said that there are more

but lower ranking government officials implicated in the case, apart from those mentioned in the report.

Impossible to deny the obvious. According to the consulting firm Hinterlaces, the “*the destabilizing and ‘neuroticizing’ campaign*” against Venezuelan society has managed to exaggerate the magnitude of the crisis and arouse social discontent, make people more anxious and increase collective uncertainty, feeding, according to Hinterlaces, a future neurotic vote and also a violent social rift. It also warns that its polls reveal that “*all the negative indicators of Venezuela’s social-emotional climate are increasing: irritation, pessimism, sadness, and concern.*”

LEGISLATIVE TIPS

New appointees. The following new appointments were officially announced in *Gaceta Oficial* No. 40,668, published on Tuesday, May 26: Rosángela Orozco Rondón was appointed as Minister for the Communes and Social Movements; Cesar Leopoldo Ferrer Dupuy is now the National Superintendent for the Defense of Socioeconomic Rights; and Juan Carlos Dugarte is the new Chief of Government for the Capital District.

National Assembly is against “lies.” The National Assembly issued a communiqué in which it came out in defense of Deputy and National Assembly President Diosdado Cabello and against the “*campaign of lies*” being waged against him in the national and international media. The motion to issue the communiqué was submitted by Deputy Tania Díaz as a matter of urgency and the communiqué will be submitted to the Attorney General’s Office and be published and broadcast by the national media.

Seeing is believing. United Socialist Party of Venezuela (PSUV) Deputy Hugbel Roa said that the National Assembly is drafting a law for the repatriation of capital to sanction companies that committed foreign exchange offenses. COPEI Deputy Roberto Enríquez also submitted a bill for the repatriation of “fugitive” capital. Enríquez explained that the idea came about as a result of information obtained from the World Bank, the International Monetary Fund (IMF), and the Inter-American Development Bank (IDB) indicating that funds from Venezuela that have no legal justification amounting to more than US\$350.0 billion are deposited in foreign banks.

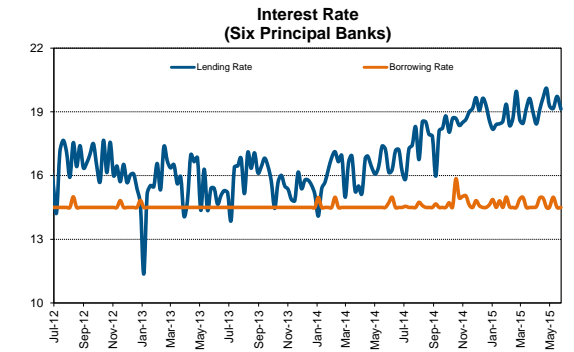
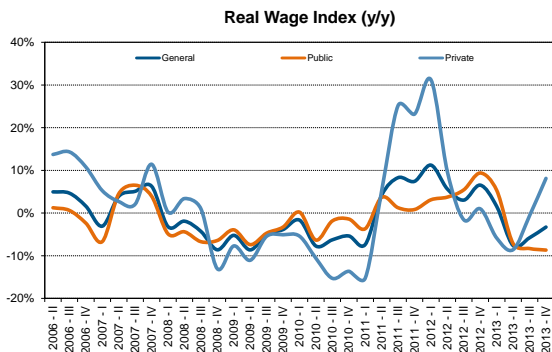
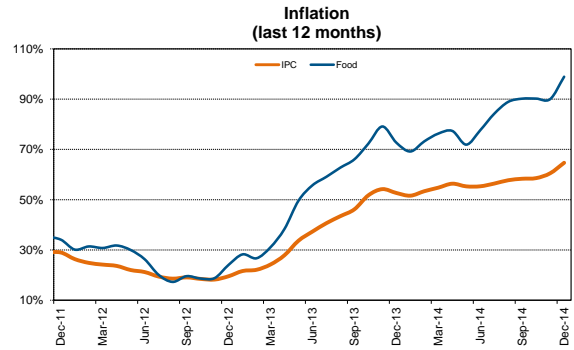
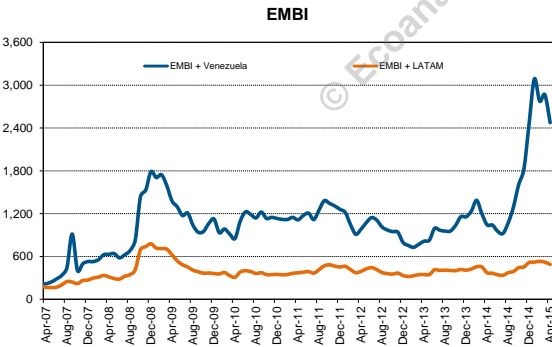
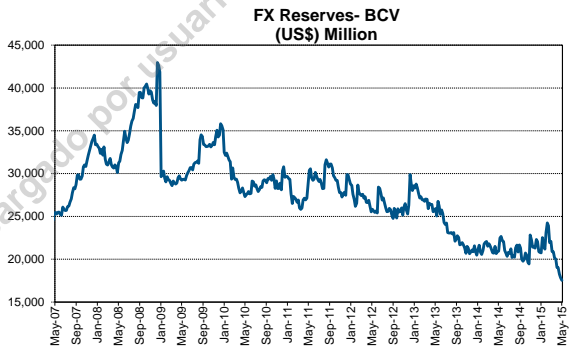
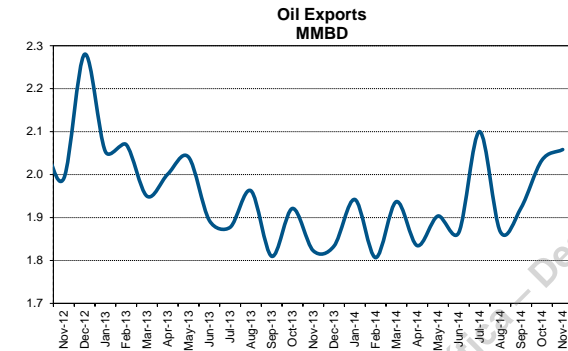
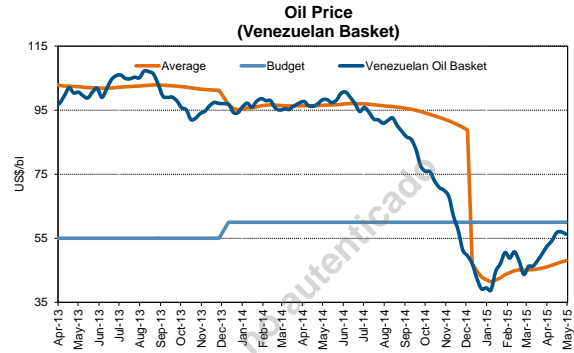
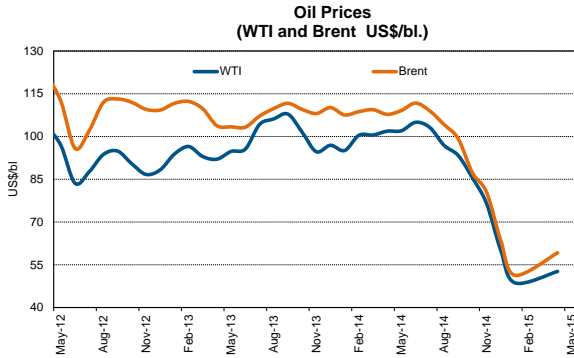
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¿A New Fair Prices act? The congress man for PSUV, Alexander Dudamel, confirmed that there will be changes in the fair prices act because *"smugglers and speculators are playing with the needs of the Venezuelan people, they should be treated with a more coercive punishment, and their assets would be forfeited to the state"*. In addition, the congress man noted that discussions about changes in the law will be completely reserved for the president by the special power act which is still active.

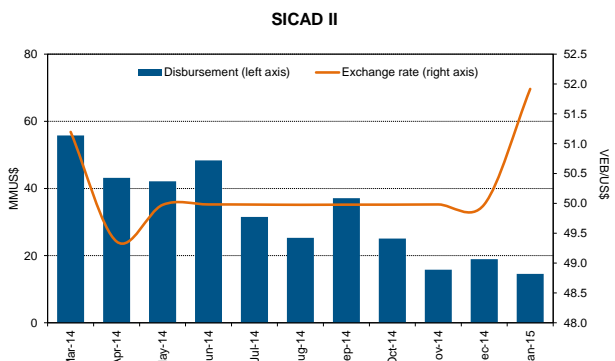
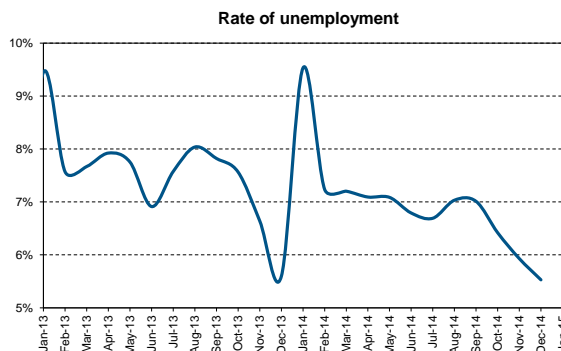
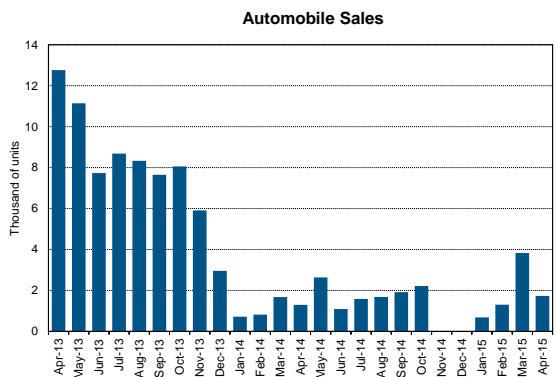
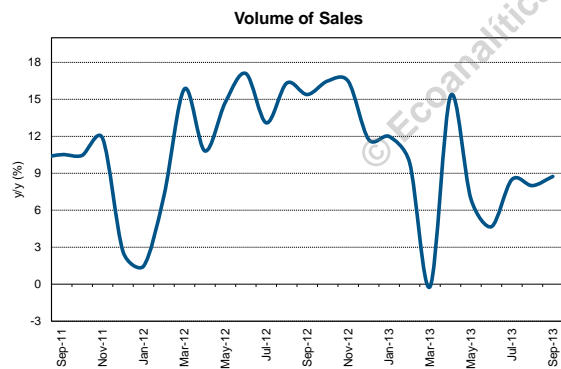
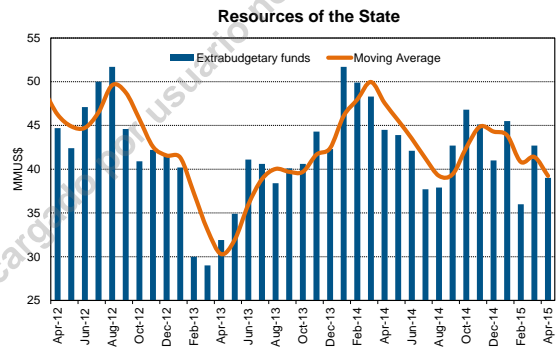
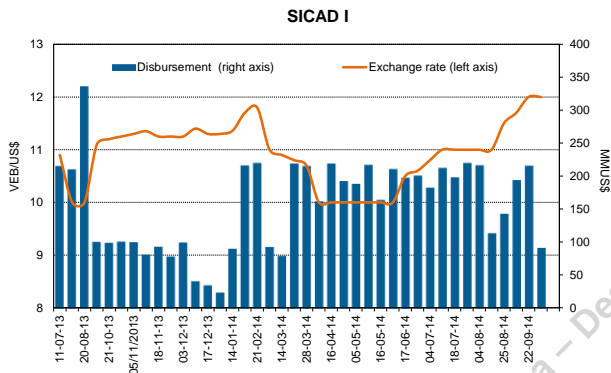
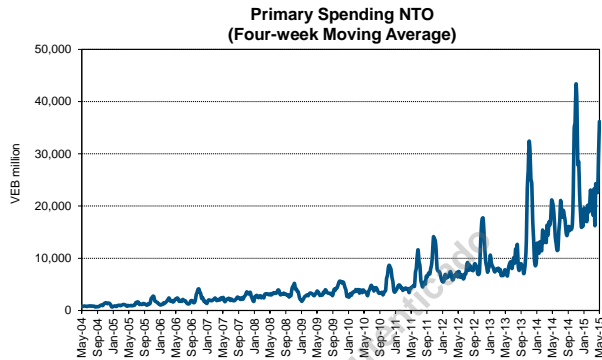
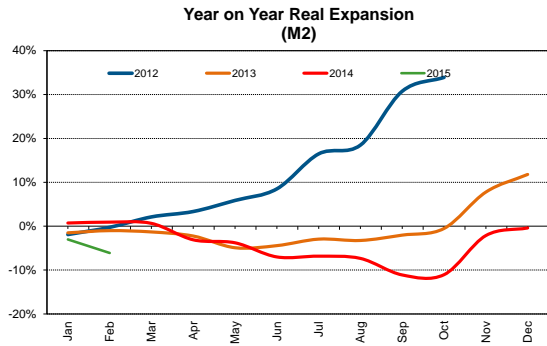
More time for CVAL. According to *Gaceta Oficial* N°40.673, the Ministry of Food extended by 90 days the intervention of the Venezuelan Food Corporation (CVAL) to complete the process efficiency that began on 2014. However, the actual board is ratified which has remained the operational process to the date, although established but the 90 day extension is still needed.

New president in INAC. In the *Gaceta Oficial* N°40.674 was established that Luis Montenegro is the new president of the National Civil Aviation Institute (INAC). Montenegro was the manager of the main office of *Maiquetia* international airport and is replacing the General Giuseppe Yorio as president of INAC. Yorio was in charge of the office from November 2014 when the institution was intervened.

ECONOMIC OVERVIEW



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