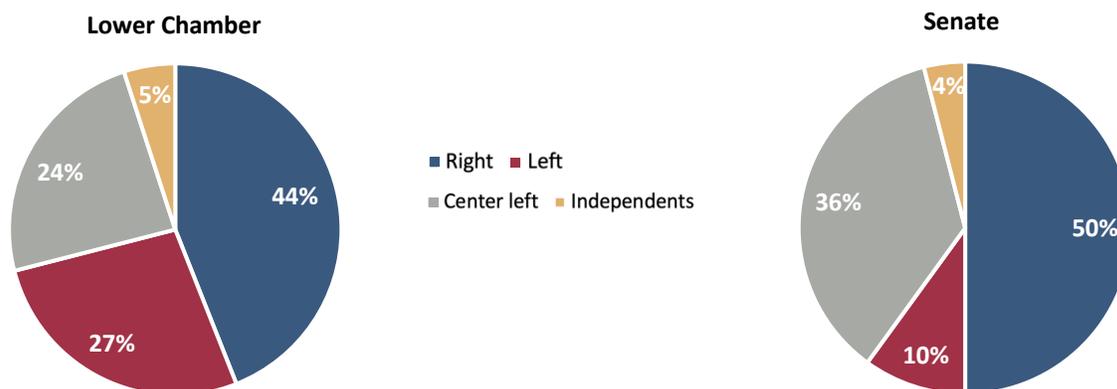


*Chile went to the ballot for presidential elections on Sunday, December 19, 2021, which resulted in the victory of left-wing candidate Gabriel Boric. At 35, Boric is the youngest president ever elected, with the highest participation rate (55.7%) since the return to democracy in 1989. Moreover, the future president moderated his speech radically between the first and second rounds, resulting in his victory. However, the question remains whether the tone of his presidency will be aligned with the ideological first round or the pragmatist second round?*

Since October 2021, Chile has had an intense political schedule under a constitutional convention discussion combined with presidential and legislative elections. Chile had four significant national votes that occurred in an orderly and peaceful fashion, highlighting the country’s strength and institutional capital. The first presidential round which took place in November 19 alongside the legislative election, resulting in a polarized presidential second round, and a balanced, although divided Congress.

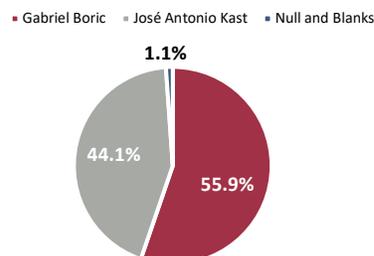


Source: Compass, Served.

The first presidential round resulted in the two leading candidates, Kast advancing with 27.9% of the vote and future president Boric’s close second with 25.8%. As seen above, the right-wing parties received the most votes and have a blocking majority in the Senate providing a significant presence in the lower chamber. This result had important implications for the next left-wing government as it will have to govern with coalitions if it intends to move forward its agenda.

The four weeks between the first and second-round votes saw both candidates moderate their discourse which helped them converge to the center. Even with the moderation in speech, there was an increase in the participation rate of 8% of the total, which amounts to 1.1 million additional votes when compared to the first round. However, this increase in participation did not split evenly, and it was one of the main reasons for Boric's victory.

The final result was a victory for Boric who won by a difference of 11.7%, and received 55.9% of the total votes. Even though polls showed Boric as the leading candidate since the first round, the election results skewed the outcome towards the upper ceiling of the confidence interval. The increase in the participation rate was the main cause for the difference between the candidates, as the Chilean electorate looked for a significant change in political discourse and proposals.



Source: Compass, Served.



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After the election results, acceptance speeches were moderated and aligned with past elections. Boric signaled his intent to become the next President of Chile, serving the entire people and forgetting past divides related to specific policies, while keeping part of its distinctive inclusive language. On Monday December 20, 2021, markets reacted mildly, selling off; however, not as forcefully as it could have been thought previously. The IPSA stock index fell 6% and the Peso depreciated 3.7%, reaching 870, while the ten-year sovereign local bonds widened by around 10 bps.

It will be imperative to monitor the ministers appointed to the future cabinet, which should happen between January and February as Boric starts his presidency on March 11, 2022. Markets will be watching his choices for economic and mining ministries and his tone towards the constitutional convention. The main question that future President-elect Boric needs to answer is whether he will revert to the first round radical leftist candidate or remain as moderate and inclusive as he projected himself in the second round of elections. President-elect Boric's tone and approach will set the market direction over the following months, if not years.

## CHILE UPDATE – POLARIZED ELECTION, MODERATE GOVERNMENT?



COMPASS GROUP

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