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FEATURED Q&A

How Will Loosened Currency Controls Affect Argentina?

Argentina's central bank (pictured) this month started widening the trading band of the country's currency. // File Photo: Aleksandr Vorobev via Adobe Stock.

Q Argentina's central bank on Jan. 1 began widening the peso's trading band as part of an effort to eliminate currency-exchange controls, adjusting the exchange rate proportionally to monthly inflation data. The central bank also plans to add between $10 billion and $17 billion in net foreign currency reserves this year as Argentina looks to capitalize on major investments, particularly in commodity sectors. How will loosened currency controls affect Argentina's economy? What industries are most likely to be affected by the move? How feasibly can the government of President Javier Milei transition to a truly "floating" peso, and what would it mean for the South American country?

A Kezia McKeague, managing director, and Gregory Ross, associate, both at McLarty Associates: "By adopting a more flexible foreign exchange band, the central bank aims to correct persistent peso overvaluation and reduce the reserve drain caused by repeated interventions. Ahead of last year's midterm elections, heightened political uncertainty pushed the peso toward the band's upper limit, forcing authorities to sell dollars to defend it. While those interventions—supported in part by a $20 billion U.S. Treasury swap line—helped stabilize expectations and reinforce President Milei's disinflation campaign during a politically sensitive period, they also underscored the limits of defending an administratively constrained exchange rate. Net reserves remain thin, constraining credibility and delaying Argentina's return to international capital markets. Under the new framework, the peso is given greater flexibility: The trading band's upper and lower bounds

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Trump Demands That Cuba 'Make a Deal' With U.S.

A week after ordering the capture of Venezuelan President Nicolás Maduro, U.S. President Donald Trump on Sunday said Cuba should "make a deal" with the United States.

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ECONOMIC

E.U. Countries Back Trade Deal With Mercosur

E.U. countries on Friday approved a long-debated trade deal with South America's Mercosur bloc.

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BUSINESS

Oil Executives Voice Mixed Reactions on Venezuela

Oil executives on Friday offered mixed assessments of investing in Venezuela during a meeting with U.S. President Donald Trump. ExxonMobil CEO Darren Woods called Venezuela currently "uninvestable."

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Woods // File Photo: ExxonMobil.

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BUSINESS NEWS

Oil Executives Voice Mixed Reactions on Venezuela

Representatives from 10 of the world's leading oil and gas firms expressed mixed reactions in a meeting on Friday with U.S. President Donald Trump about potentially making major investments in Venezuela's oil sector, the Associated Press reported. Trump tried to alleviate concerns of political instability and possible asset seizures in Venezuela, where Trump says the U.S. government is leading the transition effort following the Jan. 3 ouster by U.S. special forces of Venezuelan President Nicolás Maduro. "You have total safety ... you're dealing with us directly and not dealing with Venezuela at all," Trump told the oil executives on Friday, the AP reported. Chevron, whose three active oil production assets in Venezuela accounted for approximately 20 percent of the South American country's oil exports last year, pledged on Friday to raise its production of crude oil in Venezuela by 50 percent over the next two years, The New York Times reported. Such an increase would represent a boost of approximately 100,000 barrels per day. The largest U.S. oil firm, ExxonMobil, was less optimistic about the prospect of investing in Venezuela, with CEO Darren Woods highlighting the firm's turbulent history in the country. ExxonMobil abandoned its assets in Venezuela in 2007 after the government of former President Hugo Chávez imposed legislation that limited multinationals' participation in the oil sector; the firm still claims some $2 billion in damages against the Venezuelan government in international arbitration courts. Venezuela "is uninvestable," Woods told Trump at the meeting in Washington. "Significant changes have to be made to those commercial frameworks, the legal system, there has to be durable investment protections, and there has to be a change to the hydrocarbon laws in the country," Woods said in his statement, which ExxonMobil later published online. "I didn't like Exxon's response ... they're playing too cute," Trump told reporters on Sunday, the AP reported. Representatives from Italy-based Eni and Spain-based Repsol were present at Friday's meeting, the AP reported. Both Eni and Repsol held U.S. sanctions waiver licenses for oil production ventures in Venezuela until the Trump administration revoked them last May; among multinational firms operating in Venezuela, only Chevron has seen its oil exports resume on a limited basis since then.

U.S. Banks May See Opportunities in Venezuela: Report

Involvement by the United States in Venezuela's oil sector following U.S. forces' capture of Venezuelan President Nicolás Maduro could lead to opportunities for U.S. banks, Reuters reported Friday. Several U.S.-based banks have historically operated in Venezuela, though they have scaled down their operations in the South American country or withdrawn from it completely. However, now after Maduro's ouster, U.S. banks may be able to compete for new opportunities in the financing of trade or investment under the government of interim President Delcy Rodríguez, an unnamed source familiar with the matter told Reuters. Among the banks that could see new opportunities is JPMorgan Chase, which may have an advantageous position because of its history in Venezuela and its previous involvement with international trade financing, the wire service reported. The New York-headquartered bank has had a presence in Venezuela for 60 years. Though it curtailed its operations in stock trading and banking in Venezuela in 2002, it has maintained a dormant office in Caracas, which could be reactivated, Reuters reported. "JPMorgan is among the very few U.S. banks with an office in Venezuela, though activity is minimal due to current restrictions," María Paola Figueroa, the head of frontier Latin America research at the Institute of International Finance, told Reuters in an interview. "The potential reopening of the oil sector and a broader economic recovery could create meaningful opportunities for foreign banks

NEWS BRIEFS

E.U. Countries Approve Massive Trade Deal With South America's Mercosur

After 25 years of talks, European Union member states on Friday approved a massive free trade accord with America's Mercosur block of nations despite continued protests by farmers against the agreement, Reuters reported. The deal won the support of 21 E.U. nations, with Austria, France, Hungary, Iceland and Poland voting against the deal and Belgium abstaining. Affirmative votes from 15 countries were needed for passage. The European Parliament must also approve the accord before it can take effect, the wire service reported.

Machado Meets With Pope Leo Ahead of Trip to U.S.

Venezuelan opposition leader and 2025 Nobel Peace Prize winner María Corina Machado met with Pope Leo XIV today in a private audience, the Vatican said in a statement, Reuters reported. It's unclear what the two discussed during their meeting, which hadn't been previously included in Leo's public schedule, according to the wire service. Machado is set to travel to Washington later this week and meet with U.S. President Donald Trump.

Nicaragua Announces it Will Release Dozens of Imprisoned Opponents

Nicaragua is releasing dozens of imprisoned political opponents, the country's interior ministry announced on Saturday, amid a U.S. pressure campaign against the government of Nicaraguan President Daniel Ortega, the Associated Press reported. Nicaragua's government did not say exactly who would be released from prison. The U.S. Embassy in Nicaragua said on Friday that more than 60 people were unjustly detained in the country, the wire service reported.

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to re-enter the Venezuelan market, subject to the easing of U.S. financial sanctions," she added. Venezuela has been subject to U.S. sanctions since 2006, and those sanctions were tightened in 2017, barring U.S. financial institutions from providing money to the country's government or its state oil company, PDVSA. The United States is now planning to roll back some sanctions as it seeks to market Venezuelan oil, Reuters reported. Speaking on Jan. 7 at a Goldman Sachs event in Florida, U.S. Energy Secretary Chris Wright said the United States will control Venezuela's oil sales for the foreseeable future, The Washington Post reported. Wright added that the oil sales will be "done by the U.S. government and deposited into accounts controlled by the U.S. government, the newspaper reported.

POLITICAL NEWS

Trump Demands That Cuba 'Make a Deal' With U.S.

A week after ordering the capture of Venezuelan President Nicolás Maduro, U.S. President Donald Trump on Sunday urged Cuba to "make a deal" with the United States. "I strongly suggest they make a deal, BEFORE IT IS TOO LATE," Trump said in a post on his Truth Social platform. "THERE WILL BE NO MORE OIL OR MONEY GOING TO CUBA—ZERO!" Trump added, referring to Venezuela's support for Cuba. Trump did not explain what kind of deal he is seeking with Cuba. Cuban President Miguel Díaz-Canel responded by blasting the Trump administration in a series of posts on social media site X. "They have no moral authority to point fingers at Cuba on anything, absolutely anything, those who turn everything into a business, even human lives," said Díaz-Canel. Cuba's government has said that 32 of its security personnel were killed during the Jan. 3 capture of Maduro by U.S. forces, the Associated Press reported. The Cuban personnel were in Caracas as part of an agreement between the Cuban and Venezuelan governments.

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will now adjust in line with monthly inflation (most recently 2.5 percent in November), replacing the fixed 1 percent monthly crawl that was in place since April. This change reduces foreign exchange distortions and narrows incentives for parallel markets while preserving a nominal anchor during disinflation. Export-oriented sectors—particularly agriculture, energy and mining—stand to benefit from improved competitiveness and clearer access to foreign exchange. Stronger trade surpluses would support genuine reserve accumulation, helping Argentina meet external debt obligations and rebuild buffers against future foreign exchange shocks. Looser currency controls therefore represent a meaningful step toward normalization. A transition to a fully floating peso is feasible but conditional on sustained fiscal discipline, anchored inflation expectations and deeper reserve accumulation. Given Argentina's history of inflation pass-through and currency instability, the authorities' continued 'fear of floating' is understandable—but prolonged caution risks delaying the growth rebound the administration hopes to deliver in the second half of Milei's term."

Martin Castellano, head of Latin America research in the Economics Department of the Institute of International Finance: "The recent measures mark a pivotal move toward restoring market confidence and supporting the economy. Key benefits include reducing exchange rate misalignment risk, facilitating much-needed reserve accumulation, and lowering borrowing costs. Still, increased foreign exchange volatility could fuel inflation, highlighting the importance of policy credibility. Following notable disinflation progress, recalibrating price stability and reserve-accumulation goals should boost dollar supply and attract investment in capital-intensive export sectors such as energy (oil and gas), mining (copper and lithium) and agribusiness. Over time, stronger reserves and reduced rollover risk will deepen local credit markets, broadening growth across manufacturing, services and retail while easing pressure on import-heavy sectors. Three features of Argentina's policy framework are critical for transitioning to a more flexible regime free of foreign exchange controls that would help absorb shocks and deepen hedging markets. The first is a comprehensive program. Pro-market policies include fiscal austerity to reduce borrowing needs and mitigate foreign exchange-driven inflation, alongside reforms to deregulate, liberalize and lower business costs. Simultaneous execution and broad political support are essential for sustainability. The second is opportunistic reserve accumulation. Flexibility in reserve-building is vital given still-fragile buffers, global uncertainty and cautious investor sentiment from past policy failures. The third is a transition to a robust regime. Leaving 'fear of floating' behind is tough. Emerging-market experience shows prerequisites for credible inflation targeting that would allow for increased exchange rate flexibility include anchoring inflation expectations, building buffers to create foreign exchange market intervention capacity and strengthening monetary institutions. Overall, Argentina's recent move is a positive step toward a more flexible exchange rate regime and a stronger private sector-led economy."

Pablo Bréard, founder and owner of Latin Context in Toronto: "The U.S. Federal Reserve maintains permanent U.S. dollar liquidity swap lines with five systemically relevant foreign central banks: Canada, the United Kingdom, the Eurozone, Japan and Switzerland. It also has bilateral currency swap arrangements with Mexico and Brazil to manage potentially destabilizing global financial shocks. Currently, Argentina is not included in these formal arrangements. Recent U.S. Treasury intervention in Argentina's local markets in defense of the peso has offered temporary relief amid the mid-term

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electoral cycle but raises concerns about long-term sustainability of the existing exchange-rate scheme. Financial market participants agree that this unilateral action is not a lasting solution. For stability, Argentina needs profound and widespread reforms to the financial system at large, specifically developing a peso-denominated securities market and a private pension system to channel domestic savings into long-term financing vehicles. The current foreign exchange trading band scheme will continue to face fierce market scrutiny without these changes. Canada and Mexico are integrated financial partners of the United States with robust securities and pension systems, strengthening their national currencies. Canada's pension fund system is world class. Argentina's monetary regime remains uncertain due to persistently elevated inflation and its de facto bi-monetary system (using both the peso and the U.S. dollar). Formalizing a free-floating currency arrangement free of disruptive government controls, as Mexico and Brazil successfully implemented in the past, appears inevitable for solidifying Argentina's long-term economic stability and the regime change in process."

Pablo Heidrich, assistant professor in the global and international studies program at Carleton University: "Loosened currency controls might reduce the speed of the economy-wide contraction experienced in the third quarter and most likely, continued in the fourth quarter of 2025. We should see some uptick in economic activity in this year's first quarter. Very high real interest rates (the central bank discount rate is 27 percent, but for personal or business accounts it reaches 65 percent) make local investment and business operations extremely expensive, besides having to endure a 30 percent overvalued local currency. Hopefully, the latter might devalue slightly thanks to looser currency controls, reducing some pressure on import-competing industries. Since Milei came into office, the industries that have been benefiting most so far have been those funded from abroad and/or extracting natural resources without much local added value. These are large-scale soybean and other agro exporters, oil and gas, and mining. Tourism, industry, car-manufacturing and other services except commerce have been suffering losses, bankruptcies and shrinkage in their businesses. This will not change much with the new measures. For Argentina to achieve peso full convertibility as other South American economies enjoy, it needs to add substantial reserves to the central bank, eliminate most currency controls for individuals and, most importantly, have interest rates and currency values coherent with a balanced current account and a growing economy. As it stands, Milei's government is far from achieving that."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

Upcoming Event

ONLINE EVENT: 2026 Outlook-Ten Political Risks for Mexico

January 14, 2026 | 9:30 a.m. ET

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