

Ramiro Crespo  
 Chairman of the Editorial Board  
 WEEKLYREPORT@ANALYTICAINVESTMENTS.COM

**ECUADOR WEEKLY REPORT®**

**KEY INDICATORS**

**For the week of Apr 3 – Apr 7, 2017**

**Pride and Protest**

Official results of the April 2 election show Lenin Moreno, candidate of the governing Alianza Pais (sic) gaining a slim victory over conservative Guillermo Lasso (CREO), winning by 51.14% to 48.86%, or 226,417 votes. Like in the first round of voting, on February 19, it took the National Electoral Council (CNE) days to proclaim him the winner, this time under an even greater shadow of suspicion. Lasso refused to concede because of signs of fraud, and thousands of Ecuadorians agreed, taking to the streets in protest. When demonstrations reached their fourth straight night, the government caved in and conceded that it would approve some form of recount, although with a confusing message that leaves room for improvement, interpretation, and, in the meantime, unnecessary uncertainty detrimental to the economy. Before the close of this edition, the CNE still hadn't counted all the votes, thanks to ballots yet to be delivered from overseas, it says.

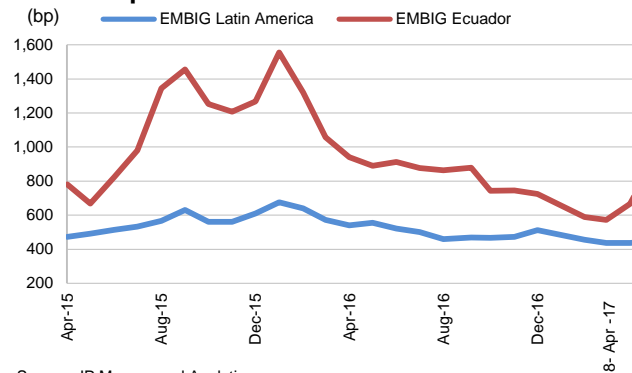
A total of more than 225,000 votes gives Moreno a narrow but relatively clear victory, compared with Peru, for example, where Pedro Pablo Kuczynski won by only 50,000 votes last year. Numerous heads of state from the region congratulated him, including Kuczynski and embattled Nicolás Maduro, Ecuador's ally, and Paraguay's Horacio Cartes, whose constituents torched the congress building in Asunción after he had gotten senators to vote to allow him to stand for reelection, changing the constitution. The quick recognition came perhaps to avoid yet another crisis in the region (Brazil's government isn't

**Ecuador's Global Bond Prices**

Bond	Last Price (end of the month)						
	7-Apr	Mar	Feb	Jan	Dec	Nov	Oct
Global 2020	105.91	106.65	110.18	109.52	107.89	105.54	106.13
Global 2022	106.14	106.66	111.82	112.25	108.81	104.94	106.11
Global 2024	92.93	94.57	100.41	99.07	95.92	92.15	94.55
Global 2026	100.63	103.92	108.65	105.96	102.50	N/A	N/A

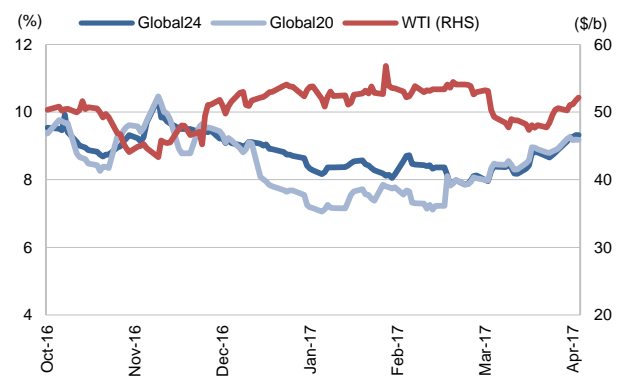
Source: Bloomberg and Analytica

**EMBIG Spread**



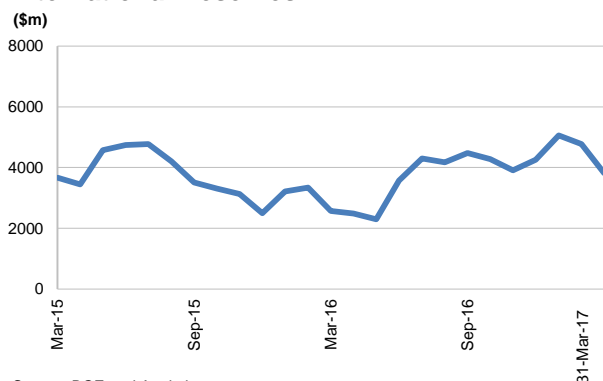
Source: JP Morgan and Analytica

**Bond Yields vs. WTI in 2017**



Source: Bloomberg and Analytica

**International Reserves**



Source: BCE and Analytica

exactly popular, either). The U.S., meanwhile, did congratulate him, but very weakly: It first congratulated the people for going to vote (an obligation in Ecuador), then Moreno, but adding a however: “we do note the concerns about the electoral process and expect that they will be fully considered and resolved in a legal and transparent manner”. In its report, government web site El Ciudadano omitted this little part of the statement. Similarly, on Canada’s part, its ambassador congratulated the people first and then the president-elect, without naming him.

The U.S. statement lends support to the Lasso campaign a day after it presented the results of CREO’s review of raw electoral data to the public to make its case for a recount. The results, presented by CREO president César Monge, revealed two key issues. First, Monge showcased 4.7%, geographically referenced voting precincts in rural areas that had returns in which Moreno defeated Lasso by 8:1. These individual precincts that showed odd pockets of morenismo were completely anomalous compared with others down to the very parish in which they were located - hence statistically improbable - and accounted for 276,469 votes, enough to swing the election. Additionally, he presented results from close to 18,000 precinct reports that had numerous formal errors, with a total of 592,000 votes, Monge said.

Meanwhile, citizens didn’t take the matter lightly. The CNE’s closeness to the government had already very much undermined its prestige, as did its complete blindness towards the obvious use of government and state property, notably the government media conglomerate of radio and television networks, newspapers, and ministry web sites to promote Moreno’s campaign. Days before the election, Andrés Páez, Lasso’s running mate, had called on people to congregate at CNE offices as they had after February 19’s first round, from which Moreno and Lasso emerged as the leaders pitted against each other in the second-round runoff. The

government duly had the CNE headquarters’ compound in Quito surrounded by police, closing off nearby streets and snarling traffic. Ironically, this helped the protest’s impact increase since demonstrators were able to block off three key Quito intersections. In February, they had only cut off traffic in one section of Av. 6 de Diciembre. Now, traffic was interrupted to the north and south and partially limited in the case of the Guayasamín tunnel, the main artery connecting the center-north with the Cumbayá and Tumbaco suburbs and the airport.

Elsewhere, protests were very large, particularly in Guayaquil. There, on April 3, protestors seized the large National Unity bridge from northern Guayaquil to the suburb of Samborondón. People from both the city and the suburb converged on the bridge from both sides in an unheard of demonstration of strength. A day later, people marched from the CNE compound to central Av. 9 de Octubre, forcing the closure of the Santa Ana tunnel, another unprecedented event. As a result, the government blinked: on April 5, amid signs that the demonstrations were shrinking, it said that it would agree to a recount, which some have already called the third round of the vote. Parts of the wording not picked up in media reports show recognition of the risk that Moreno has of being considered an illegitimate president, but also vindictiveness against open society and, of course, private media. AP called for the recount “to demonstrate once and for all that they lied to the country, betrayed the public faith, generated violence and that they tried to seed chaos in our beloved Ecuador.” Later in the document, they said that the recount would prove Moreno’s victory but also permit them to sue Cedatos, television broadcaster Ecuavisa, Canal1, “and other media that proclaimed a false result” for “an attack on the public faith.” They would also demand that Lasso apologize. AP thus wants to criminalize normal practice in journalism, surveys, and democracy for daring to seek the legally permissible route of questioning

electoral rights. One shouldn't forget that, since 2014, the CNE worked with the controversial Constitutional Court to block referendum efforts to stop oil development in the Yasuní National Park and against the removal of term limits. Beyond calling for the recount, the message from AP is anything but clear. Defense minister Ricardo Patiño ridiculed CREO's demand for a full recount of every vote; but after the first round of the election saw Moreno's victory in the first round slip from his grasp, Correa himself had demanded a full recount. At the close of this edition, Cedatos was being searched by police; the warning could thus also be an outline for coming repression.

If AP hoped to deflate the protest this way, it was wrong, as it grew. Once again, the demonstrations have been remarkably peaceful. Young protestors burned tires at the intersection of Av. Shyris and Av. Eloy Alfaro, and a few blocks away, the driver of a garbage truck was forced to dump his insalubrious load onto the street, which AP is hyper-dramatizing as evidence of massive violence. In fact, the demonstrations, as has been the case for years now, have been almost devoid of violence, with minimal exceptions. Whether a recount will happen and under which conditions this may go ahead remains a mystery, as well as whether the strength of the demonstrators holds up. Next week is a holiday week, which imposes both tight legal deadlines on the ability to formally file for the recount, as well as possibly motivating people to take a break. But despite a steep uphill incline against Lasso, the last word may not have been spoken.

**The editorial board of Analytica Investment's Ecuador Weekly Report publishes information obtained from expert sources, public information and media reports, and documents. Anonymity of interviewed sources is protected.**