

# Our View On-The-Ground

## REGIONAL MARKET VIEWS

### Peru's Election:

#### *Anchored by Macroeconomic Fundamentals Amid Political Uncertainty*

The electoral process in Peru is taking place in a context of institutional fragility and deterioration of governance, marked by a succession of presidents and tension among the branches of government. This environment has generated a prolonged cycle of political uncertainty that has not resulted in a structural deterioration of macroeconomic fundamentals or a significant loss of credibility in financial markets. The presidential election on April 12, 2026, represents a significant event not only in political terms, but also as a catalyst for market expectations.

The electoral landscape is characterized by fragmentation, with a high number of candidates reflecting partisan polarization and voter volatility. The main contenders exhibit diverse profiles in terms of ideology and institutional capacity.

#### **| Carlos Álvarez (Comedian and TV personality)**

Represents an outsider figure with a conservative discourse on security, focused on public order and the fight against corruption, but with limited political experience, and a positioning strongly oriented toward public order and security. His proposal combines an aggressive approach against crime—including the reduction of homicides, territorial control, and strengthening of police intelligence—with a structural agenda of reforms in health, education, state digitalization, and decentralization. It also highlights an orientation toward macroeconomic consolidation, with an emphasis on fiscal discipline, deficit reduction, and strengthening efficient public investment, along with pro-competition measures and improvement of the business climate.

#### **| Keiko Fujimori (Former member of Congress)**

Embodies a continuity alternative within the right spectrum, with a more structured approach in terms of governance, party support, and experience, although with a high level of polarization. Her plan emphasizes the restoration of internal order through integrated security systems, the use of technology, and the strengthening of state capacities. From an economic standpoint, it proposes a strategy focused on the formalization of medium and small enterprises, the expansion of productive credit, the development of infrastructure (particularly urban transportation and the metro), and housing programs, reflecting a pragmatic approach aimed at inclusive growth.

Likewise, it incorporates relevant components in environmental sustainability and territorial integration, along with a discourse on institutional strengthening to reduce corruption and improve state efficiency. Overall, her proposal aligns with a model of macroeconomic stability with selective intervention to stimulate key sectors.

### **| Rafael López Aliaga (Former mayor of Lima)**

Positions himself as a more ideological candidate within the right, with proposals of a more radical nature in economic and institutional matters. His government plan proposes deep reforms such as the privatization or liquidation of state-owned companies (including Petroperú), a strong promotion of private investment, and the reconfiguration of the state's role toward more efficient and streamlined functions. In parallel, it includes a significant tightening in security matters—including specialized justice, expulsion of convicted foreigners, and increased police capacity—along with accelerated growth policies with explicit objectives for GDP expansion. His plan also incorporates a geopolitical vision aimed at positioning Peru as an energy exporter and regional hub. This approach combines economic liberalization, reflecting a more aggressive structural reform model.

This range of candidates reflects a common axis: the emphasis on security and stability, which suggests that the risk of an irregular shift in economic policy is currently limited.

From a market perspective, elections are priced into the political risk premium, particularly in the fixed income market. Peru has historically maintained one of the strongest credit profiles in Latin America, supported by a low debt-to-GDP ratio, fiscal discipline, and a credible central bank. This is reflected in relatively compressed EMBI+ levels compared to regional peers, even in contexts of high political instability. The resilience of the sovereign spread suggests that the market distinguishes between political noise and structural deterioration, recognizing that economic institutions—especially the Central Reserve Bank of Peru—have functioned as anchors of stability. In this context, the main risk for the debt market is not the election itself, but the possibility of a prolonged scenario of ungovernability that limits the ability to implement public policies or generates fiscal conflicts.

In the equity market, the electoral impact is mainly reflected in expectations about investment, regulation, and sectoral growth. Peru has a high exposure to commodities, particularly mining, which implies that the equity market is more correlated with global cycles than with local political dynamics in the short term. An electoral outcome favoring candidates with greater institutional predictability and a pro-market orientation could lead to a rerating of assets. Conversely, a

scenario of legislative fragmentation or conflict between the Executive and Congress could prolong the paralysis of investment.

At the macroeconomic level, Peru maintains relatively solid fundamentals compared to the region. Inflation has been kept within manageable ranges, monetary policy has been prudent, and external accounts benefit from favorable terms of trade linked to metal prices. However, the main structural challenge lies in the weakness of potential growth, affected by low productivity, informality, and the lack of public investment execution. Political uncertainty acts as an additional factor that limits the recovery of the economic cycle, particularly through the postponement of large-scale private investment decisions.

**Recent evidence suggests that the market has developed a relatively high tolerance for political instability in Peru, as long as it does not translate into significant deviations from macroeconomic discipline.** This phenomenon explains why, despite the high presidential turnover, the country has maintained access to financing under favorable conditions and without episodes of systemic stress.

In essence, the electoral process in Peru represents a significant event for the markets, but not necessarily disruptive in structural terms. The resilience of sovereign risk and the strength of macroeconomic fundamentals suggest that the main scenario is one of continuity with volatility, rather than rupture. However, the persistence of political instability remains a factor that limits the potential appreciation of Peruvian assets, maintaining a political discount that can only be closed as a more governable and institutionally predictable environment takes hold.

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*This opinion article was written on April 8, 2026, by the team of analysts at OTG Asset Management.*

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