

Ecuador Strategy Flash

Recently, new documents arose, allegedly tying Mr. Lasso with several corruption schemes, which were presented in the Assembly.

Recently, new documents arose, allegedly tying Mr. Lasso with several corruption schemes, which were presented in the Assembly. This week, journalists from several mediums, including “La Posta” were called up to the Assembly, to present evidence against Mr. Lasso in an affair now called “The Great Godfather”, which would allegedly tie the president with elements of the Albanese mafia and drug trafficking rings. On Monday, Mr. Lasso was called to testify to the Assembly, where a special commission is evaluating the case. The president refused to show, and retaliated by shuffling 37 policemen who were assigned to the prosecutor’s office, and were involved in the investigation of the case. Now, a judge ruled against the agent’s reassignment, leaving it without effect, claiming the measure was “arbitrary and inopportune” and that it fragments the independence which should prime in the justice system. The events are still in development, but they don’t look very promising for the current administration. The special commission has ten days to submit a report with suggestions before the complete Assembly, which could then decide to take action.

The correist caucus in the assembly smelled blood after the government’s defeat in the referendum, and is now pressing its advantage, again trying to impeach Mr. Lasso.

The correist caucus in the assembly smelled blood after the government’s defeat in the referendum, and is now pressing its advantage, again trying to impeach Mr. Lasso. Even as Art. 130 only allows the assembly to impeach the president once in the first three years of his mandate, this impeachment could be called upon if the country suffered a grave “political crisis” or severe “internal commotion”. This was the argument wielded in last year’s impeachment attempt, which failed, and constitutionally, could not happen again. Now, the correist bloc is working another angle. Art. 129 of the Constitution does allow the Assembly to impeach the president, given one of the three causes: (i) Crimes against the security of the State, (ii) Crimes of extortion, bribery, embezzlement or illicit enrichment and (iii) Crimes of genocide, torture, forced disappearance of persons, kidnapping or homicide for political or conscience reasons. In the hearing related to Mr. Lasso’s corruption case, the presenters conveyed that the president had committed crimes against the security of the state, in more than one occasion, hinting that correism is working on that angle to impeach the president. Still, there is a silver lining for the administration, as such an impeachment should also require an admissibility ruling of the Constitutional Court, which would now become a thin barrier separating the administration from a clearly hostile Assembly.

In addition, the possibility of brewing indigenous protests marks a clear maneuver of the opposition to concoct the perfect storm for Mr. Lasso.

In addition, the possibility of brewing indigenous protests marks a clear maneuver of the opposition to concoct the perfect storm for Mr. Lasso. Recently Mr. Iza, President of the CONAIE, announced the indigenous movements would pronounce themselves on Feb-18 on the agreements with the government, amidst other issues. These include a diagnostic on how the country can exit the current crisis. Mr. Iza had announced on the 18th of November that he would give the administration 90 days to fulfill their agreements with the indigenous movements, and with the deadline coming in soon, it is not likely his appraisal will be positive. The president of the CONAIE already hinted that he is not happy with how the administration has complied with the settlements they signed late last year, and he could be trying to use said argument to brew additional trouble for the administration, which would have to defend itself in two fronts. In this context, the combination of these two issues does not seem to be random and has the look of a political maneuver poised to strain Mr. Lasso’s administration to the limit, and if possible, oust him of the presidential palace.

All in all, trouble seems to be brewing in the horizon for the Lasso administration. Still, it is not clear correism has the seats to impeach him effectively.

All in all, trouble seems to be brewing in the horizon for the Lasso administration. Still, it is not clear correism has the seats to impeach him effectively. It is clear the correist caucus is trying to capitalize their victory in the recent elections as much as possible, as it does not want to give Mr. Lasso a respite to rearm himself. His recent cabinet reshuffle seems relatively unimportant right now, in a context where most of the political spectrum is fixated in the administration's lack of political capital. However, even as correism was strongly spirited by their victory in the elections, the rest of the parties, especially the PSC and ID, should weigh the possibility of elections in the short term more carefully. With the very weak performance of the PSC in the sectional elections, it does not seem the party leaders would want to risk their current standing in the assembly, and elections would probably mean the consolidation of a stronger leftist bloc, at the detriment of a weaker PSC. Pachakutik could be more inclined to oust Mr. Lasso, but again, a stronger correism does not seem to be beneficial for them. So, even as the opposition could resume its maneuvers to impeach the president it is not clear it would count with the votes to effectively impeach him, as the incentives for the rest of the parties are not clearly aligned with supporting it. And, in the event of an impeachment and elections, it is also not clear that correism would win. Having obtained roughly the same amount of votes in the elections as in 2021, a galvanization of the anti-correist vote in a new candidate could make the race a very tight one, albeit this time there should be severe doubts around Mr Lasso's competitiveness as a candidate. However, these are merely silver linings for the president, who is now forced to weather the incoming storm in a difficult position, and he has no clear way out, as correism is preparing to strain his position to the limit, with several important deadlines coming in soon, including the presentation of the report of the special commission to the Assembly on Mr. Lasso's case, and Mr. Iza's evaluation on the agreement with the administration.

TPCG Analysts & Staff

Research

Juan Manuel Pazos	Chief Economist	jmpazos@tpcgco.com	+54 11 4898-6606
Paula La Greca	Corporate Research Analyst	plagreca@tpcgco.com	+54 11 4898-6638
Federico Martin	Strategist	famartin@tpcgco.com	+54 11 4898-6633
Santiago Resico	LATAM Strategist	sresico@tpcgco.com	+54 11 4898-6615

Sales & Trading

Juan Manuel Truppia	Head of Sales & Trading	jmtruppia@tpcgco.com	+54 11 4898-6659
Juan Martin Longhi	S&T Director	jlonghi@tpcgco.com	+54 11 4898-6656
Lucia Rodriguez Pardina	S&T Director	lrodriguezpardina@tpcgco.com	+54 11 4898-6614
Agustina Guadalupe	Sales	aguadalupe@tpcgco.com	+54 11 4898-6682
Maria Pilar Hurtado	Sales	mhurtado@tpcgco.com	+54 11 4898-6616
Juan Ignacio Vergara	Sales	jivergara@tpcgco.com	+54 11 4898-1936
Santiago Baibiene	Sales	sbaibiene@tpcgco.com	+54 11 4898-6648
Pedro Nollmann	Sales	pnollmann@tpcgco.com	+54 11 4898-6617
María Ruiz de Castroviejo Salas	Sales	mruidecastroviejo@tpcgco.com	+54 11 4898-6643
Victoria Faynbloch	Desk Analyst	vfaynbloch@tpcgco.com	+54 11 4898-6635
Felipe Freire	Trader	ffreire@tpcgco.com	+54 11 4898-1921
Homero Fernandez Bianco	Trader	hfbianco@tpcgco.com	+54 11 4898-6667
Andres Robertson	Trader	arobertson@tpcgco.com	+54 11 4898-6693

Corporate Banking

José Ramos	Head of Corporate Banking	jramos@tpcgco.com	+54 11 4898-6645
Camila Martinez	Corporate Sales	cmartinez@tpcgco.com	+54 11 4898-6621
Fernando Depierre	Corporate Sales	fdepierre@tpcgco.com	+54 11 4898-6636
Sol Silvestrini	Corporate Sales	ssilvestrini@tpcgco.com	+54 11 4898-6641
Nicolas Iglesias	Corporate Sales	niglesias@tpcgco.com	+54 11 4898-6612

Capital Markets

Fernando Lanus	Head of Capital Markets	flanus@tpcgco.com	+54 11 4898-6632
Nicolás Alperín	Investment Banking Analyst	nalperin@tpcgco.com	+54 11 4898-6604

Asset Management

Ileana Aiello	Portfolio Manager	iaiello@tpcgco.com	+54 11 4898-6611
Claudio Achaerandio	Portfolio Manager	catchaerandio@tpcgco.com	+54 11 4898-6618

Important Disclaimer

The document, and the information, opinions, estimates and recommendations expressed herein, have been prepared by TPCG Valores SAU to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. TPCG Valores SAU is not liable for giving notice of such changes or for updating the contents hereof. The document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall the document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to the document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare the report. Therefore, investors should make their own investment decisions considering the said circumstances and obtain such specialized advice as may be necessary.

The contents of the document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by TPCG Valores SAU, and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. TPCG Valores SAU. accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance. The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment.

Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

TPCG Valores SAU. and/or any of its affiliates, as well as their respective directors, executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in the document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of the report, to the extent permitted by the applicable law.

TPCG Valores SAU or any of its affiliates' salespeople, traders and other professionals may provide oral or written market Commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, TPCG Valores SAU, or any of its affiliates' proprietary trading and investing businesses, may make investment decisions that are inconsistent with the recommendations expressed herein.

No part of the document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted without the prior written consent of TPCG Valores SAU. No part of the report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

For U.S. persons only

This report is a product of TPCG, which is the employer of the research analyst(s) who has prepared the informative report. The research analyst(s) preparing this report is/are resident(s) outside the United States (U.S.) and is/are not associated person(s) of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations.

This report is intended for distribution by TPCG only to U.S. Institutional Investors and Major U.S. Institutional Investors, as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by the U.S. Securities and Exchange Commission (SEC), in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a US Institutional Investors nor a Major U.S. Institutional Investor, as specified above, then he should not act upon this report and return it to the sender. Further, this report may not be copied, duplicated and/or transmitted to any U.S. person, which is not a U.S. Institutional Investor, nor a Major U.S. Institutional Investor.

In order to comply with the US regulations, our transactions with US Institutional Investors and Major US Institutional Investors are effected through the US-registered broker-dealer Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this report should be effected through Marco Polo or another U.S. registered broker dealer.