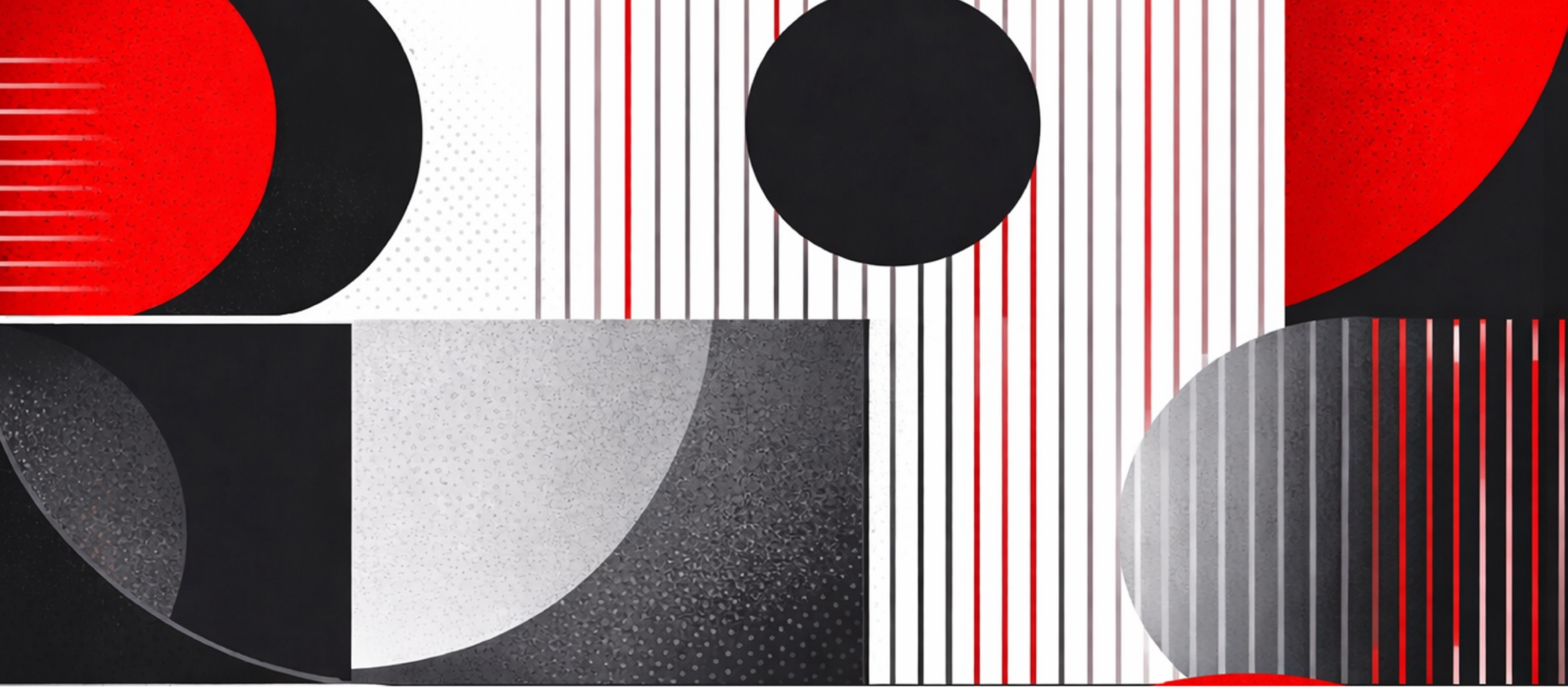
Market Compass

SUDAMERIS
INSIGHTS

Record trade surplus, a guaraní appreciating on fundamentals, and a bank-led primary market: solid signals under the shadow of energy uncertainty.

Q2 2026



Market Compass

Paraguay Capital Markets

Q2 2026

June 2026

USD 4.49B	**USD 653M**	**–0.21**
BVA Total Trading Volume Q2 2026	Primary Market	ICFPY May-26
+0.8% YoY	*+5,8% YoY*	*Loose conditions*

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EDITORIAL NOTE

Three Drivers Aligned, One Risk on the Horizon.

Some quarters describe an economy; others open an opportunity. The second quarter of 2026 does both. Activity grew 5.6% through May, inflation closed at 2.1%—comfortably below target—and the guaraní appreciated on fundamentals: S&P investment grade, a declining country-risk premium, a sound financial system, and a record soybean harvest that reinforced FX inflows. The Central Bank itself took care to clarify that the currency's strength reflects these factors, not a restrictive monetary policy. Three macro engines aligned at once: not something seen every year.

Financial conditions are keeping pace. The ICFPY[1] remains in accommodative territory, though with a telling recomposition: guaraní-denominated credit is decelerating at the margin while dollar-denominated credit is expanding at its fastest pace in three years—a sign of appetite for funding against a backdrop of a firm currency. The primary market capitalized on that environment immediately, growing 5.8%, led by the banks.

For the investor, the outlook is equally attractive: guaraní yields around 10% at the mid-tenor and dollar yields between 6% and 8%, with clear price references in both currencies. Meaningful real returns in a context of contained inflation and a stable currency.

Caution is still warranted, however. Instability in the Middle East persists as the main source of uncertainty over energy prices: although tensions eased toward the close of the quarter, a flare-up would exert pressure on two fronts—on inflation, via fuels, and on the cost of the next harvest, via fertilizers—straining precisely the two pillars now underpinning the scenario. As this edition went to press, already in July, the Middle East conflict had reignited, confirming the relevance of this risk and the need to monitor it closely in the coming months.

Yan González
Head of Corporate Finance

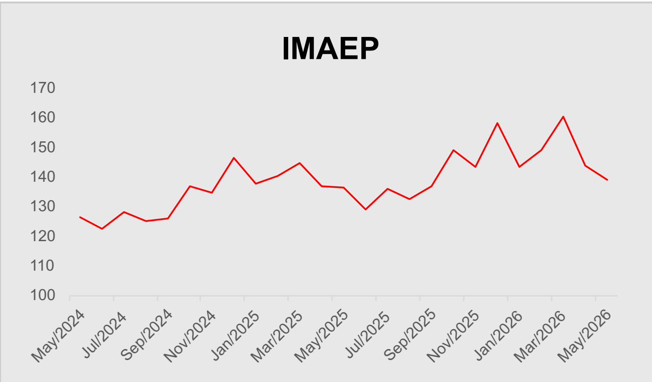
[1] [1] The ICFPY (Paraguay Financial Conditions Index) is a proprietary Sudameris Securities indicator that summarizes in a single metric the degree of ease or tightness in financial conditions, combining rate and credit variables. Negative values signal conditions looser than the historical average; positive values, tighter.

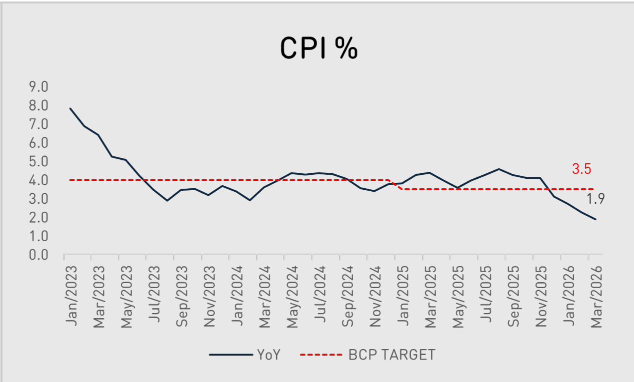
01 | ECONOMIC ACTIVITY

Growth, prices and exchange rate

1.1 Activity and growth

The IMAEP[2] posted cumulative growth of 5.6% YoY as of the close of May 2026, with a monthly reading of 1.9% YoY in May. According to the BCP, services, the secondary sector (particularly electricity and water), and the primary sector contributed favorably.





Source: *BCP.*

~139.2	**2.1%**	**4.5%**	**5.50%**
IMAEP may-26	Inflation Jun-26 YoY	2026 GDP forecast	Current MPR
Economic Activity Index	*Vs. BCP target 3.5%*	*BCP Estimate*	

1.2 Prices and monetary policy

Inflation continued converging toward target during the second quarter. The CPI closed June at 2.1% YoY (–0.3% MoM), accumulating 1.9% in the first half, and held consistently below the midpoint of the official target (3.5%) throughout the quarter. Core inflation (IPCSAE) stood at 1.1% YoY, a sign that underlying pressures remain contained. The Monetary Policy Committee projects that YoY inflation will remain below target in the coming months, and in its July revision the monetary authority cut its 2026 forecast from 3.5% to 3.3%. Market inflation expectations remain anchored at 3.5%, both at the 12-month horizon and over the monetary policy horizon.

The Monetary Policy Rate held at 5.50% throughout the second quarter, following the cumulative 50 bps cut between January and March. At its June 23 meeting, the Committee reaffirmed that level, which it characterizes as consistent with a neutral stance.

The minutes reveal a cautious bias anchored in the external front. The key risk factors identified were geopolitical uncertainty in the Middle East—despite diplomatic progress and oil falling below USD 80/barrel following the provisional U.S.–Iran agreement—and market expectations of higher rates from the Federal Reserve in the coming months. The statement notes that risks in the external environment will continue to be monitored closely to ensure the convergence of inflation to target.

[2] IMAEP: Monthly Index of Economic Activity of Paraguay, the BCP's high-frequency activity indicator.

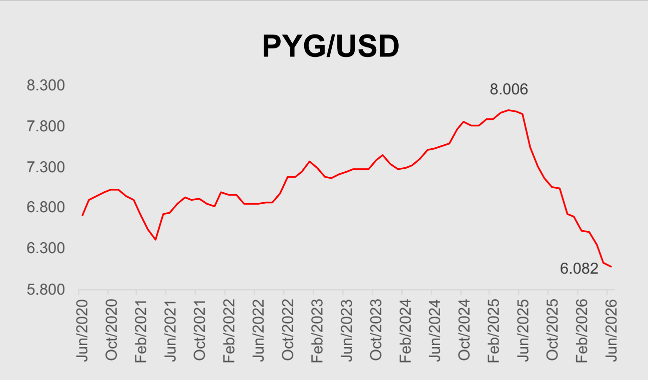
1.3 Exchange rate

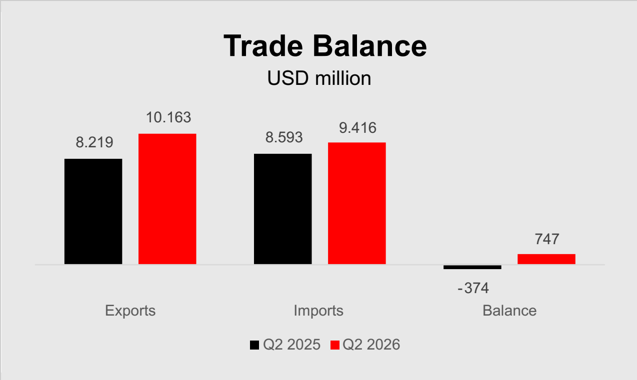
The guaraní appreciated strongly during the second quarter. The interbank reference exchange rate closed June at 6,082 PYG/USD, an appreciation of 6.5% relative to the March close (6,503) and of 21.8% YoY against the 7,784 PYG/USD of June 2025. The currency thus extended the upward trajectory begun at the start of the year.

The appreciation unfolds within a regional context of mixed currency performance. According to the June CPM minutes, the guaraní appreciated 0.4% since the previous meeting, in line with the appreciations of the Colombian and Peruvian currencies, while those of Brazil, Uruguay, and Chile depreciated over the same period. The BCP attributes the guaraní's strength to macroeconomic fundamentals—growth, productivity, and investment grade—and notes that it observes no material impact on exports.

On the external side, the exchange-rate dynamics were accompanied by a solid trade surplus and by the downward correction in oil prices, which fell below USD 80 per barrel following the provisional agreement between the United States and Iran, easing pressure on the energy import account.

Market expectations tracked the correction. The median of the EVE[3] for the 2026 close declined from 6,475 (May) to 6,393 (June), reflecting that agents had internalized the observed appreciation. For the 2027 close, the median stands at 6,650 PYG/USD.





Source: *BCP.*

In a technical note published during the quarter, the BCP addressed recent exchange-rate dynamics comprehensively, in response to interpretations linking the appreciation to the monetary policy stance. The institution holds that the guaraní's appreciation since the second half of 2025 "is explained by the weakness of the dollar globally and regionally, and by structural improvements in the Paraguayan economy," to which were added transitory factors associated with the record 2026 soybean harvest. Among the structural improvements, the BCP cites the strength of the financial system, regulatory reforms in the capital market, the reduction in country risk, and the upgrade to a second investment-grade rating by Standard & Poor's.

The BCP explicitly rules out that the appreciation reflects a restrictive monetary policy: it notes that the MPR stands at levels "consistent with a neutral stance" and that the interbank rate, close to the MPR and well below the corridor ceiling, indicates an absence of liquidity tensions. As additional evidence of external strength, the note highlights that net international reserves reached USD 11.46 billion toward the end of May, an increase of 12.1% year-on-year.

[3] EVE: Encuesta de Variables Económicas, the BCP's monthly survey of market expectations.

1.4 Trade

The external sector was one of the main drivers of the first half of the year. As of June 2026, the trade balance reversed to a surplus of USD 746.6 million, in contrast with the deficit of USD 373.8 million a year earlier, in a scenario in which exports grew at a markedly faster pace than imports.

Total exports reached USD 10.16 billion (+23.6% YoY), driven by primary products (+42.5%), and in particular by soybeans, which contributed USD 2.27 billion (+50.9% in value; +43.6% in volume), with Argentina as the destination for 91.3% of the value exported. Manufactures of industrial origin contributed USD 1.10 billion (+34.0%). Conversely, electricity fell 12.3% (higher domestic consumption) and beef 12.8%, though the latter with an improved implied price of USD 6,802 per tonne.

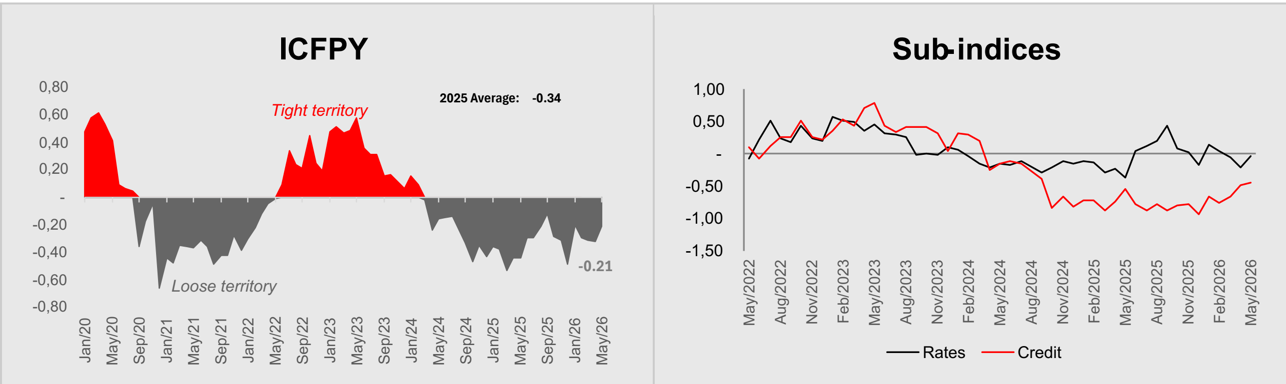
Total imports amounted to USD 9.42 billion (+9.6%), predominantly manufactures of industrial origin (80.4%) and with a 17.8% rise in fuels and lubricants. China remained the leading supplier (36.0%), followed by Brazil (21.5%). Exports under the Maquila Regime grew 29.6% (USD 716.7 million) and imports under the Tourism Regime 40.0% (USD 2.00 billion), reflecting the dynamism of cross-border consumption.

02 | FINANCIAL CONDITIONS

ICFPY: Paraguay Financial Conditions Index

The Paraguay Financial Conditions Index (ICFPY) is a proprietary analytical tool developed by Sudameris Securities that aggregates 15 variables across two sub-indices—Rates and Credit—to produce a synthetic reading of the local financial environment.

Positive values indicate tight conditions (lower credit availability, elevated rates, reduced market liquidity); negative values indicate accommodative conditions (accessible credit, declining rates, active markets).



Source: *Sudameris Securities Corporate Finance.*

What does the ICFPY tell us as of January 2026?

Financial conditions remained in accommodative territory during the second quarter, though with a tendency to normalize gradually at the margin.

The Paraguay Financial Conditions Index (ICFPY) stood at -0.21 in May 2026, its least accommodative level since September 2025, after having touched -0.32 in April. The negative reading indicates that aggregate financial conditions remain looser than their historical average.

The quarter's movement was driven by the credit sub-index, which shifted toward less accommodative territory: from -0.93 in December 2025 to -0.45 in May 2026.

Behind this movement is a deceleration in credit to the private sector in local currency—whose year-on-year change declined from 14.1% in December to 11.5% in May— accompanied by a slight uptick in the system-wide non-performing loan (NPL) ratio. This effect was partially offset by the acceleration of foreign-currency credit (from 18.5% to 23.6% year-on-year over the same period, the fastest pace in the last three years). The rates sub-index, by contrast, held close to neutral (–0.05 in May), in line with the stability of the Monetary Policy Rate at 5.50% during the quarter.

03 | CAPITAL MARKETS

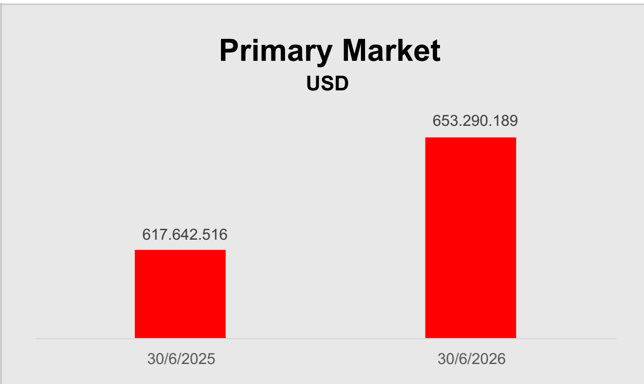
BVA: Primary and secondary volume, and yields

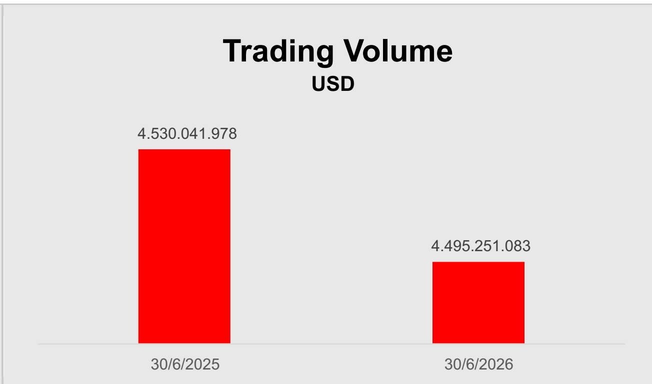
Volume traded on the Asunción Stock Exchange (BVA) remained virtually stable in the cumulative figure through June 2026, at a total of USD 4.50 billion, a slight contraction of 0.8% relative to the same period of 2025 (USD 4.53 billion). Market composition continued to be broadly dominated by the secondary segment, which accounted for 85.4% of total volume, versus 14.5% for the primary market.

3.1 Primary market

The primary market showed the greatest dynamism of the period. Volume placed reached USD 653.3 million, an increase of 5.8% relative to June 2025 (USD 617.6 million), consolidating its position as the growth driver of exchange activity in the first half of the year.

Growth in the primary market was heavily concentrated in the financial sector, which accounted for 51.3% of volume placed (USD 335.1 million). The main issuers of the period were Banco Continental (16.2% of the primary market), Banco Itaú (10.9%), the Agencia Financiera de Desarrollo (12.2%), and the Inter-American Investment Corporation (9.1%). Excluding the AFD—a public second-tier bank—and the Inter-American Investment Corporation—a multilateral institution—the eight leading private issuers concentrated 52.5% of total placement, reflecting the structural weight of banks and finance companies as demanders of funding in the local capital market. Outside the financial sector, notable issuers came from telecommunications (Núcleo, 5.0%) and from commerce and services.



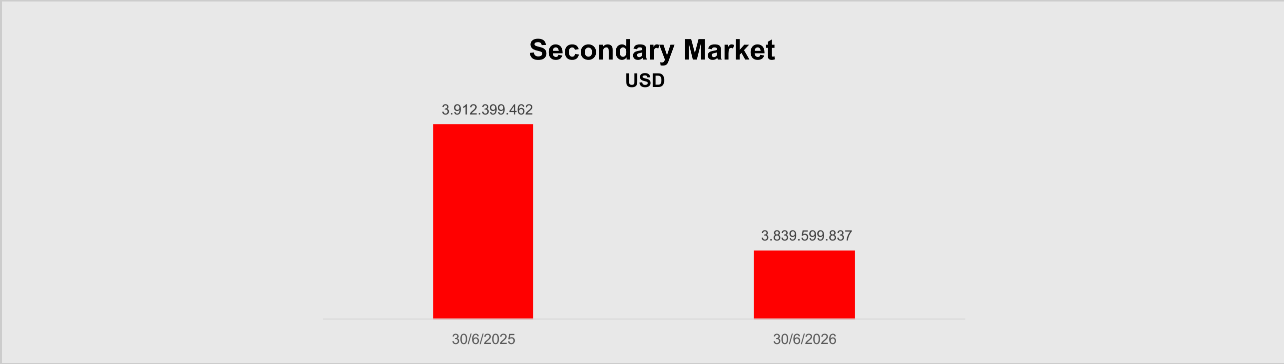


Source: *BVA.*

USD 653M	**USD 3.84B**	**USD 4.49B**
Primary Market Q2 2026	Secondary Market Q2 2026	Total Trading Volume Q2 2026
+5.8% YoY	*-1.2% YoY*	*-0.8% YoY*

3.2 Secondary market

The secondary market recorded a slight contraction, with a volume of USD 3.84 billion, 1.9% below the June 2025 level (USD 3.91 billion). Despite the pullback, it remained the principal component of exchange activity, concentrating the bulk of market liquidity.

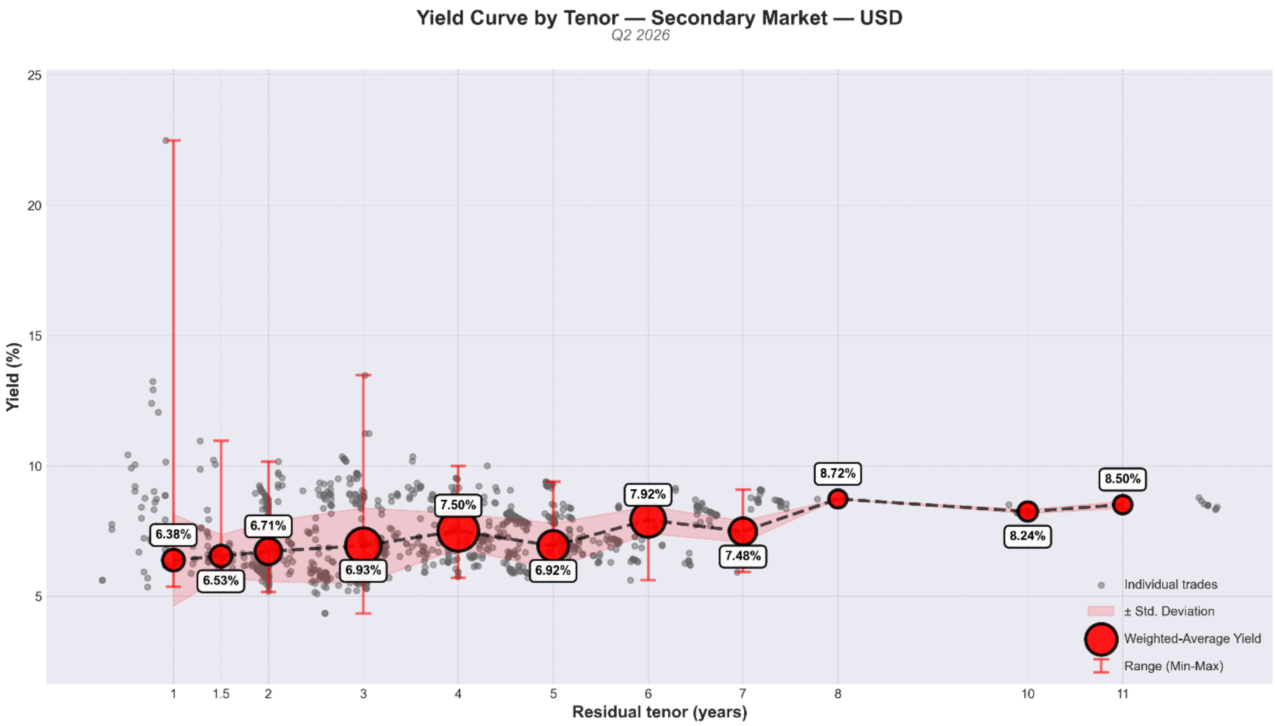


Source: *BVA.*

3.3 Yield curves — Q1 2026

6.38%	6.93%	13.50%	10.10%
USD 1Y	USD 3Y	PYG 1Y	PYG 3Y
Weighted-average yield	*Weighted-average yield*	*Weighted-average yield*	*Weighted-average yield*

The U.S. dollar yield curve shows a relatively flat structure at the short and medium tenors, with weighted-average yields ranging between 6.38% and 7.50% for maturities of 1 to 5 years. From the 6-year tenor onward, a gradual steepening is observed, with the yield reaching 7.92% at 6 years, 8.72% at 8 years, and 8.50% at 11 years. The dispersion of individual transactions is contained at the medium tenors, reflecting a market with reasonably established price references in that segment.

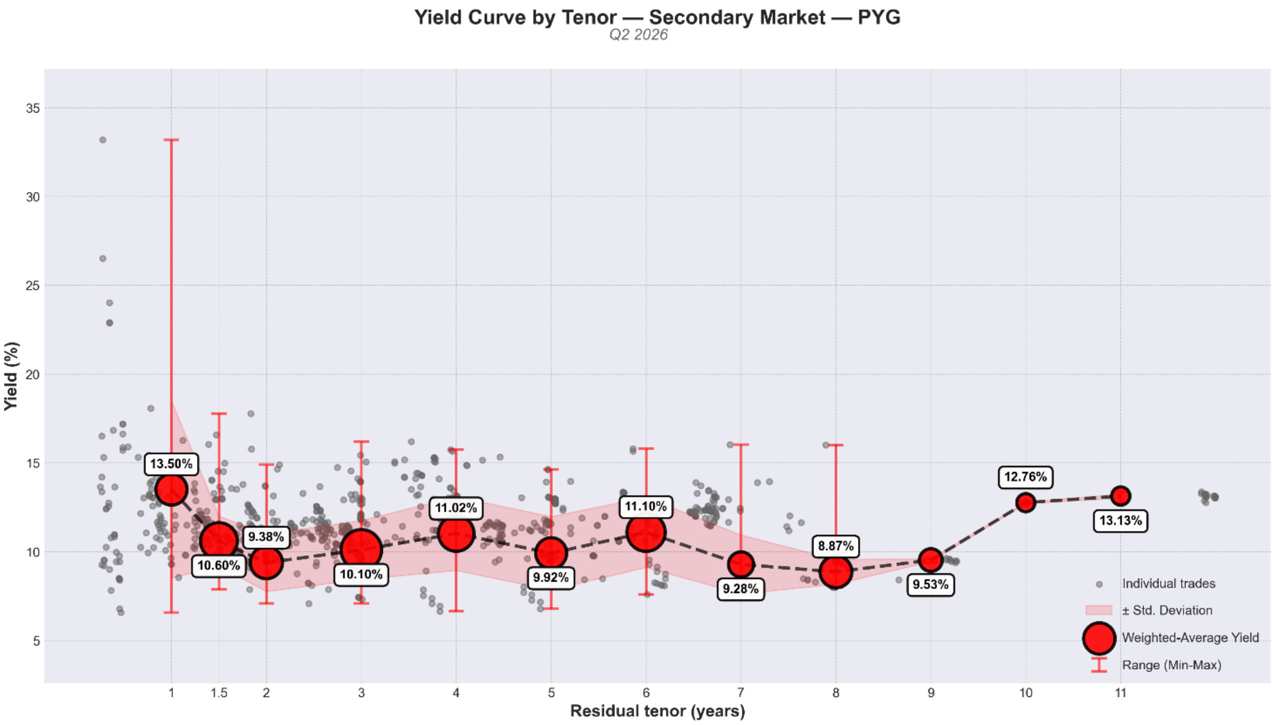


The guaraní yield curve presents a relatively flat structure at the short and medium tenors, with weighted-average yields ranging between 9.38% and 11.10% for maturities of 1.5 to 6 years.

The one-year tenor registers the highest level of the short segment (13.50%), influenced by the greater dispersion of short-term transactions, before stabilizing around 10% between 2 and 5 years.

Toward the long end of the curve, a steepening is observed: the yield climbs to 12.76% at 10 years and 13.13% at 11 years. The dispersion of individual transactions is more contained at the medium tenors, reflecting reasonably established price references in that segment, and widens at the short and long ends, where the lower frequency of transactions reduces data density.

The shape of the curve at the short and medium tenors—without a pronounced positive slope—is consistent with a scenario of anchored inflation expectations and a Monetary Policy Rate stable at 5.50% during the period. The pickup observed at the long end, by contrast, reflects lower liquidity and transaction frequency at those maturities, rather than a change in medium-term expectations.



04 | OUTLOOK

Q2 2026 view

01 MPR instable in neutral territory

The BCP held the MPR at 5.50% throughout the second quarter, following the cumulative 50 bps cut in Q1, in a stance the CPM itself characterizes as neutral. With inflation at 2.1% YoY as of June and core inflation (IPCSAE) at 1.1%, both below the 3.5% target, the Committee projects that inflation will remain below target in the coming months.

Base case: MPR stable at 5.50% in the second half, in line with what the market discounts (June EVE: 5.50% for the 2026 close). The low level of inflation gives the Committee room for eventual cuts, though its communication signals no such intention in the near term; indeed, the CPM locates its main risks on the external front—energy prices and the trajectory of Federal Reserve rates—factors that tilt its vigilance toward possible upward pressures.

02 Primary market and a favorable window

The primary market grew 5.8% YoY and consolidated its position as the driver of exchange activity, with the financial sector accounting for 51.3% of placements. The secondary market, by contrast, contracted 1.9%: new issuance is finding demand, but subsequent turnover remains limited. The ICFPY credit sub-index, still accommodative, moved toward less loose territory, reflecting a recomposition by currency: guaraní-denominated credit is decelerating at the margin (11.5% YoY as of May) while dollar-denominated credit is expanding strongly (23.6% YoY, the fastest pace in three years). A favorable context for structuring: dynamic primary supply, with funding conditions still accessible.

03 Guaraní: appreciation with a seasonal component

The guaraní appreciated 21.8% YoY, closing June at 6,082 PYG/USD. In a technical note published during the quarter, the BCP addressed the debate over exchange-rate dynamics and held that the appreciation reflects fundamentals: global dollar weakness, S&P investment grade, declining country risk, and the soundness of the financial system—ruling out that it is explained by a restrictive monetary stance: the MPR stands in neutral territory and net international reserves reached USD 11.46 billion (+12.1% YoY). We project a guaraní that remains strong, with closes around 6,190 (Q3) and 6,110 (Q4). Main risk: the BCP itself acknowledges a transitory component—the FX inflows from the record soybean harvest; once the crop's liquidation is exhausted, the bias tilts toward a moderate depreciation.

04 External concentration and the geopolitical front

The record trade surplus of the half-year (USD 746.6 million, reversing the deficit of USD 373.8 million a year earlier) rests on a narrow base. Soybeans explained much of the export jump, with shipments of USD 2,273.8 million (+50.9% YoY), equivalent to 34.7% of registered exports and 22.4% of total exports; of that grain, more than 90% was destined for Argentina. At the country level, Argentina concentrated 42.3% of registered exports (+52.5% YoY), consolidating its position as the dominant counterpart of Paraguayan foreign trade. The magnitude of the result is, to a large extent, a volume phenomenon—soybeans grew 43.6% in tonnes—which underscores its character as an exceptional harvest rather than a structural change. An adverse agricultural campaign, a correction in the international grain price, or a shift in demand from the main buyer would impact the external balance directly and, through that channel, the exchange rate. To this concentration risk is added the one the CPM itself prioritizes on the external front: the evolution of energy prices and the trajectory of Federal Reserve rates—factors outside the control of local policy that condition its room for maneuver.

05 | FORECASTS

Macroeconomic estimates 2026

Variable	Q3 2026	Q4 2026
CPI inflation (YoY, %)	2.10%	3.21%
BCP MPR (%)	5.50%	5.50%
USD/PYG (average)	6,192	6,610
Real GDP (YoY, %)	—	4,5%e

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