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# Colombian Assets Rally on 'Anyone But Petro' Election Trade



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(Bloomberg) — Colombian assets jumped Tuesday after construction magnate Rodolfo Hernandez defied polls to secure a place in the election runoff, reducing the chances that leftist senator Gustavo Petro will be the next president.

The peso closed 4% higher, posting its biggest gain in almost 12 years, after markets were closed for a public holiday on Monday. The yield on peso-denominated bonds due in 2024 fell about 9 basis points to 9.57%, while most dollar notes gained. The cost to protect Colombia against default over five years narrowed, while the nation's MSCI stock gauge jumped as much as 5.7%.

Petro has worried investors with proposals to overhaul the private pension system, raise taxes and phase out production of oil and coal, the country's main exports. While Hernandez, a 77-year-old businessman and former mayor of a provincial city, is something of an unknown for many, he's seen as a safer bet for business interests than Petro.

"The 'anyone but Petro' considerations will prevail," said Edwin Gutierrez, head of emerging markets sovereign debt at Aberdeen Asset Management PLC. "Hernandez stands a better chance of beating him in the second round."

Petro got 40% of the votes in the first round, against 28% for Hernandez. Still, many of the other candidates that failed to reach the runoff are backing Hernandez in something of an anti-Petro alliance that may put a ceiling on his ability to grow support before the second round on June 19.

Hernandez, who has been compared to Donald Trump and Jair Bolsonaro for his off-the-cuff — and at times foul-mouthed — comments, hasn't indicated who would run his economic team. He has vowed to crack down on corruption and wasteful spending while saying Colombia must pay its debts. He wants to cut the value added tax to 10% from 19%.

Another thing giving investors comfort is that fact that neither candidate will have a majority in congress so there will be checks and balances on any radical proposals.

State-run energy company **Ecopetrol** SA, which could be affected by Petro's proposals to phase out oil exploration, rallied 8.2%, heading for its biggest daily advance in almost a year.

While it's uncertain how Hernandez will govern if elected, "at least you won't have the proposal to increase the public pension system, the proposal to cut oil exploration, the proposals to increase the weight of the state in every aspect of the Colombian economy," said Amando Armenta, a strategist at AllianceBernstein in New York.

"Looking at the breakdown of votes and assuming that a large share of voters are driven by ideology, Hernandez certainly has a much easier path," said Alvaro Vivanco, head of emerging markets and ESG strategy at Natwest Markets in Stamford, Connecticut.

Still, he said, Petro can't be counted out completely in a runoff. The peso, which traded through 3,800 per dollar Tuesday, could head toward 3,700, Vivanco said.

Colombia has until now mostly been governed by economically orthodox administrations that fret over credit ratings, fiscal deficits and investor confidence. The country lost its investment grade status in 2021 after a botched tax reform push.

"Very positive results," said Daniel Rico, a currency strategist at RBC Capital Markets in New York. "The market will price a Hernandez victory in two weeks with over 90% probability."

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