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Colombia's New President Moves the Country to the Left. Markets Don't Seem Enthusiastic.



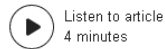
By Craig Mellow June 24, 2022 3:45 am ET

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Newly elected Colombian President Gustavo Petro tilts to the left politically. It remains to be seen how far. Juan Barreto/AFP/Getty Images

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Colombia sits physically between Venezuela and Brazil. With the election of its first-ever leftist president, the country of 51 million looks perched between its two neighbors politically, as well.

Latin American leftists span a broad spectrum. The two outstanding figures this century have been Hugo Chávez, who dragged Venezuela into ruinous dictatorship, and Luiz Inácio Lula da Silva, who embodied democratic socialism, more or less, as president of Brazil from 2003-11. Investors are unfazed by his likely return to power this October. "Lula is a pragmatic populist," says Alberto Ramos, head of Latin American economic research at Goldman Sachs.

Gustavo Petro, who triumphed in Colombia on June 19, could go either way for a role model.

Two other recent Latam left-wing electoral earthquakes proved relatively mild. Gabriel Boric, a student-protest leader who leapt to Chile's presidency, has shown himself to be a "committed democrat who's not going to dynamite the basis of the Chilean economy," says Brian Winter, vice president for policy at Americas Society/Council of the Americas.

Pedro Castillo, the Marxist-Leninist Free Party leader who swept to power in Peru, has also shown more bark than bite. "Castillo has not been very visible personally, but he has appointed responsible people to run the economy," Winter comments.

Petro, 62, brings a longer, but not necessarily more comforting, track record. Three decades in electoral politics have not sobered the former teenage guerrilla and political prisoner, detractors fear. "He's a very messianic guy, a very ideological guy," says Andres Pardo, chief Latin American macro strategist at XP Investments.

Petro has praised Chávez in the past, and campaigned on declaring an "economic state of emergency," which would enable him to govern by decree. He promised to fire the board of state oil company Ecopetrol (ticker: EC) and halt new exploration contracts, in the name of a green transition and reducing mineral export dependency. That would be a nontrivial move for a nation that exports more than 500,000 barrels a day, with plans to increase.

Markets are decidedly bearish on a Petro presidency, which formally starts in August. The

Global X MSCI Colombia **GXG +2.42%** ▲ exchange-traded fund (GXG) has plunged by a quarter this month. The peso lost 8% against the dollar.

Optimists see Petro constrained by the democratic institutions Colombia has built over the past half-century. The president-elect's Colombia Humana party is well short of majorities in Congress. The central bank is secure from meddling, the Constitutional Court famously assertive.

Assets should recover as the checks and balances become clearer, says Thierry Larose, portfolio manager for emerging markets local debt at Vontobel Asset Management. "We like Colombia," he says. "The massive selloff is overdone."

Colombia's new leader also faces the same obstacle as colleagues across Latin America: reality. The current political wave harkens back to the "pink tide" of elected leftists that Lula and Chávez led in the early 2000s. Only that group enjoyed a sky full of tailwinds: a commodities supercycle driven by booming China, historically low interest rates, and liberal credit markets.

Petro & Co. are hemmed in by the debt their predecessors ran up and decades-high inflation, not to mention raw-materials prices that might be peaking. "The 2000s wave came in at the right time," says James Bosworth, founder of Bogota-based consultant Hxagon. "These guys are at exactly the wrong time."

Good luck.

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Colombia's flirtation with leftist/progressive politics risks it becoming like Venezuela or the United States.

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Alibaba Stock Is Popular Among Bargain Hunters Now



By [Reshma Kapadia](#) Follow Updated June 16, 2022 8:29 am ET / Original June 16, 2022 3:45 am ET

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Value managers are jumping into Alibaba's stock, even as they acknowledge the risks. AFP via Getty Images

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Alibaba's stock (ticker: BABA) fell 74% from its peak in fall 2020 at \$317, to its low in March, and shares are still down 10% this year. *Barron's* has been cautious for a while as others have jumped in.

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