

Leftist Colombian Leader Delivers the Paralysis Investors Want



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(Bloomberg) -- Gustavo Petro's dream of becoming an inspirational leftist leader who would jettison Colombia's conservative economic orthodoxy is fading just 10 months into his presidency — stymied by scandals hitting top aides and the defection of allies in his coalition.

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Instead of leading a peaceful revolution to lift millions out of poverty, Petro now risks spending the next three years as an unpopular lame duck, wasting much of his energy defending himself in investigations. The prospect of such a gridlock is all but certain to anger voters who hoped he'd usher in a wave of changes. But it has been welcomed by investors, who never trusted the economist and former guerrilla, or liked his reforms.

"We see this stagnation in almost all governments, but normally in their last year, whereas this one is beginning," said Andres Mejia, a political analyst who teaches at the business school in Bogota's Andes University. "This wouldn't be in a problem if we were talking in 2025, but we're still in 2023."

Since taking office, Petro repeatedly spooked markets, including by criticizing the central bank and shaking up the leadership at the state-run oil company. Now many of those same investors are turning bullish on the country, betting Petro's troubles make it less likely he can carry out his agenda. That's helped fuel a rally in the nation's bonds and sent the peso surging 14.8% this year, making it the best-performing major currency

the peso surging 14.6% this year, making it the best performing major currency.

“Some of the biggest concerns on the political front are diminishing, and it’s due to a combination of factors, for example the rupture of the coalition in congress, Petro’s diminishing popularity, and Colombia’s strong legal framework and institutions,” said William Snead, a fixed income strategist at Banco Bilbao Vizcaya Argentaria SA, in response to written questions.

Dollar bonds have outperformed peers over the last month, and funds managed by BlackRock Inc., Schroders Plc. and Barings LLC. have poured money into local currency government bonds.

Even after the recent run-up, Snead said assets remain cheap, meaning there’s room for the rally to continue. Colombia’s shrinking current account deficit, improved fiscal outlook and inflows from corporations to pay taxes are also bolstering the peso, which closed trading Tuesday at 4,225 per US dollar, a level not seen since the week after Petro took office last August.

Plenty of Risk

From investors’ point of view, there’s still plenty of risk: Petro still has three years in office and his hostility to the oil industry and his management changes at [Ecopetrol SA](#) have alarmed some holders of the state driller’s bonds.

Petro’s press office referred a request for comment to the finance and interior ministries. Finance Minister Ricardo Bonilla said by phone that the peso rally can’t be attributed to recent scandals, since it predates them.

Colombia has sent a message of economic stability that provides calm to financial markets, Bonilla said. The government’s reforms are progressing through congress, and fears about the oil sector are unfounded since energy companies continue to explore and make discoveries, he added.

Read more: [Leaked Audio Deepens Scandal Engulfing Colombian Government](#)

Leftist incumbents in Brazil and Argentina have also suffered falling popularity in recent months amid rapid inflation, while Peru’s unpopular socialist leader, Pedro Castillo, was impeached in December when he tried to dissolve congress.

Crumbling Coalition

In Colombia, Petro’s ruling coalition began to crumble as his ambitious bills to boost worker benefits and overhaul the health and pension systems worked through Congress. The measures sought to slash the role of private companies in delivering medical and investment services, alarming lawmakers in the Conservative, Liberal and U Parties. First they tried to water down the bills, only later to just to pull their support outright.

In recent days, the government has been hit by a widening investigation into allegations of phone tapping, abuse of power and breach of campaign finance rules by some of the president’s closest aides. The revelations are now effectively threatening to put Petro’s agenda on hold as Colombia’s political parties shift their focus to the October elections, when voters will elect mayors and state governors.

Presidential Power

After those elections, Petro, who belongs to the Historic Pact alliance of leftist groups, will have an opportunity to get his agenda back on track if he’s able to rebuild alliances with lawmakers, said Sergio Guzman, the director of Colombia Risk Analysis, a Bogota-based risk consultancy. But that would likely require him to make large concessions to rival parties and a “major cabinet overhaul that actually includes different viewpoints,” — a step he said wouldn’t be the president’s “preferred option.”

Even without a majority in congress, the presidency still wields great power in Colombia, with the ability to name magistrates to the highest courts, central bank co-directors and

the military high command. He can also rule for a time by decree, though that would likely be eventually stopped by the courts.

Phone Tapping

Polls showed the president's approval rating was already in steep decline even before his chief of staff and his former campaign chief were forced out last week in the biggest scandal to hit his government so far.

That one erupted when a woman who had been employed as a nanny by Petro's chief of staff, Laura Sarabia, told reporters she had been interrogated and improperly subjected to a polygraph near the presidential palace. Sarabia had accused the woman of stealing thousands of dollars in cash.

The woman also had her phone intercepted, according to the Attorney General's office. Sarabia left the government last week.

It got worse when Semana magazine published a foul-mouthed tirade by Petro's former campaign manager Armando Benedetti, who Petro fired as ambassador to Venezuela the same day Sarabia left office. Benedetti suggested that the 2022 campaign had violated spending rules, and threatened to dish the dirt on the source of some of the money.

Since there are still so many unanswered questions, the scandals are likely to drag on for a prolonged period, paralyzing the government's agenda, Guzman said.

"Not that the President will resign, or that he'll be impeached, or anything like that," said Mejia, the analyst from Andes University. Rather, it would mean "that his ability to conduct policy and pass reforms is probably dead."

--With assistance from Ezra Fieser, Davison Santana and Robert Jameson.

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The boss of BT Group is to freeze his £1.1m salary until he retires from the FTSE 100 telecoms operator. Sky News has learnt that Philip Jansen's base pay will be maintained at the same level at which it was set when he joined the company in 2019. City sources said the decision would be set ou...

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'Expendables 4' Trailer: Megan Fox Beats Up Jason Statham, and 50 Cent Joins the Team in Action Sequel

After nearly nine years, Sylvester Stallone's Barney Ross is ready to lead the Expendables once again. The first official trailer for the fourth installment of "The Expendables" franchise has been released after a nine-year hiatus for the film series. Titled "Expend4bles," the movie is set to release on Sept...

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Harvard women's hockey coach retires amid allegations she verbally abused, hazed players

One of the most decorated coaches in women's hockey history has stepped down after nearly 30 years leading Harvard's women's hockey program in the shadow of allegations by players that she engaged in abuses and other misconduct during her tenure. The school said Tuesday that Katey Stone had made the decision to retire from coaching. The six-paragraph announcement came after The Boston Globe published a...

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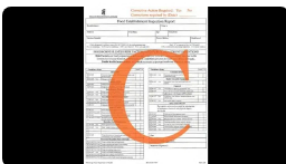


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Police now have a person of interest in Corryville murder

Cincinnati police need the public's help identifying a "person of interest" in the murder of a Corryville groundskeeper. Cincinnati police said 43-year-old Nicholas Kernan was shot around 3 p.m. on May 23 near the intersection of Bellevue Avenue and Donahue Street while doing some landscaping. He was...

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Blue Jays ace Kevin Gausman is dominating MLB leaderboards

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Those Disney+ subscribers going through Star Wars withdrawal won't have to wait any longer as the streamer has set Aug. 23 for the premiere of Lucasfilm's Star Wars: Ahsoka series. Set after the fall of the Empire, Star Wars: Ahsoka follows the former Jedi Knight Ahsoka Tano as she investigates an...

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West Ham tonight meet Fiorentina in the Europa Conference League final. Declan Rice, meanwhile, will be desperate to go out on a high in what is expected to be his final West Ham appearance. TV channel: In the UK, the final will be broadcast live on BT Sport 1 and BT Sport Ultimate, with coverag...
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The Canadian Press

Statistics Canada reports merchandise trade surplus rose to \$1.9B in April

OTTAWA — Canada merchandise trade surplus increased to \$1.9 billion in April, helped by higher exports of gold, oil and cars and light trucks, Statistics Canada said Wednesday. The result followed a revised surplus of \$231 million in March. The agency's initial reading for March released last month...
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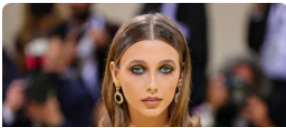


Yahoo News

He was arrested for cannabis possession. Now he's opening N.J.'s first Black-owned recreational dispensary

Tahir Johnson is about to make history in July as he is set to open the doors to New Jersey's first Black-owned recreational adult-use cannabis dispensary.

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Variety

Emma Chamberlain and Alex Cooper to Speak at Spotify Beach During Cannes Lions (EXCLUSIVE)

Spotify has announced its plans for Cannes Lions, the world's largest celebration of the advertising and creative communications industry. Running June 19-22, Spotify Beach will include masterclasses with Emma Chamberlain, Alex Cooper, and more.