



## MNI POLITICAL RISK ANALYSIS-Argentina Midterm Election Preview

by Tom Lake and Keith Gyles

Argentina holds Congressional elections on Sunday, 26 October in a race that has garnered more international media and financial market attention than would usually be the case for a partial midterm election. Half the seats in the Chamber of Deputies and one-third of the Senate are up for election, with the outcome set to have a significant impact on President Javier Milei's ability to pass his policy programme through the legislature.

In recent few weeks, Milei has found his vetoes against legislation to increase public spending on universities and paediatric care overturned in Congress. This comes after a near two-year period since coming to office in which Milei has struggled to implement his full economic reform agenda due to the lack of a majority in Congress.

The election comes a short time after Milei met with US President Donald Trump in Washington, D.C. This, in turn, followed the White House's approval of a USD20bln bailout for Argentina to bolster the economy of a political ally amid significant financial market turbulence that has seen the Argentinian Treasury pump over USD1bln into propping up the peso in recent weeks. During the meeting, Trump said that the funding (which could double to USD40bln according to [NBC News](#)) would be conditional on the outcome of the election.

Speaking on 15 October, Trump said, "*The election is coming up very soon...It's a very big election. Victory [for Milei] is very important. [Milei's] poll numbers I hear, are pretty good. I think they will be better after this. And, you know, our approvals are somewhat subject to who wins the election. [...] If he loses, we are not going to be generous with Argentina [...] I'm with this man because his philosophy is correct. And he may win and he may not win – I think he's going to win. And if he wins, we are staying with him, and if he doesn't win, we are gone.*"

Whether the remaining two years of Milei's term are judged a success or failure, and the prospect of him remaining in the *Casa Rosada* post-2027, could well come down to the outcome of the 26 October Congressional election.

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## Electoral System

Elections take place for members of the two chambers of the Congress of the Argentine Nation, the lower house, the Chamber of Deputies and the upper house, the Senate. Both chambers use staggered elections in which only a proportion of seats are up for election in each cycle. While this is not uncommon for upper chambers (the US Senate, the Japanese House of Councillors, the French Senate), it is rare for a lower house to also stagger elections with only a portion of the chamber voted in at a time.

This midterm cycle sees 127 of the 257 seats in the Chamber of Deputies up for election for a four-year term. Elections to the Chamber are held via proportional representation in 24 multi-member constituencies based on the 23 provinces of Argentina and the City of Buenos Aires. The number of seats assigned to each constituency is dependent on its population, ranging from the five seats each that represent Catamarca, Chubut, Formosa, La Pampa, La Rioja, Neuquén, Río Negro, San Luis, Santa Cruz, and Tierra del Fuego, through to Buenos Aires province with 70 seats. Seats are distributed using the [d'Hondt method](#) with a 3% threshold in place in each constituency. The last time that these seats were up for election was 2021, when the conservative *Juntos por el Cambio* secured 61 of the seats on offer compared to 50 for the left-wing Peronist *Frente de Todos*, with the remaining 16 seats going to minor parties.

For the Senate, one-third of the 72 seats are up in each cycle meaning 24 Senate elections. There are the same number of constituencies in the Senate as in the Chamber of Deputies (23 provinces and the City of Buenos Aires), but rather than being distributed based on population, each constituency has three senators regardless of the number of residents. In this cycle, all three Senate seats from Chaco, Entre Ríos, Neuquén, Río Negro, Salta, Santiago del Estero, Tierra del Fuego and the City of Buenos Aires will be up for election. The party gaining the most votes in a constituency wins two of the seats on offer, with the second-placed party taking the third.

For the first time since 2011, primary elections (*Primarias Abiertas Simultáneas y Obligatorias*, "Simultaneous and mandatory open primaries", or 'PASO') were not held in the months prior to the legislative election. In the PASO system, all parties run their candidates on a single ballot, with parties requiring support over 1.5% to be able to run in the subsequent election. When in operation, the PASO vote acted as an unofficial indicator of the likely outcome of the subsequent election. After coming to power in 2023, President Javier Milei proposed legislation to wholly repeal the PASO system, but after negotiations with the conservative Republican Proposal and centrist Radical Civic Union a compromise was reached in which the primaries were skipped only for the 2025 legislative elections.

On election day, polling stations open at 08:00 local time (07:00ET, 11:00GMT, 12:00CET, 20:00JST), closing at 18:00 local time (17:00ET, 21:00GMT, 22:00CET, 06:00JST). Under the Argentinian Electoral Code, no polls, projections, or opinion surveys can be published from the time polls open, until three hours after they have closed. **This means the earliest exit polls or early results will be published from 21:00 local time (20:00ET, 01:00GMT, 02:00CET, 09:00JST).**



## Main Political Parties and Alliances

**Homeland Force – Fuerza Patria – FP** – Formerly ‘Union for the Homeland’, ‘Frente de Todos’, Citizen’s Unity, and Front for Victory – Founded: 2023 – Leaders: **Cristina Fernández de Kirchner**, 72 (President of Argentina 2007-15, Vice President of Argentina 2019-23, President of the Justicialist Party 2024, National Senator 1995-97, 2001-07, 2017-19, National Deputy 1997-2001), **Sergio Massa**, 53 (Minister of Economy 2022-23, President of the Chamber of Deputies 2019-22, National Deputy 2013-17, 2019-22, Leader/Founded of Renewal Front 2013-) and **Juan Grabois**, 42 (Leader/Founded Patria Grande Front 2018-, lawyer, social activist) – Peronism, left-wing, populism, Kirchnerism, federal Peronism – Chamber of Deputies seats: 99/257 – Senate Seats: 33/72 – Main Constituent Parties: Justicialist Party, Renewal Front, Patria Grande Front, Federal Commitment

**Liberty Advances – La Libertad Avanza – LLA** – Founded: 2021 (coalition), 2024 (party) – Leader: **Javier Milei**, 54 (President of Argentina 2023-, Honorary President of the Libertarian Party 2022-, National Deputy 2021-23, academic, TV pundit) – Libertarianism, right-wing, populism, anti-communist, anti-Kirchnerism – Chamber of Deputies seats: 40/257 – Senate Seats: 7/72 – Main Constituent Parties: Libertarian Party, Democratic Party

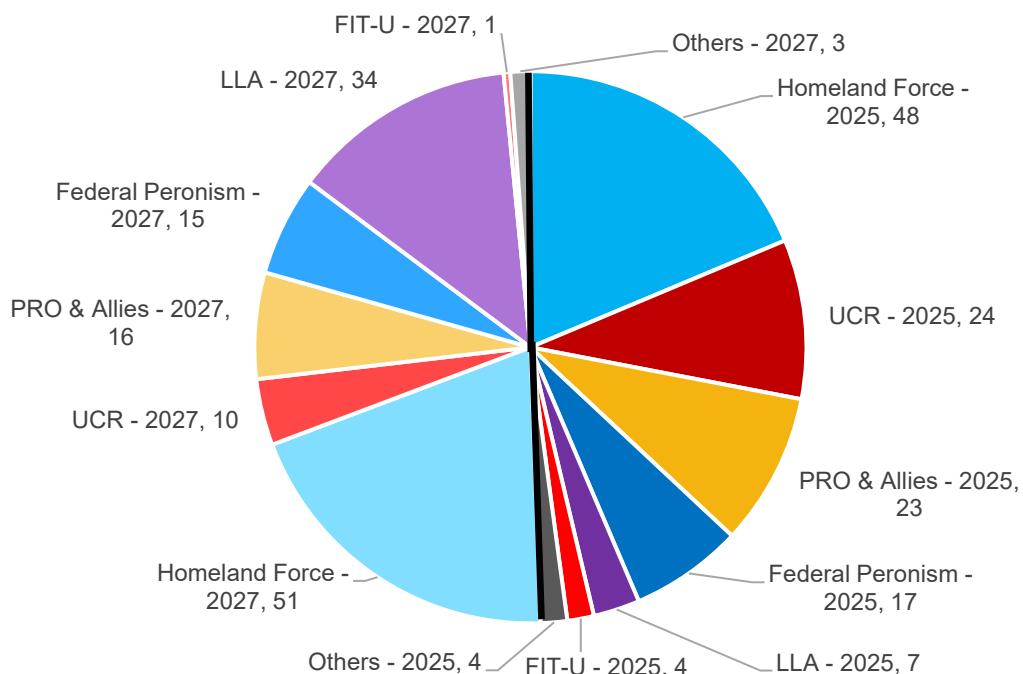
**Republican Proposal – Propuesta Republicana – PRO** – Founded: 2005 (alliance), 2010 (party) – President: **Mauricio Macri**, 66 (President of Argentina 2015-19, Chief of Government of Buenos Aires City 2007-15, National Deputy 2005-07, businessman) – Centre-right, conservative liberalism, pro-business – Chamber of Deputies seats 38/257 – Senate seats: 6/72

**Radical Civic Union - Unión Cívica Radical – UCR** – Founded: 1891 – President: **Martin Lousteau**, 54 (UCR National Committee President 2023-, National Senator 2019-, National Deputy 2013-19, Ambassador to the US 2015-17, Minister of Economy and Production 2007-08) – Centrist, liberalism, radicalism – Chamber of Deputies seats: 33/257 – Senate seats: 13/72

**Hacemos por Nuestro País** – ‘We Do for Our Country’ – **HpNP/HNP** – Founded: 2023 – Leader: **Juan Schiaretti**, 76 (Governor of Cordoba 2007-11, 2015-23, Vice Governor of Cordoba 2003-07) – Federal Peronism, centre-right/centrist, big-tent, anti-Kirchnerism – Chamber of Deputies seats (as Hacemos Federal Coalition): 31/257 – Senate Seats: 3/72 – In Senate Federal Peronists running as part of ‘United Provinces’ Alliance.

**Workers’ Left Front – Unity – Frente de Izquierda y de los Trabajadores – Unidad – FIT-U** – Founded: 2011 – Leader: **Nicolás del Caño**, 45 (National Deputy 2013-15, 2017-21, 2021-) – Far-left, Marxism, revolutionary socialism, Trotskyism – Chamber of Deputies Seats: 5/257 – Senate Seats: 0/72 – Main Constituent Parties: Workers’ Party, Socialist Workers’ Party, Socialist Left, Workers’ Socialist Movement

Chart 1. Chamber of Deputies, Seats Up for Election 2025 vs. 2027



Source: MNI. N.b. Right section of chart in deeper shade represents seats up for election in 2025. Left section of chart in lighter shade indicates seats not up for election until 2027.

## Election Scenario Analysis

### LLA and Allies Secures Blocking Minority Allowing Milei to Deploy Veto – 50% Probability

- The minimum hurdle for ‘success’ for President Javier Milei’s libertarian LLA and its allies in the mid-term elections will be the securing of a ‘blocking minority’ in at least one of the houses of the Argentine National Congress. This equates to at least a third of the seats in either chamber, and would enable the governing parties to block opposition attempts to override presidential vetoes. Overriding a presidential veto requires a two-thirds majority in both chambers, meaning securing one-third of the seats in either house would be enough for Milei.
- The difficult Congressional situation at present for Milei was exemplified in early October, when the [Senate confirmed earlier overrides](#) in the Chamber of Deputies, meaning Milei’s vetoes on legislation increasing funding for public universities and paediatric healthcare were invalidated.
- The most likely route to this threshold is in the Chamber of Deputies. With the 34 seats the alliance won in the 2023 elections not up for election this cycle, and the LLA only defending seven seats from the 2021 midterms, there is a notable opportunity for Milei’s alliance to make gains. On the assumption that it retains the seven seats won in the 2021 midterms, the LLA would need to win an additional 45 seats in to secure the 86 needed to ensure presidential vetoes cannot be overturned.
- This task may be made easier by the fact that in most provinces, including Buenos Aires and Buenos Aires City, where 48 of the 127 seats up for election are located,



the LLA is running on the same ticket as the PRO. In Chaco, Mendoza and Entre Ríos provinces, the LLA is running alongside the UCR. With reduced competition from conservative or centrist parties, the LLA and its allies have a better chance of picking up seats against the left-wing Peronist FP.

- In this scenario, there remains the prospect that the FP remains the largest alliance in each chamber, an outcome that would risk appearing as a 'defeat' for Milei's LLA. Of course, this could prove critical with US President Donald Trump threatening to 'walk away' from its multi-billion dollar support package for Argentina if Milei does not 'win' the election (Trump has not specified what 'winning' in the context of Congressional elections looks like, it could be securing a majority, gaining the most seats, becoming the largest party, giving notable leeway).
- Milei would face a stark choice in the immediate aftermath of the election. One choice is continuing the strong peso policy and blowing through Argentina's already stretched hard currency reserves and maintaining high interest rates that stifle growth. Another is to float the currency. While this would risk a sizeable drop, it could be ameliorated by further US support.
- Milei's LLA would still be short of a majority in either chamber. In order to enact economic reforms that are wide-ranging, legislation passed in Congress is more effective than presidential decrees. This will necessitate a broadening of Milei's political circle beyond his Libertarian Party and other fellow travellers. The LLA's electoral pacts with PRO and the UCR point towards a more cooperative Milei than has been the case during the first half of his term. Should this stance be maintained post-election, it may enable the passage of reforms via acts of parliament rather than decrees that could be reversed swiftly by a new administration in 2027.

## **Left-Wing Peronists Retain Plurality, Opposition Maintains Ability to Override Presidential Veto – 35% Probability**

- Rising public concerns about unemployment amid sclerotic growth, alongside voter anger at perceptions of corruption and nepotism within President Javier Milei's administration, combined with a brutal effect in the Buenos Aires provincial elections in September. The left-wing Peronist FP's support far exceeded pre-election expectations, while LLA severely underperformed. Given that Buenos Aires province accounts for nearly 40% of the entire Argentine population, it was seen as a significant indication that the LLA faces a major uphill battle in winning seats come the legislative midterms.
- A maintenance of the status quo would risk the continued drawdown of foreign reserves to prop up the peso, and a final nail in the coffin to the prospect of long-standing economic reforms being enacted during Milei's first term.
- In this scenario, Milei would be forced to gain the backing of other forces in Congress (excluding parties of the left and far left). The conservative PRO and centrist UCR are already running on the same ticket as the LLA in some provinces, and concessions from Milei, potentially in the form of cabinet appointees, could gain their support in looking to stop veto overrides.
- Gaining the cooperation of the centre/centre-right federal Peronist parties would be a harder task for Milei and would inevitably require concessions to their policy aims or a dilution of his own radical economic agenda. Nevertheless, the federal Peronists'



strong opposition to the left-wing Kirchnerist agenda of the FP could see them hold off from overturning Milei's vetoes in the event of

- While there will still be two years to run on Milei's term in office, an inability to enact his planned economic reforms would come as a major blow to his re-election efforts come the 2027 election.

### **Milei's Alliance Collapses, Left-Wing Peronists Win Back Congressional Majorities – 10% Probability**

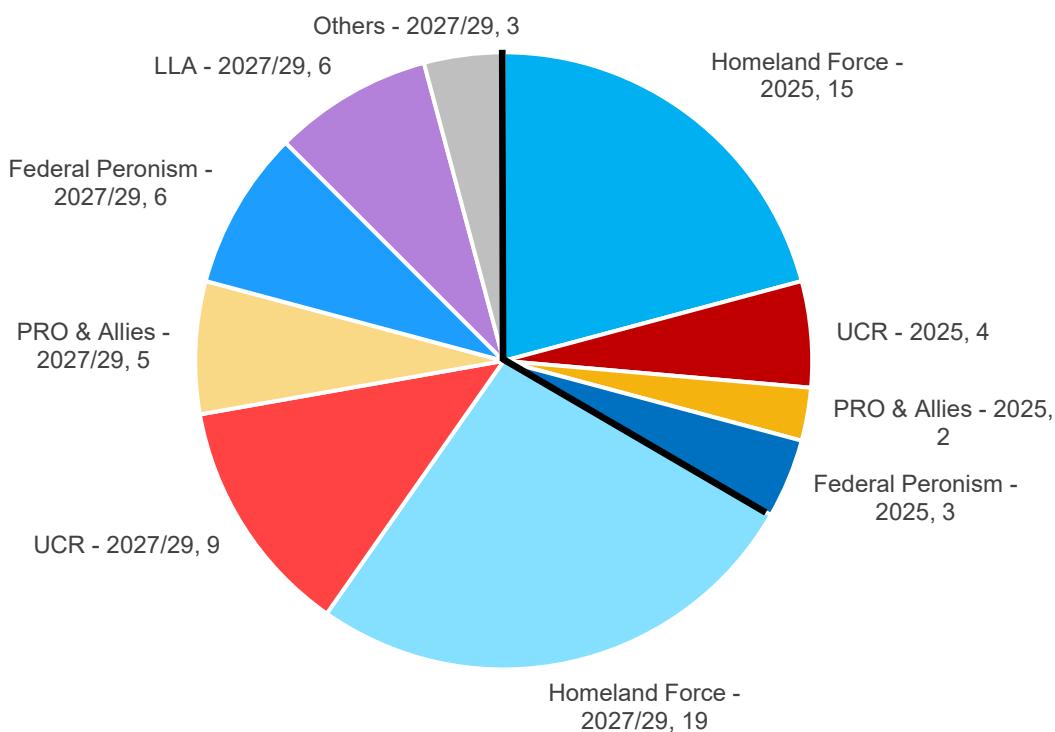
- The worst-case scenario for Milei and the LLA is that opinion polls are vastly overestimating their vote share, and the FP wins a majority in one or both chambers. In the Chamber of Deputies this would require the FP to retain the 48 seats it has up for election and win another 30 to cross the 129-seat majority threshold. In the Senate the Peronists face a more difficult task in taking an overall majority. The FP would need to hold onto its 15 seats up for election and win three of the remaining nine seats on offer, currently held by the UCR (4), federal Peronists (3) and PRO (2).
- It could also risk the US' continued economic support for the Milei administration after Trump seemingly implied that he would walk away from the agreement if Milei did not 'win' the election. The Peronists winning an outright majority would be the starker example of Milei's LLA 'losing' the election.
- Almost immediately, the FP would also become frontrunners for the presidency in 2027. While there is no set candidate yet, Buenos Aires provincial Governor Axel Kicillof who was the face of the campaign that thoroughly defeated the LLA in the September provincial elections, is an early frontrunner. Having served as Minister of Economy from 2013-15 under the presidency of Cristina Fernandez de Kirchner and is a strong proponent of increased welfare spending and renationalisation of previously privatised state assets.

### **LLA and Allies Outperform, Secure Largest-Party Status – 5% Probability**

- With the potential for a significant opinion polling miss, there is the small but extremely impactful scenario in which the LLA and its allies outperform expectations and secure a plurality of seats in the Chamber of Deputies.
- The prospect of the LLA gaining plurality status in the Senate is much lower. Given the electoral system sees the most popular party win two of the Senate seats in each province, with the second-placed party winning one, even if the LLA and its allies come first in every province, it would only win 16 seats. In addition to the six already held by the LLA, Milei's party would only be able end up with 22 out of the 72 seats in total (short of the one-third blocking minority, although this could be circumvented by an alliance with PRO).
- A plurality in the Chamber of Deputies and a greater share of seats in the Senate would provide Milei a much better opportunity to enact his economic agenda, with the prospect of major reforms to the tax and pensions system and labour market enhanced as they may be passed through acts of Congress rather than presidential decree.
- Such a result would also bode well for Milei's re-election prospects in 2027. Should PRO and other centre-right parties unite behind a Milei candidacy for the second

term it could lead to a first-round win. If this proves impossible these parties would almost certainly offer their backing to Milei against the Peronist candidate in a run-off.

**Chart 2. Senate, Seats Up for Election in 2025 vs. 2027/29**



Source: [senado.gob.ar](http://senado.gob.ar), MNI N.b. Top-right third of chart in deeper shade represents seats up for election in 2025. Bottom left two-third of chart in lighter shade indicates seats not up for election until 2027 or 2029.

## Financial Markets Outlook

Local markets have seen heightened volatility since September's Buenos Aires provincial election, when President Milei's party was defeated by the opposition Peronist party. Amid unhelpful seasonals and mounting dollar demand, USDARS rose to the ceiling of the trading band agreed with the IMF last month, prompting the Argentinian authorities to intervene by selling dollars. Amid ongoing political uncertainty and concerns about diminishing central bank reserves, however, sustained market pressures subsequently forced the US to step in with a major support package, centred around a \$20bn currency swap line. The US Treasury said it was prepared immediately to take whatever measures were necessary to provide stability to the market, including direct purchases of the Argentinian peso. In addition, US Treasury Secretary Scott Bessent said that the US is working on a second \$20bn facility from the private sector that would complement the FX swap line, taking total support for the country to \$40bn. Reports suggest that several major US banks are in talks with the US Treasury to provide up to \$20bn in emergency loans, backed by Argentinian assets. Meanwhile, local media suggest that Argentina and the US could announce a trade deal soon.



The measures, which are designed to address short-term illiquidity issues, have brought some calm to the market, buying time for the authorities through the midterm elections. Sovereign dollar bonds have rallied off their lows, while short-term peso interest rates have fallen from highs near 160% to around 50% now. After a brief respite, however, pressure on the peso resurfaced in recent days, amid concerns over another potential devaluation. BCRA President Santiago Bausili said last week that a conceptual agreement on the FX swap had been reached, and that he hopes it will be active before the midterms. Although there has been some uncertainty over the endurance of US support beyond then, following President Trump's remarks that the US would be less generous if Milei loses, President Milei has said that the support will continue until the end of his term in 2027. He stressed that it is not conditioned on the outcome of the upcoming election.

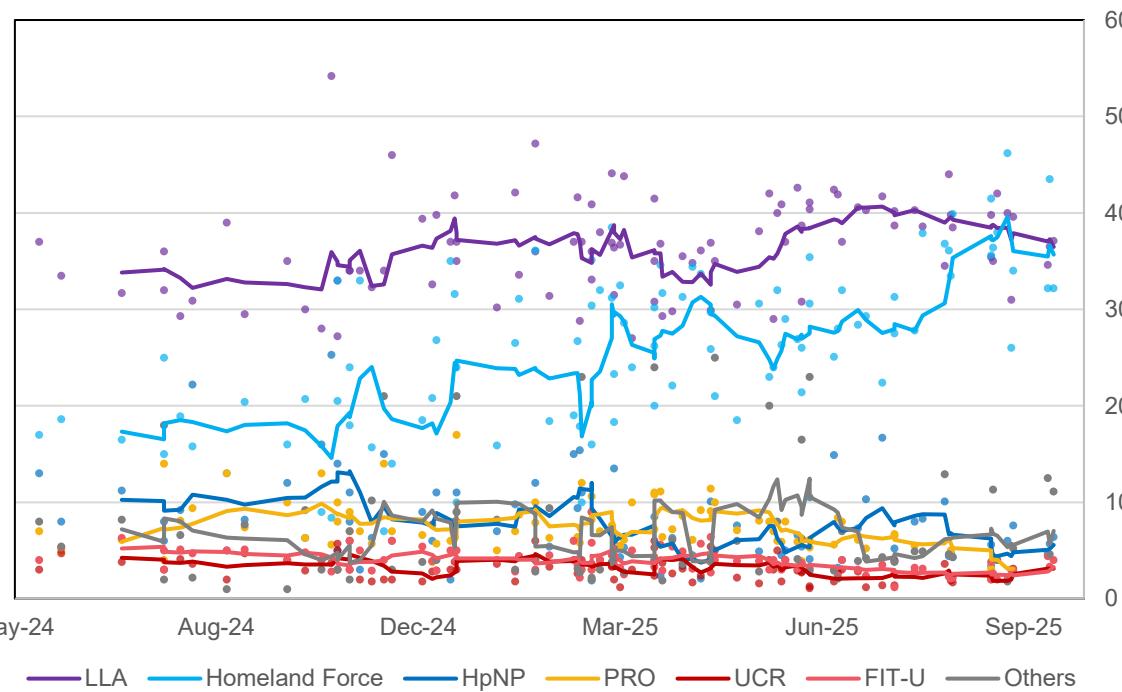
Beyond the election, further progress on the government's reform agenda will be needed to ensure a continued stabilisation of market sentiment. US Treasury Secretary Bessent has said that US support would persist if Argentina continues to enact good policy. While a lifting of the remaining capital controls will be needed at some point, and some analysts see a rising probability that the currency trading bands will be abandoned, President Milei said last week that the country's exchange rate regime would not see any changes after the election.

Instead, the government appears to be focused on the next stage of labour and tax reforms, as well as measures to incentivise businesses to save in pesos. Speaking at a major business conference last week, Economy Minister Luis Caputo said that an FX devaluation would not improve competitiveness. Instead, he said that the country would gain competitiveness through tax cuts, and labour and tax reforms. In particular, he said that labour reform is fundamental, and that the country needs a more agile and dynamic labour market. Meanwhile, he also said that the government is looking to simplify the tax regime by eliminating many taxes and reducing others, while introducing significant incentives to increase domestic savings.

Nonetheless, elevated inflation pressures suggest that further FX depreciation will still be needed to ensure that the country doesn't lose competitiveness through a continued appreciation of the real exchange rate. Monthly inflation has been slowly moderating, but is still tracking around 2%, leaving the annual rate of inflation above 30% y/y. Although core inflation remains relatively contained for now, also around 2% m/m, despite the recent FX pressures, risks remain. And to ensure further disinflation next year, analysts have emphasised the need for a broader political consensus and a recalibration of the FX framework ahead, following the elections.

## Opinion Polling and Betting Market Chartpack

**Chart 3. Legislative Election Opinion Polling, by Party/Alliance, % and 6-Poll Moving Average**

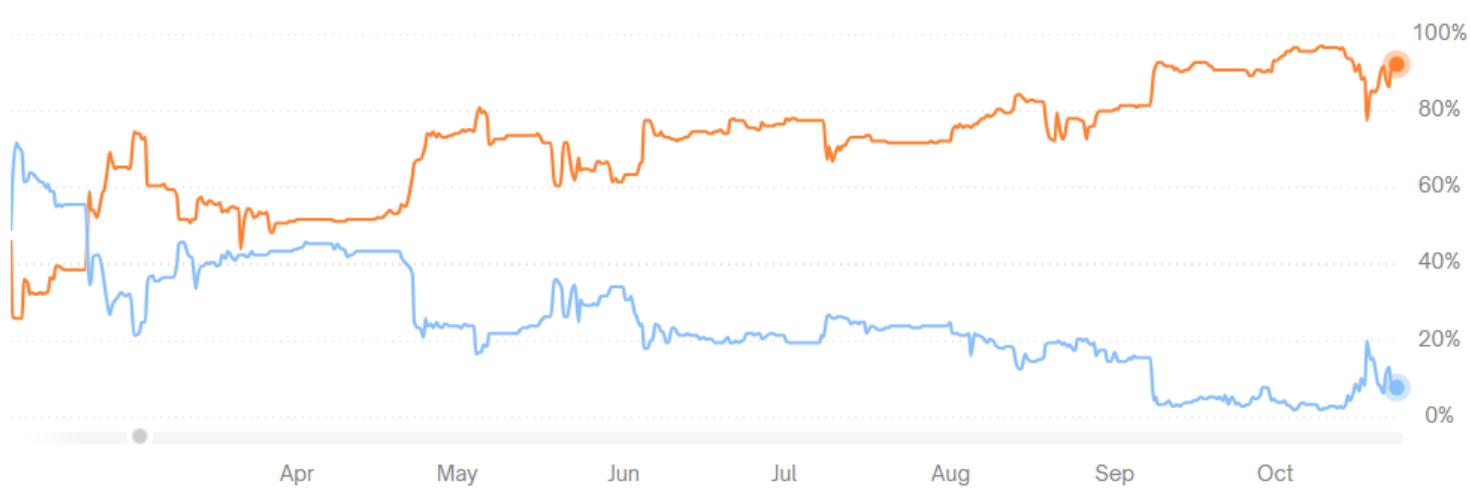


Source: CB Consulting, Zentrix, Rubikon Intel, Management & Fit, UDESA, TresPuntoZero, Trends, RDT Consulting, Atlas Intel, Zuban Cordoba, Giacobbe, Synopsis, Delphi, Pulse Research, Team Measures, Isasi Burdman, Fixer, Analogies, Argentina's Opinion, MNI

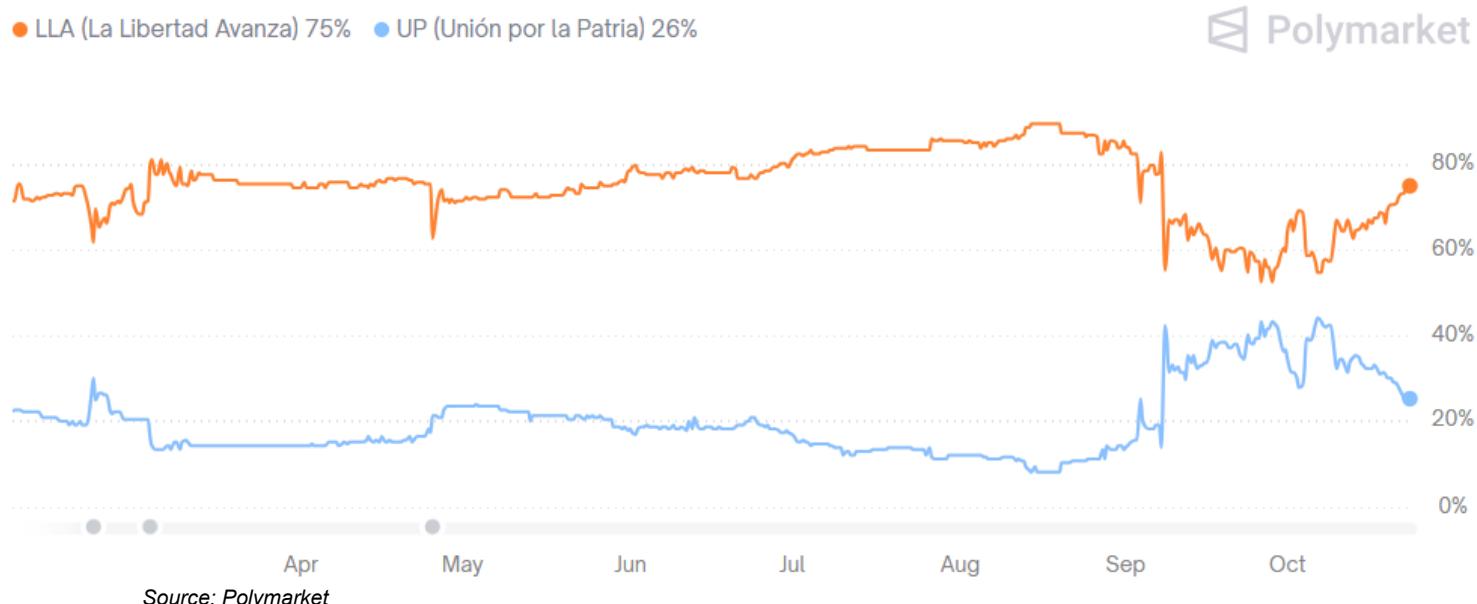
**Chart 4. Political Betting Implied Probability, 'Which Party Holds the Most Seats in the Chamber of Deputies after the Election?', %**

● UP (Unión por la Patria) 92.0% ● LLA (La Libertad Avanza) 8.0%

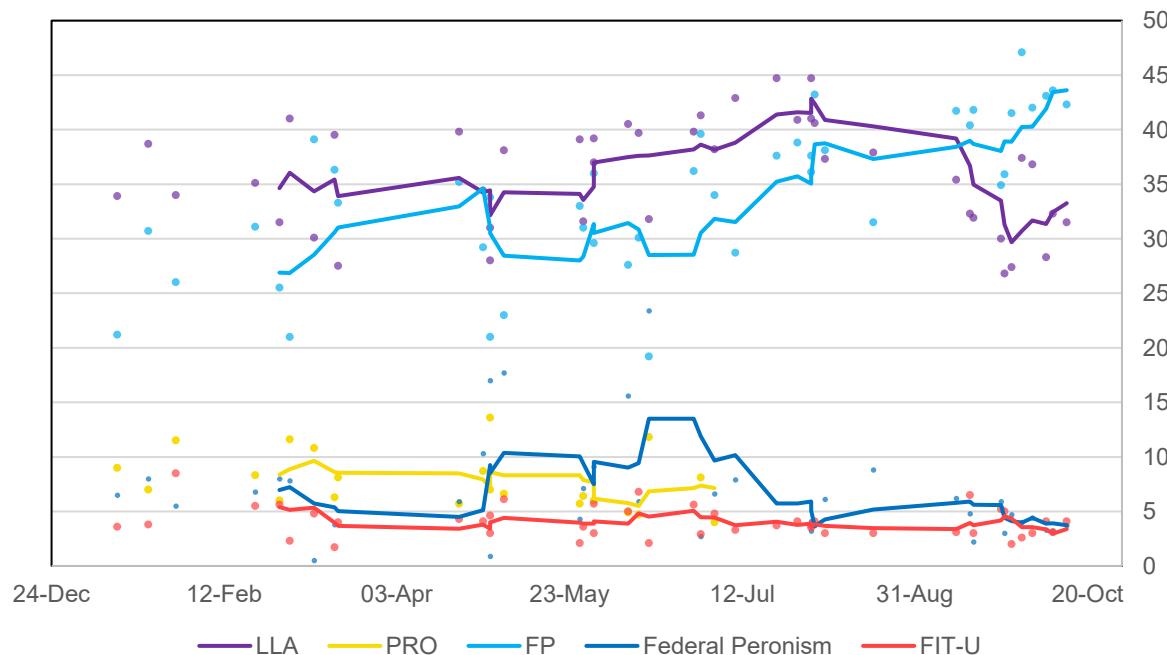
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**Chart 5. Political Betting Implied Probability 'Which Party Wins the Most Seats in the Chamber of Deputies Election?', %**



**Chart 6. Buenos Aires Province Congressional Election Opinion Polling, % and 5-Poll Moving Average**



Source: Pulso Research, Management & Fit, Image and Political Management Consultants, RDT Consultants, Giacobbe, Circuits, Markets & Strategy, Analogies, Public Sentiments, Trends Consulting, CB Consulting, Isasi Burdman, PollData, MNI. N.b. PRO data ends in July after it runs on joint platform with LLA.

# POLITICAL RISK



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