Hallgarten Report: Argentina's October Stress Test—Can Milei's Libertarian Shock Therapy Survive the Mid-Terms?

written by Tracy Hughes | September 2, 2025

I opened Christopher Ecclestone's latest Hallgarten & Company note on Argentina for the pleasure of his razor-sharp prose and wound up immersed in a political thriller. Ecclestone argues that President Javier Milei's entire libertarian experiment now hinges on the October 26th mid-term vote, when half the lower house and a third of the Senate come up for renewal. Milei needs a working majority to convert decree-driven shock therapy into durable law; without it, he risks governing by veto for the rest of his term. The timing is brutal: voters will render their verdict just as austerity's early pain is peaking and its promised gains are still abstract.

Hallgarten begins with Milei's first-year scorecard. In April the government secured a US$20 billion IMF programme and used the initial US$12 billion tranche to demolish most capital controls—the hated *cepo*—that had fenced investors out since 2019. Markets cheered, and the parallel market exchange gap snapped shut within days, while the peso was allowed to trade inside a managed band rather than an artificial peg. Construction and exports stirred, and inflation, once above 280% year-on-year, is finally limping lower. For a country accustomed to policy whiplash, the mere appearance of consistency has been enough to nudge Argentina's sovereign-risk spread below 1,000 basis points for the first time since 2017.

Yet Ecclestone is equally clear-eyed about the political

landmines. The opposition Peronists are at war with themselves—Kirchner loyalists, the Axel Kicillof camp in Buenos Aires, and Sergio Massa's rump bloc all jockeying for control—but that infighting has not prevented them from handing Milei stinging defeats. In July the Senate joined dissident conservatives to overturn five presidential vetoes, pushing through emergency funding for universities and paediatric hospitals and reminding markets that a minority president can be hemmed in quickly.

Scandal compounds the risk. Hallgarten devotes several pages to the "audios affair," leaked recordings implicating Milei's sister-confidante Karina in alleged kickbacks on pharmaceutical contracts. The story broke just as Milei was trying to flip Buenos Aires province—the Peronist heartland—on September 7th. Ecclestone warns that if libertarian candidates stumble there, the national campaign could lose momentum before it begins. Milei's penchant for public brawls (he once called Congress a "rat-nest of thieves") may delight his base, but Hallgarten notes that temper tantrums are expensive when you need swing-vote lawmakers to pass structural reforms.

The report's most bullish section is mining. Lithium, copper and gold are, in Ecclestone's phrase, "running in overdrive." A new 30-year tax-stability regime for projects above US$200 million has already lured Rio Tinto's US$2.5 billion Rincón build-out—first to qualify under the scheme—and at least six other large applications are pending. The Argentine Chamber of Mining projects sector exports will top US$5 billion next year even with lithium prices still mired in a slump. Ecclestone calls this "the only growth story orthodox enough for Wall Street and heterodox enough to survive Argentine politics," a line that rings true: copper projects in San Juan are lining up for power-line concessions while lithium-brine developers court Korean and Chinese investors.

Hallgarten's take on capital flows is more sobering. Lifting the *cepo* avoided the feared retail stampede, but institutional money began moving abroad almost immediately; an estimated 40% of the first IMF disbursement leaked out again within six weeks, the fastest post-programme outflow on IMF record. That statistic underscores Ecclestone's core point: progress is real, but the market's trust remains paper-thin.

My own view aligns with Hallgarten's pragmatism. The macro ledger is undeniably positive—fiscal surplus, disinflation, open capital markets. What remains unknown is whether Argentina's body politic will tolerate the bruises long enough for shock therapy to heal. Investors can trade that uncertainty; citizens must live it. Either way, Ecclestone's report is essential reading for anyone who still thinks Argentine risk is a one-way trip to default. It reminds us that in Buenos Aires, economics and politics share one balance sheet—and in October the electorate will decide whether Milei's bold arithmetic adds up.

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