

## Chile Equity Strategy

### Chile vs COVID-19: Initial Measures Showing Encouraging Results

The strategy of the Chilean government to face the Covid-19 pandemic has so far had two main characteristics: 1) A sequence of different preventive measures, which have been taken prior to most countries when compared by days since first case or number of infected people when they were implemented, and 2) A high availability of tests and amount of people tested, which in our view results in more “credible” number of people infected when compared to other countries. This situation leads to the following result: A relatively high number of infected people with a very low level of deaths. Consequently, eight days after the first diseased case, Chile has seven casualties, compared with 35, 84 and 57 in Italy, Spain and Brazil, respectively, eight days after they registered their first death. In our view, if the Chilean strategy continues to show positive results, this might end up implying a shorter disruption of the economy compared to other countries, which would be positive in this environment. This scenario would probably also lead to higher approval for President Piñera, which was highly damaged after the social protests, and as seen on Figure 15 has started to rebound in this environment. It is too early to say whether Chile’s strategy will be more successful in the medium-term than other countries, but so far it is showing positive results. We recently upgraded Chile in our latest [Key Trades and Risks](#) considering the highly discounted valuations, positive relative exposure to commodities (benefits the most in LatAm from low oil prices) and aggressive stimulus response to COVID-19 (more details [here](#)). We keep **Cencosud** (OW, Joseph Giordano), **Parque Arauco** (OW, Marcelo Motta) and **CMPC** (OW, Marcio Farid) as our Chilean top picks.

- **The government has instated early preventive measures to attempt to limit the spread of COVID-19 and flatten the contagion curve.** As detailed in Figure 1, measures include the suspension of school classes, closing borders to foreign travelers, declaring state of catastrophe and implementing compulsory quarantine in strategic zones of contagion. As seen in the Figures on page 2 and 3, these measures have been taken earlier than other countries when comparing by various metrics.
- **Strong availability of tests implies a fast growth of infected people: be careful with reaching the wrong conclusion.** As seen in Figure 11, Chile has more and faster growth of COVID-19 cases since the first case was confirmed, when compared to Italy, Spain and Brazil. The difference is, in our view, that Chile has had a strong testing capacity since the first case (March 6<sup>th</sup>), as the government has stated they have been preparing and producing tests since early January (currently there’s a daily capacity of 5k). A good reflection of this situation is that, as seen in Figure 14, only 7.5% of people tested in Chile are infected, compared to 16% in the US and 22% in Italy. Consequently, we believe the right conclusion is reached when looking at the number of deaths, where Chile has strong numbers. As seen in Figure 13, Chile only had 2 casualties when it reached 1,000 reported infected, compared to 18 deaths in Brazil and Spain, 29 in Italy and 36 in the US.
- **On the political front, President Piñera’s approval has rebounded from record lows and we believe the trend may continue.** The COVID-19 developments have changed the political agenda that was previously centered on the social unrest and protests that started in Oct-19 (the constitutional change referendum was recently delayed 6 months due to the virus). In this context, President Piñera’s approval rate hiked to 18% from 12% on the back of how the government is dealing with the crisis. We see this initial change as positive and something to monitor looking forward, as it could improve the political environment in the country once the COVID-19 crisis ends.

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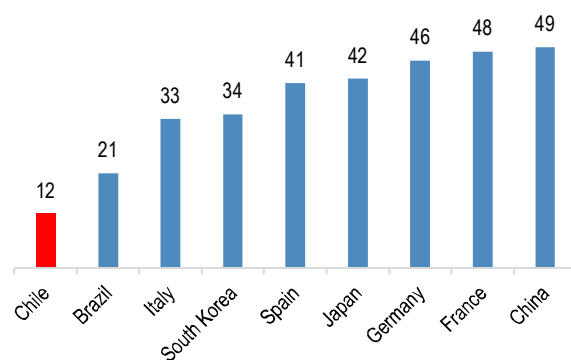
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Figure 1: Preventive Measures Taken by the Government

Measures	Date	Days Since First Case	Confirmed Cases
Suspension of events over 500 people	13-Mar-20	10	43
Preschool, School and University Suspension	15-Mar-20	12	75
Quarantine in Caleta Tortel	15-Mar-20	12	75
Suspension of events over 200 people	15-Mar-20	12	75
Close Borders to Foreign Travelers	18-Mar-20	15	342
Declare State of Catastrophe	18-Mar-20	15	342
Quarantine in Easter Island	19-Mar-20	16	434
Close cinemas, theatres, restaurants, pubs, discotheques and sports events	21-Mar-20	18	632
Curfew from 10pm until 5am	22-Mar-20	19	746
Quarantine in Puerto Williams	22-Mar-20	19	746
Sanitary cord in Chillan	22-Mar-20	19	746
Sanitary cord in Chiloé	25-Mar-20	22	1,306
Quarantine in 7 Municipalities of Santiago	26-Mar-20	23	1,610

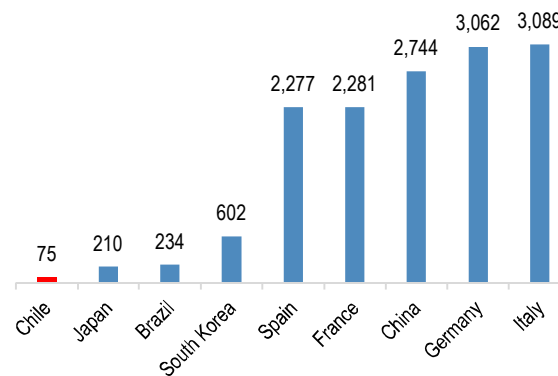
Source: Ministry of Health of Chile

Figure 2: Days since First Case when School Was Suspended



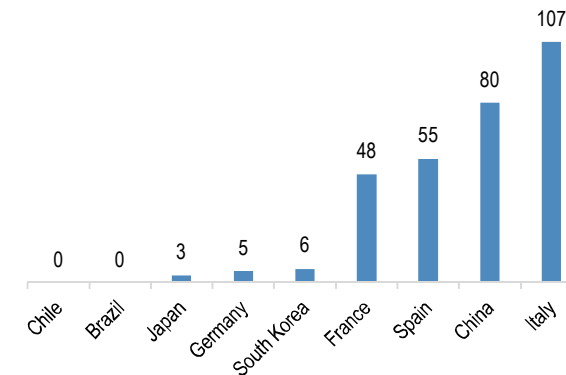
Source: WHO, J.P. Morgan

Figure 3: Confirmed Cases when School Was Suspended



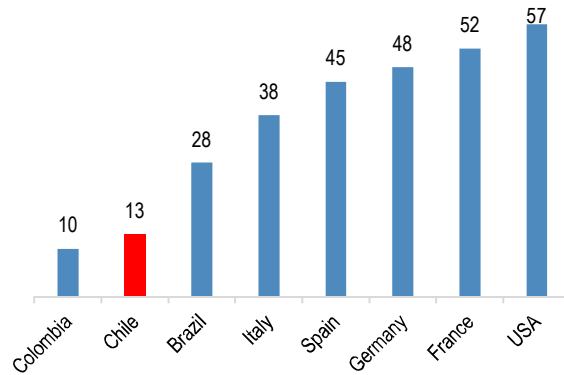
Source: WHO, J.P. Morgan

Figure 4: Amount of Deaths when School Was Suspended



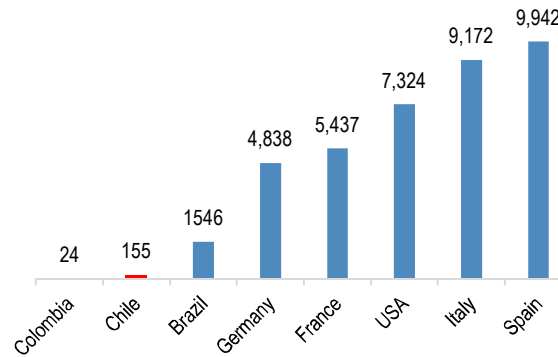
Source: WHO, J.P. Morgan

Figure 5: Days since First Case when Borders Were Closed



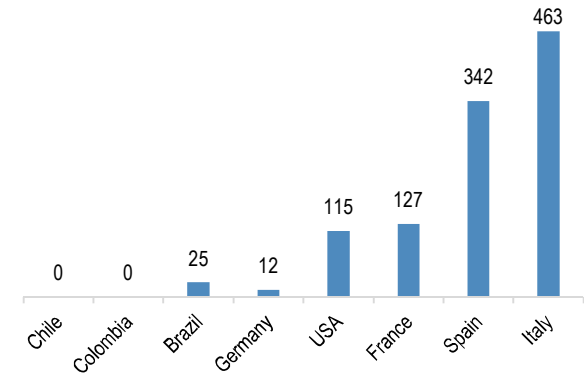
Source: WHO, J.P. Morgan

Figure 6: Confirmed Cases when Borders Were Closed



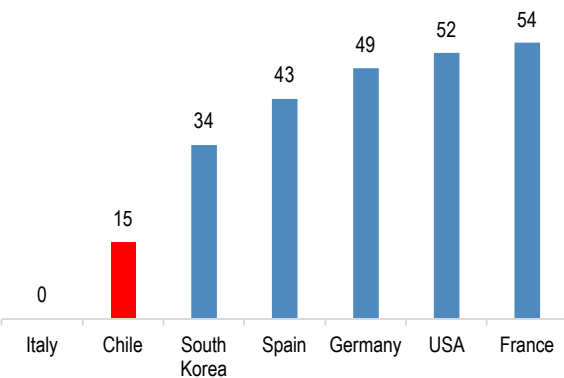
Source: WHO, J.P. Morgan

Figure 7: Amount of Deaths when Borders Were Closed



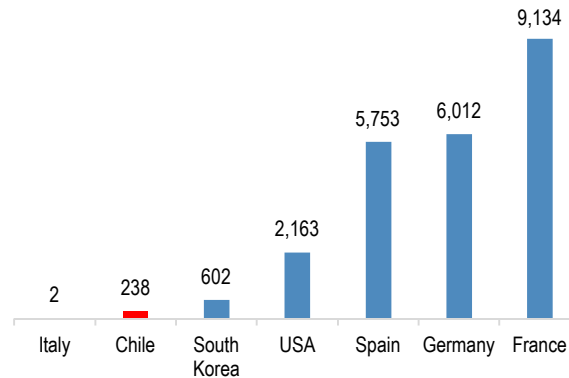
Source: WHO, J.P. Morgan

Figure 8: Days since First Case when State of Catastrophe Was Declared



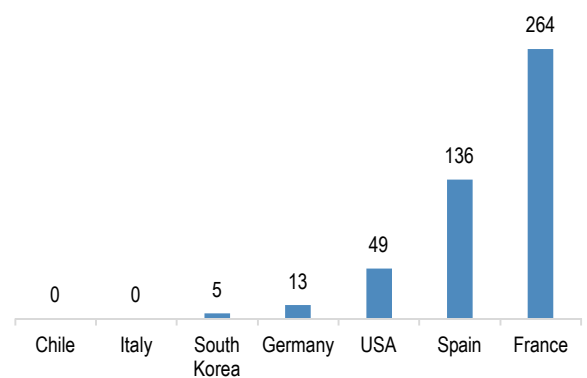
Source: WHO, J.P. Morgan

Figure 9: Confirmed Cases when State of Catastrophe Was Declared



Source: WHO, J.P. Morgan

Figure 10: Amount of Deaths when State of Catastrophe Was Declared



Source: WHO, J.P. Morgan

Figure 11: Total Confirmed Cases Since First Case Was Confirmed

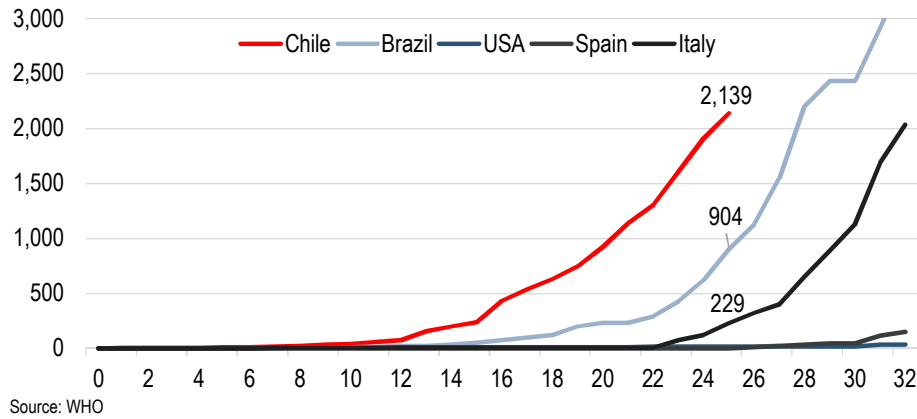


Figure 12: Total Deaths Since First Death Occurred

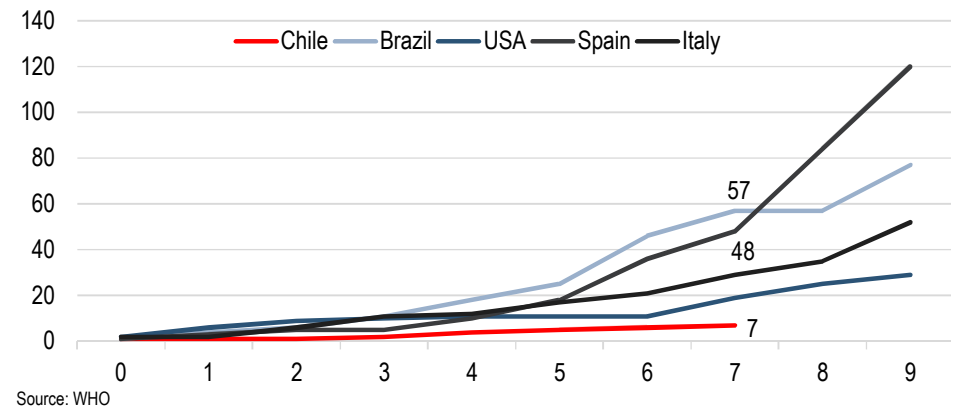


Figure 13: Amount of Deaths when 1,000 Cases Were Confirmed

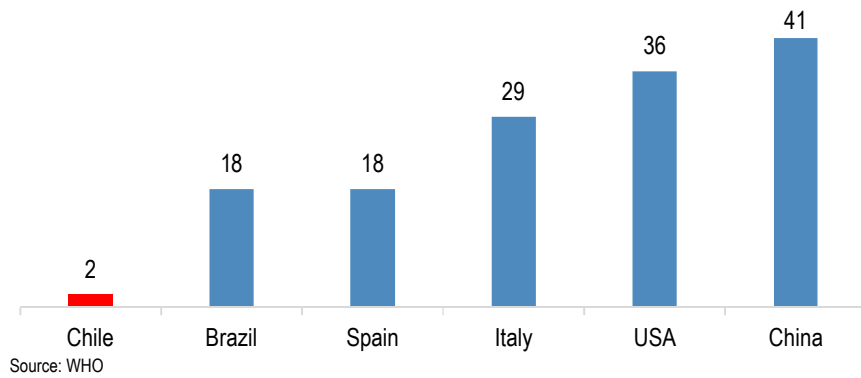


Figure 14: Percentage of Positive Cases Out of Total Tests Made

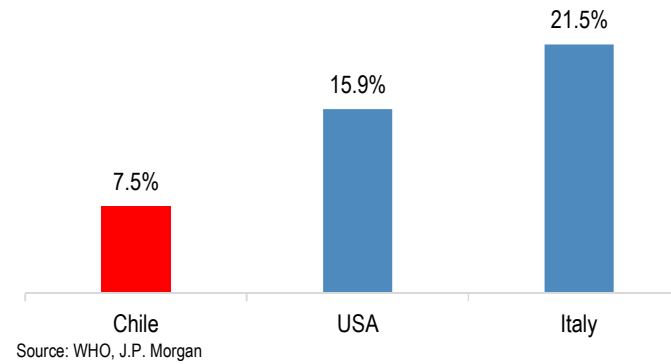
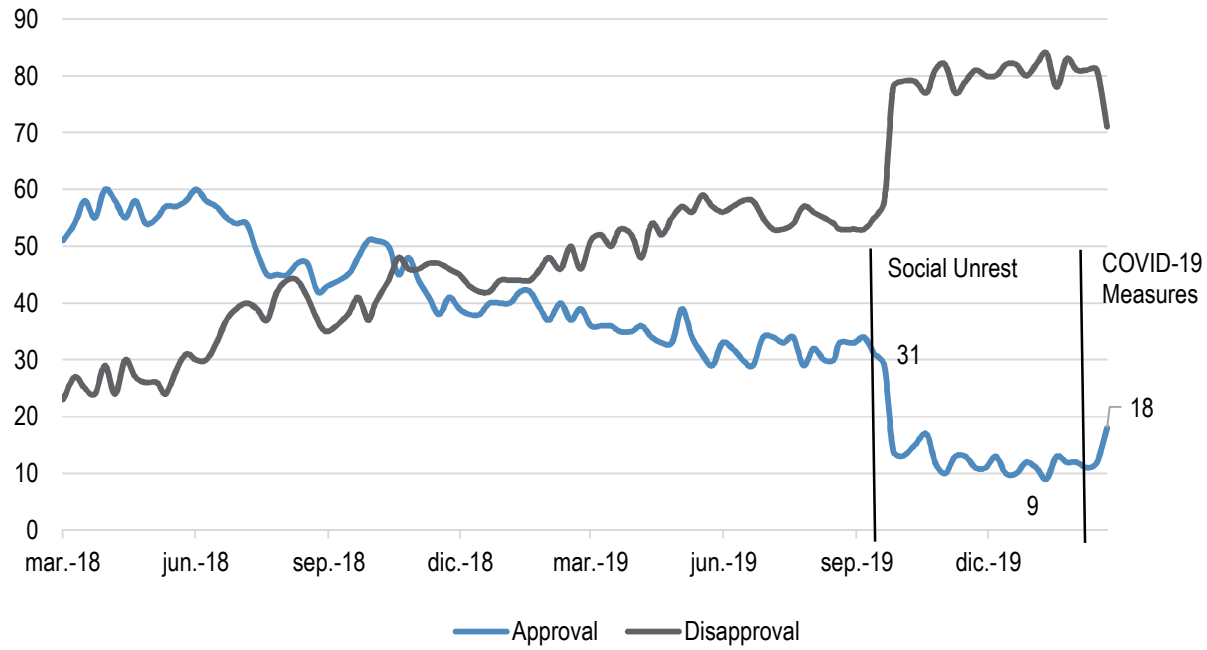


Figure 15: Approval Rate of Chilean President Sebastian Piñera



Source: Cadem

**Companies Discussed in This Report** (all prices in this report as of market close on 27 March 2020)

CMPC(CAR.SN/Ch\$1,650.00/OW), Cencosud(CEN.SN/Ch\$765.00/OW), Parque Arauco(PAR.SN/Ch\$1,097.00/OW)

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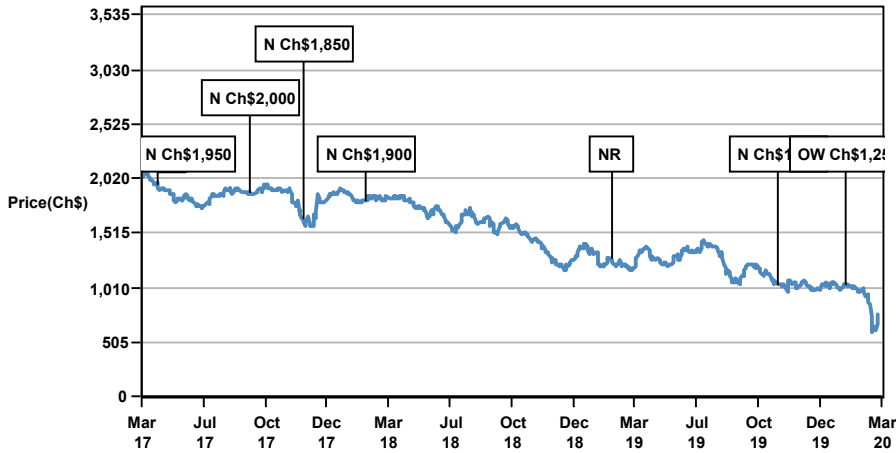
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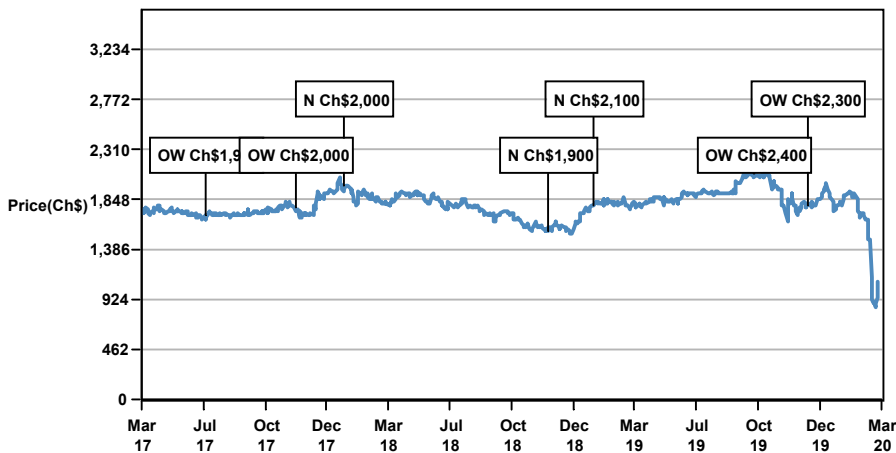
Cencosud (CEN.SN, CENCOSUD CI) Price Chart



Date	Rating	Price (Ch\$)	Price Target (Ch\$)
24-Apr-17	N	1964.80	1,950
08-Sep-17	N	1885.50	2,000
27-Nov-17	N	1654.80	1,850
27-Feb-18	N	1809.90	1,900
25-Feb-19	NR	1279.90	--
30-Oct-19	N	1044.00	1,200
07-Feb-20	OW	1030.00	1,250

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
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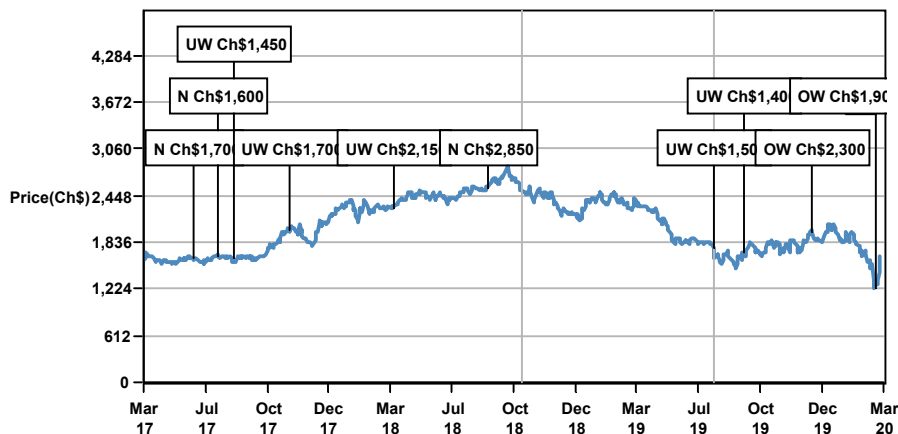
Parque Arauco (PAR.SN, PARAUCO CI) Price Chart



Date	Rating	Price (Ch\$)	Price Target (Ch\$)
05-Jul-17	OW	1704.00	1,900
14-Nov-17	OW	1776.60	2,000
23-Jan-18	N	1984.90	2,000
21-Nov-18	N	1552.20	1,900
29-Jan-19	N	1796.50	2,100
23-Sep-19	OW	2090.00	2,400
13-Dec-19	OW	1800.00	2,300

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
 Initiated coverage Dec 10, 2015. All share prices are as of market close on the previous business day.

CMPC (CAR.SN, CMPC CI) Price Chart



Date	Rating	Price (Ch\$)	Price Target (Ch\$)
14-Jun-17	N	1638.90	1,700
19-Jul-17	N	1647.30	1,600
10-Aug-17	UW	1630.50	1,450
03-Nov-17	UW	1998.40	1,700
05-Apr-18	UW	2282.90	2,150
22-Aug-18	N	2534.10	2,850
24-Jul-19	UW	1755.60	1,500
06-Sep-19	UW	1705.00	1,400
16-Dec-19	OW	1980.00	2,300
19-Mar-20	OW	1225.00	1,900

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