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The Return of Confidence: Political Risk and Market Stability Under Keiko Fujimori's Early Presidency

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ABSTRACT

Peru had nine presidents between 2016 and 2026, a level of political turnover that stopped being a curiosity the day a credit rating agency turned it into an independent debt downgrade. This paper asks whether Keiko Fujimori's government, which took office in July 2026, marks a genuine break from that cycle or simply repeats it. Drawing on credit rating agency statements, market analyst forecasts, polling data, and one professional economic report, I examine four categories of evidence: sovereign credit actions, market reactions before and after the June 2026 election, early economic indicators, and comparative public approval disaggregated by region, age, and gender. A specific methodological check, comparing the timing of a widely cited mining-investment surge against global copper price trends, is used to test whether that surge can fairly be credited to the new government. The regional approval data further shows that public support is uneven, dropping to 44% in southern Peru against more than 60% in Lima and the north, raising the question of whether market-defined stability matches what the broader population needs. The paper concludes that the evidence available as of September 2026 shows a real shift in market expectation. But most of those signs reflect expectations, not outcomes, and the paper argues that this difference matters for judging Peru's economic path and who benefits from the stability markets are pricing in.

1. INTRODUCTION

Peru had nine presidents between 2016 and 2026. For years that got counted almost as an anecdote, proof that something was broken in the political system, but without a clear price tag attached. The price arrived once credit rating agencies started running the numbers. In October 2022, Fitch Ratings lowered Peru's rating outlook from stable to negative, warning that political deterioration was putting the country's investment grade at risk (Investing.com, 2022). In April 2024, S&P Global Ratings downgraded Peru's sovereign rating from BBB to BBB- in foreign currency and from BBB+ to BBB in local currency. The agency's stated reason was clear: a fragmented Congress and an Executive with little political capital were weakening investor sentiment (S&P Global Ratings, 2024). The downgrade dragged six Peruvian financial institutions down with it, because that is how sovereign risk works: it trickles down to the banks operating in that country.

Some of it is institutional: Article 113 of the Constitution allows Congress to remove a president for "permanent moral incapacity," a standard the Constitution never defines. That, together with weak and fragmented parties that rarely give a president a stable majority in Congress, makes removal a routine

political tool rather than an exceptional measure (Congreso de la República del Perú, 1993; Encyclopaedia Britannica, n.d.).

That track record landed right in the middle of the election Keiko Fujimori won in June 2026 and was sworn in on July 28. The research question that this paper asks is easy to state and hard to answer well: are the first weeks of her government evidence that this cycle is breaking or are they the same old pattern, a president who comes in strong and loses support fast? The thesis put forward here is qualified. There are genuine signs that markets are behaving differently this time around. But most of those signs describe expectation, not results, and the paper's central argument is that this distinction, between anticipation and confirmed outcome, matters more than it first appears, both for evaluating Peru's economic trajectory and for evaluating who actually benefits from the stability markets are pricing in.

2. METHODS

This paper is based on three types of secondary sources with different levels of confidence. The first is formal actions taken by credit rating agencies (Fitch Ratings and S&P Global Ratings), institutional decisions via a stated review process. They are the most confident evidence in this paper, as they do not depend on interpretation, but on decisions already made and published. The second category is the market analyst's forecast and here we take those of Barclays and BBVA Research. These are signs of confidence in the market, but they are not neutral. Both institutions have a direct commercial stake in the markets they describe and their forecasts are taken here to be evidence of market expectation, rather than as objective predictions. The third category is polling data and reporting on legislative and fiscal developments, drawn from news coverage (Rio Times, Infobae, Malay Mail, Statista) and a report by one professional economic consultancy (Ronin, 2026) – a Peru-based firm whose economic briefing of September 2026 offered disaggregated polling data and exact legislative vote counts not found in general news coverage.

One specific check made the central methodological condition of the paper. One frequently cited statistic, 43.6% year-on-year growth in mining investment from January to May 2026, has been highlighted as a sign of investor confidence in the incoming government. To evaluate this claim I examined this investment data and matched it against world copper prices. The reporting period is prior to Fujimori's July 28 inauguration. This was also part of a global copper rally, unrelated to Peruvian politics, driven by energy-transition demand, the growth of AI data centers and bottlenecks in global mining supply (Trading Economics, 2026). During the first quarter of 2026, the average copper price was approximately 33% higher than a year ago, increasing from US$9.48 to US$12.64 per kilogram (Expert Market Research, 2026). During the reporting window, U.S. copper futures rose from about US$5.68 per pound at the end of 2025 (CME Group, 2026) to a record US$6.72 on May 13, 2026, an increase of about 18% (Investing News Network, 2026). This comparison serves as the basis for the paper's treatment of the mining investment boom as the product of two interlocking factors, rather than a direct outcome of the election.

The approval data used for the cross-presidential comparison (Vizcarra, Castillo, Boluarte, and Fujimori) come from multiple original pollsters (Ipsos, Datum International and the Instituto de Estudios Peruanos) and have been reported secondhand through news coverage and the Ronin (2026) report, rather than

downloaded directly from each pollster's original dataset. This is a limitation of the paper: several points in the Castillo and Boluarte approval time series, particularly the intermediate months between their inauguration and their eventual approval collapse, are reconstructions based on press coverage instead of confirmed primary data, and should be read as approximating a trend rather than as precise figures. Where this paper cites a specific percentage from a secondary source, that source is cited directly rather than by implication from the original poll.

3. RESULTS

3.1 Credit Rating Actions

In October 2022, Fitch Ratings downgraded Peru's sovereign outlook from stable to negative, warning that political deterioration threatened to erode the country's investment-grade status (Investing.com, 2022). At the time, Peru's rating was one notch above speculative grade and Peru's Ministry of Economy and Finance said "urgent measures" were needed to prevent a formal downgrade. These measures were not taken in due time. In April 2024, S&P Global Ratings cut the sovereign credit rating to BBB- from BBB in foreign currency and to BBB from BBB+ in local currency, citing a fragmented Congress and an Executive with limited political capital as the immediate causes of worsening investor sentiment (S&P Global Ratings, 2024). The downgrade also hit the credit ratings of six Peruvian financial institutions.

3.2 Market Reaction Before and After the Election

The markets started to price in a change of expectation before Fujimori's victory was formally declared. Barclays raised its forecast for the Peruvian sol after preliminary results from the runoff in June 2026 showed her ahead, and said a late shift toward her opponent, Roberto Sánchez, would likely have led to a negative currency reaction as he had proposed a constitutional assembly (Investing.com, 2026). Even before the confirmed result, Peru's Central Bank was already intervening in currency markets to temper the strength of the sol (Peruvian currency). In June 2026, BBVA Research raised the GDP growth forecasts for 2026 and 2027, under the assumption of an incoming government that would be friendly to investment and expecting the sol to be trading between 3.20 and 3.30 per U.S. dollar as post-election volatility eased (BBVA Research, 2026). This is not an isolated pattern for Fujimori in particular; in 2011, when she lost the runoff to Ollanta Humala, the Lima Stock Exchange declined more than 12.5% in a single trading session, its worst one-day decline ever (Al Jazeera, 2011).

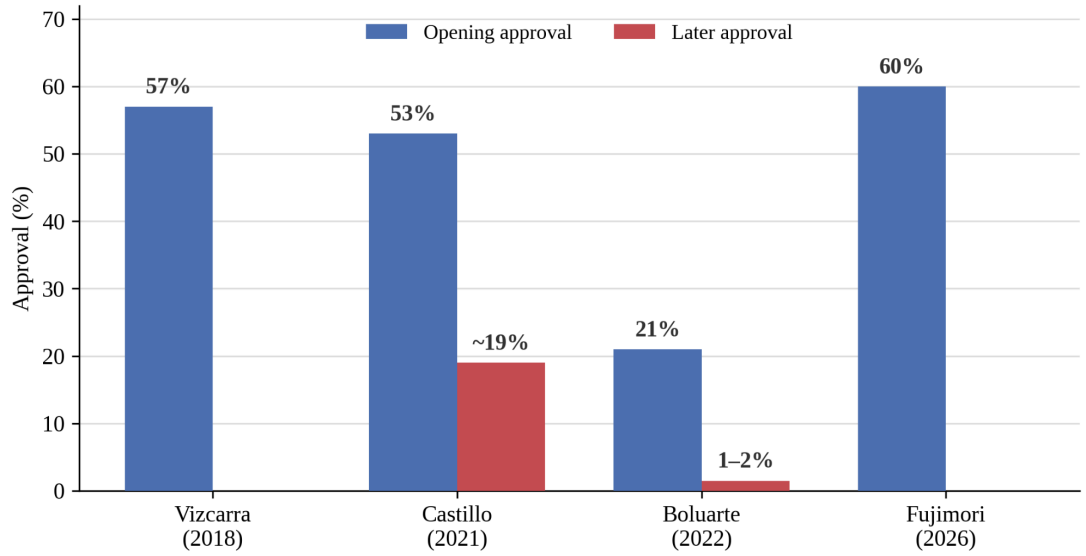
3.3 Early Economic Indicators

Fujimori appointed Elmer Cuba, an economist close to the private sector, as minister of Economy and Finance. Cuba has aimed at increasing Peru's long-run potential growth rate to 4% per year and within two weeks of taking office had already increased the official 2026 growth forecast, from 3.2% to 3.5% (Rio Times, 2026). Mining investment in the period January-May 2026 reached US$2.633 billion, a 43.6% increase compared to the same period last year, with an official full-year forecast of up to US$6.8 billion (Rio Times, 2026). This reporting period is prior to Fujimori's inauguration. During the same months, global copper prices rallied on their own, rising around 33% year-on-year in the first quarter (Expert Market Research, 2026). The increase of 43.6% in mining investment is greater than the increase in copper prices, but not by much. The copper cycle alone leaves a margin of roughly ten percentage points unexplained. This margin is consistent with an anticipatory political effect, but does not prove one; it could also reflect project schedules planned years in advance.

3.4 Approval Ratings, Comparative and Disaggregated

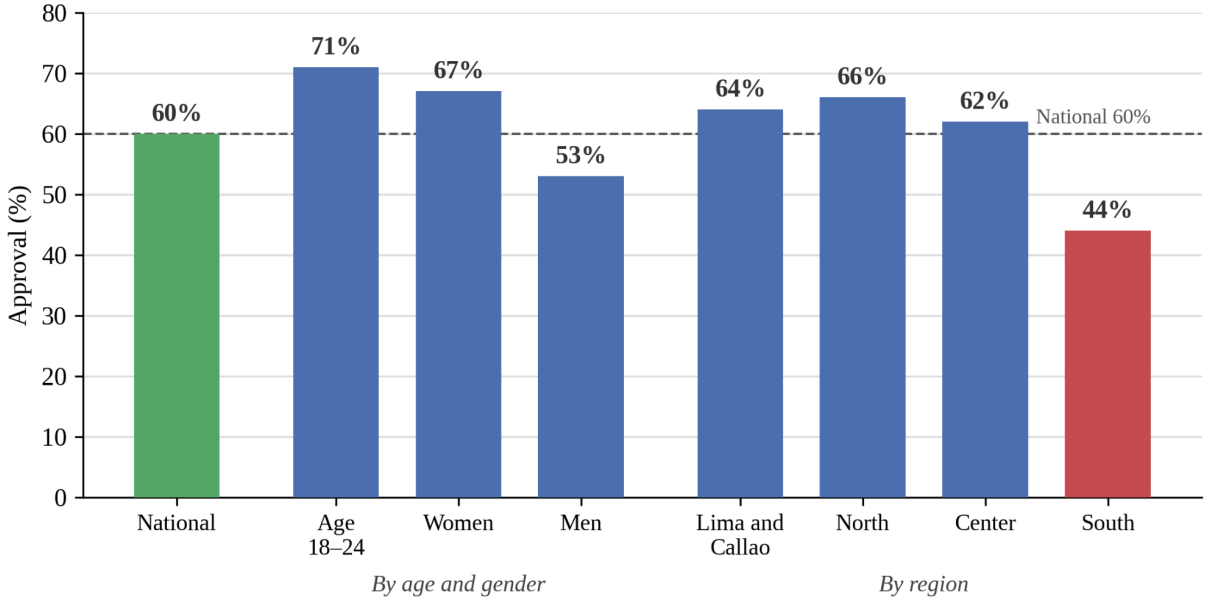
In a Datum International survey on August 9, 2026, Fujimori's approval rating was 60 percent, with 24 percent disapproving and 16 percent unsure (people surveyed = 1,205) (Rio Times, 2026; Ronin, 2026). This is the highest opening approval of the four presidents compared in this paper. Vizcarra began with 57% in 2018 (Ipsos Perú, 2018), Castillo with 53% in 2021, and Boluarte with 21% in 2022 (Figure 1) (Statista, 2021; Malay Mail, 2025). The same survey in August 2026 showed plenty of internal variation (Figure 2). Approval was higher among 18-to-24-year-olds (71%) than older age groups, higher among women (67%) than men (53%) and varied sharply by region: 64% in Lima and Callao, 66% in the north, 62% in the center, and only 44% in the south, the region with the highest relative disapproval nationally at 27% (Ronin, 2026). The same survey found optimism about the country's future nationwide at 62%.

Figure 1. Opening and later approval of four Peruvian presidents



Later approval: Castillo, Apr. 2022; Boluarte, May 2025. Sources: Ipsos Perú (2018); Statista (2021); Infobae (2022); Malay Mail (2025); Rio Times (2026); Ronin (2026).

Figure 2. Approval of Keiko Fujimori by group and region



Datum Internacional survey, August 9, 2026 (n = 1,205). Disapproval: 24% nationally, 27% in the south.
Sources: Rio Times (2026); Ronin (2026).

Castillo and Boluarte both started with lower support than Fujimori and lost much of it quickly. Castillo's approval fell from 53% to approximately 19% within roughly eight months, during an escalating conflict with Congress that later culminated in his failed self-coup attempt (Infobae, 2022). Boluarte's approval fell from an already-low 21% to between 1% and 2% over approximately three years, in the middle of violently suppressed protests and a corruption scandal involving undeclared luxury watches (Malay Mail, 2025).

3.5 Legislative and Fiscal Risk Factors

Fujimori's party, Fuerza Popular, and its ally Renovación Popular hold 56 of the 130 seats in the Chamber of Deputies, not enough for a simple majority there. Fuerza Popular has 41 seats and Renovación Popular 15. The opposition has 74 votes: 32 from Juntos por el Perú, 18 from Partido del Buen Gobierno, 14 from Partido Cívico Obras and 10 from Ahora Nación. To get its request for special legislative powers approved by the Chamber of Deputies, the Executive requires at least 10 votes of opposition (Ronin, 2026). Congress is bicameral now and the 60-seat Senate is another hurdle: Fuerza Popular has a smaller share of seats there and would also need backing from the opposition to secure a majority in that chamber, so any legislation that requires full congressional approval has to pass through both bodies, not just one. On August 28, 2026, a formal request to Congress set out 66 measures in eight policy areas. The largest single group, 19 measures, was focused on productive investment, including legal certainty rules for mining, electricity and hydrocarbons. Congress will have about two months to consider the proposal, but a decision will not be reached until October or November 2026 (Ronin, 2026).

This is a separate fiscal risk independent of Fujimori's own policy choices. The Fiscal Council of Peru warned that if the Constitutional Court does not annul a package of costly laws approved by the previous Congress, including increases in pensions for military and police personnel and the standardization of various incentives, the fiscal deficit could rise to 4.4% of GDP by 2036 instead of converging to 1.0%, and public debt would increase to 51% of GDP instead of converging to 28%, under current fiscal rules (Ronin, 2026). The Fujimori government has said it will challenge these laws in court but the outcome is still unclear. In another instance, a leaked draft of labor reform that would have cut public holidays and severance benefits for lower-income workers was partly withdrawn days after it was made public, after negative public reaction.

3.6 El Niño Risk

Peru's oceanographic monitoring committee (ENFEN) has forecast a greater than 40% chance of an "extraordinary" El Niño event in 2026-2027 summer, irrespective of any economic or political considerations. The event's magnitude would be akin to the 1983 event, the most destructive in history. Separately, the US National Oceanic and Atmospheric Administration (NOAA) says there is a 69% chance this could be the strongest El Niño event on record since consistent data began in 1950 (SeafoodSource, 2026).

4. DISCUSSION

Taken together, the credit rating and market-reaction data support a real and specific claim: financial markets treated Fujimori's 2026 election differently than they treated her predecessors' transitions, both before and immediately after the vote was certified. That distinction is meaningful given Peru's recent credit history, in which political instability was directly and explicitly linked to sovereign downgrades. However, this evidence is better described as anticipation than as a confirmed outcome. Bank forecasts from Barclays and BBVA are not neutral predictions; they come from institutions with commercial interests in the markets they describe, and neither Fitch nor S&P has yet revised Peru's rating or outlook upward as of this writing.

The mining investment figure requires particular caution, and this paper argues that the widely cited 43.6% growth statistic should not be read as straightforward evidence of confidence in Fujimori's government. The reporting period, January through May 2026, predates her July 28 inauguration. It also coincided with an independent copper price rally of some 33% year on year in the first quarter. In plain terms, the recovery is the product of two concurrent factors: a favorable global commodity cycle and anticipatory market confidence in a center-right government. The copper rally is large enough on the available numbers to explain much of the increase on its own. Separating how much each factor contributes would require observing whether mining investment holds steady or continues growing after the point at which the copper cycle's effect becomes statistically distinguishable from the political effect, a test this paper cannot yet perform given data availability as of September 2026.

The regional and demographic breakdown of approval data raises a question this paper treats as central rather than as secondary: whether the stability that financial markets value is the same stability that

matters to the Peruvian population broadly. The stability an investor seeks, regulatory predictability, conventional fiscal policy, protection of capital, is not necessarily the stability that motivated protests against the Boluarte government, which were driven primarily by concerns over crime, cost of living, and political underrepresentation rather than by the mining investment climate. The 2026 runoff exposed a geographic divide consistent with this distinction: Fujimori won decisively along the coast, while her opponent, Roberto Sánchez, won in the highlands, home to a larger Indigenous population. The approval survey data corroborates this pattern directly: approval exceeds 60% in Lima and the north but falls to 44% in the south, the only region where approval approaches disapproval. This suggests that market optimism, and much of the national average approval figure, is concentrated in regions with comparatively less need for this government to demonstrate concrete improvement.

Peru's recent political history provides a specific reason for caution about reading early approval numbers as durable. Both Castillo and Boluarte began their terms with real public support and lost the majority of it within one to two years, driven by identifiable events, congressional conflict in Castillo's case, and protest suppression and scandal in Boluarte's, rather than by a slow erosion tied to economic performance. Fujimori faces comparable structural risk: her coalition lacks a working majority in Congress, several key congressional committees are chaired by lawmakers opposed to private investment, and her government has already demonstrated a pattern of proposing aggressive measures, such as the labor reform proposal, and withdrawing them quickly under public pressure. This pattern is itself a form of regulatory risk that investors are likely to price into longer-term commitments.

For the optimistic reading advanced in this paper to be confirmed rather than merely anticipated, several specific and testable conditions would need to be met in the coming months: an actual upward revision of Peru's credit rating or outlook by Fitch or S&P, rather than favorable commentary from investment banks; successful passage of the government's legislative powers request, expected to be resolved between October and November 2026; approval ratings holding beyond the 100-day mark (November 5, 2026), the point at which both Castillo and Boluarte had already lost the majority of their initial support; a narrowing of the regional approval gap between the south and the rest of the country; continued or accelerating mining investment after the point at which the global copper cycle's effect can be statistically separated from the political effect; and a favorable Constitutional Court ruling on the inherited fiscal-risk laws, absent which Peru's Fiscal Council projects a debt trajectory that would double the level of public debt considered sustainable under current fiscal rules by 2036.

The main limitations of this paper are related to data provenance. Some points in the time series of Castillo and Boluarte approval are reconstructed from press coverage and are not directly verified against the original survey data. They are to be understood as a general trend, not as exact monthly figures. The analysis also relies on a professional economic report (Ronin, 2026) for a number of exact figures such as congressional vote counts and Fiscal Council projections that were not verified by a second source at the time of writing.

Finally, the copper comparison takes first quarter price averages as a proxy for the whole January to May period and a rise in prices does not translate one-for-one into investment. The comparison indicates the size of the commodity effect, not the political effect directly.

5. CONCLUSION

The 2026 presidential transition in Peru is the first in nearly a decade that financial markets viewed in real time as a credible turning point, rather than yet another iteration in a well-established cycle of instability. That shift is evident in currency movements ahead of the certified election result, in the technocratic makeup of Fujimori's cabinet and in an approval rating that exceeds the starting numbers of Castillo and Boluarte. The main finding of this paper is that the evidence until September 2026 is one of anticipation rather than confirmed outcome, and that this anticipation is unevenly distributed across the Peruvian population, centered in regions and demographics with comparatively less at stake in whether this government succeeds. Whether Fujimori's presidency marks a real break in Peru's cycle of presidential turnover, or another chapter in that cycle, will depend less on current approval ratings or market sentiment than on hard outcomes over the next several months: whether her legislative agenda survives a divided Congress, whether her approval lasts beyond the point at which that of her two predecessors collapsed and whether the benefits investors are anticipating reach the regions of the country that so far have seen the least reason for optimism.

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