

Brazil Market Closed for Carnaval

Contributed by Jeremy Simon
Monday, 07 February 2005

Latin American shares rose, even as Brazil's market was shut for Carnaval. Stocks in Mexico and Argentina advanced to new record closing highs, bolstered by confidence regarding local developments.

Mexico's benchmark Bolsa Index added 29.82 points, or 0.22%. Argentina's Merval Index rose 5.49 points, or 0.38%.

Brazil's market was closed yesterday for the Carnaval holidays. It will be shut today as well.

On the research front, a major investment house raised its stance on Brazilian steel maker Usiminas to "outperform" from "peer perform" and boosted its year-end price target on the stock to US\$ 26 a share from US\$ 19.50, which implies a 19% upside potential and an 8% yield.

The investment house explained, "We like its booming FCF (free cash flow), exposure to tight slab/plate markets, and high margins."

Still, the investment house said CST remains its top pick in the Brazilian steel sector and boosted the firm's price target to US\$ 70 from US\$ 58.

It also hiked its year-end price target on CSN to US\$ 22.50 per ADR from US\$ 17.

Also, an analyst cut state oil firm Petrobras' price target to US\$ 51 from US\$ 53.

Separately, an influential brokerage warned investors that it may execute a "tactical rotation" out of Brazilian financials after its U.S. strategist downgraded U.S. financials.

Although the brokerage notes that Brazil's financial sector is more likely to be impacted by country-specific concerns such as the local credit cycle, changes in global risk appetite will hurt Brazilian financials as they "are quite sensitive to widening Brazilian spreads."

In other news, late Friday, Mexico's Telmex stated that it will propose that Brazilian phone company Embratel, which it owns, use part of the proceeds from a capital increase to purchase a stake in Brazilian cable company Net Servicos.

Elsewhere, Mexican issues firmed to another record close. One brokerage noted that the participation of foreign investors will continue to be key for gains in Mexican shares. Additional fourth-quarter earnings announcements as well as this week's inflation data will provide some focus for market watchers in the coming days.

On Wednesday, the Bank of Mexico reports January inflation data, which has implications for domestic interest rates. Analysts are nevertheless forecasting no action by the central bank at Friday's monetary policy meeting, although they see continued upward pressure on short-term rates.

On the research front, an influential analyst restarted coverage on Mexican bakeries concern Grupo Bimbo SA with a "buy" recommendation, setting a price target of 45 pesos on the stock. "Longer shelf life of pan breads and rising incidence of multiple-income households in Mexico should support sales growth in excess of GDP in the core Mexican market," according to the analyst.

Meanwhile, Argentine equities firmed to a new record amid continued optimism regarding the outcome of the country's

debt restructuring, although they lost some of the momentum from the prior two sessions. Shares of Argentine real estate firm Alto Palermo were unusually active amid expectations that the country's real estate sector will be bolstered by the government's ongoing debt restructuring program.

Separately, Chilean stocks ended at a new six-year peak on projections for robust fourth-quarter earnings. In the news, Chile's economic growth accelerated in December, with the monthly economic activity index, or Imacec, expanding 7.7% on the year, up from 7.5% in November, as the country continued to benefit from surging industrial and mining production. For 2004, the Imacec increased 5.9%.

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