Brazil Plays Follow the U.S. and Market Sinks

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Brazilian and Latin American equities continued to slump amid fears of slowing global economic growth. Also, some disappointing U.S. economic and earnings data pressured Latin American markets.

The U.S. Dow industrials posted another triple-digit loss today. Foreign funds continued to exit the Brazilian stock market on concerns of higher yields on U.S. fixed income investments.

Mexican and Argentine shares also posted notable declines, with Mexico's IPC Index falling below the 12,000 mark.

Brazil's benchmark Bovespa Index gave up 328.15 points, or 1.31%, while Mexico's benchmark Bolsa Index plunged 290.51 points, or 2.37%. Argentina's Merval Index tumbled 49.36 points, or 3.72%.

U.S. economic reports did little to inspire investors, as consumer sentiment eroded. The mid-April reading for the University of Michigan consumer sentiment index fell to a weaker-than-expected 88.7 from 92.6 in March.

Separately, the Empire State Manufacturing Index sank to 3.1 in April from an upwardly revised 20.2 the prior month, well below the anticipated reading of 19.0. Still, March industrial production and capacity use rose to levels that were roughly in line with economists' expectations.

Brazilian shares extended recent declines, as foreign investors continue to rotate out of riskier markets amid concerns over a slowdown in global economic growth. Steelmakers receded further as prices in the underlying commodity have come under pressure, partly due to slowing U.S. demand.

Mexican issues followed the U.S. market lower, which was troubled by poor results from tech titan IBM and mostly disappointing economic reports.

U.S. Dow component Citigroup said that its first-quarter net profit in Mexico jumped 10% to US$ 373 million from the year-ago quarter, bolstered by consumer banking.

Still, the most recent result was down from the fourth quarter of 2004. Citigroup also owns Banamex, Mexico's second-largest bank.

Within the steel group, Hylsamex SA said that it would extend the deadline for swapping its L class shares into B class shares. The firm will try to extend the deadline to January 2006 from July 2005, as its parent company, Alfa SA, considers selling its stake in the firm. The extension would provide Alfa with more time to conclude a sale of Hylsamex if it reaches a deal.

Argentine shares continued their downward spiral, as traders weigh in on the region's debt restructuring. An official from the Group of Seven nations commented that Argentina must negotiate with holdout creditors of the debt restructuring if it wants further loans from the International Monetary Fund. This weekend, Economy Minister Roberto Lavagna is scheduled to meet with IMF chief Rodrigo de Rato.

Separately, the IMF's director of its Western Hemisphere department, Anoop Singh, voiced concern over a potential increase in Argentina's inflation. Central Bank President Martin Redrado will meet with IMF officials this weekend to discuss monetary policy.

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