

Brazilian Markets Seeing Red

Contributed by Linda Shea
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Brazilian and Latin American shares returned a small portion of the impressive gains logged yesterday, as U.S. markets receded. Sentiment in the region was initially positive, but markets turned sour after debt downgrades for General Motors and Ford Motor in the U.S.

Brazilian, Mexican and Argentinean shares all edged lower. Traders are also awaiting April's U.S. employment report, set for release tomorrow, which should provide further insight into the state of the U.S. economy.

Brazil's benchmark Bovespa Index slipped 38.65 points, or 0.15%, while Mexico's benchmark Bolsa Index receded 23.13 points, or 0.18%. Argentina's Merval Index fell 4.04 points, or 0.28%.

Brazilian issues slipped lower on the session amid profit taking, after the key Bovespa Index surged more than 3% yesterday. On the corporate front, investors continued to cheer a major investment in CBD by French retailer Casino Guichard Perrachon & Cie, announced yesterday.

On the earnings front, Ambev posted a steep decline in its first-quarter net profits to 144.2 million reais from 305 million reais in the corresponding period a year ago.

Profits were hit by costs stemming from the incorporation of the Labatt Brewing Co. Ltd. of Canada. Still, EBITDA jumped to 1.45 billion reais from 893.6 million reais a year ago on an increase in revenue to 3.70 billion reais.

Meanwhile, the Brazilian Development Bank said that it will loan Petrobras US\$ 642 million for the construction of two oil platforms, P-51 and P-54. The state-run oil firm also announced that average domestic oil output rose to 1.704 million barrels a day in April from 1.571 million b/d in March due to a rise in production at new offshore oil platforms.

In further news from that firm, the Federation of Petroleum Workers, which represents about 40,000 Petrobras employees, rejected a profit-sharing proposal offered by the firm and indicated that they may strike.

Within the telecom group, Brasil Telecom was active on word Citigroup obtained an injunction from a New York court to block an agreement between Opportunity and Telecom Italia regarding their interests in Brasil Telecom.

Citigroup also holds interests in the phone company. Separately, a group of Brazilian pension funds filed suits to halt the reorganization of Brasil Telecom.

Turning to economic reports, the National Confederation of Industries announced that capacity use edged up to 82.6% in March from 82.0% a year ago.

Separately, the National Motor Vehicle Manufacturers Association said that motor vehicle output declined 6.9% in April from March, but was up 19.7% from the corresponding period a year ago.

Mexican receipts also turned lower on the day, taking their cue from a drop in U.S. shares. Also, news was light on the session, as Mexico's first-quarter earnings season is mostly over.

Meanwhile, Alsea SA said that it bought franchisee Alipronto and its four Burger King outlets, making the firm the largest Burger King franchisee in the country. Financial terms of the deal were not disclosed.

Asur announced that total passenger traffic for April rose 4.3%, compared to the corresponding period a year earlier.

Argentina followed the broader move lower. A major investment bank upgraded steel pipe products maker Tenaris SA to "buy" from "neutral" and lifted its price target to US\$ 85 from US\$ 58.

The broker said that it was "positively surprised" by the firm's pricing power in the first quarter and expects sustained profitability from Tenaris.

Elsewhere, high-voltage electricity transporter Transener reported stronger first-quarter profit results, boosted by higher net sales revenue from non-regulated operations.

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