

With an Eye to Interests, Brazil Market Goes Black

Contributed by Linda Shea
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Latin American markets finished securely in the black, following U.S. market strength. A disappointing U.S. manufacturing report was unable to squelch investor enthusiasm for shares.

Brazil and Mexico posted gains ahead of key economic reports due out this week. Meanwhile, Argentina continued to benefit from a U.S. court decision that could ultimately enable the country's resolution of its debt swap.

Brazil's benchmark Bovespa Index rebounded 491.06 points, or 2.06%, while Mexico's benchmark Bolsa Index jumped 94.55 points, or 0.77%. Argentina's Merval Index surged 18.57 points, or 1.29%.

Brazilian issues moved higher on the session, bouncing back from recent weakness, as falling oil prices benefited the net crude importer.

Trading may be tentative ahead of the Brazilian Central Bank's monetary policy meeting, with an interest rate decision due after the close on Wednesday. Analysts are mixed in their views as to what the outcome of the meeting will bring, following eight-straight rate hikes.

In earnings headlines, Friday after the close, Brazil's state-run oil firm Petrobras posted a 32% rise in its first-quarter net profit to 5.02 billion reais from 3.79 billion reais during the corresponding quarter a year ago.

The latest result arrived ahead of analyst expectations. Also, net operating revenue jumped to 28.92 billion reais from 23.21 billion reais, while EBITDA rose to 10.45 billion reais from 8.50 billion reais.

Within the banking sector, Banco do Brasil said that its net profit surged 56.7% to 965 million reais in its first quarter, compared to last year's 616 million reais.

A jump in financial services revenues to 8.05 billion reais from 7.57 billion reais aided results. Also, an expanding credit portfolio helped boost the largest Brazilian retail bank's operating profit to 1.50 billion reais from about 1 billion reais.

Turning to telecom research, a large investment house cut its price target on Telesp Celular following "three quarters of stagnant revenue growth."

Still, the brokerage raised Telemig Celular's price target, as the company may soon enter sale discussions with four potential buyers.

Separately, a different brokerage firm lowered its price targets on Telemar and Brasil Telecom, mostly due to increased competition, declines in domestic traffic and a weaker forex rate for next year.

Mexican shares followed the broader Latin American markets into the black, breaking seven-straight down sessions. Domestic shares also benefited from healthy equity gains in the U.S., Mexico's key trading partner. Traders also await the first-quarter gross domestic product reading, set for release tomorrow.

In corporate reports, construction firm Empresas ICA announced a contract with the Ministry of Communications and Transport to complete the construction of the San Cristobal bridge. The deal is valued at about 165 million pesos.

Meanwhile, Argentine issues continued to leap higher, after a U.S. federal appeals court overturned an embargo on

US\$7 billion in defaulted domestic bonds. The move will allow the country to go ahead with its debt restructuring plans.

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