

## Brazilian Market Tumbles While New Government Heads Roll

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Latin American shares witnessed a mixed session, as Brazilian shares tumbled amid renewed political concerns, while Mexican issues followed U.S. markets higher.

Economic data in the form of consumer prices was also a focus in Brazil, Argentina and Chile.

Brazil's benchmark Bovespa Index tumbled 369.76 points, or 1.48%, while Mexico's benchmark Bolsa Index jumped 147.64 points, or 1.09%. Argentina's Merval Index rose 15.16 points, or 1.11%.

Brazilian shares continued to move lower, amid the latest developments surrounding the country's political scandal.

Yesterday, the governing Workers Party's Secretary-General Sílvio Pereira resigned after being linked to the alleged congressional bribery scandal over the weekend in a *Veja* magazine article.

The PT's President José Genoíno and Treasurer Delúbio Soares were also implicated in the article, with Soares announcing a leave of absence today.

In economic news, São Paulo's Fipe research institute reported that São Paulo's Consumer Price Index showed deflation of 0.20% in June, versus inflation of 0.35% in May.

Turning to corporate reports, a major investment bank downgraded Brazilian steel firms CSN and Usiminas to "neutral" from "buy."

The brokerage cited potentially lower short-term steel prices and weak pricing power as some of the reasons for the downgrade. Gerdau and CST are the bank's top picks for the domestic steel sector, although it cut its 12-month price targets on both firms.

Meanwhile, another large investment house raised its rating on Brazilian stocks due to its belief that local interest rates will decline, while domestic raw material prices will remain higher than average. On the downside, Mexico's weighting was reduced.

Mexican issues leapt alongside strength in the U.S., a key trading partner to Mexico, after U.S. investors returned to the market following the long holiday weekend.

A major investment bank raised its 12-month price target on cement titan Cemex to US\$ 46 per ADR from US\$ 40 per ADR, following its inclusion of the recently acquired U.K.-based RMC in its estimates. The brokerage believes that Cemex will see increased savings from the RMC deal.

Mining firm Grupo Mexico said that a strike at its U.S.-based Asarco LLC unit's copper mines could reduce that unit's production by half. The mines are currently operating at a lower capacity.

Argentine shares moved higher, despite some inflation concerns following the release of a higher-than-expected CPI report. In economic headlines, the national statistics agency, or Indec, reported the Consumer Price Index advanced 0.9% in June from the prior month, pushing consumer prices up 9.0% from a year ago.

In corporate news, Tenaris shares reached fresh highs during intra-day trading. Traders believe that a resurgence in

crude oil prices is benefiting the tubular steel maker.

Elsewhere in Latin America, Chile's national statistics institute, INE, announced that the Consumer Price Index rose 0.4% in June from May. Rising food prices were cited for the uptick.

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