

Feel-Good Sentiment in Brazil Boosts Market

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Latin American markets finished mostly higher, led by a surge in Brazil as inflation expectations in the country eased for the year.

Also improving market sentiment was a decline in crude oil prices thanks to the downgrade of Hurricane Dennis to a tropical storm.

Argentine issues also witnessed a substantial rise. Meanwhile, Mexican issues receded after the key IPC index hit resistance after reaching an intraday high of about 14,000 earlier in the session.

Brazil's benchmark Bovespa Index rallied 592.67 points, or 2.43%, while Mexico's benchmark Bolsa Index gave up 63.96 points, or 0.46%. Argentina's Merval Index jumped 23.59 points, or 1.70%.

Brazilian issues surged, aided by receding oil prices and improved market sentiment regarding local inflation targets.

The central bank's weekly survey of economists showed the average year-end forecast for the IPCA inflation index fell to 5.72% from the 5.94% predicted in the prior reading. The 2006 inflation target remained at 5.0%.

Meanwhile, the Trade and Development Ministry said Brazil posted a trade surplus of US\$ 1.33 billion in the second week of July. The most recent result boosted the trade surplus for the year so far to US\$ 21.38 billion.

In corporate news, paper and pulp firm Aracruz posted a leap in its second-quarter net profit to 429.9 million reais from 128.8 million reais a year earlier.

The firm said that "higher sales volume, appreciation of prices in dollar terms and the positive impact of the currency variation on the company's debts" aided results.

Meanwhile, a major investment bank said in a research report that it expects returns from Latin America to fall in the second half of 2005 by 3.5% in U.S. dollar terms due to a drop-off in the region's currencies, which performed well during the first half of the year.

The target is an improvement from the 5% to 10% decline predicted earlier this year. The bank also replaced Gerdau with Braskem in its focus list.

Another major investment house raised its 12-month price target on iron ore mining firm CVRD to US\$ 44 per ADR from US\$ 41.50 per ADR and reiterated its "buy" rating on the firm.

Mexican issues turned lower on profit-taking, following a string of gains posted last week. Investors are gearing up for what is believed will be a positive second-quarter earnings season.

The Finance Ministry revised the country's trade deficit to US\$ 46 million in May from a preliminary US\$ 52 million reading. The ministry said the revision was the result of an upward adjustment to oil-related exports and a downward revision to auto shipments.

Argentine shares moved higher despite continued interest in fixed-income assets. The government auctioned 1 billion pesos of Boden 2014 notes, following last week's substantial oversubscription for Boden 2014 notes.

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