

## Lula's Popularity Up. And So Is the Market in Brazil.

Contributed by Linda Shea  
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Latin American markets were collectively robust, despite lackluster trading in the U.S. Tempering enthusiasm in the U.S. was a spike in oil prices, as investors monitor tropical storm Emily.

Brazilian receipts rallied for a second-straight session as further indications of easing inflation raised hopes the central bank may soon cut interest rates.

Mexican shares rebounded and closed at a record high, following a bout of profit-taking yesterday. Argentina advanced amid low volume.

Brazil's benchmark Bovespa Index surged 520.67 points, or 2.08%, while Mexico's benchmark Bolsa Index jumped 164.37 points, or 1.19%. Argentina's Merval Index rose 11.95 points, or 0.85%.

Brazilian shares witnessed another impressive rally today, as investors received further indications of waning inflation. Nevertheless, investors are still eyeing the ongoing political scandal.

Numerous people connected to local political parties have recently been arrested while attempting to transport substantial amounts of cash.

Meanwhile, a poll administered by the Sensus for the National Transport Confederation showed that support for President Luiz Inacio Lula da Silva and his Workers Party administration rose to 40.3% from 39.8% in May.

Support for the president alone advanced to 59.9% from 57.4% in May. The most recent poll was conducted from July 5 to July 7.

In economic headlines, the University of São Paulo (USP) released its IPCA-Fipe inflation index, which showed consumer prices dropped 0.13% in the four weeks to July 7. Declining food prices were credited for the most recent pullback.

Yesterday, the central bank's weekly survey of economists showed the average year-end forecast for the IPCA inflation index declined from the prior reading.

Mexican issues strongly rebounded today, following a bout of profit-taking yesterday. Expectations are high for a solid second-quarter earnings season.

In economic news, the finance industry said that industrial production jumped a seasonally adjusted 3.0% in May from a year ago and rose 0.85% from April.

Meanwhile, Mexico's auto industry association, or AMIA, said that auto production fell 9.6% in June from a year ago, while exports declined 8.2%. Still, AMIA expects the industry to pick up during the second half of the year.

Turning to corporate news, home builder Geo last night said that it expects to report more than 2.2 billion pesos in sales in the second quarter and at least a 35% jump in net profit from a year ago.

Argentine stocks recorded further gains today; although, volume continues to be light amid few news reports.

Market watchers are awaiting an appearance by President Nestor Kirchner at the stock exchange's anniversary celebration.

Investors hope the president will address the recent capital controls imposed on the market, which may be modified.

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