

## Brazil's Vote-Buying Scandal Still Impacting Stocks

Contributed by Linda Shea  
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Latin American stocks were mixed to higher on the day, with Brazilian stocks posting a modest retreat, while Mexico and Argentina rallied. Brazil continues to feel pressure from the alleged bribery scandal connected to the ruling Workers Party.

Meanwhile, Mexico moved higher, partly due to a robust session in the U.S., which was supported by better-than-expected results from IBM and Merrill Lynch. Argentine stocks advanced, as negotiations with privatized utility companies progressed.

Brazil's benchmark Bovespa Index slipped 50.48 points, or 0.20%, while Mexico's benchmark Bolsa Index rallied 194.90 points, or 1.39%. Argentina's Merval Index surged 19.15 points, or 1.30%.

Brazilian issues turned mildly lower amid the latest developments regarding the country's political scandal. Investors are also awaiting the outcome of tomorrow's interest rate meeting by the central bank.

Meanwhile, the former secretary-general of the governing Workers Party, Sílvia Pereira, provided testimony before Congress today regarding the alleged cash-for-votes scheme orchestrated by the PT.

Former PT treasurer Delúbio Soares is scheduled to testify tomorrow. Separately, Urban Affairs Minister Olívio Dutra, who is a member of the PT, resigned and will be replaced by Márcio Fortes, who is currently executive-secretary at the Ministry of Trade and Development.

In corporate personnel movements, Banco do Brasil said that the director of the vehicle financing division and the director of the bank's cultural center have both stepped down. Brazil's largest bank is facing allegations of corruption related to the PT. The bank denies the allegations.

Mexican stocks once again reached a fresh record high, aided by strength in U.S. markets, amid upbeat corporate reports from both sides of the border. A surprisingly strong quarterly report from Dow member International Business Machines helped bolster U.S. shares.

Turning to local corporate news stories, media conglomerate Televisa announced a joint venture with U.K.-based EMI Group that will create a record company in Mexico.

As part of the deal, EMI will supply Televisa EMI Music with a working capital facility and licensing, while Televisa will provide media support.

Televisa will also expand its reach in the U.S. through a partnership with EMI Music U.S. Latin operations, which will soon be known as EMI Televisa Music.

Elsewhere, state-run oil firm Pemex said that it needed to evacuate workers from rigs in the northern Gulf of Mexico due to the impending arrival of Hurricane Emily. Meanwhile, workers from the southern Gulf of Mexico are set to return to work tomorrow.

A major investment bank raised its price target for Coca-Cola Femsa to US\$ 35 from US\$ 29.50. The brokerage said it expects stronger volume growth, and falling PET prices should improve gross margins.

Meanwhile, Telmex shares advanced, after an investment house boosted its earnings forecast on the fixed-line operator

due to a lower tax rate and higher interconnection costs.

Argentine issues also powered higher on the session amid stronger trading volumes and as governmental talks with utility concerns progressed.

The Planning Ministry said that Spain's Telefonica is set to abandon a lawsuit against Argentina in about two weeks and sign a new long-term contract. The company's lawsuit was related to the government's decision to convert rates into devalued pesos and freeze them.

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