

No New Scandal, Brazil Relaxes and Market Soars

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Brazilian and Latin American shares moved solidly higher alongside strength in U.S. markets. The Federal Reserve's Beige Book indicated the economy continued to advance in June and early July in most U.S. regions.

Also, June's durable goods orders and new home sales were surprisingly strong. Brazil continued to recoup recent losses, as there were no further revelations related to the country's political scandal. Mexican and Argentine shares also posted solid gains.

Brazil's benchmark Bovespa Index rallied 469.35 points, or 1.89%, while Mexico's benchmark Bolsa Index jumped 105.65 points, or 0.75%. Argentina's Merval Index surged 23.28 points, or 1.57%.

Brazilian shares continued to power higher, as the lack of new revelations regarding the country's alleged cash-for-votes scandal allowed investors to relax.

The Brazilian Steel Institute, or IBS, said that steel output declined by 1.2% during the first half of the year, compared to the corresponding period a year ago.

High local interest rates and the appreciation of the Brazilian real against the U.S. dollar were cited for the decline.

Separately, São Paulo's Fipe research institute reported that its consumer price index increased 0.17% in the four weeks ended July 23, compared with steady prices recorded in the four weeks ended July 15.

In corporate reports, Banco Bradesco, Brazil's largest private bank, signed a partnership with retailer Lojas Leader to provide consumer credit services to its customers.

Meanwhile, the Brazilian Anti-Trust Commission approved an agreement between France's Casino Guichard Perrachon & Cie and Brazilian supermarket chain CBD, which will raise the French firm's stake in CBD to 34.3% from 27.4%. Under the agreement, the stake will eventually rise to 39%.

Mexican shares returned to positive territory, following a decline yesterday. Stocks received support from U.S. shares, which benefited from some upbeat economic indicators.

Meanwhile, the Bank of Mexico reduced its gross domestic product estimate for 2005 to 3.25% to 3.75% from its prior range of 3.5% to 4%. Among the reasons for the lower outlook was a slowdown in external demand.

In earnings headlines, fixed-line phone operator Telmex posted a net profit of 6.53 billion pesos, up from 4.59 billion pesos a year ago.

Sales jumped 26.7% to 40.17 billion pesos, boosted by the inclusion of results from Brazil's Embratel Participações. EBITDA rose 7.9% to 16.98 billion pesos.

Airline holding company Cintra posted a narrower second-quarter loss of 295.6 million pesos, compared with 490.5 million pesos a year ago.

Operating profit reached 80.1 million pesos, reversing a year-earlier loss of 64.8 million pesos. Sales advanced 7% to 9.27 billion pesos.

Meanwhile, Grupo Bimbo SA said that its second-quarter net income leapt 34% to 605.6 million pesos from 453.3 million pesos a year ago. The company credited higher sales and lower financing costs for the quarterly boost.

Sales jumped to 13.31 billion from 12.58 billion a year earlier, while operating profit surged to 1.16 billion from 875.9 million.

In research, a major investment firm cut retailer Soriana's rating to "neutral" from "buy" following the firm's disappointing second-quarter results posted last night.

Argentine stocks continued to post solid gains, despite a dearth of economic or corporate news. In corporate news, a Buenos Aires judge levied a general embargo of more than 150 million Argentine pesos on Carrefour Argentina for unpaid taxes.

Elsewhere, Spain's Telefonica Moviles posted a 4.5% rise in its second-quarter net profit to 496 million euros, up from 474 million euros a year ago, aided by revenue growth in Spain and Brazil and a decline in its tax bill.

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