

## Brazilian Market Rallies on Back of Good News

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Brazilian and Latin American shares continued to power higher, as financial reports garnered investors' attention. U.S. markets also strongly advanced, aided by Starbucks, Honeywell and Dow Chemical.

Brazilian investors focused on earnings from Telemar and CST Steel, while Mexico had Femsa, ICA and Grupo Modelo's results to dissect. Argentine receipts remained positive, as trading volume picked up.

Brazil's benchmark Bovespa Index surged 730.55 points, or 2.88%, while Mexico's benchmark Bolsa Index advanced 83.46 points, or 0.59%. Argentina's Merval Index rose 8.23 points, or 0.55%.

Brazilian issues continued to rally amid interest rate news and two key financial releases. The Brazilian Central Bank released minutes from its July meeting, in which the bank said it would maintain its current Selic reference rate of 19.75% for a "sufficiently long period of time" in a bid to keep inflation in check.

Meanwhile, the São Paulo Federation of Industries, or Fiesp, said that industrial output rose by a seasonally adjusted 2.2% in June from May in São Paulo.

In earnings headlines, Telemar said that its second-quarter net profit surged to 208.3 million reais from 78.3 million reais a year earlier; although, the most recent result was beneath the average analyst estimate.

Net revenues climbed to 4.1 billion reais from 3.8 billion reais a year ago, as EBITDA advanced to 1.7 billion reais from 1.5 billion reais. Telemar shares jumped higher on the day.

Meanwhile, steel slab exporter CST Steel said that its second-quarter net profit fell 18% to 483 million reais from 592 million reais in the corresponding period a year ago.

The most recent result was hurt by increasing raw material costs. Still, net revenue jumped to 1.7 billion from 1.25 billion reais, as EBITDA rose to 885 million reais from 620 million reais.

In other corporate earnings releases, stainless steel maker Acesita Steel's quarterly net profit more than doubled to 188.4 million reais, as the firm's operational and financial areas gained traction.

The appreciation of Brazil's currency also bolstered earnings. Acesita's revenue, however, dipped slightly to 812.4 million reais from 820.5 million reais last year.

Mexican stocks remained strong, as investors continue to view the country's earnings season positively. Earnings season in Mexico will soon draw to a close.

Amid today's financial releases, Femsa posted lower second-quarter earnings due to a higher tax rate. Net profit arrived at 1.42 billion pesos from 1.68 billion pesos a year ago, while sales advanced to 26.89 billion pesos from 24.17 billion pesos. The beverage group's operating profit also rose to 4.26 billion pesos from 3.75 billion pesos last year.

Elsewhere, construction firm ICA said that lower operating costs helped the firm turn a profit of 65.6 million pesos in the second quarter, compared to a loss of 116.9 million pesos last year. ICA's sales leapt 28% to 4.16 billion pesos from 3.24 billion pesos.

Mexico's largest brewer Grupo Modelo said that its second-quarter net profit leapt 29% to 2.41 billion pesos from 1.87 billion pesos a year ago, as sales climbed to 13.34 billion pesos from 12.89 billion pesos. Meanwhile, operating profit slipped to 4.04 billion pesos from 4.12 billion pesos.

Argentine stocks shared in the broader regional upswing, while the key Merval Index remained above the 1,500 level. The country's national statistics agency, or INDEC, said the trade surplus shrank in June to US\$692 million from US\$908 billion a year ago, as imports outpaced exports.

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