

Brazil Fearing Repatriation of Green to the US

Contributed by Jeremy Simon
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Brazil's markets recovered somewhat on bargain hunting, as U.S. equities benefited from easing concerns regarding the impact of high oil prices on the economy.

Federal Reserve Chairman Alan Greenspan suggested that he is not worried about the recent surge in crude oil prices, noting that the U.S. economy is much better equipped to handle such increases than it was in the 1970s.

Brazil's benchmark Bovespa Index climbed 408.36 points. Brazilian shares bounced back, ending the week on an up note.

Still, analysts cautioned that Brazil's market could remain volatile on oil and inflation worries as well as the pending expiration of options contracts on Monday.

On the economic front, the surge in U.S. September retail sales heightens the chance of more aggressive interest rate hikes in the U.S. that would draw capital away from Brazil.

Still, most traders expect the pace of monetary policy tightening to remain measured. Also, President George W. Bush is expected to sign a bill into law in the coming days that would offer tax breaks to corporations that boost repatriations of profits.

Analysts are concerned it could trigger dollar outflows from Brazil, but many view pressure coming only in the medium term.

Looking ahead, Brazil's Central Bank Monetary Committee is widely forecast to raise the benchmark Selic base rate by another 25 basis points to 16.50% in its meeting next Wednesday.

Analysts note that another rate hike could help limit inflation amid surging growth and skyrocketing oil prices, but may also choke off Brazil's nascent economic recovery.

In research news, a major investment bank upped its stance on Brazil's largest grocer, Companhia Brasileira de Distribuição, to "outperform" from "peer perform" on the heels of a robust sales report.

Late Thursday, CBD announced that September same-store sales climbed 10.4% from a year before for the sixth-straight monthly gain, and rose 3.5% in year-on-year terms after adjusting for inflation.

Additionally, the analyst noted that CBD's share price has slipped over the last two weeks, making it more attractive to prospective buyers.

Petrobras was active, after leaders of Brazil's Oil Workers Federation chose to postpone indefinitely a five-day strike set to begin next Tuesday.

Still, labor leaders said workers roundly rejected the latest wage offers from Petrobras and could still walk off the job in coming days.

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