

Wall Street Falls, Brazil Follows Behind

Contributed by Paul Davee
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Latin American markets sank amid concerns that higher interest rates in the U.S. will lure funds away from emerging markets. Upbeat monetary policy news in Brazil failed to lift the Bovespa, while profit takers in Mexico largely ignored some bullish local earnings news.

Brazil's Bovespa Index tumbled 597.45 points, or 2.01%. Mexico's benchmark Bolsa Index dropped 228.59 points, or 1.46%, while Argentina's Merval Index lost 32.11 points, or 1.99%.

Investors in Brazil largely ignored central bank minutes from its last monetary policy meeting in which the bank sees interest rates declining on a "natural" course.

"The uninterrupted convergence of inflation toward the trajectory of targets and the resulting consolidation of a scenario of lasting macroeconomic stability will contribute to the maintenance of the process of a progressive reduction in the perception of macroeconomic risk that has taken place in recent years," the bank said.

"The space for which we observe lower real interest rates in the future will continue to consolidate in a natural manner as a consequence of this improved perception." At its last meeting, the bank lowered the Selic interest rate by 50 basis points to 19%.

Among economic indicators, Brazil's General Price Index rose 0.60% in the month to Oct. 27, up from a 0.53% fall in the month-earlier period. Although the data suggested a pick up in inflation, it was in line with market expectations for growth of 0.55% to 0.85%.

In corporate news, a major investment bank downgraded electric utility firms Copel and Eletrobrás to "neutral" from "buy," citing stock performance.

On the earnings front, Telemar reported third-quarter net profits of 301 million reais, up 89% from a year earlier. The results boosted Brazil's telecom sector.

Steelmaker Companhia Siderúrgica de Tubarão (CST) reported a net profit of 173 million reais in the third quarter, down from 358 million reais a year ago.

Meanwhile, Mexican shares declined as investors took profits following gains earlier in the week on encouraging earnings results.

Reporting late yesterday, major phone firm Telmex posted an 8.7% jump in sales to 41.13 billion pesos, mostly due to the incorporation of a full quarter of Embratel, compared to 37.82 billion pesos a year ago.

Operating profit grew to 12.37 billion pesos from 11.47 billion pesos; although, net profit slipped to 6.83 billion pesos from 6.95 billion pesos due to higher financial costs.

In other corporate news, an influential investment bank cut passenger flow and EBITDA for Asur due to Wilma's destruction to Asur-operated airports in Cancun and Cozumel island. However, the bank kept its "outperform" recommendation on the stock.

Argentine issues followed regional equities lower. Signaling continued economic momentum, the national statistics agency said the construction index rose 17.7% in September from a year earlier and climbed 1.6% on the month.

In earnings, flat steelmaker Acindar posted net profits of 418.1 million pesos for the nine months ended September 30, up from 392 million pesos last year.

Elsewhere in the region, Venezuelan telecom giant CANTV reported yesterday a US\$ 203.3 million net loss in the third quarter, due largely to an increase in contingency reserves for a worker pension adjustment.

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