

Drop in Oil Prices Bring Modest Gains to Brazil

Contributed by Paul Davee
Tuesday, 08 November 2005

Latin American markets were mixed, on Monday, November 7, with Mexican and Brazilian shares posting slight gains amid optimism about local earnings and a drop in oil prices.

Meanwhile, Argentine issues were dragged under by a local oil giant's disappointing quarterly results.

Brazil's Bovespa Index added 64.74 points, or 0.21%. Mexico's benchmark Bolsa Index rose 43.62 points, or 0.27%, while Argentina's Merval Index fell 25.09 points, or 1.50%.

Brazilian shares edged higher, supported by a drop in oil prices overseas and optimism about local third-quarter earnings reports.

Banco Bradesco kicked off a busy earnings week, saying its third-quarter net profit soared 90.1% from a year earlier, helped by expansion of its credit portfolios and cost-cutting efforts.

A flood of other key earnings reports are due out this week from the likes of grocer Companhia Brasileira de Distribuicao, steel companies Gerdau and Usiminas, miner Vale do Rio Doce, and oil giant Petrobras.

In other corporate news, budget airline Gol announced flights to Bolivia's Santa Cruz de la Sierra, the company's second international destination. Gol began flying to Buenos Aires in December 2004.

Meanwhile, Brazil's Civil Aviation Department reported that paying passengers on Brazil's domestic airlines flew a total of 3.15 billion kilometers in October, up 27.1% from a year earlier. Results were helped in part by a rise in the number of flights run by Brazil's largest local carrier TAM SA and budget operator Gol.

Elsewhere, Mexican shares posted modest gains, in line with the U.S. market. Mexican shares were supported by positive sentiment generated by recent strong earnings from local companies.

Among the movers, Wal-Mart de Mexico climbed ahead of its October same-store sales report on Wednesday. An influential investment bank said in a report that it expects Walmex's sales to have grown at least 5% from a year ago. "The calendar is slightly negative, but the recent trend of exceptional sales should continue regardless," the bank said.

Meanwhile, shares of wireless operator America Movil were active after a brokerage said in a report today that Spanish telecom giant Telefonica's planned acquisition of O2 Plc of the U.K. is positive for America Movil, since it suggests that the Mexican carrier's key competitor is aiming its expansion efforts more at Europe than Latin America.

In other news, Mexico's insurance industry association said that preliminary estimates point to US\$1.7 billion in claims from the three hurricanes that hit the country this year.

Argentine stocks dropped, undermined by weakness in shares of Petrobrás Energia Participaciones, after the company reported lackluster earnings. Results were hurt in part by higher sales and administrative costs, and taxes on earnings.

The oil giant posted a net profit of 118 million pesos for the third quarter of 2005, down from 151 million pesos a year earlier. Net sales for the period rose to 2.73 billion pesos from 2.36 billion pesos a year ago, while gross profit increased to 869 million pesos from 819 million pesos.

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