

Poor Industrial Output Hurts Brazil's Market

Contributed by Paul Davee
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Latin American markets were mixed to lower, with Brazilian shares slumping on disappointing industrial output data. Meanwhile, encouraging inflation figures helped to lift Mexican issues into the black.

Brazil's Bovespa Index dropped points 304.53, or 0.98%. Mexico's benchmark Bolsa Index rose 50.47 points, or 0.32%, while Argentina's Merval Index fell 23.16 points, or 1.43%.

Brazilian stocks dropped amid a mixed batch of earnings news and a disappointing report on industrial production. On the economic front, the Brazilian Census Bureau reported that Brazil's industrial output fell by 2.0% in September from August, hurt by continued fallout from high interest rates.

Industrial output edged up 0.2% from a year earlier. The data prompted a number of investment banks to lower their 2005 forecasts for Brazil's gross domestic product.

On an up note, the gloomy industrial output figures sparked hopes that Brazil's central bank will cut interest rates more than previously expected in a bid to lift the economy out of a short-term soft patch.

After raising interest rates to a peak of 19.75% in August, the bank embarked on a loosening cycle in September, cutting interest rates by 25 basis points that month and another 50 basis points in October.

In earnings news, petrochemicals firm Braskem reported a 90% drop in third-quarter net profits to 48 million reais, compared with a year ago, as results were hurt by currency appreciation, higher raw materials prices, and lower prices for its products. Net revenue dropped 17% to 2.798 billion reais from 3.362 billion last year.

Electric power utility Eletropaulo Metropolitana de Eletricidade SA posted a third-quarter net loss of 324.1 million reais, much wider than its year-ago net loss 6.4 million reais. Operating expenses surged from last year.

Electric power utility CPFL Energia SA said it swung to a third-quarter net profit of 240 million reais from a year-ago loss of 6.0 million reais, as results were helped by a price hike, reduced debt payments and improved billing. Net revenues rose 20% to 1.96 billion reais.

Also reporting, mining company Caemi Mineração e Metalurgia said its third-quarter net profit more than tripled from a year ago to 601.7 million reais, helped by a jump in iron ore prices and higher sales volumes.

Elsewhere, Mexican shares climbed, as investors were emboldened by slight gains in the U.S. market and upbeat local inflation data. The Bank of Mexico said the consumer price index rose 0.25% in October, down sharply from September's rate of 0.69%. As a result, annual inflation has fallen to an all-time low of 3.05% from 3.51% at the end of September. Economists had expected October inflation of 0.28%.

Argentine stocks sank, extending recent losses, as some encouraging financial results failed to boost investors' optimism about the third-quarter earnings season. Seamless steel tube maker Tenaris said its third-quarter net profit surged 136% from a year earlier on strong demand for its products from the oil and gas sector. Net sales jumped 63% on the year.

Meanwhile, Grupo Financiero Galicia said it swung to a third-quarter net profit of 26.5 million pesos from a loss of 33.3 million pesos last year. However, earnings were down on a sequential basis.

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