

## Low Inflation Keeps Brazilian Market Jumping

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Friday, 17 February 2006

Latin American stocks gained ground, with Brazilian shares attracting buyers on encouraging inflation data. Argentine issues were little changed amid mixed industrial production figures.

Brazil's Bovespa Index rose 165.44, or 0.43%. Mexico's benchmark Bolsa Index gained 23.54 points, or 0.13%, while Argentina's Merval Index added 3.85 points, or 0.23%.

Brazilian stocks gained ground, as tame inflation data fueled hopes for further monetary easing. The General Price Index (IGP-M) fell 0.01% in the 10 days through February 20 after rising 0.82% for the same period of January.

Meanwhile, the Fipe consumer price index for São Paulo inched up 0.01% in the four weeks ended February 15, compared with an increase of 0.2% in the four weeks ended February 7.

The data boosted expectations that Brazil's central bank will continue cutting interest rates, which remain at a lofty 17.25%, despite a string of cuts since August of last year.

On the corporate front, power distributor AES Eletropaulo posted a fourth-quarter net profit of 19.6 million reais, up from 17.5 million reais a year earlier, as results were helped by a slight reduction in power purchase costs.

A major investment bank downgraded Unibanco to "neutral" from "buy," saying the company's solid fourth-quarter earnings report yesterday is already priced into the stock.

However, another influential investment bank raised its year-end price target for Unibanco to US\$ 98 from US\$ 76, saying the company had a good fourth quarter, and shares have a 13% potential upside.

Online retailer Submarino SA said that it is planning a global offer of shares on São Paulo's Bovespa Stock Exchange. Submarino said that it plans to offer shares through both initial and secondary public offerings. Neither a timetable for the offering or financial details were disclosed.

Mexico moved slightly higher on a slow news day, as corporations took a break from releasing results. U.S. shares stuck close to the sidelines, but were somewhat dampened by a pickup in inflation as indicated by the latest producer price index reading.

On the corporate front, Desc SA's chief executive said that the conglomerate is contemplating acquisition opportunities in branded foods for the U.S. market. The firm is also looking into strategic alliances in the auto parts sector.

Argentine investors continued to stick close to the sidelines in what was the last day to exercise options contracts.

In economic headlines, the national statistics agency Indec said that its preliminary estimate for January industrial production was a 4.8% rise on a seasonally adjusted basis, from the year-earlier period. Economists were expecting a more robust gain of 7.8%. Production was down 1.7% in January from December on a seasonally adjusted basis.

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