Brazilian Market Dips After Record Post-Carnaval High

Contributed by Paul Davee
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Latin American stocks were mixed, with Brazilian shares easing lower, as investors locked in some profits following Wednesday's (March 1st) strong gains on enthusiasm over an upgrade to the country's sovereign credit rating.

On the up side, Mexico's bolsa edged higher on strength in mining shares, while pleasing earnings from Tenaris sent Argentina's market skyward.

Brazil's Bovespa Index dipped 52.03 points, or 0.13%. Mexico's benchmark Bolsa Index added 43.59 points, or 0.23%, while Argentina's Merval Index jumped 53.35 points, or 3.06%.

Brazilian stocks dipped, as investors took profits after the market rose to a record high yesterday on news of an upgrade to the country's long-term sovereign credit rating.

On Tuesday, Standard & Poor's Ratings Services raised Brazil's long-term sovereign credit ratings to BB from BB-, citing "the continued and marked improvement in Brazil's external debt indicators." S&P's outlook for Brazil is stable.

Some tame inflation data helped to limit the market's losses. The Getúlio Vargas institute said its IPC-S consumer price index inched up 0.01% in February, a sharp deceleration from January's increase of 0.10%. The data helped to bolster hopes that inflation is under control, allowing the Central Bank to continue or perhaps accelerate its interest-rate cutting cycle.

In other economic data, Brazil posted a trade surplus of US$ 2.82 billion in February, up slightly from a US$ 2.77 billion surplus a year earlier, the Ministry of Development, Industry and Foreign Trade reported.

Exports in February totaled US$ 8.75 billion, while imports totaled U$ 5.93 billion. Some local companies have expressed concerns that their earnings from exports will be negatively impacted by a more than 25% surge in the real against the U.S. dollar over the past year. However, Brazil's trade surplus has continued to expand in recent months despite the appreciating local currency.

Mexican stocks remained strong today, despite a slight downturn in U.S. shares on disappointing retail sales. Despite the continuation of a nationwide mining strike, mining shares advanced thanks to strength in underlying commodity prices.

In corporate reports, a major investment bank raised its price target for Femsa to US$ 110 from US$ 95. The bank commented that the firm "is finally getting some substantial traction on its 2000-2004 restructuring efforts."

Elsewhere, another large investment firm raised Cemex's price target to US$ 69 from US$ 67 due to higher-than-expected cement volumes and prices.

On the deal front, glass maker Vitro SA sold its 51% stake in Quimica to partner Solutia for US$ 20 million.

Elsewhere, a nationwide strike by members of the National Mining and Metal Workers Union entered its second day. The strike was sparked by the Labor Ministry's recognition of union dissident Elias Morales, who is challenging current union leadership. Mining firms are asking the government to step in and end the strike.

Argentine issues rallied on the day, hitting a record high in peso terms, following robust earnings from steel pipemaker Tenaris. The firm benefited from strong global demand for its seamless pipes.

Tenaris, which is headquartered in Luxembourg, but owned by Argentina's Techint, said that its fourth-quarter net profit fell 13% to US$ 414.8 million from US$ 479.5 million a year ago, which included a US$ 123 million gain. Net sales, meanwhile, leapt to US$ 1.9 billion from US$ 1.3 billion. Operating profit jumped 62% to US$ 576.9 million from US$ 355.4 million last year.

In other news, textile manufacturer Alpargatas surged, following reports from local papers that the firm may soon be sold to Brazil's Camargo Correa.

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