

## Brazil's Finance Minister Might Step Down to Coordinate Lula's Reelection Campaign

Contributed by Paul Davee  
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Latin American stocks advanced, with Brazilian shares gaining on continued investor enthusiasm over Brazil's improved credit rating, while the end of a nation-wide mining strike lent support to Mexican issues.

Brazil's Bovespa Index rose 113.91 points, or 0.29%. Mexico's benchmark Bolsa Index added 86.92 points, or 0.46%, while Argentina's Merval Index jumped 28.34 points, or 1.58%.

Brazilian stocks rose, resuming a recent run-up on Tuesday's news that Standard & Poor's raised Brazil's long-term sovereign credit rating to BB from BB-, citing "the continued and marked improvement in Brazil's external debt indicators."

The upgrade reinforced investors' faith in Brazil's solid economic fundamentals against a backdrop of declining interest rates. The central bank is seen lowering rates by up to three-quarters of a percentage point at its meeting next week amid indications of tame inflation.

However, the Bovespa's gains may have been limited by signs of higher global interest rates, as the European Central Bank hiked rates today and indicated more tightening ahead, while disappointing inflation data fueled concerns that Japan will soon raise interest rates. Higher interest rates in developed economies tend to draw investment flows away from emerging markets like Brazil.

In political developments, a local newspaper reported today that Finance Minister Antonio Palocci could leave his post to coordinate the electoral campaign of President Luiz Inácio Lula da Silva.

Palocci had served as Lula's campaign coordinator in the 2002 election. He said it is Lula's decision whether he would be most useful as campaign manager or Finance Minister in the months leading up to the October election.

On the corporate front, oil giant Petrobras was in focus after local media reported that Rio de Janeiro state ended an income tax exemption that will cost Petrobras about US\$ 24 million in extra costs a month. Petrobras will reportedly lobby the state for a reversal of its decision and may pursue a legal action.

Mexico's winning streak continued today, despite lackluster trading in the U.S. markets, following a revenue warning from chip titan Intel. An end to a nationwide strike brought relief to mining-related firms, including Grupo Mexico.

Mexican miners and steel workers started returning to work today, following a two-day nationwide strike. The Labor Ministry had declared the strikes illegal. Many of the local mines hurt by the strike said that losses would reach the millions.

On the corporate front, an Indonesian official said today that Cemex still intends to sell its existing 25.5% stake in state-owned Semen Gresik.

Argentine shares continued to rally today, with the Merval Index reaching a second-consecutive all-time record high, breaking through the 1,800 point level. Steel pipemaker Tenaris continued to power higher on the day.

On the economic front, the national statistics agency Indec announced that the consumer price index rose 0.4% in February from January and was up 11.5% from a year ago.

In corporate reports, Spanish-Argentine firm Repsol YPF SA's chairman said the firm had no interest in selling its Argentine YPF assets, contrary to local newspaper speculation.

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