

Brazil's Opposition Candidate Tops Lula in the Polls

Contributed by Paul Davee
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Latin American stocks were mixed, with Brazilian shares garnering some support from continued expectations for improved economic growth this year amid tame inflation.

Meanwhile, Mexican issues dropped, as investors locked in some profits following recent strong gains.

Brazil's Bovespa Index added 231.84 points, or 0.59%. Mexico's benchmark Bolsa Index fell 60.92 points, or 0.31%, while Argentina's Merval Index dipped 5.44 points, or 0.29%.

Brazilian stocks edged up amid continued optimism about the Brazilian economy's growth prospects this year. Fueling expectations the economy will continue to gain steam, data released earlier this week showed that Brazilian industrial output rose 1.2% in February from a month earlier.

Meanwhile, recent inflation data has shown inflation largely under control, which should allow the central bank to continue cutting interest rates. The bank is expected to cut the benchmark Selic interest rates by 75 basis points at its next meeting on April 19. The rate currently stands at 16.5%.

In today's news, Fitch Ratings said Brazil is well-positioned for seeing debt ratings upgrades in coming years. "The trend in terms of balance of payments and external solvency, as well as public debt dynamics, suggest that there are prospects for an upgrade within the next two years," the ratings firm said.

However, Fitch added that Brazil still faces risks from domestic, political and electoral factors.

Meanwhile, a poll released today by the Public Opinion Research Institute (Ibope) showed that support for President Luiz Inácio Lula da Silva in São Paulo is now below that of the opposition.

The poll showed Lula receiving 21% of the vote in São Paulo in the October presidential election, versus 25% for former São Paulo governor Geraldo Alckmin, the candidate of the opposition Brazilian Social Democracy Party.

Brazil's central bank announced personnel changes in the top posts of its international affairs, financial system regulation and special studies units. Observers largely viewed the changes as signaling a continuation of the central bank's prudent monetary policies, according to news services.

In corporate news, a major investment bank initiated coverage of investment fund Bradespar Participações at "buy," saying the fund is "an attractive and clever way of gaining exposure" to mining giant CVRD.

Mexican issues took a modest breather today, following three-consecutive sessions of gains where the key IPC index continuously hit all-time highs. U.S. shares also faltered today, ahead of tomorrow's March employment report.

Airport operator Asur said that March passenger traffic tumbled 11.9% from the corresponding period a year ago, as last year's hurricanes continued to take a toll.

Argentine shares followed a similar pattern to their Mexico peers, slipping lower on the day following record highs reached yesterday.

Amid a quiet news day, privately held Electroingenieria said that it would like to purchase Petrobras Energia's stake in Transener.

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