

Higher U.S. Treasury Yields Sink Brazilian Stock Market

Contributed by Paul Davee
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Latin American stocks were mixed, with Brazilian shares dipping amid concerns about rising U.S. Treasury yields and uncertainty about the local first-quarter earnings season.

Meanwhile, Mexican issues extended recent gains on continued earnings optimism and signs of economic strength north of the border.

Brazil's Bovespa Index shed 13.23 points, or 0.03%, while Mexico's benchmark Bolsa Index added 161.90 points, or 0.80%, and Argentina's Merval Index fell 4.17 points, or 0.21%.

Brazilian stocks slumped, as U.S. Treasury yields rose amid positive housing and consumer confidence data that signaled strength in the world's biggest economy. Higher U.S. Treasury yields tend to divert investment flows away from emerging markets like Brazil.

Shares may have also been pressured by uncertainty about Brazil's first-quarter earnings season, which will kick into high gear in early May. Today's quarterly reports were largely positive, however.

Budget airline Gol reported a first-quarter net profit of 160.7 million reais, up sharply from 112.5 million reais a year earlier, as results were helped by a surge in flights and tickets sales. Net operating profit rose to 863.0 million reais from 589.2 million reais.

Meanwhile, pay TV and Internet provider Net Serviços de Comunicação SA posted a first-quarter net profit of 7.2 million reais in the first quarter, reversing a year-earlier net loss of 5.2 million reais. Net revenue jumped 20% to 438.8 million reais, while EBITDA edged up 2.1% to 116.4 million reais.

Paper and pulp producer Klabin Celulose e Papel SA said its first-quarter net profit rose 27% to 162.7 million reais from 128.2 million reais a year ago, helped by rising sales volume and a government rebate of local welfare taxes worth 83.3 million reais. Net revenues dipped 4% to 645.2 million reais, hurt by a continued appreciation of the real against the U.S. dollar during the period.

In other corporate news, private bank Itaú was in focus after confirming that it is interested in a "possible acquisition of banking properties in Brazil and elsewhere in Latin America."

The confirmation was in a filing with securities regulators and followed news reports saying the company may be interested in buying BankBoston assets in Brazil, Chile and Uruguay.

Elsewhere, Mexican issues continued to power higher today, witnessing a fifth-consecutive record high, despite weakness in U.S. markets. Investors are optimistic ahead of earnings season, which is set to begin locally later this week.

In economic news, the Finance Ministry recorded a US\$ 183 million trade deficit in March, as imports rose 20.7% from a year ago to US\$ 21.14 billion, while exports jumped 20.9% to US\$ 20.96 billion. Economists polled by Dow Jones Newswires had expected a US\$ 381 million trade surplus, on average, for last month.

Argentina turned lower on the day. On the economic front, the Ministry of Labor said the employment index rose 0.7% in March from the prior month, and surged 9% from a year ago.

In corporate news, IMPSAT Fiber Networks said that the firm is currently exploring a range of strategic alternatives to enhance shareholder value, including a sale of the firm.

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