

Profit Takers and Oil Price Depress Brazilian Stocks

Contributed by Paul Davee
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Latin American and Brazilian stocks in particular tumbled, as the recent surge in oil prices stoked concerns about higher global inflation and interest rates. Shares were also pressured by investors' continued move to lock in recent market gains.

Brazil's Bovespa Index dropped 635.10 points, or 1.55%. Mexico's benchmark Bolsa Index fell 280.37 points, or 1.31%, while Argentina's Merval Index lost 50.96 points, or 2.74%.

Brazilian stocks sank, as investors continued to take profits amid growing concerns that the recent surge in oil prices will fuel U.S. inflation, forcing the U.S. Federal Reserve to continue raising interest rates.

Data released today showed that U.S. import prices leapt a bigger-than-expected 2.1% in April, driven by an 11.5% surge in the price of imported petroleum. Also, U.S. Treasury yields rose today, reflecting expectations for higher interest rates.

In local economic news, inflation as measured by Brazil's General Price Index (IGP-M) rose 0.21% in the first 10 days of May compared with a drop of 0.43% in the first 10 days of April.

On the corporate front, Telemar said yesterday that it plans to appoint Luiz Eduardo Falco as its chief executive effective July 1. He will replace Ronaldo labrudi.

Meanwhile, grocer Companhia Brasileira de Distribuição (CBD) said its April same-store sales continued reflect the impact of declining food prices and caution from consumers. CBD will release its April same-store sales results Wednesday.

Brazilian steel holding company Arcelor Brasil said its first-quarter net profit plunged 79% from a year earlier due to sluggish demand and lower export prices.

Also reporting, technology group Totvs SA posted a first-quarter net loss of 9.8 million reais, reversing a year-earlier net profit of 5.5 million reais.

Elsewhere, Mexican issues fell for a third consecutive session as investors continued taking profits amid a sell-off on Wall Street today.

In the news, media group Televisa said it is working with several private-equity investment firms to prepare a bid for U.S. Spanish-language broadcaster Univision.

Argentine shares followed regional equities lower amid concerns about mounting global inflation and higher U.S. interest rates. In local developments, steelmaker Acindar posted a first-quarter net profit of 222.8 million pesos, up sharply from 152.5 million pesos a year earlier.

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