

Bad News from US Means Good News for Brazilian Stocks

Contributed by Michael O'Brien
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Latin American shares moved higher today as Mexico's central bank left interest rates unchanged, Brazilian shares recouped early losses and Argentina followed the positive sentiment higher as worries about U.S. interest rates and inflation took a back seat to local developments.

Brazil's Bovespa Index leapt 344.45 points, or 1.00%. Mexico's benchmark Bolsa surged 357.33 points, or 1.96%, while Argentina's Merval Index gained 11.4 points, or 0.72%.

Brazilian stocks wiped out early losses to register gains after falling 1% at the start of trade in São Paulo. Investors eyed economic data from the U.S., which showed orders for new U.S.-made durable goods fell a more-than-expected 0.3% in May. It marked the second decline in a row, with orders now down 3.5% since a peak in December.

Shares in Brazil's largest bank, state-controlled Banco do Brasil, were down 3.6% in the run-up to a large secondary share offering next week.

Banco do Brasil is in the midst of an operation to sell a total of 45.4 million common shares via a secondary offering, and will set a price Monday.

Mexico's stocks moved higher as the Bank of Mexico left interest rates unchanged at its policy meeting, encouraging investors worried about monetary tightening trends throughout the world's leading economies. The bank of Mexico left the overnight rate at a minimum 7% and reiterated that its recent easing cycle is over for now.

The decision was widely expected, coming nine days before presidential elections and amid growing concern about rising global interest rates. The U.S. Federal Reserve is expected to raise rates next week, and the U.S. market is pricing in another rate hike in August.

Mexico holds general elections July 2 to elect a new president and Congress. Separate election polls published Friday by Mexico's Reforma and El Universal newspapers gave leftist presidential candidate Andrés Manuel López Obrador a narrow lead over his conservative rival Felipe Calderón.

Argentine issues tracked Mexico and Brazil higher on today's session. A rally in the shares of market heavyweight Tenaris bolstered the key Merval Index.

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