

Light Trading in Brazil While Varig Learns Bankruptcy Is the Best Medicine

Contributed by Linda Shea
Monday, 10 July 2006

Brazil's stock market inched ahead, while Mexico receded. Investors are awaiting meaningful data from earnings season, which unofficially kicked-off with U.S.-based Alcoa's financial release. Closer to home, Walmex posted results.

Brazil's Bovespa Index rose 38.66 points, or 0.11%. Mexico's benchmark Bolsa receded 129.45 points, or 0.65%, while Argentina's Merval Index slipped 0.98 points, or 0.06%.

Brazilian issues inched forward Monday, July 10, alongside light trading volume. In local economic reports, a central bank survey revealed that economists expect the IPCA consumer price index to fall to 3.81% this year from a prior expectation for 3.98%.

Elsewhere, the Trade and Development Ministry said that the country's foreign trade surplus reached US\$ 1.693 billion in the July 1 to 9 period, bringing the year-to-date figure to US\$ 21.226 billion. In the year-earlier period, the trade surplus stood at US\$ 20.034 billion.

On the research front, a major investment bank reduced its price targets for American Depositary Receipts for telephone firms Telemar and Brasil Telecom. The news follows the firms' recent rollback in rates.

Within the airline group, Brazilian Airline Varig's prospects dimmed on a report from Deloitte, the court-appointed restructuring administrators, that said liquidation is the preferable option for creditors rather than accepting a US\$ 500 million offer from investment group Volo do Brasil.

Mexican shares traded lower, as investors continued to ponder the outcome of the presidential election. Although Felipe Calderon won the election, rival Andrés Manuel Lopez Obrador is demanding a complete recount, and the Federal Electoral Tribunal has until the end of next month to access allegations of fraud. The tribunal will need to issue its final ruling on the election by September 6.

In earnings headlines, Wal-Mart de Mexico posted a second quarter net profit of 2.67 billion pesos, compared to 2.01 billion pesos a year ago. Sales jumped 17% to 45.07 billion pesos, while operating profit surged 32% to 3.45 billion pesos. EBITDA, meanwhile, climbed 24% to 4.24 billion pesos.

Argentine issues were little changed on the day, amid mixed trading elsewhere in Latin America. Investors are waiting for earnings season to get underway.

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