

Instability Overseas and at Home Brings Sharp Declines to Brazil Market

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Brazilian and Latin American shares in general followed global markets into the red, as violence in the Middle East, specifically between Israel and Lebanon, sparked investor concern.

Meanwhile, explosions in Nigerian pipelines also supported a surge in crude oil prices to US\$ 76.70 a barrel, a record high. In São Paulo, Brazil, the prison gang PCC, set dozens of buses on fire leading the bus companies to leave their vehicles in the garage and stranding millions of commuters.

Brazil's Bovespa Index plunged 816.37 points, or 2.31%. Mexico's benchmark Bolsa negated 694.18 points, or 3.57%, while Argentina's Merval Index receded 57.41 points, or 3.37%.

Brazilian shares witnessed sharp declines on the day. A surge in crude oil prices does not bode well for the local economy, as Brazil is a net importer of oil. Further supporting oil prices, the Energy Department's weekly crude inventories data showed a sharp decline in supplies.

In economic reports, the Getúlio Vargas Foundation's General Price Index, or IGP-M, rose 0.17% in the first 10 days of July compared to a 0.27% jump during a similar period in June. The latest result was in line with analyst expectations.

On the earnings front, paper and pulp producer Votorantim Celulose e Papel said that its second-quarter net profit fell 5% to 200 million reais from 211 million reais a year ago.

The latest decline was due to falling local paper and pulp prices amid strength in the Brazilian real versus the greenback. Net operating revenue inched up 4% to 708 million reais from 683 million reais, while EBITDA rose to 292 million reais from 260 million reais.

O Globo newspaper said that Bolivia tempered its asking price for the natural gas it exports to Brazil. Bolivia is now looking for a price of US\$ 5 per million British thermal units, from a possible hike to US\$ 5.70 per million BTU. At one point earlier this year, Bolivia's Hydrocarbons Minister hinted at US\$ 7.50 per million BTU.

Turning to sales data, grocer CBD said that its same-store sales for June rose 2.6%, compared with the year-earlier period.

Once again, Mexican equities were unable to shake weakness, marking the fifth- straight session in the red. Still, on a brighter note, industrial production for May came in above expectations, rising 5.7%. Industrial production was down a slight 0.04% from April on a seasonally-adjusted basis.

A major investment bank initiated coverage on airport operator Asur at "equal weight," as the brokerage sees greater potential for downside risk as opposed to an upside at this point in time due to "tight route control."

Argentine issues tumbled alongside weakness across the region and abroad. Torcuato Di Tella University reported that consumer confidence fell 1.3% in July from a month ago, following a 3.1% increase in June.

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