

Brazil Not Worried by Dollar Fall

Contributed by Jeremy Simon
Friday, 19 November 2004

Brazilian shares fell, tracking a slump in the U.S. market. Equities were pressured by a surge in oil prices and Federal Reserve Chairman Alan Greenspan's warning that the U.S. current account deficit's large size could diminish foreign investors' appetite for the greenback.

Brazil's benchmark Bovespa Index weakened 108.86 points, or 0.45%. Brazilian issues slid lower, as world oil prices leapt on fears of tight heating oil supplies as winter approaches.

Brazil, a net oil importer, is highly sensitive to crude prices. Also, investors continue to weigh the consequences of Banco Santos' takeover by the central bank last week.

Depositors in the mid-sized corporate bank had their assets frozen and analysts worry that some corporate clients may be negatively impacted as a result.

In other news, Brazilian President Luiz Inácio Lula da Silva replaced the presidents of major federal banks the Brazilian Development Bank and the Banco do Brasil earlier this week.

Addressing recent weakness in the U.S. dollar versus other currencies such as the Brazilian real, Finance Minister Antonio Palocci commented that, "the level of adjustments are not that large."

He added, "If you look at the international scenario it is not change of worrying proportions, it is an adjustment."

Amid corporate news, the chief executive of Brazilian iron ore giant CVRD said the company will not participate in a bidding war over Canadian miner Noranda.

Roger Agnelli said that at current prices, Noranda is too expensive for CVRD to consider bidding for, and the company currently is not holding discussions regarding potential acquisitions.

Investors worried several months ago that CVRD might pay more than US\$ 5 billion for the less profitable Noranda. Those concerns resurfaced this week after Noranda reported that a two-month deadline for exclusive talks with China Minmetals had expired.

Turning to research, an influential brokerage downgraded Unibanco to "underperform" from "peer perform," following the shares recent outperformance.

"Minority investors do not have tagalong rights at Unibanco, while they do at Banco Itaú and Banco Bradesco," the analyst explained, adding, "We are finally incorporating a discount to reflect this in our relative valuation of Unibanco shares."

PRNewswire

Thomson Financial Corporate Group
www.thomsonfinancial.com