

Brazil Pays Off US\$ 3 Billion of Foreign Debt

Contributed by Jeremy Simon
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Brazilian stocks moved tentatively higher, as investors refrained from significant buying prior to the U.S. Thanksgiving holiday on Thursday. Brazil's market edged up on the central bank's plans to buy back debt. Brazil's benchmark Bovespa Index added 27.87 points, or 0.11%.

Brazilian issues firmed mildly ahead of the U.S. Thanksgiving holiday market closure Thursday, as some afternoon profit taking pulled shares off their session highs.

In the news, Brazilian authorities plan to buy dollars in the foreign exchange market to boost reserves and make upcoming bond payments.

Earlier, central bank chief economist Afonso Bevilaqua indicated that the bank would pay down US\$ 3 billion in Brady bonds, or older bonds and Paris Club debts.

Brazil will pay off US\$ 646 million of debt in December and another US\$ 2.35 billion during the first half of 2005.

The announcement is likely to further bolster Brazil's credibility in the eyes of foreign investors, supplying evidence that the country's tight fiscal and monetary policies are paying dividends.

International investors have been behind much of the recent surge in Brazilian equities, with net inflows of foreign investment this month nearing 700 million reais.

Thursday, November 25, will bring the publication of minutes from the most recent central bank rate-setting meeting held last week.

Investors are already beginning to price in a likely hike in the benchmark Selic rate from the current level of 17.25%.

Shares of Aracruz Cellulose were active, following a report yesterday, November 24, from the Pulp and Paper Products council that wood pulp inventories slipped in October.

The decline could translate into higher prices for producers, such as Aracruz.

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