



BNP PARIBAS
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Weekly Brazilian Markets

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The risks of a global economic slowdown still remain as a concern. Throughout the week, besides of Fitch lowered sovereign ratings for five eurozone member states and fear of Greek contagion to Italian and Portuguese 10years yield increased, in US, Fed had indicated that will keep rates at low levels through 2014 and forecasts for US growth were below consensus, suggesting a moderate growth in 2012. In this volatile scenario, the Ibovespa stock index posted positive gains for a fourth consecutive week, with a performance of 0.95%.

In Brazil, the week highlight was the dovish central bank's policy minute which indicates a high probability that rates will fall to single-digits in 2012, despite of core inflation in Brazil is still running away above target.

Brazilian currency (Real) remained strong, posting an appreciation against USD and JPY and still strongly appreciated against USD, EUR and JPY since the year begins. Regarding Fixed Income market, Brazilian government bonds index (IMA-G) had a positive reaction posting 0.42% return.

Once again, equity market had a positive performance. Real Estate and Materials sectors were the positive highlights with a performance of +2.90% and 1.06% while more defensive sectors as Telecommunication and Electric sectors posted a negative result of -2.79% and -0.90% respectively.

- **Key sectors and companies' news:**

- **PETROBRAS (Oil):** press reports that CEO, Jose Gabrielli, will resign from his post next month and will be replaced by Maria da Graça Foster, the company's director of gas and energy.
- **VALE (Mining):** The Company announced it got the environmental approval for the N5 Sul pit, a part of the N5 mine in the Serra Norte site at Carajás, Pará state in Brazil.

On activity side, the unemployment rate was lower-than-expected in December, while wages went up. Moreover, credit conditions had grown at a slower pace recently and observers need to pay close attention to delinquency rates, which went up too. On monetary policy, the Central Bank's minute reinforces that Brazilian Central Bank remained comfortable with the current cut pace of 50 bps. Anyway, we still remained cautious about inflation and if the economy recovers during 2012, the question is about when the central bank will be forced to resume hiking rates.

Brazilian Equity Indices	Week	MTD	YTD	12m
<i>Bovespa Index - Ibovespa</i>	0,95%	10,84%	10,84%	-7,56%
<i>Mid-Large Cap Index - MLCX</i>	0,86%	8,22%	8,22%	-2,25%
<i>Small Cap Index - SMLL</i>	0,75%	7,50%	7,50%	-4,93%
<i>Corporate Governance Stock Index - IGC</i>	0,46%	6,90%	6,90%	-4,10%
<i>Dividend Index - IDIV</i>	0,32%	4,30%	4,30%	19,46%
<i>Corporate Sustainability Index - ISE</i>	-0,07%	5,24%	5,24%	0,29%

Brazilian Sector Indices	Week	MTD	YTD	12m
<i>Telecommunication Sector Index - ITEL</i>	-2,79%	-0,90%	-0,90%	4,71%
<i>Electric Power Index - IEE</i>	-0,90%	-1,41%	-1,41%	16,64%
<i>Industrial Sector Index - INDX</i>	0,17%	6,45%	6,45%	-3,00%
<i>Consumption Index - ICON</i>	-0,18%	3,86%	3,86%	11,67%
<i>Real Estate Index - IMOB</i>	2,90%	13,54%	13,54%	-8,46%
<i>Financial Index - IFNC</i>	0,37%	7,49%	7,49%	4,55%
<i>Basic Materials Index - IMAT</i>	1,06%	14,05%	14,05%	-19,67%
<i>Public Utilities Index - UTIL</i>	-0,48%	-0,45%	-0,45%	20,84%

Fixed Income and FX	Week	MTD	YTD	12m
<i>BRL / USD</i>	1,50%	7,35%	7,35%	-3,52%
<i>BRL / EURO</i>	-1,12%	5,33%	5,33%	0,36%
<i>BRL / JPY</i>	0,63%	7,19%	7,19%	-10,74%
<i>One-day Interbank Deposit Rate - CDI</i>	0,20%	0,81%	0,81%	11,63%
<i>Government bonds - IMA Geral</i>	0,42%	1,18%	1,18%	14,74%

Note: performance is stated in BRL

Source: Bloomberg, BNP Paribas Asset Management Brasil

YOU MAY NOT KNOW...

Brazilian Central Bank believes structural changes in the Brazilian economy in the latest years brought important changes to the country that includes lower risk premium, macro stability, institutional progress and inflation target for eight years in a row.



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