



BNP PARIBAS
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Weekly Brazilian Markets

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The last week of the year was quiet and despite thin liquidity in markets, the Bovespa index reversed earlier gains, falling more than 1.5%. It was a light week in terms of data release but the concerns about global growth remained. While ECB's seems to engage a credit easing and is about to increase their bond buying program, in US, it could be expected some improvements in global risk appetite due a better than expected data, but economic and financial conditions remained fragile. In Brazil, besides a soft week, highlights were the **consensus survey that brought downward revisions in growth and inflation forecasts for 2012**. The fiscal sector posted a decent surplus.

Brazilian currency (Real) depreciated slightly against USD and JPY. Year-to-date, Real posted a strong depreciation and accumulated considering losses against USD, EUR and JPY. Regarding Fixed Income market, Brazilian government bonds index (IMA-G) had a reaction posting a 0.27% return.

Equity market had a poor performance this week. Telecom, Materials and Financial sectors led the fall, posting a negative result of -1.05%, -1.30 and -0.77% respectively.

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

- **PANAMERICANO (Bank):** Announced a capital raise of R\$1.8bn to help fund the acquisition of BFRE (Brazilian Finance & Real Estate).
- **PETROBRAS (Oil)** on Friday declared the Guara field (BM-S-9) commercially viable, almost one year ahead of the end of the exploration period. The field is now named Sapinhoa, with an estimated recoverable volume of 2.1 billion.

On inflation, we saw the same history from recent weeks. The changes in basket composition for IPCA, continue to decrease 2012 forecasts, but according to the latest Inflation Report, it may end 2011 slightly above the target ceiling of 6.5%, limiting BCB's somewhat the scope for further easing. **The December trade balance surprised to the upside, posting strong surplus** mainly due to softer imports in the last week of the year. Looking ahead, despite domestic policy easing, soft global manufacturing conditions is expected to keep local industry down in coming months.

YOU MAY NOT KNOW...

In 1999, Brazil Government established the inflation target range between 2.5% and 6.5% and it is worth to mention that since 2003 year to date, the Central Bank didn't miss the IPCA target range. Anyway, if this happen and inflation ends up the year above the target, as a consequence, the governor would have to write a public letter to explain why it happened and clarify what measures are being taken to correct the situation.

Brazilian Equity Indices	Week	MTD	YTD	12m
<i>Bovespa Index - Ibovespa</i>	-1,64%	-0,21%	-18,11%	-17,69%
<i>Mid-Large Cap Index - MLCX</i>	-1,71%	1,16%	-10,59%	-9,87%
<i>Small Cap Index - SMLL</i>	0,80%	0,79%	-16,63%	-15,78%
<i>Corporate Governance Stock Index - IGC</i>	-0,66%	1,76%	-12,45%	-11,85%
<i>Dividend Index - IDIV</i>	0,33%	5,56%	13,99%	14,73%
<i>Corporate Sustainability Index - ISE</i>	-0,61%	3,65%	-3,28%	-3,10%

Brazilian Sector Indices	Week	MTD	YTD	12m
<i>Telecommunication Sector Index - ITEL</i>	-1,05%	5,11%	15,59%	15,07%
<i>Electric Power Index - IEE</i>	0,00%	9,47%	19,72%	20,40%
<i>Industrial Sector Index - INDX</i>	-0,52%	2,31%	-12,12%	-11,57%
<i>Consumption Index - ICON</i>	-0,65%	3,03%	0,55%	1,42%
<i>Real Estate Index - IMOB</i>	0,13%	-5,47%	-27,71%	-27,26%
<i>Financial Index - IFNC</i>	-0,77%	4,13%	-7,40%	-6,54%
<i>Basic Materials Index - IMAT</i>	-1,30%	0,90%	-28,51%	-28,17%
<i>Public Utilities Index - UTIL</i>	-0,24%	9,74%	22,61%	23,10%

Fixed Income and FX	Week	MTD	YTD	12m
<i>BRL / USD</i>	-0,41%	-3,06%	-10,96%	-9,98%
<i>BRL / EURO</i>	0,34%	0,62%	-8,68%	-8,14%
<i>BRL / JPY</i>	-1,10%	-3,11%	-15,32%	-14,42%
<i>One-day Interbank Deposit Rate - CDI</i>	0,16%	0,87%	11,59%	11,64%
<i>Government bonds - IMA Geral</i>	0,27%	0,43%	13,66%	13,78%

Note: performance is stated in BRL

Source: Bloomberg, BNP Paribas Asset Management Brasil



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