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Weekly Brazilian Markets

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Despite the slow down in the markets at the first week of the year, the Bovespa index rose 1.33%. The uncertainty in Europe remains as an important driver of risk appetite, but upbeat data coming from US and better outlook for China raise hopes that a more significant global economic slowdown may be averted.

In Brazil, there were little changes in the latest week data and in the near term, growth should be soft. The week highlight was the Industrial Production (IP) up +0.3% in November, weaker than consensus expected but interrupting a string of negative prints. Thus, looking ahead, we expected an economy recover during the course of 2012, but growth will likely prove weak in the near term before get stronger latter on.

Brazilian currency (Real) appreciated against USD, JPY and EUR which was the strongest appreciation of these currencies since the year begins. Regarding Fixed Income market, Brazilian government bonds index (IMA-G) remained almost flat posting a -0.07% return.

Equity market had a positive performance in all sectors except Real Estate, which was the only one with negative result. **Materials and Utilities were the highlights** with a performance of +2.83% and 1.25% respectively.

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

- **Education:** FIES, the government subsidized financing program, informed that the reimbursements to private institutions will occur monthly in 2012, different from 2011 that were made every three months. These are positive news for Anhanguera Educacional and Estacio.

- **Real Estate (Direcional):** signed an agreement with Caixa Econômica Federal and the state government of Amapá on December 30, 2011, to construct the first phase of the Residencial Macapaba project, which is expected to comprise 2,148 houses.

On inflation, the IPCA posted a 0.50% mom gain in December, below the market estimates (0.55%). **This week, BCB also released the full-year index for 2011 that stood at 6.50%, exactly at the upper end of the inflation target (6.5%).** For 2012 our forecast is 4.90%, below the market consensus released on the latest CB's weekly survey (5.32%). **On activity side**, the currently soft domestic growth environment will probably continue to pull down people's assessments about 2012 average real GDP growth forecasts. Liquidity is still below average.

Brazilian Equity Indices	Week	MTD	YTD	12m
<i>Bovespa Index - Ibovespa</i>	1,33%	3,25%	3,25%	-16,97%
<i>Mid-Large Cap Index - MLCX</i>	1,96%	2,61%	2,61%	-10,30%
<i>Small Cap Index - SMLL</i>	-0,86%	0,66%	0,66%	-15,58%
<i>Corporate Governance Stock Index - IGC</i>	0,80%	1,66%	1,66%	-12,12%
<i>Dividend Index - IDIV</i>	0,14%	0,36%	0,36%	12,28%
<i>Corporate Sustainability Index - ISE</i>	1,68%	2,24%	2,24%	-3,92%

Brazilian Sector Indices	Week	MTD	YTD	12m
<i>Telecommunication Sector Index - ITEL</i>	0,52%	3,80%	3,80%	14,59%
<i>Electric Power Index - IEE</i>	0,55%	0,38%	0,38%	17,84%
<i>Industrial Sector Index - INDX</i>	1,12%	1,82%	1,82%	-11,74%
<i>Consumption Index - ICON</i>	0,18%	0,53%	0,53%	1,18%
<i>Real Estate Index - IMOB</i>	-0,72%	3,10%	3,10%	-24,10%
<i>Financial Index - IFNC</i>	0,98%	1,23%	1,23%	-6,55%
<i>Basic Materials Index - IMAT</i>	2,83%	4,48%	4,48%	-28,76%
<i>Public Utilities Index - UTIL</i>	1,26%	0,40%	0,40%	20,14%

Fixed Income and FX	Week	MTD	YTD	12m
<i>BRL / USD</i>	0,77%	0,43%	0,43%	-9,17%
<i>BRL / EURO</i>	2,50%	2,30%	2,30%	-7,05%
<i>BRL / JPY</i>	0,90%	0,64%	0,64%	-16,11%
<i>One-day Interbank Deposit Rate - CDI</i>	0,16%	0,21%	0,21%	11,64%
<i>Government bonds - IMA Geral</i>	-0,07%	0,06%	0,06%	13,72%

Note: performance is stated in BRL
Source: Bloomberg, BNP Paribas Asset Management Brasil



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