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Weekly Brazilian Markets

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Despite the concerns about worsening of Europe's debt crisis after countries downgrade announcement by Standand & Poors, the **Bovespa index ended up the week with a positive return, posting a slightly gain by 0.93%.** On the other hand, the week was also highlighted by a large jump in US consumer credit data in November that continue to add a general sense of optimism about the outlook for the US economy.

In Brazil, the week highlight was the November Retail Sales data (1.3% m/m) that turned to positive after a flat reading in October.

Brazilian currency (Real) posted a strong appreciation against USD, JPY and EUR and remains strongly appreciated since the year begins. Regarding Fixed Income market, Brazilian government bonds index (IMA-G) had also a positive return of 0.19%.

Materials and Financial sectors were the positive highlights with a performance of +1.94% and 1.33% while more defensive sectors as Telecommunication and Utilities posted negative results of – 2.42% and - 0.91% respectively.

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

  - Petrobras (Oil): Petrobras and Petroperu are in talks to form a joint venture. The accord would be similar to one signed Jan 7 with Petroleos de Venezuela. PDVSA may operate oil blocks jointly with Petroperu in both countries.
  - BANCO DO BRASIL (Bank): The bank will issue abroad at least U$500 million in perpetual bonds. The proceeds would boost the bank's Tier 1 capital ratio between 10 and 20 bps to around 10.8%. S&P has assigned a BB rating for these bonds.

Brazilian Equity Indices	Week	MTD	YTD	12m
Bovespa Index - Ibovespa	***0,93%***	***4,22%***	***4,22%***	***-16,37%***
Mid-Large Cap Index - MLCX	*0,51%*	*3,13%*	*3,13%*	*-10,44%*
Small Cap Index - SMLL	*0,35%*	*1,01%*	*1,01%*	*-15,59%*
Corporate Governance Stock Index - IGC	*0,27%*	*1,93%*	*1,93%*	*-11,89%*
Dividend Index - IDIV	*0,79%*	*1,15%*	*1,15%*	*12,28%*
Corporate Sustainability Index - ISE	*-0,25%*	*1,99%*	*1,99%*	*-4,85%*

Brazilian Sector Indices	Week	MTD	YTD	12m
Telecommunication Sector Index - ITEL	*-2,42%*	*1,28%*	*1,28%*	*9,52%*
Electric Power Index - IEE	*-0,52%*	*-0,14%*	*-0,14%*	*15,35%*
Industrial Sector Index - INDX	*-0,03%*	*1,79%*	*1,79%*	*-11,46%*
Consumption Index - ICON	*-0,61%*	*-0,08%*	*-0,08%*	*2,09%*
Real Estate Index - IMOB	*0,01%*	*3,10%*	*3,10%*	*-23,57%*
Financial Index - IFNC	*1,33%*	*2,58%*	*2,58%*	*-3,95%*
Basic Materials Index - IMAT	*1,94%*	*6,51%*	*6,51%*	*-28,40%*
Public Utilities Index - UTIL	*-0,91%*	*-0,52%*	*-0,52%*	*15,96%*

Fixed Income and FX	Week	MTD	YTD	12m
BRL / USD	*3,79%*	*4,23%*	*4,23%*	*-6,47%*
BRL / EURO	*4,36%*	*6,76%*	*6,76%*	*-1,34%*
BRL / JPY	*3,93%*	*4,59%*	*4,59%*	*-12,96%*
One-day Interbank Deposit Rate - CDI	***0,20%***	***0,41%***	***0,41%***	***11,65%***
Government bonds - IMA Geral	*0,19%*	*0,25%*	*0,25%*	*13,86%*

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

On activity side, there was very little change in the latest weekly consensus survey and market expectations for 2011 and 2012 real GDP remained unchanged at 2.87% and 3.30% respectively. On monetary policy, it seems that the market has accepted the possibility of a shorter rate cut cycle

YOU MAY NOT KNOW...

Brazil is a political and economic leader in Latin America, the 7th world GDPcountry (over USD 2tri in 2010) and 2nd GDP per capita among BRICs. Brazil's economy is diverse, encompassing agriculture, industry, and services. Its solvency indicators have improved substantially in recent years, with more than USD $330 bi of International Reserves, primary fiscal surplus and net public debt in a downward trend.

and expected a cut of 50 bps in the next Copom meeting from the 11% current mark.

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