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Weekly Brazilian Markets

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The Bovespa stock index tumbled for the first week in three, falling more than 3% amid the concern of global growth will falter as Europe's debt crisis worsens. The markets are still trading rumors coming out of the worsening picture in Europe, expecting a recession for the region in the near term, as a reflection of combined effects of fiscal tightening and weaker credit conditions. In the other hand, a better-than-expected economic data coming from US, the slight decrease of "hard landing" expectations in China economy and a possibility of a positive resolution for Eurozone events should suggest in the short/mid term an increase of investor risk appetite leading for a recovery in the markets.

In this context, Brazil still remains with a good valuation in Latam, offering a high upside potential due to economic fundamentals. Credit growth that accelerated last month, job creation and wage gains reflected a positive macroeconomic picture for the country despite of the monetary easy policy and still an overvalued currency.

For another week, Brazilian Real currency posted negative results and depreciated against USD, EUR and JPY while fixed income remained flat at 0.01%.

Materials, Real Estate and Financial sectors led the fall this week, posting a negative result of -3.43%, -2.55%, -2.49%, while more defensive sectors as Utilities and Electric had positive returns of 2.80% and 2.20% respectively.

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

- **COPEL (Utilities):** announced its capex guidance for 2012 of R\$2.3 bn that is 10% higher than last year guidance
- **VALE (Mining):** Vale announced that through its subsidiary Mineração Naque S.A. (Naque) it successfully concluded the public offer to acquire the free floating shares of Vale Fertilizantes S.A.

- **TRANSPORTATION-(Airlines):** Brazil's anti-trust authorities said they approved the merger of TAM with Chile's LAN, first proposed in 2010.

- **OIL: ULTRAPAR:** The group is studying Oxiteno's expansion outside Latam, mainly focused on the US, according to Andre Covre (CFO).

On inflation, new weights for IPCA inflation, scheduled to be implemented in January 2012, continue to entail a decrease in 2012 IPCA inflation forecasts, according to CB's weekly survey. On activity side, the consensus revised down once again its real GDP growth from 3.09% to 2.97% in 2011 and from 3.48% to 3.40% in 2012. In October, retail sales were flat at 0.0% mom and IBC-Br (the CB's monthly real GDP proxy) came below expectations, confirming that activity is still moderating. In order stimulate the economy, the government has already taken some measures and there were rumors about CB reducing reserve requirements. On monetary policy, there was no significant change.

Brazilian Equity Indices	Week	MTD	YTD	12m
<i>Bovespa Index - Ibovespa</i>	-3,67%	-1,37%	-19,06%	-16,65%
<i>Mid-Large Cap Index - MLCX</i>	-2,46%	-0,34%	-11,92%	-9,71%
<i>Small Cap Index - SMLL</i>	-0,76%	1,41%	-16,11%	-12,95%
<i>Corporate Governance Stock Index - IGC</i>	-1,98%	-0,15%	-14,09%	-12,07%
<i>Dividend Index - IDIV</i>	0,43%	2,17%	10,33%	12,19%
<i>Corporate Sustainability Index - ISE</i>	-1,09%	0,68%	-6,05%	-4,11%

Brazilian Sector Indices	Week	MTD	YTD	12m
<i>Telecommunication Sector Index - ITEL</i>	0,26%	3,12%	13,40%	17,32%
<i>Electric Power Index - IEE</i>	2,27%	5,63%	15,52%	18,26%
<i>Industrial Sector Index - INDX</i>	-0,91%	1,01%	-13,24%	-10,71%
<i>Consumption Index - ICON</i>	0,20%	2,82%	0,34%	3,45%
<i>Real Estate Index - IMOB</i>	-2,55%	-1,95%	-25,02%	-17,72%
<i>Financial Index - IFNC</i>	-2,49%	0,99%	-10,20%	-7,31%
<i>Basic Materials Index - IMAT</i>	-3,43%	-1,97%	-30,54%	-30,64%
<i>Public Utilities Index - UTIL</i>	2,80%	5,12%	17,44%	18,29%

Fixed Income and FX	Week	MTD	YTD	12m
<i>BRL / USD</i>	-2,44%	-2,32%	-10,34%	-8,01%
<i>BRL / EURO</i>	-0,30%	0,77%	-7,87%	-6,73%
<i>BRL / JPY</i>	-2,69%	-2,14%	-14,08%	-14,77%
<i>One-day Interbank Deposit Rate - CDI</i>	0,20%	0,49%	11,14%	11,63%
<i>Government bonds - IMA Geral</i>	0,01%	0,17%	13,32%	14,00%

Note: performance is stated in BRL

Source: Bloomberg, BNP Paribas Asset Management Brasil



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