

Latin America Watch

Friday, March 17, 2006

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	Equity Index Performance			% Change in US\$			Vol. (\$ mil)	ADR Vol. (\$ mil)
	Close	Points	% chg.	Today	Week	YTD		
AR Merval	1817.1	18.0	1.0%	0.9%	3.2%	16.0%	30.9	89.0
BZ Bovespa	38,156.6	-87.3	-0.2%	-0.1%	7.5%	26.0%	1023	937.8
CL IPSA	2162.2	7.8	0.4%	0.1%	3.2%	7.2%	72.0	18.1
CO IGBC	10816.7	80.4	0.7%	0.8%	1.7%	15.1%	-	-
MX IPC	19,166.4	166.8	0.9%	0.9%	5.5%	7.6%	413.5	721.8
PE IGBVL	5,967.4	205.7	3.6%	3.8%	0.7%	28.0%	-	80.8
VZ ICB	29,527.8	-430.9	-1.4%	-1.4%	-0.3%	44.8%	4.3	6.6
US DJIA	11,253.2	43.5	0.4%	0.4%	2.6%	5.0%	-	-
US Nasdaq	2,299.6	-12.3	-0.5%	-0.5%	-0.5%	4.3%	-	-

(-): Daily Volume not available (c): market closed

Exchange Rates

(Local currency per US\$)	As of 3/16/2006	% Change			
		Day	Week	Month	YTD
Argentine peso	3.075	-0.13%	0.24%	-0.28%	-1.46%
Brazilian real	2.114	0.10%	2.29%	0.12%	10.50%
Chilean peso	525.8	-0.23%	1.21%	-0.42%	-2.62%
Colombian peso	2259	-0.04%	0.15%	-0.23%	1.22%
Mexican peso	10.643	0.02%	0.74%	-1.52%	-0.08%
Peruvian sol	3.323	0.14%	0.11%	-1.18%	2.92%
Venezuelan bolivar	2147.3	0.00%	0.00%	0.00%	0.00%

Local Interest Rates

	As of 3/16/2006	Rolling Average			
		Month	3 Mo.	YTD	12 Mo.
AR Loans 30D-pesos (P.A.)	8.0	7.3	7.4	7.4	6.6
BZ CDs retail 30 day	16.3	16.6	17.1	17.0	19.0
CL 90-day Deposit	4.7	4.7	4.6	4.6	4.0
CO 90-day money market	6.1	6.0	6.1	6.1	6.7
MX Cetes 28-day	7.3	7.4	7.7	7.7	8.9
PE 90-day Deposit	4.5	4.5	4.4	4.5	3.9
VZ 90-day Deposit	10.2	10.6	11.0	10.9	11.2

Top Gainers (Liquid Stocks)*

Company	Co	Close	Change
Ara **	MX	4.32	8.1%
Ternium ^a	US	26.71	4.8%
Ideal **	MX	1.20	3.8%
Cosan **	BR	54.15	3.7%
Itausa -PN **	BR	4.58	3.5%
Cemex -CPO ^a	MX	65.62	3.2%
Hipotecario **	AR	3.67	2.7%
Galicia -B ^a	AR	7.75	2.6%
Petrobras Energia ^a	AR	11.90	2.5%
Votorantim ^a	BR	15.19	2.5%

Top Losers (Liquid Stocks)*

Company	Co	Close	Change
Usiminas -PNA **	BR	34.90	-2.6%
CANTV ^a	VE	19.99	-2.2%
Energias do Brasil **	BR	14.61	-1.9%
Geo -B **	MX	3.73	-1.8%
Caemi Metal -PN **	BR	1.64	-1.6%
Gol Linhas Aereas ^a	BR	28.95	-1.4%
CPFL Energia	BR	43.79	-1.4%
Televisa ^a	MX	78.23	-1.2%
Petrobras PN ^a	BR	82.75	-1.0%
Telecom -B ^a	AR	13.71	-0.9%

ADR & Local Volume Leaders

Company	US\$ '000	Close	Change
Cemex -CPO ^a	467,418	65.62	3.2%
Petrobras ON ^a	198,398	90.37	-0.2%
CVRD-ON ^a	146,902	44.92	-0.4%
Petrobras PN ^a	106,483	82.75	-1.0%
America Movil ^a	96,565	35.13	0.4%
Unibanco ^a	84,644	84.95	1.6%
Tenaris ^a	69,354	184.50	-0.9%
Southern Copper ^a	67,507	81.51	0.0%
Femsa -UBD ^a	58,731	91.31	1.6%
Bradesco ^a	56,290	40.59	0.8%

*Source: Bloomberg, * Average daily trading volume over the last six month exceeds \$250,000

Price movement is based on ADR if company has a liquid ADR issue. ^a ADR share. ** Local share

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Please read the important disclosure and analyst certification information in the Addendum section of this report.

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Daily Commodity Monitor

Commodity	Unit	Price as of 16-Mar	% change			52-Week	
			Week	Month	YTD	high	low
Brent Crude Oil	\$/barrel	63.69	4.34%	9.49%	8.19%	67.49	46.69
Copper ^	\$/lb	2.27	4.35%	0.02%	1.29%	2.33	1.41
Nickel	\$/lb	6.68	1.41%	3.53%	0.68%	8.01	5.22
Gold	\$/oz	555.40	1.71%	1.32%	7.43%	572.20	415.40
Silver	\$/oz	10.34	4.23%	9.77%	17.23%	10.34	6.73
Aluminum	¢/lb	115.75	2.97%	5.57%	6.33%	140.50	81.04

Source: Bloomberg L.P.; Reuters; LME; Bear, Stearns & Co. Inc. ^ LME prices cash official

Sovereign Spreads

Series	Price	Yield to Maturity (%)	Sovereign Spread as of 3/16/2006	Rolling Average			52-Week		
				Mo	3 Mo	12 Mo	High	Low	
Argentina	ARGENT Disc/Ex-GDP/USD 12/31/33	101.0	8.2	374	397	468	478	567	374
Brazil	BRAZIL 11.0 08/17/40	131.7	8.2	297	266	308	382	501	114
Mexico	MEX 5.875 01/15/14	101.2	5.7	99	50	43	93	172	27
Chile	CHILE 5.5 01/15/13	101.4	5.3	60	12	17	42	78	4
Peru	PERU 9.125 02/21/12	113.0	6.4	133	93	106	151	285	53
Venezuela	VENZ 9.25 09/15/27	127.3	6.8	156	163	200	342	520	147

Source: Bear Stearns Emerging Markets Fixed Income Research

Latin America Corporate & Economic News Calendar: March 2006

Monday	Tuesday	Wednesday	Thursday	Friday
13 BZ - Weekly trade balance	14 MX - Aggregate supply & demand (Q4) L=4.9% y/y US - Current account (Q4'05) US - Business inventories (Jan.) US - Retail sales (Feb.) Suzano Petroquimica (e.r.) ▼ Antofagasta (e.r.)	15 CL - Copper exports (Feb.) US - NY Fed mfg. survey (Mar.) US - Trade prices (Feb.) US - TICS report (Jan.) US - Homebuilders' survey (Mar.) US - Beige Book	16 AR - Industrial production (Feb.) L=-1.7% m/m; 4.7% y/y AR - Real GDP (Q4'05) L=9.2% y/y BZ - Copom minutes (Mar. 8 meeting) CL - Monetary policy meeting L=4.75% MX - Industrial production (Jan.) L=2.7% y/y US - CPI (Feb.) US - Housing starts (Feb.) US - Building permits (Feb.) US - Philly Fed survey (Mar.) COSAN (e.r.) TMB and TCN (e.r.) Suzano Petroquimica (c.c.)	17 US - Industrial production (Feb.) COSAN (c.c.) TMB and TCN (c.c.)
20 AR - Fiscal results (Feb.) BZ - Weekly trade balance BZ - IGP-M (2nd. Mar. preview) MX - Unemployment (Feb.) L=3.53% US - Leading indicators (Feb.)	21 BZ - Retail sales (Jan.) L=4.3% y/y BZ - Current account (Feb.) L=-US\$452 mi. BZ - FDI (Feb.) L=US\$1.5 bi. US - PPI (Feb.)	22 AR - Current account (Q4) AR - Economic activity (Jan.) L=0.3% m/m; 8.1% y/y MX - Retail sales (Jan.) L=2.0% y/y	23 BZ - Unemployment (Feb.) L=9.2% BZ - Bank credit (Feb.) CL - GDP (Q4) L=5.2% y/y MX - Bi-weekly CPI (Mar.) L=0.07% m/m MX - Trade balance (Feb.) US - Existing home sales (Feb.)	24 BZ - IPCA-15 (Mar.) L=0.52% m/m MX - Corto Banxico L=-P\$79 mi. MX - Overnight rate L=7.5% MX - Economic activity (Jan.) L=2.4% y/y US - Durable goods (Feb.) US - New home sales (Feb.) SABESP (e.r.) Copel (e.r.)
27 BZ - Weekly trade balance	28 BZ - Fiscal results (Feb.) CL - Industrial production (Feb.) L=7.7% y/y CL - Industrial sales (Feb.) L=5.0% y/y CL - Unemployment (Feb.) L=7.0% US - FOMC meeting US - Consumer confidence (Mar.) Copel (e.r.) Celesc (e.r.)	29	30 AR - Trade balance (Feb.) MX - Fiscal results (Feb.) US - Real GDP (Q4'05 - final) US - Farm prices (Mar.)	31 US - Personal income (Feb.) US - Consumer spending (Feb.) US - Chicago PMI (Mar.) US - Factory orders (Feb.)

▲ Report before market opens ▼ Report after market close

Conference Calls

Company	Date	Time (EST)	Call-In Phone No.		Confirm. Code	Topic
			U.S.	International		
TMB and TCN	March 17	12:00 PM	(973) 582-2734		7133275	4Q05 Results
COSAN	March 17	1:00 PM	(973) 935-2408	(55-11) 2101-1490	7133225	3Q06 Results

* listen-only webcast & replay available at company website ^ slide presentation available at company website

Conference Call Replays

Company	Replay Through	Call-In Phone No.		Confirm. Code	Topic
		U.S.	International		
Suzano Petroquimica	March 23	(973) 341 3080		Suzano Petroquimica	4Q05 Results

* listen-only webcast & replay available at company website ^ slide presentation available at company website

Bear Stearns Brazil Electric/Water Utility Road Trip**Bear Stearns Brazil Electric/Water Utility Road Trip**

Save the date – and register soon (limited space, up to 6 only)

Hosted by: Rowe Michels, CFA

Tentative dates: April 24-27, 2006

Day 1 (Start in PM)**Rio de Janeiro**

- Eletrobras
- Light
- Power Systems Research
- Tractebel
- Tour of Corcovado and Pão de Açúcar

Day 2**Rio de Janeiro**

- Cemig
- Copasa
- Celesc
- Tractebel

Day 3**São Paulo**

- CTEEP
- CESP
- SABESP
- Energias do Brasil
- CPFL Energia
- Copel
- Eletropaulo
- AES Tiete

Day 4**Itaipu (Optional)**

- VIP site tour of Itaipu, the world's largest hydroelectric dam (by production), then spectacular Iguazu Falls by helicopter.

To register, please call your Bear, Stearns Sales Representative, or Rowe Michels at (212) 272-2429, or Yvette Colón at (212) 272-9871.

Bear Stearns Global Transportation Conference**Bear Stearns Global Transportation Conference**

Save the Date – Tuesday, May 9, and

Wednesday, May 10, 2006

Bear Stearns World Headquarters

383 Madison Avenue at 47th Street, New York City

Conference Format

The conference will feature two days of unique panel discussions and presentations by senior executives from over 100 public and private global transportation and industrial companies. Day one will feature energy, rails, transportation equipment, and trucks. Day two will feature airfreight, airlines, auto/auto parts, integrated express/parcel carriers, logistics, and ocean shipping. Speakers will share their insights on industry trends and issues driving investment opportunities now and that will drive them over the longer term. We expect a healthy dialogue on issues such as the increasing globalization of supply chains, truck driver and capacity issues, railroad services, airline capacity, truck and railroad equipment cycles, and the global small package competitive environment.

To register or obtain further information, please visit <http://www.bearstearns.com/conferences/globaltransport2006/>

Latin America 4Q05 Earnings Preview

Reporting Date	Conference Call	Company	06 Target Price	Revenues [ROE for Banks]		EBITDA [Loan Growth for Banks]		EPS / EPADS	
				4Q05E	4Q04A	4Q05E	4Q04A	4Q05E	4Q04A
end-March		CSN		1,032	932	412	459	0.70	0.69
		Peer Perform	TP: \$ 26.00	Highlights: Weaker due to lower prices/domestic sales + high export volumes					
24-Mar		SABESP		548.4	445.7	251.2	171.9	0.69	0.78
		Outperform	TP: \$ 23.18	Consensus ² 507.4		278.7		0.65	
				Highlights: F/X gains from 4.8% Real appreciation on R\$1.5bn in f/x debt.					
27-Mar		Copel		527.8	412.2	113.9	54.8	0.24	0.08
		Peer Perform	TP: \$ 9.77	Consensus ² 513.5		144.2		0.33	

Source: Companies; First Call; IBES; Bear, Stearns & Co. Inc. estimates; Consensus data: (1) First Call, (2) IBES; All figures in US\$ million, except per share data.

Target prices, ratings as well as valuation estimates are provided by analysts from Bear, Stearns & Co. Inc.

PRICE TARGET VALUATION METHODOLOGIES: Chemicals & Petroleum -- DCF, EV/EBITDA; Banking/Financial Services -- Target P/BV; Food, Beverage & Tobacco -- EV/EBITDA and DCF; Electric & Other Utilities -- DCF; Retailers -- DCF, EV/EBITDA; Steel & Mining -- P/E, EV/EBITDA; Telecom -- DCF; Cement -- P/E, EV/EBITDA; Conglomerates -- EV/EBITDA or DCF; Cable & Media -- DCF; Steel & Mining -- P/E, EV/EBITDA.

RISKS TO OUR PRICE TARGETS INCLUDE MACROECONOMIC DETERIORATION, FOREIGN EXCHANGE EFFECTS, AND REGULATORY DEVELOPMENTS.

Bear Stearns Daily Market Commentary

GLOBAL MARKETS

March 16, 2006

- Economics**
- The **U.S. Congress** agreed to raise the government's debt limit by US\$781 billion to US\$8.97 trillion.
 - **U.S. initial jobless claims** rose 5,000 last week to 309,000, the Labor Department said on Thursday. According to a Bloomberg poll, economists had expected jobless claims to fall to 298,000.
 - **U.S. consumer prices** rose 0.1% in February.
 - **Philadelphia-area manufacturing**, as measured by the Federal Reserve Bank of Philadelphia's general index, fell to 12.3 in February from 15.4 in January.

**Emerging Markets
Equities**

- The **MSCI Latin America index** climbed 0.9% on Thursday.

LATIN AMERICA

March 16, 2006

- Mexico**
- **Equity markets:** The **IPC index** continued its upward trend on Thursday, rising 0.88% to a record high. House builder **ARA** led the gains (+8.1%). The company recently raised its sales growth forecast. **Cemex** rose by 3.39%.
 - **Economics:** Industrial output in January rose 6% from the year before, the government reported. According to a Bloomberg survey, the consensus forecast was for a 3.9% rise (see note on page 8).

Note:

All stock price movement mentioned in the market commentary refers to local shares only. Index changes are in local terms.

- Brazil**
- **Equity markets:** The **Bovespa index** fell 0.23% on Thursday, led lower by **Usiminas** (-2.64%).
 - **Currency:** The **real** continued its rally Thursday, rising 0.57%, to close at a 5-year high of 2.11 per US\$.
 - **Fixed income:** The Treasury sold US\$500 million of 7.125% 2037 bonds on Thursday. The government placed the bonds at a yield of 6.83%, a 2.04% spread to **U.S. Treasuries**.
 - **COPOM:** In the minutes of last week's monetary policy meeting, policymakers said that they will maintain a "gradual easing" of interest rates (see note on page 13).
 - **Cemig:** In a meeting with investors, the company mentioned that should a current proposal by **ANEEL** to force free consumers to pay rationing losses prove successful, the company could reverse up to ~R\$500 million in provisions made since 2001 against the potential nonrecovery of rationing losses. The company also affirmed that its stated 15% minimum return on investment applies to the potential acquisition of **Light** (as a minority partner with **Andrade Gutierrez**). Cemig plans to participate in future new energy generation and transmission auctions, its goal being to increase its participation in Brazil's power sector to 20% from the current 7% over the next 30 years.
 - **CTEEP's** net earnings for 2005 were R\$468.3 million (15.6% above IBES consensus of R\$405 million and 34.3% above R\$348.8 million in 2004). The company's board of directors approved complementary dividends of R\$97.3 million, or R\$0.65/1,000 (yield of 2.4%). The additional dividends will be paid within 60 days of the company's annual shareholders' meeting (the ex-date was not disclosed). Considering R\$239.4 million previously declared (and paid) dividends, total 2005 dividends are R\$336.7 million, corresponding to R\$2.26/1,000 for a yield of 8.5%. Total dividends represent 71.9% of 2005 net earnings. Full 2005 results are scheduled to be disclosed on March 20. CTEEP's board also reduced its 2006 capex budget by 5.2% to R\$687 million from R\$725 million.

- **Telecom sector:** According to preliminary figures from **Anatel**, Brazil had roughly 88.1 million cellular subscribers at the end of February, suggesting net adds of 595k in February. This shows a 50%-reduction compared to January (net adds of 1.2million), indicating a slowdown in the growth of the market. Year over year, the number of cellular subscribers rose 31.43%. Net adds could remain subdued until May and Mother's Day, potentially helping to improve 1Q06 margins.

- Chile** ▪ **Equity markets:** The **IPSA index** finished 0.36% higher on Thursday, and the **IGPA index** was up by 0.42%.
- **Economics:** Following its monetary policy meeting on Thursday, the Banco Central de Chile (BCC) announced that it has decided to leave the benchmark interest rate unchanged at 4.75% following a 25-basis-point hike in February. The central bank's press release noted that, despite fuel price fluctuations, inflation has been in line with expectations and output has continued to grow above trend.

- Argentina** ▪ **Equity markets:** The **Merval index** rose 0.99% on Thursday, with **Petrobras Energia** climbing 4.02%.
- **Economics:** GDP growth reached 9.2% in 2005, the highest rate of growth in 13 years, the government said on Thursday. According to Bloomberg, economists had expected 8.8% growth. The economy ministry said that growth was helped by a boom in construction, agriculture exports, and consumer spending.

Economics

Mexico

MEXICO
Manufacturing Revival Under Way

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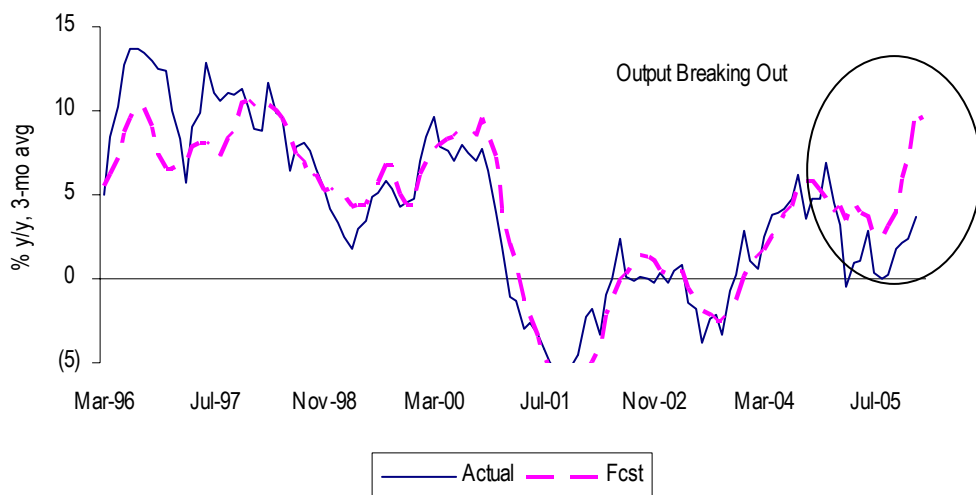
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Mexico's long manufacturing slowdown appears to be quickly coming to an end and a major upturn under way. For some time, that sector has been the big laggard in the growth story, holding back what has generally been a good economy. However, leading indicators of Mexican manufacturing growth have been looking for a major upturn for some time. It is now clear that a big revival is under way, and it should be a sustained rebound. All leading indicators – U.S. manufacturing, Mexican automobile output, export/import growth, interest rates – are pointing to very strong growth in the first quarter and likely beyond. This rebound is important to the longer-term outlook; without it, we expect companies to rationalize, which would hurt the consumer sector and the burgeoning candidacy of the PAN's Felipe Calderon.

According to data released by INEGI on March 16, industrial production grew by 6% in January, well ahead of the 3.9% (Bloomberg) consensus and up from 3% in December 2005. The key is the rebound in manufacturing. That sector increased by 6.3% y/y in January, up from 1.8% growth in December. The leading indicators have been pointing to a major rebound in the making, driven by the pickup in auto production. The direction has been correct, but the size of the rebound has been disappointing. We generally find these sorts of models useful for providing direction; however, given signals that the model is giving, we think that it's clear the rebound can be sustained. Consider these developments:

- U.S. manufacturing rose 12% (SAAR) in the fourth quarter, with January 2006 up 8.5% (SAAR).
- Mexican motor vehicle production took off in Q4, growing by 35% in fourth-quarter 2005 versus the same period of 2004, and is up another 48% y/y in the first two months of 2006.
- Our leading indicator model points to February as another strong month that could even outperform January. While we find these models better at predicting direction than growth rates, we note that conditions for maintained strong growth are there.

Mexican Manufacturing: Actual vs. Predicted



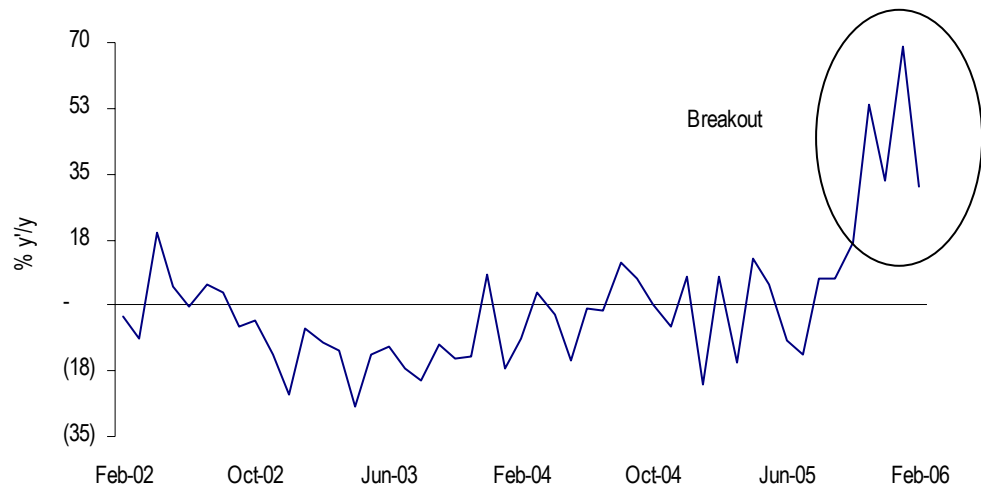
Source: Bloomberg; Bear, Stearns & Co. Inc. estimates.

In fact, the makings of a rebound were already apparent in the monthly data in the fourth quarter of 2005, which saw Mexican manufacturing up 8.7% (SAAR) in the quarter, though the year/year rate hovers near just 3%. We had thought that the rebound would be even stronger, especially given the strong auto production. But the fourth quarter was plagued by serious problems, including Hurricanes Katrina through Wilma.

Those problems seem to have lifted, and the sector is breaking out to the upside. According to data released by INEGI on March 16, manufacturing production increased by 6.3% y/y in the month, driving industrial production to a 6% increase. That was much better than the 3.9% growth that the (Bloomberg) consensus was expecting and up from the 3% rate recorded in December.

The key driver has been autos, which increased by 69% y/y in January and 35% y/y in February. This has been the key lagging portion in the lagging manufacturing sector.

Mexican Motor Vehicle Production



Source: Bloomberg; Bear, Stearns & Co. Inc. estimates.

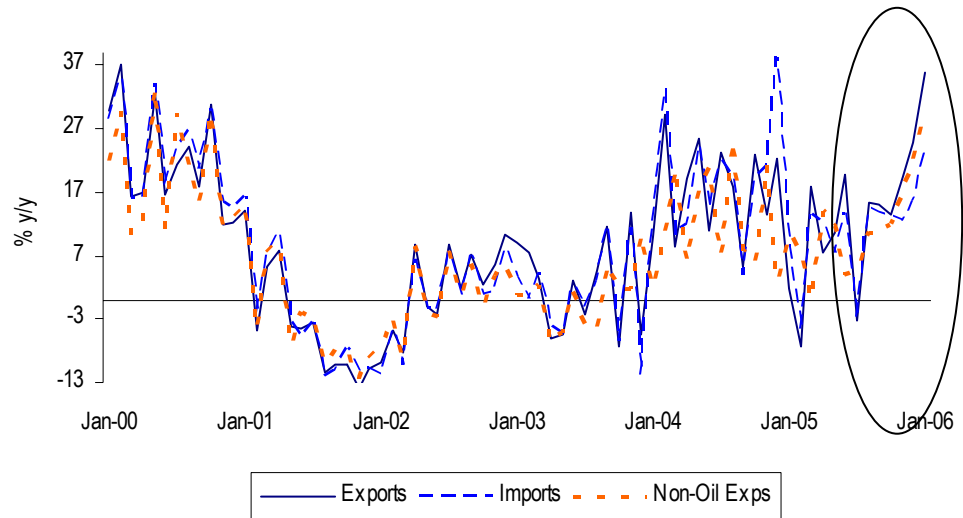
Other early 2006 data show that the seeds have been planted for a continuation of the upturn. Besides sharp increases in auto production and U.S. manufacturing growth, trade data show that the rebound is likely to continue. Mexico's trade account data produced a surplus of \$398 million. The key was strong exports, which were up by 35% y/y in January, the highest growth rate since February 2000.

- The story was not just oil, though record-high oil exports were recorded. Manufacturing (led by autos) was up 28.2% y/y, including a 22% increase from maquiladoras.

INEGI noted that there is a seasonal impact on January, in that both exports and imports fall relative to December. Imports were down 8.7% m/m, but that compares with a near-20% drop in January 2005. That's important, in that imports are an input to future production. Importantly, capital goods imports were up by 25% y/y. The trade report shows an improving manufacturing sector.

- Clearly, the impact was not from higher oil; oil exports were a record, but that was \$3.4 billion (about 16% of the January total).

Mexican Export/Import Growth



Source: Bloomberg; Bear, Stearns & Co. Inc. estimates.

Argentina

ARGENTINA
IP Growth Settles Down

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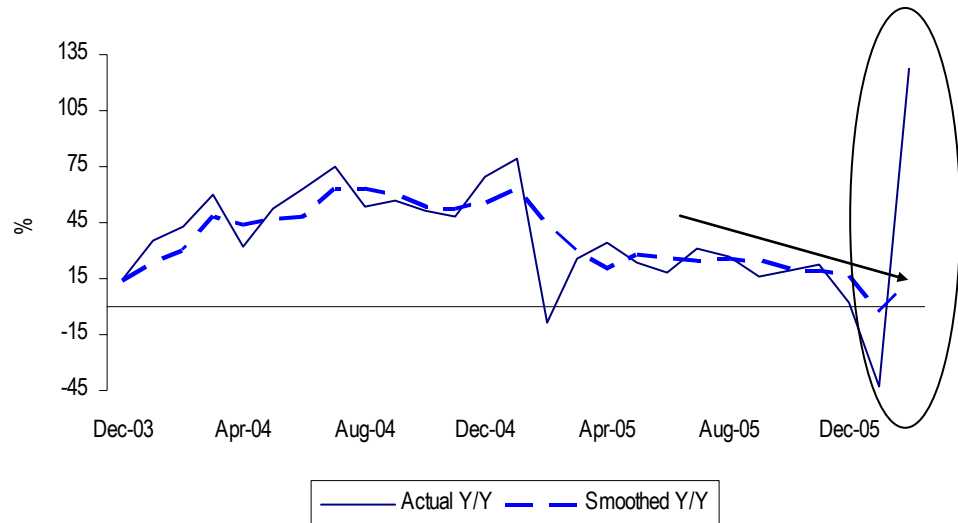
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It is difficult to interpret Argentina’s early 2006 growth data due to the unusual impact of some seasonal factors. But beyond seasonal effects that will fade by early second quarter, Argentina is facing high capacity utilization and rising employment costs. Those factors point to the likelihood of a further ebbing of growth as 2006 unfolds. The government’s nonmarket policies of price controls, export taxes, and even export bans are not conducive to the investment that is needed to support growth.

The seasonal effects are masking what is happening in the economy and making it hard to read monthly developments. Auto companies pushed vacations into January from the traditional February. That led to a sharp drop in January motor vehicle production, followed by a big February increase as workers returned from vacation.

- The monthly volatility is excessive based on recent trends. However, smoothing the data by three-month averages shows that even with that big rebound in February, auto production is up 13% and appears to be continuing to settle down at lower growth rates.
- The automobile sector is unusual in that capacity utilization in that sector is well below 65%.

Argentine Motor Vehicle Production

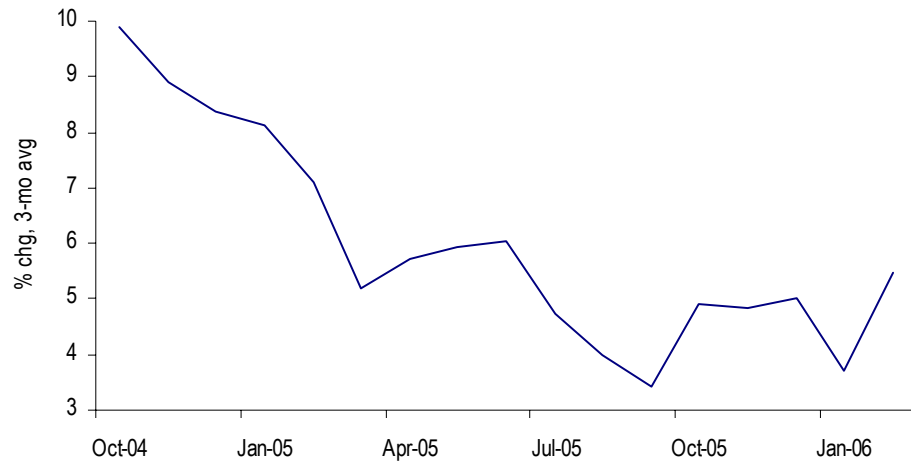


Source: Bloomberg; Bear, Stearns & Co. Inc. estimates.

This output volatility from the auto sector has had the impact of throwing off seasonal adjustment factors and leading to large swings in the industrial production data. IP fell by 1.7% month/month (seasonally adjusted rate) in January; this was reversed in February, with a 3.1% monthly growth rate as workers returned from vacation.

On a year/year basis, IP in February rebounded to 8.8% growth, but that is against the easy comparison of a vacation-driven February 2005. Smoothing the seasonal pattern is important to see the trend in output. Taking a three-month moving average of the seasonally adjusted index gives the opportunity to determine what is happening. This look at the data shows that industrial production growth has settled in around 5%, a level that it has been holding since the middle of 2005.

Argentine Industrial Production: Y/Y Change of Seasonally Adjusted Index



Source: Bloomberg; Bear, Stearns & Co. Inc.

BRAZIL
COPOM Minutes – Easing Cycle to Go On and On**Economist:****Emy Shayo**
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The minutes of the March monetary policy meeting reveal that the central bank is more interested in keeping the slow pace of its easing cycle by maintaining – if not reducing – the size of the rate cut at the next COPOM meeting. Over the next few months, developments on the inflation front will continue to be a key determinant of central bank actions, although the concept of a “balance of risks” approach was introduced in the minutes this month.

Recall that at the March 8th COPOM meeting the central bank decided to reduce interest rates by 75 basis points in a split decision, with three members in favor of a 100-basis-point cut. According to the minutes, those members believed that the recognition of the improvement in the balance of risks from January to March would be signaled by larger rate cuts. This was especially clear from inflation, as the high readings registered in January have proved to be temporary. On the other hand, the seven members that had the upper hand felt that uncertainties about the “transmission mechanism” from monetary policy to inflation have increased following 250 basis points of SELIC cuts. As a result, in their view, monetary policy is closer to the one that should be in place over the medium term.

As has become customary, the central bank emphasized that its cautious stance on monetary policy has been key to raising the probability that inflation will converge with the target. The BCB’s model projects that inflation will be below the target in both 2006 and 2007, assuming interest rates flat at 17.25% and the FX at R\$2.15 per U.S. dollar. For 2006, the projection has been reduced since the last meeting, while it has increased for 2007. Taking into account the market forecast for FX and interest rates, inflation would be above the target in 2006 (although below the previous projections) and above the target in 2007 (and above the previous projection).

The highlights of the macro evaluation of the minutes are the following:

- The BCB believes that economic activity is on an upward trend, boosted by better levels of employment and wages, credit, lower interest rates, the effects of the 16% readjustment of the minimum wage in the economy, and the fiscal impulse of Q4 2005 and 1H 2006E. This is the first time that the central bank has mentioned fiscal policy.
- At the time of the meeting, the BCB expected industrial production to register a positive reading in January; however, data released after the meeting showed industrial production declined by 1.3% on a seasonally adjusted basis. Still, the BCB’s analysis is correct in the sense that the three-month moving average of the data has turned upward.
- As far as inflation goes, the BCB notes that the January uptick was temporary and that it expects to see the data improving considerably in March. The minutes implied that the central bank is comfortable with developments on the inflation front.
- The external sector is to have an important contribution to the economy in 2006, though less than in the previous couple of years.
- The BCB thinks that the global scenario remains constructive for Brazil, and this can be reflected in the contraction of spreads. On the other hand, it recognized a certain worsening of liquidity conditions.

Company & Industry Research

Brazil

GEM Steel, Mining, and
Cement

Brazilian Steel

**February Steel Data Remain Weak Y/Y (for Flats), Gaining M/M;
CSN Effect Is Being Felt**

Key Points

- ❑ **Big drop y/y and m/m in crude steel output.** Steel output in February plunged 18% y/y (or 460 kmt) to 2.13 mmt – the lowest level since July 2001 and down 8.5% m/m on a daily output basis. The monthly data were impacted by the CSN accident (January 22), which we estimate reduced output by about 250-260 kmt.
- ❑ **Domestic shipments down y/y but rebounding again m/m.** Finished product shipments fell 12% y/y to 1.20 mmt, the 11th straight month of negative results. However, for the second straight month shipments rebounded on a m/m basis (+2.7%).
- ❑ **Exports fall m/m as volumes are redirected to the domestic market.** Exports were 962 mmt, up 9% y/y (-5% m/m) and 43% of total shipments (down from 46% in January). Semifinished was 49% of total exports, followed by flat steel at 34% and long at 17%.
- ❑ **Did inventory levels decline?** Total finished/semifinished shipments (i.e., domestic + export) of 2.21 mmt in February appear to be 115 kmt higher than the comparable production level. While analysis is difficult without knowing other key demand variables, the IBS data may indicate that inventories declined in February.
- ❑ **Bottom line.** The data will continue to be affected by the CSN plant accident for several months – we are still awaiting disclosure from the company on the length/extent of the outage. 1Q06 results look to be sharply down for the flat steel producers on a y/y basis (but slightly improving q/q), while the long steel companies are benefiting from higher domestic demand.

Ratings:

Sector: *Market Weight*

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Companies Mentioned

USIMINAS (USIM5,BRL
75.50,Outperform)
CSN (SID,\$30.58,Underperform)

Priced as of market close on
March 16, 2006 16:00

Big drop y/y and m/m in crude steel output. Steel output in February plunged 18% y/y (or 460 kmt) to 2.13 mmt – the lowest level since July 2001 and down 8.5% m/m on a daily output basis. The monthly data were impacted by the CSN accident (January 22), which we estimate reduced output by about 250-260 kmt.

Domestic shipments down y/y but rebounding again m/m. Finished product shipments fell 12% y/y to 1.20 mmt, the 11th straight month of negative results. However, for the second straight month shipments rebounded on a m/m basis (+2.7%), perhaps helped by reduced inventories, increased construction spending, lowering interest rates, and seasonality effects.

Flat steel continues to vastly underperform long. Flat steel domestic sales declined 21.5% y/y, to 708 kmt, after the 13% drop in January. Shipments rose about 1% m/m. Long steel continues to do much better, up 7.7% y/y and 5% m/m in February to 491 kmt – the fourth straight month of increases (it was up 9% y/y in January).

Exports fall m/m as volumes are redirected to the domestic market. Exports were 962 mmt, up 9% y/y (-5% m/m) and 43% of total shipments (down from 46% in January). Semifinished was 49% of total exports, followed by flat steel at 34% and long at 17%. Excluding semifinished products, exports were 22% of overall shipments, only slightly above last year's level. We believe the CSN accident has resulted in less export sales given the priority of serving the higher-priced domestic market.

Did inventory levels decline? Total finished/semifinished shipments (i.e., domestic + export) of 2.21 mmt in February appear to be 115 kmt higher than the comparable production level. While analysis is difficult without knowing other key demand variables, the IBS data may indicate that inventories declined in February. The latest data from the Brazilian steel distributors' report (January) pointed to a 9% m/m drop in inventories – the eighth consecutive month of declines.

Bottom line. The data will continue to be affected by the CSN plant accident for several months – we are still awaiting disclosure from the company on the length/extent of the outage. 1Q06 results look to be sharply down for the flat steel producers on a y/y basis (but slightly improving q/q), while the long steel companies are benefiting from higher domestic demand (and therefore average prices). The overall outlook for the steels is improving given an expected recovery in domestic sales, benefits from the CSN outage (which helps prices), and a nascent rebound in export prices. Usiminas remains our top pick.

Brazil February Steel Production/Sales (in kmt)

In kmt	Feb 06	% ttl	Feb 05	y/y	Jan 06	m/m	m/m*	YTD 06	YTD 05
Production									
Crude Steel	2,131	NM	2,590	-17.7%	2,577	-17.3%	-8.5%	4,708	5,179
Finished	1,617	NM	1,836	-11.9%	1,961	-17.5%	-8.7%	3,578	3,665
Flat	913	NM	1,151	-20.7%	1,235	-26.0%	-18.1%	2,148	2,301
Long	704	NM	685	2.7%	726	-3.1%	7.3%	1,430	1,364
Semi Finished-For-Sale	484	NM	514	-5.8%	495	-2.4%	8.1%	979	1,020
Domestic Sales									
Finished	1,199	96%	1,357	-11.6%	1,293	-7.2%	2.7%	2,492	2,720
Flat	708	56%	901	-21.5%	775	-8.7%	1.1%	1,483	1,791
Long	491	39%	456	7.7%	518	-5.1%	5.0%	1,009	930
Semi Finished	54	4%	52	4.3%	42	96.1%	42.9%	95	98
Total Domestic Sales	1,253	100%	1,409	-11.1%	1,334	-6.1%	4.0%	2,587	2,818
Exports									
Finished	495	51%	465	6.4%	725	-31.7%	-24.4%	1,227	773
Flat	332	34%	219	51.8%	491	-32.5%	-25.3%	831	356
Long	164	17%	247	-33.7%	233	-29.9%	-22.4%	397	417
Semi Finished	467	49%	418	11.8%	400	17.0%	29.5%	867	737
Total Exports	962	100%	883	9%	1,124	-14.4%	-5.2%	2,094	1,510
Total Sales (Dom. + Exp.)	2,215		2,292	-3%	2,459	-9.9%	-0.2%	2,215	2,292
% Domestic (Flat)	68%		80%		61%			64%	83%
% Domestic (Long)	75%		65%		69%			72%	69%

Source: IBS preliminary data; Bear, Stearns & Co. Inc.

* On a per-day basis.

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Latin America Economic Forecast

	US\$ GDP (bil., US\$)			Real GDP (annual change)			Inflation (Dec/ Dec Change)		
	2005 (f)	2006 (f)	2007 (f)	2005 (f)	2006 (f)	2007 (f)	2005	2006 (f)	2007 (f)
Argentina	\$182	\$201	\$215	8.7%	4.7%	3.5%	12.3%	14.0%	9.0%
Brazil	\$792	\$962	\$1,023	2.3%	3.5%	3.7%	5.7%	4.5%	4.5%
Chile	\$112	\$129	\$133	6.3%	5.8%	5.0%	3.7%	3.0%	3.2%
Colombia	\$122	\$132	\$139	5.0%	5.2%	4.9%	4.9%	4.4%	4.0%
Mexico	\$753	\$805	\$845	3.1%	3.3%	3.5%	3.3%	3.6%	3.5%
Peru	\$76	\$83	\$81	6.3%	5.6%	5.3%	1.5%	3.1%	2.5%
Venezuela	\$114	\$126	\$140	9.0%	4.5%	3.0%	14.4%	18.0%	15.0%
Regional	\$2,151	\$2,438	\$2,576	4.0%	3.9%	3.8%	5.6%	5.5%	5.0%

	Exports (bil., US\$)			Imports (bil, US\$)			Trade Balance (bil., US\$)		
	2005 (f)	2006 (f)	2007 (f)	2005 (f)	2006 (f)	2007 (f)	2005 (f)	2006 (f)	2007 (f)
Argentina	40.0	42.0	44.0	29.0	33.0	38.0	11.0	9.0	6.0
Brazil	118.3	125.0	130.0	73.5	85.0	93.0	44.8	40.0	37.0
Chile	39.5	41.0	43.0	30.3	34.0	36.0	9.2	7.0	7.0
Colombia	21.0	23.3	24.4	19.7	22.5	24.0	1.3	0.8	0.4
Mexico	214.4	222.0	230.0	222.6	232.0	238.0	-8.2	-10.0	-8.0
Peru	17.0	18.4	19.2	12.0	14.0	15.2	5.0	4.4	4.0
Venezuela	55.0	53.0	35.0	22.0	26.5	28.5	33.0	26.5	6.5

	Trade Balance (% of GDP)			Current Account Balance (bil., US\$)			Current Account Balance (% of GDP)		
	2005 (f)	2006 (f)	2007 (f)	2005 (f)	2006 (f)	2007 (f)	2005 (f)	2006 (f)	2007 (f)
Argentina	6.1%	4.5%	2.8%	4.2	2.3	-1.5	2.3%	1.1%	-0.7%
Brazil	5.7%	4.2%	3.6%	16.0	10.0	6.0	2.0%	1.0%	0.6%
Chile	8.2%	5.4%	5.3%	-0.5	-2.0	-2.5	-0.4%	-1.5%	-1.9%
Colombia	1.1%	0.6%	0.3%	-2.0	-2.8	-3.5	-1.6%	-2.1%	-2.5%
Mexico	-1.1%	-1.2%	-0.9%	-4.2	-7.0	-10.0	-0.6%	-0.9%	-1.2%
Peru	6.6%	5.3%	4.9%	1.0	0.8	0.5	1.3%	1.0%	0.6%
Venezuela	28.9%	21.1%	4.6%	26.0	15.0	20.0	22.8%	11.9%	14.2%

	Benchmark Interest Rate (year-end)*			FX Rate (Annual Average)			FX Rate (Year End)		
	2005	2006 (f)	2007 (f)	2005	2006 (f)	2007 (f)	2005	2006 (f)	2007 (f)
Argentina	8.0%	11.0%	15.0%	2.92	3.13	3.38	3.03	3.25	3.50
Brazil	18.0%	14.0%	13.0%	2.43	2.18	2.22	2.34	2.15	2.30
Chile	4.5%	5.0%	5.0%	559	531	560	512	550	570
Colombia	6.3%	7.5%	8.2%	2,321	2,350	2,450	2,287	2,400	2,500
Mexico	8.0%	7.3%	7.0%	10.9	10.9	11.1	10.64	11.00	11.25
Peru	3.5%	5.5%	4.5%	3.30	3.25	3.60	3.42	3.55	3.65
Venezuela	10.7%	20.0%	18.0%	2,108	2,325	2,500	2,147	2,500	2,500

* Argentina: Baibor; Brazil: Selic; Chile: central bank target Rate; Colombia: DTF; Mexico: 28-day Cetes; Peru: 30-day interbank; Venezuela: 30-day loan rate.

Source: Bear, Stearns & Co., Inc, International Financial Statistics and Official Agencies.

Share Monitor

Bear Stearns Latin America Market & Share Monitor

Market	Regional Allocation (Non-Cash Portfolio)	Local Index	\$ Index Value	Rolling				52-Wk High	52-Wk Low	P/E		EV/EBITDA		
				Day	Week	Month	Y-T-D			2006E	2007E	2006E	2007E	
Equity Strategy													Thierry Wizman, Ph. D. (212) 272-7527	
Argentina *	<i>Underweight.</i> The current policy mix will continue to drag on longer-term growth and the performance of companies whose sales depend on domestic incomes growth. Recently, the government has negotiated price accords with price setters. In light of rising labor and other business costs, these implicit price controls suggest that operating margins may diminish.	MERVAL	590.91	0.9%	3.2%	6.9%	15.9%	593.4	440.3	14.5	14.4	5.6	5.5	
Brazil *	<i>Overweight.</i> External economic fundamentals remain robust, and soft commodity exports likely will support further BoP improvements in 2006. Recent gains in the economywide real wage bill also suggest that domestic household consumption may rise. Our focus list now reflects a preference for both export-related and domestic oriented investment themes. The risks to our positive outlook come from regional political uncertainties and the prospect that the large and recent fund-based inflows into Brazil may reverse or dissipate.	IBOV	18,046.94	-0.2%	7.4%	-0.2%	25.5%	18,597.0	9,657.3	9.4	8.8	5.1	4.9	
Chile *	<i>Overweight.</i> The economy remains among the region's healthiest and growth is broadly diversified among the components of GDP (with the possible exception of residential housing). The ruling coalition won the latest Presidential elections, ensuring policy continuity in an environment in which consensus has already been reached on important legislative topics. Our main fundamental concern is the rise in oil prices and valuation that seem high. However, we do not want to overstate those risks so long copper prices remain high and the fiscal balances can absorb the subsidies required to keep end-user fuel prices low. We believe that excessive valuations are concentrated in the banks and the retailers, sectors that we avoid for now.	IPSA	4.12	0.6%	3.3%	2.5%	7.3%	3.9	3.2	16.3	15.2	8.9	8.5	
Colombia *	<i>Market Weight.</i> Positive Bias. President Uribe will seek and likely win a second term, leading to expectations of continued security improvements and new economic reforms in late 2006 and 2007, perhaps including fiscal and mortgage credit reform. Despite this compelling fundamental story, we stay with a Market Weight allocation on the view that valuations are high versus historical and regional norms.	IGBC	4.79	0.7%	2.0%	1.1%	15.1%	5.0	1.9					
Mexico *	<i>Underweight.</i> Local economic fundamentals remain poor and valuations now warrant less exposure relative to Brazil, Chile and Colombia. We have cited: (1) the loss of competitiveness in manufacturing; (2) the slow gains in employment growth and industrial production growth (relative to the U.S.) that the loss of competitiveness has caused; (3) the lack of a political basis for implementing reforms that will address the loss of competitiveness; (4) increasing reliance on oil and remittances to offset the negative effect of competitive losses on the balance of payments. Besides, new risks related to uncertainties surrounding the election, if not the policy outcomes themselves, should also be viewed as fundamental risks.	MEXBOL	1,800.00	0.8%	5.4%	2.2%	7.5%	1,831.0	1,056.9	13.7	12.8	6.9	6.6	
Peru *	<i>Underweight.</i> Our constructive view on the country was based on a strengthening track record of sound macroeconomic policy, strong commitment to fiscal responsibility, improved economic growth, and increased trade links. (Recently Peru negotiated a free trade agreement with U.S.). However political risk has increased due to the rise in the Presidential election polls of Ollanta Humala, a former military rebel who carries radical economic views. Ollanta Humala will contest the second round of the elections with center right candidate Lourdes Flores Nano.	IGBVL	1,795.63	3.7%	0.6%	-1.8%	27.9%	1,971.3	1,138.2	11.2	13.1	5.4	7.4	
MSCI Latin Index		MSEUEGFL	2,514.25	NA	6.1%	0.9%	16.9%	2,577.5	1,420.2					

* Country level valuation estimates are supplied by Bear Stearns' global equity strategy and financial database group.

** Target prices, ratings as well as valuation estimates are provided by analysts from Bear, Stearns & Co. Inc.

PRICE TARGET VALUATION METHODOLOGIES: Chemicals & Petroleum -- DCF, EV/EBITDA; Banking/Financial Services -- Target P/BV; Emerging Market Airlines - P/E, EV/EBITDA, DCF; Food, Beverage & Tobacco -- EV/EBITDA and DCF; Electric & Other Utilities -- DCF; Retailers -- DCF, EV/EBITDA; Steel & Mining -- P/E, EV/EBITDA; Telecom -- DCF; Cement -- P/E, EV/EBITDA; Conglomerates -- EV/EBITDA or DCF; Cable & Media -- DCF; Steel & Mining -- P/E, EV/EBITDA.

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RISKS TO OUR PRICE TARGETS INCLUDE MACROECONOMIC DETERIORATION, FOREIGN EXCHANGE EFFECTS, AND REGULATORY DEVELOPMENTS.

Bear Stearns Latin America Market & Share Monitor
BRAZIL - COUNTRY/SECTOR-BASED VALUATION INFORMATION

Company	Symbol	Rating vs Market		YE06 Price	YE06 Target **	WACC ¥	Rolling				52-Wk	52-Wk	P/E		EV/EBITDA	
		Rating vs Sector***	Price				Target **	WACC ¥	Day	Week	Month	Y-T-D	High	Low	2006E	2007E
Paper, Pulp & Forest																
Aracruz **	ARA US			49.15			0.9%	5.2%	5.0%	22.8%	50.61	29.99				
Duratex	DURA4 BZ			20.81			1.2%	16.3%	16.9%	62.9%	20.81	7.80				
Klabin	KLBN4 BZ			2.32			0.1%	5.3%	5.5%	29.9%	2.40	1.49				
Suzano Bahia Sul Papel	SUZB5 BZ			6.59			0.4%	0.0%	6.5%	30.3%	6.99	3.77				
Votorantim	VCP US			15.19			2.5%	6.1%	8.3%	23.6%	15.56	10.61				
Retailers		Market Weight										Daniel Parker (212) 272-9441				
Coleminas	CTNM4 BZ			109.73			1.4%	4.5%	-4.8%	19.3%	106.21	69.36				
Diagnostics de America	DASA3 BZ			23.41			-4.8%	-9.3%	-1.9%	25.2%	26.80	9.96				
Lojas Americanas	LAME4 BZ			42.66			-0.3%	13.5%	-2.4%	38.8%	44.21	16.10				
Lojas Renner	LREN3 BZ			51.46			1.7%	3.4%	7.8%	59.6%	55.78	4.28				
Natura Cosmeticos	NATU3 BZ	P		55.34	104.00		-1.2%	2.4%	-0.9%	25.0%	59.89	25.62				
Submarino	SUBA3 BZ			23.84			-0.1%	5.2%	-13.2%	33.6%	27.77	6.00				
Pão de Açúcar **	CBD US	P		44.78	Under Review		-0.9%	8.1%	11.1%	36.1%	45.36	18.56			NM	
Steel & Mining		Market Weight										Daniel Altman, CFA (212) 272-5929				
Acesita	ACES4 BZ			16.31			0.9%	6.9%	4.9%	30.0%	17.03	9.89				
Arcelor Brasi **	ARCE3 BZ	P		16.21	16.50		0.9%	5.2%	1.9%	34.6%	16.18	7.18	8.7	8.1	5.7	5.2
Caemi**	CMET4 BZ	O		1.64	1.80		-1.6%	9.5%	-1.1%	11.9%	1.78	0.76	6.8		3.7	
CSN **	SID US	U		30.41	26.00		-0.6%	7.4%	-0.3%	42.1%	31.55	15.15	12.7	11.2	6.2	5.8
Gerdau **	GGB US	O		24.48	22.50		-0.2%	7.7%	10.1%	46.8%	24.97	8.89	8.0		5.9	
Usiminas **	USIM5 BZ	O		34.90	39.00		-2.6%	9.3%	4.0%	46.0%	35.82	14.82	7.0	7.3	4.4	4.7
Vale do Rio Doce-ON **	RIO US	O		44.92	56.00		-0.4%	6.2%	-6.2%	9.2%	51.27	25.60	8.1		6.9	
Vale do Rio Doce-PN **	RIO-P US	O		40.32			-0.4%	9.0%	-2.3%	11.2%	44.38	21.93				
<i>Sector Average:</i>							<i>-0.5%</i>	<i>6.9%</i>	<i>-1.9%</i>	<i>21.8%</i>			<i>8.4</i>	<i>8.9</i>	<i>6.2</i>	<i>5.2</i>
Telecom		Market Overweight										Rizwan Ali (212) 272-3513				
<i>Wireline & Integrated:</i>																
Brasil Telecom Part. **	BRP US	O		38.60	54.00	14.2%	-0.3%	4.3%	-5.9%	3.3%	45.18	30.69	10.0	7.6	2.9	2.9
Embratel Part. **	EMT US	O		11.75	18.50	14.0%	1.7%	2.6%	-9.1%	-20.3%	15.08	7.67	19.9	17.1	3.5	3.5
Telebrás	TBH US			36.75			0.6%	3.3%	-4.2%	7.0%	39.03	26.90				
Telemar	TMAR5 BZ			27.66			-0.8%	2.2%	-6.0%	1.3%	27.58	19.54				
Tele Norte Leste Part.**	TNE US	O		18.00	27.00	12.6%	1.1%	2.5%	-4.8%	0.4%	19.74	13.57	7.0	7.0	3.3	3.3
Brasil Telecom SA	BTM US			15.24			2.3%	3.3%	-2.8%	18.0%	17.05	10.50				
Telesp Wireline	TSP US			24.95			1.4%	5.7%	-2.2%	22.1%	25.50	17.54				
<i>Subsector Average:</i>							<i>0.7%</i>	<i>3.8%</i>	<i>-4.4%</i>	<i>8.1%</i>			<i>9.8</i>	<i>8.8</i>	<i>3.2</i>	<i>3.2</i>
<i>Cellular:</i>																
Market Overweight																
CRT Celular	CRTP5 BZ			33.81			-0.6%	-0.8%	-9.2%	31.1%	36.97	17.87				
TIM Participações **	TSU US	P		39.98	38.00	14.5%	1.6%	8.1%	4.7%	58.1%	39.98	14.05	18.3	14.1	6.6	5.9
TeleCentro-Oeste Celular **	TRO US	P		14.60	18.50	16.1%	0.3%	1.2%	-10.7%	30.1%	16.77	8.04	7.5	6.4	4.1	3.5
TeleLeste Celular **	TBE US	P		18.67	23.00	15.3%	2.3%	3.5%	-8.9%	31.9%	20.70	5.70	Loss	27.2	4.9	4.4
Telemig Celular **	TMB US	O		52.24	59.30	15.6%	-0.4%	0.7%	-4.8%	32.6%	57.85	28.65	12.2	9.6	4.0	3.6
TeleNorte Celular **	TCN US	P		13.12	13.90	16.1%	1.0%	2.5%	1.3%	76.1%	14.05	5.55	Loss	NM	4.2	3.6
Telesp Celular **	TCP US	O		4.79	6.40	14.5%	-0.4%	0.2%	-11.5%	26.7%	7.52	3.12	NM	18.8	5.1	4.4
Telesudeste Celular	TSD US			15.60			2.6%	0.3%	-9.6%	28.8%	17.50	7.12				
<i>Subsector Average:</i>							<i>0.6%</i>	<i>2.5%</i>	<i>-5.9%</i>	<i>37.2%</i>			<i>14.0</i>	<i>14.0</i>	<i>5.3</i>	<i>4.6</i>
<i>Sector Average:</i>							<i>0.7%</i>	<i>3.4%</i>	<i>-4.8%</i>	<i>15.9%</i>			<i>11.2</i>	<i>11.1</i>	<i>4.1</i>	<i>3.8</i>

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Bear Stearns Latin America Market & Share Monitor

MEXICO - COUNTRY/SECTOR-BASED VALUATION INFORMATION

Company	Symbol	Rating vs Market		Indicative		YE06		Rolling				52-Wk		P/E		EV/EBITDA	
		Rating vs Sector***	Price	Target **	WACC %	Day	Week	Month	Y-T-D	High	Low	2006E	2007E	2006E	2007E		
Latin American Airports																	
Market Weight																	
Daniel Parker (212) 272-9441																	
ASUR**	ASR US	O	33.46	46.00	14%	0.9%	1.6%	13.8%	3.5%	41.40	27.43	13.5		11.2			
GAP	PAC US		32.66			1.6%	10.9%	55.5%	55.5%	32.66	21.00						
Cement																	
Market Weight																	
Daniel Altman, CFA (212) 272-5929																	
Cemex **	CX US	P	65.62	69.00		3.2%	10.7%	9.4%	10.6%	66.28	34.38	10.1	9.8	7.8	7.5		
Conglomerates																	
Market Weight																	
Marc McCarthy, CFA (212) 272-7822																	
Alfa **	ALFAA MM	O	5.27	7.14	11%	-0.1%	5.3%	-3.8%	-5.1%	6.52	4.49	8.1	7.3	4.0	3.8		
Carso Industrial	GCARSOA1 MM	P	2.43	2.19		0.7%	2.9%	-1.2%	0.0%	2.76	1.62	12.9	13.6	7.4	7.2		
Desc B **	DESCB MM	U	1.13	1.35		0.3%	-1.8%	-8.7%	-9.5%	1.51	1.13	6.6	5.6	15.9			
Global Telecom	TELECOA1 MM		2.34			-1.8%	3.1%	3.8%	-9.4%	2.79	1.44						
San Luis	SANLUCPO MM		0.47			-1.1%	-1.1%	-5.5%	-7.3%	0.55	0.34						
Vitro **	VTO US	P	3.00	4.00		-0.7%	0.3%	-17.1%	-17.4%	4.08	2.07	NM	NM	5.7	5.7		
<i>Sector Average:</i>						-0.6%	3.2%	0.1%	-5.7%			11.0	11.1	6.7	6.0		
Construction																	
Market Weight																	
ARA	ARA* MM		4.32			8.1%	12.4%	-2.8%	2.2%	4.77	2.90						
CICSA	CICSA MM																
Geo	GEOB MM		3.73			-1.8%	7.7%	5.8%	5.7%	4.05	1.99						
Homex	HXM US		36.69			1.2%	3.8%	2.8%	19.6%	38.21	21.70						
ICA	ICA US	U	36.40	31.00		1.9%	5.3%	4.1%	24.4%	39.25	25.08	21.0		8.8			
Ideal	IDEAL MM																
Sare Holding	SARE MM		1.17			-0.1%	2.4%	1.3%	11.3%	1.26	0.63						
URBI	URBI* MM		7.77			1.0%	4.7%	10.8%	12.4%	8.19	4.64						
<i>Sector Average:</i>						1.8%	7.2%	5.4%	10.4%								
Banking/Financial Services																	
Overweight																	
Cost of Equity																	
Jason Mollin (212) 272-2005																	
P/BV																	
G F Banorte O **	GFNORTEO MM	O	2.34	2.88	12%	1.5%	6.1%	-3.9%	11.5%	2.57	1.45	10.2	9.2	2.1	1.8		
G F Inbursa O **	GFINBURO MM	O	1.55	2.27	12%	1.8%	3.6%	2.2%	-9.2%	1.82	1.38	10.6	8.2	1.3	1.2		
<i>Sector Average:</i>						1.6%	4.9%	-0.9%	1.4%			10.4	8.7	1.7	1.5		
Food, Beverage & Tobacco																	
Market Weight																	
Carlos Laboy (212) 272-3203																	
Bimbo	BIMBOA MM		3.43			1.4%	4.1%	-0.7%	-1.6%	3.71	2.34						
Coke Femsa **	KOF US	O	30.96	35.00	12%	-0.5%	2.4%	4.4%	14.6%	31.15	22.63	12.9		6.6			
Contal **	CONTAL* MM	O	1.74	1.80	10%	0.8%	5.2%	2.9%	4.7%	1.90	1.61	11.4		5.8			
Femsa **	FMX US	O	91.31	122.00	10%	1.6%	9.0%	13.9%	25.9%	91.31	50.91	20.8		7.3			
Gruma	GMK US		12.61			0.4%	3.8%	-10.1%	-4.3%	15.05	7.63						
Maseca	MSK US		9.57			0.0%	0.0%	0.0%	0.0%	10.60	7.70						
Modelo **	GMODELOC MM	P	3.80		14%	1.2%	14.8%	9.4%	5.1%	3.80	2.78						
<i>Sector Average:</i>						1.0%	8.8%	7.6%	11.7%			16.6	0.0	7.2	0.0		
Cable & Media																	
Underweight																	
Christopher Recouso (212) 272-6541																	
Corp. Interamericana B **	CIEB MM		1.98			0.5%	-0.6%	-9.0%	-8.8%	3.02	1.80						
Radio Centro	RC US		6.95			-0.6%	-5.4%	-7.2%	-4.1%	7.75	6.45						
Televisa **	TV US	P	78.23	87.11	12%	-1.2%	2.1%	-2.9%	-2.8%	85.39	52.75	15.1	16.5	8.0	8.0		
TV Azteca **	TVAZTCPO MM	U	0.66	0.67	13%	1.0%	8.3%	-4.2%	-0.3%	0.69	0.47	3.7	3.8	0.5	0.4		
<i>Sector Average:</i>						-0.7%	2.8%	-3.5%	-2.8%			13.4	14.5	6.9	6.8		
Paper, Pulp & Forest																	
Market Weight																	
Kimberly-Clark	KIMBERA MM		3.34			0.9%	1.4%	-6.7%	-6.6%	3.85	2.82						
Retailers																	
Underweight																	
Daniel Parker (212) 272-9441																	
Casa Autrey	SAB US		21.28			1.3%	10.6%	23.3%	18.6%	21.28	14.88						
Comerci	MCM US		35.86			-0.1%	8.2%	1.5%	18.5%	36.72	19.70						
Elektra	ELEKTRA* MM		11.18			-0.9%	1.7%	9.6%	26.4%	11.59	6.89						
Gigante	GIGANTE* MM		0.66			-7.3%	-7.3%	-7.9%	0.6%	0.90	0.63						
Sanborns B	GSANBOB1 MM		2.22			1.1%	5.0%	3.1%	-3.5%	2.30	1.55						
Soriana	SORIANAB MM	U	4.20	3.80		0.8%	2.4%	-1.5%	-7.2%	4.71	3.38	9.8		5.5			
Walmex V **	WALMEXV MM	O	2.79	P\$63		1.6%	6.0%	-1.6%	0.5%	2.97	1.69	13.8		8.0			
<i>Sector Average:</i>						1.1%	5.1%	-0.4%	2.6%			13.4	0.0	7.7	0.0		
Shipping & Transportation																	
Market Weight																	
TMM A	TMM US		5.15			-3.6%	3.8%	-1.2%	33.8%	5.34	2.15						
Steel & Mining																	
Market Weight																	
Daniel Altman, CFA (212) 272-5929																	
Gmexico B **	GMEXICOB MM	O	2.76	3.45		0.0%	6.1%	1.1%	18.2%	2.92	1.46	6.1		4.0			
<i>Sector Average:</i>						0.0%	6.1%	1.1%	18.2%								
Telecom																	
Overweight																	
Rizwan Ali (212) 272-3513																	
Telmex **	TMX US	O	22.73	27.00	10.6%	-0.8%	1.5%	-1.2%	-7.9%	26.04	16.49	9.0	8.5	4.9	5.0		
America Movil **	AMX US	O	35.13	38.00	12.6%	0.4%	5.3%	2.0%	20.1%	35.73	16.15	19.1	14.9	9.7	8.2		
Iusacell **	CEL US		11.75			0.0%	0.0%	0.0%	0.0%	20.47	8.00						
<i>Sector Average:</i>						0.0%	4.2%	1.1%	12.2%			16.3	13.1	8.3	7.3		

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Outperform (O) - Stock is projected to outperform analyst's industry coverage universe over the next 12 months.

Peer Perform (P) - Stock is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.

Underperform (U) - Stock is projected to underperform analyst's industry coverage universe over the next 12 months.

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Market Overweight (MO) - Expect the industry to perform better than the primary market index for the region (S&P 500 in the US) over the next 12 months.

Market Weight (MW) - Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the US) over the next 12 months.

Market Underweight (MU) - Expect the industry to underperform the primary market index for the region (S&P 500 in the US) over the next 12 months.

Bear, Stearns & Co. Inc. Ratings Distribution as of December 31, 2005:

Percentage of BSC universe with this rating / Percentage of these companies which were BSC investment banking clients in the last 12 months.

Outperform (Buy): 40.4 / 22.6

Peer Perform (Neutral): 49.6 / 16.2

Underperform (Sell): 10.0 / 6.4

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