

Brazil's Real Advances for Second Day on U.S. Bailout Plan

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Brazil's real rose for a second day as the U.S. government's \$700 billion financial rescue plan buoyed demand for higher-yielding assets.

"The week is starting out on a much better note because of the bailout plan, so investors are taking on a bit more risk," said Ricardo Lemos, a fixed-income strategist at Sao Paulo-based Liquidez, Brazil's largest currency derivatives brokerage.

The real rose 1.5 percent to 1.8032 per dollar at 4:43 p.m. New York time, after most trading had ended in Brazil. On Sept. 19 the real soared 3.5 percent, the most since August 2007. The gains pare the real's losses this month to 9.5 percent, the biggest decline among the 16 most-traded currencies against the dollar. Last week's collapse of Lehman Brothers Holdings Inc. and government bailout of American International Group Inc. throttled demand for all but the safest assets.

Yields on local bonds and on rate futures contracts fell after a weekly survey of economists by Brazil's central bank showed inflation estimates are declining.

Economists cut their 2009 inflation estimate for a second week, to 4.97 percent from 4.99 percent, according to the median of about 100 forecasts in a central bank survey published today.

Consumer prices will end this year at 6.23 percent, compared with a forecast of 6.26 percent a week earlier, the survey showed. The government targets inflation of 4.5 percent, plus or minus 2 percentage points this year and next.

The yield on Brazil's zero-coupon bonds due in January 2010 dropped 3 basis points, or 0.3 percentage point, to 14.88 percent. The yield on the overnight futures contract for January delivery fell 1 basis point to 14.03 percent.

Source: Bloomberg