From: "jeffrey E." <jeevacation@gmail.com>
To: Daniel Sabba <[redacted]>
Subject: Re: Fw: (BN) Ibovespa Tumbles With Real as Petrobras Ratings Cut by Mood [C]
Date: Sun, 01 Feb 2015 11:39:26 +0000

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yes

On Sat, Jan 31, 2015 at 8:20 PM, Daniel Sabba <[redacted]> wrote:

> Classification: Confidential
>
> See below... I think the CDS trade offered better risk reward than equities or FX. The spread increased more than 13% from 201 / 205 to 228 / 232 .
>
> In the same period USDBRL went from 2.64 to 2.68 (1.5%) and IBOV went from 48041 to 46907 (-2.4%).
>
> Does this make sense?
>
> ----- Original Message -----
> From: Daniel Sabba (DEUTSCHE BANK SECURI) [mailto[redacted]]
> Sent: Saturday, January 31, 2015 08:06 PM
> Subject: (BN) Ibovespa Tumbles With Real as Petrobras Ratings Cut by Mood
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> y's
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> --
> This has been prepared solely for informational purposes. It is not an offer, recommendation or solicitation to buy or sell, nor is it an official confirmation of terms. It is based on information generally available to the public from sources believed to be reliable. No representation is made that it is accurate or complete or that any returns indicated will be achieved. Changes to assumptions may have a material impact on any returns detailed. Past performance is not indicative of future returns. Price and availability are subject to change without notice. Additional information is available upon request.
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> Ibovespa Tumbles With Real as Petrobras Ratings Cut by Moody's
> 2015-01-30 21:03:37.448 GMT
>
> By Denyse Godoy and Paula Sambo
> (Bloomberg) -- The Ibovespa fell the most among major equity benchmarks and the real tumbled after Petroleo Brasileiro SA's rating was cut to the precipice of junk.
> The Ibovespa slid 1.8 percent to 46,907.68 in Sao Paulo, extending its monthly drop to 6.2 percent. The real lost 2.9 percent to 2.6829 per dollar, the biggest decline among 31 major currencies tracked by Bloomberg, and posted its fifth straight monthly loss, the worst streak since 2009.
> Petrobras shares and bonds dropped as Moody's Investors Service cut the state-controlled oil producer's credit rating to the lowest level of investment grade and said a further

reduction was possible. The company is embroiled in Brazil's biggest-ever corruption scandal, accused of accepting bribes from a cartel of construction companies that for years fixed bids on Petrobras contracts. It hasn't been able to release audited financial results for the third quarter and could have trouble obtaining financing, Moody's said in its statement.

"That's terrible news for the company and for Brazilian stocks and bonds in general," Pedro Paulo Silveira, the chief economist at brokerage firm TOV Corretora, said by phone from Sao Paulo. "It only increases the distrust of investors regarding the Brazilian market."

The real and the Ibovespa extended their declines as the central bank reported that Brazil's budget deficit unexpectedly widened in December to 60.1 billion reais ($22.4 billion). The median forecast of analysts surveyed by Bloomberg called for a shortfall of 30 billion reais.

S&P Downgrade

Standard & Poor's cited an economic slowdown and deteriorating fiscal accounts when it cut Brazil's credit rating in March to one level above junk.

"Since Petrobras is a state-controlled company, and its current crisis is caused by political reasons, investors extend their bad perception of the management of the company to the management of the economy as a whole," Lucas Marins, an analyst at brokerage firm Ativa, said by phone. "All industries are suffering because of this pessimism."

Steelmaker Usinas Siderurgicas de Minas Gerais SA dropped for a seventh consecutive day in the longest stretch of losses since September as Estado de S. Paulo reported Brazil's antitrust regulator will investigate a joint venture's acquisition of a company stake. The stock slid 5.6 percent to 3.35 reais, extending its seven-day drop to 18 percent.

Appetite 'Souring'

Petrobras's shares fell for a third straight day, declining 6.5 percent to an 11-year low of 8.18 reais. Moody's lowered all of its ratings for the company, which accounts for about 7 percent of the Ibovespa's weighting. The oil producer's $2.5 billion of bonds due in 2024 dropped 4.3 cents to 89.81 cents on the dollar, the biggest one-day decline on record.

"The ongoing Petrobras crisis is souring investors' appetite for Brazilian assets," Joao Paulo de Gracia Correa, a trader at Correparti Corretora de Cambio in Curitiba, Brazil, said by telephone.

Any decision regarding payment of dividends will be taken at a shareholders' meeting, the company said in a statement on its website Friday. Chief Financial Officer Almir Barbassa said on a conference call with analysts Thursday that Petrobras may not pay dividends even if it had a profit in 2014.

Oi SA, Latin America's most-indebted phone company, extended its biggest monthly drop since 1998 after revoking a pledge to pay dividends of 500 million reais a year. It sank 11 percent to 4.99 reais and was down 42 percent in January.

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--With assistance from Filipe Pacheco in Sao Paulo.

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