

NEWSLETTER

October & November 2018

October 09, 2018

Market rallies after right-wing victory curbs political risks

Investors reacted euphorically to the 17-percentage-point lead obtained by Jair Bolsonaro in the first round of the presidential election, and to the major leap of his Social Liberal Party (PSL) in the Chamber of Deputies – it grew to 52 deputies from 8. Both moves signaled that political risk had dropped considerably as Mr. Bolsonaro is more likely to form a governing majority if he wins. The stock market rallied to levels seen before the truckers' strike in May, while long-term interest rates dropped. Investors grew so bullish that B3 saw the highest trading volume since the 1990s, at R\$24.6 billion, with the dollar also falling to the lowest level in two months at R\$3.76 and Ibovespa ending the day up 4.6% at 86,084 points. The rising tide lifted all boats but especially shares linked to the local economy and state-owned companies.

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

October 10, 2018

China's Tencent injects \$90m into fintech Nubank

The capital injection of Chinese tech giant Tencent into Nubank may bring other investors to the Brazilian startup market. The credit-card fintech confirmed Tuesday that it had received \$90 million from the Chinese company, which in addition to its direct investment, also bought the stake of other shareholders for another \$90 million. The deal raises Nubank's valuation to \$4 billion, the largest among Latin American startups. Guilherme Horn, a consultant with the Brazilian Fintechs Association (ABFintechs), says the figure is "very significant for a fintech, even globally", but falls short of what Nubank can still achieve.

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

October 10, 2018

ANAC insists on revoking Viracopos concession

The National Civil Aviation Agency (ANAC) won a court ruling allowing it to continue revoking the concession of Viracopos airport in Campinas, currently controlled by Triunfo Participações e Investimentos, UTC and Infraero. The court overruled a provisional decision to halt the process and stop collecting fines for failing to meet investment mandates. The development is yet another blow to ABV, the concessionaire, which currently is under bankruptcy protection. The concessionaire, which had already manifested the intention to forfeit the airport and find a market solution, says it will appeal the decision.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 10, 2018

Camex maps Brazilian losses from Argentine crisis

Brazilian exports are highly sensitive to the worsening Argentine crisis but boosting sales to other neighboring countries may almost offset the adverse effects, according to a confidential government report seeking to measure the impact of the weaker peso and the return of trade barriers. A 1% drop in Argentina's GDP, as forecast by the country's government for this year, could curb Brazilian exports to the Mercosur peer by 4.4% and reduce revenues by \$770 million, according to the study conducted by the Foreign Trade Chamber (Camex) to inform cabinet-level decisions and to which Valor had access. Car exports are forecast to reach 700,000 units at the most, from the original target of 900,000.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 11, 2018

CPFL Renováveis minority holders get closer to deal with State Grid

The clash between CPFL Renováveis's minority shareholders and China's State Grid is moving towards a solution. Minority holders such as BTG Pactual and Pátria demanded from the Chinese group a better offer for the acquisition of a 48.4% stake in the renewable-energy company, a unit of CPFL Energia, which was bought by State Grid in July 2016. The CVM board rejected the last appeal filed by the minority shareholders, and State Grid is expected to launch in the coming days a public offering of R\$14.60 per share. Adjusted for base interest rate Selic, the price is close to R\$17 per share, up from the R\$12.20 originally proposed by State Grid. As a result, the Chinese company will have pay more than R\$4 billion for the CPFL stake, compared with the R\$3 billion of the original proposal.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 11, 2018

European Commission starts analysis of Suzano-Fibria merger

Suzano Papel e Celulose has taken another important step to complete its merger with Fibria. On Tuesday the pulp and paper company filed a request with the European Commission for the analysis of the transaction, which could be finished still this year. If the

European antitrust body gives an answer in the first phase of analysis, the decision could be announced within 35 business days. Regulators from the US, China and Turkey have already approved the merger without restrictions. In Brazil, the Administrative Council for Economic Defense (Cade) has not yet announced its decision, but all previous steps have been fulfilled, a source told Valor.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 11, 2018
SPIC in talks to buy stakes of Santo Antônio partners

China's State Power Investment Corporation (SPIC) is planning to submit in the coming days a binding proposal for the stakes of Odebrecht, Cemig and Andrade Gutierrez in the Santo Antônio hydroelectric dam, Valor has learned. The proposed price for the Madeira River dam is still unknown, but analysts think the amount will be relatively low, taking into account the company's R\$14 billion debt. The Chinese company wants the proposal to be ready before the conclusion of talks with the Brazilian Development Bank to restructure Santo Antônio's R\$10 billion debt. The process is likely to lengthen maturities until 2040 but with higher spreads, reducing the asset value.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 15, 2018
Brazilian bonds outperform emerging-market peers

Even though international markets deteriorated recently, the current advantage of a pro-market presidential candidate in Brazil is helping the country's bonds outperform its emerging market peers in October. The trend will depend on global patterns and investor appetite for higher-yielding assets, analysts say. "There was an adjustment of positions after the first round, but foreign investors are still cautious because of the international scenario," says Sérgio Vailati, the XP Investimentos partner in charge of offshore investments. Still, the average yield of ten-year sovereign bonds of six emerging markets grew 0.320 percentage point until October 11, while the return of Brazilian bonds fell 0.283 point in the period – bond yields move in the opposite direction of demand.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 15, 2018
Mobius optimistic about Brazilian equities post-election

Mark Mobius, the famed asset manager who for three decades led the emerging markets unit of Franklin Templeton and this year launched his firm, Mobius Capital Partners, says he is optimistic about Brazilian equities after the first round of the elections. "There is a chance that, if elected, Jair Bolsonaro will be good for business and equities," mainly because he seems to be moving toward reforms, and the electoral result itself shows voters want changes.

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

October 15, 2018

China's Trina puts off building solar-panel plant in Brazil

Trina, a Chinese maker of solar panels that opened an office in Brazil almost two years ago, does not think it's time to set up a factory in the country yet. The company's vice president, Rongfang Yin, says that Trina had to review its plans because of the "drought" of new power-generation auctions. Despite demanding more attractive conditions to invest, Trina still aims to be the third largest supplier of solar panels in Brazil. Today, it is the fifth largest, importing equipment from its plants in China and Europe.

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

October 15, 2018

Anatel moves forward proposal to release Fust funds

A proposal led by the National Telecommunications Agency (Anatel) seeks to authorize, after almost two decades, using the money from the Telecommunications Services Universalization Fund (Fust). A draft bill brings a series of changes that could increase Fust's revenue to R\$3.16 billion a year, three times more than the current amount, according to Anatel's estimates. The goal is to use this money to expand broadband coverage, especially in less-served regions such as the Central-West, North and Northeast. The draft bill has already been sent to the Ministry of Science, Technology, Innovation and Communications.

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

October 16, 2018

Voith Paper bets on new investment wave after elections

Germany's Voith Paper, one of the world's largest suppliers of equipment and solutions for the paper industry, is optimistic about the post-electoral scenario in Brazil, betting that companies that have postponed investments because of political uncertainty will resume their modernization and expansion plans, also encouraged by prospects of economic growth. For Hjalmar Fugmann, president of Voith's paper division in South America, both Jair Bolsonaro (PSL), who leads the voting-intention polls, and Fernando Haddad (PT) are already "priced." "When we talk to customers, we see their desire to invest in 2019," he added.

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

October 16, 2018

JBS and Invepar get ready for bond issues overseas

Seizing the good moment for Brazilian bonds this month, companies are resuming their bond sales abroad. JBS and Invepar are meeting with foreign investors this week to

assess the market's interest in new issues. Meat giant JBS plans to issue about \$500 million in bonds to finance part of the repurchase of outstanding securities due in 2020 and 2021, Valor has learned. Infrastructure holding company Invepar has resumed plans to raise funds abroad and starts this Wednesday a week of meetings with investors in the US and London. The company plans to raise nearly \$500 million with medium-term bonds, sources say.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 16, 2018

Vale breaks production record with 104.9m tonne haul

Vale has surpassed the barrier of 100 million tonnes of iron ore produced in a single quarter. The mining company produced 104.9 million tonnes in the July-September period, up 10.3% from the same quarter of last year. The increase also happened with higher grades of ore, according to the company's strategy: pelletized offerings and the output of S11D, the company's newest mine in Carajás, Pará.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 16, 2018

Petrobras power plants could go offline amid uncertain reform

The market estimates that at least 1,500 megawatts of capacity could be lost starting in 2023 if some thermal plants, mostly belonging to Petrobras, don't have their contracts renewed. That's about 2% of the system's current load. Under the current regulatory model, those plants cannot be contracted again for the long run, only in one-year contracts in existing auctions, which makes them disadvantageous. The industry's regulatory proposal would allow long-term contracts for them, but there is still uncertainty over the upcoming administration and whether it would endorse the reform.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 17, 2018

After raising \$85m with investors, Mutant eyes acquisitions

Mutant, which specializes in customer relationship management (CRM) solutions, raised \$85 million with Canada Pension Plan Investment Board (CPPIB) and private-equity firm Adams Street Partners. Alexandre Bichir, chief executive of Mutant, says the idea is to use the funds to launch products and services and keep up the company's acquisition strategy. Since 2016 there have been four acquisitions (Unear, CCM7, TSA and Dextra), and the expectation is to do make another eight in the next three years. "There is a group of companies, which have technology and a customer base, that is stagnant because raising money is very expensive, and because the company has no governance," Mr. Bichir says. Mutant had revenues of R\$300 million last year and expects to end 2018 with R\$350 million.

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

October 17, 2018

Vale CEO says Brazil and China are mutually dependent

The CEO of Vale, Fabio Schvartsman, emphasized the importance of bilateral ties between China and Brazil and warned that trade disputes “benefit nobody.” The executive also spoke of mutual dependence between the countries and hoped that presidential candidate Jair Bolsonaro would get plenty of information about China-Brazil relations and the mutual dependency of both economies. “Brazil got what China needs, Brazil needs what China got,” Mr. Schvartsman said after leaving a Financial Times event in Rio de Janeiro. Mr. Bolsonaro has recently warned that “China is buying Brazil. Are we going to leave our energy in the hands of the Chinese?”

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

October 17, 2018

BRF negotiates leniency agreement

BRF is negotiating a leniency agreement with the Federal Prosecution Service and the Ministry of Transparency. The company filed its request a few weeks ago, and now the parties are setting up negotiating teams, sources say. The initiative is part of orders by the food company’s CEO, Pedro Parente, to turn a page, supplying all information that the control bodies may request in order to scrutinize the company’s past. Sources say that BRF intends to detail, among other things, the workings of a kickback scheme to inspectors of the Ministry of Agriculture, in exchange for easing their inspections.

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

October 18, 2018

Manufacturing industry concerned about Bolsonaro's open trade policy

The free-trade plan advocated by the team under the coordination of economist Paulo Guedes, announced as superminister of Finance in a potential government of Jair Bolsonaro (Social Liberal Party, PSL), already faces strong resistance in influential segments of the manufacturing industry. One of the proposals would be a unilateral cut in import tariffs in order to increase competition in the country and to absorb innovative technologies from abroad. “Open trade, if made unilaterally, will not bring gains to the country and to society without a policy to face the obstacles that reduce Brazilian products’ competitiveness,” says José Velloso, president of the Machinery Builders’ Association (Abimaq). Even with no details, the plan also raises doubts in the Foreign Relations Ministry, which expects a potential impact on ongoing free-trade talks.

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

October 18, 2018

Investors hope to wrestle better terms for Smiles deal

Minority holders of Smiles are organizing to negotiate with the customer loyalty program's owner, airline Gol, its planned takeover. They argue that Gol is offering unfavorable terms for the cash and share deal, which would give them less sway at the merged company. Another asset manager claims investors were not expecting Gol to take the subsidiary private and instead had been betting it would use Smiles's cash pile for acquisitions. Even though they see positive aspects in the deal, the investors balk at how Gol communicated it and the terms being offered. Gol argues there is growing competition among customer loyalty programs worldwide and that it is only following the trend among its peers to seek synergy gains by incorporating the units, like Latam recently announced.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

October 19, 2018

New list to authorize 350 meatpackers exporting to Hong Kong

Amid pressure from Hong Kong to restrict the number of Brazilian slaughterhouses allowed to export meat, the Ministry of Agriculture has proposed the creation of a list with 350 authorized meatpackers, a source told Valor. The general list defined by the Brazilian government is made up of 700 meatpackers. However, in the wake of Operation Weak Flesh, Hong Kong authorities have decided to revise the list, requiring Brazil to identify slaughterhouses that follow specific health rules. Hong Kong is Brazil's largest beef buyer, accounting for about 25% of total shipments, and the second largest importer of pork, accounting for more than 20% of Brazilian sales abroad. In the year through September, meat exports from Brazil to Hong Kong totaled \$1.8 billion, according to Ministry of Agriculture data.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

October 19, 2018

Amaggi prepares debut on biodiesel Market

Amaggi, the largest grain producer and processor of national capital, will also operate in the biodiesel segment starting in 2019. The intention is to sell the product, but the company plans to also use it in its own fleet of tractors, harvesters and other machinery. Amaggi intends to build a new facility in Lucas do Rio Verde (Mato Grosso), where it already has a soybean crushing plant. This investment could cost R\$75 million, the company estimates. But the purchase of a unit already in operation is not ruled out, Valor has learned. Owned by the family of Agriculture Minister Blairo Maggi, Amaggi ended 2017 with net revenue of R\$14.27 billion and profit of R\$534.5 million.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

October 19, 2018

Ahlstrom-Munksjö doubles specialty paper capacity in Brazil

Finland's Ahlstrom-Munksjö, one of the world's largest specialty paper manufacturers, has doubled its size in Brazil by investing more than R\$500 million recently. In addition to investments to expand capacity of its two plants, on Thursday the company took over the

operations of MD Papéis in Caieiras, São Paulo, in a transaction valued at R\$420 million, raising its annual revenue in Brazil to nearly R\$1 billion.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 19, 2018
JBS tests market with \$500m bond issue

Meat giant JBS finished issuing \$500 million in international bonds maturing in 2026, opening a new cycle of capital-market offerings by Brazilian companies that could run until the end of the year. Infrastructure holding company Invepar started its efforts on Thursday, with a \$650 million issue. At least three other offerings are in the pipeline as companies resume international bond offerings in light of the lead of a supposedly pro-market presidential candidate and marginally better global appetite for emerging-market debt. Nevertheless, the fourth-quarter volume is likely to fall below last year's when many companies pushed forward offerings in anticipation of a volatile election year.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 19, 2018
Spic, Zhejiang study bid for Triunfo's Três Irmãos

Triunfo has started negotiations with at least two companies to sell its 50.1% stake in Tijoá, the concessionaire operating Três Irmãos, the biggest hydroelectric dam on the Tietê River. Valor has learned that Chinese companies Spic Pacific Hydro and Zhejiang Energy Group are eyeing the asset but have yet to begin due diligence of talk prices. Triunfo has been trying to sell the concessionaire for over a year. Três Irmãos has an installed capacity of 807.5 megawatts. Triunfo and Spic declined to comment, Zhejiang did not respond by this edition's close.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 19, 2018
With sole bid, Votorantim and CPPIB take control of CESP

Consortium São Paulo Energia, joint venture between Votorantim Energia and the Canadian Pension Plan Investment Board, won Friday afternoon the control of São Paulo power company CESP, making the sole bid for the stake held by the state government. The consortium offered R\$14.60 per share, a premium of 2.1% over the minimum price of R\$14.30. It commits to taking a stake of 40.6% of the total equity, or 95.2% of the voting rights, for the equivalent of R\$1.7 billion. The consortium will have to make a public offer for the minority stakes that may raise its disbursement to R\$4.8 billion. It will also have to make a fixed payment of R\$1.4 billion for the renewal of the concession of Porto Primavera, CESP's largest hydroelectric plant.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 22, 2018

P&G imports 90 scientists to accelerate Brazilian research

Procter & Gamble has decided to transfer 90 Venezuelan scientists to work alongside 30 Brazilian researchers as it shifts its Latin America product development lab to São Paulo from Caracas. Challenges operating the lab in Venezuela, where P&G still has production facilities, motivated the shift. The new facility will only open officially next year, but the scientists are already working together and have developed a new female pad for the Always brand, and a new version of Pampers diapers. Shaving-razor brand Gillette is the next target. "Our plan is to accelerate [product] launches," says Juliana Azevedo, the president of P&G in Brazil.

Source: Valor Econômico S. A.

<http://www.valor.com.br/international>

October 22, 2018

Votorantim Energia and CPPIB buy control of Cesp for R\$1.7bn

A joint venture created late last year by Votorantim Energia and the Canadian Pension Plan Investment Board (CPPIB) made the winning bid of R\$1.7 billion for 35.6% of Cesp, the state-owned power company of São Paulo. The 1,627 megawatts operated by Cesp will add to the joint venture's 564MW. At a little over 2,100MW of capacity, the joint venture, known as São Paulo Energia, will grow closer to traditional industry groups like AES Tietê, which has 2,600MW. The partners also bid R\$1.4 billion to renew the contract of Porto Primavera, Cesp's top asset, until 2048. They may have to spend R\$4.8 billion to buy all of the company's shares.

Source: Valor Econômico S. A.

<http://www.valor.com.br/international>

October 22, 2018

Braskem minority shareholder demands R\$3.6bn compensation

After investing R\$5,000 in 100 shares of petrochemical group Braskem in April, José Aurélio Valporto de Sá Junior, one of the representatives of the Association of Minority Investors (Aidmin), filed a suit last month seeking compensation for R\$3.6 billion in damages due to alleged abuse of power from industrial conglomerate Odebrecht. Mr. Valporto's lawsuit is grounded on corruption practices uncovered by Operation Car Wash three years ago, and confessed in a leniency agreement signed by both companies in December 2016. Odebrecht, the owner of Braskem, has requested the lawsuit to be shelved, alleging Mr. Valporto became a shareholder a long time after scandal. The case is in the 2nd Business Court of São Paulo and overseen by Judge Eduardo Pellegrinelli, who did not comment.

Source: Valor Econômico S. A.

<http://www.valor.com.br/international>

October 22, 2018

Finland's Pöyry bets on new investment wave in pulp and paper for 2019

One of the leading references in consulting and engineering services for the pulp and paper industry, Finland's Pöyry sees potential for new investment in industrial and infrastructure projects in Brazil next year. Pöyry's president for Latin America, Fábio Fonseca, says there is also a rebound in demand for conceptual and basic engineering projects, in a sign that companies are preparing for a new round of investments. By 2030, estimates indicate that such investments would total \$10 billion, considering the global market's growth and the closure of production lines.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 23, 2018

Ant Financial, of Alibaba, to invest \$100m in Brazil's Stone

Credit-card processor Stone said on Monday in a material fact sent to the US Securities Exchange Commission that Ant Financial, the world's largest fintech, has committed to invest \$100 million in the Brazilian company's shares. Ant Financial is controlled by Chinese e-tailer Alibaba, itself owned by billionaire entrepreneur Jack Ma. The capital injection will be made at the same price per share as that of Stone's initial public offering, which will be priced Thursday. The transaction takes place concurrently with the IPO and has up to 30 days to be completed. Stone debuts on the stock market on Friday.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 24, 2018

Carf rules silent partners can be tax exempt

The Board of Tax Appeals (Carf) approved on Tuesday that the so-called silent partners can manage the business and receive dividends exempt from income tax, as is already the case with regular partners. Silent partners are allowed in special partnership companies used to provide real estate, legal, hospital and educational services, among others. In this model, the "ostensive partner" takes responsibility for the business while "silent" ones enter as participating partners. They also do not pay income tax on dividends received for their services. By a majority vote, the Carf's 1st instance understood that this is a legal tax planning. The federal government will appeal the decision.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 24, 2018

Light plans capital increase to raise R\$2bn

Light has called an extraordinary shareholders' meeting for November 22, which in practice makes possible the follow-on stock offering scheduled for late this year, and is expected to raise funds to prevent the company from turning into a state-run utility controlled by Cemig. Among the changes proposed is an authorization to increase Light's equity by 120 million shares. Considering the closing price on Tuesday, of R\$17.57, the offering may raise more than R\$2.1 billion. The transaction, if confirmed, will be anchored by GP Investimentos and at least another foreign investor. Today Cemig has 48.75% of Light but after the liquidation of a put option by partners the stake will surpass 50%.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

October 25, 2018
Agribusinesses moderately optimistic about 2019

Brazilian agribusinesses are somewhat positive about the economy in 2019 and plan to keep or expand investments. But they warn that the next administration, whatever it is, will have to work hard to advance tax reform and unlock investments in logistics and infrastructure. The conclusions come from a survey by Globo Rural, a magazine published by the same media conglomerate that controls Valor, during the “Best of Agribusiness 2018 Award” Tuesday night in São Paulo. About 250 people among executives, businesses owners and trade group representatives attended, including Agriculture Minister Blairo Maggi.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

October 25, 2018
Exports boost Vale and Fibria third-quarter profits

Mining giant Vale ended the third quarter with a \$1.41 billion profit, down 36% compared with the same period in 2017. But recurring net income —which excludes atypical factors such as provisions and abrupt exchange-rate oscillations — when measured in reais totaled R\$8.31 billion, a 32.4% increase. In the third quarter, the iron-ore premium reached \$8.6 per tonne; compared with \$5.2 per tonne in the January-March period. Meanwhile, Fibria, the world's largest producer of eucalyptus pulp, had net profit of R\$1.13 billion in the third quarter, up 52% year-on-year, driven by higher commodity prices and the weaker real against the dollar, in addition to record operating results.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

October 26, 2018
Vale preparing to file for Samarco license

Vale CEO Fabio Schvartsman reaffirmed that he expects Samarco to resume production in early 2020, based on recent agreements between the owners – Vale and BHP – and authorities offering compensation for the 2015 environmental disaster in Mariana. Mr. Schvartsman says the company will apply for a new operating license in the next few months that, if granted, would allow the iron miner and pelletizer to start producing again in early 2020 at one-third of its original capacity of 30 million tonnes a year.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

October 26, 2018
Livraria Cultura gets green light for judicial reorganization

The court accepted the bankruptcy protection filing of bookstore chain Livraria Cultura, whose request was made on Thursday in the 2nd Court of Bankruptcy and Judicial Recovery of São Paulo. The bookstore chain's total debt reaches R\$285 million, including overdue and due debt. The recovery plan is still being prepared, but Cultura does not intend to close more stores. The chain has currently 15 units in the country. In the last six months, the group closed 13 stores, 11 of book and electronics chain Fnac, whose Brazilian operations were sold to Livraria Cultura in mid-2017 for €36 million.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 26, 2018

Paulo Caffarelli to step down as BB CEO and lead turnaround at Cielo

Paulo Caffarelli will step down as Banco do Brasil's chief executive in November to take the helm of Cielo, with the mission to lead a turnaround in the merchant acquirer, a source familiar with the matter says. Controlled by BB and Bradesco, Cielo has been losing market share and is no longer a leader in innovation in the merchant-acquiring segment. "Cielo is at a time when it needs to be reinvented," the source says. The expectation is that Marcelo Labuto, vice president of business and retail, takes over as chief executive of BB, although the process has not yet become formal, the source says.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 29, 2018

CCR ready for new investment cycle in Brazil and Latin America

CCR is eyeing at least 63 urban mobility projects, highways and airports in Brazil and other Latin American countries. "The company is well prepared and focused on this new investment cycle," said CCR investor relations coordinator, Flávia Godoy, on a conference call with market analysts on Friday. The company, however, did not detail the assets that are on its radar. Asked specifically about CCR's participation in the Southern Integration Highway (RIS) concession auction, which takes place on Thursday, Ms. Godoy said the decision whether or not to enter the dispute will be taken "the day before."

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 29, 2018

Arbitration Chamber suspends effects of Oi R\$4bn capital increase

A decision by B3's Market Arbitration Chamber (CAM) suspended on Friday the effects of the R\$4 billion capital increase to be carried out by telco Oi by February next year. The capitalization is a key part of the company's judicial recovery plan approved by creditors last December and challenged in the judicial and arbitration courts by shareholder Pharol, which opposes the shareholding dilution levels and changes in Oi's governance practices included in the plan. According to Oi, the arbitration court's decision is provisional and may be changed, and the company will appeal it by taking into account the potential to hurt the continuity of its bankruptcy reorganization.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

October 29, 2018
Copom expected to keep base rate stable

Despite many weeks of unpredictability and volatility, inflation expectations remain under control and should lead the Central Bank's Monetary Policy Committee (Copom) to keep base rate Selic stable at 6.5%, say a majority of 41 economists interviewed by Valor. Only one expects the rate to reach 7% in the meeting ending on Wednesday, while the others believe it will stay put after this and the last meeting of the year in December. For 2019, four think the rate will not rise until late in the year, while 17 expect it to reach 8%, with the full range of forecasts running from 7% to 9%.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

October 29, 2018
Steve Bannon says economy will make or break Bolsonaro government

Steve Bannon, who rose to fame as the campaign coordinator of Donald Trump and is now attempting to lead a global nationalistic movement, says Jair Bolsonaro can become a reference for Latin America and boost Brazil's global standing if he manages to make the economy work. Mr. Bannon, whose fortunes in the US seem to be on the decline after he left the Trump administration in disgrace last year, says "the world has changed, and people realized that political elites are as corrupt as they are incompetent, and are pushing their countries into decline." For him, Messrs. Bolsonaro and Trump are part of a populist wave seeking to counter that.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

October 30, 2018
BRICS Bank may release loan of up to \$1.5bn for Brazil next year

The administration of Jair Bolsonaro will coincide with an expansion stage at the New Bank for Development (NBD), known as the BRICS Bank, and controlled by the five major emerging countries (Brazil, Russia, India, China and South Africa). Valor has learned the bank is about to approve an up to \$1.5 billion loan for Brazil in 2019, depending on the new government's projects on public investments and the private sector's rebound. Later on, the bank will evaluate the possibility of becoming a minority shareholder of funds and projects related to infrastructure and sustainable development.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

October 30, 2018
GM Mercosur chief suggest gradual trade liberalization

The president of General Motors Mercosur, Carlos Zarlenga, has already told the new administration's top economic adviser that Brazil could become a significant exporter of vehicles. The primary requisite was already assured: mass production with quality. But the country has to be more competitive outside the factory, he said, including by reforming the tax system, further softening labor laws and improving infrastructure. Mr. Zarlenga also suggested the government liberalize foreign trade gradually and not only aims for a deal with the European Union but with other regions and which can also include Argentina and Mexico.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 30, 2018

Several names under consideration for Agriculture minister

Despite counting on strong support of agribusinesses during the campaign, President-elect Jair Bolsonaro still has not decided who to appoint as minister of Agriculture and signaled the selection process could take some time. His future Chief of Staff, Onyx Lorenzoni, has been pushing Senator Luiz Carlos Heinze (PP), while Mr. Bolsonaro wants to appoint Antônio Nabhan Garcia, chairman of Democratic Rural Union and one of his top allies during the campaign. But both face resistance, Mr. Heinze from the farm caucus itself and Mr. Garcia for championing a failed proposal to merge the Environment and Agriculture ministries. Other names are popping up, including Deputy Tereza Cristina, chairwoman of the farm caucus in the Chamber.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 31, 2018

Foreigners get green light to control up to 100% of credit fintechs

A presidential decree published Tuesday eliminates a disadvantage of credit fintechs over other startups in fundraising. According to decree 9,544, the Brazilian government is interested in allowing foreigners to control up to 100% of all firms established as direct-credit companies (SCD) and peer-to-peer lending companies (SEP). In practice, the decision has the potential to unlock foreign investments in credit fintechs, provided they have been authorized to operate by the Central Bank.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 31, 2018

Itaú Unibanco gears up for higher risk appetite

With signs of economic improvement and electoral uncertainties left behind, Itaú Unibanco is willing to take on more lending risk. This means that Brazil's largest private-sector bank could lend to people and companies that stayed out of its radar during the crisis years. Itaú's executive committee will submit a proposal to the board of directors seeking to increase the bank's risk appetite, CEO Candido Bracher said on Tuesday. It is not yet clear whether the measure will begin to take effect next quarter, if approved.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

October 31, 2018
João Doria rules out privatizing Sabesp

São Paulo's Governor-elect, João Doria (Brazilian Social Democracy Party, PSDB) told Valor he probably would keep Sabesp a state-owned venture but expand as much as possible its foreign debt. The proceeds will help expand sewage collection and treatment programs, and garbage collection and processing. Mr. Doria also has decided to replace Sabesp's current CEO, Karla Bertocco, and study tax breaks for some sectors in exchange for lower prices and job creation.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

November 01, 2018
Nissan plans 20% output increase in 2019

Nissan will increase production by 20% next year and probably hire more workers for its factory in Resende, Rio de Janeiro. After a "period of many doubts," the political and economic outlook leads the company to expect higher sales, says Nissan do Brasil chief Marco Silva. Production this year is already on track to rise 30% from 2017 to 104,000 vehicles. The Resende plant, which already employs 2,400, started operating two shifts in the middle of the year. Nissan still holds only 4% of Brazilian sales of passenger cars and light utility vehicles but has seen sales grow 30% so far this year, which is twice the overall market's expansion.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

November 01, 2018
Armínio Fraga pushes proposal for Social Security reform

Former central banker Armínio Fraga has prepared a plan for a Social Security reform in the new government helped by a team of experts under his coordination. The proposal would gradually establish a capitalization system by 2040 offering 70% of the General Regime of Social Security's pay limit, and make a progressive shift in parameters for the current system. The plan also would introduce universal basic income for everybody 65 or older. People would be allowed to transfer Workers' Severance Fund balances to the new capitalization system. The migration cost to the new system, a major concern, would be relatively manageable: R\$11.7 billion between 2030 and 2040. No word yet on whether the transition team of President-elect Jair Bolsonaro will accept the proposal.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

November 01, 2018
Government raises return rate for port area auctions

The government will increase the benchmark rate that sets the return of port area auctions, Valor has learned. The so-called WACC (weighted average cost of capital) of the next projects will be between 8.75% and 10.02%, depending on the contract tendered. The previous WACC of 8.03% was considered too low by companies interested in such port areas. The government plans to publish ten public notices for the leasing of terminals in public ports of Cabedelo (Paraíba), Vitória (Espírito Santo), Miramar and Vila do Conde (Pará), all for handling liquid bulk (fuel). The WACC to lease these terminals is expected to reach 9.38%, Valor has learned, but regulator Antaq will have the final word.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

November 01, 2018

Inflation outlook improves, but Copom still warns of Selic hike

The Monetary Policy Committee (Copom) kept on Wednesday the base interest rate at 6.5% and also repeated the warning that the rate could rise further ahead, but highlighted an improvement in its balance of risks for inflation, four days after the victory of President-elect Jair Bolsonaro (PSL). The Copom again pointed out in its statement that a possible gradual increase in the Selic rate will depend on the deterioration in the inflation scenario and/or in the balance of risks. For economists, the more benign inflation outlook mentioned in the statement may postpone a hike in the policy rate to the final months of 2019. The Copom holds its last meeting of the year on December 11 and 12.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

November 05, 2018

Former BC director sees post-election positive effect on economy

The stronger real against the dollar and less uncertainty after the presidential election are already having concrete effects to stimulate the economy and may delay the Central Bank's monetary-tightening cycle, says Mario Mesquita, chief economist at Itaú Unibanco. Also a former economic policy director at the Central Bank, Mr. Mesquita told Valor the drop in market interest rates and a bullish stock market give a respite to financial conditions, which is likely to reach economic activity. Mr. Mesquita thinks the new government has good chances of passing reforms, because it starts with popular approval, while pointing out that the international scenario has been less favorable.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

November 05, 2018

Future president unlikely to escape global recession, experts warn

President-elect Jair Bolsonaro will hardly escape a global recession, warns Arturo Bris, director of IMD's World Competitiveness Center. He says a new crisis is on its way and may be difficult to fight because of the exhaustion of instruments such as monetary policy and fiscal stimuli, and also less room for international cooperation. Economist Nouriel Roubini agrees, and points out that there is some consensus that the current global

expansion will continue in 2019, but from 2020 conditions are likely to start deteriorating into a financial crisis, followed by a recession.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

November 05, 2018

Saraiva seeking support for out-of-court restructuring

Saraiva, Brazil's largest bookstore chain, is negotiating with creditors to move ahead with an out-of-court restructuring plan. People familiar with the matter say the talks started early last week and at least two publishers and one real-estate company were introduced to the proposal in the last few days. The plan includes a 45% haircut on the debt and ten years to repay the remaining balance; a landlord was offered a 40% discount on the debt without interest or fines. Sought by Valor, Saraiva says the negotiations are confidential. The chain has at least 500 creditors, and three-fifths of them are required to pass such a plan. Saraiva has already defaulted on R\$100 million and owes a total of R\$420 million.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

November 05, 2018

Joaquim Levy under consideration to head BNDES

Former minister of Finance, Joaquim Levy, is being considered to head the Brazilian Development Bank (BNDES), say people familiar with the situation. Mr. Levy led the Finance during the first year of Dilma Rousseff's second term in 2015, before being sacked and accepting a management role with the World Bank. No word yet on whether he would take the job.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

November 06, 2018

Grupo Boticário plans to invest at least R\$300m next year

With the presidential election gone, Grupo Boticário is starting to plan the budget and strategies for 2019. Company CEO Artur Grynbaum is optimistic about the low inflation and interest rates, and the pro-market economic policies signaled by the new administration. The company plans to invest at least the same R\$300 million spent this year. Mr. Grynbaum says he is already noticing some improvement in the economy during the fourth quarter, and expects quarterly sales to rise 8% from the year-ago period. Nevertheless, he warns that one must root for everything to work out, especially the pension and other economic reforms.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

November 06, 2018

WestRock readies \$345m investment in Brazil

WestRock, the world's second-largest maker of corrugated packaging, will invest over \$345 million to expand its operations in Brazil. The American company is already spending \$125 million to build a new cardboard box factory in São Paulo. The new push will involve its facility in Três Barras, Santa Catarina, and install a new biomass furnace and other equipment that will make it 85% energy self-sufficient, from 55% today. Kraftliner production capacity also will grow 45% to 685,000 tonnes a year.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international/>

November 06, 2018

Economists grow more cautious about 2019 GDP projections

Before convinced that Jair Bolsonaro's voters would elect a reformist president who could easily approve changes, economists now take a more cautious stance and believe the president-elect may face difficulties passing the economic agenda. For consultancy Macroplan, in a scenario with a more open economy and lower barriers to foreign capital, private-sector investment would expand and GDP growth would reach at least 3% next year. On the other hand, MB Consultores sees only a 10% chance that its most optimistic scenario materializes due to Mr. Bolsonaro's potential battles in Congress, and therefore it sees GDP growing 2.2% in 2019.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international/>

November 06, 2018

Lorenzoni appointed special minister to lead transition

One of the closest aides to President-elect Jair Bolsonaro, Deputy Onyx Lorenzoni was appointed on Monday extraordinary minister of transition, and also coordinator of the working group. Also on Monday, the Federal Official Gazette's extra edition included the first 22 appointed for the government transition. So far, there is no woman in the team. The transition group includes some confirmed ministers of the Bolsonaro government, such as Paulo Guedes, who will head the Economy superministry. Among the names that will be linked to the economic department are economists Adolfo Sachsida, Carlos da Costa, Marcos Cintra and brothers Abraham and Arthur Weintraub, as Valor first reported. Other names confirmed for the transition team include Marcos Pontes (Science and Technology) and retired general Augusto Heleno, who will command the Defense Ministry.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international/>
