

# OVERVIEW

## OF THE BRAZILIAN ECONOMY AND THE CAPITAL MARKET



JULY 2008

## Inflationary Pressures indicate prolonged monetary policy tightening

The world trend toward higher priced food and commodities in general underscores the risks of repassing inflationary costs to the wholesale market and consumer prices, in a solid domestic demand scenario including increased credit, salary mass and government subsidized income. The Brazilian Central Bank has maintained this assessment, thus signaling a prolonged monetary policy squeeze for the next few months.

The external indicators continue positive despite the deficits in the current balance of payments transactions account. The trade balance has held up under the increased weight of imports and capital inflows continue to be sufficient to assure positive overall balance of payments results.

Workers' income has been hit hard by inflation, but employment figures continue to grow, resulting in a decline in the unemployment rate.

	2007	2008		2007	2008 <sup>3</sup>	
<b>Economic Activity</b>			<b>Inflation, %</b>			
GDP (real % change in 4Q) 1	5,4	5,8	1th Qt.	IPC-Fipe	4,38	5,84 Jun
Industry 1	4,9	5,7	1th Qt.	IPCA Brasil	4,46	6,06 Jun
Agriculture 1	5,3	4,9	1th Qt.	IGP-DI	7,89	13,96 Jun
Services 1	4,7	4,9	1th Qt.	IPA-DI (General)	9,44	17,90 Jun
GDP, R\$ bn (current)	2.558,8	-	1th Qt.	IPA-DI (Industrial)	4,42	11,58 Jun
GDP, US\$ (current)	1.325,8	-	1th Qt.	IPA-DI (Agricultural)	24,82	37,91 Jun
Gross Fixed Capital Formation	13,4	14,9	1th Qt.			
Real Income Mass 2	5,3	6,2	May			
<b>External Accounts, US\$ bn 3</b>				<b>Exchange, interest, Brazil risk 2007 2008<sup>3</sup></b>		
Current Account	1,5	-15,2	May	R\$/US\$ (%change) 4	-17,2	-17,4 Jun
In % of GDP	0,1	-1,1	May	Rate at end of period	1,8	1,6 Jun
Services and Income	-42,6	-51,0	May	Nominal interest rate (CDI) 5 %	11,8	11,2 Jun
Capital and financial accounts	89,2	71,9	May	Real Interest Rate (IGPM), %	3,8	-2,0 Jun
Foreign Direct Investment	34,6	38,0	May	Interests in Dollar, %	35,0	34,5 Jun
				Brazil risk at end of period (Embi+)	221,0	228,0 Jun
<b>External Accounts, US\$ bn 3</b>				<b>Public Accounts, % of GDP 6 2007 2008<sup>3</sup></b>		
Trade balance	41,5	30,8	Jun	Primary Result	-4,0	-4,3 May
Exports	158,7	178,1	Jun	Nominal interest rates	6,2	6,1 May
Imports	117,2	147,3	Jun	Nominal Result	2,3	1,7 May
International Reserves	180,3	200,8	Jun	Total net debt	42,7	40,8 May

Source: IBGE, MDIC, Gazeta Mercantil and the Central Bank

1. Rate accumulated in the last four quarters; 2 Percentage variation in relation to the same period a year earlier (new Monthly Employment Study); 3 Statistics accumulated over the preceding 12-month period; 4 End of period. 5. Accumulated rate over the 12-month period ended in the cited month; 6 Positive values equal deficits and negative values equal surpluses. Indicators related to public sector borrowing requirements, excluding currency devaluation.

# Trade Balance

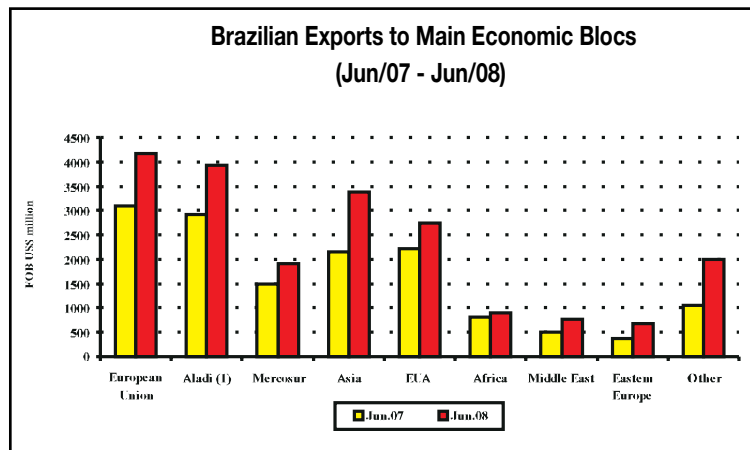
First half US\$ 11.37 billion surplus

The trade balance in June came in at US\$ 2.72 billion; exports were US\$ 18.59 billion while imports scored US\$ 15.88 billion and the accumulated trade balance surplus of US\$ 11.37 billion in the first half of the year. The final tally is slightly over half of the balance turned in during the same period in 2007, recording a high of 50.61% in imports and 23.81 in exports.

The 41.74% increase in exports in June as compared to the same month last year was boosted especially by the demand for and price of commodities on the world markets. On an equal basis of comparison and on a daily average, the sale of manufactured goods, US\$ 8.32 billion, grew by 12.9%, while semi-finished goods totaled US\$ 2.19 billion, reflecting an increase of 13.2%. However, basic goods sales in the amount of US\$ 7.59 billion represented a considerable leap of 80.8%. Special operations for the month were US\$ 500 million.

Imports grew by 70.75% in June, using the same basis of comparison and there was a substantial increase in all product categories. Capital goods purchases reached US\$ 3.07 billion, 49.1% over June 2007, according to the daily average and raw and intermediary materials came in at US\$ 7.48 billion, increasing by 51.9%. Consumer goods totaled US\$ 1.94 billion, reflecting a 52.9% increase, of which US\$ 870 million went toward nondurable goods (high of 50.6%) and US\$ 1.07 billion was for durable goods (high of 54.8%); automobile imports increased by 74%. Growth of fuel and lubricant purchases was 123.8%, totaling US\$ 3.39 billion and oil imports were up 162.3%.

Despite US\$ 649 in current account transactions the balance of payments in May, recorded a surplus of US\$ 4.03 billion, more than offsetting the positive result of US\$ 3.69 billion in the capital and finance account and the positive US\$ 991 million in the errors and omissions account. The accumulated positive balance of payments for the first five months of the year was US\$ 16.62 billion.



External Sector	US\$ bn				% Change over same period in 2007			
	Apr.08	May.08	Jun.08	Jan08-Jun08	Apr.08	May.08	Jun.08	Jan08-Jun08
<b>Trade Balance</b>								
Exports	14,06	19,31	18,59	90,65	12,96	41,47	41,74	23,81
Imports	12,32	15,23	15,88	79,28	49,04	55,49	70,75	50,61
Balance	1,74	4,08	2,72	11,37	-58,31	5,81	-28,84	-44,75
<b>International Reserves</b>	<b>US\$ bn</b>	<b>% Change over same period in 2007</b>						
	<b>Apr.08</b>	<b>May.08</b>	<b>Jun.08</b>	<b>Jan08-Jun08</b>	<b>Apr.08</b>	<b>May.08</b>	<b>Jun.08</b>	<b>Jan08-Jun08</b>
International Liquidity	195,77	197,92	200,83	-	60,69	45,08	-36,52	-
Reserves / Monthly Imports <sup>1</sup>	17,37	16,88	16,37	-	16,38	3,62	-5,04	-

Sources: MDIC and Central Bank; <sup>1</sup> Based on the monthly average value of imports in the previous 12 months.

# Interest and Foreign Exchange

## Worsening of inflationary scenario prompts caution

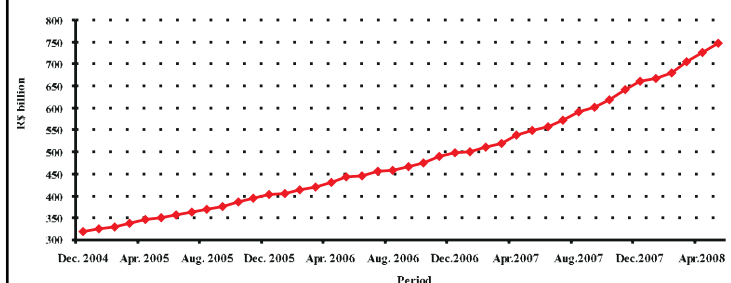
The Inflation Report published by the Brazilian Central Bank at the end of June reiterated the concerns emphasized in the most recent Monetary Policy Committee (COPOM) meeting minutes. In the eyes of the Central Bank the trend toward higher world inflation reduces the role of the external sector in the control of inflation, but the focus of concern continues to be on domestic factors and the firm increase of internal demand, owed to the expansion of credit and the growing salary mass in addition to the higher governmental transfers. The Central Bank analysis signals a longer restricted monetary policy cycle directed toward containing the repass of wholesale inflation to retail, which move could further erode inflationary expectations.

The National Financial System credit operations closed out May at R\$ 1.04 trillion, equal to 36.45% of the GDP; of this total, R\$ 746.53 billion corresponds to operations involving free funds, of which R\$ 355.17 billion was earmarked for individuals and R\$ 391.36 billion for companies while R\$ 297.86 billion in loans were made with directed funds. In relation to the same period the prior year, total credit grew by 32.4%.

Bank spread at the end of May was 24.5% per year, as opposed to 25.0% per year in April. The cost of raising funds increased from 12.4% to 13.1% per year also caused the bank application rate to rise slightly, from 37.4% to 37.6% per year.

The foreign exchange rate in June was R\$ 1.59 per dollar, reflecting appreciation of the real of 2.30% as opposed to the prior month.

**Evolution of the balance of credit operations with free resources  
(Jun/07 - Jun/08)**



Forex and Basic Interest Rates	Values in %			Over 12 months. 4		
	Apr.08	May.08	Jun.08	Apr.08	May.08	Jun.08
Exchange Rate (R\$/US\$)1	1,69	1,63	1,59	-17,05	-15,53	-17,36
Annualized Interest (CDI)2	11,32	11,55	11,99	-	-	-
Monthly Interest (CDI)3	0,90	0,87	0,95	11,28	11,11	11,17
Real Monthly Interest Rates (IGP-M)	0,21	-0,73	-1,01	1,35	-0,37	-2,00

Currency and Credit	In R\$ million			% Change over same month last year		
	Mar.08	Apr.08	May.08	Mar.08	Apr.08	May.08
Monetary Base	128.877	124.684	133.159	20,18	8,98	23,01
Basic Money Supply M1	183.846	186.799	184.475	18,17	19,38	16,84
Monetary Aggregate M2	778.446	812.327	838.133	19,63	23,62	26,24
Monetary Aggregate M3	1.649.722	1.687.206	1.712.316	16,69	17,08	17,36
Monetary Aggregate M4	1.951.272	1.989.352	2.019.450	19,92	19,51	18,95
Credit in National Financial System	993.073	1.018.126	1.044.386	31,10	30,98	32,38
In % of GDP5	35,88	36,16	36,45	4,82	4,53	4,59
Credit with Free Resources	705.657	725.696	746.528	35,86	34,99	36,05
Individuals	337.970	346.716	355.166	34,10	34,03	32,14
Corporate 6	367.687	378.981	391.362	37,51	35,89	39,81
Directed Credit	287.416	292.429	297.858	20,74	21,98	23,99

Interest and Bank Spreads	Values in % per annum			P.P. change over same month in 2007		
	Mar.08	Apr.08	May.08	Mar.08	Apr.08	May.08
Interest rate on Free Resources (a)5	37,60	37,40	37,60	-0,9	-0,7	0,4
Cost of capital (b)5	12,20	12,40	13,10	0,2	0,7	1,9
Bank spread (a - b)5	25,40	25,00	24,50	-1,1	-1,4	-1,5

<sup>1</sup> End of Period - Ptax; <sup>2</sup> Annualized daily rate for last day of the month based on 252-day year; <sup>3</sup> Accumulated rate in the month and over last 12 months, respectively; <sup>4</sup> exchange rate refers to the percentage variation over the same period in 2004, while other indicators reflect the accumulated value for the period. <sup>5</sup> Percentage Point Change (p.p.); <sup>6</sup> Includes credit denominated in foreign currencies.

Source: Central Bank

# Inflation

## Consumer prices continue at accelerated rate

The June inflation rate remained between 0.75% and 1% for consumers and there is a tendency for them to continue at this rate of acceleration in the wholesale market according to the major price indexes. The Broad Consumer Price Index (IPCA) recorded 0.74%, a little less than the 0.79% recorded in May, far above the 0.28% registered in 2007. Altogether, accumulated inflation was 3.64% in the first half and 6.06% in 12 months, above the mid goal for 2008 but below the upper range.

The food and beverage group was once again the main villain pressuring the IPCA, which rose 2.11% in June compared to 1.95% recorded in May and 1.09% achieved in June 2007. Rice, a staple food was 10.51% more expensive, while beans went up 15.55%, potatoes, 10.50% and meat items advanced 6.91%, after having increased 3.45% in May.

According to the General Market Price Index (IGP-M), which is more often used to readjust financial and real estate contracts, inflation was 1.98% in June as compared to 1.88% recorded in May and the accumulated figure for the first half was 6.82% and no less than 13.44% for the 12-month period then ended. In June, the Wholesale Price Index (IPA) increased 2.27%, 3.35% in agricultural products and 1.86% in manufactured goods. According to the Consumer Price Index (IPC), inflation was 0.98%, above the 0.68% recorded in May are under heavy pressure from food prices. The National Civil Construction Index (INCC) increased by 1.10% recorded in May to 2.67% in June, reflecting higher labor costs of 3.75%.

Consumers living in the city of São Paulo, according to the IPC-FIPE (FIPE – Consumer Price Index) depicted inflation along the lines of the other indexes in June at 0.96%, below the 1.23% in the prior month. The food group alone which rose 2.87% was responsible for nearly 2/3 of the total index variance. The IPC-FIPE increased 3.8% in the first half and 5.84% in the 12-month period ended in June.

Inflation Indices	Monthly Change (%)			Accum. 2006 (%)			Accum. Over 12 months (%)			Market projections (07/18/2008)		
	May.08	Jun.08	Apr.08	May.08	Jun.08	Apr.08	May.08	Jun.08	Jun.08	2008	2009	
General Price Index (IGP-DI)	1,12	1,88	1,89	3,22	5,16	7,14	10,24	12,14	13,96	1,42	12,03	5,39
General Market Price Index (IGP-M)	0,69	1,61	1,98	3,09	4,74	6,82	9,81	11,53	13,44	1,60	11,96	5,50
Wholesale Price Index (IPA-M)	0,65	2,01	2,27	3,53	5,62	8,01	12,17	14,53	17,12	-	-	-
Broad Consumer Price Index (IPCA)	0,55	0,79	0,74	2,08	2,88	3,64	5,04	5,58	6,06	0,62	6,53	5,00
Consumer Price Index (Fipe)	0,54	1,23	0,96	1,57	2,82	3,8	4,51	5,41	5,84	0,60	6,51	4,70

Sources: IBGE, Fipe, FGV and Central Bank.

# Public Finances

## May year-to-date primary surplus of 4.34% of the GDP

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ith the May results of R\$ 13.21 billion, 42.08% greater than May 2007, the primary public sector surplus for the first five months of the year was R\$ 74.95 billion equal to 6.55% of the GDP. The May year-to-date accumulated primary surplus was 4.34% of the GDP, a little over the official target for 2008 of 4.3% of the GDP.

The federal government contributed R\$ 7.69 billion toward the May R\$ 13.21 billion figure, while the regional governments were responsible for R\$ 3.70 billion and state owned companies, R\$ 4.59 billion. There was a primary deficit of R\$ 19 million in the Central Bank and R\$ 2.75 billion in the National Institute of Social Security (INSS).

The nominal interest burden in May was R\$ 16.17 billion, 3.43% below May 2007. Interest payments totaled R\$ 71.03 for the year and R\$ 162.68 for the 12 month period, which values are equal to 6.21% and 6.06% respectively of the GDP.

Including the weight of interest, the nominal deficit in May was R\$ 2.97 billion. State owned companies alone turned in a nominal surplus for the month in the amount of R\$ 4.68 billion, which is insufficient to cover the nominal deficit of R\$ 5.48 billion of the central government and R\$ 2.17 billion from the regional governments. Nevertheless, the public sector maintained a nominal surplus for the year accumulated figure R\$ 3.92 billion, as compared to the nominal deficit of R\$ 46.15 billion for the May year-to-date figure.

The net public debt closed May at R\$ 1.17 trillion, retracting somewhat in proportion to the GDP, from 41.0% in April to 40.8%. At the same time, the national net debt fell from 50.4% of the GDP to 50.0% of GDP, while the foreign net debt went from -9.5% to -9.2%.

The federal securities debt outside the Central Bank reached R\$ 1.24 trillion, or 43.3% of the GDP. In relation to the percentage per index, there was a small increase in SELIC linked papers as well as prefixed securities. The percentage of foreign exchange indexed papers involved in swap operations closed the month at -1.76%. Total net exposure in exchange swap operations was negative R\$ 36.4 billion in May, which resulted in an unfavorable result of R\$ 2.01 billion for the Central Bank.



<b>Borrowing requirements</b>	<b>Accum. Over last 12 months, in % of GDP</b>		
	<b>Mar.08</b>	<b>Apr.08</b>	<b>May.08</b>
Nominal result	1,65	1,91	1,72
Nominal interest	6,12	6,15	6,06
Primary Result	-4,47	-4,25	-4,34

<b>Public sector debt</b>	<b>Accum. Over the last 12 months, in % of GDP</b>		
	<b>Mar.08</b>	<b>Apr.08</b>	<b>May.08</b>
-Total net debt	41,23	40,96	40,81
Federal Government	28,88	27,97	27,48
Central Bank	0,11	0,83	1,41
State Government	11,89	11,73	11,57
Municipal Government	1,83	1,81	1,81
State Companies	-1,48	-1,38	-1,46
-Net domestic debt	51,03	50,44	50,02
- Net external debt	-9,79	-9,48	-9,21

<b>Federal Public Securities and Operation on Open Market - Composition</b>	<b>In % of Total</b>		
	<b>Mar.08</b>	<b>Apr.08</b>	<b>May.08</b>
Over Selic <sup>1</sup>	31,37	31,96	32,48
Pegged to Currency 1	-1,92	-1,80	-1,76
Fixed interest rate	31,15	28,29	29,05
Reference Rate	1,78	1,78	1,73
Pegged to Price Indices	23,53	22,99	23,18
Other	-	-	-
Operations on Open Market	14,09	16,80	15,31
Total	100,00	100,00	100,00 Total

<sup>1</sup> With swap.

Source: Central Bank.

# Employment and income

## Employment continues to grow in May

The unemployment rate measured by the Brazilian Institute of Geography and Statistics (IBGE) shrank to 7.9% in May, as opposed to 8.5% in April. The move was owed to the increased employment which reached 21.48 million people and a reduction in the PEA (Economically Active Persons) from 23.38 to 23.32 million individuals between April and May.

According to the Seade/Dieese calculations in May, unemployment in the São Paulo Metropolitan Region (RMSP) was stable in relation to April, i.e., 14.1%, the lowest rate for the month of May since 1996. Veiled unemployment was 4.3% and open unemployment was 9.8%. In the capital city, unemployment hit 13% of PEA, lower than the 15.6% recorded in the other RMSP municipalities. For the metropolitan region, employment in May went up by 36,000 people in relation to April, occurred due to the expansion of employment in the civil construction industry and domestic services which grew 8.2% over the prior month but retracted in the other sectors - industry, services and commerce.

Average nominal earnings from employment was R\$ 1,208.2 in May, the same level as the prior month according to the IBGE. In real terms there was an increase of 1.48% over the same month in 2007 and a decrease of 0.95% in relation to April based on increased inflation. The real income mass totaled R\$ 25.95 billion, a real gain of 6.19% over May 2007. Compared to April, however, the real income mass shrank 0.54% owed to the decrease in the real average income owed to inflation.

Finally, according to the General Registry of Employment and Unemployment (Caged) under the Labor and Employment Ministry 202,980 registered jobs were created in May. From January to May, 1.05 million formal jobs were created in the country as compared to 913,800 jobs in the same period last year.

Employment				% Change over same month in the previous year		
	Mar.08	Apr.08	May.08	Mar.08	Apr.08	May.08
Unemployment rate (Seade/Dieese), in %	14,30	14,20	14,10	-1,60	-2,10	-1,40
Unemployment rate (IBGE), in %	8,60	8,50	7,90	-1,50	-1,60	-2,20
Economically Active Population, people (1,000)23.276		23.378	23.318	1,68	2,47	2,11
Occupied people (1,000)	21.282	21.387	21.476	3,47	4,32	4,65

Income				% Change over same month in the previous year		
	Mar.08	Apr.08	May.08	Mar.08	Apr.08	May.08
Nominal Average Income (R\$)	1.188,9	1.208,1	1.208,2	7,2	8,4	7,8
Average Real Income (R\$) <sup>1</sup>	1.207,5	1.219,8	1.208,2	2,0	2,8	1,5
Real Income Mass (R\$ million) <sup>1</sup>	25.697,2	26.087,9	25.947,3	5,5	7,2	6,2

<sup>1</sup> Considered at last month available prices.

Source: IBGE, Seade/Dieese.

# Panorama on The Brazilian Capital Market

The Brazilian stock market ended the first half of 2008 with the Bovespa Index (Ibovespa) at 65,017 points, up by 1.7% in nominal terms and 13.2% in dollar terms. The Brasil Index 50 (IBrX-50) closed at 9,795 points, corresponding to a nominal appreciation of 0.4%.

The period was highlighted by contrasts for the Brazilian stock market, which resulted in the Ibovespa's volatility throughout the half year. On one hand, Brazil was granted investment grade ranking by two major rating agencies, which placed the country in a privileged position in terms of attracting foreign investment resources. On the other hand, the period witnessed the turmoil in the international financial sector, generated by the subprime credit problems at the beginning of the year, and the swiftly deteriorating global economic scenario caused by continuously rising oil prices, especially at the end of the half-year. These factors had an impact on the entire productive chain, leading to an increase in the prices of commodities and of food products. In addition, this scenario fueled inflation, slowed down global economic activity, put a strain on the value of the dollar, and led to the increase of interest rates.

As a result of this scenario and of the international crisis, the Ibovespa slumped by 10.4% in June, after having appreciated by 13.6% in the year to May. This caused investors to be more cautious in regard to risk investments.

## Market Value of Ibovespa and IBrX Stocks

Issuers	R\$ Thousand		Change (%)	US\$ Thousand		Change (%)
	May	June		May	June	
.PETROBRAS	472.545.877,95	457.401.162,96	(3,2)	290.012.199,55	287.330.336,68	(0,9)
.VALE R DOCE N1	300.861.659,88	263.749.321,18	(12,3)	184.645.673,18	165.682.091,32	(10,3)
.BRADESCO N1	112.817.714,75	95.611.094,63	(15,3)	69.238.808,61	60.060.992,92	(13,3)
.ITAUBANCO N1	113.648.066,33	94.912.583,17	(16,5)	69.748.414,34	59.622.201,88	(14,5)
.BRASIL NM	82.722.586,99	66.478.047,01	(19,6)	50.768.741,25	41.760.190,34	(17,7)
.AMBEV	66.932.335,07	60.713.452,51	(9,3)	41.077.902,95	38.138.986,44	(7,2)
.SID NACIONAL	63.773.364,35	57.484.490,34	(9,9)	39.139.170,46	36.110.616,46	(7,7)
.GERDAU N1	54.759.609,92	51.394.543,79	(6,1)	33.607.223,47	32.285.032,85	(3,9)
.ITAUSA N1	53.040.193,19	50.002.022,93	(5,7)	32.551.978,15	31.410.278,87	(3,5)
.USIMINAS N1	44.610.627,64	39.220.481,19	(12,1)	27.378.561,21	24.637.528,23	(10,0)
.UNIBANCO N1	44.120.075,67	37.326.957,62	(15,4)	27.077.498,26	23.448.054,29	(13,4)
.ELETROBRAS N1	32.827.577,19	32.711.095,67	(0,4)	20.147.033,99	20.548.461,38	+2,0
.TELEMAR N L	24.387.526,37	22.333.457,91	(8,4)	14.967.182,01	14.029.435,21	(6,3)
.TELESP	22.317.970,72	21.970.375,21	(1,6)	13.697.048,44	13.801.353,86	+0,8
.GERDAU MET N1	23.108.703,09	21.390.630,48	(7,4)	14.182.338,96	13.437.169,72	(5,3)
SUBTOTAL (IBOVESPA COMPANIES)	1.640.944.287,87	1.802.722.540,19	+9,9	938.164.935,03	1.068.469.974,03	+13,9
SUBTOTAL (IBrX COMPANIES)	1.754.785.959,19	1.931.720.064,39	+10,1	1.003.250.791,37	1.144.926.543,61	+14,1
TOTAL GERAL( 396 CIAS)	2.272.718.661,93	2.454.077.876,68	+8,0	1.299.364.622,91	1.454.526.953,94	+11,9

### NOTES:

TOTAL NUMBER OF COMPANIES LISTED ON BOVESPA ON 06/30/2008 = 446

Total IBrX-100: market capitalization of the companies included in IBrX - Brazil Index Notional Portfolio

Total Ibovespa: market capitalization included in Ibovespa - Bovespa Index Notional Portfolio (only have the signal . on the left)

N1 - Companies listed at Level 1 of Corporate Governance

N2 - Companies listed at Level 2 of Corporate Governance

NM - Companies listed at Novo Mercado ( New Market)

Nonetheless, the period also witnessed the breaking of historical records on BOVESPA. The Ibovespa achieved its highest number of points ever on ten occasions in the period from January to June 2008, having hit a record high on May 20, with 73,516 points. On May 2, a historical record was hit when 385,740 trades were registered.

#### Other Profitability Indicators

The turmoil on the market also affected the other BOVESPA profitability indicators. The Brazil Index

### Investors' Participation in Value Traded in BOVESPA by Type of Investors and Markets (buy and sell) - June/2008

Investors	Cash (R\$)	Forward (R\$)	Options (R\$)	Options Exercise (R\$)	Others (R\$)	Total (R\$)	%
Individuals	55.229.220.509	3.894.098.494	4.560.259.865	881.230.492	97.750.283	64.662.559.643	24,42
Institutional Investors	61.846.355.742	2.782.070.159	1.509.535.569	3.171.798.537	294.904.744	69.604.664.751	26,29
Foreign Investors	94.803.968.749	431.037.929	472.024.166	2.668.042.842	155.371.866	98.530.445.552	37,21
Private and Public Companies	6.579.576.983	699.738.865	145.526.004	314.941.353	623.482.274	8.363.265.479	3,16
Financial Institutions	18.441.284.733	2.920.191.703	468.849.510	1.529.936.194	10.513.522	23.370.775.662	8,83
Others	197.470.056	28.200.561	5.659.522	404.992	0	231.735.131	0,09
<b>General Total</b>	<b>237.097.876.772</b>	<b>10.755.337.711</b>	<b>7.161.854.636</b>	<b>8.566.354.410</b>	<b>1.182.022.689</b>	<b>264.763.446.218</b>	

#### Monthly Indexes Evolution

Index	Opening 06/02/2008	Low	Average	High	Closing 06/30/2008	Change(%)
<b>Ibovespa</b>						
Points	72.592	63.688	67.332	72.592	65.017	-10,4%
US\$	44.481	39.707	41.588	44.481	40.843	-8,3%
<b>IBrX - Brazil Index</b>						
Points	24.082	21.171	22.342	24.127	21.694	-9,9%
US\$	14.756	13.203	13.800	14.786	13.628	-7,8%
<b>IBVX2 - Valor Bovespa Index</b>						
Points	5.939	5.204	5.532	5.939	5.321	-10,3%
US\$	3.639	3.250	3.417	3.639	3.343	-8,3%
<b>ITEL - Telecommunications Index</b>						
Points	1.345	1.226	1.283	1.345	1.253	-6,8%
US\$	825	769	793	825	788	-4,6%
<b>IEE - Electric Power Index</b>						
Points	19.114	18.384	18.986	19.525	19.166	0,0%
US\$	11.712	11.457	11.728	12.070	12.040	2,3%
<b>IGC - Special Corporate Governance Stock Index</b>						
Points	7.233	6.288	6.675	7.233	6.365	-11,9%
US\$	4.433	3.911	4.123	4.433	3.999	-9,9%
<b>IBrX 50 - Brazil Index</b>						
Points	10.914	9.555	10.094	10.950	9.795	-10,2%
US\$	6.688	5.960	6.235	6.710	6.153	-8,1%
<b>ITAG - Special Tag Along Stock Index</b>						
Points	9.118	7.865	8.410	9.118	7.968	-12,6%
US\$	5.587	4.892	5.194	5.587	5.006	-10,5%
<b>ISE - Corporate Sustainability Index</b>						
Points	2.259	1.984	2.106	2.259	2.031	-10,0%
US\$	1.384	1.240	1.301	1.384	1.276	-7,9%
<b>INDX - Industrial Sector Index</b>						
Points	12.011	10.379	11.235	12.011	10.592	-11,7%
US\$	7.360	6.505	6.939	7.360	6.654	-9,7%

Obs: Deflated by the variation of the R\$/US\$ daily closing rate (Dollar selling rate)

Source: Central Bank of Brazil.

(IBrX-100) rose by 0.7%; the Valor Bovespa Index - 2nd Tier (IVBX-2) dropped by 2.5%; the Telecommunications Sector Index (ITEL) went up by 2.4%; the Electric Power Index (IEE) went up by 10.7%; the Special Corporate Governance Stock Index (IGC) dropped by 6.3%; the Special Tag Along Stock Index (ITAG) dropped by 7.9%; the Corporate Sustainability Index (ISE) went up by 0.9%; and the Industrial Sector Index (INDX) by 6.3%.

#### Trade Evolution

Trading value in the half-year period totaled R\$ 758.5 billion, up by 53.6% in comparison to the same period the year before. Average daily trading value totaled an impressive R\$ 6.2 billion.

The number of trades also grew. 26,608,654 trades were carried out in 1H2008, corresponding to an average of 218,104 trades per day, which is 71.7% higher in comparison to 1H2007, when average daily trading volume came to 127,008 trades.

Trading on the cash market (round lot), which accounted for 89.1% of the total trading volume in the first six months of the year, came to a daily average of R\$ 5.54 billion, up by 68.7% in comparison to the same period in 2007.

The ten most actively traded shares accounted for 51.7% of the total number of trades on the cash market (round lot). In the first half of 2007, this percentage came to 44.4%, attesting to the heightened concentration of trading in the first half of 2008.

#### Derivatives Markets

In line with the increase in the total value traded, derivatives transactions on BOVESPA have also expanded.

The stock options market, accounting for 2.8% of the total value traded on BOVESPA, came to R\$ 21.5 billion in 1H2008, up by 40.5% in comparison to the same period in 2007.

Options trading on the Ibovespa dropped by 17.0% in the half year, with a total trading value of R\$ 2.6 billion, against the R\$ 3.1 billion in 1H2007. Options on the Ibovespa corresponded to 7,774 trades, of which 4,849 were call options and 2,925 were put options. The trading volume in the options market went up by 33.9% in comparison to the first half of 2007. The number of trades went up from a daily average of 33,711 trades in 1H2007 to 45,139 trades a day in 1H2008.

The daily average number of trades on the forward market increased from 1,457 in 1H2007 to 2,908 in the same period in 2008. The daily average value increased by 89.0%, up from R\$ 123.2 million in 2007/first half to R\$ 232.9 million in the same period in 2008.

#### Home Broker

In line with the expansion of the capital markets and the individual investors' heightened interest in the stock market, trading via the Home Broker has progressed in terms of financial values. The average monthly value traded via the Home Broker - Retail Connection, totaled R\$ 27.8 billion in 1H2008, up from R\$ 11.1 billion in 1H2007, having increased by 150.5% in the period.

Trading via the Home Broker accounted for 11.0% of the total trading volume on BOVESPA in the first half of 2008.

## Market Capitalization

The market value of BOVESPA listed companies came to R\$ 2.4 trillion in June 2008, a 22.1% increase in comparison to the market value achieved in June 2007.

The companies comprising the Bovespa Index and the IBrX-100 portfolios accounted for 72.9% and 78.4%, respectively, of that value.

The five industrial sectors with the highest market value in 1H2008 were as follows: oil, gas and biofuel, with R\$ 499.1 billion (20.7% of the total), financial brokerage, with R\$ 415.8 billion (17.3%); mining, with R\$ 280.2 billion (11.6%); steel and metallurgy, with R\$ 182.4 billion (7.6%); and electric power, with R\$ 181.2 billion (7.5%).

## Investor Participation

Trading on BOVESPA by individual and foreign investors increased in the period. Trading by individuals accounted for 25.8% of the total volume traded in the first half of 2008, up from 22.9% in the same period in 2007. Trading by foreign investors accounted for 35.3% in the same period, up from 34.5% in 2007.

In contrast, trading on BOVESPA by institutional investors and financial institutions registered a slight decline. Institutional investors accounted for 27.8% of the total trading volume in 1H2008, down from 28.5% in 1H2007, while trading by financial institutions accounted for 8.2%, down from 11.4%. Publicly and privately held companies increased their participation in BOVESPA's trading from 2.4% (1H2007) to 2.8% (1H2008).

Foreign investors accounted for a net sales balance of R\$ 6.7 billion in the period, the result of purchases in the amount of R\$ 263.63 billion and of sales in the amount of R\$ 270.28 billion in the first half of 2008.

Foreign investors accounted for 56.1%, or R\$ 11.94 billion, of the total value of the public offerings held in the first half of the year.

## Fixed Income

Debentures, promissory notes, real estate receivables certificates (CRIs), direct credit investment funds (FIDCs) and investment funds in shares of FIDCs (FICFIDCs) are traded on BOVESPA's fixed-income market, totaling 308 assets from 190 issuers in 2008/first half. The total value traded in this market amounted to R\$ 863.4 million.

The number of trades increased significantly in the period, having gone up from 466 trades in the first half of 2007 to 1,157 trades in the first half of 2008. It is important to emphasize that this growth was predominantly due to the increase in debentures trading, which corresponded to 935 trades, up from 334 trades in the year before.

## Market Maker

The Market Maker program was launched in September 2003. The number of companies availing themselves of the Market Maker has grown significantly since then, having increased from three companies in 2003 to 98 companies in June 2008.

In 1H2008, 19 new companies began to resort to the Market Maker. Most of these companies had recently gone public, which attests to these companies' desire to aggregate value to their shares. At the end 1H2008, 93 companies had a Market Maker for their shares, and five companies had a Market Maker for their debentures, traded on BOVESPA FIX.

Novo Mercado (new market) and Levels of Corporate Governance

The number of Initial Public Offerings (IPOs) dropped in 1H2008. Fourteen companies went public and were listed on the Novo Mercado segment, which corresponds to a 51.7% decrease in comparison to the same period in 2007, when 29 IPOs were held. On the other hand, the IPOs raised R\$ 21.3 billion, which is 22.4% higher than the amount raised in the same period in 2007.

Eight of these companies chose to trade their shares on the Novo Mercado; one company chose to trade its shares on Level 2 and two on Level 1. Three companies chose to be listed on the traditional segment.

On June 13, the Novo Mercado welcomed the hundredth company to be listed on this segment. As a result, 163 companies are now listed on these special segments, as follows: one hundred companies on the Novo Mercado, 19 companies on Level 2 and 44 companies on Level 1.

Finally, shareholders of Bovespa Holding S.A. and of BM&F S.A. approved the merger of the two exchanges, which resulted in BM&FBOVESPA S.A., the third biggest exchange in the world in terms of market value. This merger has strengthened the new exchange in terms of global competition and of the excellence of the products and services offered to its clients.

## ATTENTION

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**BM&F BOVESPA**

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