

Monthly Allocation

Catching its breath

Investors have at last decided to look around them. The strong rally of the markets in 2009 seems to have ended, or at least to have entered into a short-term profit-taking period, while waiting for data that justifies a new advance to 100 k points. The conclusion that the recent rally was stronger than the economic numbers justify seems to have given the tone to the last few trading days in October and should continue so into the first few days of November.

Fear for the future of the US economy is prevalent both there and here: and not without cause. The American economy remains the world's motor and, if it reduces speed, the rest of the world's economies will follow. The US recession ended with a GDP growth of 3.5% in 3Q09, above the most optimistic forecasts. The fear now is that the Government is removing the help that allowed this strong growth and that the economy does not have the strength to continue to expand without it and may even contract in the next quarters. Concerns about inflation also increase, which will certainly lead to interest rates going up, with a consequent reduction in the capital invested in emerging countries.

In Brazil, the elections begin to call the attention of investors. The movements intended to strengthen candidates do not always produce the results expected. Alliances begin forming but, for now, we do not even know who will be the candidates.

Waiting would have given better results

Worrying about the cost to Brazil of an expensive Real, the Government attempted to halt its appreciation. If it had waited a few more days, the market would have taken care of the problem itself. The strong sales of the last few days, and the return of these resources to their country of origin, led to the depreciation of the Real that the 2% tax on the entrance of capital did not manage to achieve. Some believe that the implementation of the IOF is an attempt to garner income and balance the Government's accounts. If this is so, the new tax will remain in place for some time.

Shares from the domestic market should outperform

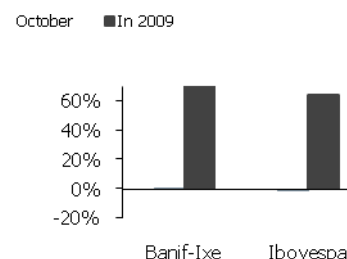
With the end of reduced IPI on the sale of vehicles, with it remaining only on the sale of white line products, we believe that the steel market has leveled and focus now shifts to the mining market. Therefore, this month we opt for a greater concentration of companies that focus on the mining sector, as well as continuing to prefer stocks in companies linked to the domestic economy.

Outperforming the Ibovespa – Recommended Portfolio ("LONG")

Stock – Catalyst/fundamental

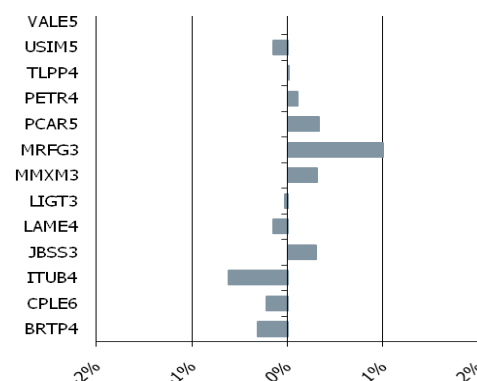
- BRTP4 – greatest potential to appreciate
- CTAX3 – good results in the 3Q09 lead to positive expectation in coming quarters
- CSNA3 – increase in the sale of minerals from Namisa to China
- EQTL3 – pure distributor that should have a dividend yield of at least 10%
- ITUB4 – expected continuity of good results posted in the 3Q09
- JHSF3 – one of the cheapest plays in the sector
- LIGT3 – discounted in relation to its peers
- LAME4 – increase in sales with the arrival of Christmas
- MMXM3 – beginning of iron ore price negotiations
- PCAR5 – of the retailers, it benefits the most from the maintenance of the IPI
- PETRA4 – pre-salt regulations
- VALE5 – increase in fines and pellets sales

Banif - Ixe (LONG) x Ibovespa



Source: Economática

Weighted performance in October/09



Source: Economática. Weighted performance of the stocks from the recommended portfolio

Portfolio - buy ("LONG") - November/09

Company/stock	Ticker	Vol. Neg.*	Weight
Brasil Telecom	BRTP4	6.3	10
Contax	CTAX3	0.2	5
CSN	CSNA3	112.3	10
Equatorial	EQTL3	4.4	5
Itaú Unibanco	ITUB4	200.1	10
JHSF	JHSF3	10.8	5
Light	LIGT3	26.1	5
Lojas Americanas	LAME4	29.1	10
MMX	MMXM3	53.3	5
Pão de Açúcar	PCAR5	29.8	10
Petrobras	PETRA4	576.9	10
Vale	VALE5	571.3	15
Total		-	100%

Source: Economática and Banif – Ixe Securities Research
* 3 month Average daily volume traded at the IPyC. P\$ mn

TOP – Suggestions (SHORT) – November/09

Company/stock	Ticker	Δ Last month
BR Malls	BRML3	-6.7
Hypermarcas	HYPE3	4.0

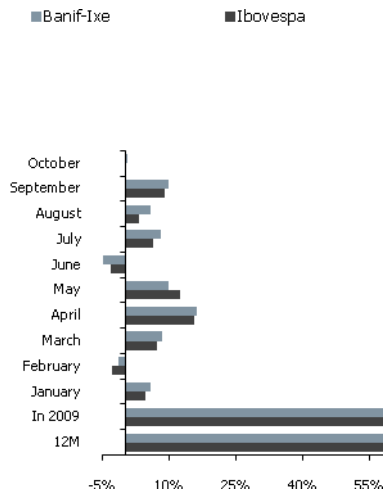
Source: Economática and Banif – Ixe Securities Research
* 3 month Average daily volume traded at the Ibovespa. RP\$ mn

Short suggestion for November

BRML3 – price pressure due to sale of important stake

HYPE3 – price pressure due to sale of important stake

Banif - Ixe x Ibovespa



Source: Economática, Banif - Ixe Securities Research

2008	Banif-Ixe	IBOV
May-08	10.64%	6.96%
Jun-08	-11.89%	-10.44%
Jul-08	-8.92%	-8.48%
Aug-08	-7.99%	-6.43%
Sep-08	-13.96%	-11.03%
Oct-08	-18.36%	-24.80%
Nov-08	0.24%	-1.77%
Dec-08	2.43%	2.61%
2009	Banif-Ixe	IBOV
Jan-09	5.68%	4.66%
Feb-09	-1.62%	-2.84%
Mar-09	8.34%	7.18%
Apr-09	16.17%	15.55%
May-09	9.64%	12.49%
Jun-09	-5.95%	-3.26%
Jul-09	8.03%	6.41%
Aug-09	5.72%	3.15%
Sep-09	9.75%	8.90%
Oct-09	0.57%	0.05%
In 2009	70.08%	63.91%
12M	74.63%	65.20%
18M	0.20%	-9.31%

Source: Economática, Banif - Ixe Securities Research

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Rating	Coverage	Banking Relationship Last 12 Months
BUY	51.0%	2.0%
NEUTRAL	21.0%	0%
SELL	28.0%	0%

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