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12:01 AM (GMT -03:00) – Jan 25 2019

\$100bn waiting to enter Brazil under right conditions

By **Assis Moreira** | Davos

Investment banks calculate that \$100 billion are waiting to enter Brazil depending on the success of reforms promised by President Jair Bolsonaro in Davos, says sources participating of the World Economic Forum.



(https://www.valor.com.br/sites/default/files/imagecache/media_library_560/fotoweb/ap_19022541625624.jpg)
Jair Bolsonaro made this year's keynote speech

Larry Fink, who manages a R\$6 trillion investment portfolio at BlackRock, confirms the interest. "I'm optimistic about Brazil and we definitely want to invest more in the country," said the executive of the world's leading investment fund firm. Brazil presents one of the best investment opportunities around, Carlyle Group co-chairman, David

Rubenstein, said during a different debate session.

A third banker said the \$100 billion number is

"technical" and derives from estimates of different investment banks. The money could turn into foreign direct investment (FDI) in infrastructure or Brazilian businesses, capitalizing existing operations.

Another banker says Brazilian equities have gained while the real strengthened against the dollar since Davos 2018. Nevertheless, Brazilian assets are still relatively cheap.

Banks see good opportunities flourishing from the government's state goal of curbing the economic clout of state-owned lenders. Capital markets already grew substantially last year and those in Davos expected it to become Brazil's hottest in two or three years.

The unusual attendance of J.P. Morgan Chase CEO Jamie Dimon at an event called The Future of Brazil also show how the new government's plans drew attention in Davos.

Nestlé Chairman Paul Bulcke said "Brazil's plans are ambitious, and that's good." Devry Boughner, a vice-president of corporate affairs at Cargill, who attended an event with Economy Minister Paulo Guedes, said "that for investors, being ambitious is good."

Yet another Davos attendee noted it will be good enough if the Bolsonaro administration manages to deliver at least half of what it promised. One example cited was Mr. Guedes's calculation that Social Security reform may yield up to R\$1.3 trillion in savings over a decade. "It it yields R\$600 billion, it's already a relief."

"The plan is good, what is expected now is execution," said Mauricio Minas, a vice-president of Bradesco, after participating of several bilateral meetings on the forum's sidelines. Ricardo Villela Marino, Itaú Unibanco's Latin America chairman, reported that US bankers are betting there will be FDI and portfolio flows once Brazil starts passing the reforms. "What's financing the Brazilian economy now is domestic savings," he said. "Foreign investors are sitting out Brazil right now."

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01:00 AM (GMT -03:00) – Oct 26 2018

At any rate, the Davos world showed to Mr. Bolsonaro and his team how pragmatic it can be. The main focus is on passing pension reform quickly, otherwise fiscal sustainability will prove challenging for Latin America's biggest economy.

But some participants say other reforms to lower the cost of doing business in Brazil and make government more efficient will have a bigger economic impact. Investors see them as fundamental, say a top-rank banker who declined to be named.

The market holds high hopes for tax simplification, privatization and labor reform. An investment banker says Brazil could regain an investment grade quicker than expected once the reforms start advancing. Central Bank President Ilan Goldfajn recently predicted it could take years.

During one of the forum's debate sessions there was budding discussion on US investments in Latin America. Someone noted the US has retreated, more so under Donald Trump, while the Chinese kept advancing into new businesses in the region.

One participant asked Mr. Rubenstein specifically about Latin America. He said US investors have suffered some losses from different turbulence in the region. But now they see good opportunities, with Brazil cited as the core example.

Mr. Bolsonaro's tainted image abroad also came under discussion among the economic elite of Davos, but few commented publicly. Lars Nordstroem, the chairman of Swedish energy group Vattenfall, was one exception. He told his country's reporters about attending a dinner of top-rank executives with Mr. Bolsonaro. His mindset changed completely after one hour and a half of meeting, citing some promises related to education. "He seemed like a Robin Hood. But whether he can deliver all he is talking about it's another matter," he said.

Swiss President Ueli Maurer told Valor he questioned Mr. Bolsonaro about protecting the Amazon during their bilateral meeting. "He said he is sensitive to environmental issues and doesn't think the way the press describes it," he said.

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