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Latam Macro Insights

Venezuela: Unexpected Turn

Latin America

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The comments and views expressed in this document are those of the strategy team and do not necessarily coincide with those of the Merrill Lynch fundamental analysts.

Highlights of This Issue

- The most tumultuous week in Venezuela's recent history ended with the dismissal and later reinstatement of President Chavez to power.
- The political situation is likely to remain very fluid over the next few weeks. While we hope that President Chavez's conciliatory tone on Sunday continues to be followed with actions that will create a minimum of national unity, we fear that the divisions in the Venezuelan society run very deep.
- The final developments of last week turn out to be a severe setback for the opposition, and most likely it will give new life to the President. His survival will depend on how he behaves over the intermediate term.
- The events of the last week, and what can be expected in the weeks ahead are suggestive of a deepening recession. It is hard to imagine a private investment recovery over the intermediate term given the political uncertainty.
- With the high level of uncertainty, we expect capital flight to resume in the not so distant future, and pressures on the exchange rate to resume. In our view, capital controls cannot be ruled out over the intermediate term.
- It is hard for us to envision the Chavez government implementing increased fiscal discipline under the current context, and we would assume that it will in fact pay the 20% increase in the minimum wage it promised, along with other populist measures likely to be in the works over the next few weeks.
- We believe a strategy favoring Venezuela exposure looks risky. Venezuela uncertainty will remain high and we are likely to see a sizeable deterioration in country risk going forward, which is likely to be a significant overhang for the equity market. We are removing our exposure in Venezuela, taking CANTV (VNT; D-3-1-7; \$19.20) out of our model portfolio and putting the money back into our cash pile.

Focus Topic

Venezuela: Unexpected Turn

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A Rollercoaster Week but Still Bolivarian

It was one of the tumultuous week in Venezuela's recent history. The week began with President Chavez firing seven high ranking executives at PDVSA, the state-owned oil monopoly. Following the announcement, PDVSA employees declared themselves in an indefinite strike. Representatives of the labor and business unions called for national strike in support of PDVSA workers. Populist measures, such as an announced 20% increase in the minimum wage were not enough to dissuade workers to return to work. The strike gained increasing support of the population each day and by last Thursday there were reportedly closed to 1 million people gathered, one of the largest popular gatherings in Latin America's history.

After the so-called "bolivarian circles" or supporters of Chavez turned to violence, the high military commanders turned against Chavez. It was announced that President Chavez had resigned and was held in military control. The military decided to name Pedro Carmona as Interim President, one of the de-facto leaders of the popular revolt. Until then, Mr. Carmona was the President of Fedecamaras, the organization that encompasses most industrial and commercial chambers in the country. In general terms, he was considered to be a good choice, given his well known conciliatory tone and good relations with the business and labor communities.

Carmona began his term by making clear that most of the reforms put together by Chavez would have to go, beginning with the country's name (the word Bolivarian was dropped from the country's name). He dissolved the national assembly, stated that he would call legislative elections by the end of the year and presidential elections, where he would not run himself, within 12 months. Many constitutional experts criticized his move, because he had no right to dissolve a democratically elected assembly and delay elections for that period. Within hours several Latin American countries (Mexico, Argentina, Paraguay, Peru) along with Great Britain, questioned the legitimacy of the new government.

By the weekend, it was clear that the military were divided and that Chavez had not in fact resigned. Chavez supporters took to the streets to demand that their president be re-instated. Carmona responded to the protests regarding his dismissal of the National Assembly by reinstating the Legislative Chamber. By Saturday afternoon it was clear that Chavez still had the support of large ranks within the military. Carmona resigned and him and his newly selected cabinet, were brought into custody. Chavez was released and brought back into the presidency.

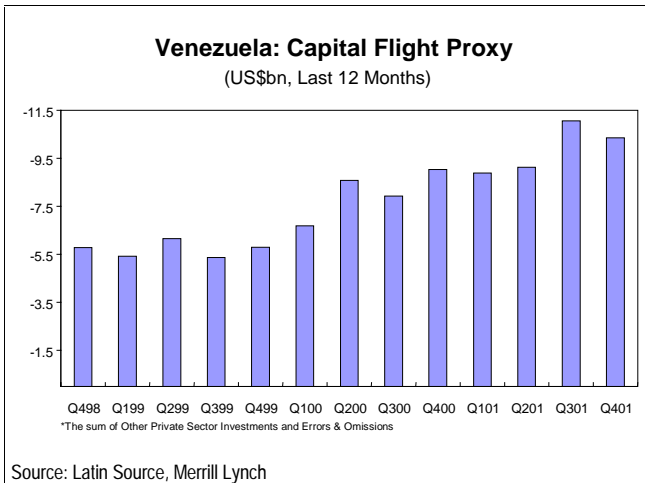
In a moving speech, President Chavez asked for peace, calm and unity and an end to the bloodshed. He stated he will not seek revenge against those who opposed him and in a gesture of good will, he reinstated all of the PDVSA executives that he had fired a week prior.

Uncertainty Increases

The political situation is likely to remain very fluid over the next few weeks. Given that the oil executives reinstatement was what the PDVSA strikers had been asking for, it would suggest that for now the oil strikers will come back to work. The badly managed transition of the brief Carmona administration is partly to blame for the return of Chavez. By not following the constitutional mandates dictated under the circumstances, Carmona did not manage to gather widespread support of the international community, which fueled Chavez's supporters.

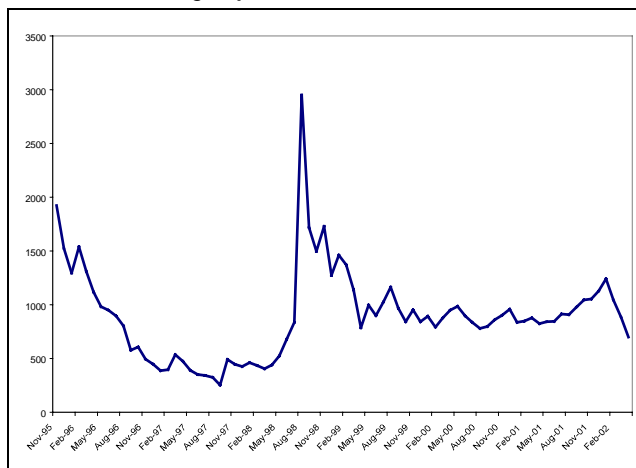
While we hope that President Chavez's conciliatory tone on Sunday continues to be followed with actions that will create a minimum of national unity, we fear that the divisions in the Venezuela society run very deep. Thus, in

our view, the road ahead remains difficult and that we are likely to see capital flight resuming in the not too distant future.



Venezuelan spreads fell sharply at the end of last week and the exchange rate strengthened as Chavez's weakness became increasingly apparent. We expect that the opposite may take place as a reaction to the return of Chavez and the increased uncertainty. Make no doubt. Despite his comeback, Chavez's political strength has been wounded, but in his favor the opposition strength has been more severely hurt. Last week was a severe setback for the opposition, and most likely it will give new life to the President. His political survival will depend on how he behaves over the intermediate term.

Venezuela Sovereign Spreads



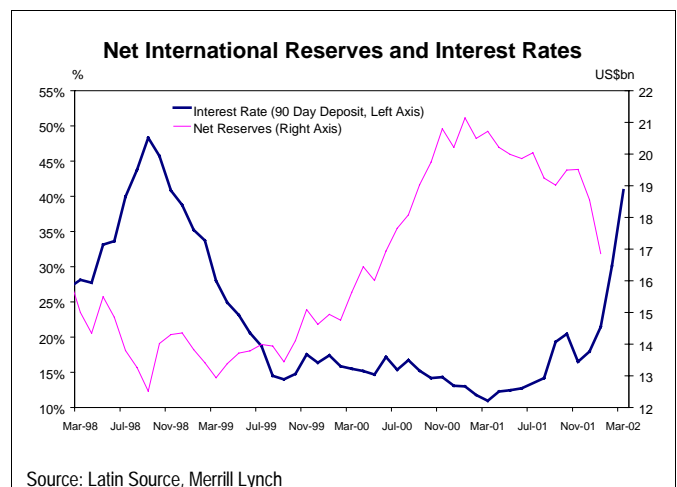
A positive scenario would be one where the events of the last week produce a positive change of heart of his administration, whereby we see a major policy turn to more reasonable and market friendly policies, which would gain the trust of the widespread disillusioned electorate. Such scenario would weaken the once again fragile opposition.

If, instead, we see a return, or even a worsening, of his

rhetoric, antagonistic style and anti-establishment policies in the next few weeks, more than likely we will see the opposition to Chavez regrouping, which given the recent experience would likely lead the market to have serious concerns regarding the continuity of the regime.

Economic Situation Looks Difficult

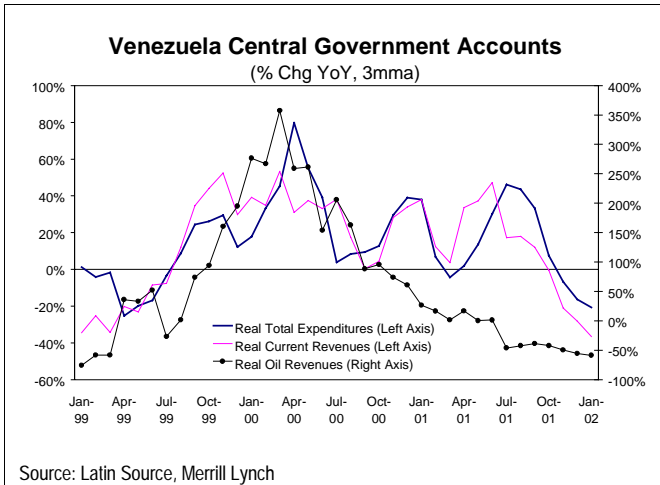
On the economic front, the events of the last week, and what can be expected in the weeks ahead, are suggestive of a deepening recession. Our view has been that the longer the Chavez administration lasted, the more damage was likely to be inflicted on the economy. It is hard to imagine a private investment recovery over the intermediate term. While capital flight may subside in the short-term as Venezuelan business attempts to return to normal conditions, with the high level of uncertainty, we also expect capital flight to resume in the not so distant future, and pressures on the exchange rate to resume. So far, the authorities have relied unsuccessfully on rising interest rates to contain capital flight. While likely to be avoided shorter-term, we believe capital controls should not be ruled out over the intermediate term.



The fiscal policy challenges remain large. Even before this turmoil, the fiscal deficit was estimated to rise to at least 5% of GDP this year. Even if oil prices remain somewhat higher than our baseline scenario, we believe that Venezuela's fiscal deficit is likely to remain high. It is hard for us to envision the Chavez government implementing increased fiscal discipline under the current context, and we would assume that it will in fact pay the 20% increase in the minimum wage it promised, along with other populist measures likely to be in the works over the next few weeks.

The PDVSA conflict complicates the situation. Even in the best of cases, it was estimated that oil production could not be put back to full capacity for one more week. Any further disruptions in the sector would further erode fiscal finances. On the more positive side, if the government does not implement capital controls, and the currency is left to weaken, there would be a positive windfall for government revenues.

We would expect the government will continue making use of the funds leftover in the FIEM stabilization fund, and to finance its deficit locally since we see little room for international financing under the current circumstances.



Will the crisis affect world oil prices?

The initial uncertainty regarding the extent and duration of the conflict at PDVSA contributed to an increase in international oil prices. The announced dismissal of Chavez contributed to a fall in oil prices (11% fall from April 10's price). The news over the weekend, coupled with continued uncertainty in the Middle East, could once again contribute to a spike in oil prices this week.

We would refer to last week's *Latam Macro Insights* for our discussion of what the possibility of higher oil prices would mean for the region. Specifically, our Brazil call would be at risk since the likelihood of monetary easing in the near term diminishes considerably. As we stated last week, as a tactical call, we are maintaining an export-oriented strategy in Brazil, while upholding our overweight recommendation in the country.

As we mentioned earlier, we stress that given that the oil executives reinstatement was what the PDVSA strikers had

been asking for, it would suggest that the oil strikers will come back to work, and that Venezuela production should be close to normal within a couple of weeks.

Investment Strategy

We upgraded Venezuela on Friday following Chavez's alleged resignation. As we pointed out then, while the challenges remained large, with a change in government, the odds are heavily in favor of an improvement in the economic and political situation, and a sizeable improvement in country risk. We went from no exposure to a slight overweight, financing our upgrade with cash, adding CANTV to our Latam model portfolio. This strategy worked on Friday, with the stock closing at US\$19.20, or a 28.8% one-day jump in the stock.

While CANTV valuations still look attractive, given the weekend events, we believe it makes sense to shift back our strategy. Venezuela uncertainty will remain high and we are likely to see a sizeable deterioration in country risk going forward, which is likely to be a significant overhang for the equity market. We are once again removing our exposure in Venezuela, taking CANTV out of our model portfolio and putting the money back into our cash pile.

Latin America Strategy Asset Allocation

Country	Previous Weight	Current Weight	Diff. From Phase 1	Diff. From Phase 2
Brazil	45.3%	45.3%	8.6%	3.3%
Chile	8.1%	8.1%	-1.7%	0.0%
Mexico	42.1%	42.1%	-2.8%	0.0%
Colombia	0.0%	0.0%	-0.5%	-0.4%
Venezuela	1.0%	0.0%	-0.9%	-0.6%
Argentina	0.0%	0.0%	-2.2%	-1.7%
Peru	0.0%	0.0%	-1.8%	-2.0%
Cash	3.5%	4.5%	1.5%	1.5%

Source: ML Latin America Strategy

Robert Berges

Noteworthy

Global

■ Global: MSCI Details Forthcoming Changes

On April 11, MSCI announced its full review of the free float estimates for all securities that it plans to use in the second and final phase of its enhanced methodology. While changes announced were mostly minor, and do not change the overall picture or the conclusions reached in our previous Benchmark Watch (March 27), there are a few changes worth highlighting:

There were 18 additions and 16 deletions in the MSCI indices. All adds/deletes will become effective June 3. CVRD ON and Consorcio ARA in Latam were among the stocks added. There were four Latam deletions: Bombril, Valores Bavaria, Colinver and Central Costanera.

GEMs gain marginally from the changes, but the changes increase Latam's losses. At a GEM level, Latam's weight will be reduced to an even smaller 20.8%. We also estimate the region would lose US\$698 million due to the Phase II implementation. This amount is larger than the US\$678 million we were previously projecting.

At a country level, Brazil is the only gainer in terms of US\$ flows, but it is now a more marginal gainer, with estimated inflows of only US\$20 million (before we estimated US\$30 million). Mexico is expected to see outflows of US\$472 million, virtually unchanged from our previous estimate. Chile's outflows are projected to be US\$168 million.

The top 7 stocks on the list of net gainers by US\$ flows are Brazilian, with CVRD ON heading up the list followed by Petrobras PN and Ambev PN. The top 3 losers in Latam in terms of US\$ flows are Walmex V, Gmodelo and BBVA Bancomer.

CVRD ON ranks third in terms of gainer by number of trading days following yesterday's announcement (41 days). The addition of Consorcio ARA represents nearly 10 days of trading for the stock.

Latin America

■ Brazil: Roseana Dropping Out

According to Folha de São Paulo newspaper, Roseana Sarney announced to PFL leaders yesterday her withdrawal from the presidential race. According to the newspaper, the party will wait some time (maybe a month) to make it official, until a new strategy is defined. There seem to be three possible options for the party: (1) Come back to the government alliance, supporting José Serra, (2) Support Ciro Gomes from PPS, and (3) Remain independent without a formal support to any presidential candidate.

We view that development as positive for the market, since José Serra is a major beneficiary in the polls in the short term. However, it is important to monitor PFL's decision.

Options (1) and (3) above would be the most favorable for José Serra. However, option (2) would leverage Ciro Gomes, who could potentially challenge José Serra in the polls.

Where will Roseana Sarney's votes migrate to in the polls? Charts 1 and 2 show the most recent Datafolha poll for April, released two days ago, in two scenarios: The basic scenario including Roseana Sarney, and an alternative scenario excluding Roseana Sarney. In conclusion, her 13% level migrate as follows: 3 p.p. to José Serra, 3 p.p. to Ciro Gomes, 1 p.p. to Lula da Silva, 1 p.p. to Anthony Garotinho, and 2 p.p. to blank votes.

Marcelo Audi

■ Mexico: Wages Under Pressure

In recent weeks, there has been continued tension on wage negotiations between unions and corporations in Mexico. Last week, Telmex's and Aeromexico's unions proposed wage increases of 28% and 20% respectively, stating that they won't accept anything close to Banco de Mexico's expected inflation of 4.5%. Telmex's union has threatened to go on strike by April 25 if its demands are not met. Although the union already lowered its wage raise demand from 28% to 20%, the negotiation range is still very wide, since Telmex has offered to grant nothing more than 4%.

According to Mexico's Labor Department, overall wages have increased 6.6% and 6.9% during January and February, that is over 220 basis points above Banco de Mexico's inflation target for this year.

Based on past and ongoing evidence, we believe that most agreements will likely end closer to the corporations offer in a single-digit increase. However, we would expect mounting noise on this issue in the coming weeks as other unions attempt to set high double-digit hikes as starting negotiating points.

In our opinion, the average wage increases for 2002 will continue to exceed inflation by over 200 basis points. Therefore, productivity growth in Mexico should continue to suffer going forward. The graph below shows the steep pick-up in Mexico's unit labor costs since 1997, which has contributed to a substantial loss of competitiveness of Mexico's manufacturing sector (85% of exports). We still see no decelerating signs of such trend.

Carlos Peyrelongue/Raul Morales

■ Mexico: Politics Continue to Deteriorate

In an unprecedented political decision, the Mexican Senate voted last week to cancel President Fox's upcoming trip to the U.S. and Canada. While postponing his presidential visit to the US and Canada should not have major economic consequences, the Senate's refusal, orchestrated by the PRI, has caused considerable deterioration in the already fragile relationship between Congress and the President. Last week's events reinforce our view that the PRI has one primary goal, and a simple yet systematic strategy: to win the congressional elections in 2003 and the

presidency in 2006. To do this, they will try to block most of the current government's initiatives and thus erode President Fox's popularity. We believe that the PRI will continue give the government the least they can at the latest possible moment. However, this strategy could be a double-edged sword. If the electorate perceives the PRI is putting their own political interest ahead of that of the nation, resentment may negatively impact the PRI in the 2003 congressional elections.

Carlos Peyrelongue

What Has Changed?

Country	Event/Statistic	Actual	Comments
Brazil			
	Industrial Production (February)	-1.4%yoy	Fourth consecutive monthly positive surprise. Up 3.4% in annualized seasonally adjusted terms. Still more growth ahead with end of energy rationing.
	CPI IGP-DI (March)	+0.11%mom	Lowest mom increase since May 1999 and lowest annual inflation (9.14%) since June 1999. Still high but coming down.
	IPCA – Official Inflation Target (March)	+0.60%mom	Above consensus inflation. Food prices did not offset increased energy prices as much as expected. April inflation likely to be even higher, given further energy price increases.
Mexico			
	Trade Balance - Revised (February)	-\$740.6mn	Slight revision from preliminary \$722m deficit.
	CPI (March)	+0.51%mom	Close to our 0.45% forecast. Core inflation 0.46%mom. Annual inflation at 4.66%, with strong peso. Food prices recovered and energy prices increased.
	Industrial Production (February)	-1.8%yoy	Slightly worse than expected but still up a healthy (0.7%mom) in seasonally adjusted terms. Best yoy performance since January of 2001. Recovering from bottom.
Chile			
	Central Bank Meeting (Nominal Target Interest Rate)	4.75% /No change	As expected. Historically low rates and fears of fuel price pressures on inflation halted the downward trend in rates.

Latin America Ratings and Earnings Changes – Last Week's Highlights

Name	Symbol	Country	Rating	Price	Change
Televisa	TV	Mexico	D-2-1-9	US\$46.85	Price Objective Upgrade
Wal*Mart de Mexico	WMMVY	Mexico	C-1-1-7	P25.85/US\$33.25	Price Objective Upgrade
Femsa	FMX	Mexico	D-2-1-7	P43.69/US\$48.29	Price Objective Upgrade

Source: Merrill Lynch Latin America Equity Research

Key Events to Watch

Latin America Economic Releases

Country	Statistic	Forecast	Consensus	Last	Comments
Tuesday, April 16					
United States	CPI (March)	+0.6%mom	+0.5%mom	+0.2%mom	Sharp spike in oil/energy prices should drive index higher.
United States	Core CPI (March)	+0.2%mom	+0.2%mom	+0.3%mom	However, prices of all other consumer goods should remain roughly flat given the lack of pricing power.
United States	Industrial Production (March)	+0.6%mom	+0.5%mom	+0.4%mom	Survey data pointing to another rise. Expect sharp improvement in hi-tech production and basic materials output.
Wednesday, April 17					
Brazil	Copom Meeting (SELIC Target)	18.50% No cut	18.25% 25bps cut	18.50%	Oil price pressure on inflation likely to temporarily halt rate reductions. Expect further cuts in next months.
Chile	IMACEC (February)	+1.5%yoy	NA	+2.9%	In line with previous two months. Rebased data series makes estimates and seasonal adjustment difficult.
Chile	Trade Balance (March)	+\$215mn	NA	+\$373.5mn	Exports down 10%yoy, imports down 13%yoy, slightly lower surplus than the average of the past 3 months.
Argentina	Preliminary Industrial Production (March)	NA	NA	+0.9%momsa	
United States	Trade Balance (February)	-\$30.5bn	-\$29.0bn	-\$28.5bn	Weak global demand should hold down exports (nearly flat). Imports should rise 0.7%.
Thursday, April 18					
Mexico	Unemployment (February)	2.5%	2.5%	2.7%	Mom improvement due exclusively to seasonality. Seasonally adjusted figure actually up 0.1%.

*Approximate release date. **Preliminary number previously released. Forecasts subject to change as more data becomes available.

Latam Market Watch

Latin America Strategy Asset Allocation

	MSCI Weight		ML Weight	Diff. From Neutral		Stance	Comments
	Phase I	Phase II		Phase I	Phase II		
Brazil	36.7%	42.0%	45.3%	8.6%	3.3%	Overweight	Attractively valued, believe bad news beginning to be priced in
Chile	9.8%	8.1%	8.1%	-1.7%	0.0%	Neutral	Best regional growth prospects in our view
Mexico	44.9%	42.1%	42.1%	-2.8%	0.0%	Neutral	Earnings and macro momentum less supportive
Colombia	0.5%	0.4%	0.0%	-0.5%	-0.4%	Underweight	Lack of liquidity hurts market
Venezuela	0.9%	0.6%	0.0%	-0.9%	-0.6%	Underweight	Macro fundamentals/country risks likely to deteriorate
Argentina	2.2%	1.7%	0.0%	-2.2%	-1.7%	Underweight	Financial concerns continue to hurt market
Peru	1.8%	2.0%	0.0%	-1.8%	-2.0%	Underweight	Lack of liquidity hurts market
Banks	10.9%	11.6%	17.7%	6.8%	6.1%	Overweight	Now overweight both Mexican and Brazilians
Retail	8.1%	6.0%	10.8%	2.7%	4.8%	Overweight	Increasing leverage to the sector
Metals/Mining	7.1%	7.1%	11.3%	4.2%	4.2%	Overweight	Core holdings in Brazil despite global slowdown
Telecom-Diversified	17.9%	19.2%	21.3%	3.4%	2.1%	Overweight	More cautious than o/w suggests
Telecom-Wireless	6.7%	7.3%	9.1%	2.4%	1.8%	Overweight	Turning positive on Mexican wireless giant
Oil/Gas	10.9%	12.5%	12.5%	1.6%	0.0%	Neutral	Outlook for oil prices improving
Cement/Construction	4.7%	5.5%	5.0%	0.3%	-0.5%	Underweight	Strong franchise, but weak economic growth hurts sector
Food	1.5%	1.0%	0.0%	-1.5%	-1.0%	Underweight	Lack of attractive investment alternatives
Electrics	6.4%	5.5%	4.1%	-2.3%	-1.4%	Underweight	Turning more positive on Brazilians
Paper/Pulp	3.9%	3.2%	1.4%	-2.5%	-1.8%	Underweight	Strong focus on Brazilian companies
Ind. Conglomerates	3.2%	2.0%	0.0%	-3.2%	-2.0%	Underweight	No sector coverage
Other	3.3%	3.4%	0.0%	-3.3%	-3.4%	Underweight	No focus on other sectors
Media	3.5%	4.4%	0.0%	-3.5%	-4.4%	Underweight	Unfavorable environment for highly leveraged sector
Beverages	8.9%	8.2%	2.3%	-6.6%	-5.9%	Underweight	Favoring Mexican bottlers
Cash	3.0%	3.0%	4.5%	1.5%	1.5%	Overweight	Redeploying cash
The Region In A Global Context:							
Latin America in GEM	22.3%	20.3%	19.2%	-3.1%	-1.1%	Underweight	Asia looks better leveraged to recovery than Latam
GEM in Global	NA	NA	NA	NA	NA	Overweight	Favorite region in global rankings

Note: We benchmark ourselves to the new index. We define 3% cash as neutral.
Source: ML Latin America Strategy

Latin America Strategy Model Portfolio As of Thursday, April 11, 2002

Name	Symbol	Industry	Country	QRQ	MSCI		ML Weight	Diff. from Neutral		Current Price (US\$)	Inclusion Price (US\$)	Date of Inclusion
					Phase I	Phase II		Phase I	Phase II			
Banco Itau/qzp	BITPF	Banks	Brazil	D-2-1-8	2.1%	3.0%	10.8%	8.7%	7.8%	\$85.62	\$79.53	4/5/02
Brazil Telecom/	BRP	Telecom-Div	Brazil	D-1-1-7	1.3%	1.7%	5.1%	3.8%	3.4%	\$39.20	\$44.90	1/4/02
Cemig/qz	CEMCY	Electrics	Brazil	D-1-1-7	1.0%	1.0%	4.1%	3.1%	3.1%	\$15.85	\$10.19	11/2/01
CSN/	SID	Metals/Mining	Brazil	D-1-1-7	0.5%	0.4%	1.0%	0.5%	0.6%	\$19.80	\$10.25	9/25/01
Gerdau S.A./	GGB	Metals/Mining	Brazil	D-1-2-7	0.2%	0.5%	3.9%	3.7%	3.4%	\$12.77	\$7.65	11/8/01
Petrobras ON/p	PBR	Oil/Gas	Brazil	D-1-1-8	10.0%	11.8%	12.5%	2.5%	0.7%	\$25.64	\$18.63	9/25/01
Tele Norte Leste/	TNE	Telecom-Div	Brazil	D-2-1-8	2.1%	2.7%	2.1%	0.0%	-0.6%	\$13.40	\$8.39	9/25/01
Vale do Rio Doce/z	RIO	Metals/Mining	Brazil	D-1-1-7	3.7%	3.9%	4.4%	0.7%	0.5%	\$28.23	\$19.60	9/25/01
Votorantim/p	VCP	Paper/Pulp	Brazil	D-1-1-8	0.5%	0.3%	1.4%	0.9%	1.1%	\$19.84	\$13.15	9/25/01
Antofagasta/qj	ANFGF	Metals/Mining	Chile	D-1-1-7	0.0%	0.0%	2.0%	2.0%	2.0%	\$12.79	\$6.21	9/25/01
D&S/p	DYS	Retail	Chile	D-2-1-7	0.5%	0.3%	3.7%	3.2%	3.4%	\$15.05	\$13.05	2/1/02
Telefonos Chile/	CTC	Telecom-Div	Chile	D-3-2-9	1.4%	1.5%	2.4%	1.0%	0.9%	\$15.06	\$10.20	9/25/01
America Movil/	AMX	Telecom-Wir	Mexico	D-1-1-9	5.5%	5.9%	9.1%	3.6%	3.2%	\$18.89	\$13.85	9/25/01
BBVA Bancomer/q	GFBVY	Banks	Mexico	D-2-1-9	3.4%	2.3%	6.9%	3.5%	4.6%	\$21.43	\$14.00	9/25/01
Cemex/	CX	Cement/Const	Mexico	D-2-1-7	4.3%	5.0%	5.0%	0.7%	0.0%	\$31.20	\$20.50	9/25/01
Grupo Elektra/	EKT	Retail	Mexico	D-1-2-8	0.4%	0.2%	1.0%	0.6%	0.8%	\$9.35	\$8.31	3/22/02
KOF/	KOF	Beverages	Mexico	D-1-1-7	0.2%	0.6%	2.3%	2.1%	1.7%	\$28.17	\$22.95	1/28/02
Telmex L/p	TMX	Telecom-Div	Mexico	C-1-1-7	11.1%	11.7%	11.7%	0.6%	0.0%	\$38.45	\$30.94	9/25/01
Walmex/q	WMMVY	Retail	Mexico	C-1-1-7	5.6%	4.6%	6.1%	0.5%	1.5%	\$35.59	\$20.65	9/25/01
Cash					3.0%	3.0%	4.5%	1.5%	1.5%			
Total Portfolio							100.0%			137.06	100.00	9/25/01
EMF Latin America										954.28	712.45	9/25/01

Note: Latin America Strategy portfolio created on September 25, 2001.
Source: ML Latin America Strategy

Latin America Markets and Sectors Performance
Through Thursday, April 11, 2002

	Price	Performance (US\$)				Relative Performance Week	Market Cap. US\$B	Avg. Daily Trading Volume (US\$)		
		Week	Month	YTD	52-Week			1-Month	3-Month	1-Year
Country:										
Argentina Merval	384	-6.5%	-11.4%	-52.8%	-69.4%	-8.7%	\$7.2	\$14.0	\$14.3	\$17.6
Brazil Bovespa	13,411	2.2%	-1.9%	0.9%	-14.8%	0.0%	\$179.3	\$215.8	\$214.5	\$201.6
Chile IPSA	97	2.7%	-0.8%	0.0%	1.6%	0.5%	\$55.8	\$12.7	\$10.4	\$13.4
Colombia IBB	1,141	3.8%	1.5%	8.6%	24.1%	1.6%	\$7.4	\$0.7	\$1.0	\$1.6
Mexico IPC	7,442	2.1%	3.9%	18.1%	28.4%	-0.1%	\$154.2	\$159.5	\$158.3	\$158.3
Peru IGBVL	1,275	-1.2%	-1.6%	8.5%	8.0%	-3.4%	\$9.1	\$3.2	\$4.0	\$3.3
Venezuela IBC	6,908	1.4%	4.0%	-11.8%	-29.4%	-0.8%	\$8.0	\$0.4	\$0.5	\$1.3
Sector:										
Banks	114	4.6%	6.1%	14.3%	22.5%	2.3%	\$45.0	\$39.8	\$38.7	\$33.2
Beverages	117	4.2%	6.9%	17.4%	7.8%	2.0%	\$32.7	\$18.7	\$17.9	\$14.4
Cement/Construction	111	2.0%	4.3%	10.5%	19.9%	-0.2%	\$13.7	\$21.0	\$19.6	\$18.9
Electrics	110	4.2%	-0.3%	9.7%	1.8%	2.0%	\$28.0	\$21.5	\$23.3	\$21.3
Food	107	0.8%	1.2%	6.5%	18.1%	-1.4%	\$5.6	\$1.4	\$1.4	\$1.7
Ind. Conglomerates	106	0.2%	1.5%	5.6%	13.6%	-2.0%	\$11.2	\$11.8	\$9.1	\$6.2
Media	104	0.9%	1.2%	4.1%	6.9%	-1.3%	\$10.3	\$16.9	\$18.0	\$14.9
Metals/Mining	119	2.0%	5.8%	18.6%	19.7%	-0.2%	\$24.1	\$22.3	\$23.6	\$19.1
Oil/Gas	115	-2.3%	1.6%	14.5%	12.7%	-4.5%	\$33.0	\$33.6	\$33.7	\$31.6
Paper/Pulp	106	0.3%	1.0%	6.1%	13.4%	-1.9%	\$9.6	\$5.9	\$5.3	\$5.3
Retail	126	7.5%	11.2%	25.6%	31.4%	5.2%	\$28.2	\$19.5	\$18.5	\$15.6
Telecom-Diversified	115	-0.5%	-6.4%	14.5%	26.1%	-2.7%	\$60.1	\$77.3	\$82.5	\$80.9
Telecom-Wireless	97	-1.6%	-2.5%	-3.4%	3.2%	-3.8%	\$19.3	\$32.3	\$35.7	\$33.8
Latin America (EMF)	954	2.2%	2.8%	8.9%	4.0%		\$421.0	\$406.3	\$403.0	\$397.0
Emerging Markets (EMF)	351	-0.5%	0.7%	10.5%	12.9%		NA			
AC World Index Free (ACWIF)	234	-1.9%	-4.5%	-2.4%	-8.6%		NA			

Latin America Country and Sector Valuation Estimates
Through Thursday, April 11, 2002

Country	Net Income (US\$M)				P/E			EPS Growth			P/CF		Market Cap (US\$M)
	2000	2001E	2002E	2003E	2001E	2002E	2003E	2001E	2002E	2003E	2001E	2002E	
Argentina	\$759	\$650	\$164	\$410	10.5	41.6	16.6	-14%	-75%	150%	5.4	4.7	\$6,813
Brazil	\$15,730	\$13,364	\$12,605	\$18,226	24.2	25.7	17.8	-15%	-6%	45%	13.2	12.9	\$323,807
Chile	\$2,304	\$2,568	\$3,275	\$3,903	11.9	9.3	7.8	11%	28%	19%	4.7	5.1	\$30,548
Colombia	\$183	\$118	\$129	\$146	7.6	6.9	6.1	NM	10%	13%	4.2	4.2	\$891
Mexico	\$6,519	\$6,580	\$8,349	\$10,186	17.9	14.1	11.6	1%	27%	22%	7.1	6.8	\$117,862
Peru	\$293	\$213	\$457	\$480	22.8	10.6	10.1	-27%	114%	5%	5.5	6.9	\$4,846
Venezuela	\$270	\$320	\$55	\$414	8.8	51.8	6.8	18%	-83%	660%	2.3	1.6	\$2,824
Sector													
Banks	\$3,151	\$3,456	\$3,990	\$4,489	7.9	6.8	6.1	10%	15%	13%	NM	NM	\$27,232
Beverages	\$927	\$1,169	\$1,357	\$1,528	19.8	17.0	15.1	26%	16%	13%	12.9	12.4	\$23,106
Cement/Construction	\$1,119	\$1,251	\$1,385	\$1,640	6.8	7.9	5.9	12%	11%	18%	6.8	7.9	\$9,733
Electrics	\$3,467	\$4,072	\$3,592	\$4,881	4.9	5.6	4.1	17%	-12%	36%	4.8	5.4	\$20,126
Food	\$621	\$662	\$761	\$826	12.6	11.0	10.1	7%	15%	9%	5.8	5.7	\$8,366
Industrial Conglomerates	\$427	\$176	\$496	\$604	32.8	11.6	9.5	-59%	182%	22%	3.7	3.9	\$5,764
Media	-\$259	-\$90	\$40	\$155	NM	258.6	66.0	NM	NM	292%	16.7	13.9	\$10,242
Metals/Mining	\$2,836	\$2,107	\$2,305	\$3,008	11.6	10.6	8.1	-26%	9%	31%	5.2	5.1	\$24,471
Oil/Gas	\$6,372	\$5,377	\$3,936	\$5,499	6.1	8.3	6.0	-16%	-27%	40%	3.8	4.4	\$32,786
Other	\$501	\$397	\$468	\$542	11.6	9.8	8.5	NM	18%	16%	1.3	1.2	\$4,591
Paper/Pulp	\$1,766	\$1,101	\$1,654	\$2,098	209.9	139.7	110.2	-38%	50%	27%	49.9	181.2	\$231,079
Retail	\$1,078	\$1,450	\$1,432	\$1,919	19.8	20.0	15.0	35%	-1%	34%	7.1	6.6	\$28,692
Telecom-Diversified	\$4,146	\$3,057	\$3,119	\$4,884	13.6	13.3	8.5	-26%	2%	57%	4.4	3.9	\$41,423
Telecom-Wireless	-\$93	-\$373	\$497	\$866	NM	33.7	19.4	NM	NM	74%	10.2	6.9	\$16,779
Latin America	\$26,057	\$23,812	\$25,033	\$32,938	20.5	19.5	14.8	-9%	5%	32%	10.8	10.5	\$487,591

Note: only companies with earnings estimates are included.

Source: ML Latin America Strategy based on ML and I/B/E/S estimates.

Latam Forecasts

Latin America Annual Forecasts

		Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela	Region
Real GDP growth (%)	2000	-0.5	4.5	4.4	3.0	6.9	3.1	3.2	4.3
	2001F	-3.9	1.7	2.8	1.4	-0.3	0.0	2.3	0.1
	2002F	RVW	2.5	3.5	2.2	1.5	3.0	RVW	0.6
	2003F	RVW	3.5	4.5	3.5	5.7	4.0	RVW	n.a.
Inflation (year-end, %)	2000	-0.3	6.0	4.5	8.8	9.0	3.7	12.9	6.3
	2001	-1.5	7.7	2.6	7.6	4.4	-0.1	12.3	4.9
	2002F	RVW	5.0	3.0	6.5	4.5	2.0	RVW	9.0
	2003F	RVW	4.1	3.2	6.0	3.5	2.4	RVW	n.a.
F.X. Rate (year-end, vs.\$)	2000	1.0	1.95	574	2236	9.62	3.53	700	
	2001	1.0	2.31	661	2278	9.16	3.44	758	
	2002F	RVW	2.50	680	2525	10.00	3.51	RVW	
	2003F	RVW	2.60	670	2650	10.10	3.58	RVW	
Current account balance (% of GDP)	2000	-3.3	-4.2	-1.4	-0.5	-3.1	-3.0	10.3	-2.5
	2001F	-2.0	-4.6	-1.7	-2.5	-2.9	-2.5	4.6	-2.8
	2002F	RVW	-4.0	-1.6	-3.0	-3.3	-2.3	RVW	-2.6
	2003F	RVW	-4.3	-1.0	-3.2	-4.1	-2.7	RVW	n.a.
Trade balance (\$bn)	2000	1.2	-0.7	1.7	2.5	-8.0	-0.3	16.8	13.2
	2001F	6.4	2.6	1.6	0.5	-9.7	-0.1	9.8	11.1
	2002F	RVW	4.8	1.4	0.0	-11.9	0.2	RVW	10.5
	2003F	RVW	2.3	1.9	-0.4	-17.3	0.2	RVW	n.a.
Interest Rates (year-end)	2000	10.6	15.8	n.a.	12.9	17.6	12.5	13.5	
	2001	6.3	19.0	6.5	10.7	7.7	5.9	18.2	
	2002F	RVW	16.0	5.8	12.3	8.5	8.0	RVW	
	2003F	RVW	14.0	7.0	11.5	7.5	8.0	RVW	
International reserves (year-end, \$bn)	2000	25.1	34.4	14.7	9.0	32.4	8.2	20.5	144.3
	2001	14.5	35.9	14.2	10.1	40.2	9.2	18.5	142.6
	2002F	RVW	29.8	14.2	10.2	41.5	9.4	RVW	142.4
	2003F	RVW	32.0	14.4	9.2	43.0	9.6	RVW	n.a.
Public sector balance (% of GDP)	2000	-2.3	-4.5	0.1	-3.5	-1.2	-3.2	-1.6	-2.6
	2001F	-3.5	-5.2	-0.3	-3.4	-0.7	-2.5	-2.7	-2.9
	2002F	RVW	-3.3	-0.8	-3.0	-0.7	-2.3	RVW	-2.1
	2003F	RVW	-2.4	-0.3	-2.8	-0.5	-1.8	RVW	n.a.

F=forecast; Bold denotes change in forecast

Argentina 30-day peso CD; Brazil Selic; Chile Interbank Reference; Colombia 90-day mmtk; Mexico 91-day CETES; Peru 90-day CD; Venezuela 90 day CD

Latin America FX Quarterly Forecasts

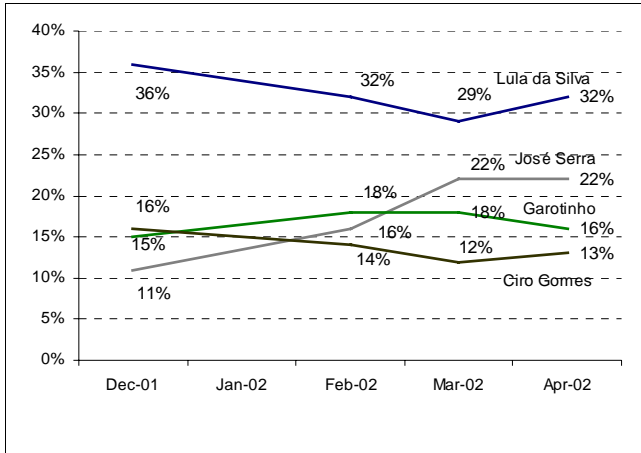
		Argentina	Brazil	Chile	Mexico
F.X. Rate (period-end)	1Q 02	RVW	2.33	670	9.04
	2Q 02	RVW	4.45	670	9.30
	3Q 02	RVW	2.60	680	9.60
	4Q 02	RVW	2.50	680	10.00

Latin America Interest Rate Quarterly Forecasts

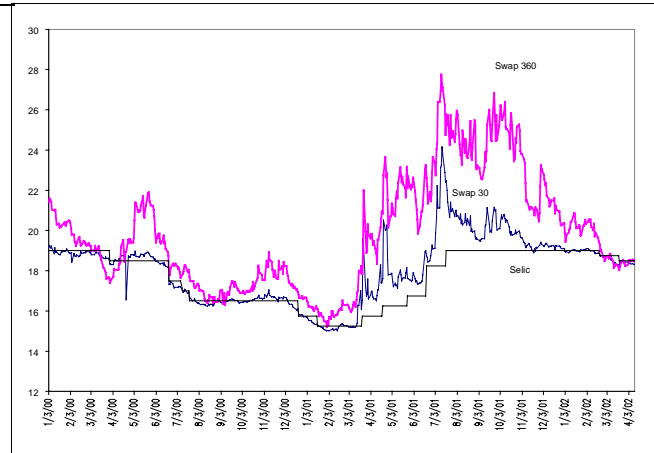
		Argentina	Brazil	Chile	Mexico
Interest Rates (period-end)	1Q 02	RVW	18.3	5.0	8.0
	2Q 02	RVW	17.8	5.0	8.0
	3Q 02	RVW	17.3	5.3	8.5
	4Q 02	RVW	16.0	5.8	8.5

Key Charts

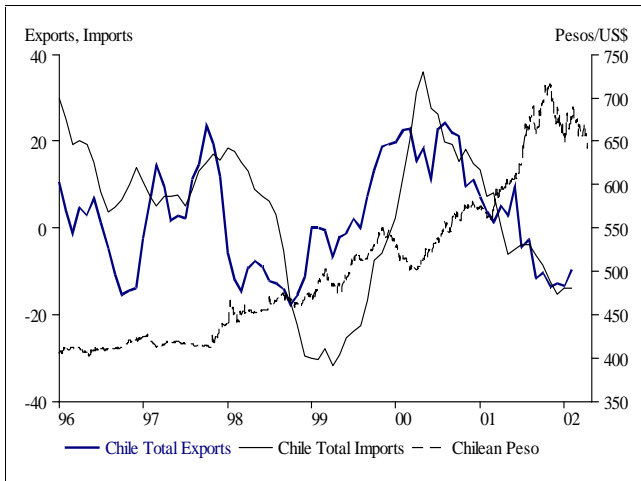
Brazil: Election Poll Excluding Roseana



Brazil: Interest Rates Futures

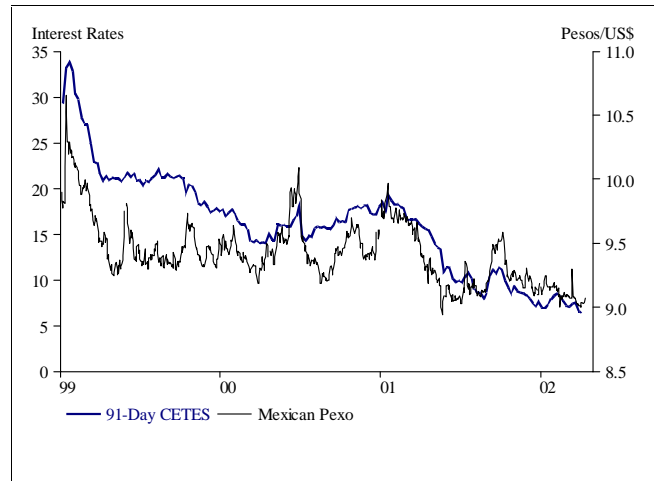


Chile: Trade and Exchange Rate

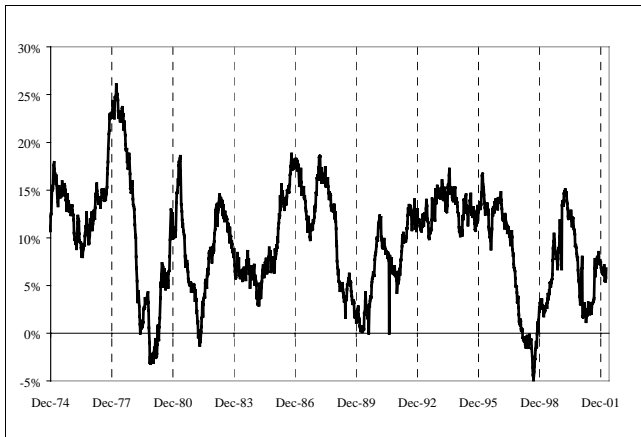


Source: DRI-WEFA

Mexico: Interest Rates and the Peso

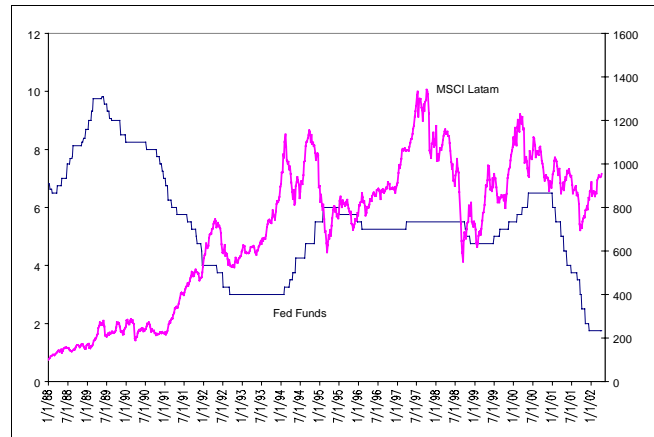


World Dollar Liquidity



Source: Federal Reserve

Fed Funds Rate and the MSCI Latin America



Source: MSCI

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