

U.S. Infrastructure Plan May Lift These Three Brazilian Stocks
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By Vinícius Andrade

(Bloomberg) -- The U.S. infrastructure plan proposed by President Joe Biden could help foster growth at some Brazilian companies and the impact is likely larger than what's already priced in, according to Itau BBA.

Tupy SA, a manufacturer of cast-iron components, stands to benefit from the bill given that about 65% of its revenue comes from exports to the U.S., analysts led by Marcelo Sa said in a report dated April 12. The firm sells products to the automotive, industrial and agricultural machinery industries, and Caterpillar Inc. and Deere & Co. among clients.

The plan could also boost demand for the most valuable Latin American steelmaker Gerdau SA, which gets about 39% of its revenue from North America. Another beneficiary of the "infrastructure bonanza," Sa said, might be WEG SA, an electric-motor maker that has invested in expanding capacity in Mexico, according to Itau BBA.

Two weeks ago, Biden unveiled a \$2.25 trillion plan to overhaul the country's physical and technological infrastructure. He has said the plan needs to go far beyond bridges and roads and has called for investment in electric vehicles, renewable power and the electric grid.

Shares of Gerdau and Tupy are up 27% and 15% this year, respectively, while the benchmark Ibovespa index is down 0.6% and Weg is little changed.

"Limited geographical diversification puts a cap on Brazilian companies seizing this moment, but we can see some clear winners," the analysts said. "Although we believe they have not gone unnoticed by the market, recent performance indicates that the impact is likely larger than what is currently priced in."

--With assistance from James Attwood.

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