

# Petrobras



- ❑ **Petrobras** trades at a discount to global oil companies due to the perceived country risk, in particular government intervention on prices.
- ❑ The stock dropped nearly 10% on Friday after President Bolsonaro ordered **Petrobras** to cancel a planned increase in diesel prices and revived fears of interventionist policies in Brazil.
- ❑ Economy Minister Paulo Guedes stepped up during the week-end to try to reassure investors. Bolsonaro was probably trying to avoid another truck drivers' strike in Brazil but the government needs to prove that it will stick to its free market policy.
- ❑ We continue to believe the new administration will implement the economic reforms needed to boost the Brazilian economy, in particular the reform of the domestic pension system. This should reassure global investors and lead to a re-rating of Brazilian Shares and an appreciation of the Real.
- ❑ **Petrobras** has restructured over the past years following the recent corruption scandal and is in a much better shape than before. It achieved its production targets and still needs to sell a few assets to further deleverage the company.
- ❑ Risk Reward has improved and valuation is cheap compared to global peers. Volume is growing, and global oil prices should stay above \$50 thanks to OPEC output discipline.
- ❑ -> Stay long **Brazilian Assets** and **Petrobras** as a speculative buy

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