



<http://www.bbo.com.ve>

December 28th, 2001

bbo WEEKLY REPORT

If you would like to receive this report by e-mail, please let us know with a message to: moctavio@bbo.com.ve or call us at (58 212) 207 2623

Tightening the Noose

When President Chávez used a pair of pliers to threaten the country with tightening the noose, everyone understood he meant the tightening would be around the opposition. But now in three quick moves this week the President has been tough only on his own people in a clear sign that it is not only that the revolution is going to get tougher, but that there is some level of understanding that the Executive branch is performing poorly.

The first noose was applied to General Cruz Weffer, who was removed from his post as Commander of the Armed Forces. General Cruz Weffer, famous or infamous for saying two years ago that he did not believe in public bidding because large companies always make the lowest bid, had been repeatedly accused of corruption during his tenure as Head of Urban Development, as part of the Bolívar 2000 project and now in his position as Commander of the Armed Forces. The charges were more than just accusations. Newspapers have published names, dates, mounts and even copies of some of the checks, but up to now, nothing has happened. Even worse, both the President and Minister of Defense Rangel had actually defended the General. Thus, it was somewhat surprising that President Chávez announced his removal on Sunday, even though he justified such removal as a "regular" maneuver within the Armed Forces. Unfortunately, the removal is anything but normal and continues the trend of removing someone accused of corruption within his Government, but then no mention is made of the charges and no investigation is opened. Given that the President used the fight against corruption as one of his most

important campaign themes and he promised to bring military efficiency to the Government, the general's dismissal ratifies the failure of Chávez to deliver on his most basic promises.

The second noose was that applied to the more moderate wing of the Movimiento Quinta República. In a meeting of MVR group of deputies it was decided to remove Ernesto Alvarenga as Majority leader of the Assembly Alejandro Armas as head of the committee that will review the bills approved under the enabling law. Additionally, the new Vice/President of the Assembly will be Rafael Jimenez of MAS, who was recently defeated in his attempt to unseat the MAS leadership. While the MVR spokesmen for the decision were attempting to downplay the replacements, Armas was combative, saying that only the President of the Assembly could take such a decision and that a minority within a political group could not make a decision for the National Assembly. In fact, Armas had been extremely critical of the Government that day saying that it was not enough to remove personalities that will go enjoy private life in opulence without addressing the reasons that caused the removal. This was a clear reference to the Cruz Weffer removal.

While the President and MVR may be thinking that the changes will reinforce their leadership in the Assembly, we think otherwise. While the detailed headcount in the Assembly might still be slightly in favor of MVR, what used to be a solid majority has now become a slim margin, which will likely disappear if the MVR continues to attempt to run the Assembly in a dictatorial fashion. Were MVR to lose control of the Assembly, the stage would be set for a political crisis in 2002. The threat by Secretary of Organization of MVR Francisco Ameliach was ominous when he said: "if we lose the majority in Parliament due to treason, the door will be closed to a democratic path for the revolutionary process" So much for his belief in democracy.

The final notch in Chávez' decisional week was to create the Ministry of Agriculture and Land.

For more information call: Miguel Octavio, Ani Kondrat-Sucre, or Allan Brewer

Phone: (58 212) 207.2511

Although the information in this report has been obtained from sources that bbo Servicios Financieros Venezuela believes to be reliable, we do not guarantee its accuracy and completeness. All opinions and estimates included in this report as of this date are subject to change without notice. This report is for information purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

bbo Servicios Financieros Venezuela

Early in his Presidency, Chávez had merged the Ministry of Commerce and the Ministry of Agriculture in his belief that fewer ministries would be a more efficient way of running the country. Now he has split the two looking to have a more effective policy in both. The new Minister tried to calm those afraid of the Land Bill by saying that he would not expropriate any land in 2002, which did little to drive away the fears. A more mysterious decision was the resignation of Minister of Science and Technology Genatios. Genatios had one of the most positive images in the Cabinet and had been rumored to be the new Minister of Commerce. Instead, he reportedly resigned for personal reasons last week.

Other changes are in the cards in early 2002. Chávez himself has announced them, but apparently it is not easy to convince people to join the Cabinet. The opposition has yet to see Chávez tightening the noose on them in 2001, but they are certain that they will see attempts in 2002. In the meantime, they turned the cards on him by breaking the quorum on Thursday in a session called to approve the reform of the Income Tax Bill. It was the second cancellation of the vote, except that the first one was due to the absence of MVR deputies taking their Christmas vacation. Such is life in the fifth Republic. We are sure that we will find several surprises in the weeks to come. Let the show continue.....And Happy New Year!!

A New Foreign Exchange Policy

The sharp drop in the Venezuelan currency this week, which went from Bs. 755.75 per US\$ last week to a close at Bs. 763.50 per US\$ has taken the markets by surprise. Typically, the last week of the year is a quiet one in which the currency moves at the whim of the Central Bank. This week however, there was strong pressure on the currency, as the Central Bank appeared to step back from the market allowing it to rise in spurts. There was strong pressure from the retail buyers but there were clear signs that the Central Bank would announce a new exchange policy this week. The fact that the currency will change the year at or near Bs. 770 per US dollar is somewhat ironic given that that level is precisely the average value assumed for all of 2002 in the recently approved budget.

While no official announcement has been made, we understand that a new exchange policy will be announced before the end of the year. The new policy will redefine the band system using as the middle of the band the close on January 31st. The new slope will be 10% and the band will be +/-7.5%. The Central

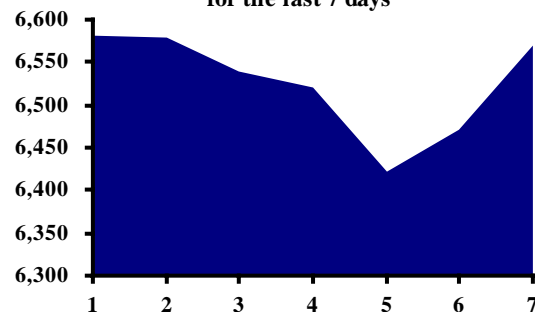
Bank will likely make its year-end report before Monday.

Market Closes Up

Trading activity was uneventful during this short week at the Caracas Stock Exchange mainly due to Holidays season. The most traded stocks among the liquid names were CANTV (TDVd, VNT), Electricidad de Caracas (EDC) and Cemex de Venezuela (VCM1, VCM2).

The IBC Index increased this week by 0.8%. The gainers in bolívar terms among the stocks that are part of the index were Cemex de Venezuela 2 (+13.8%), Sivensa (+8.3%), Cemex de Venezuela 1 (+7.7%), CANTV (+4.6%), Corimón A (+3.2%), Banco Venezolano de Crédito (+3.1%), Banco Provincial (+2.6%), Mercantil Servicios Financieros B (+1.3%) and Mercantil Servicios Financieros A (+0.7%). The losers were Mantex (-9.8%) and Electricidad de Caracas (-11.6%). Manpa, Unibanca, Fondo de Valores Inmobiliarios B, Envases Venezolanos, H.L Boulton and Corporación Industrial Carabobo B remained unchanged.

**Caracas Stock Exchange Index
for the last 7 days**



*Visit our Web Site at
<http://www.bbo.com.ve> or our page at
Bloomberg (BBOS <GO>)*

Company	Close (Bs)	Close (US\$)	Change in 2000 (%)	High (52 w.) (Bs.)	Low (52 w.) (Bs.)	EPS Trai. (Bs.)	Book Value (Bs.)	Caracas Stock Exchange Index				Loc. Currency	US\$
								P/E (trail.)	P/E (for.)	Price to Book	Price to Sales Ratio	Change since Dec 29, 2000	6,570.25 -3.7%
Banco Caracas	140.00	0.183	-48.8%	269.00	120.05	22.04	217.03	6.4	0.6	NA	596,080,502	108,802,178	
Banco de Venezuela	1,585.00	2.066	-11.5%	1,634.98	1,412.95	154.05	1,113.71	10.3	1.4	NA	400,000,000	826,597,132	
Banco Provincial**	513.00	0.669	1.9%	540.00	475.00	83.39	436.85	6.2	1.2	NA	894,615,520	598,354,318	
Bco Vno de Credito**	1,950.00	2.542	-26.1%	3,171.43	1,600.00	491.84	1,372.91	4.0	1.4	NA	58,968,000	149,918,644	
bbo Servicios Financieros	150.00	0.196	-58.1%	350.00	148.00	27.17	781.30	5.5	0.2	NA	96,426,696	18,857,894	
CANTV**	1,626.00	2.120	-20.5%	2,900.00	1,505.00	-114.58	4,033.34	-14.2	15.5	0.4	0.7	787,131,777	1,668,678,318
Cemex Venezuela I**	140.00	0.183	-42.2%	255.00	110.00	75.34	319.79	1.9	1.8	0.4	0.4	802,034,504	261,552,878
Cemex Venezuela II**	148.00	0.193	-44.9%	250.00	110.00	75.34	319.79	2.0	1.9	0.5	0.5	596,798,829	
Cer. Carabobo	131.20	0.171	-9.6%	177.00	131.20	-8.32	556.02	-15.8	10.7	0.2	0.2	87,765,334	42,628,259
Corimón A**	2.89	0.004	31.9%	7.00	1.85	-0.17	12.12	-17.4	0.2	0.3	7,329,087,480	27,615,467	
Corimón B	0.00	0.000	0.0%	0.00	0.00	-0.17	12.12	0.0	0.0	0.0	205,902,145		
Corp. Ind. Carabobo A	7.00	0.009	3.6%	8.00	6.00	0.25	18.16	28.0	0.4	N/A	508,851,245	11,009,307	
Corp. Ind. Carabobo B**	6.25	0.008	-4.3%	8.67	6.10	0.25	18.16	25.0	0.3	N/A	781,148,755		
Corp. Grupo Químico	330.00	0.430	-19.7%	330.00	330.00	8.92	200.59	37.0	1.6	0.4	91,196,788	39,237,210	
Domínguez y Cia	5.00	0.007	-27.6%	7.00	5.00	0.50	5.91	10.0	0.8	0.3	866,250,000	16,690,026	
Domínguez y Cia - Pref.	5.50	0.007	-26.7%	7.20	5.00	0.50	5.91	11.0	0.9	0.3	1,540,000,000		
Elec. de Caracas**	190.00	0.248	-34.0%	318.00	178.50	-115.50	580.31	-1.6	0.3	1.0	3,107,206,094	769,712,070	
Envases Venezolanos**	3.30	0.004	-42.6%	9.75	2.80	-0.59	5.53	-5.6	0.6	0.2	1,802,914,736	7,757,000	
Fab Nac de Cementos	80.00	0.104	7.6%	85.00	72.40	20.36	163.41	3.9	0.5	1.9	810,810,000	84,569,492	
Fondo de Valores Inm. A	19.67	0.026	-8.7%	30.05	30.05	0.14	22.92	144.9	0.9	7.3	499,843,465	95,540,263	
Fondo de Valores Inm. B**	17.00	0.022	-32.5%	23.00	14.00	0.14	22.92	125.2	0.7	6.3	3,732,260,309		
Grupo Zuliano	13.20	0.017	-57.0%	25.00	13.20	-1.76	70.38	-7.5	0.2	16.5	647,058,824	11,135,823	
H.L. Boulton**	7.56	0.010	-1.4%	14.50	6.30	-5.26	6.78	-1.4	1.1	0.4	919,527,407	9,063,399	
IBH*	2.88	2.88	44.0%	2.88	2.88	-0.89	11.55	-3.2	0.2	0.7	20,115,000	57,931,200	
Manpa**	55.00	0.072	-14.5%	84.95	48.00	2.10	12.80	26.2	4.3	0.9	2,294,009,424	164,498,720	
Mantex**	275.00	0.359	-28.3%	320.00	120.00	-19.32	1,229.49	-14.2	0.2	14.4	27,537,593	9,873,322	
Mercantil Serv. Fin. A**	945.00	1.232	-4.4%	1,373.44	843.75	94.93	1,539.60	10.0	5.3	0.6	NA	200,369,028	414,831,739
Mercantil Serv. Fin. B**	770.00	1.004	-6.3%	1,242.19	675.00	94.93	1,539.60	8.1	4.3	0.5	NA	167,308,068	
Sivensa**	1.95	0.003	-82.2%	5.26	1.56	-26.51	96.80	-0.1	0.0	0.0	2,963,863,143	7,535,245	
Sudamtex A	1.00	0.001	-24.6%	1.50	1.00	-4.44	37.78	-0.2	0.0	0.1	733,140,753	2,778,268	
Sudamtex B	0.70	0.001	-46.8%	1.50	0.60	-4.44	37.78	-0.2	0.0	0.0	1,996,843,672		
T. Palo Grande	80.00	0.104	-8.7%	80.00	80.00	2.82	417.15	28.3	0.2	0.2	14,791,450	1,542,785	
Term. Maracaibo	21.00	0.027	-8.7%	28.50	20.50	6.94	105.17	3.0	0.2	0.4	364,864,865	9,989,781	
Unibanca**	300.00	0.391	7.4%	300.00	200.00	35.99	297.06	8.3	1.0	NA	300,000,000	117,340,287	
Venaseta A	0.60	0.001	40.4%	0.60	0.54	-3.48	37.91	-0.2	0.0	NA	248,428,488	524,712	
Venaseta B	0.60	0.001	-8.7%	0.60	0.60	-3.48	37.91	-0.2	0.0	NA	422,328,429		
Vencred	150.00	0.196	-43.3%	400.00	135.00	25.87	446.21	5.8	0.3	NA	130,896,000	25,598,957	
Venepal A	6.00	0.008	28.8%	10.50	5.01	-53.46	35.71	-0.1	0.2	0.04	320,058,470	3,835,485	
Venepal B	4.50	0.006	-17.9%	15.00	4.00	-53.46	35.71	-0.1	0.1	0.03	226,992,416		
Vengas (Industrias Ventane)	33.00	0.043	-10.7%	60.00	32.00	16.74	57.69	2.0	0.6	0.38	1,100,683,760	47,356,668	

All data in US \$ using a forex rate equal to 767.00 Bolivars per US\$ this week

Total. Mkt. Cap. 5,564,000,176

* Stock prices and ratios expressed in US \$

** These companies are part of the Caracas Stock Exchange Index

Stock prices adjusted by cash dividends and stock splits

The closing prices used correspond to the last trade of the day as reported by Reuters, which could differ from official Caracas Stock Market closing price