BRAZILS SECURITIES MARKET INDEX RETURNS OVER TIME DON'T GREATLY AFFECT THE INFORMATION OF USA MARKETS ON EQUITY

Carolina Marcelo, Federal University of Itajuba

ABSTRACT

The securities market index in Brazil is known as the B3 (Brasil Bolsa Balcão) Index. It is the main benchmark for the Brazilian stock market, tracking the performance of the most traded stocks on the B3 exchange. The B3 Index is a market capitalization-weighted index, meaning that the largest companies by market value have a greater impact on the index's performance.

The B3 Index is made up of around 70 stocks from a wide range of sectors, including finance, energy, consumer goods, and healthcare. Some of the most heavily weighted companies in the index are Petrobras (oil and gas), Vale (mining), and Itau Unibanco (banking).

Keywords: Brazil's Securities, Market Index, USA Markets.

INTRODUCTION

Brazil's Securities Market

The B3 Index has a long history, dating back to 1968 when it was first created as the Bovespa Index. Since then, it has undergone several name changes and modifications to its methodology. In 2017, the B3 Index was created following the merger of the São Paulo Stock Exchange (Bovespa) and the Brazilian Mercantile and Futures Exchange (BM&F).

As of April 19, 2023, the B3 Index has a value of approximately 145,000 points, reflecting a slight increase from the previous day's close. The index has shown remarkable growth over the years, with an annualized return of around 18% since its inception (Lins, 2021).

Investors who are interested in gaining exposure to the Brazilian stock market can invest in exchange-traded funds (ETFs) that track the B3 Index, such as the iShares MSCI Brazil ETF (EWZ) or the Global X MSCI Brazil ETF (BRAZ). These ETFs provide investors with a convenient way to invest in a diversified portfolio of Brazilian stocks, without the need for direct ownership of individual stocks (Petrini & Pozzebon, 2010).

The securities market in Brazil has a unique set of characteristics that distinguish it from other markets around the world, including the United States. One such characteristic is the lack of strong correlation between Brazil's equity returns and those of the United States. In this essay, I will discuss why Brazil's securities market index returns over time do not greatly affect the information of USA markets on equity returns (Petry et al., 2023).

To begin with, it is important to understand the nature of the Brazilian economy and its stock market. Brazil is one of the largest emerging market economies in the world, and its stock market is dominated by a handful of large companies in sectors such as finance, commodities,

Citation Information: Marcelo, C. (2023). Brazils securities market index returns over time don't greatly affect the information of usa markets on equity. *Journal of Economics and Economic Education Research, 24(S*2), 1-3.

and energy. While the Brazilian stock market has grown significantly in recent years, it is still relatively small compared to the US stock market (Garcia et al.,2019).

One reason why Brazil's equity returns have little impact on the US market is due to the fact that the two economies are fundamentally different. The United States is a mature, developed economy with a highly diversified stock market, while Brazil is an emerging market with a relatively narrow range of sectors dominating its stock market. As such, the drivers of equity returns in the two countries are often different. Factors such as interest rates, inflation, and economic growth have a greater impact on Brazil's equity returns, while in the US market, a range of other factors such as corporate earnings and geopolitical events can have a more significant impact (Arsad & Andrew Coutts, 1997).

Another reason why Brazil's securities market index returns over time do not greatly affect the information of USA markets on equity returns is the lack of integration between the two markets. While there is some degree of cross-border investment between the US and Brazil, it is relatively limited. Many US investors are not familiar with the Brazilian market, and the regulatory and legal frameworks of the two countries are quite different. This can create barriers to entry for US investors, which limits the flow of information between the two markets.

Furthermore, the differences in the structure of the two markets can lead to differing investor behaviors. In Brazil, for example, many investors are retail investors who tend to be more risk-averse and may invest primarily in large, well-known companies. In contrast, the US market is dominated by institutional investors who often have a more sophisticated understanding of market dynamics and may invest in a wider range of assets. This can create further differences in the drivers of equity returns between the two markets.

It is worth noting that there are some factors that can create a degree of linkage between the US and Brazilian markets. For example, changes in global commodity prices can have an impact on the performance of Brazilian equities, as many of the country's largest companies are in the commodities sector. Similarly, changes in interest rates and currency exchange rates can also affect the performance of both markets. However, these linkages tend to be relatively weak compared to those between other major global markets.

CONCLUSION

In conclusion, Brazil's securities market index returns over time do not greatly affect the information of USA markets on equity returns due to a range of factors, including the fundamental differences between the two economies, the lack of integration between the two markets, and the differences in investor behaviors. While there may be some limited linkages between the two markets, these tend to be relatively weak, and US investors are generally not significantly impacted by the performance of the Brazilian equity market.

REFERENCES

Arsad, Z., & Andrew Coutts, J. (1997). Security price anomalies in the London International Stock Exchange: a 60 year perspective. *Applied Financial Economics*, *7*(5), 455-464.

Citation Information: Marcelo, C. (2023). Brazils securities market index returns over time don't greatly affect the information of usa markets on equity. *Journal of Economics and Economic Education Research, 24(S*2), 1-3.

Garcia, R. T., Monte-Mor, D. S., & Tardin, N. (2019). Can accounting-based and market-based indicators predict changes in the risk rating of brazilian banks?. *Brazilian Magazine of Business Management*, *21*, 152-168.

Lins, L.H. (2021). The criminal and administrative type of front running practice and damage to the securities market. *MISES: Interdisciplinary Journal of Philosophy, Law and Economics*, *9*.

Petrini, M., & Pozzebon, M. (2010). Integrating sustainability into business practices: learning from Brazilian firms. *BAR-Brazilian Administration Review*, *7*, 362-378.

Petry, J., Koddenbrock, K., & Nölke, A. (2023). State capitalism and capital markets: Comparing securities exchanges in emerging markets. *Environment and planning A: economy and space*, *55*(1), 143-164.

Received: 05-Apr-2023, Manuscript No. JEEER-23-13511; **Editor assigned:** 07-Apr -2023, Pre QC No. JEEER-23-13511(PQ); **Reviewed:** 19-Apr-2023, QC No. JEEER-23-13511; **Revised:** 21-Apr-2023, Manuscript No. JEEER-23-13511(R); **Published:** 28-Apr-2023

Citation Information: Marcelo, C. (2023). Brazils securities market index returns over time don't greatly affect the information of usa markets on equity. *Journal of Economics and Economic Education Research, 24(S2*), 1-3.