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Brazil: Financial Speculation Returns

by John Neagle

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On May 13, AP reported that financial speculation has returned. The government sold gold last week to reduce its price. The US dollar is now trading for 80 cruzeiros, the same price recorded in early March. Also last week, federal police raided the offices of black market operators in Sao Paulo to try to slow the dollar's appreciation. A survey released last week by the Brazilian Association of Credit and Savings Companies said \$4 million has been withdrawn from savings deposits, equivalent to 36% of all money in accounts not frozen by the government in mid-March. Many companies have found ways around the bank deposit withdrawal freeze. Daily newspaper O Globo reported last week that firms had managed to "unfreeze" almost \$50 billion, mainly by paying off debts and taxes as rules allowed. Others have used illegal methods. Blocked funds could be donated to charities, and some companies made large contributions with the understanding they would receive part of the money back.

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