

BRAZIL REOPENS ITS 10 YEAR BENCHMARK BOND

The National Treasury carried out, last May 7th, the first reopening of Global bond 2019N, reaching US\$ 750 million.

The issuance, managed by *Barclays Capital Inc.* and *Citigroup Global Markets Inc.* was priced at 100.539% of its face value, with a 5.80 % p.y. yield. Coupon payments set in 5.875% p.y. are to be paid semi-annually every Jan-15th and Jul-15th up to maturity in January 2019. This operation had a 252 bps spread over the Feb-2019 US Treasury¹.

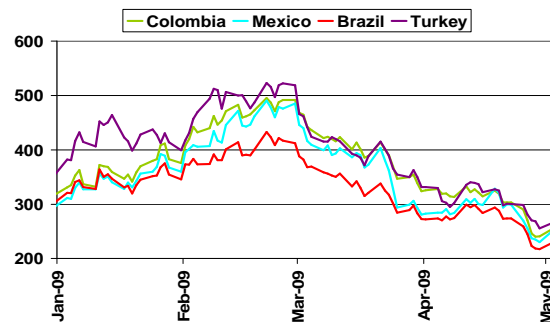
It can be highlighted that this is the second time that Brazil access the external market this year. In this last opportunity, the initial offer was meant to reach US\$ 500 million, however, due to strong demand, the total amount was extended to US\$ 750 million

In comparison with last January issuance, market conditions were better for the National Treasury than in this first reopening, as yield dropped from 6.127% p.y. (price of 98.135% of its face value) to 5.80% p.y. (price of 100.539%).

The reopening at a lower interest rate in relation to the former placement can also be explained by better market conditions translated into larger demand for bonds of Brazil, considered by the international community as one of the best emerging countries to weather the actual turbulence.

The chart below shows, in another fashion, how the Brazilian risk perception was reduced in compared to its peers.

CDS of 5 years : Colombia, Mexico, Brazil and Turkey



Source: Bloomberg

It can be highlighted that, since last January, Brazilian companies jointly financed US\$ 3,150 million in the external market, with bond's maturity ranging from 5 to 10 years. This fact demonstrates the importance of the references constructed by the National Treasury's external issuances.

This operation follows the 2009 Annual Borrowing Plan (ABP) – in which the Federal Public Debt management seeks to qualitatively improve the external profile, in order to consolidate the external yield curve by cultivating efficient benchmark bonds.

¹ This report used information provided by Treasury's Debt Operations General Coordination –Codip.

Characteristics of the Global 2019, on 01/06/2009

Term	10 years
Maturity	1/15/2019
Interest coupon	5.875% per year
Issuance price	98.14% of face value
Yield	6.127% per year
Spread	370bps
Principal payment	single payment, at maturity
Interest payment	half-yearly payments

Global 2019 First Reopening, on 05/08/2009

Term	10 years
Maturity	1/15/2019
Interest coupon	5.875% per year
Issuance price	100.539% of face value
Yield	5.80% p.y.r
Spread	252bps
Principal payment	single payment, at maturity
Interest payment	half-yearly payments

Source: Nacional Treasury

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