



## *BRAZIL REOPENS ITS 10 YEAR BENCHMARK BOND*

The National Treasury carried out, last July 27th, the first reopening of the Global bond 2021, reaching US\$ 825 million.

The issuance, jointly managed by *Deutsche Bank* and *BofA Merrill Lynch*, was priced at 102.707% of its face value, with a 4.547 % p.y. yield. Coupon payments set in 4.875% p.y. are to be paid semi-annually every Jan-22<sup>th</sup> and Jul-22<sup>th</sup> up to maturity in January 2021. This operation had a 150 bps spread over the May-2020 US Treasury.

It can be highlighted that this is the second time Brazil accesses the external market this year. In this last occasion, 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 the US and European markets, while extra US\$ 75 million (equivalent to 10% of the issuance) was channeled to the Asian market<sup>1</sup>.

In comparison with last April issuance, market conditions were better for the National Treasury than in this first opening, as yield dropped from 5.00% p.y. to 4.547% p.y., corresponding to the lowest rate of a 10-year Brazilian bond in the US dollar market.

Considering the yield, this is the second time that the Republic issued in the external market below 5.00% p.y.. The first issuance that achieved this result was carried out last December, with the older 10 years Brazilian bond benchmark<sup>2</sup>. The reopening at a lower interest rate relative to the former placement can also be explained by higher market confidence and better market conditions translated into larger demand for Brazilian securities.

The chart below demonstrates the importance of the references constructed by the National Treasury's external issuances, in red, one of the major goals defined by this Secretariat while managing the Federal Public Debt. The chart also shows a decreasing trend in the yields of these sovereign issuances, fact that has benefited Brazilian corporate sector by reducing the costs to raise money in the international capital

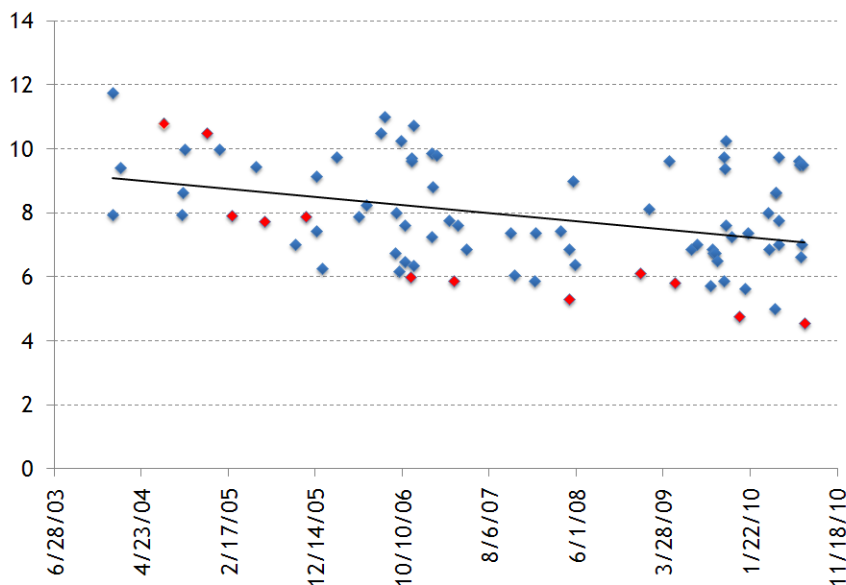
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<sup>1</sup> At that time the Republic used, once again, the extension known as "Green Shoe". In this fashion, the National Treasury launches the operation in the US and European markets in compatible timing and has the right to subsequently extend it to the Asian market under pre-defined conditions. That strategy has been usually adopted in Brazilian sovereign issuances in order to increase the investors' base.

<sup>2</sup> For further details, please access: [http://www.tesouro.fazenda.gov.br/english/public\\_debt/downloads/informes/Debt\\_report\\_2nd\\_reopening\\_GLOBAL\\_2019N.pdf](http://www.tesouro.fazenda.gov.br/english/public_debt/downloads/informes/Debt_report_2nd_reopening_GLOBAL_2019N.pdf)

market. Although there are a variety of issuers, with heterogeneous credit risk ratings, the trend line clearly shows an improvement in the financing conditions for a whole set of private companies.

### Sovereign and Private issuances - 10-year bonds` yields in USD (% p.y.).



Source: Bondradar and National Treasury

This operation follows the 2010 Annual Borrowing Plan (ABP) guidelines – in which the Federal Public Debt management seeks to qualitatively improve the external debt profile, in order to consolidate the external yield curve by cultivating efficient benchmark bonds.

### Characteristics of the Global 2021

	Characteristics of the Global 2021, on 04/15/2010	Global 2021 First Reopening, on 07/27/2010
Term	10 years	10 years
Maturity	01/22/2021	01/22/2021
Interest Cupom	4.875% p.y.	4.875% p.y.
Issuance Price	98.978% of face value	102.707% of face value
Yield	5.00% p.y.	4.547% p.y.
Spread	115.6 bps	150 bps
Principal Payment	Single payment, at maturity	Single payment, at maturity
Interest Payment	Semi-annual payments	Semi-annual payments
Issuance in the US and European Markets	US\$ 750 mn	US\$ 750 mn
Issuance in the Asian Market (Green Shoe)	US\$ 37.5 mn (5%)	US\$ 75 mn (10%)
Total Issuance	US\$ 787.5 mn	US\$ 825 mn

National Treasury: <http://www.tesouro.fazenda.gov.br/english/index.asp>

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