

BRAZIL ISSUED THE NEW 10-YEAR BENCHMARK BOND IN THE EXTERNAL MARKET

The National Treasury carried out, on March 10th, the issuance of its ten-year benchmark bond denominated in US Dollars, the Global 2026, reaching USD 1.5 billion – in the North-American market.

The bond, which bears a coupon of 6.0% p.y., paid semi-annually every April and October 07th, starting in October 2016, up to its maturity in April 2026, was priced at 99.066% of its face value to yield 6.125%, 419.6 bps above the comparable US Treasury. The issuance was managed by *J.P. Morgan and Bank of America Merrill Lynch*.

It was performed considering the recent improvement in the investor sentiment towards emerging markets in the period, with a comparatively higher demand and better financing conditions. The issuance of the Global 2026 evidenced the cost of raising funds for Brazil and its companies, and has demonstrated the great demand of foreign investors for Brazilian assets, considering the demand and the volume offered. The demand for the bond was far beyond the supply allowing the Republic to close the yield to 6.125% p.y., a level lower than initially set in the guidance. The offer was completed in 1.5 billion dollars. Thereby, the operation was well received, showing that the Republic has access to the international bond market at an attractive cost for the country, with good demand, potentially creating opportunities for other issuers in the short term.

The deal was announced at the time when the former ten-year benchmark bond yield had decreased 150 bps, showing a window of opportunity in the market. In this context, the Global 2026 was trading with a relatively favorable yield for the Republic, in the face of the market movements that occurred in 2015 and early 2016. In addition, the operation time took advantage of the improvement in the cost of the five-year Brazilian Credit Default Swap (CDS), which had decreased significantly over the past weeks.

This issuance follows the guidelines taken by the National Treasury regarding the improvement of the external debt profile through the consolidation of the external yield curve in US Dollars by maintaining reference points (benchmarks). Besides improving the sovereign bonds curve, the creation and maintenance of well-priced liquid securities serve as a reference for external operations for Brazilian private companies.

Characteristics of the Global 2026 Issuance

Issuance date	03/10/2016
Term	10 years
Maturity	04/07/2026
Interest coupon	6.00% p.y.
Issuance price	99.066% of face value
Yield	6.125% p.y.
Spread over the US Treasury	419.6 bps
Principal payment	Single payment, at maturity
Interest payment	Semi-annual payments
Issued at Global Market	USD 1.5 bn

Source: National Treasury

Staff

Public Debt Strategic Planning Department

Investors Relations – Brazildebt@fazenda.gov.br

Manager: Andre Proite

Deputy: Paulo Moreira Marques

Débora Marques Araújo

Iara Faria Gohn

Renata Mesquita d'Aguiar

Eric Lisboa Coda Dias