Debt Report

TesouroNacional

Brazil finalizes foreign capitation of resources estimated for 2005

June 2005

BRAZIL FINALIZES FOREIGN CAPTATION ESTIMATED FOR 2005

On June 20, Brazil promoted yet another issuance on the overseas market, raising a total volume of USD 600 million, with the reopening of the Global 2015, which had initially been launched in February of this year. Brazil's return to the external market occurred less than a month after the most recent offer of bonds, using the international market's current upswing to its advantage.

Evidence of this is lies in the fact that deals involving debts of emerging nations on the secondary market grew 35% during the first quarter of this year in comparison with the same period last year, reaching USD 1.408 trillion, the largest volume since 1997, according to information from the EMTA (Emerging Markets Traders Association). In this context, Brazil was outstanding with working capital greater than that of other emerging markets such as Russia and Mexico, considering the investment grades elaborated by risk classification agencies. Moreover, they also contributed to the solid favourable results of Brazil's trade balance and the robust fiscal adjustments in the government's primary accounts.

In relation to the characteristics of its issuance, the Global 2015—with a 7.875% per annum interest coupon—was issued at the reopening at a spread of 363 base points above the 10-year US Treasury Bond. The issuance, led by banks Citigroup and HSBC, was placed at a price of 100,95% its face value, resulting in a rate of return of 7.73% for the investor. Conditions for the reopening of the Global 2015 were even better than those for the original offer last February, when the price was 99,83% the face value and the rate of return was 7.90%. Financial liquidation occurred on June 27, 2005 and the interest coupons will be paid on March 07th and September 07th of each year, until maturity on March 07, 2015.

This issuance was the last operation of the 2005 foreign borrowing schedule, which had an early started in October 2004. With this, the National Treasury finalized—one semester ahead of schedule, the USD 6.0 billion prescribed in this schedule, indicating a high acceptance of Brazilian securities on the external market.

Also noteworthy is that according to Resolution No. 20 of the Federal Senate, published in November 2004, the resources obtained through the sale of bonds may be used to pay both the foreign as well as the internal debt, providing the administrators of the federal public debt with greater flexibility to manage these resources.

Characteristics of the Issue on June 20, 2005

Maturity	10 years (Maturity date March 07, 2015)
Liquidation date	June 27, 2005
Interest coupon	7.875% per annum
Issue price	100.95% of face value
Yield	7.732% per annum
Spread	363 bpts above the US Treasury reference bond
Placement commission	0.30%
Principal payment	one sole payment at maturity date
Interest payment	in semi-annual instalments

Source: STN/CODIP.

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