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Debt Report

Brazil promotes the Third Capitation of Foreign Resources this Year

March 2005

BRAZIL RESUMES ISSUE OF 10-YEAR BONDS NOW ON GLOBAL MARKET

On February 28, the Republic promoted the raising of resources overseas, following a successful operation on January 31, when Global 2025 was issued. Brazil's return to the external market took the form of the raising of resources through the issue of a bond maturing in 2015. However, in a fashion different from the first issue of the year, when approximately USD 650 million (EUR 500 million) were attracted with that maturation date, through Euro 2015, that last collection took place in the global market and gave continuity to the external financing program already initiated last year.

The most recent operation is the third carried out under the exclusive coordination of the National Treasury, which has since early this year unified the management of external and internal debts. This procedure is consistent with the best international debt management practices.

The recognition by the market of the progress achieved by the Brazilian economy, mainly the exceptional performance of the external sector in 3004, the robust fiscal results and the institutional changes that ought to sustain the favourable environment conducive to economic growth continuity, was reflected in the operation's results, headed by Citigroup Global Markets Inc. and JP Morgan Securities Inc. The bond, which will pay half-yearly coupons of 7.875% per annum, was issued at 99.829% of its face value, thus resulting in a profitability of 7.90% a year. The spread was 353 base points above the US Treasury reference bond maturing in February 2015.

It is worth highlighting that, according to Federal Senate Resolution number 20, published in November, 2004, the funds obtained with the operation may be used both for paying the domestic and the foreign debt, giving more flexibility to the federal public debt managers to administrate such funds. With this operation, the issuances scheduled for 2005 already amount to US$ 2.15 billion, and there remain to be issued throughout the year US$ 3.85 billion out of the total scheduled for 2005 (up to US$ 6.0 billion).

Also worthy of mention was the fact that in accordance with Resolution No. 20 of the Federal Senate, published in November 2004, the resources obtained through the operation may be used both for the payment of internal and external debts, thus allowing greater flexibility to the federal public debt managers in handling those resources. With this issue, approximately 73.3% (USD 4.4 billion) of the scheduled issues for the year are reached, leaving just USD 1.6 billion to complete the total programmed for 2005 (of up to USD 6.0 billion).

Characteristics of the Issue on February 28, 2005

Maturity	10 years (maturity date March 7, 2015)
Liquidation date	March 7, 2005
Interest coupon	7.875% per annum
Issue price	99.829% of face value
Yield	7.90% per annum
Spread	353 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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