BRAZIL ISSUES 31 YEARS MATURITY BOND IN EXTERNAL MARKET

The National Treasury reopened the Global 2037, on march 16th, registering the lowest spread over US Treasury bonds since 1995, when the first sovereign bond was issued after the Brady Plan. This issue, led by JPMorgan and HSBC, having the Brazilian bank Itaú as *co-manager*, paid 204 basis points over the US Treasury corresponding bond.

The unprecedented result of this operation, however, wasn't really a surprise, once main economic indicators already have been showing consistently the new position taken by Brazil in the international market, due to a fair long period of rigid fiscal policy administration and a monetary policy fully committed to a inflation target system. The soundness of Brazilian macroeconomic indicators allowed important shifts on Federal Public Debt – FDP - that are reflected on the best rating Brazil has ever obtained. This process was reified by the recent upgrade given by Standard & Poor´s, from BB- to BB for external debt and BB to BB+ for long term domestic debt, which has a major importance, since it only lacks one notch to the investment grade be reached for the domestic debt.

The reopening of the Global 2037 was priced on 103.747% of its face value – against 94.856% on its first issuance on January 10th, 2006 - and sustained yield compression from 7.557% to 6.831%. The Global 2037 has a 7.125% coupon p.y. and it matures on January 20th, 2037.

The US$ 500 million reopening raised the volume issued by the Republic under the umbrella of the 2006-2007 external financing program to US$ 5.3 billion. This amounts to around 60% of the US$ 9.0 billion target established in that program, although it started only three months ago.

The high level of accomplishment of the program also reflects the Brazilian successful strategy to take advantages of the good international scenario, which suggests that the expectation of a new cycle of monetary contraction in the short term from United States, Europe and Japan will cause no major liquidity restriction to Brazil at least until 2007.

After this reopening, it's expected that the total amount of US$ 1.5 billion of the Global 2037 in the market increases its liquidity and improves its pricing, enlarging its investors base. The initiative of amplifying the volume on the secondary market becomes more relevant once it is desired that this bond remains for some additional time as a reference for Brazilian long term benchmark.

Reopening of Global 2037, in 16/03/2006

Tenure	31 years
Maturity	01/20/2037
Coupon	7.125% p.y.
Issuance price	103.747% of face value
Yield	6.831% p.y.
Spread	204 bps over the *US Treasury Bond** with maturity on 2031
Underwriting Fee	0.30%
Payment of Principal	Bullet at maturity
Payment of Coupon	semiannual payments

Source: STN/CODIP
* Treasury bond

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