

DEBT MANAGEMENT: RISE IN DEBT ISSUANCE IN MARCH

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- Today, the National Treasury published the monthly debt report for March. The debt issuance increased in the month, totaling BRL169 billion (highest level since April 2021), compared to an average of BRL73 billion in first two months of the year. This issuance was concentrated in floating rate (49%) bonds. Considering this, the weekly bond issuances reached BRL24 billion up to March, rising from BRL19 billion up to February. For 2023, we estimate a necessity of ~BRL25 billion in issuances per week to keep liquidity reserves stable until the end of the year.
- Despite the high level of issuance, we observed a large level of redemptions in March (BRL189 billion). On top of that the net issuance was -BRL20.3 billion last month, summing -BRL218 billion in YTD terms and -BRL278 bn in the last 12-months. Considering the net issuance result, public debt liquidity reserves went down 2.2% MoM in nominal terms (-BRL22 billion from February), reaching BRL973 billion. This level of liquidity reserves covers close to 9.2 months of debt maturities (from 6.9 in February 7.6 in January and 8.4 in December).
- The cost of new domestic issuances rose slightly to 12.7% p.a. in March vs. 12.4% p.a. in February. The debt cost of LFT bonds accumulated in the last 12 months was maintained close to 12.5%, and the current level of Selic rate (13.75%) could create additional pressure on debt costs in the coming months, in our view. The NTN-B (inflation-linked bonds) issuance cost in the last 12 months reached 11.5% p.a (from 10.6% in February).
- The debt maturing through year-end totals BRL818 billion, while BRL1,285 billion is maturing in the next 12 months. We highlight the large maturity scheduled for May (BRL208 billion, mainly in NTN-B bonds). The volume of domestic debt securities maturing in up to 12 months dropped to 22.1% in March, vs. 22.5% in February.
- Non-residents registered a positive flow of BRL3.1 billion in March, reaching BRL17.6 billion in 2023 and BRL49.1 billion in the last 12-months. The percentage of non-resident debt holders reached 9.7% in March vs. 9.4% in December 2022 and compared to 10.6% in December 2021. Financial institutions continue to be the main holders (28.1%, +0.3ppt in the month).
- In our view, the outlook for debt management remains challenging in the medium-term, considering the higher level of domestic debt, in context of an increase in the debt cost and the uncertainty about the fiscal consolidation ahead. In addition, it will be important to focus on the level of liquidity reserve and favorable market conditions. In the short-term, we continued to believe that the liquidity debt cushion is at a comfortable level to navigate the uncertainties.

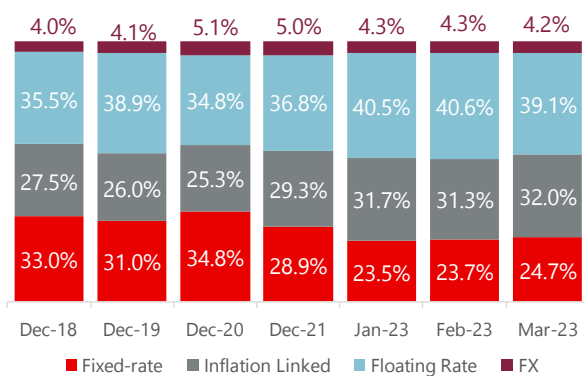


Figure 1 – Summary – Monthly Debt Report

Annual Borrowing Plan (PAF 2023)									
	2020	2021	2022	Feb-23	Mar-23	PAF 2023 range		PAF 2022 range	
Outstanding volume (BRL billion)						Min	Max	Min	Max
Federal Public Debt	5,010	5,614	5,951	5,856	5,892	6,400	6,800	6000	6400
Composition (%)									
Fixed-rate	34.8	28.9	27.0	23.7	24.7	23	27	24	28
Inflation-linked	25.3	29.3	30.3	31.3	32.0	29	33	27	31
Floating-rate	34.8	36.8	38.3	40.6	39.1	38	42	38	42
FX	5.1	5.0	4.4	4.3	4.2	3	7	3	7
Maturity Structure									
% maturing in 12 months	27.6	21	22.1	22.5	22.1	19	23	19	23
Average maturity (years)	3.6	3.8	3.0	4.0	4.0	3.8	4.2	3.8	4.2

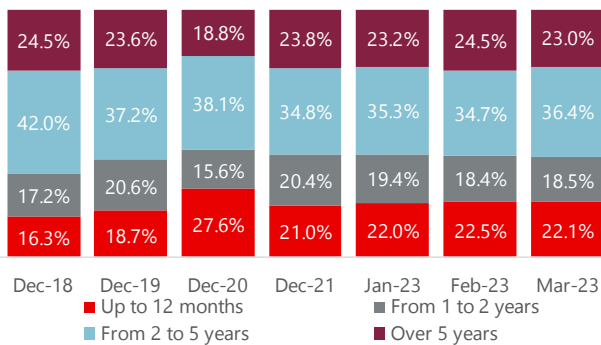
Sources: National Treasury, Santander

Figure 2 – Debt Profile - %



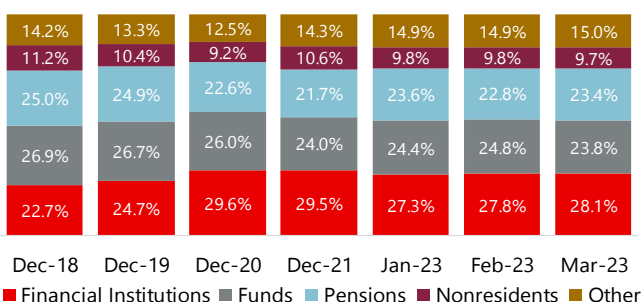
Sources: National Treasury, Santander.

Figure 4 – Debt Maturities - %



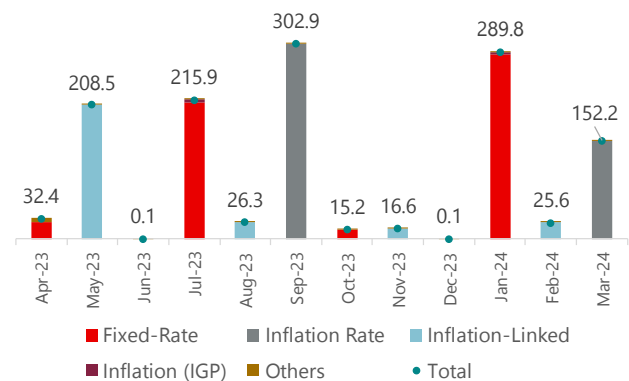
Sources: National Treasury, Santander.

Figure 6 – Debt Holders - %



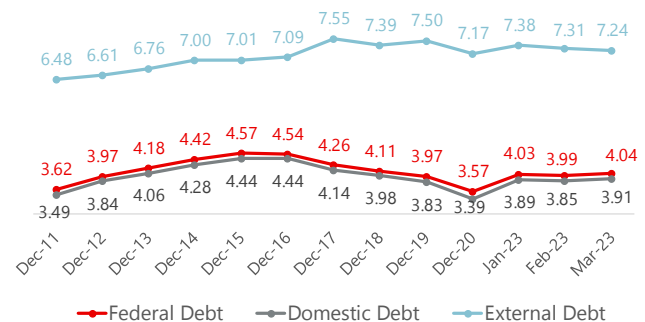
Sources: National Treasury, Santander.

Figure 3 – Debt Maturity in the Next 12 Months (BRL bn)



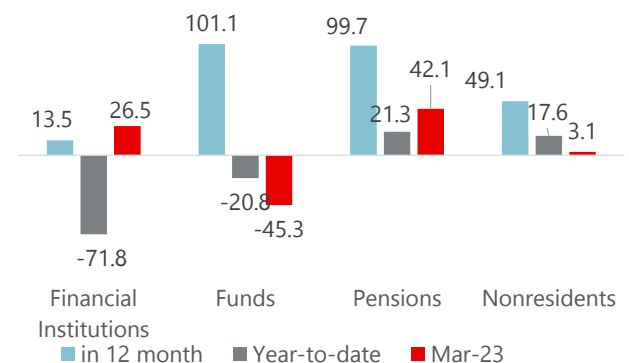
Sources: National Treasury, Santander.

Figure 5 – Average Maturity



Sources: National Treasury, Santander.

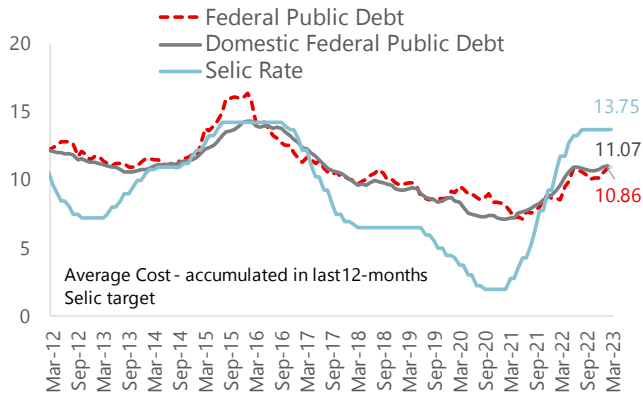
Figure 7 – Change in Holders Debt Stock (BRL bn)



Sources: National Treasury, Santander.

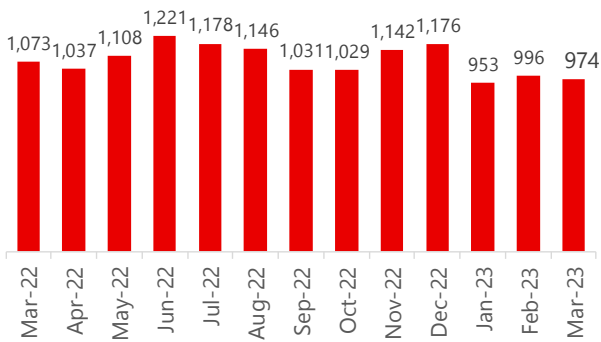


Figure 8 – Debt Cost - %



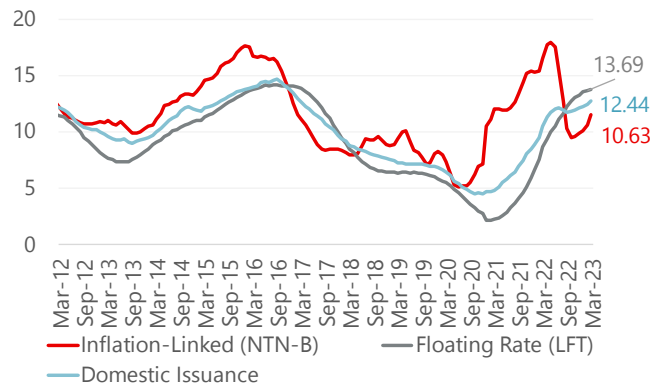
Sources: National Treasury, Santander.

Figure 10 – Debt Liquidity Reserve (BRL bn)



Sources: National Treasury, Santander.

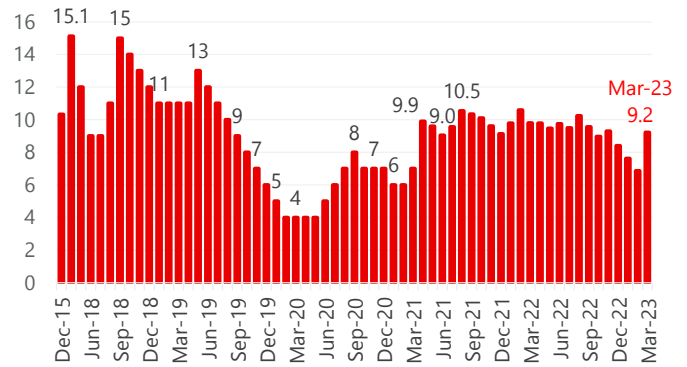
Figure 9 – Debt Cost of New Issuances - %



Sources: National Treasury, Santander.

Figure 11 – Liquidity Coverage of Debt Maturity

Debt Maturity Coverage in Months



Sources: National Treasury, Santander.



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