

## **DEBT MANAGEMENT: JANUARY POSTS LOWEST NET ISSUANCE FOR A MONTH SINCE START OF HISTORICAL SERIES**

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- Today, the National Treasury published the monthly debt report for January. Net Issuance totaled -BRL230 billion, the lowest level for a month in the historical series (November 2006 inception date). This level compares to the full-year net issuance result of 2022, which totaled -BRL217 billion. The month was marked by the high level of fixed-rate bond maturities (BRL293.3 billion). Weekly bond issuances reached ~BRL19 billion through January (we calculate BRL28 billion to maintain liquidly reserves).
- The cost of new domestic issuances rose a tad, to 12.2% p.a. vs. 12.1% p.a. in December. The debt cost of LFT bonds accumulated in the last 12 months increased to 13% (from 12.5% in December and 4.5% in December 2021), and the current Selic rate of 13.75% could create additional pressure on debt costs in the coming months, in our view. Debt maturing through year-end amounts to BRL1,002 billion, while BRL1,289 billion is maturing in the next 12 months. We highlight the large maturity in March (BRL184 billion, mainly in floating rate—LFT bonds) and in May (BRL204 billion, focused on inflation linked bonds—NTN-B).
- The volume of domestic debt securities maturing in up to 12 months reached 22.6% in January, vs. 22.1% in December 2022.
- Non-residents accounted for positive flow of BRL8.1 billion in January, adding to the negative flow of BRL23.8 billion in the last 12 months. The percentage of non-resident debt holders reached 9.8% in January vs. 9.4% in December 2022 and 10.6% in December 2021. Despite the reduction of BRL148 billion in the month, financial institutions continue to be the main holders (27.3%, -1.8pp in the month).
- Public debt liquidity reserves dropped BRL222 billion in January (-18.9% MoM in nominal terms), reaching BRL953 billion and reflecting the negative net issuances in the month. This level of liquidity reserves covers close to 7.6 months of debt maturities (from 8.4 in December and 9.3 in November).
- In our view, despite the comfortable levels of liquidity reserves to weather the uncertainties anticipated for a significant part of 2023, the outlook for debt management remains challenging in the medium term, especially given market volatility and the recent increase in debt costs.

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**IMPORTANT DISCLOSURES/CERTIFICATIONS ARE IN THE “IMPORTANT DISCLOSURES” SECTION OF THIS REPORT.**

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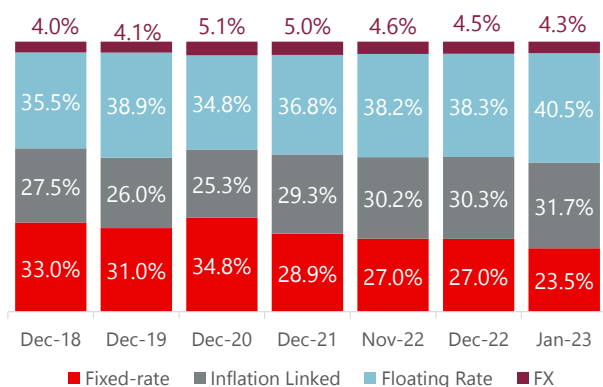


**Figure 1 – Summary – Monthly Debt Report**

Annual Borrowing Plan (PAF 2023)								
	2020	2021	2022	Jan-23	PAF 2023 range		PAF 2022 range	
Outstanding volume (BRL billion)					Min	Max	Min	Max
Federal Public Debt	5,010	5,614	5,951	5,767	6,400	6,800	6000	6400
Composition (%)								
Fixed-rate	34.8	28.9	27.0	23.5	23	27	24	28
Inflation-linked	25.3	29.3	30.3	31.7	29	33	27	31
Floating-rate	34.8	36.8	38.3	40.5	38	42	38	42
FX	5.1	5.0	4.4	4.3	3	7	3	7
Maturity Structure								
% maturing in 12 months	27.6	21	22.1	22.6	19	23	19	23
Average maturity (years)	3.6	3.8	3.0	4.0	3.8	4.2	3.8	4.2

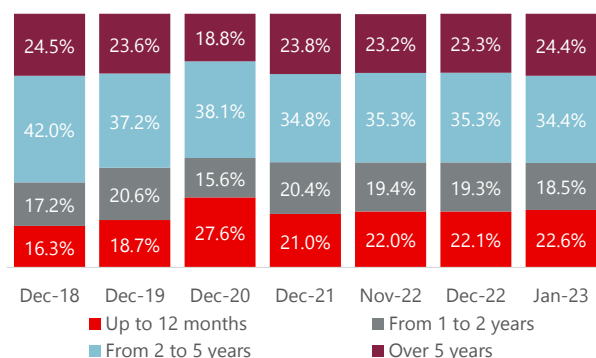
Sources: National Treasury, Santander

**Figure 2 – Debt Profile - %**



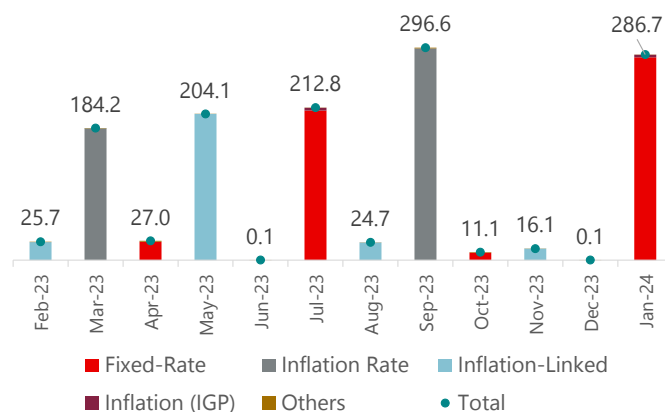
Sources: National Treasury, Santander.

**Figure 4 – Debt Maturities - %**



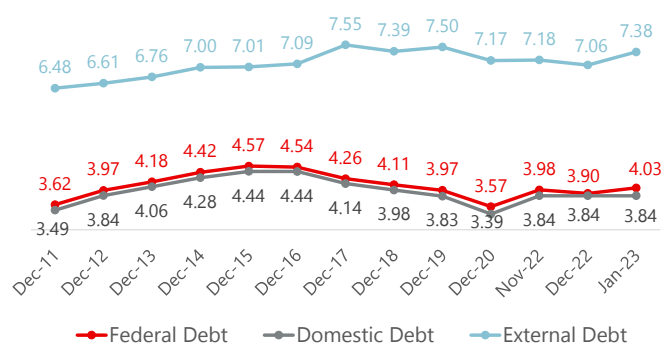
Sources: National Treasury, Santander.

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



Sources: National Treasury, Santander.

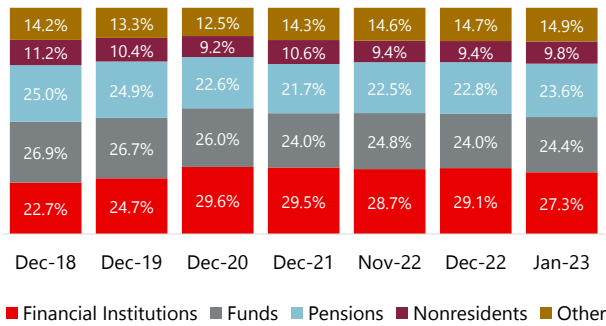
**Figure 5 – Average Maturity**



Sources: National Treasury, Santander.

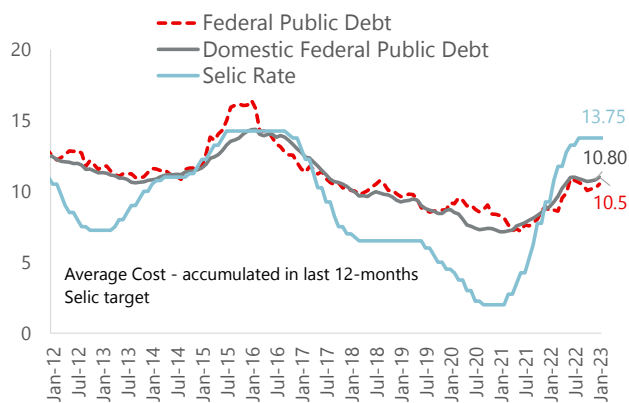


**Figure 6 – Debt Holders - %**



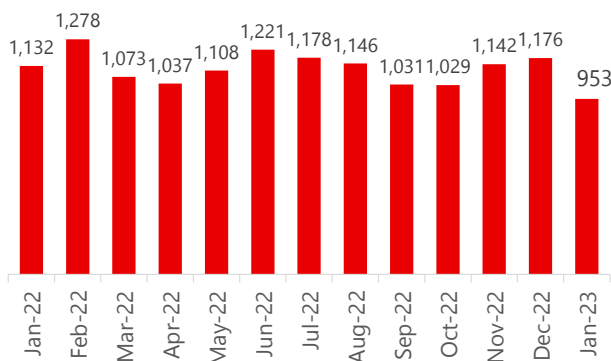
Sources: National Treasury, Santander.

**Figure 8 – Debt Cost - %**



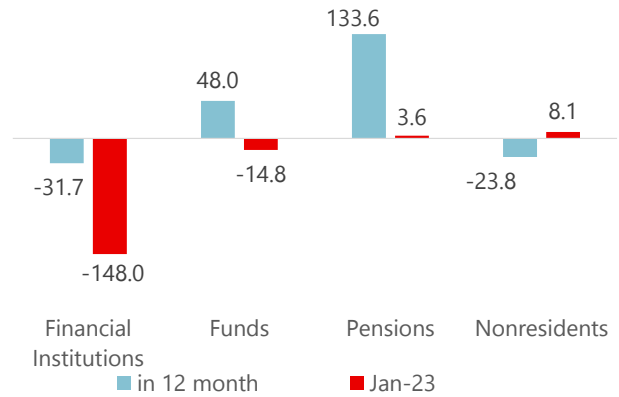
Sources: National Treasury, Santander.

**Figure 10 – Debt Liquidity Reserve (BRL bn)**



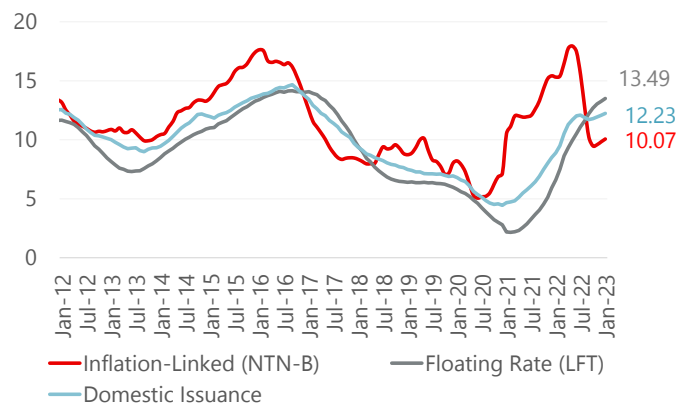
Sources: National Treasury, Santander.

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



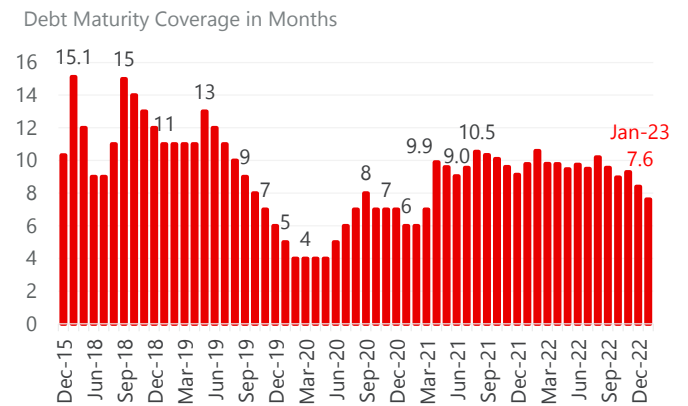
Sources: National Treasury, Santander.

**Figure 9 – Debt Cost of New Issuances - %**



Sources: National Treasury, Santander.

**Figure 11 – Liquidity Coverage of Debt Maturity**



Sources: National Treasury, Santander.



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