

## DEBT MANAGEMENT: LOWER LEVEL OF BOND MATURITIES IN FEBRUARY

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- Today, the National Treasury published the monthly debt report for February. Net issuance totaled +BRL32.9 billion, after registering the lowest level for a month in the historical series in January. In 2023, the net issuance is at -BRL198 billion – this level compares to the net issuance result of BRL217 billion in 2022 (full-year result) . Debt issuance reached BRL61.4 billion in the month, concentrated in fixed rate (45%) and floating rate (40%) bonds. The issuance was a tad lower than the last 12-month average of BRL81.7 billion. Weekly bond issuances reached ~BRL19 billion up to February. For 2023, we estimate ~BRL25 billion in issuances would be required per week to keep liquidity reserves stable until the end of the year.
- The cost of new domestic issuances rose slightly to 12.4% p.a. in February vs. 12.2% p.a. in January. The debt cost of LFT bonds accumulated in the last 12 months increased to 12.5% (from 12.4% in January and 4.5% in December 2021), and the current level of Selic rate (13.75%) could create additional pressure on debt costs in the coming months, in our view.
- The debt maturing through year-end totals BRL987 billion, while R\$1,300 billion is maturing in the next 12 months. We highlight the large maturity scheduled for March (BRL185 billion, mainly in floating rate—LFT bonds) and May (BRL206 billion, focused on inflation linked bonds—NTN-B).
- The volume of domestic debt securities maturing in up to 12 months reached 22.5% in February, vs. 22.6% in January.
- Non-residents registered a positive flow of BRL6.4 billion in February, reaching BRL 14.5 billion in 2023 and BRL0.3 billion in the last 12-months. The percentage of non-resident debt holders remained 9.8% in February vs. 9.4% in December 2022 and compared to 10.6% in December 2021. Financial institutions continue to be the main holders (27.8%, +0.5pp in February).
- Public debt liquidity reserves rose BRL42 billion in February (+4.4% MoM in nominal terms), reaching BRL996 billion and reflecting the net issuances in the month and the National Treasury result. This level of liquidity reserves covers close to 6.9 months of debt maturities (from 7.6 in January, 8.4 in December and 9.3 in November). Despite the increase in nominal terms, the higher level of debt maturing months ahead, statistically reduced this value. According to the National Treasury, this level of liquidity index is already in 9.1 months of debt maturities up to March 24, with higher issuances and higher bond maturities in the month.
- In our view, despite the comfortable levels of liquidity reserves to weather uncertainties for a significant part of 2023, the outlook for debt management remains challenging in the medium term, especially given market volatility, the recent increase in debt costs, and the uncertainty about the fiscal consolidation ahead.

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

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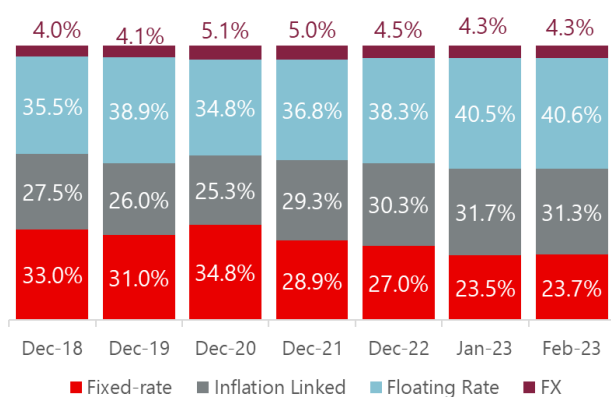


Figure 1 – Summary – Monthly Debt Report

Annual Borrowing Plan (PAF 2023)									
	2020	2021	2022	Jan-23	Feb-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	5,856	6,400	6,800	6000	6400
Composition (%)									
Fixed-rate	34.8	28.9	27.0	23.5	23.7	23	27	24	28
Inflation-linked	25.3	29.3	30.3	31.7	31.3	29	33	27	31
Floating-rate	34.8	36.8	38.3	40.5	40.6	38	42	38	42
FX	5.1	5.0	4.4	4.3	4.3	3	7	3	7
Maturity Structure									
% maturing in 12 months	27.6	21	22.1	22.6	22.5	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

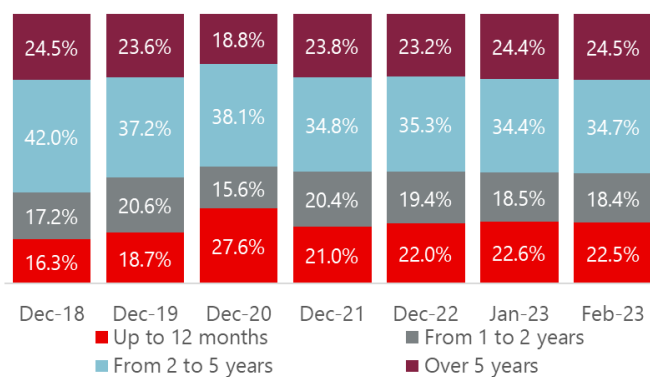
Sources: National Treasury, Santander

Figure 2 – Debt Profile - %



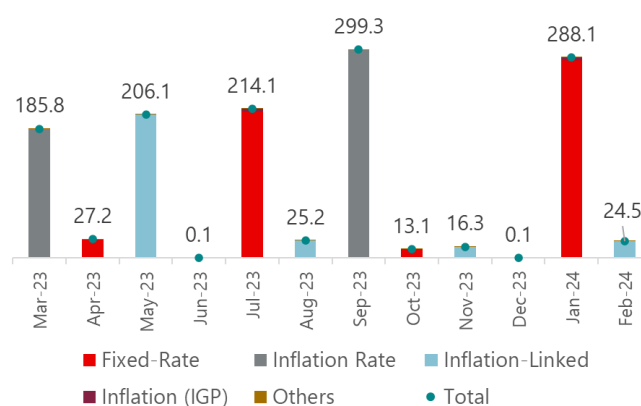
Sources: National Treasury, Santander.

Figure 4 – Debt Maturities - %



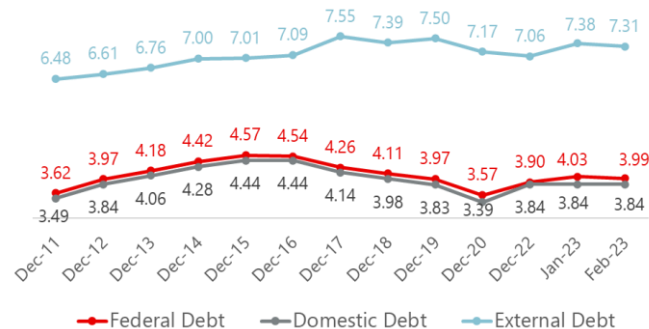
Sources: National Treasury, Santander.

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



Sources: National Treasury, Santander.

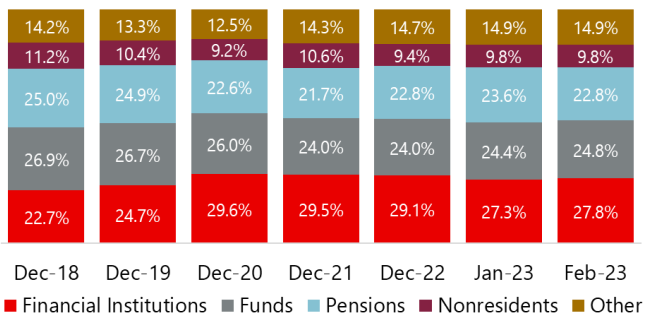
Figure 5 – Average Maturity



Sources: National Treasury, Santander.

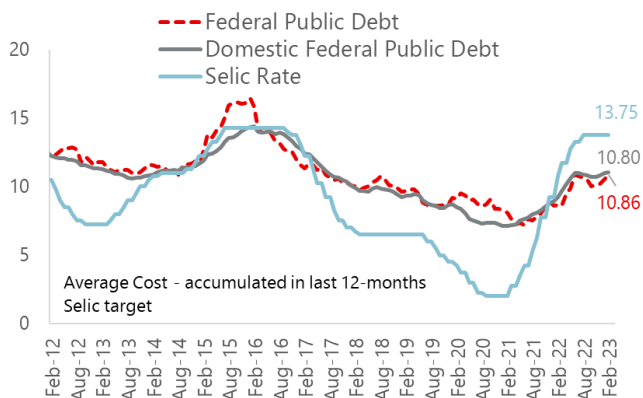


**Figure 6 – Debt Holders - %**



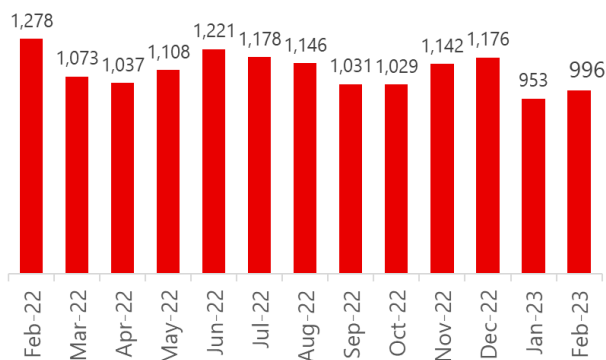
Sources: National Treasury, Santander.

**Figure 8 – Debt Cost - %**



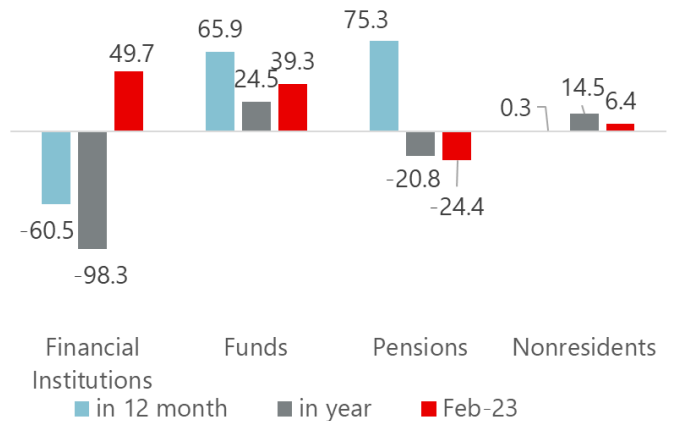
Sources: National Treasury, Santander.

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



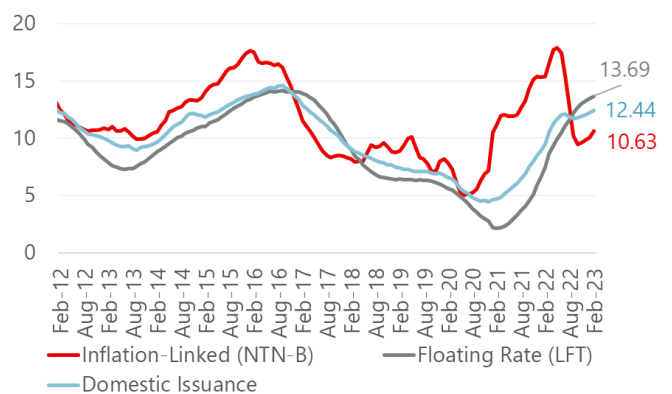
Sources: National Treasury, Santander.

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



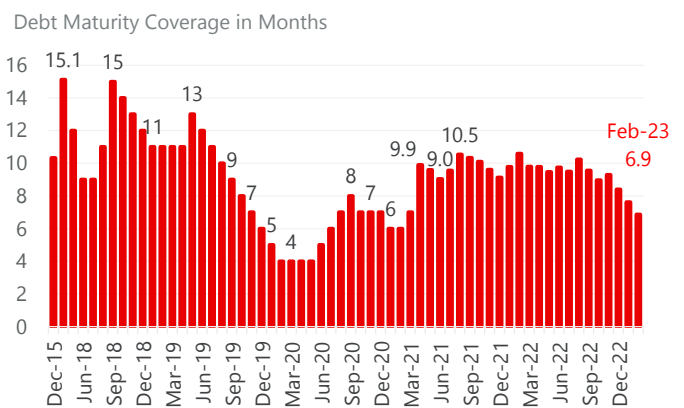
Sources: National Treasury, Santander.

**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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