

## **DEBT MANAGEMENT: HIGHER VOLUME OF DEBT ISSUANCE (DOMESTIC AND EXTERNAL) IN APRIL**

Ítalo Franca\*  
italo.franca@santander.com.br  
+5511 3553 5235

- Yesterday, the National Treasury published its monthly debt report for April. Debt issuance remained high in the month, totaling BRL127 billion, compared to BRL169 billion in March. These values are higher than the average of BRL73 billion observed in first two months of the year. In April, we observed the positive external issuance of BRL11 billion, with a 10-year bond (Global 2033). In the domestic market, the issuance was concentrated in fixed-rate (~50%) bonds. Considering this, the weekly bond issuances reached BRL26 billion up to April, rising from BRL24 billion up to March and BRL19 billion up to February. For 2023, we estimate that ~BRL24 billion needs to be issued per week in order to keep liquidity reserves stable until year-end.
- April was also marked by a lower level of redemptions (BRL35.3 billion). Moreover, net issuance was BRL92.3 billion last month, amounting to -BRL125.8 billion in YTD terms and -BRL145.5 billion in the last 12 months. Considering the net issuance result, public debt liquidity reserves went up 8.2% MoM in nominal terms (+BRL80 billion from March), reaching BRL1,053 billion. This level of liquidity reserves covers close to 9.6 months of debt maturities (from 9.2 in March, 6.9 in February and 8.4 in December).
- The cost of new domestic issuances rose slightly to 12.9% p.a. in April vs. 12.7% 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 average cost of the outstanding debt accumulated in 12 months dropped to 10.7% (-0.4 pp), helped by the external issuance and the reduction in inflation numbers.
- The debt maturing through year-end totals BRL796 billion, while BRL1,360 billion is maturing in the next 12 months. We highlight the large maturity scheduled for May (BRL211 billion, mainly in NTN-B bonds). The volume of domestic debt securities maturing in up to 12 months rose to 22.9%— close to the upper bound of the Annual Borrowing Plan for 2023 (23%).
- Non-residents registered almost no new flow in April (-BRL0.1 billion), reaching BRL17.5 billion in 2023 and BRL51.4 billion in the last 12 months. The percentage of non-resident debt holders reached 9.5% in April vs. 9.4% in December 2022 and compared to 10.6% in December 2021. Financial institutions continue to be the main holders (28.8%, +0.7ppt in the month).
- We observed better number in the last two months, with increased debt issuance, highlighting the external issuance. We continue to believe that the liquidity debt cushion is at a comfortable level to navigate the uncertainties.
- For the medium term, the outlook for debt management remains challenging, considering the higher level of domestic debt in the context of an increase in the cost of debt and uncertainty about the fiscal consolidation ahead.



Figure 1 – Summary – Monthly Debt Report

Annual Borrowing Plan (PAF 2023)									
	2020	2021	2022	Mar-23	Apr-23	PAF 2023 range		PAF 2022 range	
Outstanding volume (BRL billion)						Min	Max	Min	Max
Federal Public Debt	5,010	5,614	5,951	5,892	6,032	6,400	6,800	6000	6400
Composition (%)									
Fixed-rate	34.8	28.9	27.0	24.7	24.8	23	27	24	28
Inflation-linked	25.3	29.3	30.3	32.0	32.1	29	33	27	31
Floating-rate	34.8	36.8	38.3	39.1	38.8	38	42	38	42
FX	5.1	5.0	4.4	4.2	4.2	3	7	3	7
Maturity Structure									
% maturing in 12 months	27.6	21	22.1	22.1	22.9	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 - %

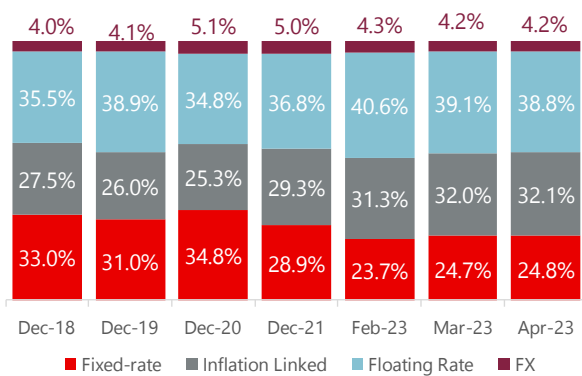


Figure 3 – Debt Maturity in the Next 12 Months (BRL bn)

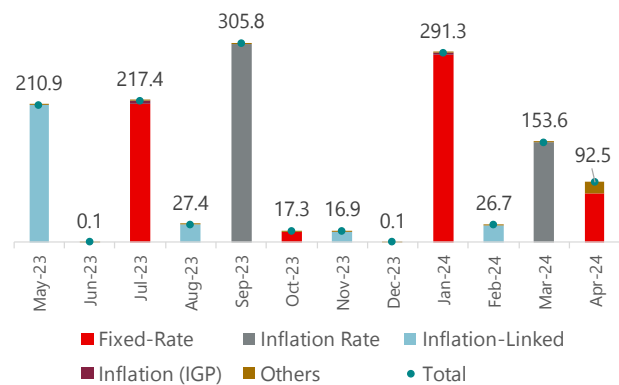


Figure 4 – Debt Maturities - %

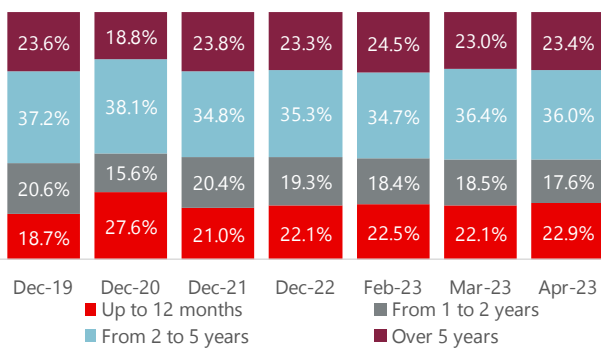


Figure 5 – Average Maturity

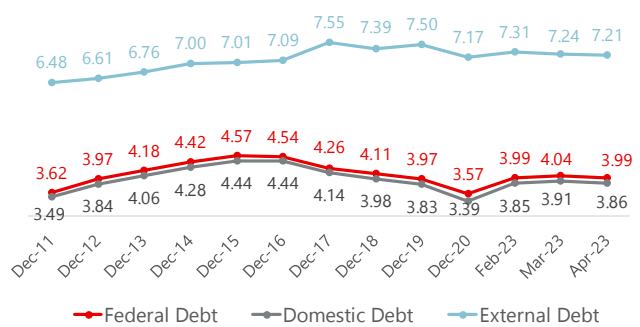


Figure 6 – Debt Holders - %

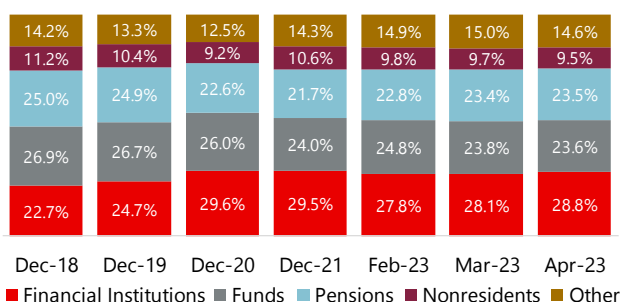
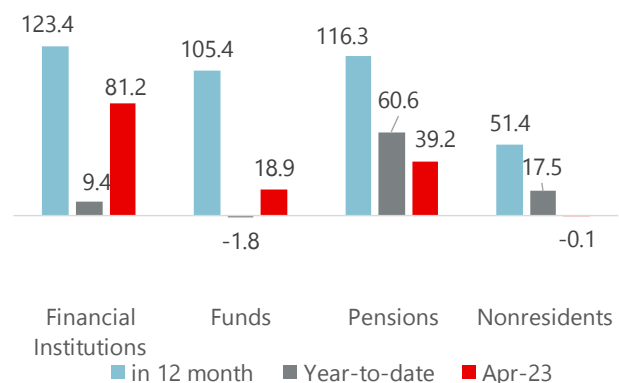
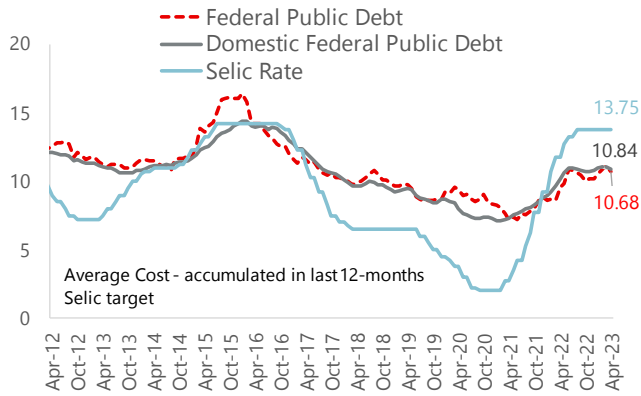


Figure 7 – Change in Holders Debt Stock (BRL bn)



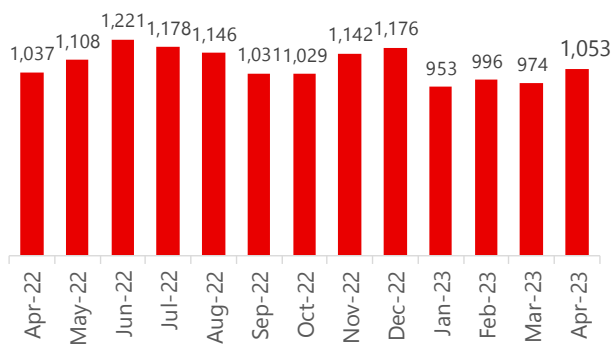


**Figure 8 – Debt Cost - %**



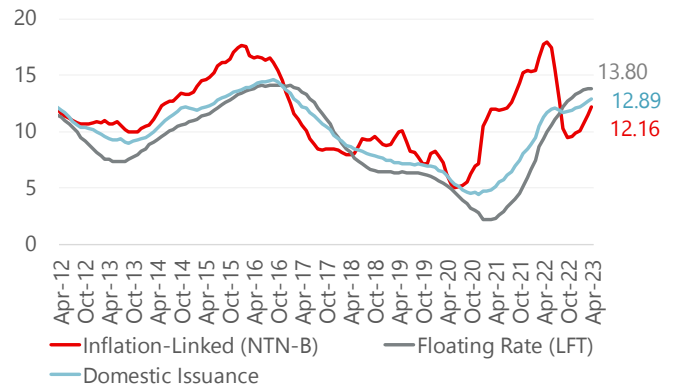
Sources: National Treasury, Santander.

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



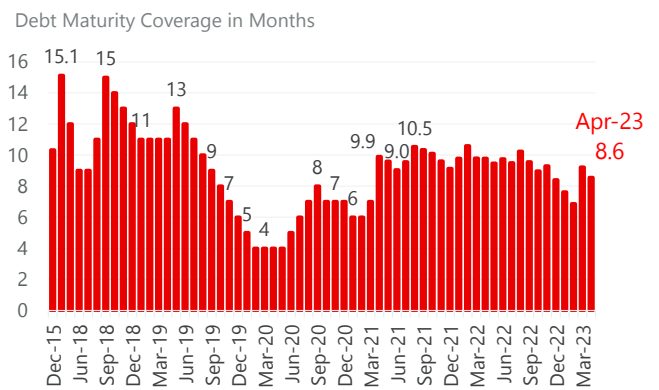
Sources: National Treasury, Santander.

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



Sources: National Treasury, Santander.

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



Sources: National Treasury, Santander.



## CONTACTS / IMPORTANT DISCLOSURES

### Brazil Macro Research

Ana Paula Vescovi*	Chief Economist	anavescovi@santander.com.br	5511-3553-8567
Mauricio Oreng*	Head of Macro Research	mauricio.oreng@santander.com.br	5511-3553-5404
Jankiel Santos*	Economist – External Sector	jankiel.santos@santander.com.br	5511-3012-5726
Ítalo Franca*	Economist – Fiscal Policy	italo.franca@santander.com.br	5511-3553-5235
Daniel Karp Vasquez*	Economist – Inflation	daniel.karp@santander.com.br	5511-3553-9828
Tomas Urani*	Economist – Global Economics	tomas.urani@santander.com.br	5511-3553-9520
Felipe Kotinda*	Economist – Commodities	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto*	Economist – Special Projects	gabriel.couto@santander.com.br	5511-3553-8487
Gilmar Lima*	Economist – Modeling	gilmar.lima@santander.com.br	5511-3553-6327

### Global Macro Research

Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Rodrigo Park *	Economist – Argentina	rpark@santander.com.ar	54-11-4341-1272
Ana Paula Vescovi*	Economist – Brazil	anavescovi@santander.com.br	5511-3553-8567
Juan Pablo Cabrera*	Economist – Chile	jcabrera@santander.cl	562-2320-3778
Guillermo Aboumrad*	Economist – Mexico	gjaboumrad@santander.com.mx	5255-5257-8170
Piotr Bielski*	Economist – Poland	piotr.bielski@santander.pl	48-22-534-1888
Mike Moran	Head of Macro Research, US	mike.moran@santander.us	212-350-3500

### Fixed Income Research

Juan Arranz*	Chief Rates & FX Strategist – Argentina	jarranz@santanderrio.com.ar	5411-4341-1065
Mauricio Oreng*	Senior Economist/Strategist – Brazil	mauricio.oreng@santander.com.br	5511-3553-5404
Juan Pablo Cabrera*	Chief Rates & FX Strategist – Chile	jcabrera@santander.cl	562-2320-3778

### Equity Research

Miguel Machado*	Head Equity Research Americas	mmachado@santander.com.mx	5255 5269 2228
Alan Alanis*	Head, Mexico	aalanis@santander.com.mx	5552-5269-2103
Andres Soto	Head, Andean	asoto@santander.us	212-407-0976
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santanderrio.com.ar	5411-4341-1564
Aline de Souza Cardoso*	Head, Brazil	aline.souza.cardoso@santander.com.br	5511-3553-1684

### Electronic

Bloomberg  
Reuters

SIEQ <GO>  
Pages SISEMA through SISEMZ

This research report (“report”) has been prepared by Santander US Capital Markets LLC (is a subsidiary of Santander Holdings USA, Inc. which is wholly owned by Banco Santander, S.A. “Santander”) on behalf of itself and its affiliates (collectively, Grupo Santander) and is provided for information purposes only. This report must not be considered as an offer to sell or a solicitation of an offer to buy any relevant securities (i.e., securities mentioned herein or of the same issuer and/or options, warrants, or rights with respect to or interests in any such securities). Any decision by the recipient to buy or to sell should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with and available from the entity governing the related market and the company issuing the security. This report is issued in Spain by Santander Investment Bolsa, Sociedad de Valores, S.A. (“Santander Investment Bolsa”) and in the United Kingdom by Banco Santander, S.A., London Branch. Santander London is authorized by the Bank of Spain. This report is not being issued to private customers. Santander US Capital Markets LLC, Santander London and Santander Investment Bolsa are members of Grupo Santander. ANALYST CERTIFICATION: The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed, that their recommendations reflect solely and exclusively their personal opinions, and that such opinions were prepared in an independent and autonomous manner, including as regards the institution to which they are linked, and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report, since their compensation and the compensation system applying to Grupo Santander and any of its affiliates is not pegged to the pricing of any of the securities issued by the companies evaluated in the report, or to the income arising from the businesses and financial transactions carried out by Grupo Santander and any of its affiliates: Ana Paula Vescovi\*, Aline de Souza Cardoso\*. Employed by a non-US affiliate of Santander US Capital Markets LLC and is not registered/qualified as a research analyst under FINRA rules and is not an associated person of the member firm and therefore is not subject to FINRA Rule 2241 or FINRA Rule 2242 and restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. The information contained within this report has been compiled from sources believed to be reliable. Although all reasonable care has been taken to ensure the information contained within these reports is not untrue or misleading, we make no representation that such information is accurate or complete and it should not be relied upon as such. All opinions and estimates included within this report constitute our judgment as of the date of the report and are subject to change without notice. Any U.S. recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with Santander US Capital Markets LLC, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the U.S. Securities Exchange Act of 1934) for this report and its dissemination in the United States. Hong Kong (HK): This report is distributed in Hong Kong by Banco Santander, S.A. (a public limited liability company incorporated in Spain) which has a branch in Hong Kong. Banco Santander, S.A., Hong Kong Branch is regulated as a Registered Institution by the Hong Kong Monetary Authority for the conduct of Advising and Dealing in Securities (Regulated Activity Type 4 and 1 respectively) under the Securities and Futures Ordinance. This report is not intended for distribution to any persons other than professional investors. Banco Santander, S.A. or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is greater than 1%, the specific holding is disclosed in the Important Disclosures section above. The recipient of this report must not distribute it to any person without the prior written consent of Banco Santander, S.A.. Singapore (SG): This report is distributed in Singapore by Banco Santander, S.A. which has a branch in Singapore. It is not intended for distribution to any persons other than



institutional investors, accredited investors and expert investors (each as defined in the Securities and Futures Act 2001 of Singapore). Recipients of this report should contact Banco Santander, S.A., Singapore Branch at [researchsingapore@gruposantander.com](mailto:researchsingapore@gruposantander.com) for matters arising from, or in connection with, this report. Mainland China (CN): This report is being distributed in Mainland China by Banco Santander, S.A. which has two branches in Mainland China, being Shanghai Branch and Beijing Branch ("Santander China"). Santander China is regulated by China Banking and Insurance Regulatory Commission. Banco Santander, S.A., Shanghai Branch is licensed for foreign currency business, RMB business and derivative business. Banco Santander, S.A., Beijing Branch is licensed with foreign currency business. The recipient of this report must not distribute it to any person without the prior written consent of Banco Santander, S.A. © 2023 by Santander US Capital Markets LLC All Rights Reserved.

