

DEBT REPORT: LARGE FIXED-RATE BONDS MATURITY IN OCTOBER

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- Today, the National Treasury published the monthly debt report for October. Weekly bond issuances reached R\$22.5 billion through October. Net Issuance totaled -R\$9.1 billion, marking the fourth consecutive month with negative net emissions. For the year, the value is at -R\$284.6 billion. In October, we observed a high fixed rate bond (LTN) maturity (BRL106 billion). In the debt composition, floating rate bonds (37.9%) are the only kind that have a percentage of the total below the one estimated in the Annual Borrowing Plan (PAF, in Portuguese), at 38-42%.
- The cost of new domestic issuances remained stable, at 11.8% p.a. vs. 11.7% p.a. in September. The debt cost of LFT bonds accumulated in the last 12 months increased to 11.6% (from 11.1% in September and 4.5% in December 2021), and the recent rise in the Selic rate (currently at 13.25%) could create additional pressure on debt costs in the coming months, in our view. The debt maturing through year-end totals R\$22.8 billion, while R\$1,267 billion is maturing in the next 12 months. We highlight the large maturity in January (R\$293 billion, mainly in LTN bonds).
- The volume of domestic debt securities maturing in up to 12 months shifted to 22.4% in October, from 24.6% in September – inside the interval set in PAF.
- Non-residents registered a positive flow of R\$5.9 billion in October, totaling -R\$53 billion year to date and -R\$21.8 billion in the last 12 months, raising the percentage of non-residents to 9.3% of debt holders, from 9.2% in September and compared to 10.6% in December 2021, 9.2% in December 2020, and 10.4% in December 2019. Financial institutions continue to be the main debt holders, at 28.7%.
- Public debt liquidity reserves dropped R\$2.5 billion in September (-0.2% MoM in nominal terms), reaching R\$1,029 billion and reflecting net issuances with a high level of bond maturities in the month. This level of liquidity reserves covers close to 9.0 months of debt maturities (from 9.6 in September).
- In our view, despite the comfortable levels of liquidity reserves to weather uncertainties in 2022 and 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, in the context of popular demand for larger outlays for social programs.

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

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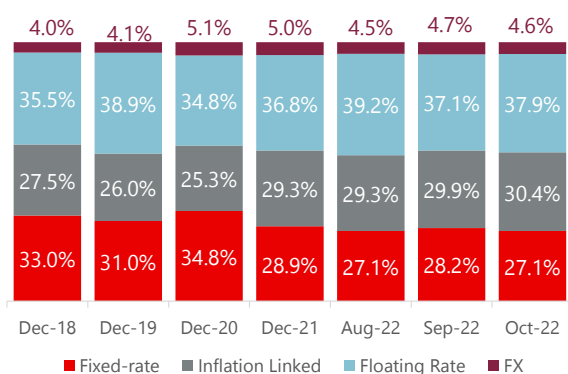


Figure 1 – Summary – Monthly Debt Report

Annual Borrowing Plan (PAF 2022)								
	2020	2021	Sep-22	Oct-22	PAF 2022 range		PAF 2021 Revised (May21)	
					Min	Max	Min	Max
Outstanding volume (BRL billion)								
Federal Public Debt	5,010	5,614	5,752	5,778	6000	6400	5,500	5,800
Composition (%)								
Fixed-rate	34.8	28.9	28.2	27.1	24	28	31	35
Inflation-linked	25.3	29.3	29.9	30.4	27	31	26	30
Floating-rate	34.8	36.8	37.1	37.9	38	42	33	37
FX	5.1	5.0	4.7	4.6	3	7	3	7
Maturity Structure								
% maturing in 12 months	27.6	21	24	22.4	19	23	22	27
Average maturity (years)	3.6	3.8	4.0	4.0	3.8	4.2	3.4	3.8

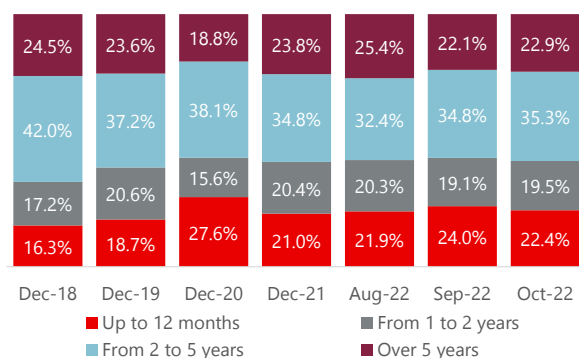
Sources: National Treasury; Santander

Figure 2 – Debt Profile - %



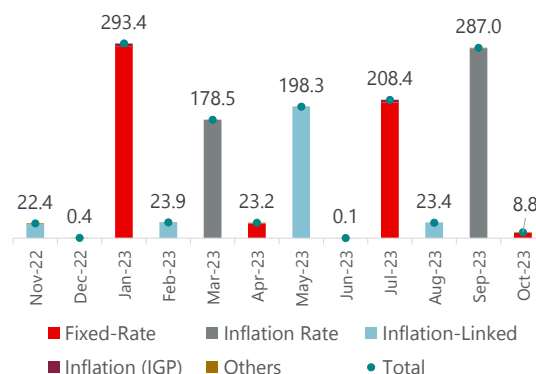
Sources: National Treasury, Santander.

Figure 4 – Debt Maturities - %



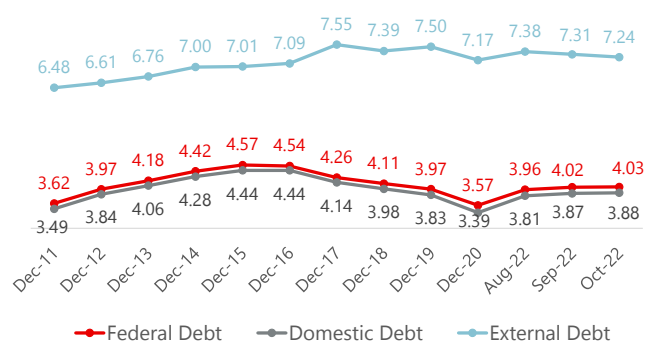
Sources: National Treasury, Santander.

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



Sources: National Treasury, Santander.

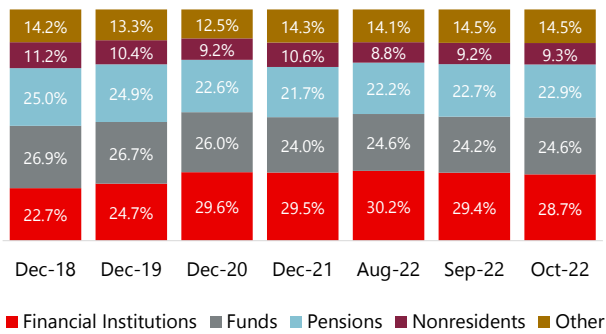
Figure 5 – Average Maturity



Sources: National Treasury, Santander.

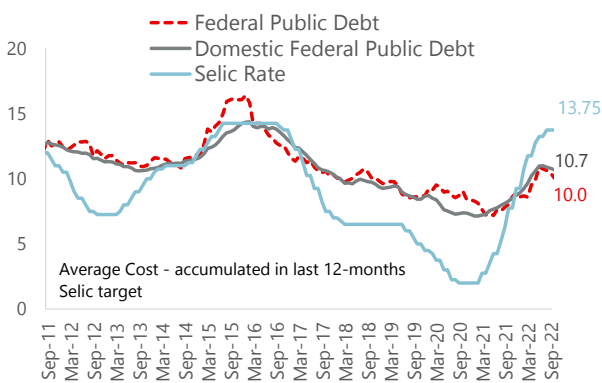


Figure 6 – Debt Holders - %



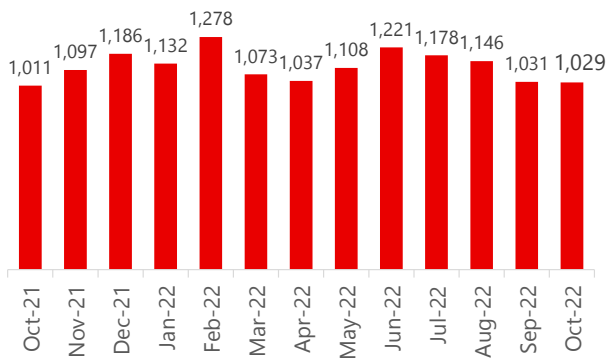
Sources: National Treasury, Santander.

Figure 8 – Debt Cost - %



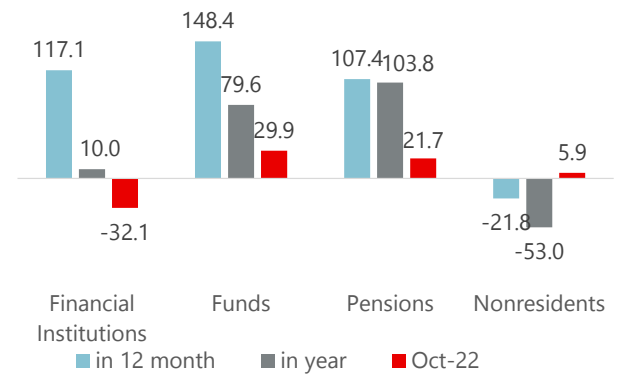
Sources: National Treasury, Santander.

Figure 10 – Debt Liquidity Reserve (BRL bn)



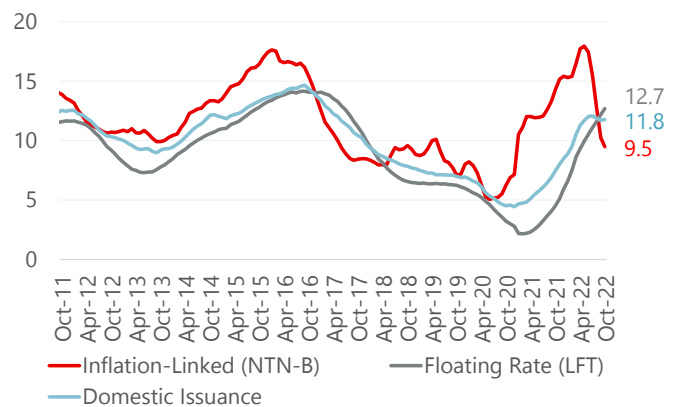
Sources: National Treasury, Santander.

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



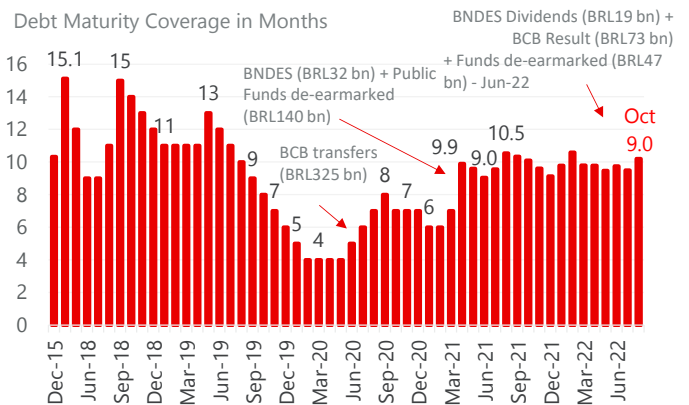
Sources: National Treasury, Santander.

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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