

BRAZIL LAUNCHES FIRST TRANSACTION IN THE EXTERNAL MARKET IN 2020

On June 3, the National Treasury returned to the international market with a new dual-tranche bond offering, consisting of two new benchmarks, the 5-year GLOBAL 2025 and the 10-year GLOBAL 2030, both with settlement on the 10th of June 2020. The transaction represents the Federative Republic of Brazil's first issuance in external markets in 2020 and the second dual-tranche. The banks acting as bookrunners were *Bank of America*, *Deutsche Bank*, *Itau BBA* and *JP Morgan*.

The new GLOBAL 2025, which offers an annual coupon of 2.875%, the lowest ever 5-year coupon for a Brazilian issuer, was launched in the amount of US\$1.25 billion and at a price of 99.425% of its face value, which corresponds to a 3.000% yield, and to a spread-over-treasury of 263.1 basis-point. The bond will pay interest on December 6 and June 6 of each year, commencing on December 6, 2020, until the maturity on June 6, 2025.

The GLOBAL 2030, which offers an annual coupon of 3.875%, was launched in the amount of US\$2.25 billion and at a price of 98.977% of its face value, which corresponds to a 4.000% yield and to a spread-over-treasury of 324.3 basis-point. The bond will pay interest on December 12 and June 12 of each year, commencing on December 12, 2020, until the maturity on June 12th, 2030

Despite the high level of volatility in the markets, due to the uncertainties related to the impacts of COVID-19, the relative stable window of opportunity buoyed sentiment towards Brazil, confirmed by the levels of risk premium measured by Brazil's Credit Default Swap (CDS), which reached its lowest level since the beginning of the pandemic.

Figure 1 – 5-year Brazil CDS



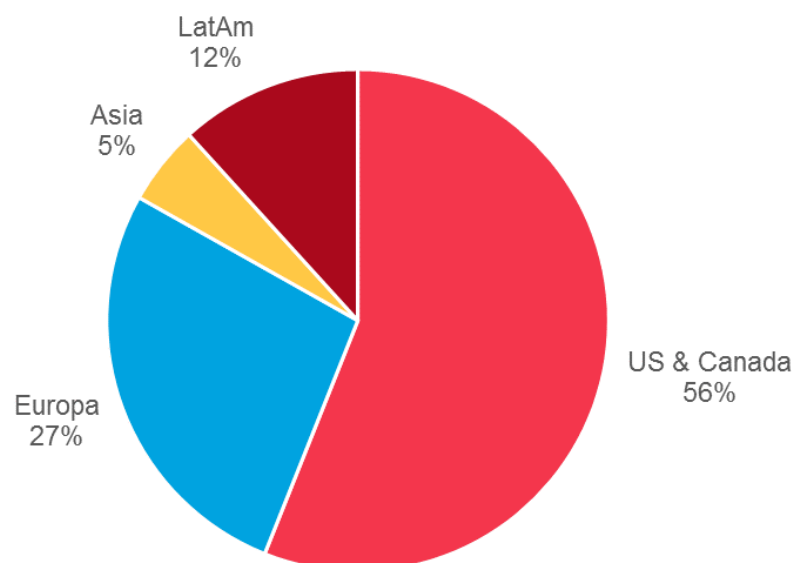
Source: Bloomberg

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Consequently, the order book reflected the robust demand from investors for Brazilian credit, surpassing the US\$ 18 billion level for both tranches, which allowed the Republic to achieve its goals with this offering. As a result of the transaction, given the significant demand from investors coupled with the expressive tightening of new issue premiums, more favorable conditions are created for the issuance of Brazilian companies in the international market, which corroborates the National Treasury's strategy to promote liquidity of the sovereign curve in dollars in external markets, also providing benchmarks as a reference for the corporate sector. The dual tranche also made it possible to anticipate the refinance of outstanding indebtedness in foreign currency.

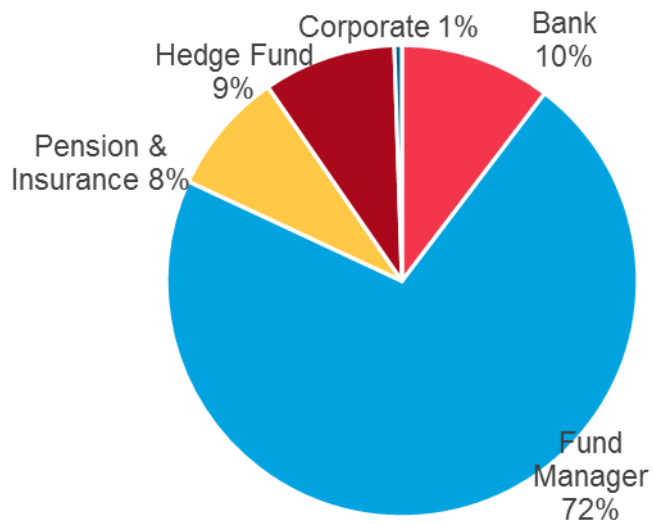
Finally, the National Treasury highlights the diversification of the investor base, with greater participation of American and European investors. From the point of view of investors' type, it is important to highlight the interest of long-term investors. A diversified investor base promotes the most appropriated combination of liquidity and performance of securities.

Figure 2: Aggregate Orderbook - Geographic Distribution



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Figure 3: Aggregate Order Books per Investors' Type



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