

NATIONAL TREASURY REVIEWS THE 2018 ANNUAL BORROWING PLAN

The National Treasury announces the review of the reference limits defined in the 2018 Annual Borrowing Plan – ABP for the share of floating rate bonds in the Federal Public Debt – FPD composition.

The new reference limits are in the following table:

Reference Limits for the FPD in 2018

Statistics	2017	Original ABP 2018 Reference Limits		ABP 2018 Review	
		Minimum	Maximum	Minimum	Maximum
Outstanding Debt (BRL billion)					
FPD	3,559.3	3,780.0	3,980.0	3,780.0	3,980.0
Profile (%)					
Fixed-rate	35.3	32.0	36.0	32.0	36.0
Inflation-linked	29.6	27.0	31.0	27.0	31.0
Floating rate	31.5	31.0	35.0	33.0	37.0
FX	3.6	3.0	7.0	3.0	7.0
Maturity Structure					
% Maturing in 12 months	16.9	15.0	18.0	15.0	18.0
Average Maturity (years)	4.3	4.0	4.2	4.0	4.2

Source: National Treasury

FPD indicators performance considering the ABP reference limits is permanently monitored during the financing strategy conduction, with the objective of identifying occasional needs of adjusting the reference ranges published in the document.

To set the ABP reference limits, the National Treasury always considers different scenarios which encompass market fluctuations, but exempt intense volatility situations. However, the current level of uncertainty in the domestic and external scenarios affects the level of risk aversion of the investors and, consequently, the conditions of the demand for long-term bonds.

The more adverse market conditions require caution in the supply of government bonds, specially fixed-rate (LTN and NTN-F) and inflation-linked (NTN-B), to avoid adding pressure to the National Treasury funding cost. The ABP 2018 reference limits adjustment allow for the increase in the share of floating-rate bonds (LFT) in the FPD profile, relative to the initial forecast.

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The National Treasury may additionally adjust its strategy to reduce the total issuance of bonds during the year, which would imply issuing less than the maturing volume, that is, at lower debt roll-over rate. The current FPD liquidity cushion provides comfort for a more cautious management.

The general guidelines for FPD management, as registered in the 2018 ABP, will remain to lead the National Treasury actions. In this sense, the Treasury will keep pursuing the long-term benchmark which implies increasing fixed-rate and inflation-linked bonds share as well as reducing the floating-rate share (linked to the Selic rate). However, the implementation of the strategy will always observe market conditions, subject to temporary adjustments of the convergence path towards the long-term benchmarks.

The review of this ABP grants flexibility to the debt manager to act, amidst volatility scenarios, in favor of the proper functioning of the Brazilian fixed income market.

Public Debt Management Office – SUDIP



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