



TESOURO NACIONAL

Annual Public Debt Report 2004

Number 2

*Brasília
2005*

MINISTER OF FINANCE

Antônio Palocci Filho

EXECUTIVE-SECRETARY

Bernard Appy

SECRETARY OF THE NATIONAL TREASURY

Joaquim Vieira Ferreira Levy

CHIEF OF STAFF

Jose Cordeiro Neto

DEPUTY SECRETARIES

Almério Cançado de Amorim

José Antonio Gagnani

Jorge Khalil Miski

Tarcísio José Massote de Godoy

TECHNICAL STAFF**Deputy Secretary**

José Antonio Gagnani

Coordinator-General for Public Debt Operations

Paulo Fontoura Valle

Coordinator-General for Public Debt Strategic Planning

Anderson Caputo Delfino Silva

Coordinator-General for Public Debt Control

Antônio de Pádua Ferreira Passos

André Proite

Andrey Goldner Silva

Daniel Pereira da Silva

Edis Machado Canedo

Elton Menezes do Vale

Elvino de Carvalho Mendonça

Fernando Eurico de Paiva Garrido

Jeferson Luis Bittencourt

João Alberto Evangelista

Jônathas Delduque Júnior

Karla de Lima Rocha

Lena Oliveira de Carvalho*

Leonardo de Lima Chagas

Leopoldo Araújo Rodrigues

Luiz Fernando Alves

Márcia Fernanda Tapajós Tavares

Mário Augusto Gouvêa de Almeida

Otávio Ladeira de Medeiros

Pedro Erik Arruda Carneiro

Rodrigo Silveira Veiga Cabral

Ronnie Gonzaga Tavares

William Baghdassarian

* Technical Coordination.

Further information:

Tel.: (61) 412-3188; Fax: (61) 412-1565

National Treasury Secretariat

Edifício do Ministério da Fazenda, Esplanada dos Ministérios, Bloco P, 2º andar

70048-900 – Brasília - DF

E-mail: brazildebt@fazenda.gov.br

Home Page: <http://www.tesouro.fazenda.gov.br>

The Annual Public Debt Report is a yearly publication issued by the National Treasury Secretariat. Total or partial reproduction is permitted provided that the source is cited.

Circulation: 600 copies

Annual Public Debt Report 2004. 1/Ministry of Finance, National Treasury Secretariat, Brasília: National Treasury Secretariat, January, 2005, number 2.

ISSN

1. Public Debt 2. Annual Report 3. Public Debt Management



In 2004, the government reconfirmed its commitment – so clearly demonstrated in the previous year – to keep a solid fiscal policy, control of inflation, and the floating exchange rate system. Economic indicators have been generally favorable. Positive results have been achieved in industry, commerce and agriculture and have been accompanied by strong job creation and higher worker income, coupled with exceptionally good external accounts and a second year of decline in the net public debt/GDP ratio. Several important economic reforms were approved by the National Congress. Hence, in addition of achieving the highest GDP growth in 10 years, Brazil further consolidated the outlook for sustained growth. These results underscore our determination to persist in the implementation of current macro and microeconomic policies. These include an efficient public debt management, owing to its importance to

economic stability and public welfare.

This 2004 Public Debt Annual Report discusses the progress made over the last year in the management of the Federal Public Debt. In January 2004, the National Treasury released the Annual Borrowing Plan – PAF 2004, setting out the targets to be reached by the Federal Public Debt management in the year. This Report demonstrates the success achieved by the National Treasury in pursuing these targets, especially with regard to the composition of the public debt and the reduction of market and refinancing risks.

The Report also reviews initiatives to enhance the liquidity of the public securities market and strengthen institutions and capital markets. In this regard, I am glad to highlight measures such as the Investment Account and the new tax schedule for fixed income and pension fund earnings, which in addition to stimulate medium and long-term savings will help improve the profile of the public debt. The Tesouro Direto program, which permits citizens to invest directly in public securities through the Internet, is another important initiative that both helps the Treasury and offers benefits for society. Its expansion in 2004 offered new opportunities for individuals to invest with low transaction costs, high security and liquidity. It also helped diversify the investor basis of the Treasury.

In 2004, the Treasury took several steps in the institutional arena. Foremost among them was taking the full responsibility for the issuance of sovereign debt, previously shared with the Central Bank. This was an important step also for segregating monetary and fiscal policy, in line with the best international practices.

Looking ahead, keeping investment levels up, as it happened in 2004, and improving financial conditions are the main immediate challenges for the economy, with important implications for the public debt management. This will keep the economy in the right track. A track that leads us to increased job opportunities, low inflation and improved standards of living for the entire Brazilian population.

Antonio Palocci Filho
Minister of Finance



This is the second edition of the Annual Public Debt Report, focusing on 2004. The Debt Report reviews the evolution of the federal public debt in the course of the year and analyzes the National Treasury's performance as debt manager. I believe the yearly publication of this document provides society with an additional monitoring tool.

Results are reviewed in light of the Annual Borrowing Plan – PAF 2004, which defined strategies, guidelines and targets for the year. Regarding the Federal Domestic Public Debt – DPMFi, the PAF aimed inter alia at a gradual increase in debt maturity, net issuance of fixed-rate and price-indexed securities, together with net redemption of floating rate securities, and no issuance of exchange-rate-indexed securities. The Report shows how these goals were achieved.

The participation of fixed-rate securities in the DPMFi increased from 12.5% in December 2003 to 20.1% in December 2004, from a start of 2.2% at the end of 2002. The share of exchange-rate-indexed debt dropped by more than 50%, falling from 10.8% in December 2003 to 5.2% at the end of 2004. The participation of floating rate securities fell from 61.4% to 57.1% in the same period. The share of price-indexed securities, particularly the NTN-B (indexed to the CPI), increased and maturities were lengthened. When the 2045 NTN-B was issued, it became the longest Treasury security auctioned ever.

Turning to the Federal External Public Debt — DPFe, 2004 was also a favorable year. Helped by the good performance of the Brazilian economy, costs dropped and tenures were extended. US\$5.7 billion were issued, of which US\$4.2 billion referred to the 2004 program and US\$1.5 billion to the US\$ 6.0 billion 2005 program. Other highlights of the external debt include the issuance of the 2034 Global bond and the return of Brazil to the Euro market for the first time since April 2002.

Another important development for the DPFe was the transfer of the management of external issues from the Central Bank to the National Treasury. From January 2005 on, all management stages, including the establishment of guidelines and strategies, risk management, market decisions and budgetary controls will be centralized at the National Treasury, facilitating the full integration of this process.

More generally, I believe the measures taken in 2004 to modernize the national financial system and promote savings will have a lasting impact. The Investment Account, which shields portfolio adjustments from the Provisional Contribution on Financial Operations – CPMF financial transaction tax, leveled the playing field for funds and other saving instruments. It will promote competition in the financial sector and provide investors with a new tool to optimize their asset allocation. The declining income tax schedule for long-term financial holdings (Law n. 11,033), in addition to promote long-term savings, can play a role in improving the structure of the public debt.

The management of the public debt also benefited from innovations and improvements introduced by the private sector. These include the launching of the Câmara de Ativos clearinghouse by the Mercantile and Futures Exchange – BM&F; the implementation of the CETIP Negotiation Platform for screen-based trade; the creation of fixed income benchmark indices by the National Association of Financial Market Institutions - Andima; and two new derivative contracts linked to the CPI, issued by BM&F, which are expected to help the NTB-B market. These measures are expected to further deepen secondary markets and help asset managers to diversify away from the widespread use of the DI overnight index, currently adopted as a benchmark even by some pension funds.

Finally, I am convinced that the National Treasury's management of the public debt has benefited immensely from the unique talent, skills and sense of responsibility of the Treasury staff. This staff consistently seeks excellence in complying with the single most important guideline for debt management, which is that of minimizing long-term costs, while preserving prudent levels of risk.

Joaquim Vieira Ferreira Levy
Secretary of the National Treasury

Summary

Summary	8
Introduction.....	13
Section 1: Evolution of Expectations in 2004	14
Section 2: Advances in Public Debt Management	20
Section 3: Results Achieved.....	27
Section 4: Institutional Advances	39
Annex: Tables.....	43

Charts, Boxes and Tables

Chart I Copom Interest Rates.....	15
Chart II Yield Curve – 1 st Quarter.....	15
Chart III Exchange Rate	15
Chart IV US Treasuries, 2, 5 and 10 year maturities	15
Chart V Brent Type Oil Prices	16
Chart VI DLSP/GDP Ratio.....	16
Chart VII Contracted Exchange and Rolled-Over Debt	16
Chart VIII Yield Curve – 2 nd Quarter.....	16
Chart IX Exchange Exposure – DPMFi and Swap.....	17
Chart X Impact of 1% Exchange Devaluation on the DLSP/GDP Ratio	17
Chart XI Inflation Expectations (CPI) for 2004	17
Chart XII GDP Growth Expectations for 2004.....	18
Chart XIII Yield Curve – 3 rd Quarter	18
Chart XIV External Accounts.....	18
Chart XV Yield Curve – 4 th Quarter	19
Chart XVI Consolidated Public Sector Primary Surplus accumulated over 12 months	19
Chart XVII Volume of NTN-B 2045 Held by the Public	20
Chart XVIII Maturity Schedule for Public Securities	21
Chart XIX Securities Received in Exchange Auctions for NTN-B and NTN-C	21
Chart XX Composition of Public Debt Primary Auctions.....	22
Chart XXI DPMFi Public Securities Held by the Public.....	25
Chart XXII Tesouro Direto Sales.....	25
Chart XXIII Total Investors Registered in the Tesouro Direto.....	25
Chart XXIV DPF and DPMFi	29
Chart XXV Average Maturity of the DPF and DPMFi.....	29
Chart XXVI Average Maturity of Fixed-rate Securities in Primary Auctions.....	30
Chart XXVII Impact of 1 b.p. Change in Interest Rates on the Market Value of Fixed-rate Debt ...	30
Chart XXVIII Percentage of DPF and DPMFi Maturing in 12 Months.....	30
Chart XXIX Share of Fixed-rate Securities in Public Debt	31
Chart XXX Issues and Redemptions of Fixed-rate Securities Held by the Public	31
Chart XXXI Average Initial Yield of LTN Held by the Public	31
Chart XXXII Share of Price-indexed Bonds in Public Debt	32
Chart XXXIII Issues and Redemptions of Price-Indexed Bonds.....	32
Chart XXXIV Share of Floating-Rate Securities in the Public Debt	32
Chart XXXV Issues and Redemptions of Floating-Rate Securities.....	32
Chart XXXVI Share of Exchange-Rate-Indexed Bonds in the Public Debt.....	33
Chart XXXVII Yields on External Issues	33
Chart XXXVIII Yields on Globals.....	34
Chart XXXIX Spreads on Globals	34
Chart XL Composition of DPMFi	35
Chart XLI Cashflow-at-Risk Comparisons.....	36
Chart XLII Maturity Profile of DPF by Indexing Factor	37
Chart XLIII Cashflow-at-Risk (CfaR) – DPF	37
Chart XLIV Composition of DPF Maturities.....	37
Chart XLV Mismatches between Assets and Liabilities	38

Box I – NTN-B Coupon Strips	21
Box II - New Senate Resolution on External Federal Public Debt – DPFe Operations	40
Table I Major Macroeconomic Indicators	14
Table II Volume Received in Exchanges and Early Redemptions (R\$ million)	21
Table III New Structure of Income Tax on Fixed Income Investments	23
Table IV Tax Schedule for New Pension Plans	23
Table V New Fixed Income Indices.....	24
Table VI Results for the Domestic Debt Securities – DPMFi	28
Table VII Results for the Federal Public Debt – DPF	28
Table VIII Sovereign Issuances.....	34
Table IX DPMFi – Stress Test on Interest and Exchange	36

Summary

Since 2001, the Brazilian National Treasury publishes an Annual Borrowing Plan. In the first issues, that publication also provided a balance of the management of the debt in the previous year. Since 2004, this review has been expanded and presented in a separate Public Debt Annual Report. This second issue of the Public Debt Annual Report reviews the management of the public debt in 2004, in light of the guidelines and plans set in the Annual Borrowing Plan – PAF 2004 issued in early 2004. For this purpose, it first reviews the evolution of the outlook along the year, comparing it with the scenarios adopted by the PAF 2004 (section 1). It proceeds to outline selected measures adopted for further developing the secondary market for these securities (section 2). The report discusses next the strategy underlying the issuance of public debt and compares quantitative outcomes with targets set early in the year (section 3). Finally, it presents the major institutional advances at the National Treasury (section 4).

Strategy and Guidelines

The main goal of public debt management is to minimize long-term costs, while ensuring that prudent levels of risk are maintained. For this purpose, PAF-2004 provided guidelines aimed at lengthening the maturity of the public debt and improving the composition of government liabilities, taking into account market conditions. Hence, emphasis was given to increase the share of fixed-rate and price-indexed securities, and reduce the share of floating rate and exchange rate-indexed debt.

Evolution of Expectations in 2004

Scenarios for 2004 were based on the assumption that the economic recovery observed in late 2003 would continue, the fiscal stance would be maintained, inflation would continue to drop, and institutional reforms would move forward. This positive domestic scenario was further enhanced by expectations of a high level of international liquidity, compatible with the prevailing market view that interest rates in the US would rise only in the fourth quarter of 2004. The projections adopted by the PAF were therefore rather positive, notwithstanding its usual conservative character.

Viewed as a whole, the evolution of economic variables in 2004 also proved more positive than expected, reflecting also the consolidation of the Brazilian economy. There were some moments of doubts when US interest rate started to rise, but they were dissipated as economic indicators continued to strengthen. Moreover, strong external accounts and the decision to raise the consolidated public sector primary surplus to 4.50% of GDP boosted investor confidence, even when the COPOM started to identify inflationary pressures and began to increase short-term rates in September.

The early increase in US short-term rates was well absorbed by capital markets, leading to a decline in the volatility in financial markets in the second half of the year, despite the dynamics of the dollar exchange rates vis-à-vis other reference currencies and lingering uncertainties in the oil market.

On balance, the positive mood in international markets further supported the good performance of the Brazilian economy, allowing the country to enjoy 5% GDP growth, declining inflation, 2% of GDP current account surplus, and a decline in the net public sector debt to GDP ratio (DLSP/GDP) measured by the Central Bank, from 57.2% in December 2003 to 51.8% of GDP in December 2004. This performance was translated in a benign evolution of the risk premium on the external debt.

Advances in the Public Debt Market

In 2004, the National Treasury introduced a set of new measures and refined some that were introduced in 2003, with a view to improve public debt management. On the supply side, emphasis was given to strengthen the market for price-indexed securities, particularly NTN-B (indexed to the CPI). That was pursued by allowing the stripping of these bonds and through programs of anticipated exchange and redemption of such securities to foster an orderly increase in the liquidity of this market. These factors contributed to improve the maturity and composition of the public debt. For instance, the 2045 NTN-B, featuring the longest maturity of domestic and international Brazilian debt, began to be issued in September.

Measures in the demand side were more structural in nature and aimed primarily at fostering long-term savings. The creation of the Investment Account stands out among these measures. These accounts exempt investors from the Provisional Contribution on Financial Operations - CPMF on portfolio adjustments, helping enhance the efficiency of investment allocations, translated, e.g., in a higher turnover on secondary markets and better pricing. Also, the taxation of capital gains was overhauled, favoring long-term savings. The reform reached fixed-income instruments and stocks, as well as the income tax on individual savings invested in pension funds.

Also on the demand side, contacts between the National Treasury and institutional investors were intensified in 2004, as part of the strategy of expanding the federal public debt investor base. In particular, frequent meetings were carried out with entities representing institutional investors, and a consultation mechanism was established for the design of long-term securities.

Tesouro Direto, the sales program of public debt securities for individuals over the internet, also helped expand the investor base. This was achieved mostly through the informal dissemination of knowledge regarding the advantages of this system, rather than through advertisement campaigns.

The contribution of the private sector to enhance the demand for public securities was very important, as improvements in market infrastructure were pursued hand on hand with the private sector. For instance, the Câmara de Ativos clearinghouse, developed by the Commodities and Futures Exchange – BM&F, went into operation in May 2004. The Clearinghouse, which is supported by the electronic negotiation and registration system known as Sisbex, will help reduce transaction costs and increase liquidity on the secondary market for fixed-income securities, notably the public debt. It also creates a propitious environment for the development of repo operations among private institutions, which can generate valuable information on the short-term cost of money, with important implications for the monitoring of the asset management industry.

The creation of the CETIP Negotiation Platform in September will help increase the share of trade of fixed-income securities and stocks conducted through electronic screens. It will thus improve the

information content of the weekly primary issue auctions, of secondary market operations, and of forward operations, with real time price quotations. This development is of particular importance to institutional investors, such as pension funds, which were granted access to the system, by helping strengthening their compliance and fair price research mechanisms. Both developments will help diversify and strengthen the investor base.

Two measures effective as of the first quarter of 2005 were also announced. First, the National Association of Financial Market Institutions – Andima announced the publication of 10 indices based on public security portfolios. These indices will provide benchmarks to compare the profitability of investment funds vis-à-vis that of the public securities portfolio held by the market, allowing asset managers to diversify away from the widely used overnight rate DI index. Second, BM&F created the IPCA-based CPI futures contract and the DI Coupon x CPI futures contract. These contracts will provide additional tools for those managing portfolios of inflation-indexed bonds. This measure is expected to generate increased liquidity in the NTN-B market, attracting new investors to this market.

Quantitative Outcomes

The guidelines in the PAF-2004 called for a gradual lengthening of maturities and improving in the composition of the domestic debt. This was to be achieved through the net issuance of fixed-rate and price-indexed securities and the net redemption of interest rate indexed securities. In addition, exchange-rate-indexed securities were not to be issued, in line with the strategy first adopted in 2003. Also in line with the practice of previous years, the PAF established a range for the year-end proportion of each class of securities in the total debt, as well as projections for the average maturity and the share of the public debt due in 12 months, both for the domestic debt and for the overall Federal Public Debt, which comprises also the sovereign external debt.

The public debt composition targets were met in 2004, with a substantial increase in the proportion of fixed-rate securities and a steady increase in the share of price-indexed bonds. The contemporary decline in the share of exchange rate debt entailed a significant reduction in the debt sensitivity to exchange rate movements (also favored by the reduction in the stock of exchange swap operations maintained by Central Bank). The decrease in sensitivity to the exchange rate and to interest rates – reflected in an increase in the duration of the domestic debt not indexed to prices, on the other hand, accompanied by reductions in the average term of the DPMFi, which closed below the limits established in the PAF-2004. That decline also reflected on the percentage of debt due in 12 months, which was higher than the value called for at the PAF. This trade-off was, nonetheless, positive, since the increase in the duration of the public debt not only makes that debt less sensitive to interest rate variations, but increases the efficiency of monetary policy, helping reducing short-term interest rates and their associated fiscal cost.

Improvement in the debt composition helped reduce market and refinancing risks. This reduction was clearly captured by the risk-management tools used by the National Treasury, such as the Cashflow-at-Risk model and a battery of stress tests. It also helped further improving the management of assets and liabilities of the National Treasury, reducing their mismatches in terms of maturity and returns.

Results for the Domestic Debt Securities – DPMFi

Indicators	Dec-03	Dec-04	PAF-2004	
			Minimum	Maximum
Stock of DPMFi held by the public (R\$ billion)	731.4	810.3	820.0	880.0
Average maturity of DPMFi (months)	31.3	28.1	34.0	38.0
% Maturing in 12 months	35.3	46.1	30	35
Share of DPMFi (%)				
Fixed rate	12.5	20.1	13.0	23.0
Floating rate	61.4	57.1	50.0	61.0
Exchange rate	10.8	5.2	5.0	7.0
Price Index	13.6	14.9	15.0	21.0
Others	1.8	2.7	1.0	3.0

Source: National Treasury. Elaboration STN/COGEP.

Results for the Federal Public Debt – DPF

Indicators	Dec-03	Dec-04	PAF-2004	
			Minimum	Maximum
Stock of DPF held by the public (R\$ billion)	965.8	1013.9	1080.0	1150.0
Average maturity of DPMFi (months)	39.0	35.3	40.0	45.0
% Maturing in 12 months	30.7	39.3	26.0	32.0
Share of DPF (%)				
Fixed rate	9.5	16.1	9.0	19.0
Floating rate	46.5	45.7	39.0	47.0
Exchange rate	32.4	24.2	24.0	30.0
<i>Denominated</i>	24.3	20.1	--	--
<i>Referenced</i>	8.2	4.2	--	--
Price Index	10.3	11.9	12.0	17.0
Others	1.4	2.1	1.0	3.0

Source: National Treasury. Elaboration STN/COGEP.

The overall debt stock closed below the minimum level established in the PAF, actually a positive factor that contributed to the downturn in the debt/GDP ratio. The favorable evolution of the exchange rate and issuances of CVS slightly lower than foreseen help explain this outcome¹.

An early milestone of the External Federal Public Debt – DPFe management in 2004 was the 30-year 2034 Global bond issued in January. The bond was issued with a low premium of 376 basis points above the U.S. Treasury bond with equivalent maturity, in a stark contrast with the premium asked for the Brazilian public debt some 15 months before. Another milestone was the very successful return of the Republic to the Euro market. The US\$ 5.7 billion 2004 issuance program was completed by the third quarter, allowing for external issuances of US\$1.5 billion in the last quarter, as for an anticipation of the US\$ 6 billion External Financing Program for 2005.

¹ The CVS are securities issued by the National Treasury in the framework of the renegotiation of debts that originated in the Wage Variation Compensation Fund – FCVS that remained after settlement of housing finance contracts formalized by the former Banco Nacional da Habitação - BNH. The forecast indicated assumption of up to R\$11.5 billion, of which R\$8.14 billion were effectively issued.

Institutional Advances

At the institutional level, 2004 was an important year for the National Treasury, in part due to the decision of transferring to the Treasury the responsibility for issuing the external debt, previously under the responsibility of the Central Bank. For this purpose, a Transition Agreement, establishing the steps for the transfer was signed in January 2004, paving the way for an orderly process. In preparation of taking these new responsibilities, the National Treasury also conducted a series of seminars, lectures and training courses for its staff. Another major step was the consolidation of Federal Senate Resolutions disciplining the issuance and management of the external debt (Federal Senate Resolutions n. 57/95 and n. 69/96), which was voted later in the year. The unification of the management of domestic and external debt brought the Brazilian Treasury in line with the best recommended practice for public debt management and is yet another step in the strengthening of public institutions in Brazil. It also freed the Central Bank to concentrate on its core responsibility of ensuring price stability.

Another institutional step forward was the further progress in updating IT systems and processes inside the National Treasury. In particular, the design of an Integrated Public Debt System – SID was completed. This system will allow for the consolidation of all the functionalities of existent systems, strengthening internal controls and increasing the responsiveness to new demands. Risk management tools were also refined, through revisions of models and data processing systems. Finally, the **Investor Relations Office – IRO** was strengthened, responding for contacts with international investors and credit risk rating agencies on institutional bases (access to senior Treasury officials continues to be fostered, following a tradition of open contacts of the Brazilian economic authorities with investors and society). The Investor Relations Office also organized an increased number of courses, seminars and lectures for journalists, specialists and investors. Domestically, the office spearheaded the information effort on behalf of the Tesouro Direto program.

Introduction

This second Annual Public Debt Report is released by the National Treasury as part of its permanent policy of seeking transparency in the management of the Federal Public Debt and disseminating information regarding debt-related activities of the institution.

The report centers on comparisons between year-end targets and outcomes, and their implications for assessing the risk involved in managing the Federal Public Debt – DPF (section 3). These targets were set in the Annual Borrowing Plan – PAF 2004 issued at the beginning of the year.

To provide the background for this analysis, the Report also includes a discussion of the evolution of the domestic and external macroeconomic scenarios (section 1), of “supply” and “demand” measures taken in support of the DPF (section 2), and of major institutional advances made by the National Treasury (section 4).

Section 1: Evolution of Expectations in 2004

Construction of PAF scenarios

The PAF strategy is based on a series of economic variables and projections, including market forecast collected and published by the Central Bank and other official institutions.

At the end of 2003, the outlook for 2004 was very positive, grounded on the firm stance on fiscal and monetary policy adopted by the government in 2003. This stance was already bearing fruits, illustrated by the decline in interest rates in the second half of the year. The general perception in early 2004 was that the incipient recovery would take hold and institutional reforms would continue. Economic indicators pointed to further growth in industrial output and improvement in consumer and business intentions, with stable inflation and exchange rates. The FOCUS Market Report issued by the Central Bank, for instance, mirrored these perceptions, pointing to a further decline in the Selic rate and stable exchange rates.

An international environment of abundant liquidity and absence of signs of accelerated growth or inflationary pressures in the United States reinforced the positive domestic outlook. Expectations were that the US Federal Reserve Bank would only begin raising interest rates in the final quarter of 2004.

Table I
Major Macroeconomic Indicators

Macroeconomic Indicators	Expected Value* 12/23/2003	Observed 2004
CPI % p.y. (accumulated in 2004)	6.00	7.60
Exchange Rate - R\$/US\$ (end of period)	3.20	2.65
Exchange Rate - R\$/US\$ (average of period)	3.10	2.93
Over Selic Rate - %p.y. (end of period)	14.00	17.50
Over Selic Rate - %p.y. (average of period)	14.80	16.24
Net Debt/GDP % (end of period)	56.00	51.67
GDP Growth %	3.55	4.94
Trade Balance (US\$ billion)	19.00	33.67
Current Account (US\$ billion)	-3.80	11.74

* Source: Central Bank – FOCUS Report

The scenarios and policy alternatives developed by the National Treasury built on those variables. They also considered several possibilities for the development of the domestic and world scenario, while retaining the hypothesis that the thrust of the Brazilian economic policies would remain unchanged. The basic scenario presumed a benign domestic and international environment: it envisaged further relaxation of domestic monetary policy until growth or other pressure on domestic demand set a floor to interest rates; progress in reforms; and strong external accounts. Interest rate stability in the second half of the year would be consistent with inflation near the center point of the 5.5% official CPI target. Strong external accounts and abundant international liquidity would be consistent with the absence of negative external shocks.

Alternative scenarios considered downside and upside risks such as: (i) decrease in capital flows to emerging markets; (ii) domestic demand pressures by the end of the year, creating the need for adjusting interest rates upward; (iii) a combination of more moderate growth, institutional advances and very abundant external liquidity, allowing for a more accentuated drop in domestic interest rates.

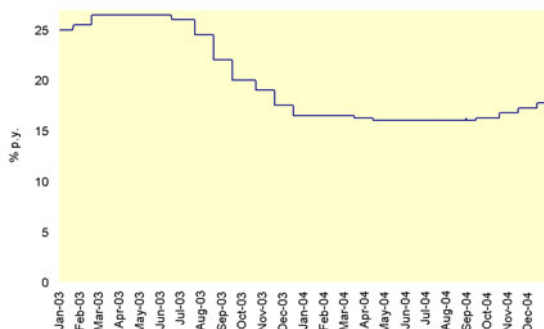
Evolution of Expectations in the Light of Events

First quarter: Early in the year, the Central Bank identified an increased risk of inflation and stopped reducing interest rate in January. Growth prospects, however, continued to strengthen, despite some political turbulence ahead of Carnival and concerns raised in some quarters about the maintenance of fiscal discipline. Also, reforms kept their pace, and strong GDP growth in the fourth quarter of 2003 lifted expectations up.

Interest rates stayed at 16.5% in January and February, dropping by just 25 basis points in March. The Brazilian Monetary Committee-COPOM pointed to above-expectation inflation

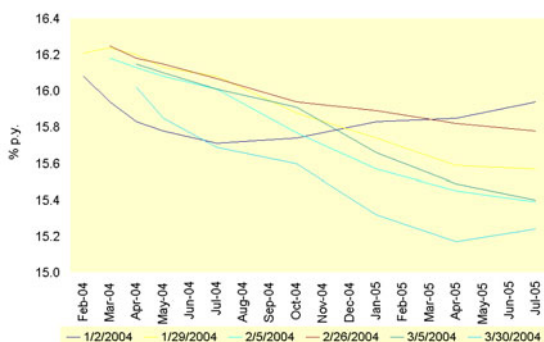
in January and stronger commodity prices as the main risks, and considered prudent to wait for the effects of early cuts to fully unfold, before lowering interest rates further. Despite this cautious stance, the yield curve remained downward inclined for most of the first quarter of 2004.

Chart I
Copom Interest Rates



Source: Central Bank

Chart II
Yield Curve – 1st Quarter



Source: BM&F

The exchange rate was briefly affected by declarations of the United States Federal Reserve Bank highlighting the role of interest rates in the fight against inflation. The volatility of the exchange rate was, however, dampened by good balance of payments data, related both to trade flows and to the rollover of private external debt and other capital inflows.

Chart III
Exchange Rate



Source: Central Bank

Second quarter: The outlook for the US interest rates was a major factor in market sentiment in the second quarter of the year. The early rise of US interest rates after the April employment report brought up questions about a possible hastening of the pace of the monetary tightening in the US, and its implication for international capital markets.

Chart IV
US Treasuries, 2, 5 and 10 year maturities



Source: Bloomberg

Further pressure on US interest rate expectations was brought by the surge in oil prices in April, not the least because expectations continued to point to strong growth for the world economy.

Chart V
Brent Type Oil Prices

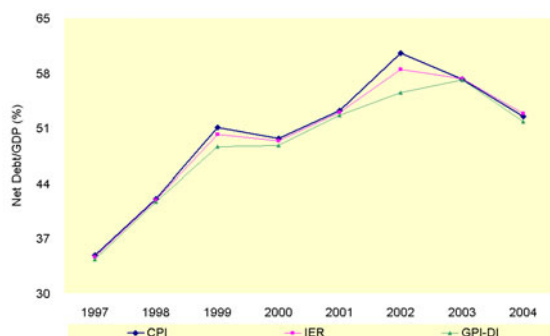


Source: Bloomberg

Domestically, expectations about the economy continued to improve. Inflationary pressures dissipated, and the pace of the economy strengthened. Hence, the COPOM decided to reduce the Selic rate to 16.0% in April.

The fiscal outlook firmed further in April, when the R\$ 10.3 billion March primary surplus was published. The ratio between the Net non-financial Public Sector Debt – DLSP² and GDP also showed a better than expected improvement, dropping from 58.2% in February to 57.4% in March. From that point forward, a series of strong fiscal results rapidly eliminated any fears that the fiscal targets defined for 2004 would not be met.

Chart VI
DLSP/GDP Ratio³



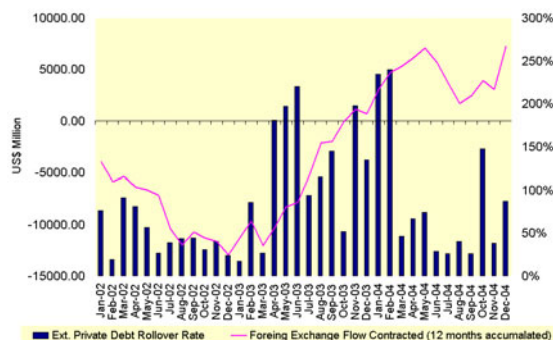
Source: Central Bank

² The non-financial Public Sector comprises the general government and non-financial public enterprises of the three levels of government.

³ Because the DLSP is a stock and GDP is a flow, the right ratio has to adjust current GDP to year-end prices. The Central Bank figure uses the centered IGP-DI to make this adjustment. Alternative measures use the CPI or the GDP deflator (IER) to effect this adjustment.

On the other hand, current and expected exchange rates deteriorated in the wake of the unexpected increase in US interest rates. The decline in the rollover of private foreign debt also contributed to pressure the exchange rate, since it was not clear yet whether this decline reflected mainly a worsening in access to international markets, or an autonomous decision by Brazilian firms (Chart VII).

Chart VII
Contracted Exchange and Rolled-Over Debt

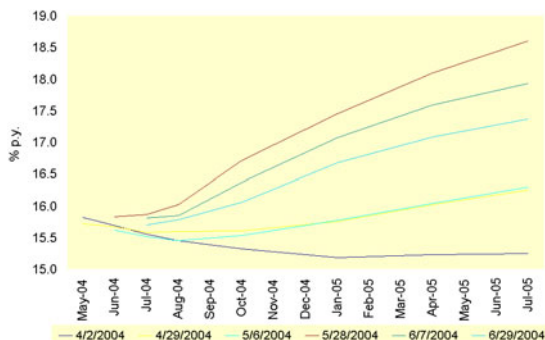


Source: Central Bank

At the end of June, expectations for year-end exchange rate were set at R\$3.10 per dollar, despite the consistent performance of exports. This deterioration was generally explained by fears about the outlook of capital flows and a possible change in the appetite for risk from international investors.

The yield curve became strongly positive by end-June, in the wake of the uncertainty surrounding the international scenario.

Chart VIII
Yield Curve – 2nd Quarter

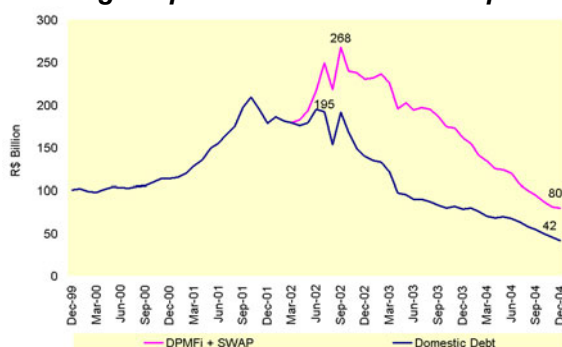


Source: BM&F

Interestingly, the depreciation of the real at that time underscored an important change in the public debt. Since early 2003, the composition of the public debt and, in particular, its exposure to the exchange rate, had changed quite substantially. First, the National Treasury had not issued any new NTN-D exchange-rate-linked debt. Second, the stock of Central Bank exchange swaps had dropped substantially, following the sharp reduction in the roll over of these swaps after mid 2003.

Chart IX

Exchange Exposure – DPMFi and Swap



Source: National Treasury and Central Bank

As a result of the change in the composition of the domestic public debt, the impact of changes in the exchange rate on the ratio between the Net Consolidated non-financial Public Sector Debt - DLSP and GDP was substantially reduced. In June 2004, the impact on the DLSP/GDP ratio of 1% exchange rate depreciation had dropped to 0.17 percentage-points, almost half the impact in 2002.

Chart X

Impact of 1% Exchange Devaluation on the DLSP/GDP Ratio



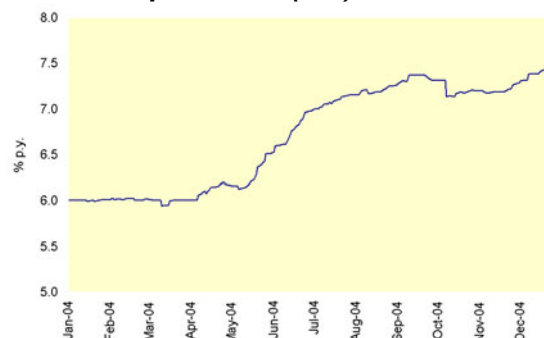
Source: Central Bank. Elaboration STN/COGEP.

Third quarter: By the beginning of the quarter, markets started to expect a correction in domestic short-term rates. Domestically, capacity utilization was identified as a source of inflation risk. Externally, oil prices became the main risk, as it became clear that the pace of the tightening of US monetary policy would be moderate.

Inflation expectations, which had started to rise in April, converged to 7.0% by July, standing above the center of the range set by the Monetary Council – CMN, albeit well within that range.

Chart XI

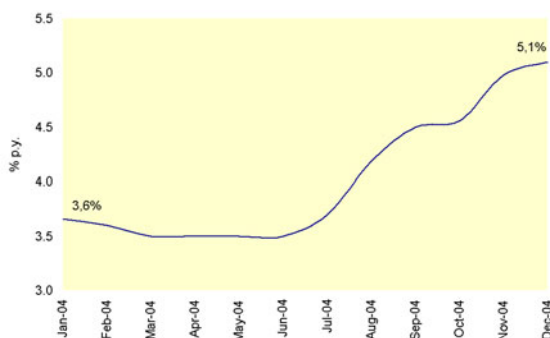
Inflation Expectations (CPI) for 2004



Source: Central Bank – Focus Report

On the other hand, doubts with regard to growth had all but dissipated. The good economic performance, which had been sustained mainly by the export sector, was increasingly being supported by domestic demand in the wake of a moderate recovery in employment and labor income. The FOCUS market forecast issued by the Central Bank showed weekly upward revisions of GDP projections from July on.

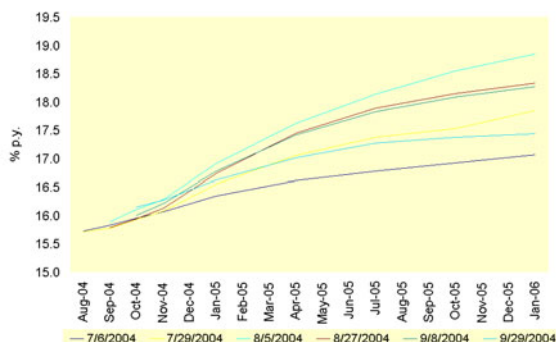
Chart XII
GDP Growth Expectations for 2004



Source: Central Bank – Focus Report

The yield curve continued to show a positive slope, but the long end of the curve fell down somewhat comparing with the previous quarter.

Chart XIII
Yield Curve – 3rd Quarter



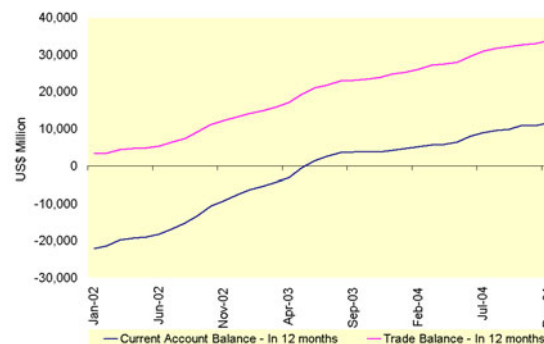
Source: BM&F

Fiscal accounts continued to over perform. The non-financial consolidated public sector accumulated a primary surplus of 5.6% of GDP by September. Tax buoyancy led the government to increase the 2004 primary surplus target by 0.25 percentage-points, to 4.50% of GDP. This measure was well received by the market, as a further demonstration of the government's fiscal commitment, also contributing to the downward trajectory of the DLSP/GDP ratio.

In the external sector, market forecast for the current account surplus were revised upward every month. Expectations for the trade balance surplus moved beyond US\$30.0 billion. These results and some accommodation in the roll over of swaps by the Central Bank helped

dissipate expectations of further exchange rate depreciation. Year-end expectations shifted back in late September to the level they were in the first quarter of 2004. The impact of the exchange rate on inflation expectations, however, was perceived as limited.

Chart XIV
External Accounts



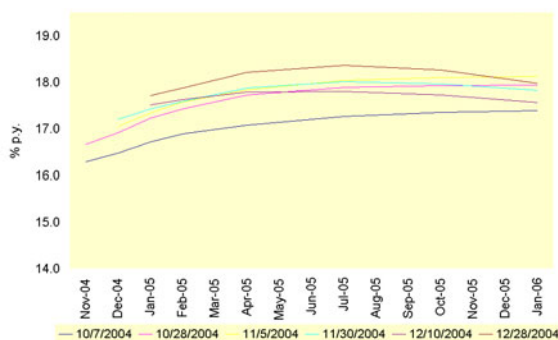
Source: Central Bank

Fourth quarter: In the inflation front, the focus shifted to 2005, with consideration given to the apparent narrowing of the output gap and external shocks to the price of oil and steel. These risks and signs of inertia in inflationary expectations were highlighted in the COPOM minutes and picked up by market analysts. Gradually, a consensus emerged that the year would end with interest rates around 17.0%, following a gradual tightening of domestic monetary policy.

The COPOM, however, surprised the market, raising the Selic by 50 basis points in October. It justified a further 50 basis points increase in November by pointing out to the deterioration that had occurred in inflation expectations for 2005 and by uncertainties surrounding the evolution of the external scenario. That tightening was translated into a rise in the market forecast for interest rates in coming months.

The yield curve flattened, owing to a combination of a forecast of sticky inflation, indications that economic growth might be slowing down, and the appreciation of the exchange rate.

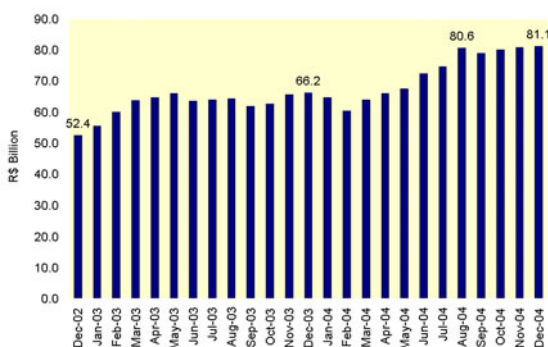
Chart XV
Yield Curve – 4th Quarter



Source: BM&F

Fiscal results remain positive. The primary surplus target for the year agreed with the IMF was reached in October. The enhanced government target (4.5% of GDP) was reached in November. Year-end primary surplus reached of R\$81.1 billion, or 4.6% of GDP.

Chart XVI
Consolidated Public Sector Primary Surplus accumulated over 12 months



Source: Central Bank

The fiscal outcome was crowned by a sharp reduction in the nominal deficit. The nominal deficit for the consolidated public sector was of 2.68% of GDP, the best result since the series was first calculated in 1991. The DLSP/GDP ratio dropped to 51.8% in December 2004, from 57.2% in December 2003.

The external sector continued to deliver positive results, closing the year with US\$ 96.5 billion in exports and US\$ 33.7 billion in trade surplus, leading to a 1.93% of GDP current account surplus.

The year ended also with a rush of congressional activity that was translated into the passage of important legislation. The Bankruptcy and the PPP laws passed in both houses of Congress, while key parts of the reform of the Judiciary were approved. An important provision of this reform was to make Supreme Court decisions binding to lower courts, helping reduce transaction costs and facilitating the enforcement of contracts.

For the first time in decades, fiscal accounts were in order and the current account in surplus, while inflation was lower than in the previous year, and the outlook for growth was of continued strength.

Section 2: Advances in Public Debt Management

Effective debt management requires “supply” and “demand” measures. The former typically involve the choice of what to issue and when. The latter attempt to expand the base of investors, improve the functioning of markets, and strengthen savings. “Demand” measures often require new legislation and the cooperation with the private sector.

Supply Side Measures

Supply side measures can be divided in two groups: new bond issues and liability management measures. Both types of measures are integrated for effective debt management. Among the former, were the issuance of longer-term fixed-rate and inflation-indexed bonds. Among the latter were: (i) maintaining the maturity schedule by type of security established in 2003; (ii) competitive swaps of short-term papers for longer-term papers; and (iii) competitive early redemptions.

New, longer-term bonds

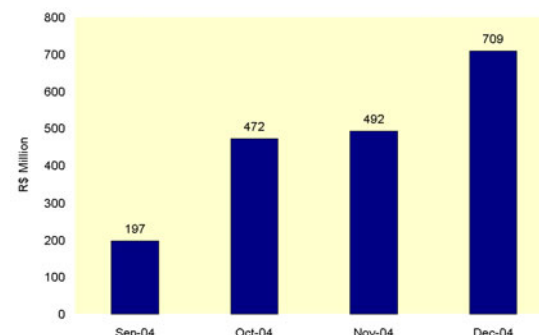
CPI inflation-linked NTN-B bonds have represented an increasing share of the domestic federal debt securities — DPMFi. NTN-B are attractive to pension fund entities because the high correlation between NTN-B returns and pension fund liabilities, which are linked to price indexes.⁴

In view of the large pension fund market, the National Treasury has gradually increased the maturity of NTN-B (pension fund assets amount to US\$ 78.2 billion). For instance, it began issuing 2045 NTN-B in September 2004. These securities became the ones with the longest tenure ever issued by the

National Treasury in public auctions, and their stock quickly rose to R\$709.5 million.

Chart XVII

Volume of NTN-B 2045 Held by the Public



Source: National Treasury

The emphasis on NTN-B did not mean halting the sales of NTN-C (IGP-M indexed papers). Similar to the case of NTN-B, NTN-C can be acquired in exchange of securities of shorter maturity through exchange auctions.

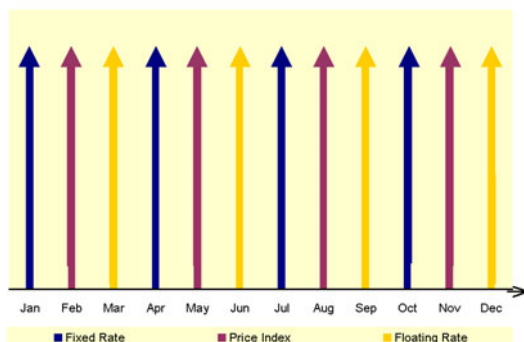
Another important supply-side measure was the continuation of the issuance of medium-term fixed-rate bonds, started in 2003. Brazil never had an actual medium-term yield curve of fixed-rate bonds. The 2008 and 2010 NTN-F issues began filling this gap. Issues in 2004 amounted to R\$2.2 billion.

Liability Management: Maturity Schedules

Since 2003, the National Treasury has adopted a maturing schedule, in which fixed-rate securities (LTN and NTN-F) mature in the first month of each calendar quarter, with a view to match the maturity of derivative contracts; price-indexed papers (NTN-B and NTN-C) mature in the second month; and floating-rate securities (LFT) mature in the third month.

⁴ According to the Brazilian Association of Complementary Pension Fund Entities (ABRAPP), which represents pension funds, data referring to the final quarter of 2003 indicate that approximately 74% of its membership has actuarial liabilities indexed to the National Consumer Price Index (INPC). The correlation between the IPCA and INPC was of 97.8% in the 10 years to 2004, while that of the IGP-M was of 70.5%.

Chart XVIII
Maturity Schedule for Public Securities



Source: National Treasury

Note: The maturities of price-indexed securities refer specifically to NTN-B.

Liability Management: Swaps, and early and special redemptions

Concentration of maturities requires exchanges and early redemptions to reduce refinance risks. Exchanges brought in R\$28.1 billion in 2004, while early redemptions brought in R\$19.3 billion.

Table II
Volume Received in Exchanges and Early Redemptions (R\$ million)

Bonds	Exchanges	Early Redemptions	Total
LTN	-	13,578	13,578
LFT	22,912	3,961	26,874
NTN-B	720	675	1,395
NTN-C	4,528	1,110	5,638
Total	28,161	19,324	47,485

Source: National Treasury

A structured program of competitive early redemptions of NTN-B was also established to increase the liquidity of this market. The program is important because, while NTN-B is an attractive instrument to long-term investors such as pension funds, a large part of its stock is held to maturity. Auctions of NTN-B have been held twice a month, when coupons stripped from these long-term bonds can also be offered.

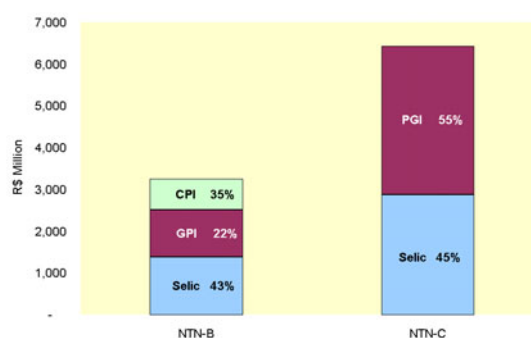
Box I – NTN-B Coupon Strips

NTN-B coupons are paid twice a year. NTN-B instruments maturing in even years (2006 and 2024) pay coupons in February and August; those maturing in odd years (2009, 2015 and 2045) pay coupons in May and November.

Coupons are strippable and can be used in early repurchase and exchange auctions (in exchange for longer securities).

Exchanges were also important to facilitate the sale of inflation-index NTN-B and NTN-C bonds. The average maturity of securities issued through exchanges was of 63.5 months, well above the maturity of securities tendered by the market. Also, the proportion of LFT reached 43% in the case of NTN-B exchanges and 45% in the case of NTN-C exchanges, helping rebalance the composition of the debt.

Chart XIX
Securities Received in Exchange Auctions for NTN-B and NTN-C



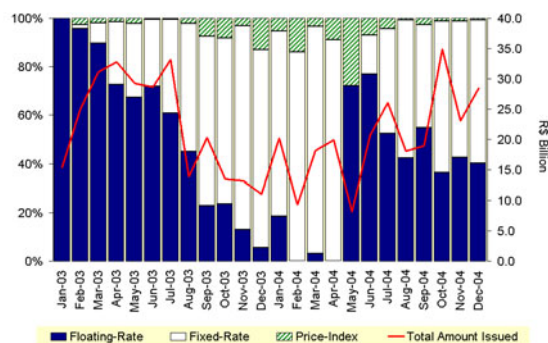
Note: IGP-M indexed securities refer to NTN-C, CFT-E and Securitized Debt papers.

Source: National Treasury

On an exceptional basis, the National Treasury also carried out a few simultaneous early redemption and sale auctions. Such operations were conducted in times of market turbulence and involved LFT. They helped establish market prices and reduce price volatility in times of low liquidity. That happened in May 2004, in the wake of the change in the US monetary stance (and again in August). In the event, markets

normalized quickly after the auctions, allowing the Treasury to resume its strategy of gradual increase in the share of fixed-rate securities. A few weeks after the May auctions, the share of LTN in the auctions rose back to about 50% of total volume.

Chart XX
Composition of Public Debt Primary Auctions



Source: National Treasury

Demand Side Measures

Demand measures were focused on expanding and diversifying the demand and the investor base, as well as in improving trade conditions and infrastructure. These measures reduce the risk of abrupt changes in refinancing conditions at moments of market turbulence, and improve the overall pricing of the debt. In 2004, some of these measures involved new legislation, while others reflected market initiatives in consultation with the government. Close contact with specific groups of investors was also part of this strategy.

New Legislation

Implementation of the Investment Account: Law n. 10,892, of July 13, 2004 created the Investment Accounts and established that withholding taxes on investment funds were to be levied twice a year.

Resources in the new Investment Account are allowed to move freely among eligible saving instruments, shielding portfolio

adjustments from the CPMF financial transaction taxes.⁵

Investment Accounts will allow investors to allocate their resources more efficiently. They will also help level the field between different instruments, eliminating the advantages of “exclusive” mutual funds, which explored the loophole associated with the exclusion of mutual funds from the CPMF. On the other hand, reducing the frequency of the collection of the withholding tax to which funds were subject, from monthly to bi-annual, will make funds more competitive vis-à-vis CDs and other saving instruments. The new legislation is expected to foster competition in the financial sector and stimulate secondary markets.

Declining tax schedule for financial investment earnings

Several measures to stimulate medium- and long-term savings were introduced through Provisional Measures (MP) n. 206 and 209, issued in August 2004 and later transformed in Laws n. 11,033 and n. 11,053.

MP 206 introduced a tax schedule for fixed-income instruments that declined with the length of time investors held to their saving instruments (Table III).⁶ In the case of mutual funds, the benefit applies only to those funds investing in long-term securities. This is expected to align asset managers’ and investors’ incentives and reduce the volatility of mutual funds investing in long-term bonds. Also, because the withholding tax was set at the minimum 15% rate for this type of fund, the overall return of such a vehicle was boosted.

⁵ Existing funds will be allowed to move freely only after October 1, 2006, avoiding sudden shifts in current allocations.

⁶ The income tax rate on stocks, stock funds and stock investment clubs became 15.0%, independent of the time length of the investment.

Table III
New Structure of Income Tax on Fixed Income Investments

Maturity	Income Tax Rate
Until 6 months	22.5%
From 6 to 12 months	20.0%
From 12 to 24 months	17.5%
Up to 24 months	15.0%

Source: Federal Revenue Secretariat

Declining tax schedule on pension fund earnings

MP n. 209 also introduced improvements in the taxation of pension plans and life insurance policies with survivor coverage clauses. These life insurance policies were exempt from the IOF financial tax and life insurance plans sponsored by corporations became tax deductible.

Table IV
Tax Schedule for New Pension Plans

Maturity for resources acumulation	Income Tax Rate
Lower or equal to 2 years	35%
Higher to 2 years and Lower or equal to 4 years	30%
Higher to 4 years and Lower or equal to 6 years	25%
Higher to 6 years and Lower or equal to 8 years	20%
Higher to 8 years and Lower or equal to 10 years	15%
Higher to 10 years	10%

Source: Federal Revenue Secretariat

Taxation of new open defined-contribution plans was also made quite attractive. Since contributions to these funds are deducted from the labor income tax base, taxation of the overall balance, when withdrawn, at rates as low as 10% represents a very strong

stimulus for long-term savings. Labor income is typically taxed at 27.5%. With the new schedule, labor income invested in pension plans, and the return accumulated, will be taxed at a 10% rate.

Funds were also freed from the income tax during the accumulation period, helping increase total returns over the long run.

Contact with the investors base

A key development in debt management has been to foster closer relations with institutional investors. This allows the National Treasury to better identify the needs of specific segments investing in public securities and to include this input when suggesting or implementing new measures.

Between March and November 2004, approximately twenty meetings were held with institutions such as close- and open-end pension funds, commercial and investment banks, insurance companies, and capitalization companies. The dialog with these groups greatly benefited from the partnership with the major associations representing them, in particular, ABRAPP, ANAPP, FENASEG, ANDIMA, ANBID and FEBRABAN⁷.

These and other initiatives developed by the Investors Relation Office — IRO have increasingly reached domestic and foreign investors (see below and section 4).

Indexes and Contracts

New Benchmark Indexes: A family of 10 benchmark fixed-income indexes was created by the National Association of Financial Market Institutions – Andima in late 2004. The indexes seek to reflect the

⁷ The Brazilian Association of Closed Complementary Pension Fund Entities (ABRAPP), the National Association of Private Pension Funds (ANAPP), the National Federation of Private Insurance and Capitalization Companies (FENASEG), the National Association of Financial Market Institutions (ANDIMA), the National Association of Investment Banks (ANBID) and the Brazilian Federation of Banks (FEBRABAN).

performance of a broad selection of portfolios comprising public securities of different maturities and composition (Table V). The Treasury will cooperate with Andima, which already collects market prices for public securities, by providing data on the outstanding stock of each class of these securities.

Table V
New Fixed Income Indices

NAME	INDEX	MATURITY
IMA-B	IPCA(CPI)	All
IMA-B5	IPCA	≤ to 5 years
IMA-B5+	IPCA	> than 5 years
IMA-C	IGP-M	All
IMA-C5	IGP-M	≤ to 5 years
IMA-C5+	IGP-M	> than 5 years
IMA-S	SELIC	All
COMPOUND (IMA)	Average of the fixed-rate indexes family, including the existing IRM-F (composed by LTN and NTN-F)	All

Source: Andima

The new indices will allow asset managers of pension funds and sophisticated mutual funds to be benchmarked against better-suited indexes than the prevalent DI index, which captures the returns of overnight rates only.

Futures Market Contracts: In late 2004, the BMF Mercantile and Futures Exchange created the CPI futures and the DI Coupon x CPI futures contracts. The combination of these contracts with strippable NTN-B coupons is likely to help rebalance the demand of Selic-indexed and CPI-indexed securities, helping provide further liquidity to the latter securities. Operations with these contracts were scheduled to begin in February 2005.

Developments in Electronic Market Infrastructure

On the infrastructure side, there were two important developments in 2004, which illustrate the sophistication of financial markets in Brazil and the possibilities for deeper trade in fixed-income securities.

Câmara de Ativos Clearinghouse: This clearinghouse encompasses the registration, clearing and settlement of operations with fixed income securities. In this platform, settlement is carried out on a net basis, reducing risks and the volume of capital required to operate in the market. As such, it will facilitate smaller institutions to participate safely in the federal public security secondary market.⁸

Operations carried out through the Sisbex electronic negotiation and registration system that supports the new clearinghouse will help improve asset pricing and create greater market capillarity. It will also facilitate the development of exchange-based repo operations, reducing execution costs and providing transparent short-term interest rate indicators.

The CETIP Electronic Negotiation Platform:

This platform, launched on September 30, is important for the development of the domestic screen market. Through it, a wide range of agents will be able to get electronic quotes on their screens, henceforth facilitating the fulfillment of compliance requirements. It will provide markets with a mechanism of speeding up transactions and increasing their transparency, further strengthening the infrastructure and practices in the Brazilian financial markets. The pension fund industry is among the major beneficiaries of the new system.

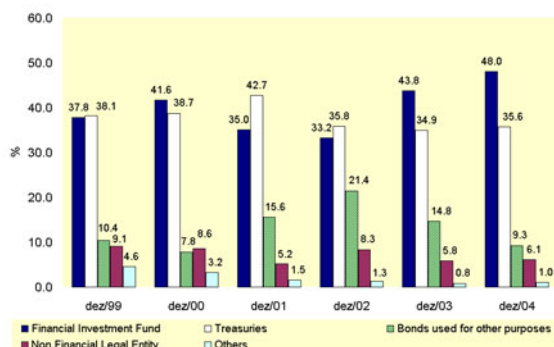
⁸ The initial target market is that of the public securities under the custody of the Special System of Clearance and Custody - Selic, admissible for rediscount at the Central Bank.

Tesouro Direto

Another measure to broaden the investor basis was the strengthening of the Tesouro Direto investment tool. This outreach program allows individual investors to buy domestic federal debt securities directly through the Internet.

Giving direct access of individual investors to public securities improves the pricing system and reduces return correlations. This is important because the major share of public securities issued in Brazil is held by a relatively small group of mutual funds and financial institution treasuries. Although these agents are subject to competition and to rules that restrict the use of insider information or other non-competitive behavior, they have similar incentives and concerns. These factors lessen the diversity of perceptions and responses to shocks and, therefore, increase the risks associated with the management of the public debt. Tesouro Direto helps reduce this risk.

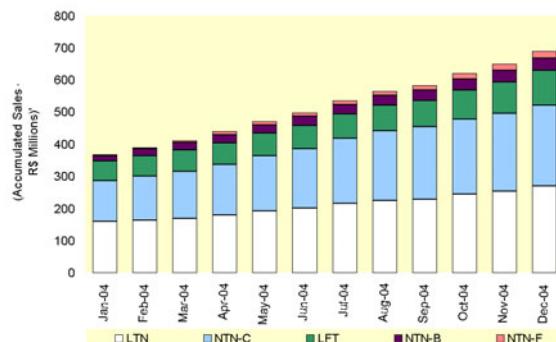
Chart XXI
DPMFi Public Securities Held by the Public



Source: National Treasury and Central Bank

Monthly sales of Tesouro Direto reached R\$39.8 million in December 2004. The average maturity of these sales was of 67.2 months, well above the 28.1-month average maturity of the DPMFi.

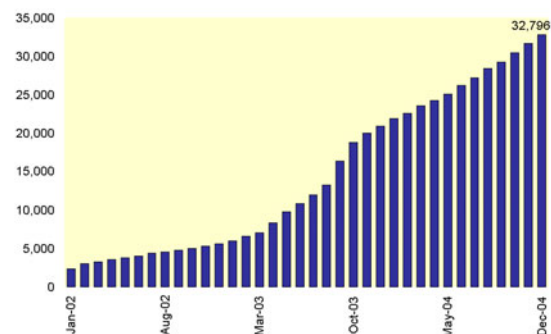
Chart XXII
Tesouro Direto Sales



Source: National Treasury

More than 32,000 investors had registered at the Tesouro Direto by end 2004, generating sales totaling R\$ 600 million.

Chart XXIII
Total Investors Registered in the Tesouro Direto



Source: National Treasury

The expansion of this program has been based on its own merits, not requiring major advertising campaigns so far. Nonetheless, Tesouro Direto was promoted in a few trade fairs. It was featured at the Expo Trade Brasil, held in Sao Paulo in May 2004. There were booths of the Tesouro Direto also at the September Expo Money, in Rio de Janeiro, and the October Expo Money, in São Paulo. Approximately 15,000 people attended these events, according to organizers.

The Investor Relation Office of the Treasury (see section 4) also held a series of seminars about Tesouro Direto at universities and businesses places. Among the places visited were the School of Management and

Economics of Curitiba, the aircraft maker Embraer, and the power company Itaipu Binacional.

Section 3: Results Achieved

The management of the Federal Public Debt – DPF has the objective of minimizing financing costs, while maintaining prudent risk levels. In line with these goals, the major guidelines of the PAF-2004 called for lengthening the maturity of the public debt and improving the composition of government public liabilities, with an increase in the share of fixed-rate and price-indexed securities, at the expense of the share of floating rate and exchange-rate-indexed securities.

The PAF-2004 set a specific strategy and quantitative targets for the volume of debt, as well as for the maturity and composition of the debt, selecting year-end ranges for these variables.

Most targets set by PAF—2004 were achieved, especially those associated with the composition of the debt. Also, the debt stock ended the year below the most optimistic forecast in the PAF-2004. On the other hand, high liquidity in the run up to the introduction of Investment Accounts and the levels of short-term interest rates contributed to shorten the average maturity of the debt below the target range, with the ensuing rise in the proportion of debt maturing in 12 month above the corresponding target range.⁹

Strategy

The financing strategy of the National Treasury in 2004 incorporated three assumptions: i) no issuance of NTN-D exchange rate linked securities; ii) issuance of approximately R\$11.5 billion of CVS¹⁰; iii) a issuance program of US\$5.5 billion in

global bonds, of which US\$1.5 billion had been pre-financed in 2003.

Based on those assumptions, the following strategy was adopted for the domestic debt:

- i. Fixed-rate securities: gradual lengthening of issue terms, using two approaches. First, gradually raising maturities from 12-18 months to about 24 months. Second, issuing medium-term NTN-F bonds with maturities above 36 months;
- ii. Price-indexed securities: achieve a net issuance over the course of the year, with new, longer maturities to consolidate the medium and long-term real yield curve;
- iii. Floating-rate securities: seek net redemptions, with gradual lengthening of maturities.

The strategy concerning the external debt was largely taken as exogenous, although the Treasury got increasingly involved with issuance decisions along the year. Within the process of transferring of responsibilities for external issuances to the Treasury, a temporary Strategic External Debt Management Committee (CODEX) was established in early 2004 to define the strategy and approve new international issuances. The Committee comprised officials from the Central Bank and the Treasury, being chaired by the former.

Execution and Outcomes

Stock

In 2004, the stock of the Federal Public Debt –DPF, which comprises the Federal Domestic Public Securities Debt – DPMFi and the external Federal Public Debt – DPFe, expanded in nominal terms by 5.0%. It rose from R\$965.8 billion at the end of 2003, to R\$1,013.9 billion at the end of 2004, reflecting a nominal contraction in the DPFe and a moderate increase in the DPMFi. On

⁹ These measures were implementation of the Investment Account and declining taxation on investment funds and new complementary pension fund plans, which are explained in detail in the previous section.

¹⁰ Securities issued by the National Treasury in the framework of the renegotiation of debts originating in the Wage Variation Compensation Fund - FCVS, remaining after housing finance contracts.

balance, the DPF ended the year below the R\$1,080.0 billion – R\$1,150.0 billion range established in the PAF 2004.

Table VI
Results for the Domestic Debt Securities – DPMFi

Indicators	Dec-03	Dec-04	PAF-2004	
			Minimum	Maximum
Stock of DPMFi held by the public (R\$ billion)	731.4	810.3	820.0	880.0
Average maturity of DPMFi (months)	31.3	28.1	34.0	38.0
% Maturing in 12 months	35.3	46.1	30	35
Share of DPMFi (%)				
Fixed rate	12.5	20.1	13.0	23.0
Floating rate	61.4	57.1	50.0	61.0
Exchange rate	10.8	5.2	5.0	7.0
Price Index	13.6	14.9	15.0	21.0
Others	1.8	2.7	1.0	3.0

Source: National Treasury. Elaboration STN/COGEP

Table VII
Results for the Federal Public Debt – DPF

Indicators	Dec-03	Dec-04	PAF-2004	
			Minimum	Maximum
Stock of DPF held by the public (R\$ billion)	965.8	1013.9	1080.0	1150.0
Average maturity of DPMFi (months)	39.0	35.3	40.0	45.0
% Maturing in 12 months	30.7	39.3	26.0	32.0
Share of DPF (%)				
Fixed rate	9.5	16.1	9.0	19.0
Floating rate	46.5	45.7	39.0	47.0
Exchange rate	32.4	24.2	24.0	30.0
<i>Denominated</i>	24.3	20.1	--	--
<i>Referenced</i>	8.2	4.2	--	--
Price Index	10.3	11.9	12.0	17.0
Others	1.4	2.1	1.0	3.0

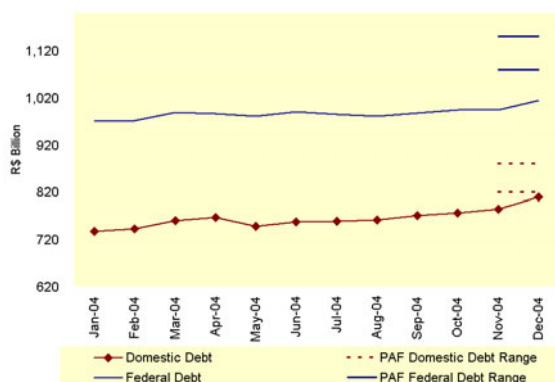
Source: National Treasury. Elaboration STN/COGEP

The stock of DPFs dropped by 13.1%, moving from R\$234.4 billion in December 2003, to R\$203.6 billion in December 2004. That behavior responded to the exchange appreciation and the redemption of sovereign bonds and contractual liabilities. In dollar terms, the stock dropped by 1.4%, falling from US\$77.9 billion at end-2003 to US\$76.8 billion at the end of 2004.

The Federal Domestic Public Securities Debt – DPMFi expanded by 10.8% in nominal terms, moving from R\$731.4 billion at the start of 2004 to R\$810.3 billion at the end of the year.

The stock of DPMFi closed just below the lower limit of the PAF, in part because of a less dynamic increase in the “liquidity cushion” kept by the National Treasury. It also reflected the implementation of the Investment Account and changes in taxes, which increased the demand for liquidity in the second half of the year. This demand was largely mopped up by the Central Bank through repo operations.

Chart XXIV
DPF and DPMFi



Source: National Treasury

Note: The horizontal lines on the right refer to the upper and lower limits established at the PAF-2004.

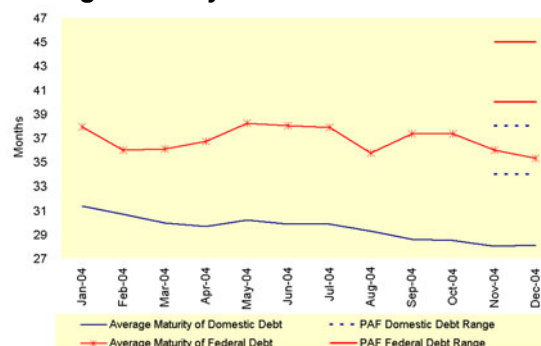
Average Maturity

At the end of 2004, the average maturity of the DPF and DPMFi was below the threshold defined in the PAF. The average maturity of the DPF closed at 35.3 months (for a 40.0 - 45.0 month range in the PAF), and that of the DPMFi

ended at 28.1 months (for a 34.0-38.0 month range).

The outcome reflects in part a smaller volume of CVS issued. In 2004, CVS issues were limited to R\$8.14 billion, against the R\$11.5 billion forecast in the PAF. Since these are long-term securities with maturities up to 2027, if issues were as projected in the PAF, the average maturity of the DPF and DPMFi would rise slightly to 35.5 months and 28.4 months, respectively.

Chart XXV
Average Maturity of the DPF and DPMFi



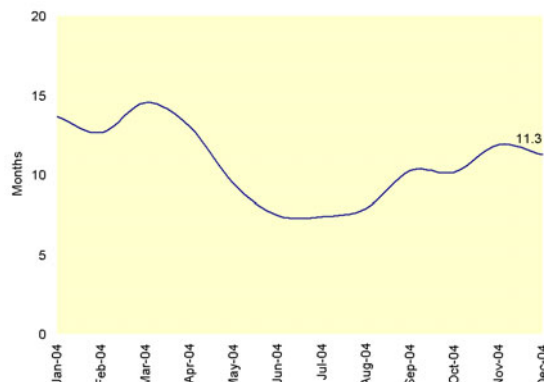
Source: National Treasury

Note: The horizontal lines on the right refer to the upper and lower limits established at the PAF-2004.

Changes in maturity in part reflect the steady increase in the share of fixed-rate securities, which typically have shorter maturities. Other supply and demand shifts, especially those occurred after the external and domestic interested rates started to rise, also played a role in reducing the average debt maturity.

On the one hand, the average maturity of fixed-rate securities dropped somewhat for part of the year. Average maturity at issuance reached 13.7 months at the beginning of the year, dropping to 8.0 months in May-August, gradually rising back to 11.3 months by the end of the year.

Chart XXVI
Average Maturity of Fixed-rate Securities in Primary Auctions



Source: National Treasury

On the other hand, the former trade off between maturity and duration proved weaker after the implementation of marking to market rules in 2002. Since then, any changes in market perceptions or in the slack between effective and target monetary policy rates started to affect the price of long-term, floating-rate securities, dampening the demand for floating-rate issues at this end of the maturity specter.

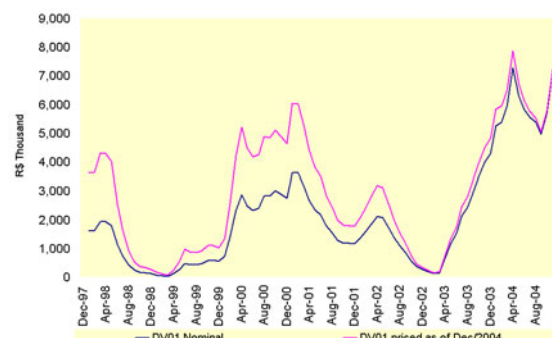
These developments need, however, to be weighed against other developments, in particular the composition of the debt. Changes in this composition have helped reduce refinancing risk, mitigating the effects of the shortening of the average debt maturity.

The increase in the share of fixed-rate securities in the public debt has contributed to reduce the risk exposure of the Treasury, shifting it to the market. The DV01 index, known as the “Dollar Value of a basis point change”, which represents the variation in the market value of the portfolio following a change of 0.01 percentage points in the discount rate of this portfolio, illustrates this question (Chart XXVII).

The record high level of DV01 shows that the National Treasury has been successful in transferring an increasing share of market risk (i.e., due to changes in short-term interest rates) to the market. This transfer produces benefits in terms of the public debt

management and the efficiency of interest rates as a monetary policy instrument.

Chart XXVII
Impact of 1 b.p. Change in Interest Rates on the Market Value of Fixed-rate Debt



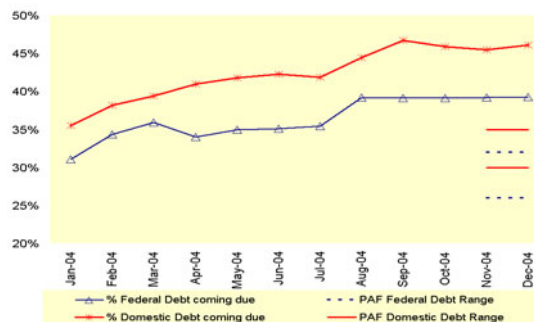
Source: National Treasury

Note: Impact is measured in absolute terms.

Percentage of debt maturing in 12 months

The percentage of debt maturing in 12 months, which tends to mirror the average debt maturity, rose in 2004. This indicator exceeded the value projected in the PAF, ending 2004 at 39.3% for the DPF, and at 46.1% for the DPMFi.

Chart XXVIII
Percentage of DPF and DPMFi Maturing in 12 Months



Source: National Treasury

Note: The horizontal lines on the right refer to the upper and lower limits established at the PAF-2004.

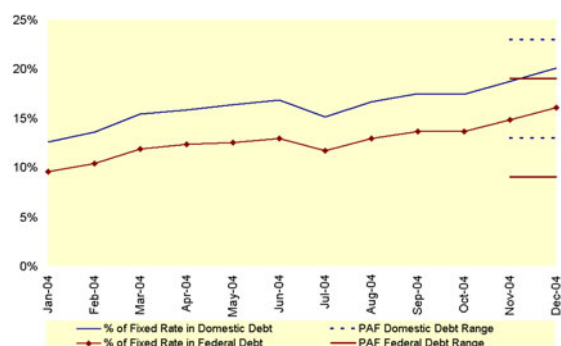
Outcomes Related to the Debt Composition

Indicators in this regard were within target ranges, helping further strengthen the debt structure.

LTN and NTN-F Fixed-Rate Securities

The participation of fixed-rate securities in the DPMFi and DPF expanded by more than 60% in 2004. In the case of the DPMFi, this participation rose to 20.1%, from 12.5% at end-2003; the participation in the DPF rose to 16.1%, from 9.5% at end-2003. These results are in line with the targets in the PAF-2004, which defined ranges from 13.0% to 23.0% for the DPMFi and from 9.0% to 19.0% for the DPF.

Chart XXIX
Share of Fixed-rate Securities in Public Debt



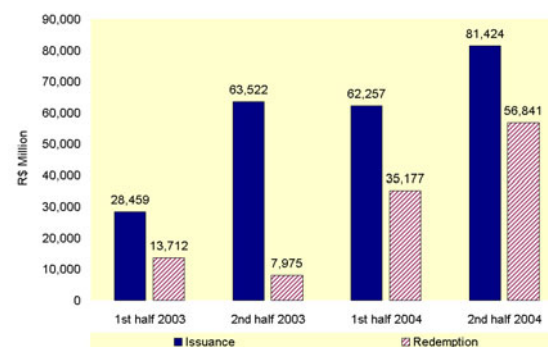
Source: National Treasury

Note: The horizontal lines on the right refer to the upper and lower limits established by the PAF-2004.

In the first half of 2004, issues of fixed-rate securities mounted to R\$62.3 billion, a figure that was substantially larger than the R\$28.5 billion issued in the same period of the preceding year. Issues in the second half totaled R\$81.4 billion, also considerably more than the R\$63.5 billion in the same period of 2003.

The growing volume of LTN issued also implied a larger volume of redemptions, since these securities are typically of relatively short term. Around R\$35.2 billion matured in the first half of the year and R\$56.8 billion in the second half (compared to R\$13.7 billion and R\$8.0 billion, in the respective halves of 2003). Net issues added to R\$51.7 billion in 2004, representing an increase of about 2.9% of GDP.

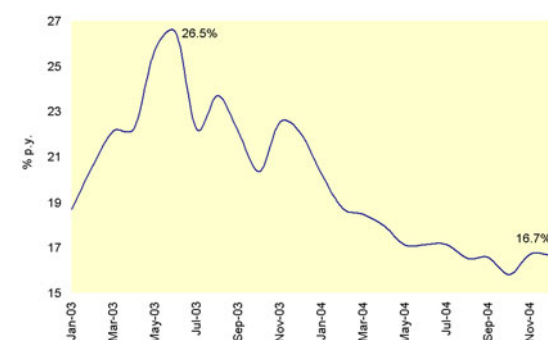
Chart XXX
Issues and Redemptions of Fixed-rate Securities Held by the Public



Source: National Treasury

Market absorption of fixed-rate securities was smooth, without difficulties stemming from volume or maturity. The average premium paid in primary auctions was flat in 2004. The overall average initial yield dropped in line with the decline in the Selic.

Chart XXXI
Average Initial Yield of LTN Held by the Public



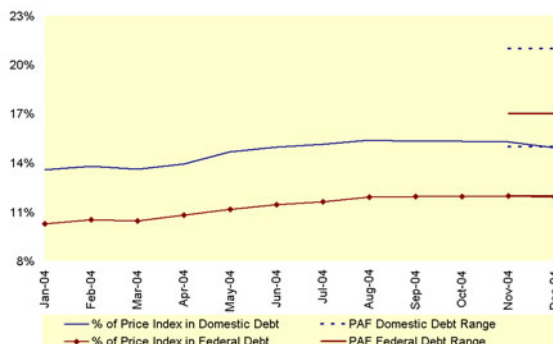
Source: National Treasury

NTN-B and NTN-C Price-indexed Bonds

Since December 1999, the National Treasury has promoted the participation of price-indexed bonds in the public debt. The share of these securities in the DPMFi almost tripled in the last five years, starting with an initial value of just 5.6%.

The share of price-indexed securities rose from 13.6% of the DPMFi in December 2003, to 14.9% in December 2004. The share in the DPF rose from 10.3% to 11.9%.

Chart XXXII
Share of Price-indexed Bonds in Public Debt

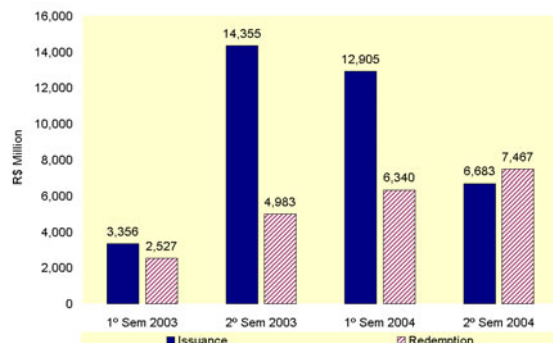


Source: National Treasury

Note: The horizontal lines on the right refer to the upper and lower limits established at the PAF-2004.

In the first half of 2004, R\$12.9 billion were issued, with redemptions amounting to R\$6.3 billion. In the second half, issuance dropped to R\$6.7 billion, while redemptions rose to R\$7.5 billion. On balance, net issues reached R\$5.8 billion.

Chart XXXIII
Issues and Redemptions of Price-Indexed Bonds

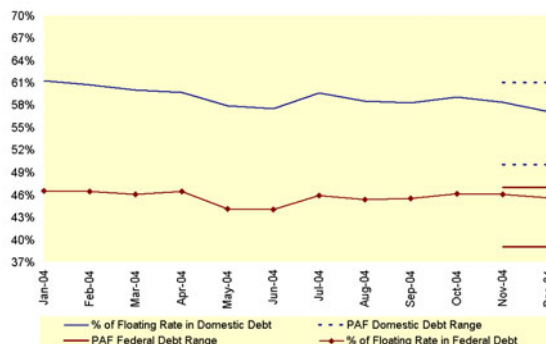


Source: National Treasury

LFT—Floating Rate Securities

The share of LFT in the public debt dropped after two years of growth. Year-end share in the DPMFi was of 57.1%, within the 50.0%-61.0% range. The share in the DPF closed at 45.6%, for a range between 39.0% and 47.0%. In the case of the DPMFi, the year-end share meant a drop of ten and a half percentage points from the peak 67.7% share observed in April 2003.

Chart XXXIV
Share of Floating-Rate Securities in the Public Debt

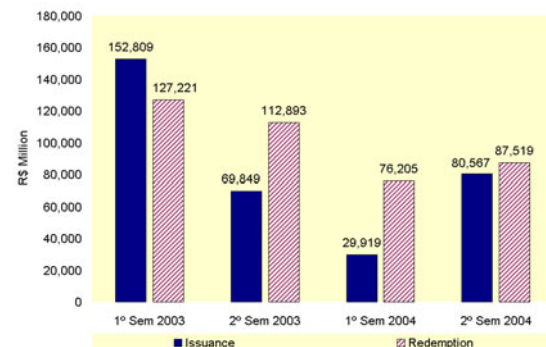


Source: National Treasury

Note: The horizontal lines on the right refer to the upper and lower limits established at the PAF-2004.

Issues of LFT totaled R\$29.9 billion in the first half of 2004 and R\$80.6 billion in the second half of the year. This volume was below the R\$76.2 billion redeemed in the first half of the year and the R\$87.5 billion, redeemed in the second half). On balance, net redemptions added to R\$53.2 billion (compared with net issues of R\$ 51.7 billion of LTN).

Chart XXXV
Issues and Redemptions of Floating-Rate Securities



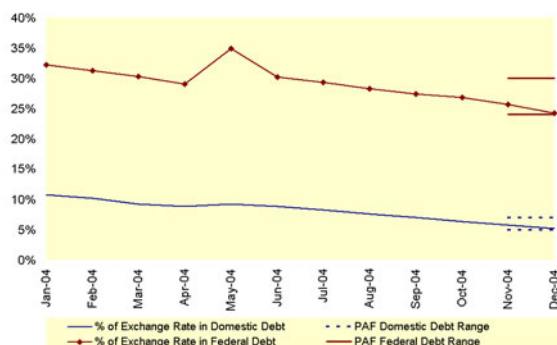
Source: National Treasury

Exchange-Rate-Indexed Debt

The share of exchange-rate-indexed debt in total debt dropped for a second year in a row. By the end of 2004, that share had dropped to 5.2% of the DPMFi, within the 5.0%-7.0% range established at the PAF. Added to the foreign-currency denominated external debt, the share in the DPF reached 24.2%, also within the

24.0%-30.0% range defined by the PAF-2004, as well as reflecting a drop from the previous year.

Chart XXXVI
Share of Exchange-Rate-Indexed Bonds in the Public Debt



Source: National Treasury

Note: The horizontal lines on the right refer to the upper and lower limits established at the PAF-2004.

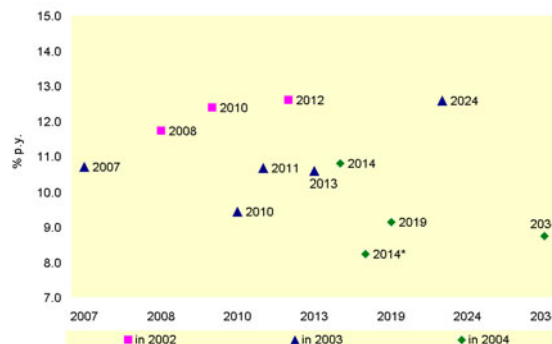
Total exchange exposure of federal government domestic instruments, including the exchange-rate-indexed NTN-D debt and Central Bank exchange swaps, as a proportion of the DPMFI dropped from 22.1% in December 2003 to 9.9% in December 2004. In 2002, this exposure was close to 40%.

External Debt

The 2004 external debt issuance program was completed ahead of time, allowing for the pre-financing of US\$ 1.5 billion from the US\$ 6 billion 2005 program. Actual issuance in 2004 reached US\$5.7 billion, with every issue including Collective Action Clauses – CACs.

The year began with the issuance of US\$ 1.5 billion of the Global 2034 in January. While that issue occurred amid very favorable external conditions, the Global 2009 issued in June, was remarkable for dispelling fears that turbulence in international capital markets would close them to Brazil. This bond was a floater that helped distinguish Brazilian risk from then existing uncertainty about the course of US monetary policy. The initial offer of US\$ 500 million was increased to US\$750 million in order to accommodate the large demand.

Chart XXXVII
Yields on External Issues



* Refers to the reopening of the security.

Source: National Treasury

With the settling down of markets in the coming weeks, a US\$ 750 million, fixed-rate Global 2014 was issued in July, carrying an initial yield of 10.8% a year.

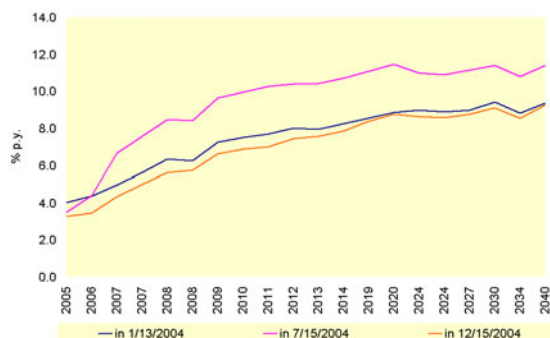
In September, the Republic returned to the Euro market, after two years of absence (March 2002). The first issue of the 2012 bond amounted to EUR 750 million (US\$913 million). With the excellent performance of this security on the secondary market, the Euro 2012 was reopened just two weeks afterwards, to the tune of EUR 250 million (US\$306 million). The spread, which had been of 477 points above German treasury bonds in September, dropped to 439 points in the second operation, contributing to a drop in yields from 8.725% to 8.170%. That issue completed the 2004 issuance program.

In October, the 2005 external debt finance program was announced. Soon afterward, the favorable international environment and the good performance of the Brazilian economy prompted a new issuance: a fixed-rate US\$ 1 billion 2019 Global, within the month. In December, the Republic returned to the market, offering US\$500 million in the reopening of the Global 2014, further reducing the financing needs for 2005 to US\$4.5 billion.

The Global 2019 operation and the reopening of the Global 2014 had spreads of 492 and 398 basis points above that of equivalent U.S. Treasury bonds, respectively. That was

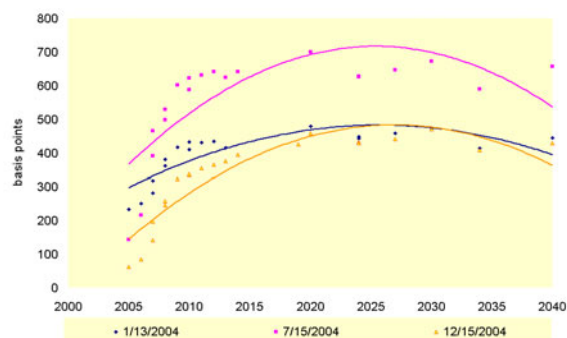
equivalent to overall initial yields of 9.15% per year and 8.24% per year. The yield in the reopening of the Global 2014 was 256 basis points below the initial yield of the original issue made in July.

Chart XXXVIII
Yields on Globals



Source: Bloomberg

Chart XXXIX
Spreads on Globals



Source: Bloomberg

Table VIII
Sovereign Issuances

Issues	Issuance Date	In US\$ million Total	Maturity	Yield	Spread ¹	EMBI BR at Issuance	Leader Managers
2004							
Global 2010	22/10/03	1,500	7 years	9.45%	561	582	Merril Lynch / CSFB
Global 2034	12/01/04	1,500	30 years	8.75%	376	396	Citigroup / Deutsche Bank
Global 2009 (Floating)	22/06/04	750	5 years	5.93% ²	593 ³	648	Goldman Sachs / Merrill Lynch
Global 2014	07/07/04	750	10 years	10.80%	632	629	Deutsche / Morgan Stanley
Euro 2012	08/09/04	913	8 years	8.75%	477 ⁴	491	UBS / Dresdner
Euro 2012*	24/09/04	306	8 years	8.17%	439 ⁴	467	UBS / Dresdner
Total for 2004		5,719					
Bond Issuance (Planned)		5,500					
2005							
Global 2019	14/10/04	1,000	15 years	9.15%	492	445	JP Morgan Chase / Citigroup
Global 2014	07/12/04	500	10 years	8.24%	398	411	Morgan Stanley / JP Morgan
Total 2005		1,500					
Bond Issuance (Planned)		6,000					

Source: National Treasury

¹ In basis points (local currency), at issuance date.

² Plus 3 months Libor

³ Spread over Libor

⁴ Spread over Deutsche Premier Bond 2012

* Reopening Issuance

Risk Analysis

Improved debt composition helped reduce the overall vulnerability of the National Treasury to market risks. A major contribution of this change was to minimize the effects of exchange or interest shocks, while also increasing duration and making the maturity flow more predictable.

The following paragraphs present an analysis of market and refinancing risks of the DPF, as well as the balance of asset and liability mismatches faced by the central government, measured through standard Asset-Liability Management ALM/GAP¹¹ tools.

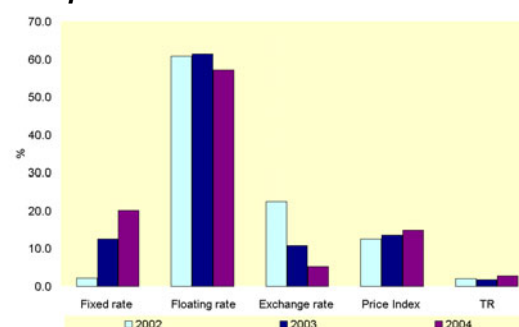
Market Risks

Market risks result from the impact on asset prices of changes in interest, exchange and inflation rates. Since each type of security reacts in a different way to each one of these factors, composition matters to the overall sensitivity of the debt.

The composition of the public debt changed markedly in 2004. In early 2003, the share of fixed-rate debt in the DPMFi was of 2.2%, while it had reached 20.1% in late 2004. The share of exchange-rate-indexed securities, on the other hand, dropped from 22.4% of DPMFi in December 2002 to 5.1% at end 2004.

Chart XL

Composition of DPMFi



Source: National Treasury

One way of evaluating the sensitivity of the debt to large shocks is to use stress analysis. A change in composition that reduces the vulnerability of the debt will be reflected in this analysis and will show whether the debt has become more resilient to very unfavorable conditions.

In the exercise presented next, stress is represented as a shock of three standard deviations on the value of the 12-month rolling average of interest and exchange rates, estimated over a rolling five-year period¹². The use of rolling averages allows one to focus on persistent (one-year long) shocks.

For the purpose of the exercise, the volume of the debt is normalized to the value outstanding at the end of 2004 (R\$810.3 billion for the DPMFi). The normalization allows for distinguishing size and composition effects.

Table IX shows the reduction in the sensitivity of DPMFi to market stress. It captures persistent shocks in the Selic and exchange rates modeled after the stress scenario discussed above¹³. In this case, the negative impact on the DPMFi would be of approximately R\$132.0 billion (16.3% of total

¹¹ GAP stands for *Gerência de Ativos e Passivos*, a literal translation of Asset-Liability Management.

¹² The monthly observations on the basis of which one calculates the standard deviation are the values of the movable medians of interest and exchange over twelve months. This makes it possible to normalize the shocks and perceive the dimension of the persistence of shocks in the recent financial series.

¹³ Stress in this exercise represents a shock of three standard deviations in the historical series of interest and exchange in the last five years.

DPMFi) were the 2002 composition to be considered, while it is of approximately R\$54.0 billion (6.6% of DPMFi), when the composition existent at the end of 2004 is considered. These results point to a reduction in the stress risk of approximately 60%.

Table IX
DPMFi – Stress Test on Interest and Exchange

Index	Domestic Debt (DPMFi) Share (%)			Stress Impact (R\$ billion)		
	2002	2003	2004	2002	2003	2004
Selic	60.8%	61.4%	57.2%	33.59	33.91	31.62
Fx Rate	22.4%	10.8%	5.1%	98.37	47.25	22.57
Total	83.2%	72.2%	62.4%	131.96	81.17	54.19

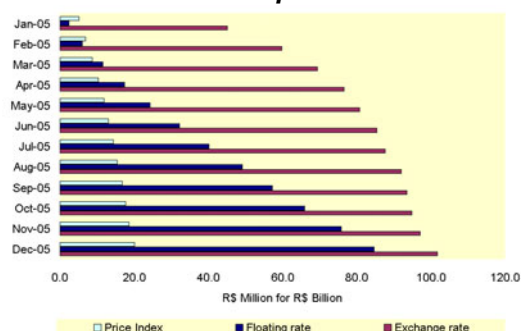
Note: Stress represents the shock of three standard deviations on the floating rate median and of real devaluation accumulated over twelve months (between Jan/00 and Dec/04). Reference: DPMFi in December 2004 (R\$810.13 billion). The stress scenario for the period of one year is applied to the debt in Selic and, instantaneously, to correction of the exchange debt
Source: National Treasury

The change in debt composition also made maturity cash flows more predictable. This refinancing risk can be captured by the so-called cashflow-at-risk (CFaR) model¹⁴. The model captures the uncertainty about scheduled payments. The risk, of course, is zero for fixed-rate securities, since payments are known beforehand. For the other securities, it is expressed by the difference between the cash flow with a probability of up to 95% of occurrence and the expected value of that payment¹⁵.

In Chart XLI, this difference is calculated for securities linked to the exchange rate, the interest rate, and prices, starting from the hypothesis of an expected maturity of R\$1 billion. Results are striking. Exchange-rate

linked debt holds the greatest market risk, although the rise in this risk tends to moderate at longer horizons. The refinancing risk of LFT, on the other hand, tends to increase exponentially with maturity, reflecting the increasing uncertainty about interest rates over longer horizons. Given that the CPI has been much less volatile than the exchange or interest rates, the cash flow at risk of such securities is smaller and shows a slower increase than that of other securities. These features help explain the focus of the Treasury in shifting the composition of the public debt toward a greater participation of fixed-rate and price-indexed securities.

Chart XLI
Cashflow-at-Risk Comparisons



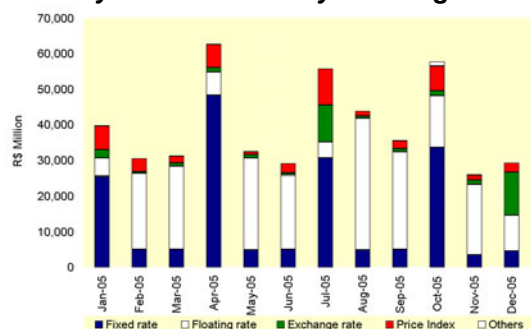
Source: National Treasury

Charts XLII and XLIII below provide another illustration of the relation between refinancing risks and debt composition. The first indicates the DPF maturity profile in 2005, broken down by indexing factor. The second chart shows the cash flow risk (CFaR) and the volatility of the debt over the same period (volatility is calculated as the ratio between the 95% probability value of payments and their expected value) Together, the charts illustrate that the relative volatility of cash flows decreases in those months in which fixed-rate securities account for the major share of maturing securities (January, April, July and October).

¹⁴ Based on stochastic models, Cashflow-at-Risk - CfaR, measures the uncertainty of the payment of a specific cashflow, in light of unexpected fluctuations in the indexing factors that determine earnings.

¹⁵ It should be noted that the percentile of 95° of the real distribution of probabilities is utilized, while the prior hypothesis of normality in distribution is not adopted in the exercise.

Chart XLII
Maturity Profile of DPF by Indexing Factor



Source: National Treasury

Chart XLIII
Cashflow-at-Risk (CfaR) – DPF



Note: volatility represents the ratio between the confidence limit of 95% and the median value of maturities.

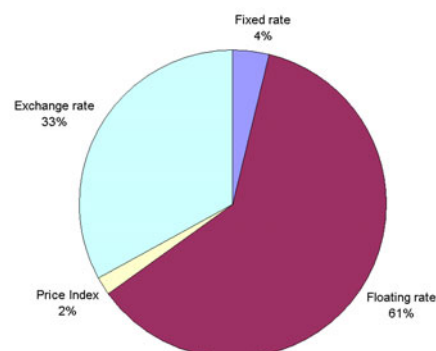
Source: National Treasury

Changes in debt composition have thus tempered the risk of the increase in the share of the debt maturing in twelve months. If the increase in the share of LTN raised the share of debt maturing in 12 months, on the other hand, it reduced the relative volatility of cash flows, as illustrated in the previous charts. The stress risk was also lessened.

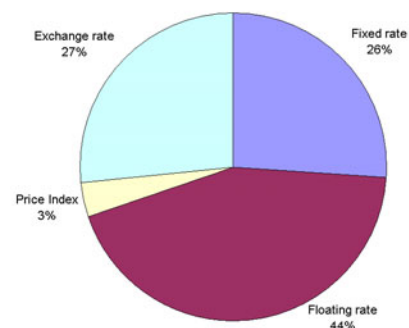
Chart XLIV shows how the proportion of exchange rate linked debt maturing in 12 months has dropped since 2003 (from 33% to 11%), in favor of an increase in fixed-rate debt (from 4% to 36%). The contrast between 2003 and 2005 is particularly telling, although the increase in the share of fixed-rate debt maturing from 26% in 2004 also highlights the steady gains made in this area.

Chart XLIV
Composition of DPF Maturities

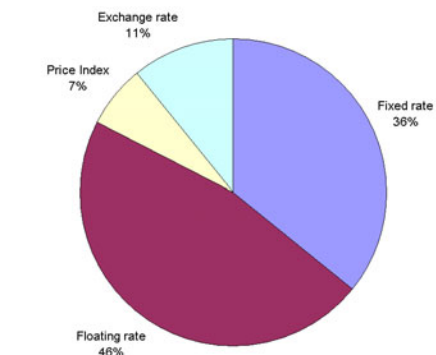
Debt Maturing in 2003 (as of December 2002)



Debt Maturing in 2004 (as of December 2003)



Debt Maturing in 2005 (as of December 2004)



Source: National Treasury

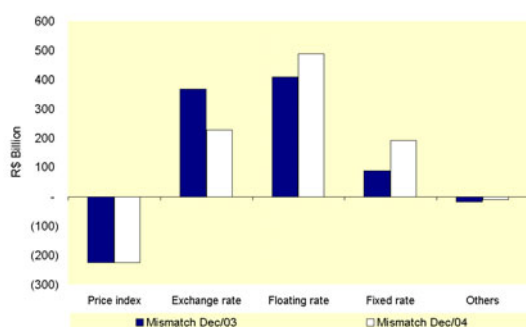
ALM/GAP analysis

The net mismatch exposure by type of debt of the central government evolved favorably in 2004. The mismatch relative to the fixed-rate debt increased, reducing issuer risks (there were more liability than assets at fixed rates). The narrowing of the mismatch relative to exchange-rate-indexed securities was also favorable, since this mismatch is riskier to the government.

The mismatch relative to price-indexed securities was stable. This mismatch is on the asset side, because the stock of federal claims against states and municipalities, which are indexed to the IGP, is larger than the stock of NTN-B and NTN-C.

The increase in the (liability) mismatch of floating-rate securities is related to the reduction in the rolling over of Central Bank exchange/Selic swaps. Fewer swaps reduced the exposure to the exchange rate, but tended to increase the exposure to the underlying security, i.e., the floating rate LFT. As a result, the net liability exposure of the floating-rate securities rose, despite the actual reduction of the share of these securities in the DPMFi.

Chart XLV
Mismatches between Assets and Liabilities



Source: National Treasury

Note: Constant-price values, measured as of December 2004 (deflated by the CPI)

Section 4: Institutional Advances

In 2004, the National Treasury continued its strategy of enhancing the Federal Public Debt management. The transfer of responsibilities for issuing external debt to the Treasury is part of this effort. Also, technical staff, information systems and the physical structure of the National Treasury continued to be upgraded.

Transfer of the responsibility for issuing External Debt Bonds to the Treasury

Institutional development since redemocratization in 1985 has involved increased separation between fiscal and monetary policy functions, with responsibility for the prior with the National Treasury and for the latter with the Central Bank. This separation is in line, for instance, with the decision barring the Central Bank from issuing securities on the internal market, which is part of the 2000 Fiscal Responsibility Law.

Since 1993, efforts have been made to centralize the responsibility for managing all federal government financial commitments under the Treasury. For the last few years, the National Treasury has been responsible for decisions regarding the volume, maturity, and the characteristics of the securities associated with the domestic debt. In these cases, the Central Bank acts only as the agent of the National Treasury, making these transactions operational, which is a common practice around the globe.

The National Treasury, on the other hand, had traditionally delegated the issuance of External Federal Public Debt – DPFe securities to the Central Bank. The agreement regulating this arrangement, however, expired in October 2003, opening the way for the unification of functions at the Treasury.

It was felt that the opportunity should be grasped, because a directive to centralize debt management in the National Treasury had already been established by Decree 4,643, of March 24, 2003. That Decree included among the responsibilities of the National Treasury Secretariat the “management of the internal and external, contractual and public securities debt, for which the National Treasury is directly or indirectly liable”.

Moving toward consolidation of debt management was also compatible with the well-grounded international practice of fostering centralization of public debt management functions in a single government entity. This is because integrated management of the external and domestic debt favors more efficient risk management. It allows for the planning of correlated operations and more transparency in relation to the objectives, guidelines and strategies.

To guide the transition process, an agreement was signed on January 7, 2004¹⁶ establishing the process for the transfer of responsibilities to the National Treasury. This document governed external debt operations in 2004 and the steps toward the transfer of responsibility for all stages of operations involving the issuance of external debt securities to the National Treasury by the end of the year 2004. This responsibility was fully transferred to the Treasury on January 1st, 2005.

Beyond the framework of the transition agreement, the Treasury took several steps in preparation for its new responsibilities, including:

- i. A seminar held in August with consultants from Arnold & Porter, the international law office that currently represents the Republic abroad. The seminar dealt in a highly

¹⁶ See the full text of the Transition Agreement on the National Treasury page – www.tesouro.fazenda.gov.br.

detailed manner with all aspects related to security issuance abroad;

ii. Training programs and lectures covering yield curves, derivatives, fixed income operations in international markets, and the responsibilities of the fiscal agent;

iii. Consolidation of Federal Senate Resolutions n. 57/95 and n. 69/96, which disciplined operations with external debt securities (see box II);

iv. Detailed mapping of all processes related to issuing securities on international markets, as well as support activities, indicating the responsibility for execution of each stage of the process; and

v. Update of the External Debt Manual, reflecting discussions with advisors carried out during the transition period.

Box II - New Senate Resolution on External Federal Public Debt – DPFe Operations

Anticipating the transfer to the National Treasury of responsibilities for issuing external debt, the Federal Senate approved Resolution n. 20 of November 17, 2004 (the Constitution establishes that the Senate is responsible for regulating public debt of all levels of government).

Senate Resolution n. 20 dealt with the “Program of Security Issues and Management of National Treasury Liabilities Abroad”, which made the Ministry of Finance explicitly responsible for all stages related to issuance of external public securities.

Senate Resolution n. 20 replaced Senate Resolution n. 57, dated 1995, which dealt with new external issues, and Senate Resolution n. 69, of 1996, which dealt with external debt restructuring operations. As such, it established a new limit of US\$75

billion on issues of external securities by the National Treasury. It also relaxed constraints on the destination of resources obtained from external issues. In the past, these resources could be used only to redeem domestic debt securities. Now, they may be used for paying both domestic and external debt for which the National Treasury is liable.

Resolution n. 20 also struck a balance between the flexibility required for effective management of the Federal Public Debt and macroeconomic considerations, including the avoidance of excessive exposures. Financial derivatives, for instance, were allowed for the purpose of managing risk to the public debt.

Other Measures for further Institutional Strengthening

The National Treasury continued its program of developing information systems and improving its infrastructure and the skills of its technical staff. This program has the support of the Fiscal and Financial Management Strengthening Project – PROGER, which is financed in part with World Bank resources. The objective of this project is to modernize government activities in the fiscal and financial sectors, while improving the quality of public services. Activities in the project include several modules dealing with information technology, governance and risk management, which are discussed in greater detail in the 2003 Annual Public Debt Report.

In 2004, staff training remained a priority. It included the enrollment of staff in a MS in Finances program that has graduated several staff members in recent years, as well as in courses covering issues such as sovereign debt issuance and management, pension fund investment policies, and other capital market operations. These efforts also benefited from PROGER support, as well as from partnerships with public and market institutions in Brazil and abroad. Improvements in the physical infrastructure

of the National Treasury included the enhancement of teleconference means and the enlargement and modernization of the trading desk of the Treasury.

Development of the Integrated Public Debt System – SID

This project aims at enhancing the operational efficiency and security of the Treasury. After extensive analysis and research, a report was completed in 2004. It recommended the development of a totally integrated system, encompassing the functionalities of existing systems (Domestic Public Debt – DPI, External Debt, *Elabora*¹⁷ and *GERIR*¹⁸ among others) and allowing for the incorporation of new needs and processes.

This effort was integrated with the preparation of a Strategic Information Technology Plan by an external consulting firm. The plan focused on defining and planning the best IT practices for the organization. Among the products obtained from the consultancy were the technological guidelines to be followed by the company contracted to develop the SID in line with the objective of integrating existing systems. Selection and contracting of the company responsible for developing the SID followed World Bank procedures and the actual development of the SID is scheduled to start in 2005.

Risk Management Advances

There were several technical and institutional advances in risk management, including:

- Enhancement of existing stochastic risk models;

- Improvements in the information processing system, as well as development of new analytical tools;
- Refining of the integrated ALM Asset-Liability Management system (*GAP*¹⁹); and
- Development of the public debt benchmark.

The stochastic models used by the National Treasury to analyze market and refinancing risks, such as the Cost-At-Risk and the Cashflow-At-Risk – CFaR were enhanced with respect to the process of estimating the parameters associated to risk factors (e.g., exchange and interest rates, as well as inflation), and the implementation of adjustments needed to extend them to deal in an integrated fashion with risks related to the external debt.

Also, new computational tools were developed to facilitate liability management simulation exercises and to estimate optimal structures for the Federal Public Debt along efficient stochastic boundaries.

Significant changes have also been introduced into the ALM models and procedures, to fully capture the interplay of domestic and external debt.

Finally, research continues for developing a system of benchmarks with a view to develop a more refined medium-term strategy for the management of the Brazilian public debt, along the lines of the systems used in some OECD countries.

Group of Latin American and Caribbean Specialists in Public Debt Management

Important steps were taken in 2004, at the initiative of the Brazilian National Treasury, towards creating a Group of Latin American

¹⁷ The system for elaborating and monitoring the Federal Public Debt budget.

¹⁸ System of Federal Public Debt strategic planning and risk management.

¹⁹ Also known by its English acronym ALM (Assets and Liability Management)..

and Caribbean Specialists in Public Debt Management. This effort counted with the early support of the Inter American Development Bank – IADB and several countries in the Hemisphere.

This Group is expected to bring together professionals in sovereign debt management in Latin America and the Caribbean, allowing them to exchange technical experiences related to the various aspects of their expertise.

The 1st Forum of the Group of Latin American and Caribbean Specialists in Public Debt Management will take place in March 2005, in Rio de Janeiro. The event will feature debates regarding such topics as the institutional structure of public debt departments; development of the secondary market for public securities; methodologies for calculating debt indicators; management of financial and refinancing risks. In addition to specialists from the region, officials from a variety of international organizations, including the OECD, IMF, World Bank and the IDB itself, are scheduled to participate in the debates.

Strengthening of the Investor Relations Office – IRO

The transfer of responsibilities for the external debt enhanced the role of the Treasury Investor Relations Office – IRO. The new role of the IRO has been translated into more intense and frequent contact with Credit Rating Agencies and international investors.

The IRO organized three formal presentations to Standard & Poor's, two for Moody's Investors Service, two for Fitch Ratings and one to R&I Information, from Japan. Closer contact with credit rating agencies has not been restricted to formal presentations, but includes a continuous dialog with those agencies to identify specific demands and concerns.

The IRO also supported international road shows and a few seminars in Brazil. The former featured technical staff and senior officials from the National Treasury and were held in the US, Europe and Asia.

Three seminars to journalists covering economic issues were held in 2004. The courses featured a general presentation of issues related to the public debt, dealing with theoretical principles, basic concepts, the institutional structure of debt management departments, as well as specific aspects related to the domestic and external debts. Seminars were held in São Paulo, Rio de Janeiro and Brasília, with the participation of more than 110 professionals from press services.

The National Treasury has also increasingly used the Internet to disseminate information to international investors. A weekly update in Portuguese and English, featuring a comprehensive set of indicators of the Brazilian economy and the public debt, has been distributed through this channel²⁰. Other information releases continued to be posted in the Internet and distributed through e-mails. The latter has also been an efficient channel for the public to access the IRO and obtain specific information when required.²¹

The IRO has also made available all information related to the DPF on the Internet, using the Bloomberg news agency²². A similar project is being developed with Reuters and is expected to go into operation in 2005.

²⁰ http://www.stn.fazenda.gov.br/divida_publica/index.asp

²¹ For more information, contact the area of Institutional Relations: brazildebt@fazenda.gov.br

²² STNBZ<GO>.

Annex: Tables

I – COMPOSITION OF THE DPMFi HELD BY THE PUBLIC

II – AVERAGE MATURITY OF THE DPMFi HELD BY THE PUBLIC

III – FEDERAL SECURITIES HELD BY THE PUBLIC MATURING IN 12 MONTHS BY TYPE OF BOND INDEX - DPMFi

IV - NATIONAL TREASURY EXTERNAL NET DEBT HELD BY THE PUBLIC

V - EXTERNAL BONDED PUBLIC DEBT AVERAGE COST AND MATURITIES

I- COMPOSITION OF THE DPMFi HELD BY THE PUBLIC

Months	Fixed Rate		Floating Rate		Price Index		Exchange Rate		TR		Others		Total	
	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)
December-99	39.75	9.00%	251.68	57.02%	24.63	5.58%	100.71	22.82%	23.97	5.43%	0.67	0.15%	441.41	100.00%
December-00	75.40	14.76%	266.81	52.24%	30.32	5.94%	113.74	22.27%	24.07	4.71%	0.36	0.07%	510.70	100.00%
January-01	74.08	14.44%	263.50	51.37%	35.50	6.92%	115.34	22.49%	24.18	4.71%	0.31	0.06%	512.92	100.00%
February-01	71.88	13.86%	265.20	51.12%	37.52	7.23%	119.72	23.08%	24.18	4.66%	0.28	0.05%	518.79	100.00%
March-01	75.47	14.07%	268.99	50.14%	38.32	7.14%	129.11	24.07%	24.34	4.54%	0.25	0.05%	536.48	100.00%
April-01	68.00	12.39%	278.49	50.76%	38.94	7.10%	135.97	24.78%	26.98	4.92%	0.21	0.04%	548.59	100.00%
May-01	63.17	11.39%	274.09	49.42%	40.94	7.38%	149.10	26.89%	27.09	4.88%	0.18	0.03%	554.56	100.00%
June-01	62.90	10.83%	291.79	50.24%	41.54	7.15%	155.66	26.80%	28.75	4.95%	0.18	0.03%	580.83	100.00%
July-01	60.66	10.16%	307.78	51.53%	40.01	6.70%	165.80	27.76%	22.86	3.83%	0.17	0.03%	597.28	100.00%
August-01	58.13	9.59%	309.23	51.01%	41.31	6.82%	174.74	28.83%	22.59	3.73%	0.17	0.03%	606.18	100.00%
September-01	57.20	9.09%	310.20	49.31%	41.78	6.64%	197.33	31.37%	22.40	3.56%	0.17	0.03%	629.09	100.00%
October-01	52.90	8.30%	310.65	48.76%	42.70	6.70%	209.29	32.85%	21.44	3.37%	0.10	0.02%	637.08	100.00%
November-01	51.19	8.17%	315.62	50.34%	43.68	6.97%	194.82	31.07%	21.52	3.43%	0.10	0.02%	626.93	100.00%
December-01	48.79	7.82%	329.46	52.79%	43.63	6.99%	178.58	28.61%	23.52	3.77%	0.10	0.02%	624.08	100.00%
January-02	48.06	7.57%	334.10	52.61%	51.41	8.10%	186.45	29.36%	14.94	2.35%	0.14	0.02%	635.11	100.00%
February-02	47.38	7.50%	333.01	52.72%	54.14	8.57%	181.30	28.70%	15.60	2.47%	0.21	0.03%	631.64	100.00%
March-02	56.83	9.07%	320.47	51.17%	54.13	8.64%	179.60	28.68%	15.08	2.41%	0.21	0.03%	626.32	100.00%
April-02	61.90	9.77%	323.97	51.16%	56.34	8.90%	175.75	27.75%	15.11	2.39%	0.21	0.03%	633.29	100.00%
May-02	60.99	9.54%	327.13	51.16%	57.06	8.92%	179.37	28.05%	14.64	2.29%	0.21	0.03%	639.39	100.00%
June-02	56.19	8.60%	329.19	50.35%	58.24	8.91%	195.28	29.87%	14.64	2.24%	0.21	0.03%	653.75	100.00%
July-02	51.74	7.67%	357.49	53.01%	60.51	8.97%	192.15	28.49%	12.31	1.83%	0.21	0.03%	674.40	100.00%
August-02	48.17	7.73%	347.41	55.78%	61.47	9.87%	153.09	24.58%	12.42	1.99%	0.24	0.04%	622.79	100.00%
September-02	43.03	6.53%	348.50	52.90%	63.12	9.58%	191.31	29.04%	12.57	1.91%	0.26	0.04%	658.78	100.00%
October-02	41.05	6.49%	342.72	54.22%	67.50	10.68%	168.26	26.62%	12.48	1.97%	0.10	0.02%	632.10	100.00%
November-02	27.87	4.41%	364.19	57.67%	77.41	12.26%	149.32	23.65%	12.56	1.99%	0.10	0.02%	631.46	100.00%
December-02	13.66	2.19%	379.07	60.83%	78.17	12.54%	139.47	22.38%	12.78	2.05%	0.05	0.01%	623.19	100.00%

Source: National Treasury and Central Bank

¹ Values computed based on the portfolio position evaluated by the price of the security curve of intrinsic yield.

I- COMPOSITION OF THE DPMFi HELD BY THE PUBLIC (cont.)

Months	Fixed Rate		Floating Rate		Price Index		Exchange Rate		TR		Others		Total	
	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)
January-03	12.17	1.91%	397.52	62.42%	79.40	12.47%	134.89	21.18%	12.85	2.02%	0.04	0.01%	636.86	100.00%
February-03	12.80	1.98%	404.04	62.65%	82.22	12.75%	132.86	20.60%	12.92	2.00%	0.04	0.01%	644.88	100.00%
March-03	15.68	2.41%	415.34	63.93%	84.10	12.95%	121.55	18.71%	12.99	2.00%	0.04	0.01%	649.70	100.00%
April-03	12.32	1.91%	436.16	67.68%	85.55	13.28%	97.24	15.09%	13.10	2.03%	0.04	0.01%	644.41	100.00%
May-03	21.59	3.27%	444.06	67.20%	86.40	13.08%	95.37	14.43%	13.30	2.01%	0.04	0.01%	660.76	100.00%
June-03	29.99	4.48%	449.80	67.19%	85.87	12.83%	90.29	13.49%	13.45	2.01%	0.03	0.00%	669.42	100.00%
July-03	43.52	6.31%	458.57	66.46%	85.32	12.37%	88.98	12.90%	13.56	1.97%	0.03	0.00%	689.99	100.00%
August-03	51.63	7.42%	457.99	65.81%	86.29	12.40%	87.12	12.52%	12.89	1.85%	0.03	0.00%	695.95	100.00%
September-03	64.02	9.05%	457.24	64.61%	90.24	12.75%	83.24	11.76%	12.96	1.83%	0.03	0.00%	707.74	100.00%
October-03	70.97	9.89%	461.28	64.26%	93.24	12.99%	79.67	11.10%	12.67	1.76%	0.03	0.00%	717.86	100.00%
November-03	82.08	11.27%	457.36	62.80%	94.28	12.95%	81.68	11.21%	12.88	1.77%	0.03	0.00%	728.31	100.00%
December-03	91.53	12.51%	449.03	61.39%	99.07	13.55%	78.67	10.76%	13.09	1.79%	0.03	0.00%	731.43	100.00%
January-04	92.71	12.57%	451.82	61.28%	99.89	13.55%	79.64	10.80%	13.26	1.80%	0.02	0.00%	737.34	100.00%
February-04	100.97	13.59%	450.89	60.67%	102.27	13.76%	75.65	10.18%	13.35	1.80%	0.03	0.00%	743.15	100.00%
March-04	117.06	15.41%	455.73	59.98%	103.38	13.61%	70.17	9.23%	13.47	1.77%	0.03	0.00%	759.84	100.00%
April-04	121.25	15.79%	458.09	59.67%	106.74	13.90%	68.05	8.86%	13.51	1.76%	0.03	0.00%	767.67	100.00%
May-04	122.52	16.37%	433.20	57.89%	109.63	14.65%	69.36	9.27%	13.64	1.82%	0.03	0.00%	748.38	100.00%
June-04	127.55	16.82%	436.13	57.52%	113.29	14.94%	67.37	8.89%	13.82	1.82%	0.03	0.00%	758.19	100.00%
July-04	114.90	15.13%	452.25	59.57%	114.75	15.12%	63.14	8.32%	14.14	1.86%	0.02	0.00%	759.20	100.00%
August-04	126.87	16.66%	445.55	58.49%	117.04	15.36%	57.84	7.59%	14.44	1.90%	0.02	0.00%	761.77	100.00%
September-04	134.68	17.46%	449.55	58.28%	118.14	15.32%	54.27	7.04%	14.64	1.90%	0.02	0.00%	771.30	100.00%
October-04	135.16	17.41%	458.25	59.01%	118.75	15.29%	49.48	6.37%	14.84	1.91%	0.02	0.00%	776.50	100.00%
November-04	146.84	18.71%	458.12	58.36%	119.80	15.26%	45.54	5.80%	14.61	1.86%	0.02	0.00%	784.94	100.00%
December-04	162.76	20.09%	462.99	57.14%	120.71	14.90%	41.74	5.15%	22.04	2.72%	0.02	0.00%	810.26	100.00%

Source: National Treasury and Central Bank

* Values computed based on the portfolio position evaluated by the price of the security curve of intrinsic yield.

II- AVERAGE MATURITY OF THE DPMFi HELD BY THE PUBLIC

In months

Months	Fixed Rate	Floating Rate	Price Index	Exchange Rate	TR	Others	Total
December-99	2.00	19.88	63.02	24.71	118.58	11.27	27.13
December-00	5.15	27.61	59.11	28.50	101.82	11.04	29.85
January-01	6.70	28.97	66.82	28.21	101.09	11.64	31.59
February-01	6.91	28.28	69.56	30.66	100.20	12.16	32.20
March-01	6.09	27.49	69.10	30.19	99.18	12.82	31.35
April-01	5.79	27.39	70.03	29.29	105.10	13.84	32.02
May-01	5.52	30.25	71.19	28.59	104.21	15.40	33.62
June-01	5.21	33.57	71.68	27.61	106.67	14.43	35.24
July-01	4.50	37.80	71.37	27.28	88.83	14.61	35.69
August-01	4.12	38.85	71.21	27.52	86.67	13.58	36.23
September-01	3.40	38.85	70.85	26.75	86.83	12.58	35.66
October-01	3.30	38.27	69.64	25.50	85.64	20.24	34.86
November-01	3.43	37.47	69.01	25.64	85.16	19.24	34.85
December-01	3.45	36.39	68.45	25.36	91.43	18.21	34.97
January-02	4.16	35.50	84.19	25.14	102.62	19.89	35.61
February-02	4.82	35.23	82.31	24.71	100.21	15.60	35.56
March-02	4.60	36.08	82.60	24.34	98.33	14.57	35.37
April-02	4.76	35.72	81.48	26.19	97.16	13.57	35.58
May-02	4.74	34.65	81.17	26.80	94.94	12.57	35.12
June-02	4.41	30.40	80.55	26.47	93.50	11.55	32.86
July-02	3.91	28.47	80.12	29.08	93.81	11.05	32.58
August-02	3.28	26.35	80.63	30.76	93.23	9.07	32.33
September-02	2.89	25.52	80.18	30.80	92.69	7.83	32.09
October-02	2.08	25.26	79.55	31.96	98.01	17.14	32.77
November-02	2.01	23.52	75.18	34.64	97.29	16.13	33.00
December-02	3.06	21.83	79.18	35.47	98.46	15.27	33.24

Source: National Treasury and Central Bank

II - AVERAGE MATURITY OF THE DPMFi HELD BY THE PUBLIC (cont.)

Months	Fixed Rate	Floating Rate	Price Index	Exchange Rate	TR	Others	In months
							Total
January-03	2.41	20.68	79.60	35.79	97.56	17.73	32.43
February-03	1.67	20.49	78.80	35.99	96.80	16.80	32.27
March-03	1.59	20.25	78.52	36.17	95.83	15.77	31.83
April-03	7.44	19.98	78.58	38.17	95.01	14.77	31.79
May-03	7.44	20.62	78.56	39.16	93.91	13.73	31.92
June-03	7.34	21.41	78.35	39.24	93.39	12.73	31.94
July-03	7.14	22.00	78.23	40.37	92.55	15.27	31.77
August-03	6.76	22.10	77.51	40.52	90.51	14.24	31.40
September-03	6.64	22.38	76.00	40.95	89.61	13.24	31.21
October-03	7.11	22.49	77.25	41.02	92.09	12.20	31.37
November-03	6.95	22.81	77.33	40.67	92.37	11.20	31.31
December-03	6.50	22.74	77.88	40.51	92.75	10.17	31.34
January-04	7.83	22.59	77.90	40.16	91.87	12.85	31.37
February-04	7.38	21.97	76.68	41.15	91.10	11.89	30.71
March-04	7.57	21.06	77.57	43.37	90.11	10.85	29.95
April-04	8.44	20.14	77.75	44.52	89.34	9.85	29.68
May-04	7.37	20.33	77.67	45.64	88.37	8.82	30.20
June-04	6.38	20.07	77.07	45.90	89.37	7.82	29.84
July-04	6.95	19.20	78.08	46.94	88.87	10.97	29.85
August-04	6.02	18.84	77.18	48.90	88.05	9.94	29.26
September-04	5.38	18.35	76.82	50.01	87.33	8.94	28.58
October-04	6.17	17.82	77.23	54.12	86.38	7.91	28.50
November-04	5.88	17.69	76.94	55.42	87.32	6.91	28.01
December-04	5.63	17.49	76.74	58.03	94.95	5.87	28.13

Source: National Treasury and Central Bank

III - FEDERAL SECURITIES HELD BY THE PUBLIC MATURING IN 12 MONTHS BY TYPE OF BOND INDEX - DPMFi

Months	Fixed Rate		Floating Rate		Price Index		Exchange Rate		TR		Others		Total	
	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)
December-99	39.75	100.00%	146.48	58.20%	2.03	8.26%	53.31	52.94%	0.91	3.79%	0.02	3.35%	242.51	54.94%
December-00	72.95	96.75%	95.53	35.81%	3.65	12.03%	51.22	45.03%	1.31	5.46%	0.24	66.37%	224.90	44.04%
January-01	64.57	87.16%	84.40	32.03%	4.07	11.46%	49.05	42.53%	1.33	5.49%	0.20	65.84%	203.62	39.70%
February-01	65.10	90.57%	89.24	33.65%	4.26	11.35%	40.95	34.20%	1.31	5.40%	0.17	61.25%	201.02	38.75%
March-01	67.74	89.76%	104.55	38.87%	4.53	11.81%	42.22	32.70%	1.34	5.49%	0.14	56.40%	220.51	41.10%
April-01	61.05	89.79%	110.24	39.58%	4.34	11.14%	43.56	32.04%	1.34	4.96%	0.10	49.04%	220.63	40.22%
May-01	56.13	88.86%	90.21	32.91%	4.52	11.03%	56.32	37.78%	1.34	4.96%	0.07	39.47%	208.60	37.61%
June-01	55.78	88.68%	73.59	25.22%	3.30	7.94%	56.40	36.23%	1.36	4.72%	0.07	39.50%	190.50	32.80%
July-01	59.88	98.71%	49.44	16.06%	3.20	7.99%	62.12	37.47%	1.37	5.97%	0.07	42.84%	176.07	29.48%
August-01	57.34	98.64%	39.42	12.75%	3.29	7.95%	69.00	39.49%	1.37	6.07%	0.07	42.91%	170.49	28.13%
September-01	56.40	98.60%	34.44	11.10%	3.48	8.32%	81.59	41.35%	1.38	6.14%	0.07	42.81%	177.36	28.19%
October-01	52.09	98.47%	34.71	11.17%	3.42	8.01%	95.47	45.62%	0.97	4.55%	0.02	24.05%	186.68	29.30%
November-01	50.06	97.79%	35.00	11.09%	3.46	7.92%	88.41	45.38%	0.97	4.52%	0.02	23.79%	177.92	28.38%
December-01	47.19	96.73%	35.39	10.74%	7.33	16.81%	82.20	46.03%	0.97	4.14%	0.02	23.63%	173.12	27.74%
January-02	44.65	92.90%	35.48	10.62%	8.09	15.74%	86.08	46.17%	0.97	6.50%	0.02	16.71%	175.30	27.60%
February-02	43.27	91.32%	32.91	9.88%	8.37	15.46%	84.50	46.61%	0.98	6.25%	0.11	50.88%	170.12	26.93%
March-02	50.20	88.34%	18.36	5.73%	8.45	15.61%	84.70	47.16%	0.98	6.50%	0.11	50.75%	162.80	25.99%
April-02	61.53	99.40%	22.45	6.93%	8.65	15.34%	85.34	48.56%	0.99	6.54%	0.11	50.57%	179.06	28.28%
May-02	60.61	99.38%	35.30	10.79%	8.79	15.40%	86.93	48.46%	0.98	6.72%	0.11	50.43%	192.71	30.14%
June-02	55.81	99.32%	80.63	24.49%	8.75	15.02%	98.64	50.51%	1.15	7.88%	0.11	50.46%	245.08	37.49%
July-02	51.35	99.25%	106.63	29.83%	9.32	15.39%	95.12	49.50%	1.16	9.40%	0.11	53.08%	263.69	39.10%
August-02	47.78	99.18%	134.32	38.66%	9.52	15.48%	71.63	46.79%	1.17	9.43%	0.14	58.94%	264.55	42.48%
September-02	42.63	99.07%	143.82	41.27%	9.49	15.03%	89.86	46.97%	1.18	9.41%	0.16	60.18%	287.13	43.58%
October-02	40.64	99.01%	142.16	41.48%	10.39	15.39%	74.04	44.01%	1.00	8.01%	0.04	35.78%	268.28	42.44%
November-02	27.46	98.52%	168.43	46.25%	11.57	14.94%	56.12	37.53%	0.93	7.40%	0.04	35.74%	264.54	41.89%
December-02	13.22	96.77%	185.83	49.02%	6.79	8.68%	49.16	35.25%	0.91	7.11%	0.00	0.00%	255.90	41.06%

Source: National Treasury and Central Bank

¹ Values computed based on the portfolio position evaluated by the price of the security curve of intrinsic yield.

² Percentage in relation to total securities maturing of each respective type of bond index.

III - FEDERAL SECURITIES HELD BY THE PUBLIC MATURING IN 12 MONTHS BY TYPE OF BOND INDEX - DPMFi (cont.)

Months	Fixed Rate		Floating Rate		Price Index		Exchange Rate		TR		Others		Total	
	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)	(R\$ bi)	(%)
January-03	12.15	99.82%	203.83	51.27%	7.21	9.09%	45.22	33.52%	0.92	7.15%	0.00	0.00%	269.34	42.29%
February-03	12.78	99.82%	200.05	49.51%	7.72	9.38%	46.42	34.94%	0.92	7.13%	0.00	0.00%	267.90	41.54%
March-03	15.66	99.86%	186.36	44.87%	8.62	10.25%	46.84	38.53%	0.93	7.15%	0.00	0.00%	258.41	39.77%
April-03	11.53	93.57%	175.76	40.30%	8.65	10.11%	35.17	36.17%	0.93	7.10%	0.00	0.00%	232.05	36.01%
May-03	18.33	84.92%	178.66	40.23%	8.89	10.29%	34.21	35.87%	1.28	9.63%	0.00	0.00%	241.39	36.53%
June-03	24.71	82.41%	169.58	37.70%	9.03	10.51%	32.30	35.78%	0.93	6.92%	0.00	0.00%	236.56	35.34%
July-03	39.92	91.72%	149.42	32.58%	8.93	10.47%	31.21	35.07%	0.90	6.65%	0.00	0.00%	230.39	33.39%
August-03	46.64	90.34%	148.41	32.40%	9.51	11.02%	32.98	37.86%	0.92	7.11%	0.00	0.00%	238.47	34.27%
September-03	55.63	86.89%	141.05	30.85%	10.18	11.28%	32.03	38.48%	0.89	6.89%	0.00	0.00%	239.80	33.88%
October-03	61.68	86.91%	136.03	29.49%	10.34	11.09%	34.77	43.64%	0.78	6.12%	0.00	0.00%	243.61	33.94%
November-03	71.09	86.61%	132.75	29.02%	10.28	10.90%	37.36	45.74%	0.73	5.66%	0.00	0.00%	252.22	34.63%
December-03	78.69	85.97%	130.73	29.12%	10.66	10.76%	37.75	47.98%	0.67	5.12%	0.02	49.75%	258.52	35.34%
January-04	85.36	92.08%	125.05	27.68%	10.73	10.74%	41.18	51.70%	0.73	5.49%	0.02	60.32%	263.06	35.68%
February-04	92.02	91.14%	140.86	31.24%	11.06	10.82%	39.09	51.67%	0.78	5.85%	0.01	58.15%	283.82	38.19%
March-04	90.91	77.66%	163.89	35.96%	10.15	9.81%	33.71	48.04%	0.84	6.26%	0.02	60.31%	299.51	38.42%
April-04	105.70	87.18%	166.17	36.28%	10.36	9.71%	31.73	46.62%	0.84	6.23%	0.02	60.31%	314.82	41.01%
May-04	107.21	87.51%	163.42	37.72%	10.58	9.65%	30.93	44.60%	0.87	6.39%	0.02	60.31%	313.04	41.83%
June-04	111.53	87.44%	168.40	38.61%	10.83	9.56%	28.98	43.01%	0.76	5.53%	0.02	57.67%	320.53	42.28%
July-04	107.29	93.38%	168.78	37.32%	15.58	13.58%	25.59	40.54%	0.79	5.56%	0.01	57.67%	318.05	41.89%
August-04	118.69	93.55%	181.33	40.70%	16.59	14.17%	21.17	36.60%	0.90	6.20%	0.01	74.44%	338.68	44.46%
September-04	125.53	93.20%	198.27	44.10%	16.82	14.24%	18.59	34.25%	0.91	6.19%	0.01	74.44%	360.12	46.69%
October-04	122.67	90.76%	199.11	43.45%	16.70	14.06%	16.70	33.75%	1.19	8.01%	0.01	74.44%	356.38	45.90%
November-04	132.92	90.52%	188.32	41.11%	16.86	14.07%	17.86	39.22%	1.23	8.43%	0.01	74.44%	357.21	45.51%
December-04	146.98	90.30%	183.86	39.71%	26.24	21.74%	14.68	35.17%	1.56	7.07%	0.01	59.69%	373.33	46.08%

Source: National Treasury and Central Bank

¹ Values computed based on the portfolio position evaluated by the price of the security curve of intrinsic yield.

² Percentage in relation to total securities maturing of each respective type of bond index.

IV - NATIONAL TREASURY EXTERNAL NET DEBT HELD BY THE PUBLIC

(R\$ million)												
DESCRIPTION	Jan/01	Feb/01	Mar/01	Apr/01	May/01	Jun/01	Jul/01	Aug/01	Sep/01	Oct/01	Nov/01	Dec/01
I. MARKET DEBT IN BONDS	109,393.3	113,217.2	118,261.8	121,242.3	133,682.3	124,119.7	130,704.7	142,495.9	149,006.6	149,593.2	135,980.2	124,482.9
Bradies	50,562.3	52,374.7	50,674.6	50,355.9	54,396.4	46,781.6	48,602.1	51,008.9	53,314.3	53,067.8	49,570.6	45,487.3
Sovereign Bonds	58,831.1	60,842.5	67,587.2	70,886.4	79,285.9	77,338.1	82,102.6	91,487.0	95,692.3	96,525.4	86,409.5	78,995.6
II. CONTRATUAL DEBT	38,482.2	39,811.3	41,284.3	41,695.1	44,865.0	45,412.9	48,268.8	51,287.7	53,655.2	53,964.9	50,177.7	44,900.8
Multilaterals Organisms	17,840.0	18,521.1	19,274.5	19,413.3	20,962.5	23,120.8	24,577.1	25,522.3	27,121.0	27,280.3	25,468.8	23,370.8
Private Banks/ Governmental Agencies	6,748.8	6,993.4	7,378.1	7,456.5	8,063.2	7,865.6	8,296.4	8,707.3	9,108.6	9,225.4	8,615.9	7,894.9
Paris Club	13,893.5	14,296.8	14,631.6	14,825.2	15,839.3	14,426.5	15,395.3	16,658.1	17,425.5	17,459.2	16,093.1	13,635.1
EXTERNAL FEDERAL PUBLIC DEBT - DPFe (I + II)	147,875.6	153,028.5	159,546.1	162,937.4	178,547.3	169,532.6	178,973.5	193,783.6	202,661.8	203,558.1	186,157.9	169,383.7
III. DEPOSITED BONDS AS GARANTEES	4,686.8	4,953.6	5,140.5	3,416.7	3,795.4	3,716.3	-4,101.3	-4,305.2	4,456.8	4,858.2	4,209.9	3,768.0
IV. FUNDS, FOUNDATIONS RESOURCES	911.4	926.9	980.0	986.2	-1,002.3	987.2	-1,064.8	-1,065.0	-1,162.0	-1,140.3	-1,119.7	-983.7
EXTERNAL NET DEBT (I+II+III+IV)	142,277.3	147,148.0	153,417.7	158,534.4	173,749.6	164,829.1	173,807.4	188,413.4	197,043.0	197,599.6	180,828.4	164,631.2
EXTERNAL NET DEBT/GDP	13.1%	13.4%	13.7%	13.9%	15.2%	14.2%	15.1%	16.2%	17.0%	16.9%	15.3%	13.9%
DESCRIPTION	Jan/02	Feb/02	Mar/02	Apr/02	May/02	Jun/02	Jul/02	Aug/02	Sep/02	Oct/02	Nov/02	Dec/02
I. MARKET DEBT IN BONDS	131,535.1	127,672.9	129,252.8	134,051.0	143,612.1	163,790.8	194,479.2	171,605.4	220,897.7	205,338.3	204,856.1	200,667.7
Bradies	46,744.8	45,389.8	44,878.3	44,729.7	47,750.1	53,853.7	64,912.6	57,221.9	73,682.7	67,564.3	67,329.2	65,418.4
Sovereign Bonds	84,790.2	82,263.0	84,374.4	89,321.3	95,862.0	109,937.1	129,566.6	114,383.5	147,215.0	137,774.0	137,526.9	135,249.3
II. CONTRATUAL DEBT	46,640.9	45,260.1	44,706.1	45,615.0	49,003.9	54,544.8	69,155.8	60,380.5	75,150.2	70,041.2	69,901.9	69,479.4
Multilaterals Organisms	24,328.5	23,588.1	23,236.3	23,663.9	25,430.2	29,007.1	38,237.6	33,097.4	40,135.9	37,311.4	37,256.9	39,347.0
Private Banks/ Governmental Agencies	8,223.6	7,975.2	7,889.9	8,027.2	8,575.4	9,680.0	11,667.2	10,272.0	13,217.9	12,368.0	12,339.2	11,989.0
Paris Club	14,088.8	13,696.7	13,579.9	13,923.9	14,998.2	15,867.8	19,251.0	17,011.1	21,796.4	20,361.8	20,305.7	18,143.4
EXTERNAL FEDERAL PUBLIC DEBT - DPFe (I + II)	178,176.0	172,933.0	173,958.9	179,666.0	192,616.0	218,335.6	263,635.0	231,985.9	296,047.9	275,379.5	274,758.0	270,147.1
III. DEPOSITED BONDS AS GARANTEES	3,991.7	3,917.5	3,580.7	3,803.6	-4,022.4	-4,565.6	-5,656.7	-5,284.3	7,107.4	6,365.2	6,318.1	6,138.8
IV. FUNDS, FOUNDATIONS RESOURCES	963.0	974.7	949.4	942.8	989.7	-1,004.6	-1,069.8	-1,182.6	-1,126.4	-1,103.3	-1,248.5	-1,090.9
EXTERNAL NET DEBT (I+II+III+IV)	173,221.3	168,040.7	169,428.8	174,919.7	187,603.8	212,765.4	256,908.5	225,519.1	287,814.1	267,911.0	267,191.4	262,917.4
EXTERNAL NET DEBT/GDP	14.5%	13.9%	13.9%	14.2%	15.2%	17.1%	20.6%	17.9%	22.6%	20.9%	20.4%	19.7%

Source: National Treasury

IV - NATIONAL TREASURY EXTERNAL NET DEBT HELD BY THE PUBLIC (cont.)

	(R\$ million)											
DESCRIPTION	Jan/03	Feb/03	Mar/03	Apr/03	May/03	Jun/03	Jul/03	Aug/03	Sep/03	Oct/03	Nov/03	Dec/03
I. MARKET DEBT IN BONDS	200,986.8	203,367.0	189,793.7	161,393.2	169,781.7	167,339.2	172,309.4	166,861.8	167,657.4	167,760.7	173,813.1	171,614.0
Bradies	65,279.6	65,972.0	62,030.1	52,310.6	53,880.6	51,986.3	53,678.8	49,810.4	49,041.2	46,778.4	48,304.8	47,318.9
Sovereign Bonds	135,707.2	137,395.0	127,763.5	57,220.7	116,101.1	115,352.9	118,630.7	117,051.4	118,616.2	120,982.3	125,508.2	124,295.1
II. CONTRATUAL DEBT	69,171.0	69,004.9	66,100.9	31,026.2	60,119.1	56,406.1	56,659.0	55,069.2	55,879.4	55,210.3	57,119.6	54,439.2
Multilateral Organisms	39,015.3	38,547.5	36,015.0	31,026.2	33,274.5	32,300.4	31,964.9	31,340.0	31,273.2	30,747.8	31,705.0	30,947.3
Private Banks/ Governmental Agencies	11,969.0	12,000.0	11,364.0	9,792.4	9,597.2	9,283.7	9,571.7	9,559.4	9,413.2	9,201.5	9,495.5	9,298.4
Paris Club	18,186.7	18,376.7	18,809.8	16,402.1	17,247.4	14,821.9	15,123.2	14,969.8	15,193.0	15,261.0	15,919.1	14,193.5
EXTERNAL FEDERAL PUBLIC DEBT - DPFe (I + II)	270,157.7	272,372.8	255,982.6	218,613.9	229,900.8	223,745.3	228,969.2	222,730.9	223,536.8	222,971.0	230,932.7	226,053.2
III. DEPOSITED BONDS AS GARANTEES	6,393.5	6,697.7	6,156.8	5,407.5	5,925.6	5,615.4	5,099.8	5,201.9	3,737.6	3,522.2	3,662.0	3,649.4
IV. FUNDS, FOUNDATIONS RESOURCES	-1110.2	-1137.1	-1127.4	-1047.3	968.8	-1005.6	941.9	974.0	946.4	916.7	914.2	869.5
EXTERNAL NET DEBT (I+II+III+IV)	262,654.1	264,538.0	248,698.4	212,159.1	233,006.4	217,124.3	222,927.5	216,555.0	218,852.9	218,532.1	226,356.5	221,534.3
EXTERNAL NET DEBT/GDP	19.3%	19.4%	17.8%	14.8%	15.7%	15.1%	15.4%	14.6%	14.7%	14.5%	14.9%	14.5%
DESCRIPTION	Jan/04	Feb/04	Mar/04	Apr/04	May/04	Jun/04	Jul/04	Aug/04	Sep/04	Oct/04	Nov/04	Dec/04
I. MARKET DEBT IN BONDS	178,835.2	177,162.9	176,587.1	166,315.0	177,248.8	178,382.5	175,445.7	170,452.2	168,306.0	168,098.2	162,942.2	160,369.3
Bradies	48,165.2	47,721.8	47,591.6	45,444.3	48,290.0	47,956.7	46,606.5	45,174.5	43,972.3	41,278.6	39,460.7	38,358.1
Sovereign Bonds	130,669.6	129,441.1	128,995.5	120,870.7	128,959.8	130,425.9	128,839.2	125,277.7	124,333.7	127,819.6	123,481.5	122,011.2
II. CONTRATUAL DEBT	54,463.4	53,188.0	52,298.2	52,362.3	55,487.6	52,727.3	51,473.9	49,150.1	47,822.4	48,125.6	46,554.7	43,574.2
Multilateral Organisms	30,590.6	29,610.2	28,743.8	28,950.2	30,408.1	29,968.9	29,496.0	27,737.1	26,851.9	26,930.6	25,900.3	25,456.1
Private Banks/ Governmental Agencies	9,456.4	9,336.2	9,314.9	9,405.4	9,994.2	9,916.2	9,640.2	9,324.6	9,067.9	9,059.0	8,665.2	8,415.1
Paris Club	14,416.4	14,233.6	14,239.6	14,006.7	15,085.4	12,842.2	12,347.6	12,088.4	11,902.6	12,136.0	11,989.2	9,703.0
EXTERNAL FEDERAL PUBLIC DEBT - DPFe (I + II)	233,298.7	230,350.9	228,885.3	218,677.3	232,736.4	231,109.8	226,919.6	219,602.3	216,128.4	217,223.8	209,496.9	203,943.5
III. DEPOSITED BONDS AS GARANTEES	3,797.8	3,867.3	3,912.3	3,673.0	3,920.1	3,935.2	3,893.3	3,960.4	3,856.1	3,933.9	3,655.5	3,674.2
IV. FUNDS, FOUNDATIONS RESOURCES	-364.1	-370.4	-346.7	-379.7	-407.3	-389.9	-356.7	-374.6	-462.2	-458.5	-416.0	-377.0
EXTERNAL NET DEBT (I+II+III+IV)	229,138.8	226,113.1	224,626.3	214,624.6	228,409.0	226,784.8	222,689.5	215,267.3	211,810.1	212,831.4	205,425.4	199,892.3
EXTERNAL NET DEBT/GDP	14.9%	14.7%	14.5%	13.8%	14.5%	14.2%	13.9%	13.2%	12.8%	12.4%	11.8%	11.3%

Source: National Treasury

V - EXTERNAL BONDED PUBLIC DEBT AVERAGE COST AND MATURITIES

DESCRIPTION	Jan/01	Feb/01	Mar/01	Apr/01	May/01	Jun/01	Jul/01	Aug/01	Sep/01	Oct/01	Nov/01	Dec/01
Average Maturity (Years)	14.8	14.8	14.9	14.6	14.2	14.3	14.4	13.9	6.6	6.7	6.8	6.7
Bradies	13.9	13.8	13.0	13.0	13.0	13.1	13.1	13.0	6.5	6.7	6.6	6.5
Sovereign Bonus	15.6	15.6	16.3	15.8	15.2	15.2	15.1	14.3	6.7	6.7	6.9	6.8
Globals	20.1	20.0	20.2	19.9	19.0	18.9	19.0	18.9	8.3	8.3	8.5	8.4
Euros	6.0	6.0	5.9	5.8	5.6	5.5	5.4	5.4	3.7	3.7	3.9	3.8
Others	3.9	3.8	4.2	4.5	4.4	4.4	4.3	4.0	3.0	2.9	2.8	2.8
Average Cost (% py)*	9.1	9.1	9.2	8.7	8.7	8.8	8.9	8.7	8.7	8.7	8.3	8.3
Bradies	7.5	7.5	7.6	6.3	6.3	6.4	6.4	6.4	6.4	6.4	5.2	5.2
Sovereign Bonus	10.5	10.5	10.5	10.3	10.3	10.3	10.3	10.0	10.0	10.0	10.1	10.1
Globals	11.2	11.2	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Euros	9.9	9.9	9.9	9.9	9.8	9.8	9.8	9.8	9.8	9.8	9.9	9.9
Others	6.0	6.0	6.1	5.8	5.7	5.8	5.8	5.8	5.0	5.0	5.0	5.1
DESCRIPTION	Jan/02	Feb/02	Mar/02	Apr/02	May/02	Jun/02	Jul/02	Aug/02	Sep/02	Oct/02	Nov/02	Dec/02
Average Maturity (Years)	6.7	6.6	6.4	6.3	6.3	6.1	6.2	6.1	6.1	6.1	6.1	6.0
Bradies	6.4	6.3	6.2	6.5	6.4	6.3	6.2	6.1	6.0	6.2	6.2	6.1
Sovereign Bonus	6.8	6.8	6.5	6.2	6.2	6.1	6.2	6.2	6.1	6.1	6.0	5.9
Globals	8.3	8.3	7.8	7.5	7.5	7.4	7.4	7.4	7.4	7.3	7.3	7.2
Euros	3.9	3.8	3.8	3.4	3.3	3.3	3.7	3.6	3.5	3.5	3.5	3.4
Others	2.7	2.6	2.6	2.6	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.3
Average Cost (% py)*	8.4	8.4	8.5	8.6	8.6	8.6	8.6	8.6	8.6	8.5	8.6	8.5
Bradies	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	4.9	5.2	4.9
Sovereign Bonus	10.2	10.2	10.2	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3
Globals	11.1	11.1	11.1	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Euros	9.9	9.9	9.9	10.0	10.1	10.0	10.1	10.1	10.1	10.1	10.1	10.1
Others	5.1	5.1	5.1	5.1	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9

Source: National Treasury

* Average Cost in USD

V - EXTERNAL BONDED PUBLIC DEBT AVERAGE COST AND MATURITIES (cont.)

DESCRIPTION	Jan/03	Feb/03	Mar/03	Apr/03	May/03	Jun/03	Jul/03	Aug/03	Sep/03	Oct/03	Nov/03	Dec/03
Average Maturity (Years)	5.9	5.9	5.9	6.4	6.3	6.2	6.2	6.2	6.1	6.1	6.1	6.0
Bradies	6.0	5.9	5.8	6.7	6.6	6.5	6.4	5.8	5.7	5.9	5.8	5.7
Sovereign Bonus	5.9	5.9	5.9	6.3	6.1	6.1	6.0	6.4	6.3	6.2	6.1	6.0
Globals	7.2	7.2	7.2	7.5	7.6	7.2	7.1	7.2	7.1	7.0	7.0	6.9
Euros	3.4	3.4	3.6	3.5	3.4	3.4	3.4	3.7	3.6	3.5	3.5	3.4
Others	2.3	2.2	2.2	2.5	2.4	1.7	1.6	3.2	3.1	3.1	3.0	2.9
Average Cost (% py)*	8.5	8.5	8.6	8.6	8.6	8.6	8.6	8.9	8.9	9.0	9.0	9.0
Bradies	4.9	4.9	4.9	5.0	4.8	4.8	4.8	4.9	4.9	4.9	4.9	4.9
Sovereign Bonus	10.3	10.3	10.3	10.4	10.4	10.4	10.4	10.6	10.6	10.5	10.5	10.5
Globals	11.2	11.2	11.2	11.2	11.5	12.0	12.0	12.5	12.7	13.3	10.9	10.9
Euros	10.1	10.1	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3
Others	5.0	5.0	5.0	5.1	5.1	5.1	5.1	6.0	6.0	6.0	6.0	6.1
DESCRIPTION	Jan/04	Feb/04	Mar/04	Apr/04	May/04	Jun/04	Jul/04	Aug/04	Sep/04	Oct/04	Nov/04	Dec/04
Average Maturity (Years)	5.7	5.7	5.7	6.2	6.0	6.2	6.1	6.1	6.1	6.1	6.0	5.9
Bradies	5.6	5.5	5.4	5.8	5.7	5.6	5.5	5.4	5.4	5.7	5.6	5.5
Sovereign Bonus	5.8	5.8	5.7	6.2	6.1	6.4	6.3	6.3	6.3	6.2	6.1	6.0
Globals	6.5	6.5	6.5	7.1	7.0	7.4	7.3	7.3	7.3	7.2	7.2	7.1
Euros	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.4	3.2	3.2	3.1
Others	2.8	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.2	2.1	2.1
Average Cost (% py)*	8.9	8.9	8.9	8.9	8.9	8.8	8.8	8.8	8.8	9.1	9.1	9.1
Bradies	4.9	4.9	4.9	4.9	5.0	5.0	5.0	5.0	5.0	5.5	5.5	5.5
Sovereign Bonus	10.4	10.5	10.4	10.4	10.4	10.2	10.2	10.2	10.2	10.2	10.2	10.2
Globals	10.8	10.8	10.8	10.7	10.7	10.5	10.5	10.5	10.5	10.6	10.6	10.6
Euros	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.0	10.0	10.0	9.9
Others	6.0	6.1	6.0	6.0	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1

Source: National Treasury

* Average Cost in USD