

Brazil's 10-Years Global Bonds Get BBB- from Fitch

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New York and London-based financial rating agency Fitch Ratings has assigned a rating of 'BBB-' to Brazil's US\$ 1.025 billion of 10-year global bond (5.875% coupon). The rating is in line with Brazil's foreign currency Issuer Default Rating (IDR).

Brazil's investment grade rating, Fitch explains, is supported by the significant improvement in Brazil's external and public sector solvency ratios which has diminished the vulnerability of the country to external and exchanged rate shocks.

Brazil's sizable stock of international reserves and its net public sector creditor status has enhanced its ability to maneuver in the current unfavorable external environment. A track record of commitment of low inflation and a primary budget surplus have enhanced overall policy management and contributed to entrenching macroeconomic stability in the country.

On the other hand, Brazil's ratings are constrained by the structural weaknesses in public finances, a heavy government debt burden, an unfavorable, albeit improving structure of domestic debt and a glacial pace of structural reforms.

Brazil's Finance Ministry informed this Monday, January 6, that the Brazilian National Treasury was going to issue this year's first batch of Bonds of the Republic denominated in dollars, maturing in January 2019. The bonds are issued in the international market in order to manage the foreign debt.

On disclosing, at the end of last month, results for November, the National Treasury secretary of Brazil, Arno Augustin, had said that it should not take long for Brazil to return to issuing bonds on the international market. However, he added that it was necessary to overcome the financial crisis.

The secretary considered that Brazil had no need to collect international funds for extension of the debt and that, therefore, it might wait for the international scenery to become more stable.

"Our foreign collection program is turned to the improvement of the profile of our foreign debt and also to the establishment of parameters for companies themselves to be able to make international bond issues," he said at the time.

"There was a moment in which the market was very volatile and turbulent, and that is still going on to a certain extent. As soon as we find market conditions appropriate, we may return to the international market."

Last year, the National Treasury made an international issue of Global 2017s (bonds in dollars mature in 2017) for the value of 525 million Brazilian reais (US\$ 221 million). The funds were collected in the North American, European and Asian markets.