

Brazil

Description

Brazil is a country with a great amount of natural resources such as oil, natural gas, iron ore, soy and wood. However it has a big lack of infrastructures to connect its regions especially in the interior, which increases social inequality. In the last couple of years has been fighting against corruption and trying to implement reforms to stop the increase of the government's budget deficit.

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Economic Indicators

GDP (USD bn) (2018)	1,868
GDP/Capita (USD, nominal) (2018)	11,026
GDP growth (3Q 2019)	1.2%
Inflation (Nov 2019)	3.3%
Unemployment (Nov 2019)	11.2%
Retail Sales YoY (Oct 2019)	4.2%
Ind Prod YoY % (Oct 2019)	1.0%
Agriculture weight (% GDP 2017 est)	6.6%
Industry weight (% GDP 2017 est)	20.7%
Services weight (% GDP 2017 est)	72.7%
PMI Manufacturing (Nov 2019)	52.9
PMI Services (Nov 2019)	50.9

Overview

Since 2014 Brazil economy has been struggling with a decline in commodity prices, corruption investigations in Petrobras and construction companies and even an impeachment to a President. These events led to a decline in government revenues relatively to expenditures, and consequently to government deficits and an increase in debt.

Bolsonaro was elected for the 2019/22 mandate as a populist president but supported by a strong executive team which includes Paulo Guedes as minister of Economy. One of the main priorities of the executive team is to balance government accounts by limiting spending and cutting debt costs. For this to happen, multiple reforms need to be approved such as pensions, tax and executive reforms. Recently there has been some conflicts between the executive team and congress which may delay the approval of these reforms.

While the Brazilian's equity market is already pricing a strong recovery in the country, its currency is still at the lowest levels of the last 10 years. The central bank has been reducing the target rate in order to stimulate corporate credit which has been declining since 2014.

Indicator	
Population (2019)	209,944,000
Pop Growth rate (2020 est)	0.67%
Urban Pop % (2019)	86.80%
Median age (Years) (2020 est.)	33.2
Health Exp % GDP (2016)	11.80%
Education Exp %GDP (2015)	6.20%
School life expectancy (Years)	15
Unemployment (Dec 2019)	11.2%
Infant Mortality rate/(live births)	15.9/1000

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Geopolitics



Source: CIA Factbook

While in the US, the land was given to different owners and there was an incentive to develop further into the country, in Latin America the colonizers retained power over lands and focused on extracting resources from coastal regions while avoiding the interior. This created significant inequalities and led to the underdevelopment of interior region, causing most of the population to aggregate near the coast in big cities (around 25% of its population lives in slums near big cities, the *favelas*). The change of Brazil's capital from Rio de Janeiro to Brasília, was in part a push for more development of the interior of the country.

Infrastructure: Due to the absence of a coastal plain, it is very difficult to build infrastructure to connect the major coastal cities to the interior, complicating the trade within the country regions. Its ports cannot handle also as many goods as for example the major ports in the US, which limits the growth of exports and imports.

Agriculture terrain: One third of the country is composed by Amazon rainforest, which is inhabitable. Government allows farmers to cut trees and grow crops in the area, but this soil quickly deteriorates leading to a further expansion of farming area and more trees cut. Below Amazon is the savannah which Brazil successfully adapted to the production of soybeans.

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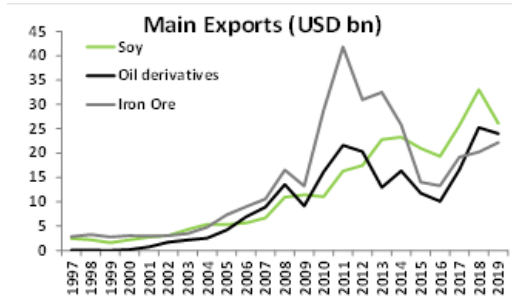
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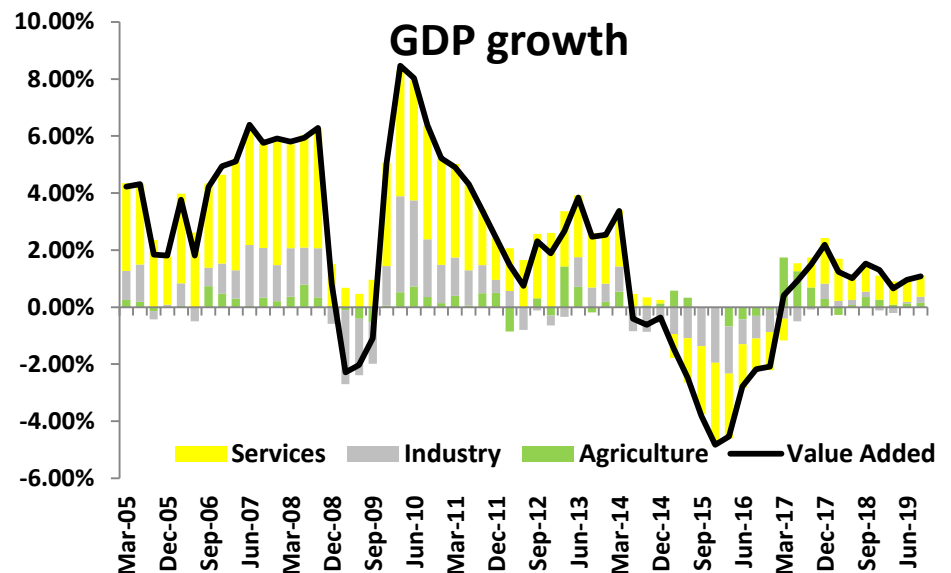
Economic Analysis

1. GDP

Brazil's growth is mainly based on services and industry. The economy depends greatly on commodity exports which confers it a high degree of cyclicity as showed in the graph below. Adding to this factor were the corruption investigations (Lava Jato) starting in 2014 and the political instability of the impeachment proceedings of Dilma Rousseff in 2015.



Source: Ministério da Economia

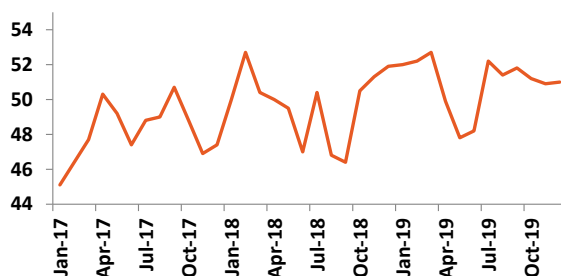


Source: IBGE

1.1 Services

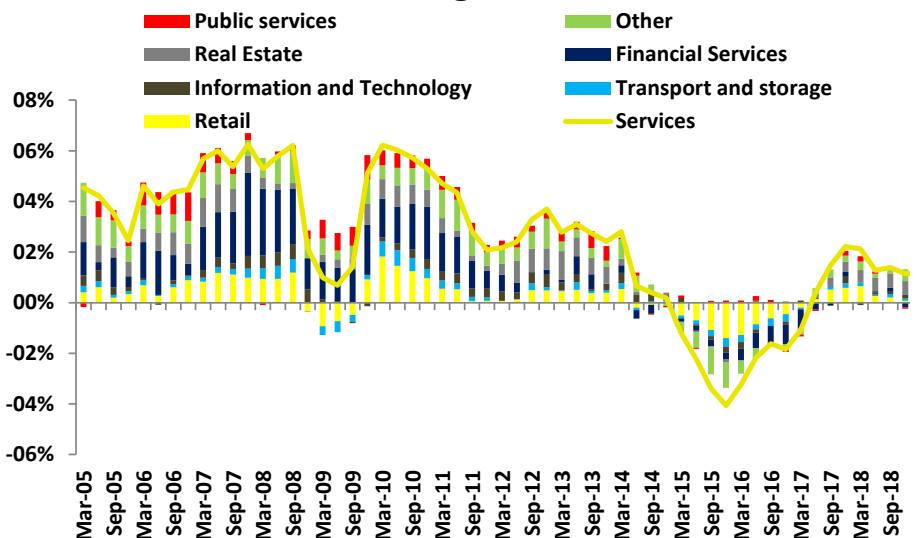
The main contributors for Brazil's service growth were financial services until 2014 due to an expansion of credit which fell sharply in 2015 for companies.

PMI Services



Source: Markit

Services growth



Source: IBGE

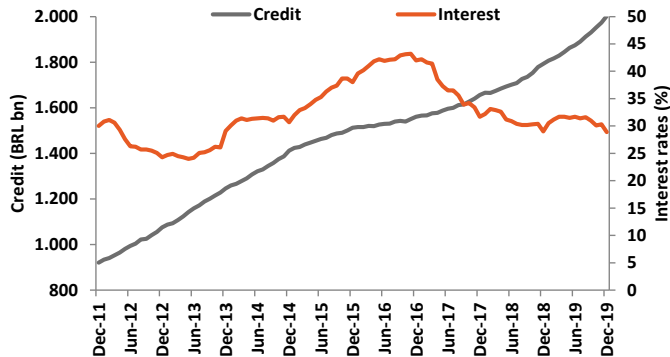
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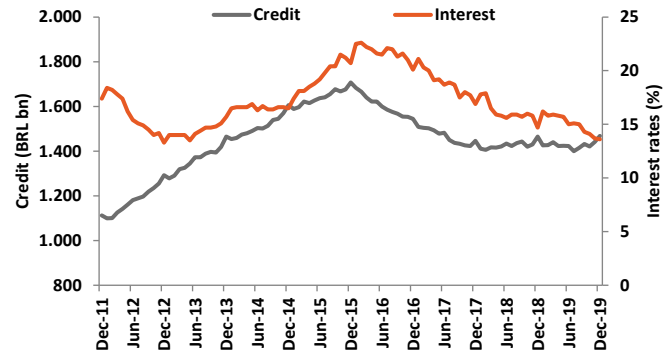
Credit in Brazilian economy: Interest rates have been declining since 2015, however followed only by the credit to companies, since credit to consumers have been continuously expanding.

Consumer Credit



Source: Banco Central do Brazil

Corporate Credit



Source: Banco Central do Brazil

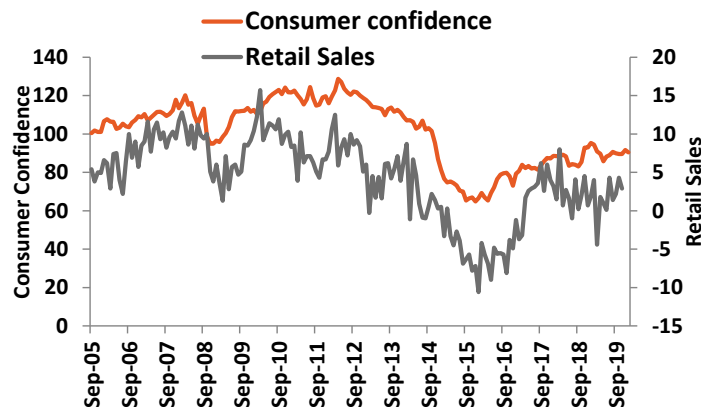
1.1.1 Wholesale & Retail

Retail sales have been negatively impacted by a decline in consumer confidence which is still at levels below 2014, given the increase in unemployment since then.

Unemployment rate %

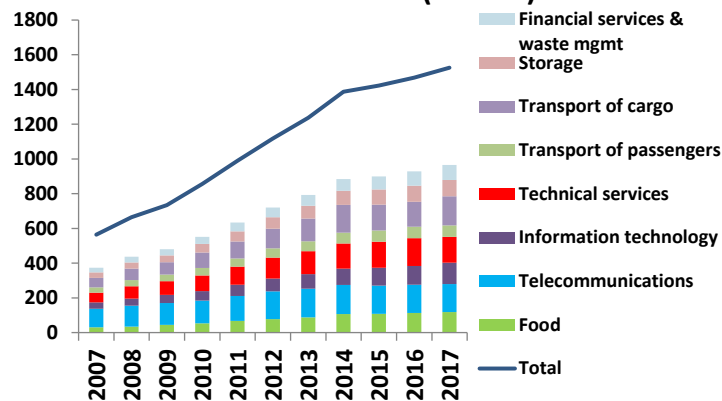


Source: Bloomberg



Source: IBGE; FGV

Services revenues (BRL bn)



Source: IBGE

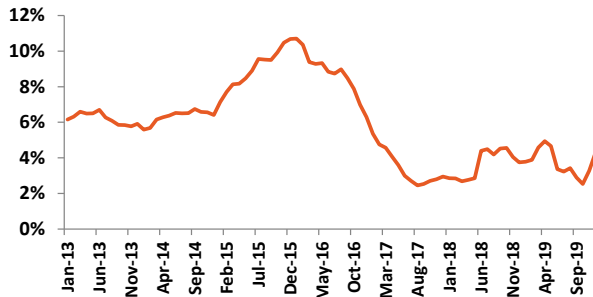
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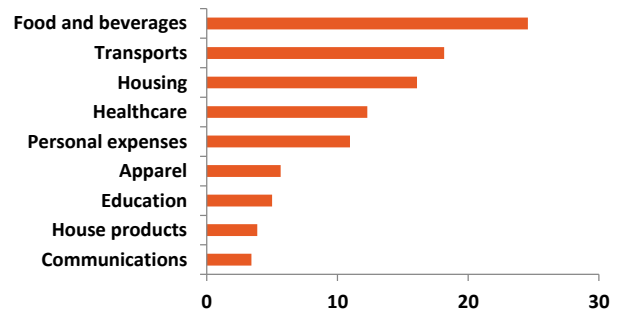
Inflation: In Brazil, inflation is not currently a problem, standing at around 4%.

Inflation YoY (IPCA)



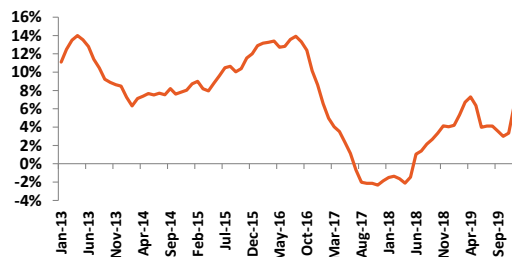
Source: IBGE

Inflation components weight



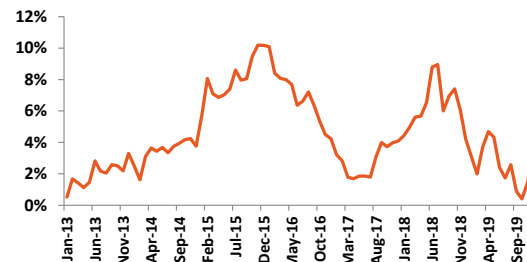
Source: IBGE

Food & Beverage



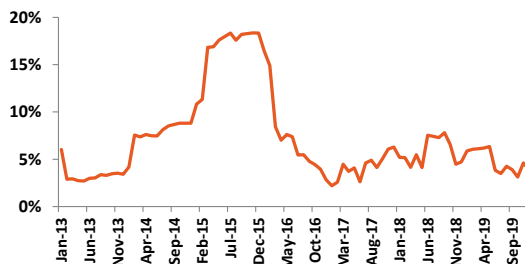
Source: IBGE

Transports



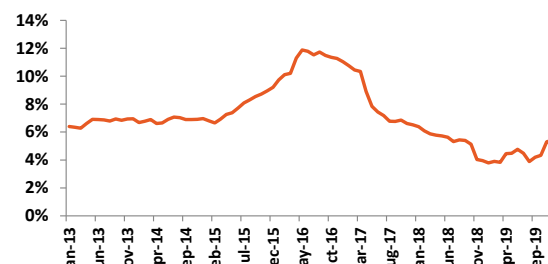
Source: IBGE

Housing

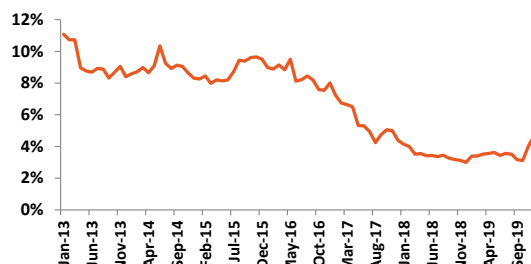


Source: IBGE

Healthcare

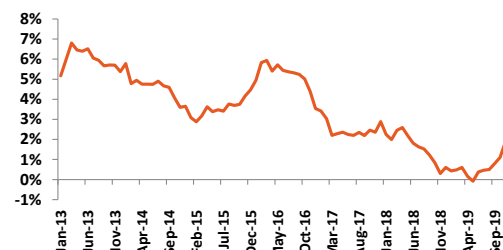


Personal Expenses



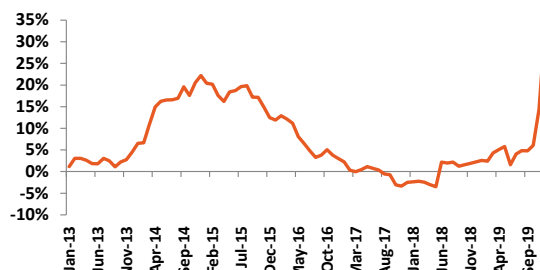
Source: IBGE

Apparel



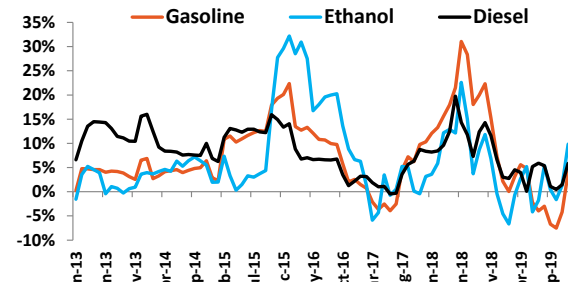
Source: IBGE

Meat



Source: IBGE

Inflation on fuel



Source: IBGE

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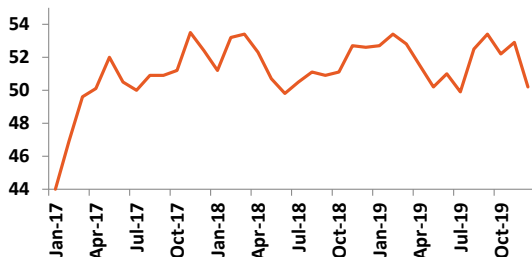
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1.2 Manufacturing

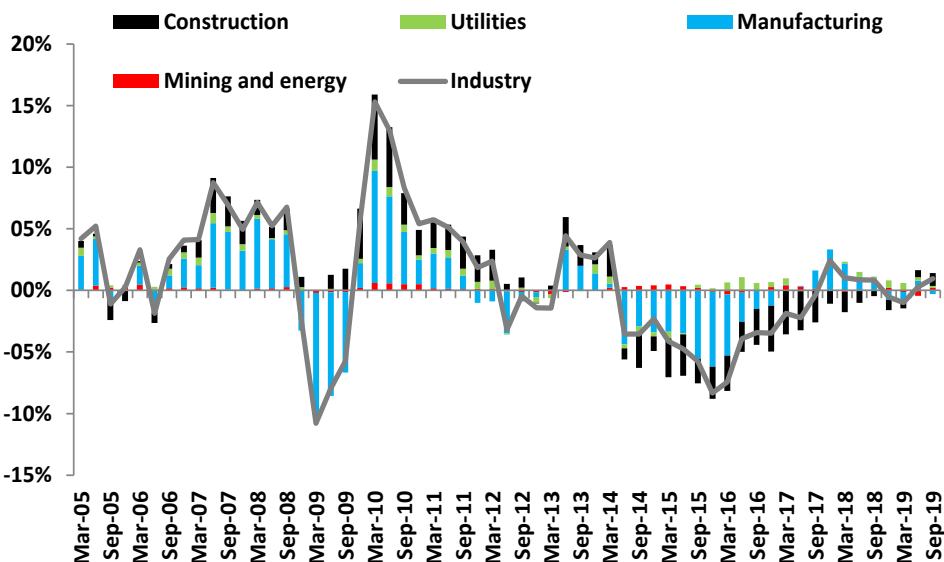
Manufacturing also suffered during the 2014/15 crisis, especially because multiple construction companies were tied to Lava Jato investigations leading to suspension of work and delay of projects.

Industry growth

PMI Manufacturing



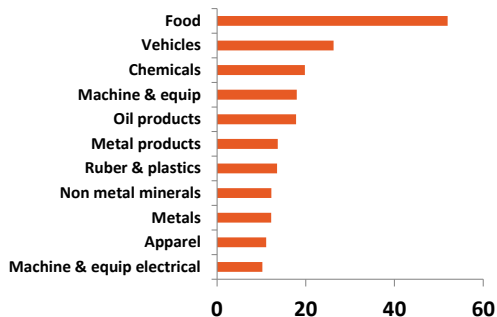
Source: Markit



Source: IBGE

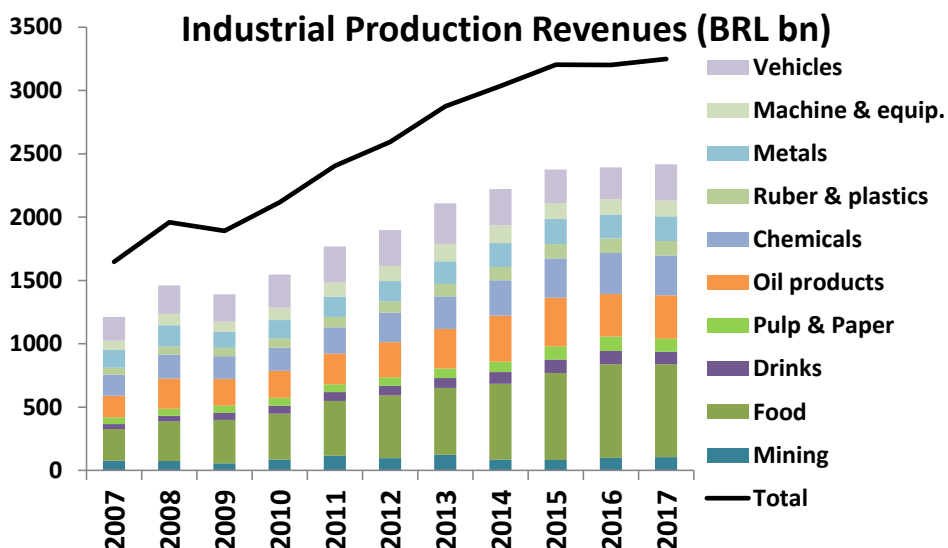
Most of Brazil's industry revenue is generated by Vehicles, Food, Oil and Chemical sectors.

Industries with biggest cost in salaries (BRL bn)



Source: IBGE

Industrial Production Revenues (BRL bn)



Source: IBGE

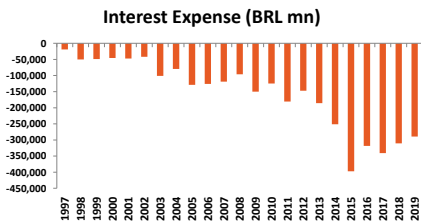
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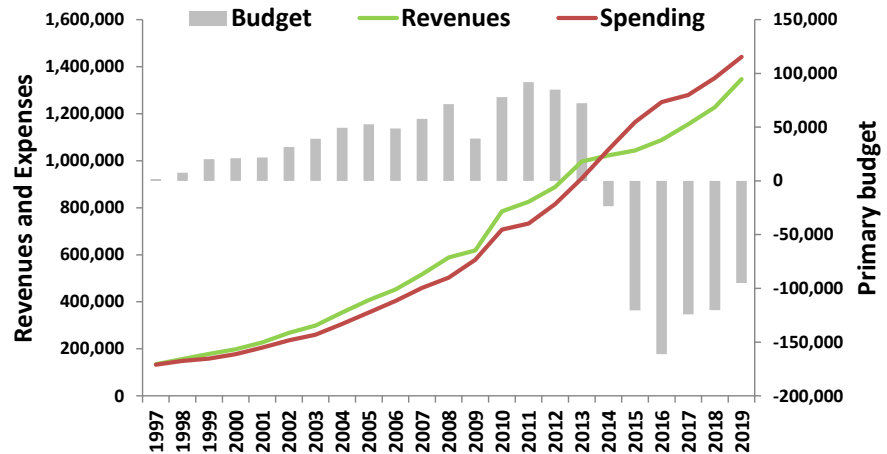
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Government Budget

As visible in the graph below, Brazil has a fiscal deficit problem. The government is trying to correct this by controlling costs, since in terms of revenues there is little to do as Brazil already has one of the highest tax burdens for its citizens and companies.



Government budget (BRL mn)



Source: Tesouro Nacional

Income Tax (Progressive)	
Income	Tax
up to BRL 22,847	0.0%
BRL 22,847 to 33,910	7.5%
BRL 33,910 to 45,012	15.0%
BRL 45,012 to 55,976	22.5%
More than BRL 55,976	27.5%

Social Contribution Tax		
Salary (monthly)	Employer Contribution	Employee Contribution
up to BRL 1,751	20% or 22.5%	8%
BRL 1,751 to 2,919	20% or 22.5%	9%
BRL 2,919 to 5,839	20% or 22.5%	11%*

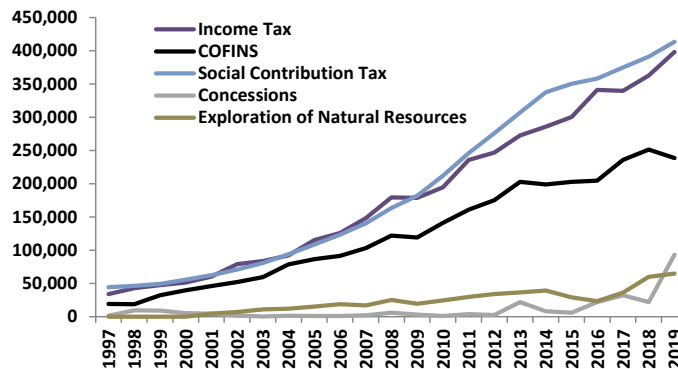
*ceiling contribution of BRL 642

Capital Gain Tax	
Up to BRL 5 mn	15%
BRL 5 mn to 30 mn	17.5% to 22.5%
Above BRL 30 mn	22.5%

Value Added Tax	
State Tax (ICMS)	17% or 18% or 19%
Federal Tax (IPI)	avg 10%
Social contribution (COFINS)	7.6% and 9.65%

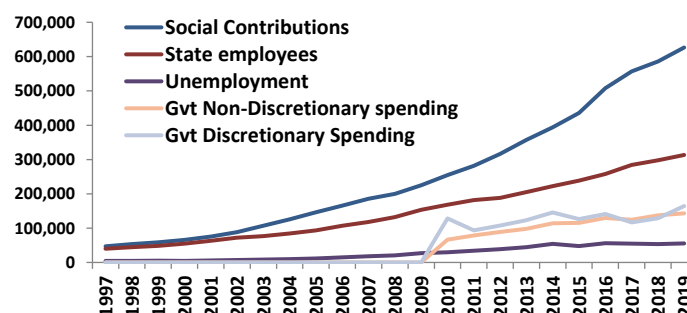
Corporate Tax	
Corporate tax	15%
Surcharge	10% annual income > BRL 240,000
Social Contribution on Income	9% or 15%
Local taxes	0%

Main Revenue changes (BRL mn)



Source: Tesouro Nacional

Main Spending changes (BRL mn)



Source: Tesouro Nacional

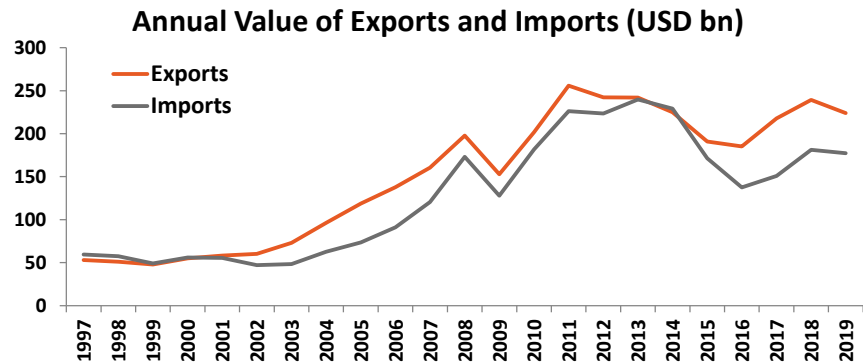
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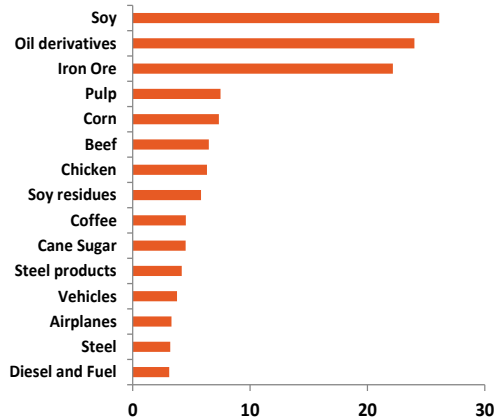
External trade

Brazil has a positive contribution from international trade thanks to its strong exports of commodities and the fall of oil derivatives prices in 2014, one of the main imports.



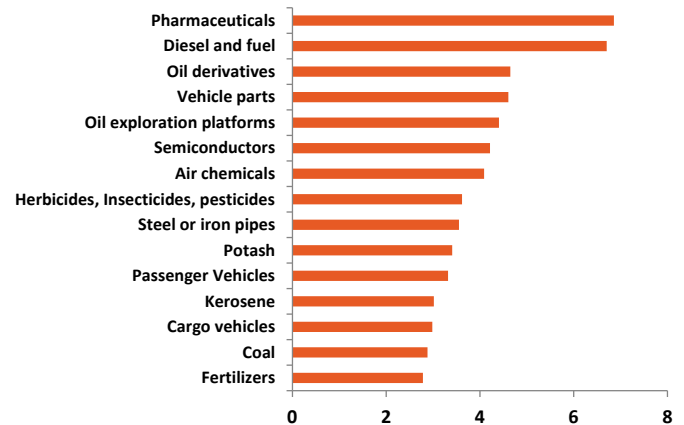
Source: Ministério da Economia

Main Exports in 2019 (USD bn)



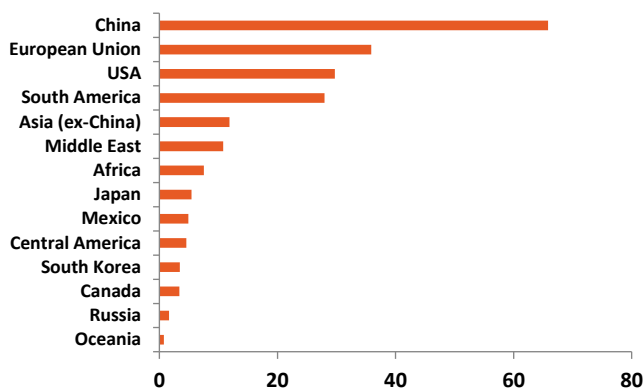
Source: Ministério da Economia

Main Imports in 2019 (USD bn)



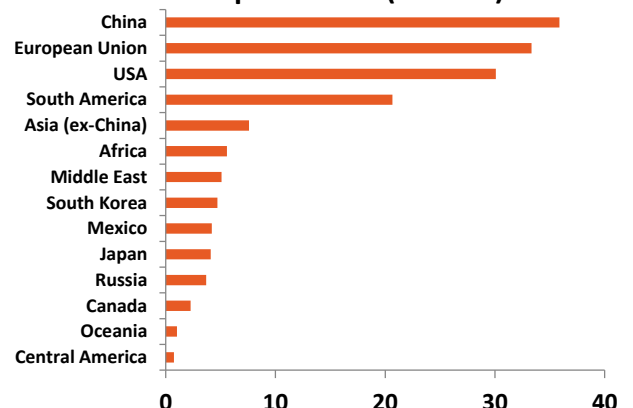
Source: Ministério da Economia

Brazil exports 2019 (USD bn)



Source: Ministério da Economia

Brazil imports 2019 (USD bn)



Source: Ministério da Economia

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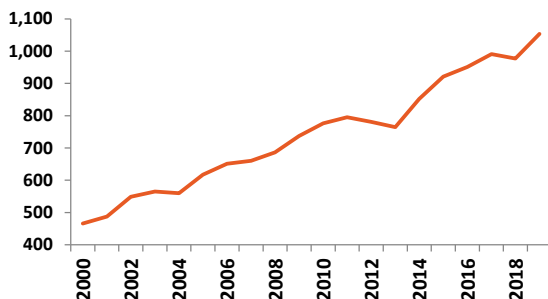
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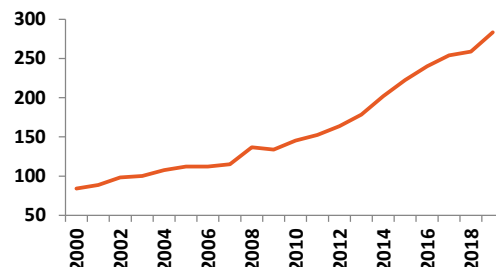
Commodities exported

Oil & Gas: Brazil produces around 1 bn barrels of oil equivalent per year and 0.3 bn of natural gas and production has been rising at a strong pace.

Oil Production (mn boe)



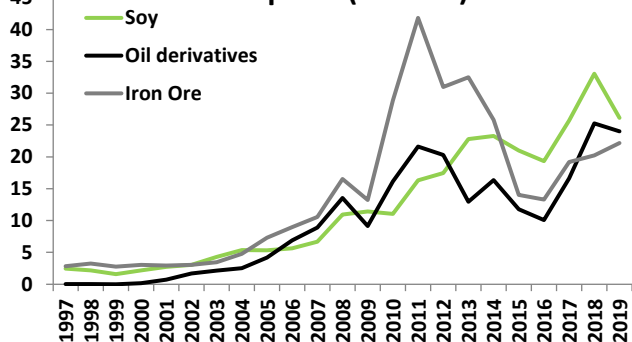
Natural Gas production (mn boe)



Mining: In 2017, the main 11 mining substances in Brazil produced a value around BRL 88.5 bn, of which 90% produced in the states of Minas Gerais and Pará. 70% of this production was of iron.

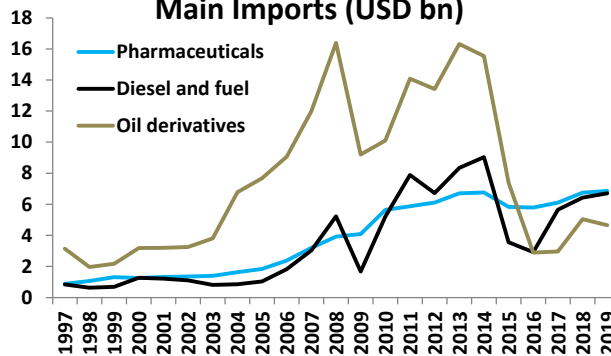
Soy: Brazil produces around 123 mn tons of soy per year (increased 7% in 2019), of which 30 mn tons from Mato Grosso, 20 mn tons from Paraná and another 20 mn from Rio Grande do Sul.

Main Exports (USD bn)



Source: Ministério da Economia

Main Imports (USD bn)



Source: Ministério da Economia

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Government

Brazil is a federal presidential constitutional republic, conferring this way great power to the President who even appoints his own cabinet, with the approval of Senate and judges of the Supreme Court. The President may only serve 2 terms consecutively but may serve more non-consecutively. In Brazil, voting is mandatory.

Divided in 26 states and a federal district. The executive power belongs to the President and his ministers, the legislative powers is in the National Congress (composed by the Chamber of Deputies and the Federal Senate) and the Judiciary is in the Supreme Federal Court and lower federal courts. Brazil has a multi-party system which leads to coalition governments since no party usually gets more than 50% of the seats.



Jair Bolsonaro: Was born in 21st of March of 1955 and serves as President of Brazil since 1st of January of 2019. Bolsonaro was born in the state of São Paulo and graduated from Agulhas Negras Military Academy in 1977 serving after in Brazilian Army's field artillery and parachute unit. He was arrested for 15 days in 1986 after publishing an article in Veja magazine criticizing lower wages in military. After one year, the magazine issued an article accusing him of planning to plant bombs in military units, however the Brazilian Supreme Military Court decided in favor of Bolsonaro. In 1988, Bolsonaro joined the reserve army as Captain and was elected to Rio de Janeiro City Council through the Christian Democratic Party. In 1990 was elected to the lower chamber of Congress where he spent the following 27 years opposing same-sex marriage, homosexuality, abortion, drug liberalization, while defending closer ties with USA and Israel. He is known as a far-right and populist politician. His candidacy to the presidential elections of Brazil was done through the Social Liberal Party, however after being elected, Bolsonaro decided to dismiss the party and create his own: Alliance for Brazil.

Government			
President		Jair Bolsonaro (Aliança pelo Brasil)	
Vice-President	Hamilton Mourão (PRTB)	Economy	Paulo Guedes
Chief of Staff	Walter Netto	Education	Abraham Weintraub
Secretary of Government	Luiz Eduardo Ramos	Environment	Ricardo Salles
Secretary -General of the Presidency	Jorge de Oliveira Francisco	Foreign Affairs	Ernesto Araújo
Attorney General	André Luiz de Almeida Mendonça	Health	Luiz Henrique Mandetta (DEM)
Institutional Security	Augusto Heleno	Infrastructure	Tarcísio Gomes de Freitas
Agriculture, Livestock and Supply	Tereza Cristina (DEM)	Justice and Public Security	Sérgio Moro
Citizenship	Onyx Lorenzoni (DEM)	Mines and Energy	Bento Costa Lima
Comptroller-General of the Union	Wagner de Campos Rosário	Regional Development	Rogério Marinho
Defence	Fernando Azevedo e Silva	Science, Technology, Innovation and Communications	Marcos Pontes (PSL)
Women, Family and Human Rights	Damares Alves	Tourism	Marcelo Álvaro Antônio (PSL)

Source: BiG Research

Note: *Military background

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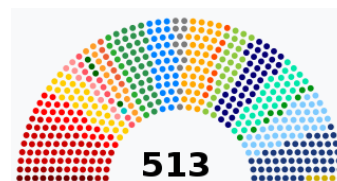
Ministers' controversies:

- **Changes of ministers in 2020:** Bolsonaro decided in February of 2020 to nominate the general Walter Netto for Onyx place as Chief of Staff. Onyx will replace Osmar Terra as minister of Citizenship. One week before, Bolsonaro had replaced Gustavo Canuto for Rogério Marinho as minister of Regional Development.
- **Abraham Weintraub (minister of education):** Several MPs started an impeachment process in February of 2020 against the minister for violating principles of education and honor for his position in the government. The Federal Supreme Court will analyze the requests.
- **Ricardo Salles (Minister of Environment):** Several MPs started an impeachment process in against the minister for disregard of the National Environment policies, pursuit of public agents with an inverse opinion, changing incorrectly the stricture of the National Council of the Environment and allowing the exploit of raw materials in the protected area of Abralhos in Bahia. The Federal Supreme Court will analyze the requests. Even Paulo Guedes asked for his dismissal, and tried to send a team of officials to analyze the current state of Amazon Forest. Some in the Environmental team do not follow orders from the minister due to being afraid of a Public Hearing on their actions.
- **Paulo Guedes (Minister of Economy):** The Supreme Federal Court received in February 2020 a request to dismiss Paulo Guedes from its position due to conflicts of interest in his private holdings and his private connections. The request was submitted by the MP Paulo Ramos (PDT – RJ). Guedes also made some controversial declarations in 2020, stating that appreciation of BRL was used by cleaning ladies to travel to Disney and that public employees were parasites.

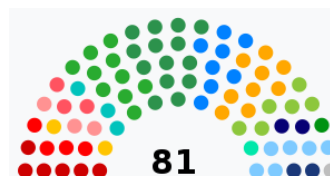
▲ National Congress

Party	Number of MPs	
PT (Workers Party)	54	Opposition
PSL (Social Liberal Party)	53	Government
PL (Liberal Party)	40	Government
PP (Progressive Party)	38	Government
PSD (Social Democratic Party)	36	Government
MDB (Brazil Democratic Movement)	34	Government
PSB (Brazil Socialist Party)	32	Opposition
PSDB (Brazil Social Democratic Party)	32	Government
REPUBLICANOS	31	Government
DEMOCRATS	28	Government
PDT (Democratic Labour Party)	27	Opposition
SD (Solidarity Party)	14	Government
PTB (Brazilian Labour Party)	12	Government
PODE (Podemos)	11	Government
PROS (Social Order Republic Party)	10	Opposition
PSOL	10	Opposition
CIDADANIA	9	Opposition
NOVO	8	Government
PCdoB	8	Opposition
PSC	8	Government
AVANTE	7	Independent
PATRI	5	Government
PV	4	Independent
PMN	1	Opposition
REDE	1	Opposition

Chamber of deputies: Has 513 members elected for a 4 year term. The number of seats elected by each region depends on the population of that state, however there is a hard limit of 70. This means that São Paulo with around 40 million people only gets to elect 70 MPs, while Minas Gerais, the second state with more people, elects 59 despite having half of the population (around 20 million).



Federal Senate: Has 81 members, elected for an 8 year term, with elections every four years for one-third and two thirds of the seats (lastly in 2018 election). There are 3 senators for each of the country's 26 states and 3 for the Federal District. Currently the government has support from 60 seats: MDB (13), PODE (11), PSD (9), PSDB (8), DEM (6), PP (6), PSL (3), PL (2), Republicans and PSC, with one each. The opposition is formed by PT (6), PDT (4), REDE (3), PROS (3), Cidadania (3) and PSB (2).



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▲ Latest reforms

In 2019, the government unveiled a package of reforms to reduce fiscal deficit by privatizing some assets and reducing government expenses. The objective is to guarantee fiscal sustainability and achieve investment grade, in order to attract more foreign investments.

“Plan more Brazil”

1. **Implement a new fiscal order:** Align financial concepts to avoid discrepancies between regional and federal budgets. Politicians will assess the financial sustainability of the country and develop a long term budget.
2. **Autonomy with responsibility:** transfer of royalties to all states. After strengthening regional budgets, only warrant operations of states with international organizations from 2026 onwards. It will be forbidden to create credit between states. Federal union will be forbidden to back debts of states in difficulty from 2026 onwards.
3. **3 D's:** autonomy of states to have more decisions on spending. Flexibility to control non-discretionary expenses in the case of a fiscal emergency. Unlink of public revenues from special organizations, funds or expenses.
4. **Federal Strength:** Decrease of number of municipalities.
5. **Sustainability of national accounts:** Use BRL 220 bn from special funds, to pay back debt.
6. **Legal security:** End of Kandir law dispute and forbid the use of pension funds and judicial deposits of actions between citizens by the state.
7. **Fiscal emergency:** When the state authorizes the suspension of the Golden Rule (that prohibits the state of increasing debt to pay for non-discretionary spending), or the non-discretionary spending surpasses 95% of recurring revenue, there will be a year of adjustment. Automatic mechanisms will be activated to control expenses, such as hires and promotions of public employees, prohibition of the creation of new recurring expenses, reduction of until 25% of hours worked and subsequent salaries.

Constitutional amendment 95/2016: limits rise of public spending for 20 years. It was approved in 2016 and limits the amount of rise in public spending to the rate of inflation. The reform may be revised after the first 10 years. Spending in elections and transfers to local governments do not abide by these limits.

Pension reform: This was approved in Congress in September of 2019 and will become active on 1st of March.

- **Opposition:** Several entities of the justice sector asked the Federal Supreme Court to suspend the new quotas approved in the reform, which they say will consume 46.5% of the income of law workers and of the public ministers. According to the new rules, the quotas can reach 22% in the case of public workers that receive more than the ceiling of public salary of BRL 39 th per month. The government defends this action by stating that “who wins more, pays more”.

Administrative reform: The government intended to present to congress a reform in February of 2020, but it is reluctant with fear of hurting social stability or create strikes. Its main objective, is to control expenses with public employees, however the government has made clear that there will be no reduction in salaries for current public workers.

Tax reform (PEC 45/2019 and 110/2019): The main objective is to end multiple taxes on consumption and create a unique VAT tax.

- **Opposition:** Experts in fiscal matter say that the changes will impose a higher burden on services and on agriculture sector. They also estimate an increase of 400% of the tax burden for private healthcare services and 300% for private schools.
- **Oil prices and ICMS tax:** After the fall in oil prices in January 2020 and the strikes by oil workers, Bolsonaro demanded that refineries transferred that decline in oil to consumers. He even threatened to put the ICMS tax on fuels at 0%. This threat was very badly received by states, especially those who rely majorly on this tax income. Guedes stated that would deal with this problem in the tax reform. A possible solution is to tax a fixed value per liter instead of a percentage and possibly equalize the amount of tax instead of giving power for each state to charge different rates.

Privatizations:

- **Eletrobras (state has around 57% through Federal Gvt and BNDES):** The government intends to sell part of the state's stake, while guaranteeing that no shareholder would be allowed to have more than 10% of the company. Several members of congress would prefer however that the state keeps a golden share in the company for national safety reasons.
- **Petrobras, Banco do Brasil and Caixa Econômica Federal:** officials said there are no intentions to privatize these assets.
- **Government mint monopoly:** There is a proposal for private contractors will be allowed to also print the country's currency.
- **Cedae (Water company in Rio):** Government is thinking about selling 60% of the company in an IPO in April of 2021, which could raise between BRL 3 bn and BRL 4bn.
- **Auction of oil fields:** In 2019, Brazil made an auction of several oil fields, however with tax conditions much worse for companies which led to 2 blocks not receiving any bid (Sepia and Atapu), the Itapu block was won by Petrobras with a minimum bid and the big Buzios field was won by Petrobras in consortium with Chinese producers. The government's objective was to raise USD 25 bn in government fees and USD 25 bn to compensate Petrobras, which had invested in drilling and platforms in these fields. However only USD 17bn were raised and mainly from Petrobras given that its Chinese partners only account for 10% of the stake in Buzios.

▲ Banco Central do Brasil (BCB)

The Brazil Central Bank, created in 1964, has as mission “to ensure the purchasing power stability of the currency and the soundness and efficiency of the National Financial System”. The BCB believes that low, stable and predictable inflation is the best way to assure economic growth, low unemployment and improvement in people’s living conditions.



Minister of Economy Paulo Guedes (24/08/1949): He co-founded BTG Pactual. He was the economic advisor of President Jair Bolsonaro. Guedes studied in Getúlio Vargas Foundation and in University of Chicago, where he had classes given by Milton Friedman. In government he defends the limitation of government expenses and privatization of state-owned companies.



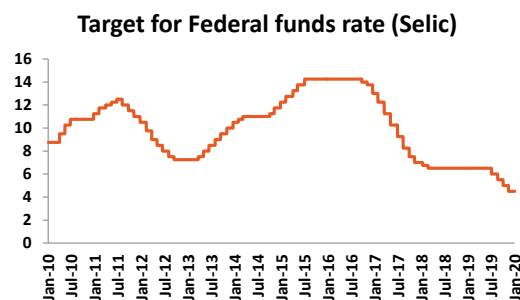
BCB’s Governor: Roberto Neto (28/06/1969) worked in Santander and studied Economics in UCLA and applied mathematics in Caltech. In Santander Brazil, Roberto worked in fixed income, was head of trading and later chief of treasury and regional and international markets of the bank.

BCB Committees:

- **Monetary Policy Committee (Copom):** in charge of setting the policy interest rate (Selic) with the objective of achieving the inflation target every 45 days.
- **Financial Stability Committee (Comef):** Meets quarterly to define the value of the Countercyclical Capital Buffer.
- **Governance, Risk and Control Committee (GRC):** Establishes the international reserve’s management criteria and oversees its performance.
- **Others:** Ethics Committee (CEBCB); Committee for Sanctioning Administrative Procedure and Term of Commitment (Copat); Committee on Administrative Agreement within the Process of Supervision (Coaps); Decision and Appeal Committee (Coder).

National Monetary Council: This council meets once a month at least, and is composed by the Minister of Economy, the Ministry of Economy’s Special Secretary of Finance and the Governor of the BCB. They “formulate monetary and credit policies, aiming to preserve Brazilian monetary stability, and to promote economic and social development.”

Selic Rate: The average rate on overnight inter-bank loans backed by the government securities registered in the Special System of Clearance and Custody (Selic). The Copom sets the target but is responsibility of BCB’s open market desk to keep the daily Selic rate at the target level.



Source: Banco Central do Brasil

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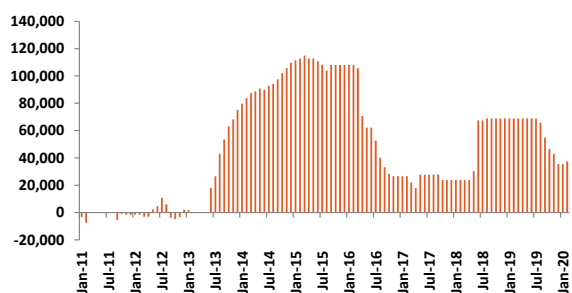
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Central Bank operations in forex: Through swaps, BCB takes long or short positions in FX without the need to sell or buy reserves.

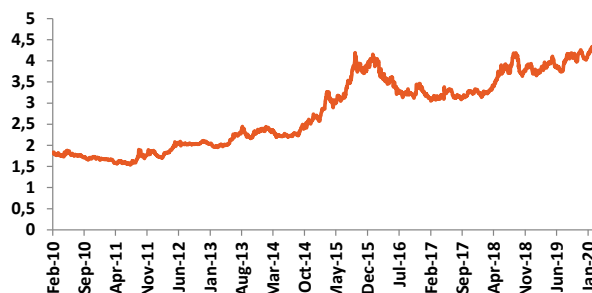
- Brazil's Central Bank intervenes in special situations where spreads increase due to lack of bids and asks in the currency market, by offering bids or asks. The main objective is to avoid a price distortion.
- Other situation where the bank intervenes is when there is a strong demand or supply of USD vs BRL and the central bank has to provide liquidity to avoid short term volatility. This intervention may lead to "moral hazard" in which companies and funds assume much more risk in USD exchange assuming that BCB will be there to support them. For the BCB this risk is offset by the avoidance of an overshoot of the BRL which may lead to major economic consequences.

FX Swap Balance (short USD position)



Source: Banco Central do Brasil

USDBRL



Source: Banco Central do Brasil

Banking sector:

- **Profits should decline:** Profits of Brazilian banks have been very attractive but are expected to decline in the next couple of years. Interest rates are lower, the amount the banks may charge for short term credit was limited to a maximum of 8% per month and taxes should be raised with the tax reform. Competition for lower interest rates on credits based on the credit score of consumers should also intensify.
- **Pix:** Until the end of the year, BCB intends to activate its system of instant payments, Pix. This will be working 24h and enable consumers to transfer money instantly.
- **Open banking:** Until end of 2021, the open banking regulation is expected to be implemented, promoting the transfer of information between financial institutions including small banks and fintech companies.

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Local elections in October 2020

The main opposition to Bolsonaro movement (Alliance for Brazil), in the local elections are João Doria (PSDB) in São Paulo and Wilson Witzel (PSC) in Rio de Janeiro. Bolsonaro is thinking about getting the TV presenter José Datena, to run for his movement in São Paulo. For Rio de Janeiro Bolsonaro may bet on the actual mayor Marcelo Crivella (Republicans).



Source: Geology.com

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▲ Impeachment of Dilma Rousseff

The process started on December 2nd of 2015 when Eduardo Cunha, head of the Chamber of Deputies accepted the petition for the impeachment. Dilma was charged with criminal administrative misconduct and disregard for the federal budget. The impeachment happened finally in 12th of May of 2016, and Michel Temer became acting President.

Dilma's government was accused of misconduct in management of public accounts since the beginning of the first mandate in 2012. Dilma won the second mandate in 2014 with 51.64% of the votes, however due to corruption allegations and economic slowdown in the country protests erupted in 2015 and her disapproval rating climbed to 70%. The accusations related to 6 decrees that allocated funds to social programs without the approval of Congress, which totaled USD 6.9 bn.

▲ Operation Car Wash (Lava Jato)

This anti-corruption operation started in March of 2014 and is still ongoing. At first the judge Sérgio Moro was one of the main supporters and authorized operations that led to the charges on more than 100 people. The crimes included money laundering, obstruction of justice and corruption. Petrobras was one of the main companies involved, but others such as Odebrecht, Andrade Gutierrez, Camargo Correa, OAS, UTC, Engevix, Mendes Júnior and Queiroz Galvão.

The name came from several fuel stations and laundry stores, used to launder money and deviate funds from Petrobras. Other accusations related to surcharge in public construction work in which are included also the stadiums of World Cup 2014.

In 2015, it was estimated that the financial damage to Petrobras of the crimes committed reached BRL 43 bn.

In 2016, the amount estimated of losses from national accounts through the PP crimes reached BRL 356 mn.

Michel Temer was arrested in March of 2019 due to investigations of Lava Jato.

Economic impact: due to the wide network of Petrobras and its business, the suspension of investments and some operations during the investigations led to a decline of GDP, with an estimated impact between 1% and 1.5%.

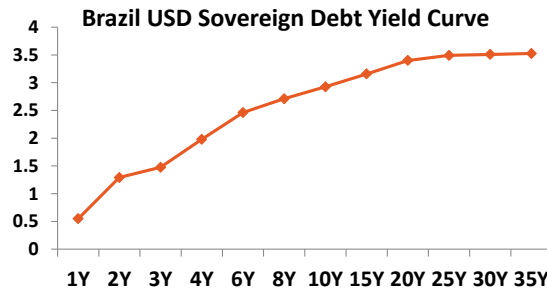
▲ Oil workers' strike:

Since beginning of February, workers of Petrobras are on a strike, demanding the reintegration of those fired in the fertilizers factory of Paraná, deactivated by the company. They also demand the end of the parity between the price of fuel sold in the country and the international oil price, which was created in 2016. Ives Gandra, minister of the Supreme Court of Labour, stated that the strike was illegal, and threatened with fines between BRL 250 th and BRL 500 th while blocking transfers from accounts of the union and allowing Petrobras to penalize workers that do not show. The state still has 50.2% in Petrobras and for now the government does not talk about privatization of the company.

Government Bonds (examples)

Name	Price	Maturity	Amount issued (mn)	Issue Date	Yield	Currency	Maturity Type	Coupon Frequency
FED REPUBLIC OF BRAZIL	104.252	14-01-2050	2,500	14-11-2019	4.5%	USD	CALLABLE	2
FED REPUBLIC OF BRAZIL	109.074	30-05-2029	2,000	28-03-2019	3.3%	USD	CALLABLE	2
FED REPUBLIC OF BRAZIL	110.859	13-01-2028	3,000	13-10-2017	3.0%	USD	CALLABLE	2
NOTA DO TESOIRO NACIONAL	1260.275	01-01-2031	5,358	10-01-2020	6.7%	BRL	AT MATURITY	2
LETRAS FINANCEIRAS DO TE	10510.39	01-03-2026	90,829	06-09-2019	0.0%	BRL	AT MATURITY	0
LETRA TESOIRO NACIONAL	940.721	01-07-2021	82,380	07-07-2017	4.6%	BRL	AT MATURITY	n.a.

Source: Bloomberg



Source: Bloomberg

Corporate Bonds (examples)

Name	Issued Amount	Coupon	Currency	Maturity	Bloomberg Composite Rating	Maturity Type	Announce	Ask Price	Collateral Type
B3 SA - Brasil Bolsa Balcao	612,000,000	5.5	USD	16-07-2020	BB	AT MATURITY	09-07-2010	101.102	SR UNSECURED
Banco ABC Brasil SA	400,000,000	7.875	USD	08-04-2020	NR	AT MATURITY	31-03-2010	100.775	SUBORDINATED
Banco BMG SA	250,000,000	8.875	USD	05-08-2020	B-	AT MATURITY	29-07-2010	101.84	SUBORDINATED
Banco BS2 SA	125,000,000	9.25	USD	03-11-2020	NR	AT MATURITY	27-10-2010	102.801	SUBORDINATED
Banco Cruzeiro do Sul SA	400,000,000	8.875	USD	22-09-2020	NR	AT MATURITY	15-09-2010	0.222	SUBORDINATED
Banco Daycoval SA	350,000,000	4.25	USD	13-12-2024	BB-	AT MATURITY	05-12-2019	103.313	SR UNSECURED
Banco do Estado de Sao Paulo S/A	300,000,000	9.65	USD	27-01-2046	#N/A N/A	CALLABLE	27-01-2006	#N/A N/A	SR UNSECURED
Banco do Estado do Rio Grande do Sul SA	775,000,000	7.375	USD	02-02-2022	B	AT MATURITY	26-01-2012	106.621	SUBORDINATED
Banco Mercantil do Brasil SA	250,000,000	9.625	USD	16-07-2020	NR	AT MATURITY	09-07-2010	100.279	SUBORDINATED
Banco Pan SA	500,000,000	8.5	USD	23-04-2020	NR	AT MATURITY	19-04-2010	100.373	SUBORDINATED
Banco Votorantim SA	450,000,000	4.5	USD	24-09-2024	BB-	AT MATURITY	17-09-2019	105.414	SR UNSECURED
Bombril SA	38,000,000	9.25	USD	26-08-1998	#N/A N/A	AT MATURITY	24-10-1996	#N/A N/A	DEPOSIT RECEIPTS
BRF SA	750,000,000	4.875	USD	24-01-2030	BB	CALLABLE	19-09-2019	104.405	SR UNSECURED
Caixa Economica Federal	500,000,000	3.5	USD	07-11-2022	BB-	AT MATURITY	26-10-2012	102.458	SR UNSECURED
Ceagro Agricola Ltda	100,000,000	10.75	USD	16-05-2016	NR	AT MATURITY	20-10-2010	2.945	SR SECURED
Cemig Geracao e Transmissao SA	1,500,000,000	9.25	USD	05-12-2024	B+	CALLABLE	30-11-2017	117.9	COMPANY GUARNT
Centrais Eletricas Brasileiras SA	1,750,000,000	5.75	USD	27-10-2021	BB-	AT MATURITY	20-10-2011	104.941	SR UNSECURED
China Construction Bank Brasil Banco Multiplo	300,000,000	8.5	USD	27-04-2020	NR	AT MATURITY	20-04-2010	100.949	SUBORDINATED
Cia Brasileira de Alumino	400,000,000	4.75	USD	17-06-2024	BB+	AT MATURITY	11-06-2014	107.19	COMPANY GUARNT
Cia de Saneamento Basico do Estado de Sao F	350,000,000	6.25	USD	16-12-2020	BB-	CALLABLE	09-12-2010	100.55	SR UNSECURED
Cielo SA	97,150,869	3.75	USD	16-11-2022	NR	AT MATURITY	23-05-2019	101.208	SR UNSECURED
Cimento Tupi SA	185,000,000	9.75	USD	11-05-2018	NR	CALLABLE	06-05-2011	27.028	SR UNSECURED
Constran SA Construcoes e Comercio	61,918,900	9.46	USD	26-08-2003	#N/A N/A	CALLABLE	29-07-1998	#N/A N/A	SECURED
Embraer SA	500,000,000	5.15	USD	15-06-2022	BBB-	AT MATURITY	12-06-2012	105.641	SR UNSECURED
Fibra Leasing SA Arrendamento Mercantil	100,000,000	10.75	USD	24-10-2025	#N/A N/A	CALLABLE	24-10-2004	#N/A N/A	SR UNSECURED
Frigorifico Redentor SA via Countryserv Master	100,000,000	7.1	USD	22-11-2024	#N/A N/A	CALLABLE	22-11-2019	97.228	SECURED
Globo Comunicacao e Participacoes SA	500,000,000	4.875	USD	22-01-2030	BB+	AT MATURITY	16-01-2020	104.369	SR UNSECURED
Itau Unibanco SA	109,500,000	8.55	USD	17-04-2026	#N/A N/A	CALLABLE	17-04-1998	#N/A N/A	UNSECURED
Light Servicos de Eletricidade SA/Light Energia	600,000,000	7.25	USD	03-05-2023	BB-	CALLABLE	25-04-2018	106.438	COMPANY GUARNT
Matone Investimentos SA/Brazil	68,000,000	6.25	USD	09-06-2022	#N/A N/A	AT MATURITY	06-07-2012	107.984	UNSECURED
Natura Cosmeticos SA	750,000,000	5.375	USD	01-02-2023	BB-	CALLABLE	18-01-2018	104.443	SR UNSECURED
Oi SA	1,653,557,000	10	USD	27-07-2025	B-	AT MATURITY	27-07-2018	100.202	COMPANY GUARNT
Paging Network DO Brasil SA	125,000,000	13.5	USD	06-06-2005	#N/A N/A	CALLABLE	06-06-1997	#N/A N/A	SR UNSECURED
Prumo Participacoes e Investimentos S/A	350,000,000	7.5	USD	31-12-2031	BB	CALL/SINK	22-10-2019	107.666	SR SECURED
Rede Energia Participacoes SA	575,000,000	11.125	USD	Field Not Applic	NR	PERP/CALL	28-03-2007	21.603	SR UNSECURED
Samarco Mineracao SA	1,000,000,000	4.125	USD	01-11-2022	NR	AT MATURITY	26-10-2012	62.478	SR UNSECURED
Sharp SA Equipamentos Eletronicos	120,000,000	9.625	USD	30-10-2005	#N/A N/A	CALL/PUT	20-10-1997	#N/A N/A	NOTES
Sifco SA	75,000,000	11.5	USD	06-06-2016	NR	AT MATURITY	27-05-2011	0.002	SR SECURED
Tonon Bioenergia SA	300,000,000	9.25	USD	24-01-2020	NR	CALLABLE	16-01-2013	12.035	SR UNSECURED
USJ-Acucar e Alcool S/A	275,000,000	9.875	USD	09-11-2019	NR	CALLABLE	02-11-2012	#N/A N/A	COMPANY GUARNT
Vale SA	1,500,000,000	5.625	USD	11-09-2042	BB+	AT MATURITY	04-09-2012	122.192	SR UNSECURED
Votorantim SA	750,000,000	6.75	USD	05-04-2021	BB+	AT MATURITY	26-03-2010	104.527	COMPANY GUARNT

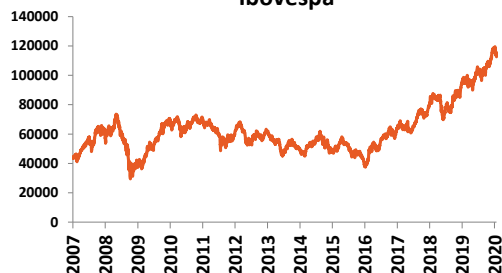
Source: Bloomberg

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Equity market (examples)

Ibovespa


Source: Bloomberg

Name	Market Cap	Sector	P/E	Dividend Yield	Net Debt/ EBITDA
ITAU UNIBANCO HOLDING S-PREF	299.580.963.446	Banks	11,6	0,56%	n.a.
VALE SA	244.776.871.902	Iron/Steel	n.a.	n.a.	1,5
BANCO BRADESCO SA-PREF	235.181.592.902	Banks	11,0	0,06%	n.a.
PETROBRAS - PETROLEO BRAS-PR	355.183.873.484	Oil&Gas	11,3	0,00%	2,3
B3 SA-BRASIL BOLSA BALCAO	100.774.237.701	Diversified Finan Serv	39,0	0,33%	-1,6
PETROBRAS - PETROLEO BRAS	355.183.873.484	Oil&Gas	11,9	0,84%	2,3
AMBEV SA	233.958.264.547	Beverages	19,9	n.a.	-0,4
BANCO DO BRASIL S.A.	134.846.524.961	Banks	7,2	n.a.	n.a.
ITAUSA-INVESTIMENTOS ITAU-PR	105.315.454.731	Investment Companies	10,0	0,65%	0,4
LOJAS RENNER S.A.	42.132.728.748	Retail	38,0	0,44%	0,9
JBS SA	63.879.976.915	Food	14,7	0,01%	2,9
BANCO BRADESCO S.A.	235.181.592.902	Banks	9,8	n.a.	n.a.
MAGAZINE LUIZA SA	84.209.844.633	Retail	89,1	0,09%	-0,9
NOTRE DAME INTERMED PAR SA	37.537.642.057	Healthcare-Services	78,6	0,27%	-1,5
WEG SA	96.748.179.854	Machinery-Diversified	59,9	0,73%	-0,4
IRB BRASIL RESSEGUROS SA	30.420.000.033	Insurance	17,2	2,18%	n.a.
LOCALIZA RENT A CAR	37.695.793.499	Commercial Services	46,7	0,02%	2,7
SUZANO SA	53.198.180.863	Forest Products&Paper	n.a.	1,14%	5,5
ULTRAPAR PARTICIPACOES SA	21.807.810.437	Oil&Gas	81,9	2,45%	4,0
RAIA DROGASIL SA	40.875.355.920	Retail	52,8	n.a.	1,9
EQUATORIAL ENERGIA SA - ORD	25.557.707.951	Electric	16,0	0,75%	3,0
BRF SA	22.505.508.914	Food	26,5	n.a.	3,6
TELEFONICA BRASIL S.A.-PREF	89.693.153.362	Telecommunications	18,6	2,22%	n.a.
BB SEGURIDADE PARTICIPACOES	63.660.000.000	Insurance	9,5	12,01%	-1,1
RUMO SA	32.848.464.971	Transportation	42,2	n.a.	3,3
PETROBRAS DISTRIBUIDORA SA	30.546.300.000	Oil&Gas	8,2	3,36%	1,1
CIA SANEAMENTO BASICO DE SP	40.402.268.357	Water	10,6	n.a.	1,4
GERDAU SA-PREF	28.465.280.567	Iron/Steel	24,3	0,70%	2,0
CCR SA	33.633.000.000	Commercial Services	45,5	5,59%	3,0
LOJAS AMERICANAS SA-PREF	40.968.131.084	Retail	61,0	n.a.	2,0
AZUL SA	15.399.057.237	Airlines	336,4	n.a.	4,0
COGNA EDUCACAO	19.253.979.715	Commercial Services	32,4	0,18%	5,6
SUL AMERICA SA - UNITS	21.445.917.399	Insurance	17,9	0,37%	n.a.
VIA VAREJO SA	18.706.515.330	Retail	n.a.	n.a.	22,2
NATURA & CO HOLDING SA	53.437.059.360	Cosmetics/Personal Care	80,3	0,29%	3,9
YDUQS PART	15.766.622.290	Commercial Services	25,3	1,00%	0,9
HYPERA SA	24.771.087.191	Pharmaceuticals	19,7	n.a.	-0,7
BANCO SANTANDER BRASIL-UNIT	148.541.734.350	Banks	n.a.	4,62%	n.a.
BR MALLS PARTICIPACOES SA	14.478.557.985	Real Estate	8,9	3,76%	1,2
BANCO BTG PACTUAL SA-UNIT	59.021.354.459	Diversified Finan Serv	26,9	n.a.	7,3
CIA ENERGETICA MINAS GER-PRF	21.065.573.669	Electric	6,3	3,19%	3,6
EMBRAER SA	12.573.096.447	Aerospace/Defense	n.a.	n.a.	-5,9
TIM PARTICIPACOES SA	39.729.142.980	Telecommunications	11,0	n.a.	0,7
KLABIN SA - UNIT	21.880.885.201	Packaging&Containers	n.a.	0,43%	4,1
B2W CIA DIGITAL	33.235.522.722	Internet	n.a.	n.a.	0,4
ENGIE BRASIL ENERGIA SA	39.352.194.900	Electric	17,0	4,54%	2,2
CIA BRASILEIRA DE DIS-PREF	19.572.233.979	Food	43,2	n.a.	4,2
COSAN SA	29.293.745.100	Oil&Gas	12,1	1,35%	2,4
HAPVIDA PARTICIPACOES E INVE	41.228.287.924	Healthcare-Services	42,9	0,22%	-4,9
QUALICORP CONS E CORR SEG SA	10.020.025.386	Commercial Services	23,7	1,83%	0,1
CENTRAIS ELETRICAS BRASILIER	55.842.852.504	Electric	2,9	2,42%	2,3
TOTVS SA	13.970.087.962	Software	52,3	n.a.	-2,4
FLEURY SA	9.712.726.519	Healthcare-Services	31,0	2,04%	1,8
MULTIPLAN EMPREENDIMENTOS	18.845.868.649	Real Estate	39,7	n.a.	3,3
ATACADAO SA	42.083.668.215	Retail	41,4	n.a.	-0,3
CENTRAIS ELETRICAS BRAS-PR B	55.842.852.504	Electric	3,0	4,09%	2,3
BRASKEM SA-PREF A	24.277.527.236	Chemicals	n.a.	3,03%	4,2
BRADSPAR SA -PREF	11.689.888.318	Investment Companies	6,1	0,75%	n.a.
CYRELA BRAZIL REALTY SA EMP	12.324.070.493	Real Estate	26,9	6,75%	1,5
CIELO SA	19.126.378.029	Commercial Services	12,1	0,08%	2,0
CIA SIDERURGICA NACIONAL SA	16.580.912.362	Iron/Steel	6,7	10,01%	5,3
TRANSMISSORA ALIANCA DE-UNIT	10.445.206.921	Electric	9,1	1,16%	2,2
EDP - ENERGIAS DO BRASIL SA	12.410.090.557	Electric	9,2	0,30%	2,0
METALURGICA GERDAU SA-PREF	8.356.941.031	Iron/Steel	18,7	0,99%	2,0
MRV ENGENHARIA	9.166.763.083	Home Builders	11,5	1,95%	0,9
CVC BRASIL OPERADORA E AGENC	3.346.453.455	Leisure Time	12,0	0,12%	1,6
USINAS SIDER MINAS GER-PF A	11.025.243.731	Iron/Steel	48,0	0,83%	2,0
GOL LINHAS AEREAS INT SA-PRE	9.292.809.733	Airlines	n.a.	n.a.	3,1
IGUATEMI EMP DE SHOPPING	9.042.512.794	Real Estate	29,1	1,66%	3,6
IMARFRIG GLOBAL FOODS SA	8.749.849.930	Food	35,0	n.a.	3,0
CIA HERING	3.615.175.806	Textiles	14,6	1,38%	-1,0
ECORODOVIAS INFRA E LOG SA	8.961.533.243	Commercial Services	n.a.	n.a.	4,9
SMILES FIDELIDADE SA	4.117.110.881	Internet	6,6	9,92%	-1,5

Source: Bloomberg

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▲ Calendar

4th October 2020: Local elections (2nd round on 25th October)

October 2022: National Elections (incl. President, Congress and Parliaments)

▲ Sources

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