

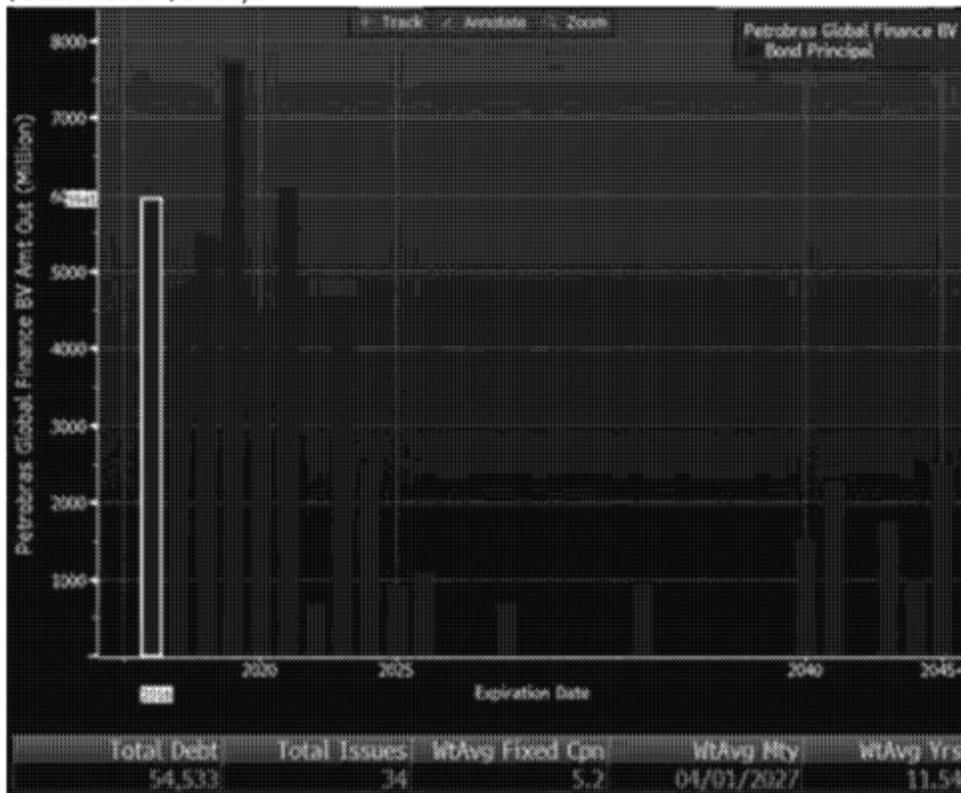
**From:** Daniel Sabba [REDACTED]  
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**Subject:** brazil - is it close to a cycle reversal? [C]

Classification: **Confidential**

Jeffrey – we are working on some ideas on Brazil that might be relevant if you have the view Brazil is close to a cycle reversal. Do you have a moment to chat?

1. 10y credit linked note on Petrobras that pays 3mL+445bps and has the following redemption profile:
  - Credit event in first three years: Early Termination and Client receives 100% x Notional
  - Default after the first three years: Early Termination and Client receives Recovery x Notional (similar to bonds)

This structure expresses a view that either Petrobras will default in the next 3 years (where there's protection) or will survive this cycle and not default. 30% of Petrobras' bond debt outstanding is maturing in the next 3 years (see below; \$16bn out of \$54bn).



2. Local onshore Brazilian bonds – which are trading at ~15% yields. These can be accessed through a total return swap or a local onshore account.

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