From: Vahe Stepanian [redacted]
Sent: 11/17/2015 5:43:01 PM
To: Paul Morris [redacted]
CC: Stewart Oldfield [redacted] Daniel Sabba [[redacted]m]; Ariane Dwyer [redacted]
Subject: RE: [I]
Attachments: OZLM Manager Pitchbook_September 2015.pdf; Global Research FI Top Ideas November 2015.pdf; Petrobras - Buy the 17s DB Research.pdf

Classification: **For internal use only**

Paul – as discussed, please find a list of relevant ideas for Southern Financial on the back of the client's ask below. The CB&S desk analyst looking at CoCos will be sending us a few specific issues in the morning, which we will send along to you once available. In addition to Petrobras, I've attached a piece with top AWM Fixed Income ideas – pgs. 33-44 are specific to top HY ideas. We can highlight the most relevant ideas – planning on speaking to the desk tomorrow.

Give us a call if you have questions.

Thank you,
Vahe

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1) Buy Petrobras '17s. Rationale:

- Since May 2015, Petrobras 10yr spreads have widened by ~400bps and in September S&P downgraded Petrobras to BB
- In October, domestic fuel prices increased and Petrobras announced significant capex and opex cuts for 2015 and 2016. These can be seen as positive signs for the company's future, but may not mitigate its large long term funding gap: Petrobras will need to roll $60bn and $104bn of debt maturities in the next four and nine years respectively and sovereign support is not guaranteed
- DB's Brazil credit analyst believes that the company can meet its short term debt maturities through 2017 without resorting to direct support from the government. DB has revised its forecasts and has upgraded the 3.25% and 3.5% '17s to a Buy rating (please find attached DB Research report). The bonds are currently yielding 7.06% and 7.10% respectively
- Petrobras is one of the largest integrated oil companies worldwide and aims to be one of top 5 globally by 2030

<u>Indicative Terms</u> (as of 11/17/2015):

Client buys	PETBRA 3.250% Notes '17
Maturity	03/17/2017
Amount O/S	$1.6bn
Rating	Ba2 / BB / BBB- (Mdy/S&P/Fitch)
Price	95.25
Mid Yield	7.06%

Client buys	PETBRA 3.500% Notes '17
Maturity	02/06/2017
Amount O/S	$1.75bn
Rating	Ba2 / BB / BBB- (Mdy/S&P/Fitch)
Price	95.875
Mid Yield	7.10%