
From: Vahe Stepanian [REDACTED]
Sent: 11/18/2015 3:52:19 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
CC: Daniel Sabba [REDACTED]; Ariane Dwyer [REDACTED]; Paul Morris [REDACTED];
Stewart Oldfield [REDACTED]; [REDACTED]
Subject: Fixed Income Follow-Up [C]
Attachments: Petrobras - Buy the 17s DB Research.pdf

Classification: **Confidential**

Jeffrey - Paul sent along the email you sent to him yesterday (included below) and we worked together to come up with a few ideas that may be relevant.

Please let us know if you have questions.

Thank you,
Vahe

--

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

Indicative Terms (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%

We are happy to also speak about other HY names.