

# ECONOMIC REPORT

Year 10 | Volume nº 93 | 2022 Q1

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Data as good as of 31/03/2022.

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# MARKET SCENARIO



# 1. Market scenario - Highlights

- In the year of 2022 a total of R\$ 104.2 bi in securities were issued so far (3.1.1). Despite the fact that total values were below those observed for 2021-Q1 (R\$ 113.10 bi), it is possible to single out the corporate bond market. Values issued in this market surged 85% when compared to 2021-Q1 (3.3.2), accounting for 51% of 2022 issuance value.
- The set of regulated participants (2.1) has risen 3.4% relative 2021-Q4, now comprising 74.234 participants. It shall be pointed out that growth has been observed in almost all categories, of which can be highlighted Registered Independent Brokers (7.5%), totaling 19.503 registered participants.
- The estimate for the total regulated market (2.2.1) is R\$ 28.14 tri, 15.1% down relative to 2021-Q4. However, it must be stressed out that at each end of year there exists a seasonal factor related to the unwinding of interest rate derivatives positions, which tends to reduce the aggregated notional value. Therefore, the best comparison for this indicator is the YoY, which only denotes a 6.9% decline from 2021-Q1 (R\$ 30.22 tri).
- The daily average financial turnover in the secondary market for equities (odd lot), debentures and REITs keeps below last year (4.1.1, 4.1.2 e 4.1.3). Finally, the YTD number of derivatives contracts settled on exchanges (4.2.2) has kept below last year's for all varieties here considered. Such findings are also correlated to the small increase noted for the liquidity risk indicator (6.1).

## 2. Regulated markets

2.1. Number of participants*	2017	2018	2019	2020	2021	2022
Registered Non-Resident Investors	19.416	19.293	18.244	18.705	19.220	19.280
Registered Investment Funds	16.182	17.718	19.427	22.295	26.445	27.254
Registered Asset Managers (sum)	3.411	3.475	3.561	3.814	4.191	4.300
Fiduciary Administrators (only)	36	42	42	49	54	54
Asset Managers (only)	3.281	3.349	3.438	3.686	4.056	4.164
Both	94	84	81	79	81	82
Registered Research Analysts	606	615	630	840	1.161	1.240
Registered Investment Consultants	686	669	697	791	1.018	1.071
Registered Brokerage Firms (trading)	74	74	74	69	70	70
Registered Brokerage Firms (distribution)	94	101	100	102	106	106
Registered Brokers (sum)	6.652	7.778	10.798	13.881	18.141	19.503
Legal persons	5.492	6.619	9.608	12.275	16.969	18.312
Firms	1.160	1.159	1.190	1.156	1.172	1.191
Registered Custodians	145	139	146	146	156	155
Registered Bookkeepers	53	59	61	63	72	72
Registered Organized Market Administrators	1	1	1	3	3	3
Registered CSDs	1	1	1	1	2	2
Registered Crowdfunding Platforms	N/A	14	26	32	54	55
Registered public companies, including foreign and subsidized, with active status	672	666	656	675	765	774
Registered Independent Auditors	391	375	528	354	346	343
Registered Rating Agencies	7	7	7	6	6	6
<b>TOTAL (*Estimates)</b>	<b>48.391</b>	<b>50.985</b>	<b>54.957</b>	<b>61.777</b>	<b>71.756</b>	<b>74.234</b>

Source: CVM, APIMEC

## 2. Regulated markets

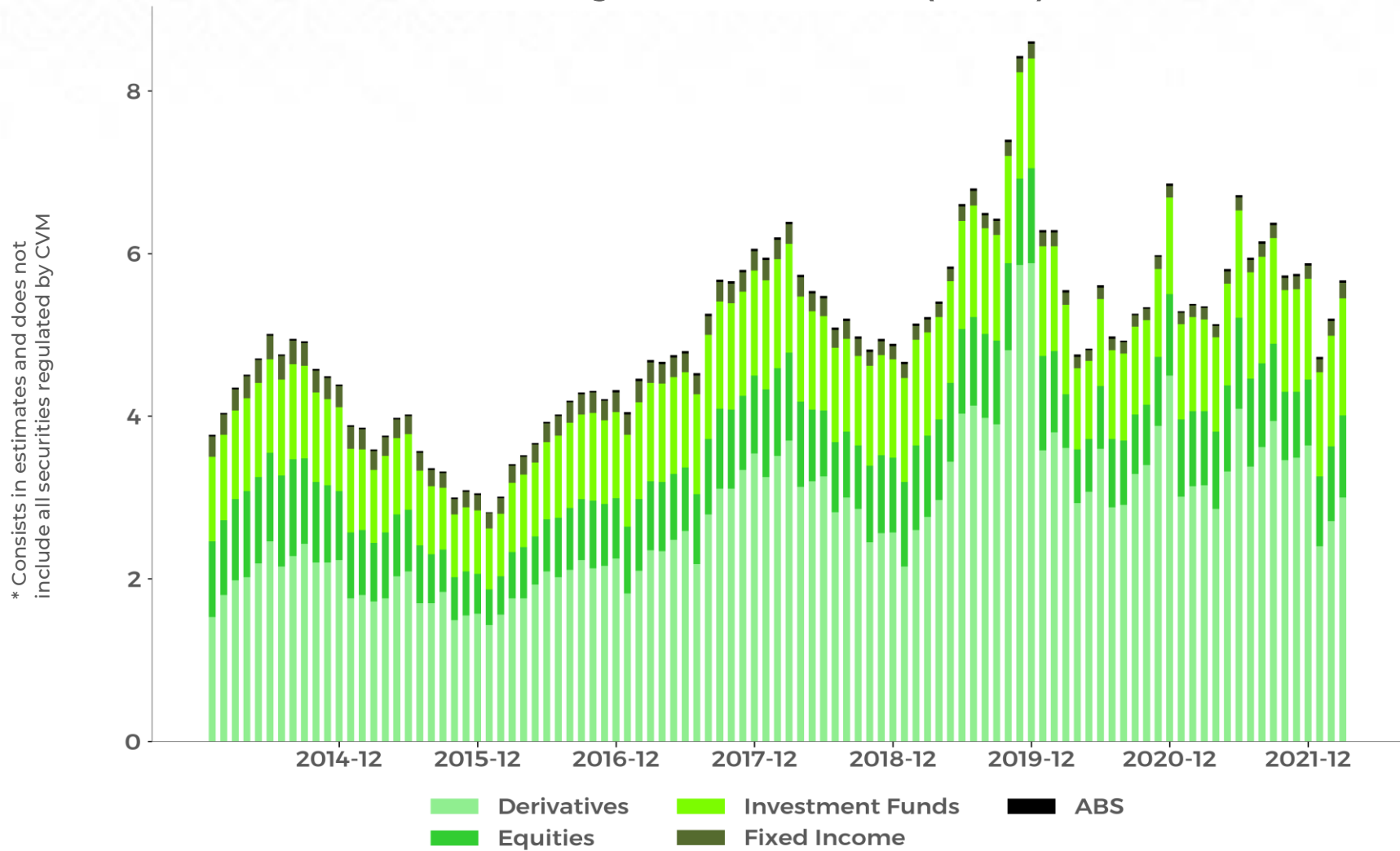
### 2.2.1. Total regulated markets (US\$ tri)\*

CATEGORY	ASSET	2017	2018	2019	2020	2021	2022
Fixed Income	Corporate Bonds	0.23	0.15	0.17	0.13	0.15	0.18
	Commercial Paper	0.01	0.01	0.01	0.01	0.01	0.01
Securitization	MBS	0.02	0.02	0.02	0.02	0.02	0.02
	Agrobusiness	0.01	0.01	0.01	0.01	0.01	0.01
Variable Income	Equities – Market Cap	0.96	0.92	1.17	1.00	0.81	1.01
Derivatives	Notional outstanding	3.54	2.56	5.88	4.50	3.63	2.99
	Structured Notes	0.00	0.01	0.00	0.00	0.01	0.01
Investment Funds	Rule-555	1.15	1.08	1.18	1.03	1.03	1.22
	Structured Funds	0.14	0.13	0.17	0.16	0.21	0.22
<b>TOTAL</b>		<b>6.05</b>	<b>4.87</b>	<b>8.60</b>	<b>6.86</b>	<b>5.87</b>	<b>5.67</b>

\* Consists in estimates and does not include all securities regulated by CVM

## 2. Regulated markets

### 2.2.2. Regulated market value (US\$ tri)\*

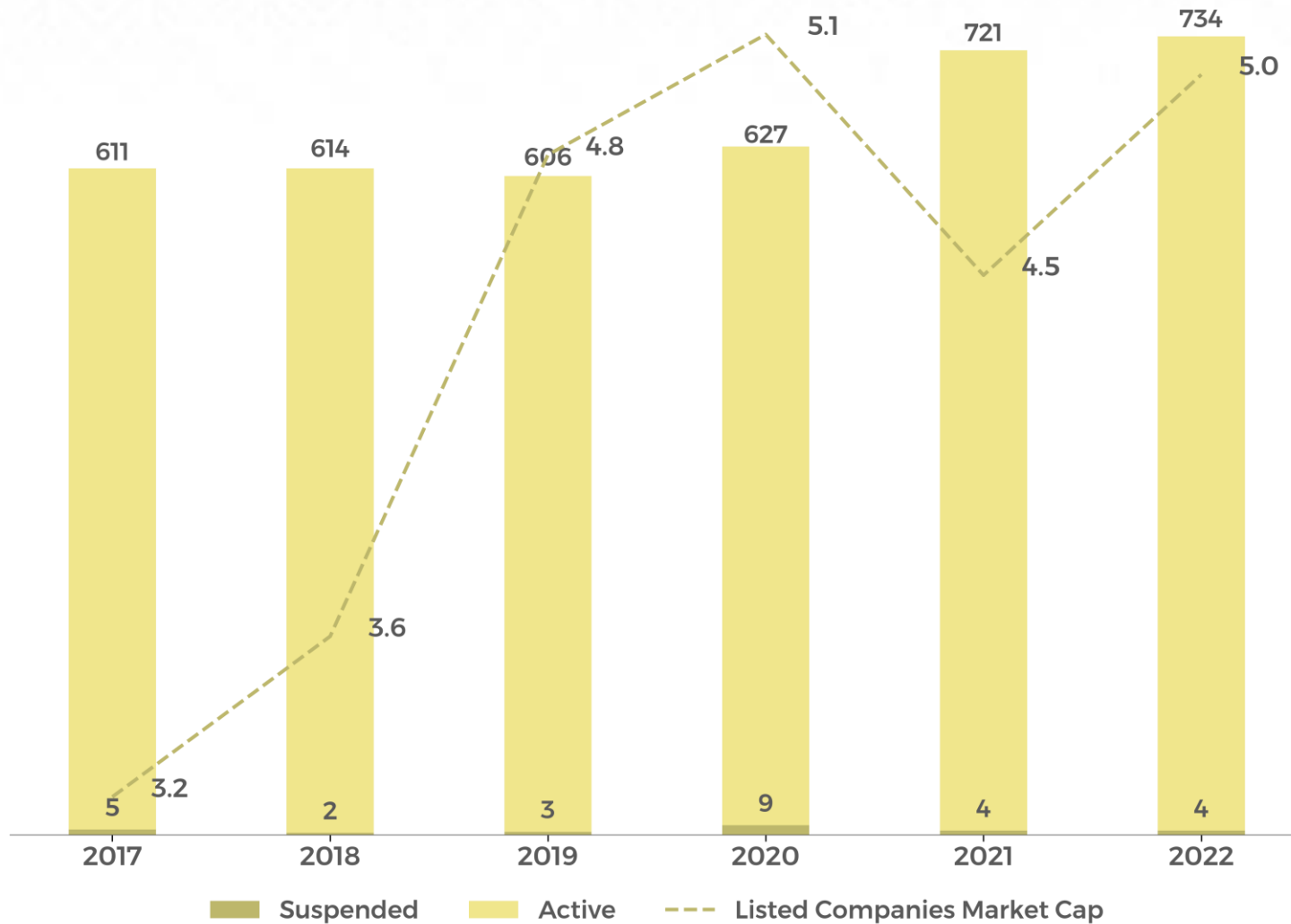


Source: CVM and Organized Market Administrators



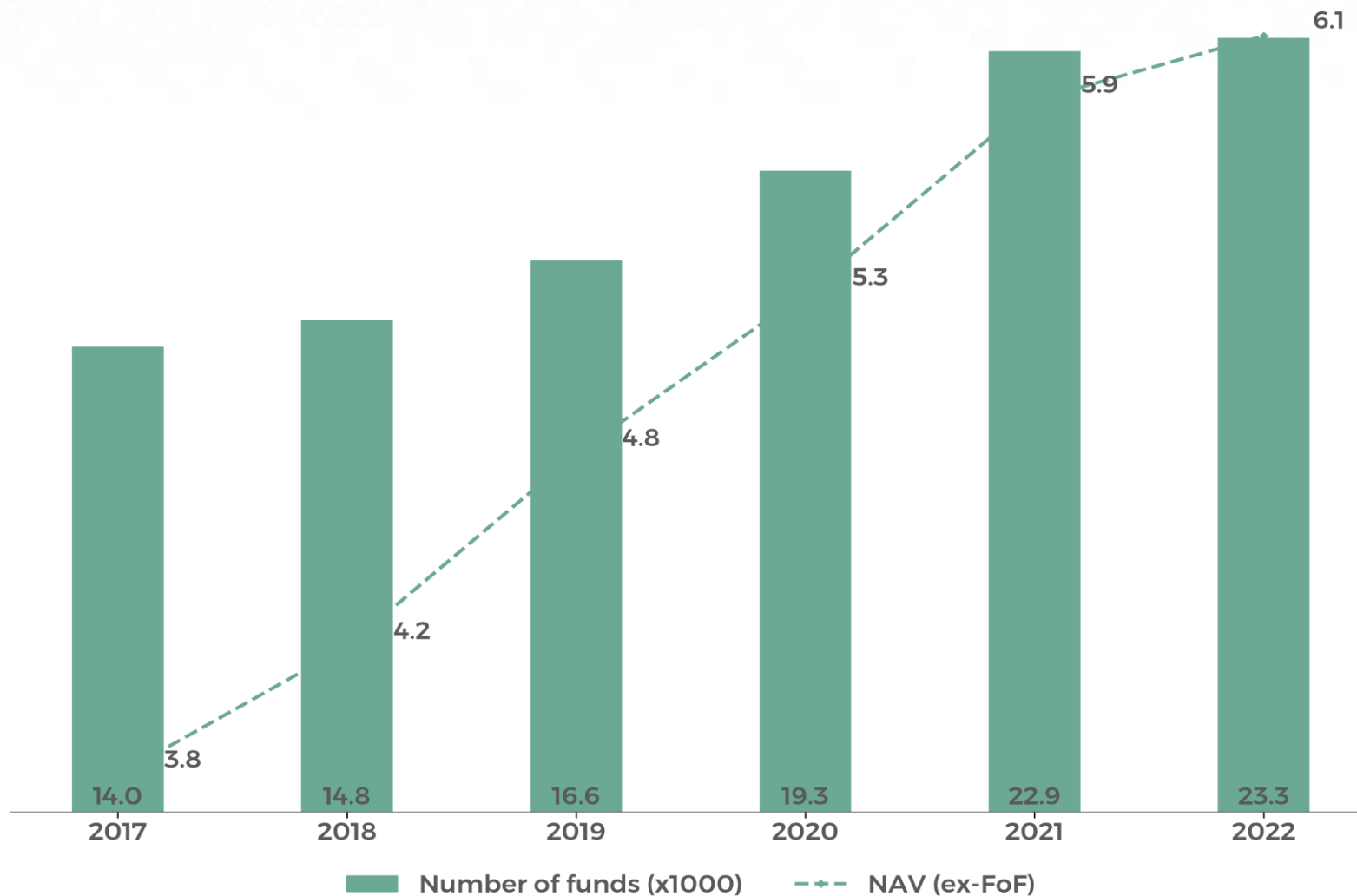
## 2. Regulated markets

### 2.3. Registered companies and listed companies market cap (R\$ tri)

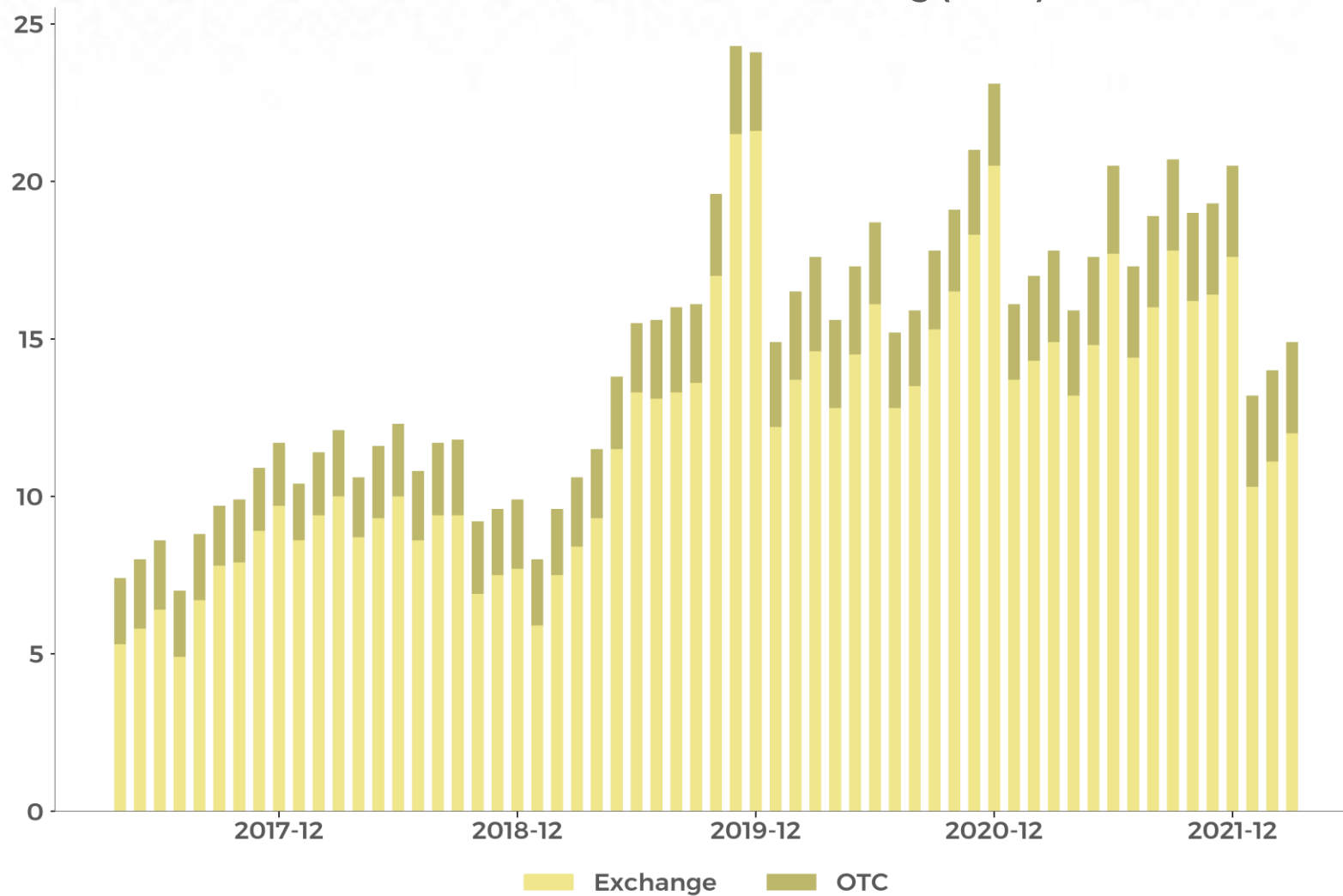


Source: CVM, B3

### 2.4. ICVM 555 Funds (ex-FoF) – quantity and NAV (R\$ tri)



### 2.5. Derivatives – notional outstanding (R\$ tri)



## 3. Primary markets

### 3.1. Annual totals by rule

\* Consists in estimates and does not include all securities regulated by CVM. Includes stocks+DR, MBS, Agrobusiness ABS, CDOs, REITs, Private Equity, CP, bank bonds and corporate bonds (ex-leasing). ICVM 476 offers exclude ongoing efforts.

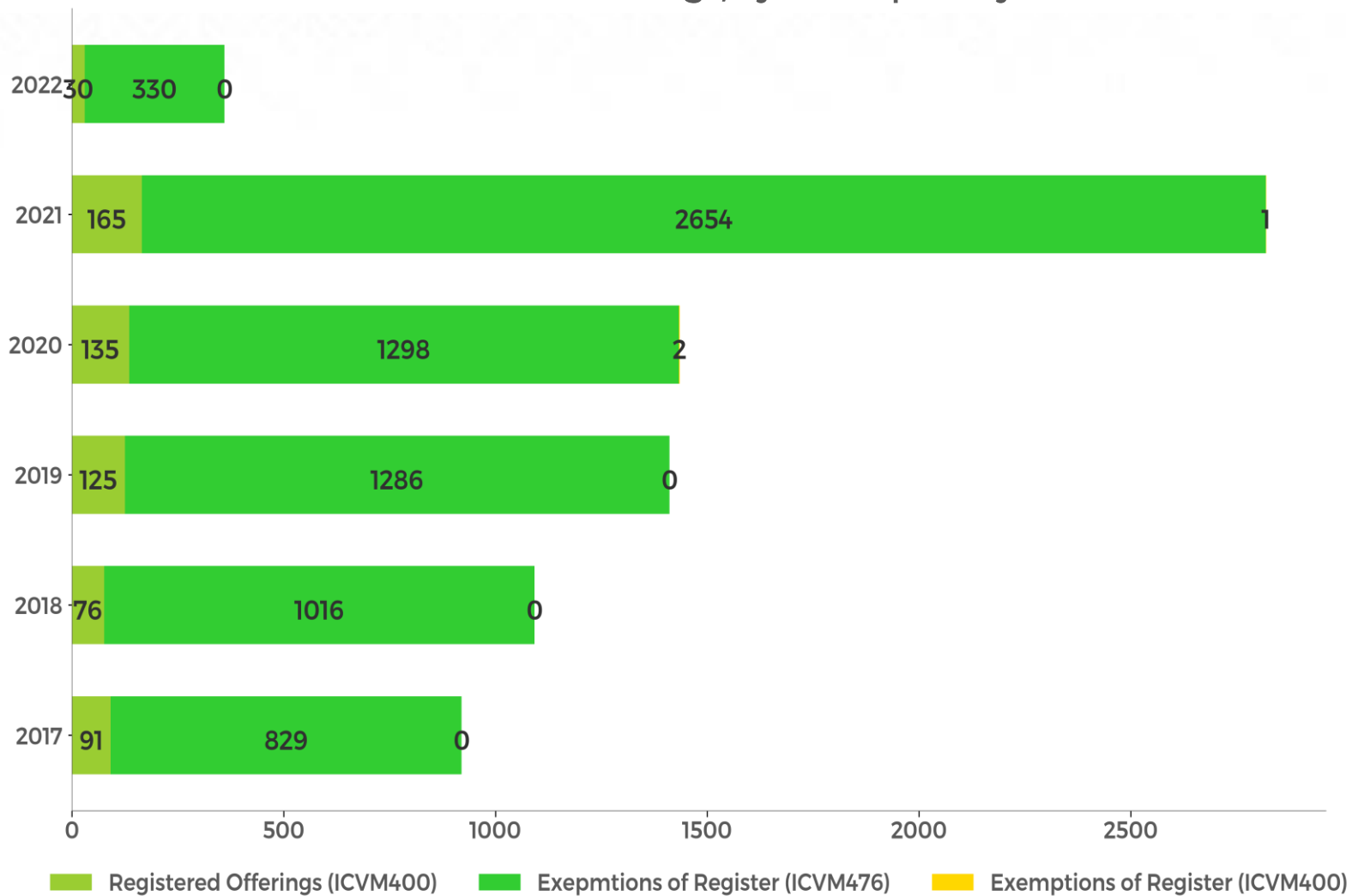
3.1.1. Annual totals (quantity and value)*	2017		2018		2019		2020		2021		2022	
	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi
ICVM 400	91	50.2	76	33.5	125	89.5	135	120.2	165	129.3	30	13.5
ICVM 400 (exemptions)	-	-	-	-	-	-	2	5.0	1	0.1	-	-
ICVM 476	829	176.5	1.016	250.6	1.286	383.9	1.298	307.8	2.654	595.2	330	90.0
ICVM 588 (crowdfunding)	-	-	3	0.00	86	0.10	98	0.13	87	0.16	34	0.07
<b>TOTAL</b>	<b>920</b>	<b>226.7</b>	<b>1.095</b>	<b>284.1</b>	<b>1.497</b>	<b>473.5</b>	<b>1.533</b>	<b>433.1</b>	<b>2.907</b>	<b>724.8</b>	<b>394</b>	<b>104.2</b>

Source: CVM

# 3. Primary markets

## 3.1. Annual totals by rule

3.1.2. Total YTD offerings, by rule – quantity\*

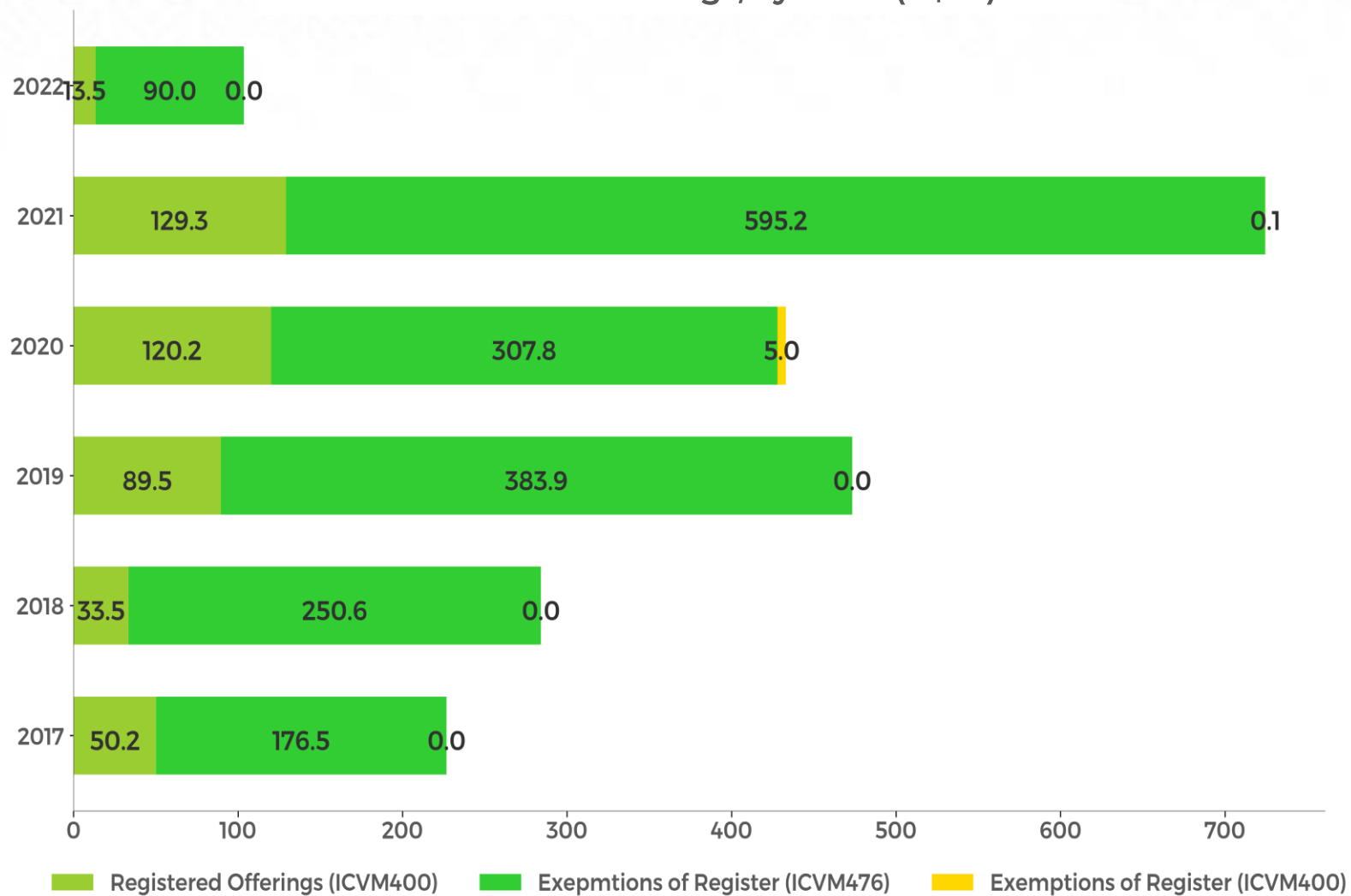


\* Consists in estimates and does not include all securities regulated by CVM. Includes stocks+DR, MBS, Agrobusiness ABS, CDOs, REITs, Private Equity, CP, bank bonds and corporate bonds (ex-leasing). ICVM 476 offers exclude ongoing efforts.

### 3. Primary markets

#### 3.1. Annual totals by rule

3.1.3. Total YTD offerings, by rule – (R\$ bi)\*



\* Consists in estimates and does not include all securities regulated by CVM. Includes stocks+DR, MBS, Agrobusiness ABS, CDOs, REITs, Private Equity, CP, bank bonds and corporate bonds (ex-leasing). ICVM 476 offers exclude ongoing efforts.

## 3. Primary markets

### 3.2. Accumulated totals by rule

\* Consists in estimates and does not include all securities regulated by CVM. Includes stocks+DR, MBS, Agrobusiness ABS, CDOs, REITs, Private Equity, CP, bank bonds and corporate bonds (ex-leasing). ICVM 476 offers exclude ongoing efforts.

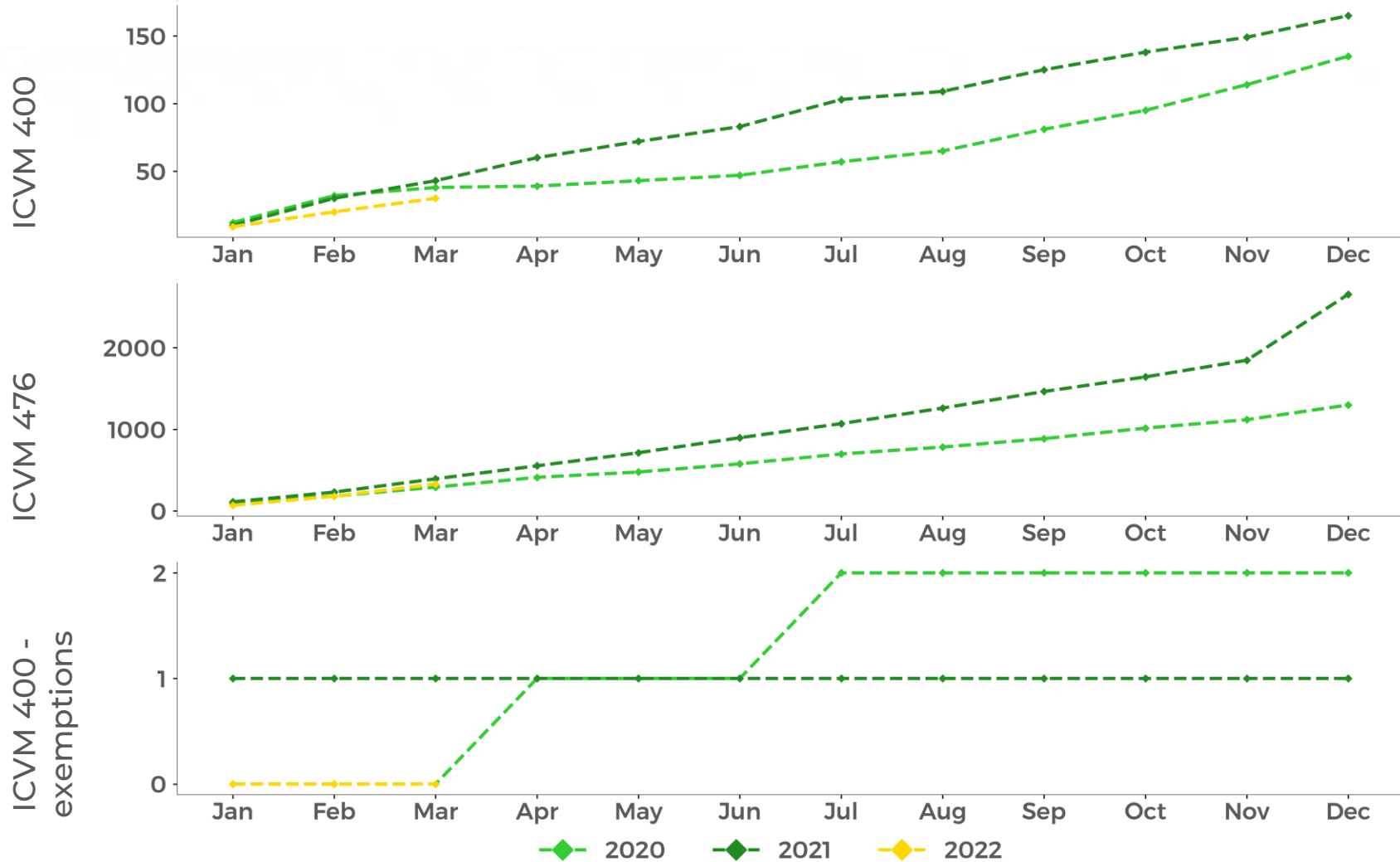
3.2.1. Accumulated totals for the current month (quantity and value)*	2017		2018		2019		2020		2021		2022	
	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi
ICVM 400	17	5.1	17	5.0	19	9.8	38	41.8	43	32.0	30	13.5
ICVM 400 (exemptions)	-	-	-	-	-	-	-	-	1	0.1	-	-
ICVM 476	167	29.7	209	43.3	225	61.3	292	57.1	394	81.0	330	90.0
ICVM 588 (crowdfunding)	-	-	-	-	11	0.01	32	0.03	7	0.0	34	0.07
<b>TOTAL</b>	<b>184</b>	<b>34.8</b>	<b>226</b>	<b>48.3</b>	<b>255</b>	<b>71.2</b>	<b>362</b>	<b>98.9</b>	<b>445</b>	<b>113.1</b>	<b>394</b>	<b>104.2</b>

Source: CVM

### 3. Primary markets

#### 3.2. Accumulated totals by rule

3.2.2. Accumulated totals for the current month, by rule (quantity)



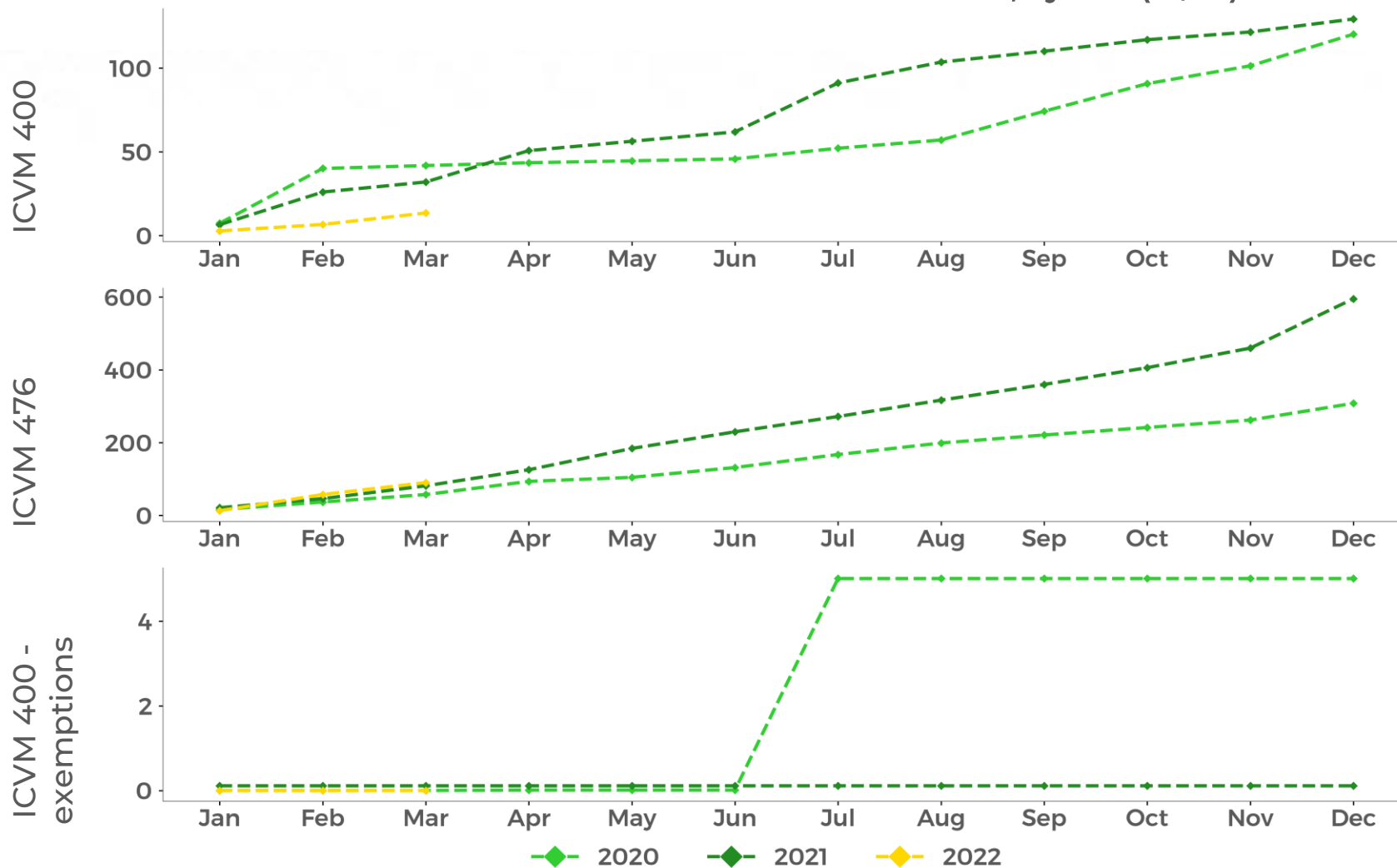
Source: CVM



### 3. Primary markets

#### 3.2. Accumulated totals by rule

3.2.3. Accumulated totals for the current month, by rule (R\$ bi)



Source: CVM

## 3. Primary markets

### 3.3. Annual totals by instrument

\* Consists in estimates and does not include all securities regulated by CVM. Includes stocks+DR, MBS, Agribusiness ABS, CDOs, REITs, Private Equity, CP, bank bonds and corporate bonds (ex-leasing). ICVM 476 offers exclude ongoing efforts.

3.3.1. Annual totals (quantity and value)*	2017		2018		2019		2020		2021		2022	
	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi
Equities	26	40.1	5	11.2	42	90.2	53	118.6	71	130.7	8	11.3
Corporate Bonds	264	88.2	351	149.1	379	185.7	276	121.2	502	251.0	88	53.6
Bank Bonds	8	3.0	14	6.0	21	10.0	2	0.96	-	-	-	-
Commercial Paper	101	27.2	84	29.0	94	36.6	71	21.9	82	27.0	38	12.2
MBS	104	7.7	101	8.2	186	17.6	222	14.1	421	33.5	62	5.1
Agribusiness ABS	67	12.4	52	6.1	69	14.3	56	13.3	124	25.0	31	6.8
CDOs	138	16.4	187	20.6	255	36.8	266	43.1	675	88.5	69	7.2
REITs	74	8.2	104	17.7	196	42.3	256	48.9	382	62.4	36	4.6
Private Equity	138	23.5	194	36.2	169	39.9	233	51.0	563	106.5	28	2.6
<b>TOTAL</b>	<b>920</b>	<b>226.7</b>	<b>1.092</b>	<b>284.1</b>	<b>1.411</b>	<b>473.4</b>	<b>1.435</b>	<b>433.1</b>	<b>2.820</b>	<b>724.6</b>	<b>360</b>	<b>103.4</b>

Source: CVM

## 3. Primary markets

### 3.3. Annual totals by instrument

3.3.2. Accumulated totals for the current month (quantity and value)*	2017		2018		2019		2020		2021		2022	
	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi	qty	R\$ bi
Equities	4	8.0	-	-	3	5.1	9	31.2	21	32.9	8	11.3
Corporate Bonds	47	10.5	77	30.8	58	28.1	67	16.1	75	28.8	88	53.6
Bank Bonds	-	-	1	0.5	7	4.6	-	-	-	-	-	-
Commercial Paper	19	2.7	12	2.5	16	5.3	16	3.3	6	1.2	38	12.2
MBS	17	0.8	22	1.7	29	2.5	51	4.7	81	4.8	62	5.1
Agribusiness ABS	12	1.6	6	0.6	11	2.2	8	0.8	16	3.0	31	6.8
CDOs	33	1.9	34	1.9	48	6.8	64	16.9	86	15.8	69	7.2
REITs	19	1.6	21	3.6	31	7.4	61	13.2	73	14.4	36	4.6
Private Equity	33	7.8	53	6.8	41	9.2	54	12.6	80	12.2	28	2.6
<b>TOTAL</b>	<b>184</b>	<b>34.9</b>	<b>48.4</b>	<b>226</b>	<b>244</b>	<b>71.2</b>	<b>330</b>	<b>98.8</b>	<b>438</b>	<b>113.1</b>	<b>360</b>	<b>103.4</b>

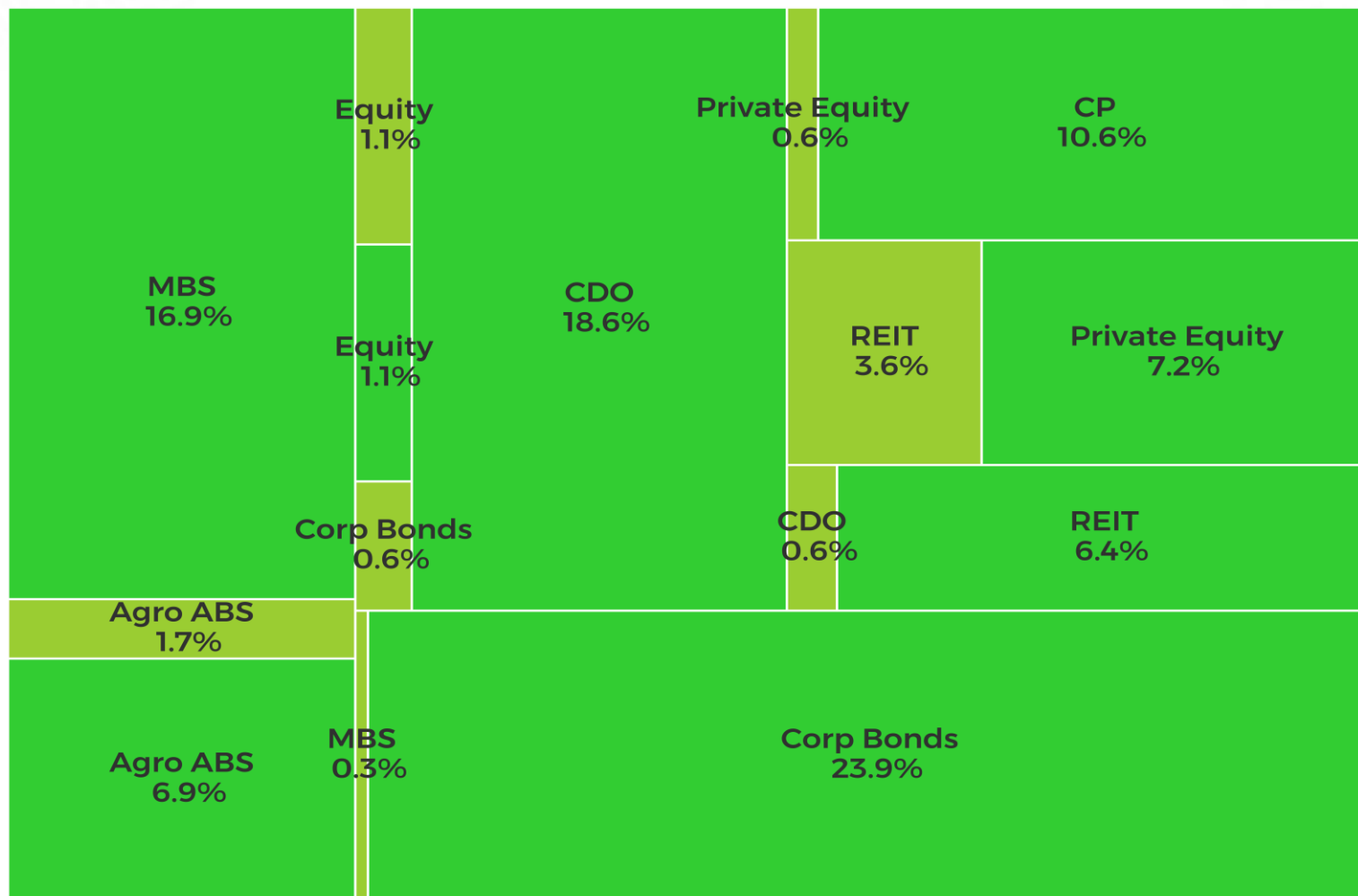
\* Consists in estimates and does not include all securities regulated by CVM. Includes stocks+DR, MBS, Agribusiness ABS, CDOs, REITs, Private Equity, CP, bank bonds and corporate bonds (ex-leasing). ICVM 476 offers exclude ongoing efforts.

Source: CVM

### 3. Primary markets

#### 3.4. Totals by rule and instrument

3.4.1. YTD quantity of offerings (%)\*



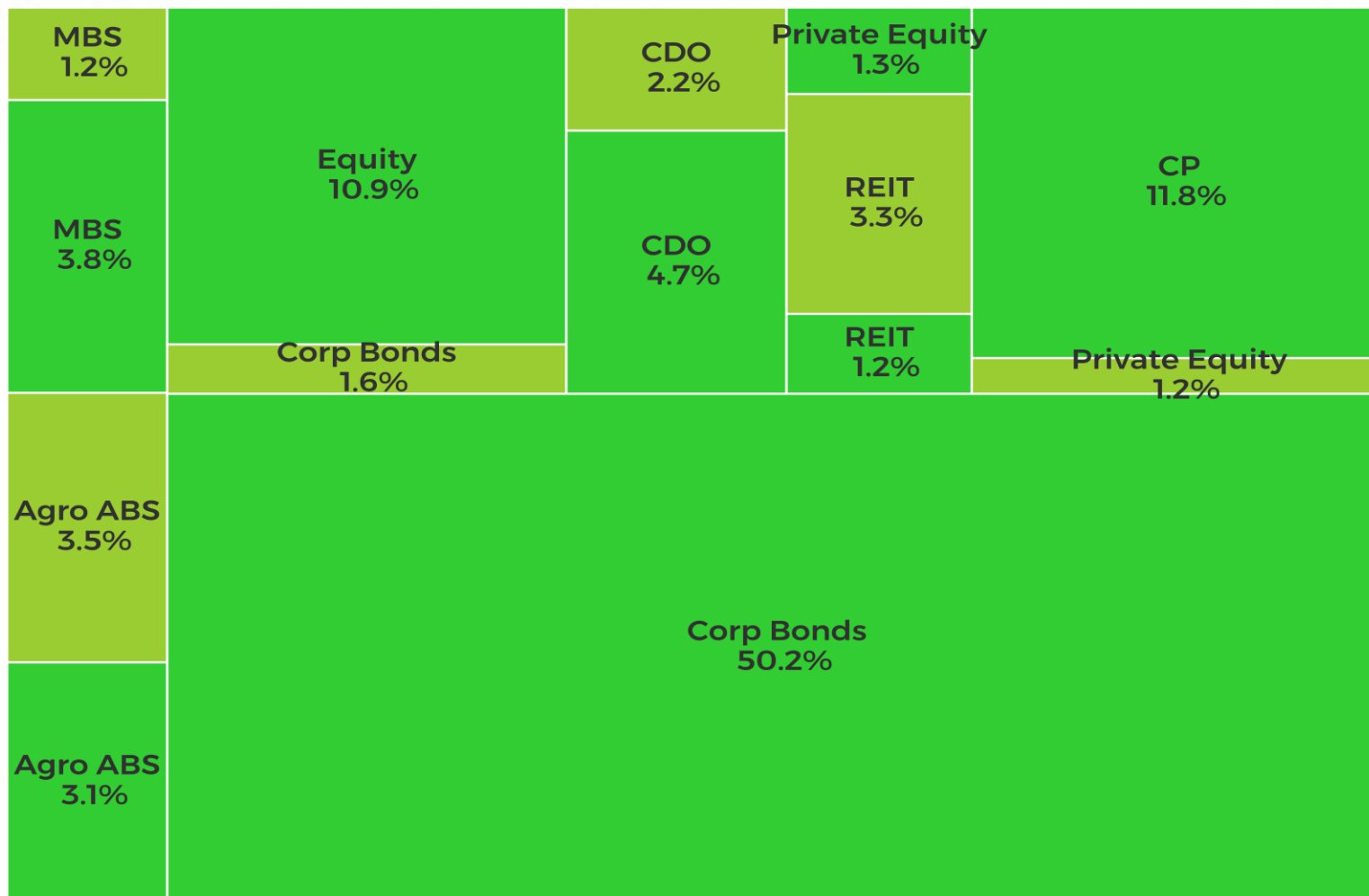
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Registered Offerings (ICVM400) Exemptions of Register (ICVM476) Exemptions of Register (ICVM400)

### 3. Primary markets

#### 3.4. Totals by rule and instrument

3.4.2. YTD value of offerings (%)\*



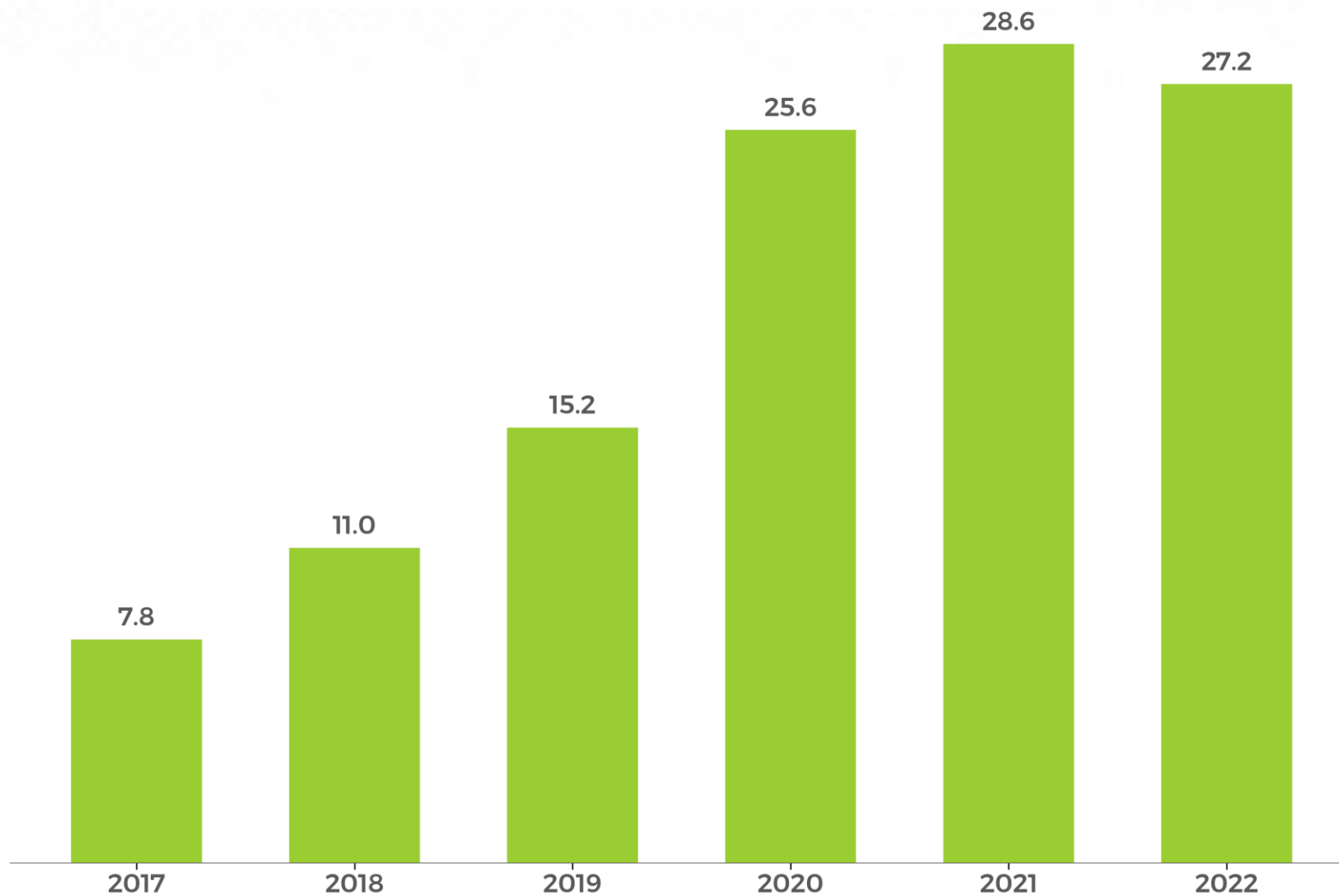
\* Consists in estimates and does not include all securities regulated by CVM. Includes stocks+DR, MBS, Agrobusiness ABS, CDOs, REITs, Private Equity, CP, bank bonds and corporate bonds (ex-leasing). ICVM 476 offers exclude ongoing efforts.

Registered Offerings (ICVM400) Exemptions of Register (ICVM476) Exemptions of Register (ICVM400)

## 4. Secondary markets

### 4.1. Spot

4.1.1. Average daily volume (R\$ bi) – equities (round lot)

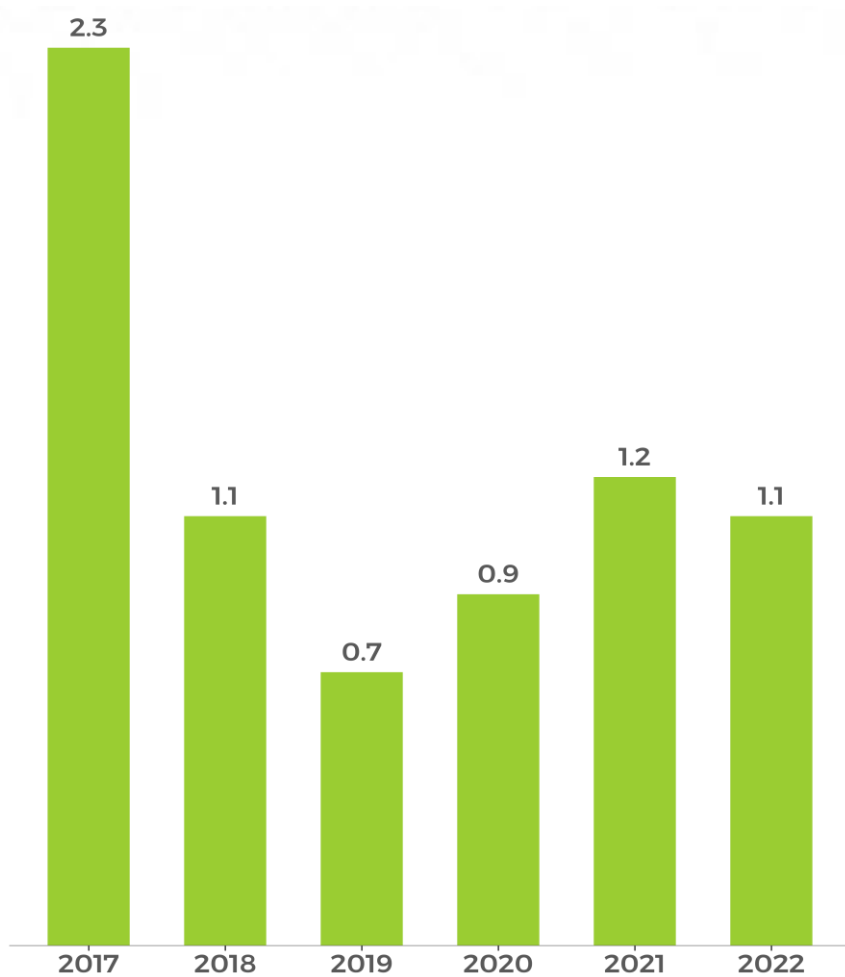


Source: B3

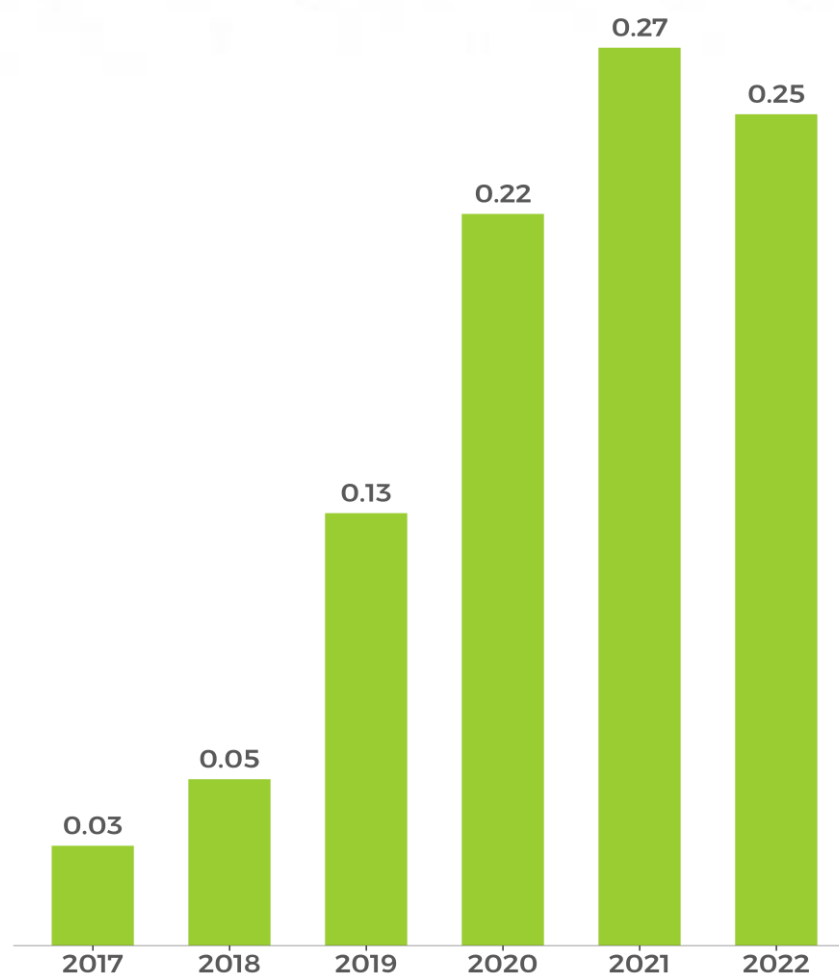
## 4. Secondary markets

### 4.1. Spot

#### 4.1.2. Average daily volume (R\$ bi) – corporate bonds



#### 4.1.3. Average daily volume (R\$ bi) - REITs



## 4. Secondary markets

### 4.2. Derivatives

#### 4.2.1. Derivatives – millions of contracts settled on exchanges (annual total)

INSTRUMENT	2017	2018	2019	2020	2021	2022
CDI Futures	354.4	371.0	476.0	516.7	653.9	151.0
USD Futures	74.2	91.7	94.6	80.2	70.9	16.8
Ibovespa Futures	18.8	23.8	36.1	41.9	49.1	10.0
<b>TOTAL</b>	<b>447.4</b>	<b>486.5</b>	<b>606.7</b>	<b>638.8</b>	<b>773.9</b>	<b>177.8</b>

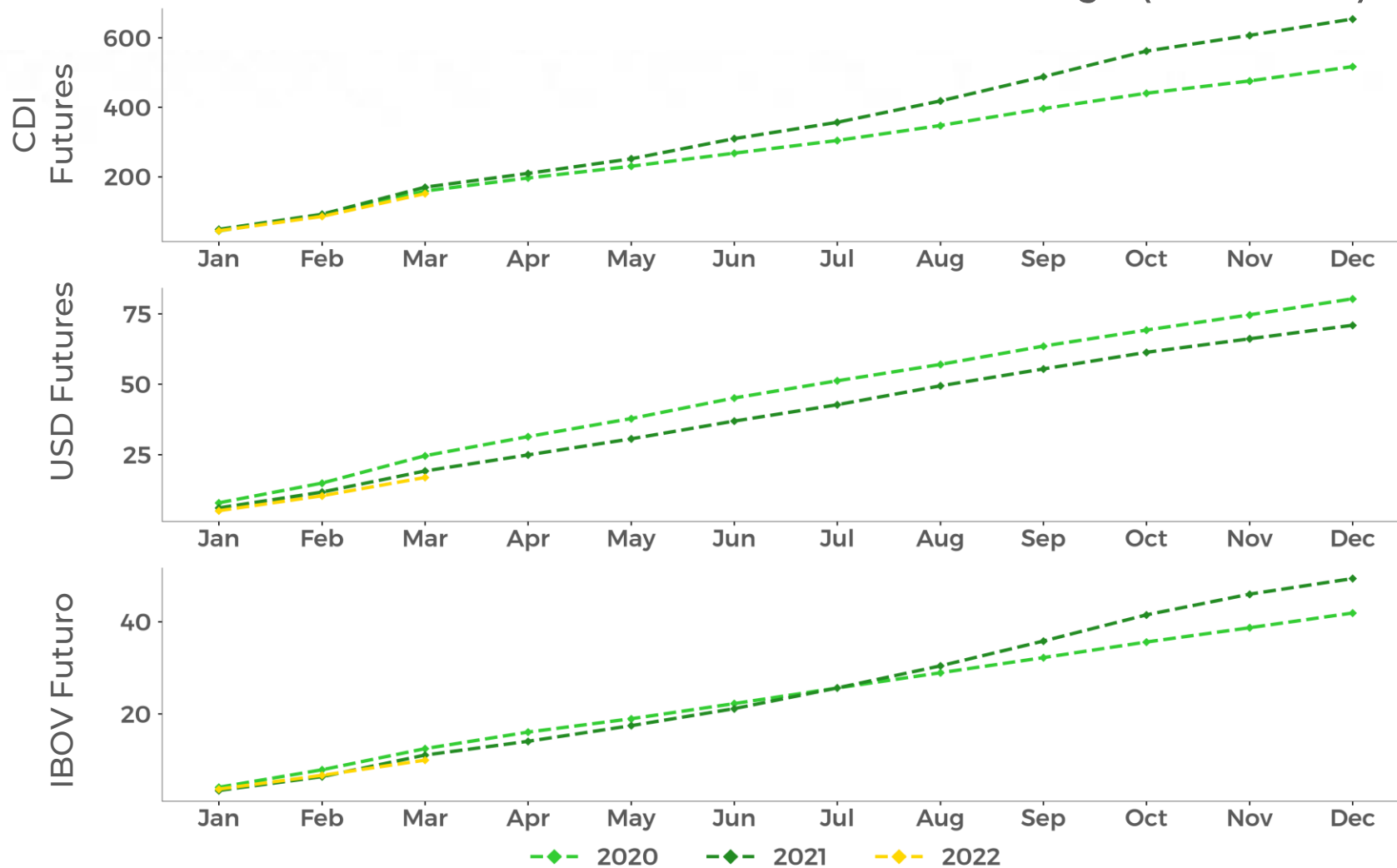
Source: Organized Market Administrators



## 4. Secondary markets

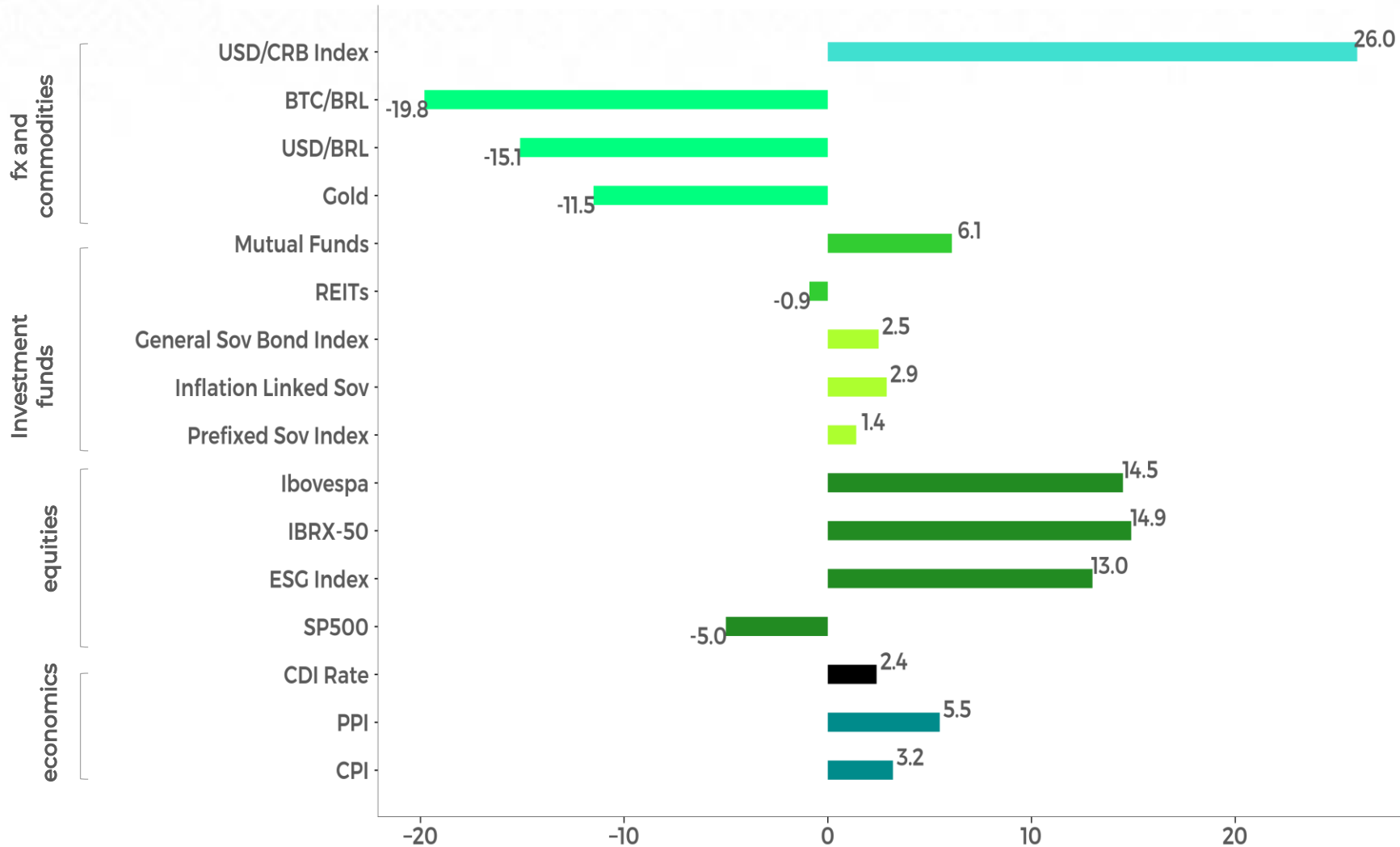
### 4.2. Derivatives

4.2.2. Derivatives – millions of contracts settled on exchanges (accumulated)



Source: Organized Market Administrators

## 5.1. YTD % asset returns

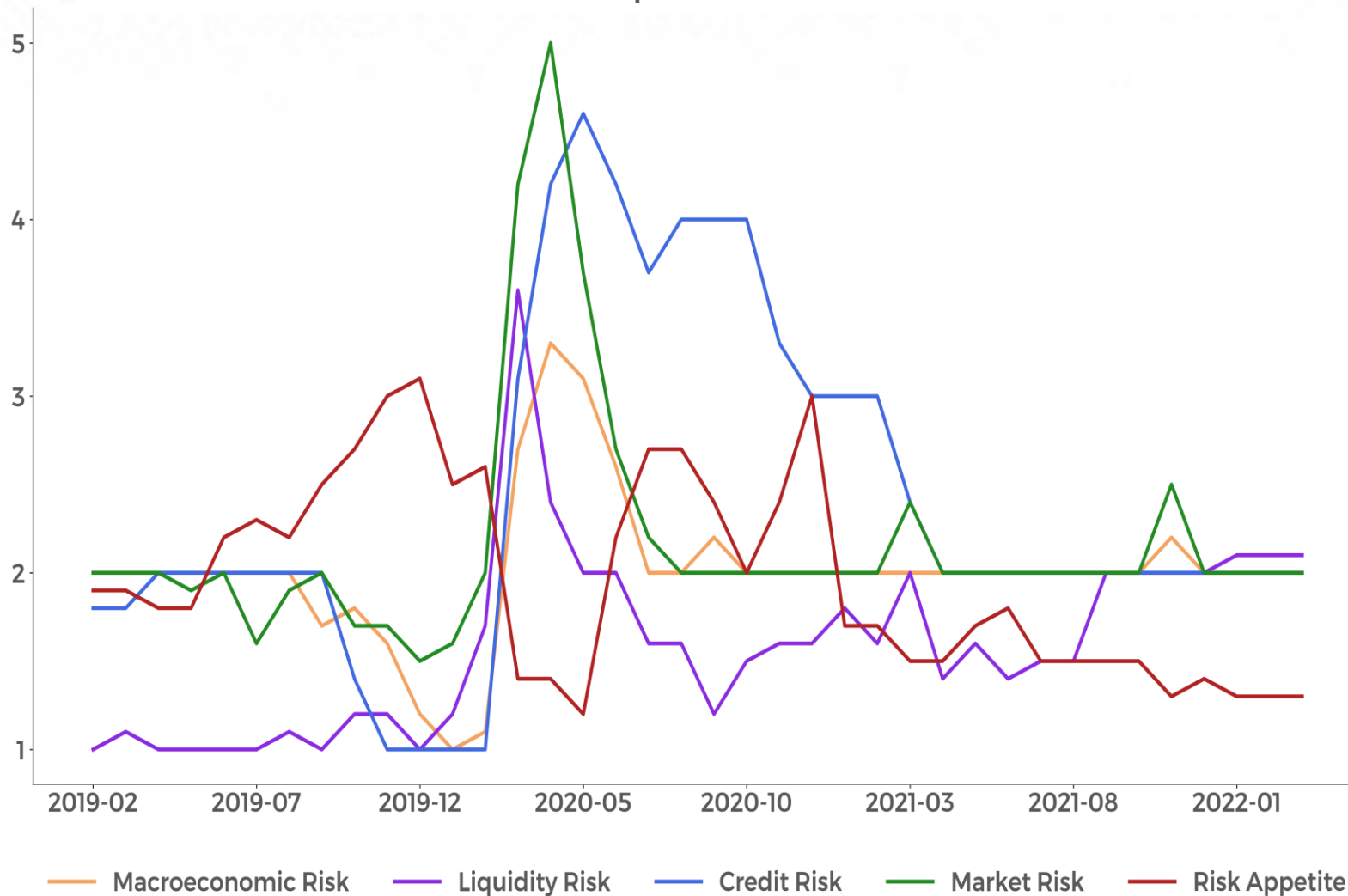


Source: Economatca, Bloomberg

A hand holding a pen points to a bar chart on a document. The document is overlaid with a green diamond pattern. The text 'RISK SCENARIO' is written in large, bold, white letters on the right side of the image.



# RISK SCENARIO

## 6.1. Risk map – last 36 months



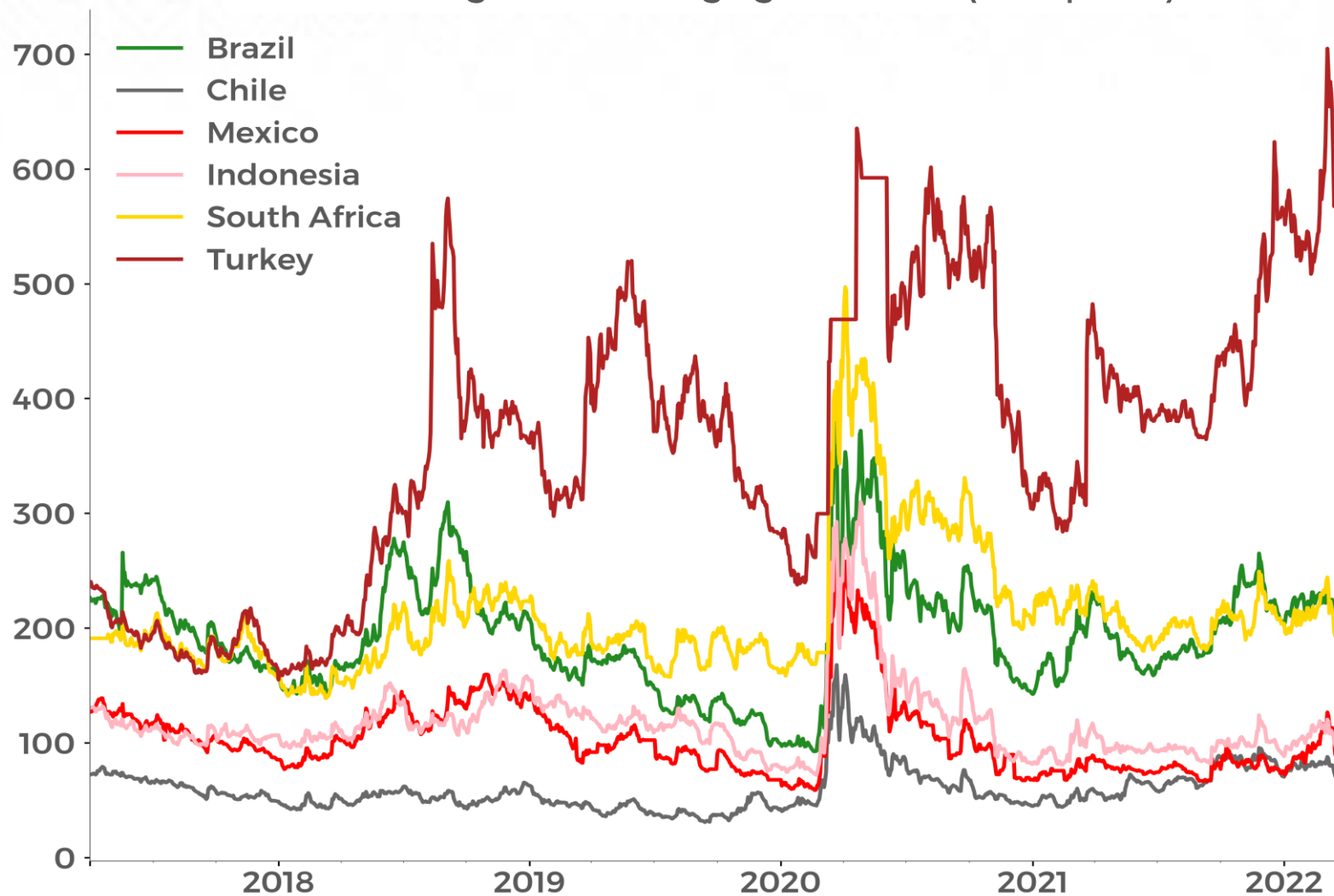
Calculated by CVM according to Methodology

## 6. Risk map - highlights

	MACRO	MARKET	LIQUIDITY	RISK APPETITE	CREDIT
2022-Q1	2.0	2.0	 2.1	 1.3	2.0
2021-Q4	2.0	2.0	2.0	1.4	2.0

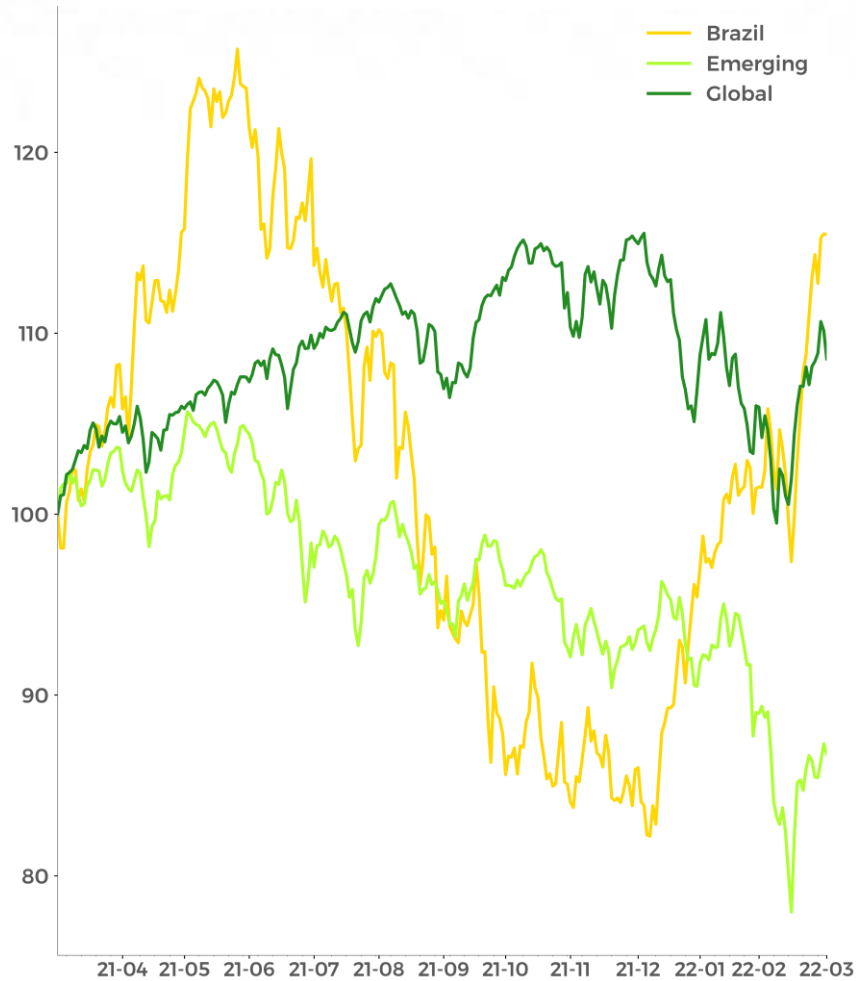
- In the 2022-Q1 global context, marked by accelerating price inflation, high commodity prices and sovereign rate hikes abroad, we could not point out adverse shocks in our Risk Map indicators after the Russian invasion on Ukraine in early February.
- Concerning Brazil, one could affirm that during most of this quarter several indicators have moved on the opposite way of global and EM peers. Such examples include the 10-year USD sovereign spread (9.2), the Estimated Adjusted PE Ratio (9.1) as well as the USD returns on equities indexes (8.1).
- It must be highlighted that despite such movement described above, the risk appetite indicator keeps hovering close historically low values.
- One could also emphasize the declining returns and higher volatility for global and EM corporate bond indexes (8.4), correlated to the context previously described.

## 7.1. Sovereign CDS – emerging economies (basis points)



Source: Bloomberg

### 8.1. MSCI equity indexes – last 12 months return

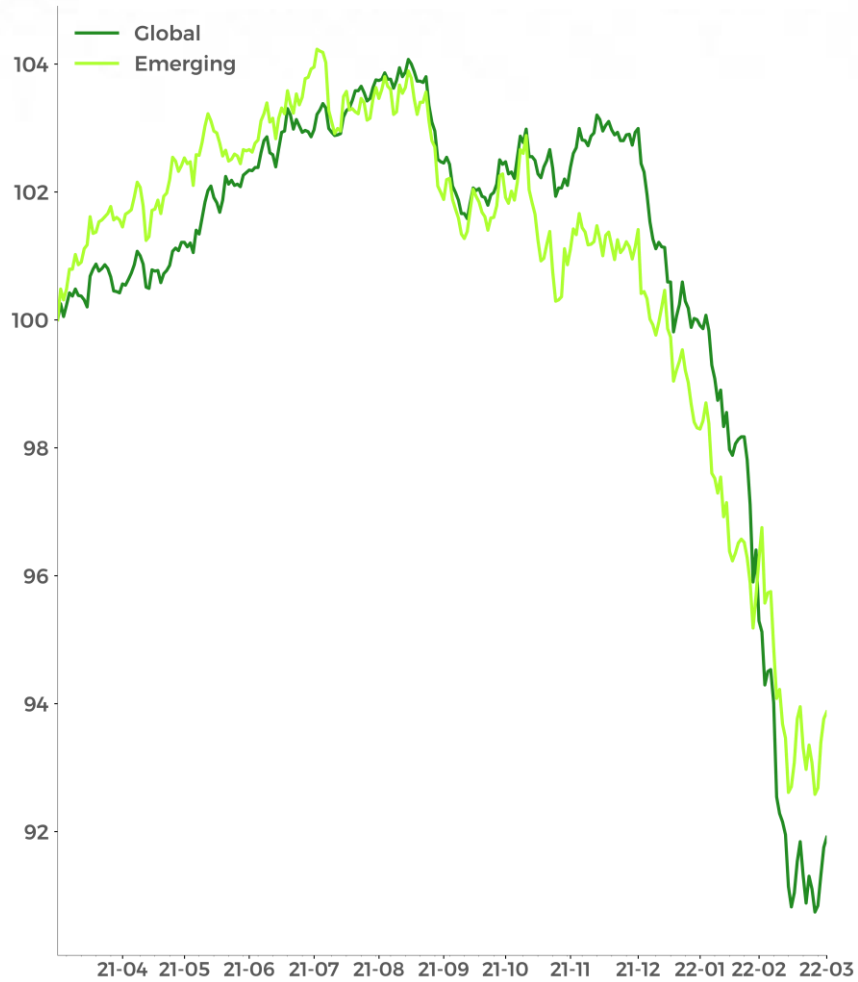


### 8.2. MSCI equity indexes – volatility

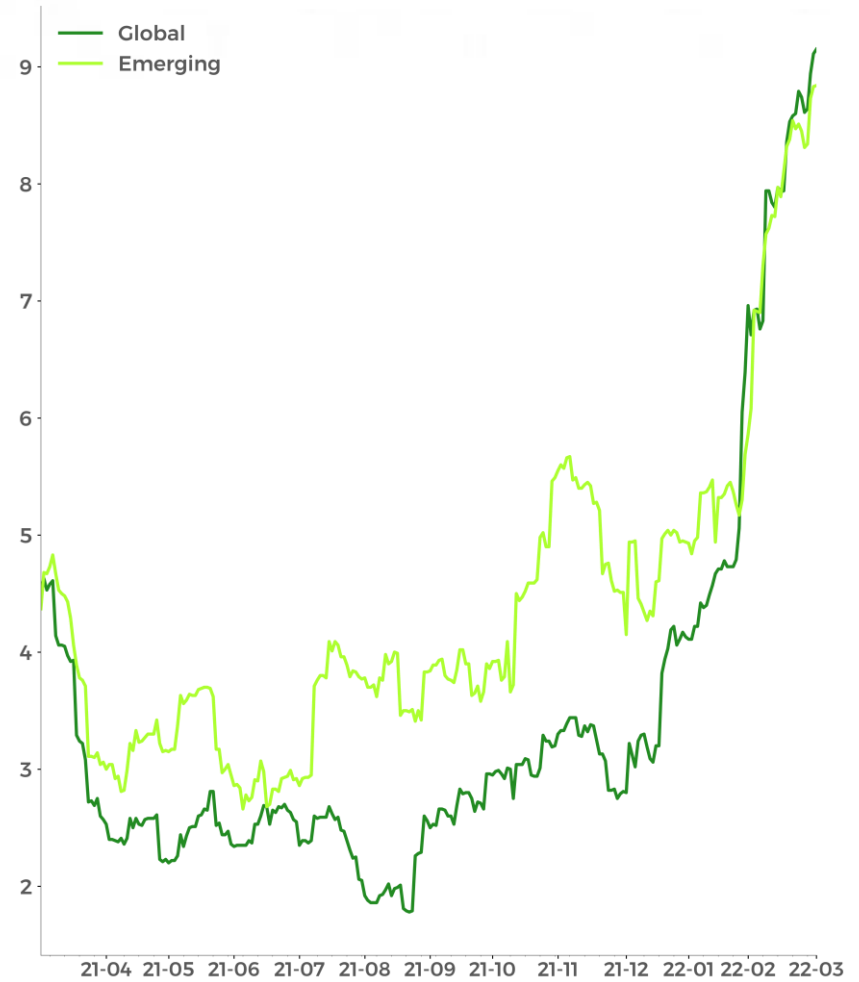


## 8. Market risk

### 8.3. Corporate bond indexes – last 12 months return



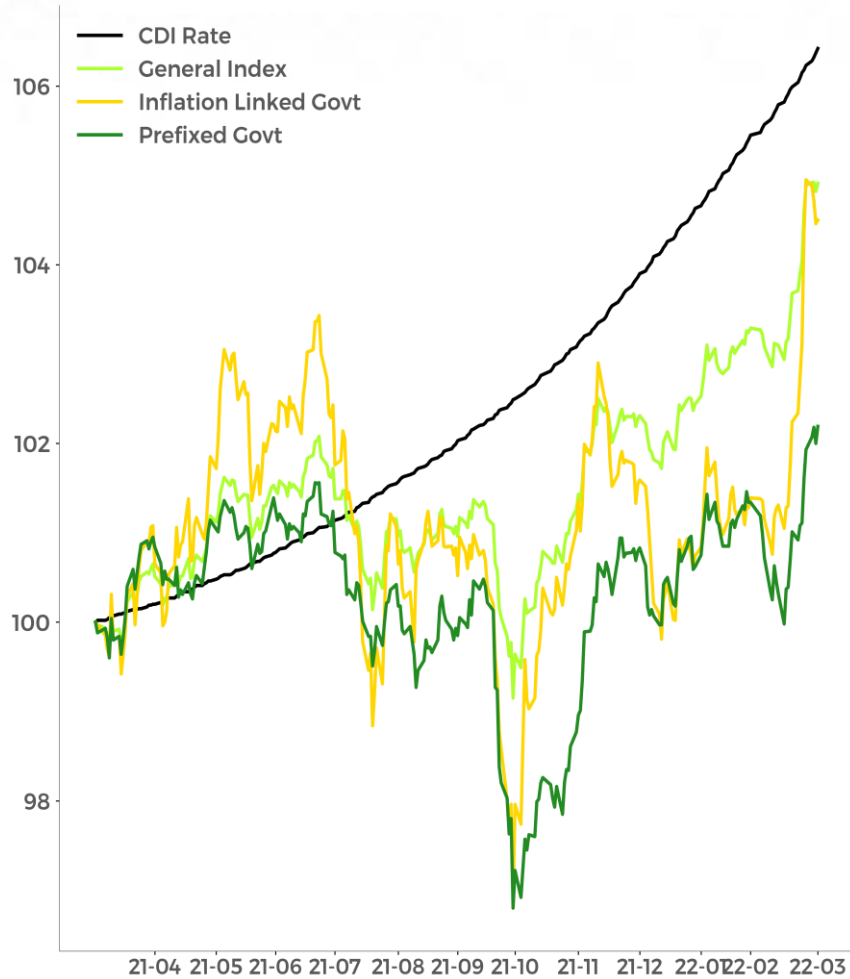
### 8.4. Corporate bond indexes – volatility



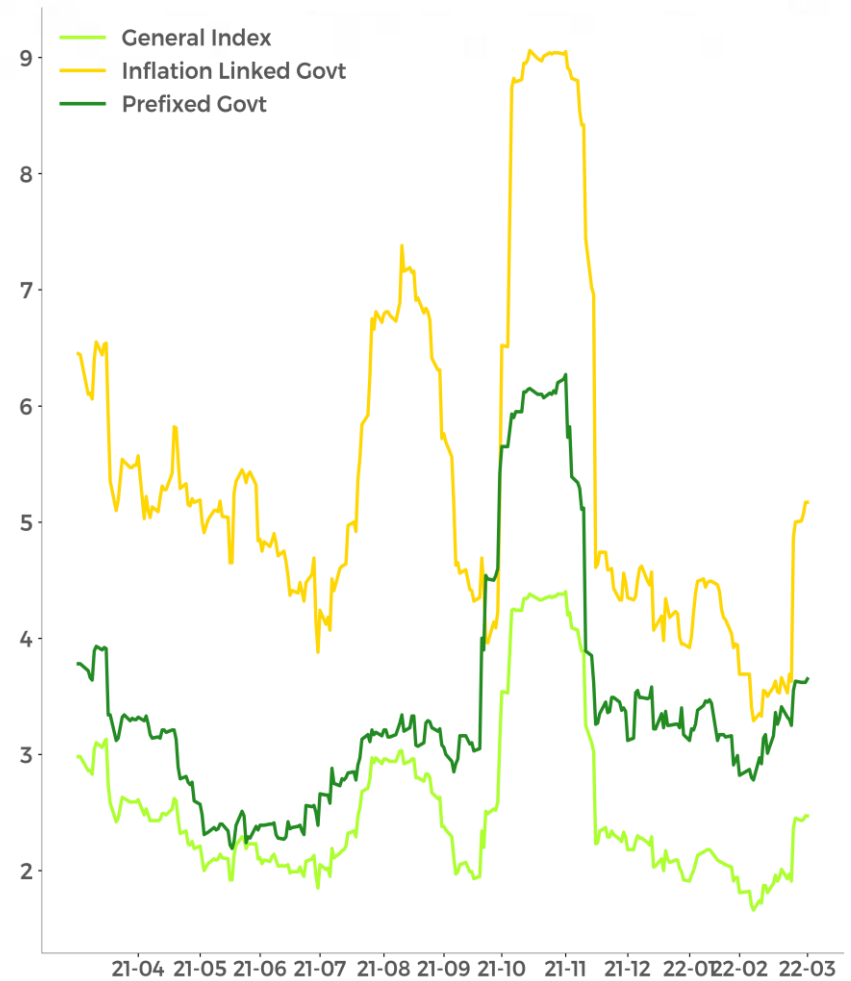


## 8. Market risk

### 8.5. National fixed income indexes – last 12 months return

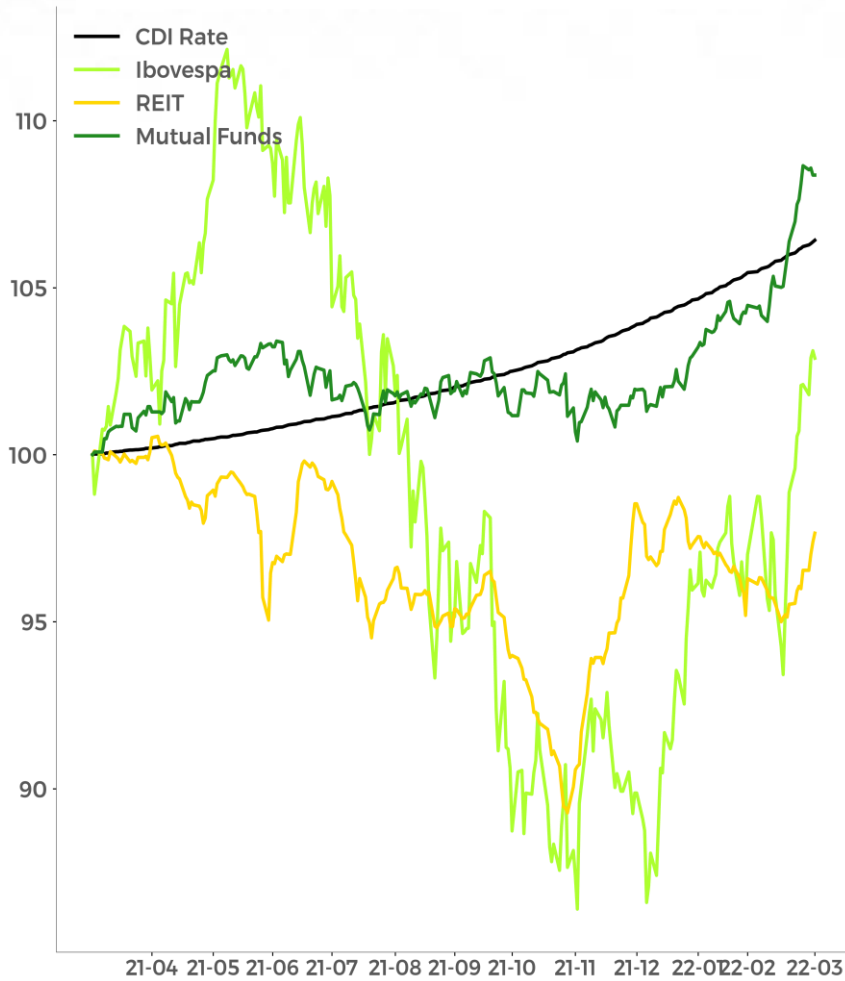


### 8.6. National fixed income indexes – volatility

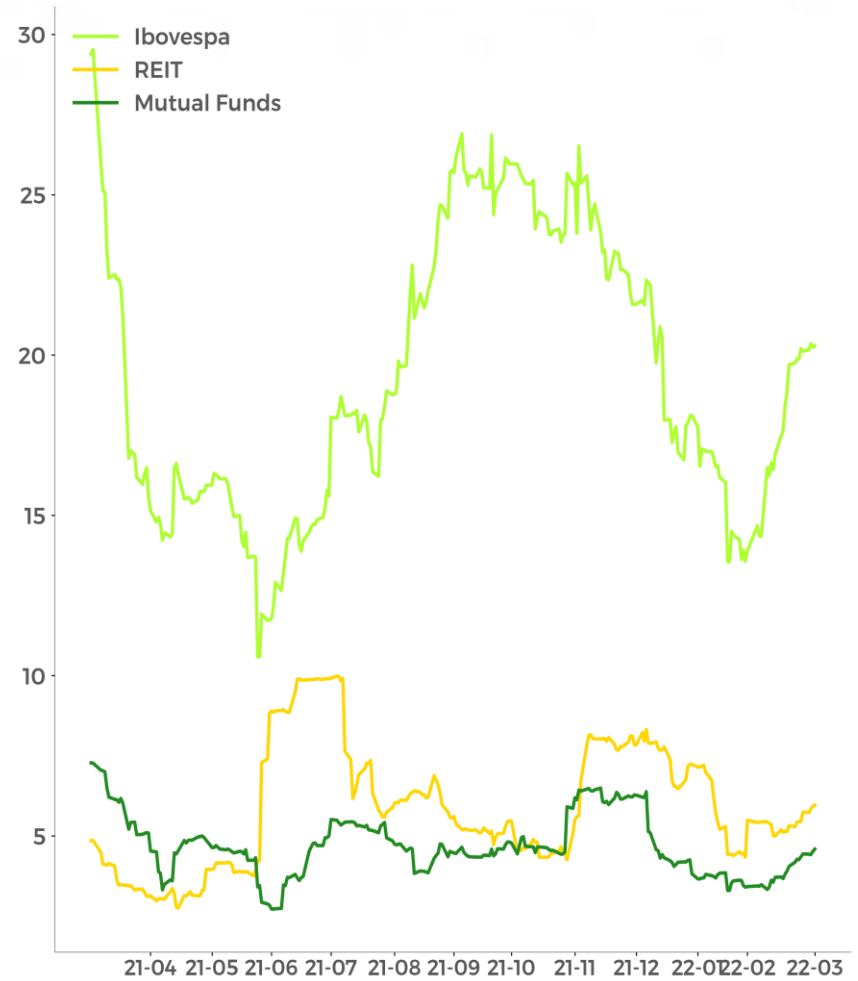


# 8. Market risk

## 8.7. National variable income indexes – last 12 months return

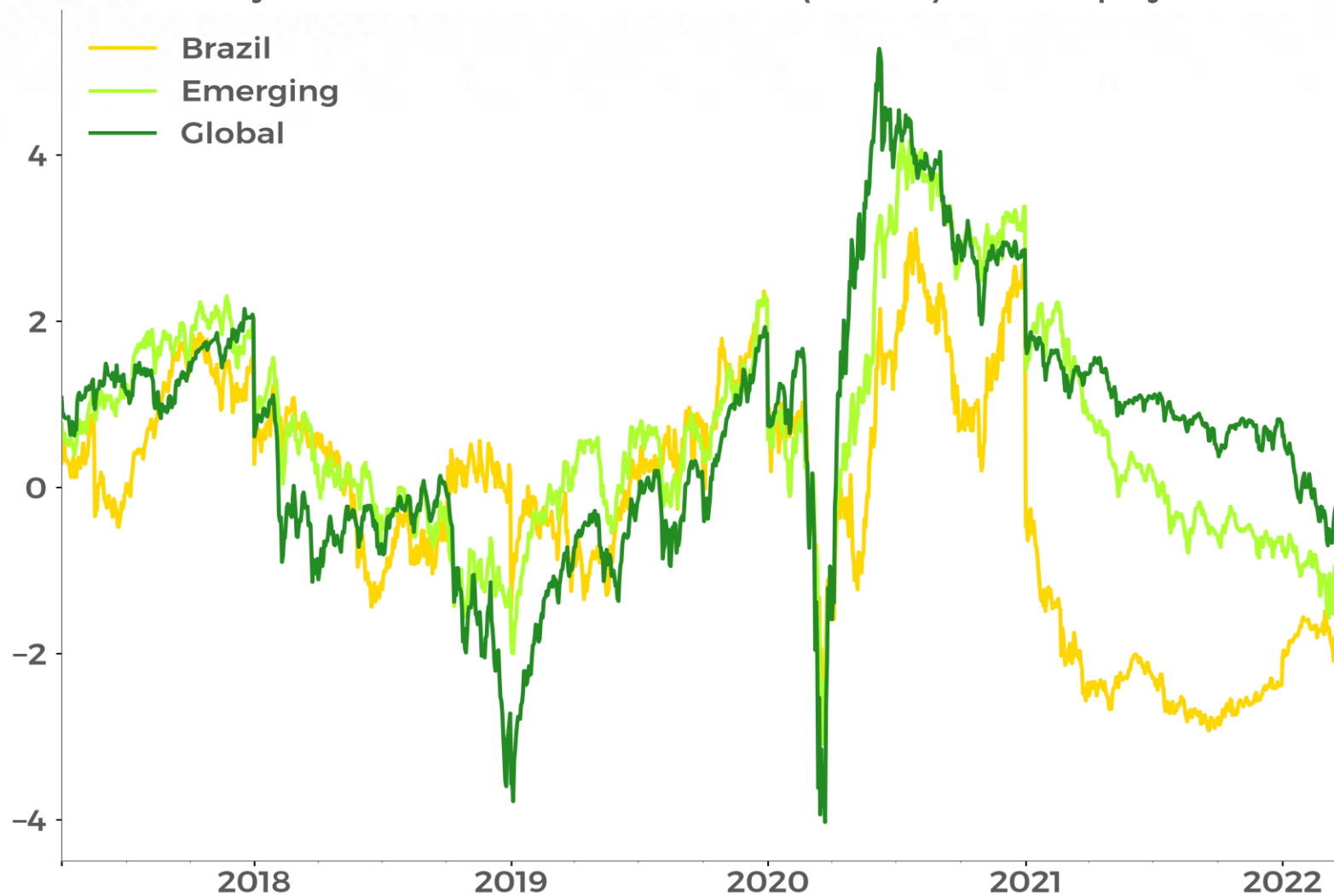


## 8.8. National variable income indexes – volatility



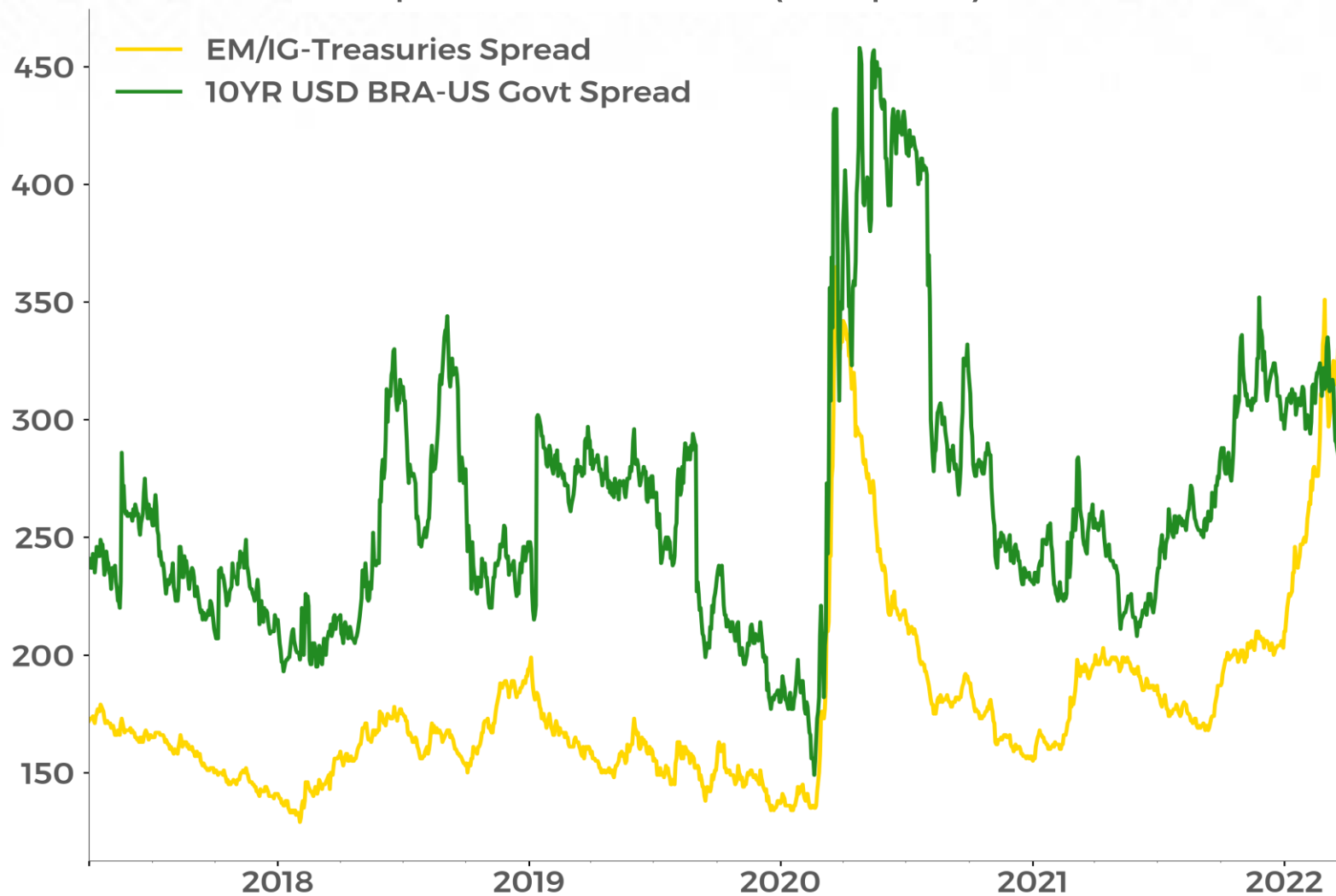
Source: Bloomberg

### 9.1. Adjusted estimated forward PE ratio (Z-Score) – MSCI equity indexes



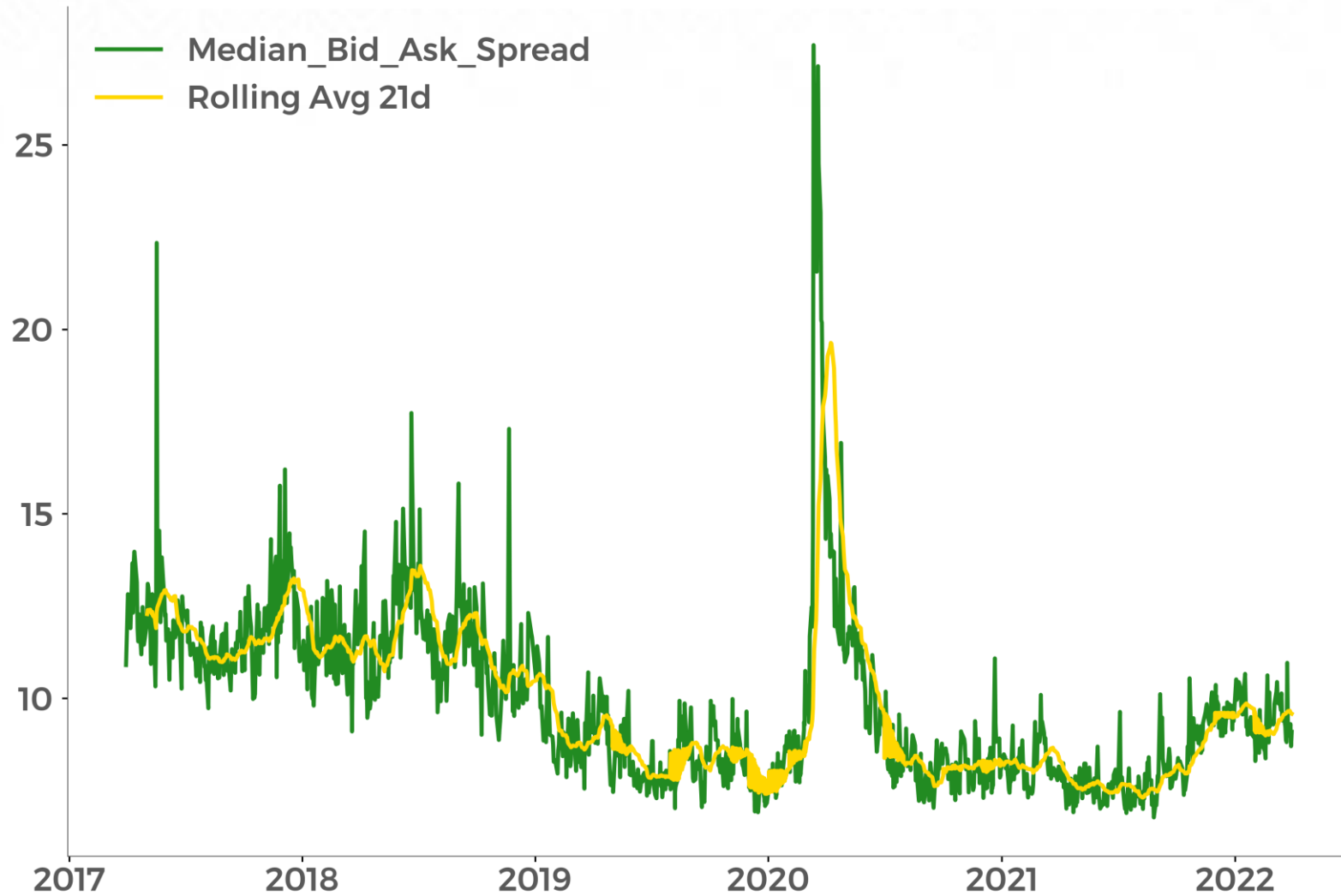
Source: Bloomberg

## 9.2. Spreads vs US treasuries (basis points)



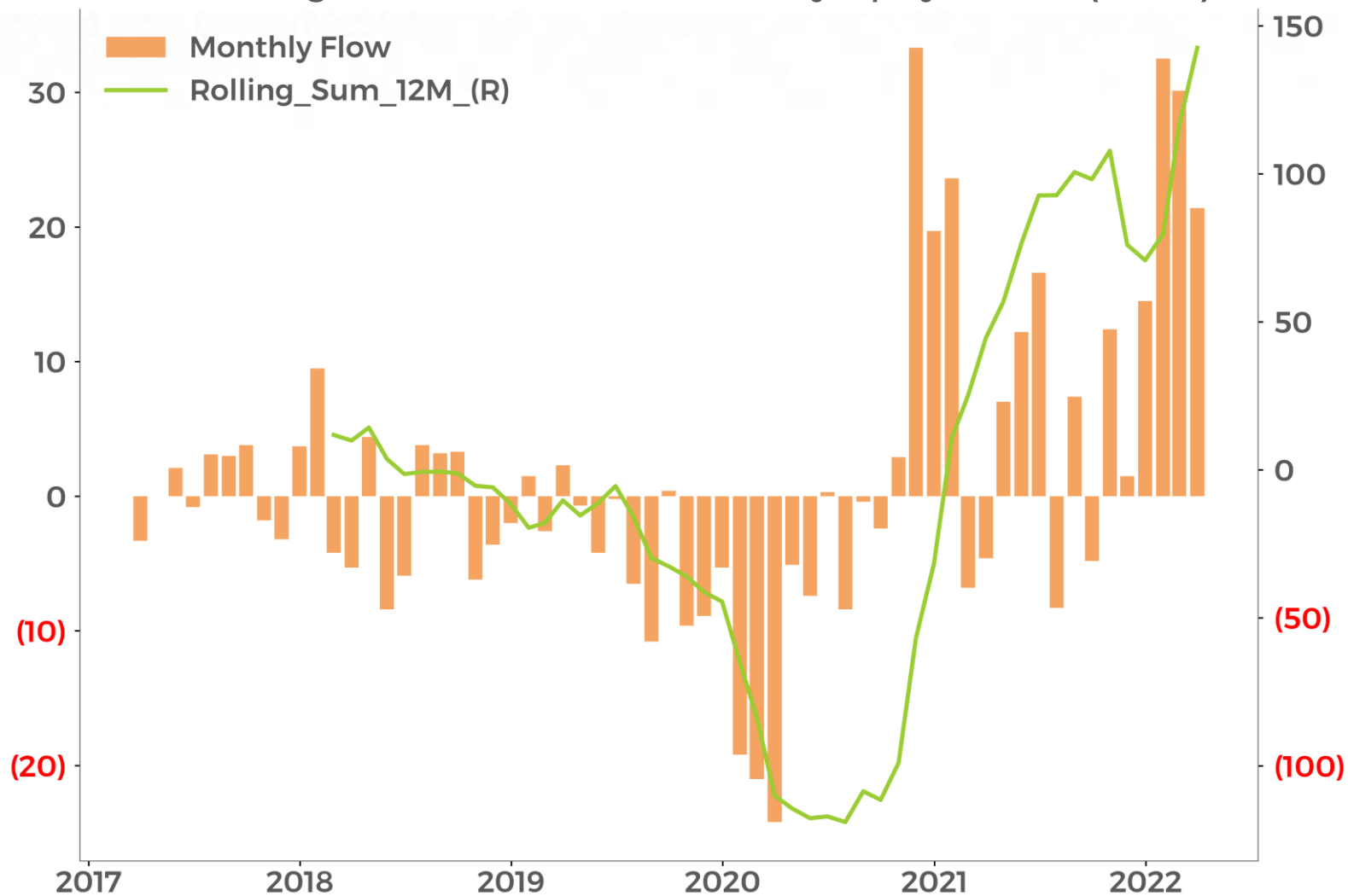
Source: Bloomberg

### 10.1. Bid-Ask spread index – equities (basis points)



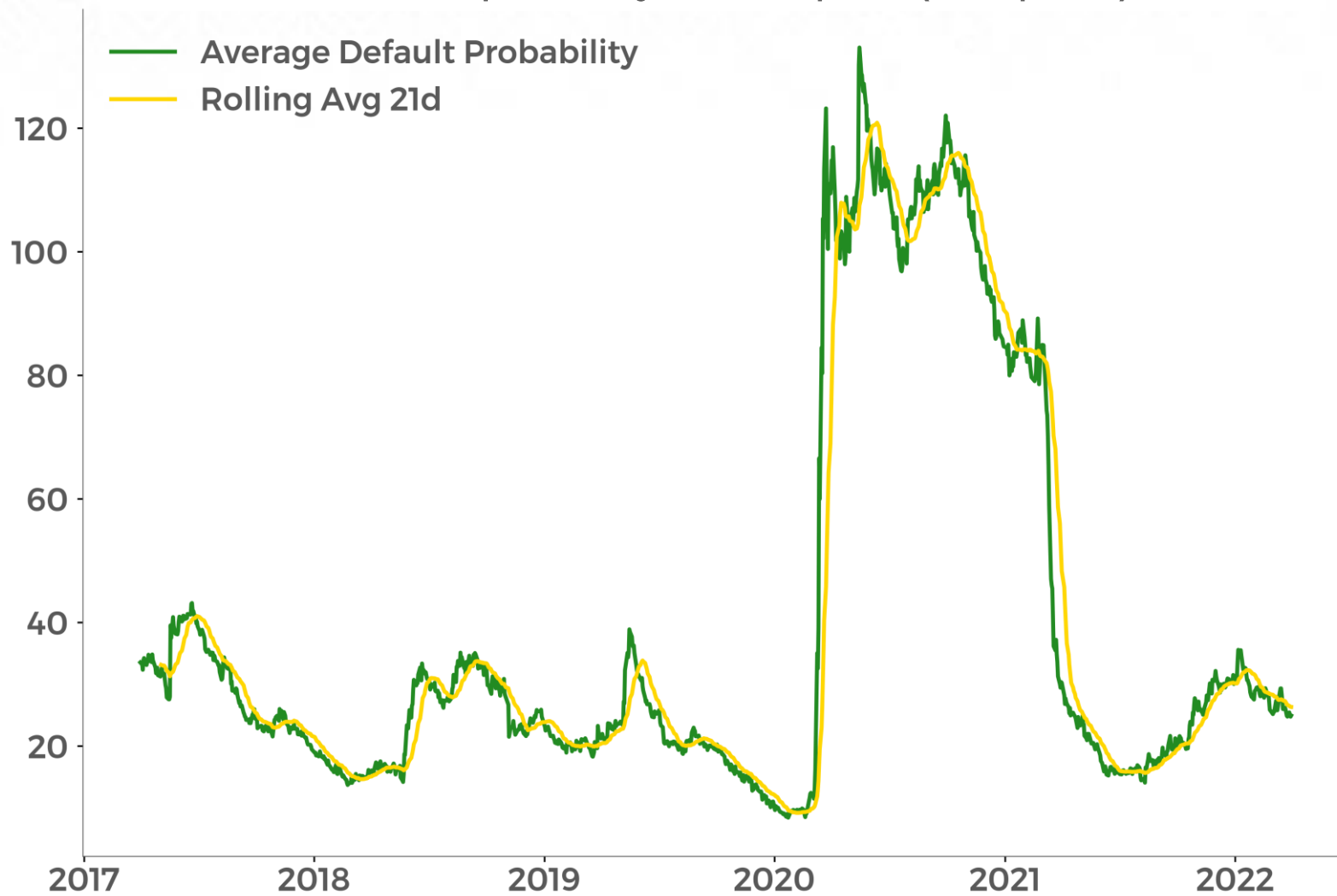
Source: Bloomberg

10.2. Net foreign investor inflows on secondary equity markets (US\$ bi)



Source: Bloomberg

### 11.1. Default probability index – equities (basis points)



Source: Bloomberg

## Risk map

**Macro risk:** simple monthly average of the daily Z-score (2500 day rolling window) of the 5YR Brazilian sovereign CDS (graph 1.3). Z-score Intervals and corresponding Risk Scale: above 2sd => 5; between 1,5 e 2sd => 4; between 0,5 e 1,5sd => 3; between -1 e 0,5sd=> 2; below -1sd => 1.

**Market risk:** arithmetic average of two composites, respectively the arithmetic monthly average of the daily Z-score (1250 day rolling window) of the 30 day realized annualized volatility of the MSCI Brasil Index (equities, see below) and the Anbima IMA-G Index (fixed income, see below). Z-score Intervals and corresponding Risk Scale: above 2sd => 5; between 1,5 e 2sd => 4; between 0,5 e 1,5sd => 3; between -1 e 0,5sd=> 2; below -1sd => 1.

**Liquidity risk:** simple monthly average of the daily Z-score (1250 day rolling window) of the Bid-Ask Spread Index (see below) . Z-score Intervals and corresponding Risk Scale: above 2sd => 5; between 1,5 e 2sd => 4; between 0,5 e 1,5sd => 3; between -1 e 0,5sd=> 2; below -1sd => 1.

**Risk appetite:** weighted average of three composites: first, the arithmetic average of the Adjusted Estimated PE Ratio, with a 0.5 weight; second, the arithmetic monthly average of the daily Z-score (1250 day rolling window) of the other two series that compose the Risk Appetite section (see below), each series with a weight equal to 0.25. Z-score Intervals and corresponding Risk Scale for the Adjusted Estimated PE Ratio: above 2sd => 5 between 1,5 e 2sd => 4; Between 0,5 and 1,5sd => 3; Between -1 and 0,5sd => 2; Below -1sd => 1. Z-score Intervals and corresponding Risk Scale for remaining series: below -2sd => 5; between -1,5 e -0,5sd => 4; between -0,5 e 1sd => 3; between 1 e 2sd => 2; above 2sd => 1.

**Credit risk:** simple monthly average of the daily Z-score (1250 day rolling window) of the Weighted Average Default Probability Index (see below). Z-score Intervals and corresponding Risk Scale: above 2sd => 5; between 1,5 and 2sd => 4; between 0,5 and 1,5sd => 3; between -1 e 0,5sd=> 2; below -1sd => 1.

## Macro risk

**Sovereign CDS Spreads:** The graphs depict the daily trend of the closing price (in b.p.) of the 5YR sovereign CDS spreads of some emerging markets usually considered peers to Brazil.



## Market indexes

**MSCI equity indexes:** the MSCI World Index (denominated in this report as “Global”) reflects the performance of the equity markets of several global markets. The MSCI Emerging Markets Index (denominated in this report as “Emerging”) reflects the performance of the equity markets of several emerging markets. The MSCI Indexes also reflect single markets, such as the case of the MSCI Brazil Index.

**Corporate bond indexes:** indexes developed by Barclays/Bloomberg to measure the performance of investment grade bonds, converted to USD when appropriate. The BEHGTRUU Index (denominated in this report as “Emerging”) refers to bonds in emerging markets, while the LGCPTRUU Index (denominated in this report as “Global”) does the same for the global markets. In Bloomberg methodology, the bonds are weighted by market value, unhedged.

**Índices de Referência:** IRF-M = index composed by a basket of sovereign fixed-rate bonds (LTN and NTN-F). IMA-B = fixed income index that depicts the trend, at market prices, of a basket of retail price inflation-linked sovereign bonds (called NTN-B). IHFA = index for the mutual fund industry in Brazil, whose value reflects, in local currency, the performance of a hypothetical portfolio of mutual funds selected according to a methodology developed by ANBIMA. IFIX = main index for the Brazilian REIT industry. IMA-G = weighted average of the daily returns of IMA-B, IMA-C (wholesale price inflation linked sovereign bond index), IMA-S (floating rate sovereign bonds index) e IRF-M indexes. CDI = index for the main bank overnight rate in Brazil, widely used as benchmark.

**Volatility:** dispersion measure for the realized returns of an index or of a security. The 30 day realized volatility refers to the annualized standard deviation of the closing price returns in the last 30 trading days, expressed in percentage terms.

## Liquidity indexes

**Bid-Ask Spread:** difference of bid and ask prices of a security divided by its midprice, frequently used as a gauge for market liquidity. The lower this ratio, the more liquid the security tends to be. The graph refers to the daily trend of the median spread calculated based on a sample comprised by half of the Ibovespa Index members with the lowest turnover volume for a given month.

**Net foreign inflows on equities:** Monthly foreign investor net inflows in the B3 secondary market for equities and equities derivatives.

## Risk appetite

**Adjusted estimated forward PE ratio:** ratio between the current price of an index or security and its estimated positive earnings for the following accumulated 12 months, according to the consensus of market analysts, excluding companies with negative EPS projections. The PE ratio can be understood as the payback time estimated to recover through its profits the capital investment in a given company. A high PE ratio indicates that the security might be overvalued relative to its recent profit potential. Inversely, a low PE ratio points that the security might be undervalued relative to its profit potential. In this report, the country/region analysis is done using the daily ratio for the corresponding MSCI Indexes as a reference. The calculated indicators refer to the Z-score (1250 trading day rolling window) of such ratios.

**EM\_IG vs US Treasuries:** spread between a USD investment grade mixed corporate/sovereign bond index for emerging markets and the a US treasuries index, expressed as an annual percentage yield. Calculations use the BEHGTRUU Index and the BUSY Index, both available through Bloomberg.

**USD Sovereign Brazil vs US Treasuries:** difference between the yields of a generic 10YR USD-denominated sovereign Brazilian bond and an analogous treasury, both calculated by Bloomberg.

## Credit risk

**Default probability index:** grasps the average default probability of non-holding non-financial corporates traded in the B3 exchange. Its calculation proceeds as follows: for each trading day and for the whole available sample of eligible companies in that day, the weighted average (by market cap) of the 1YR default probabilities is calculated ("BB\_1YR\_DEFAULT\_PROB"), as made available by Bloomberg.