

Auction preview

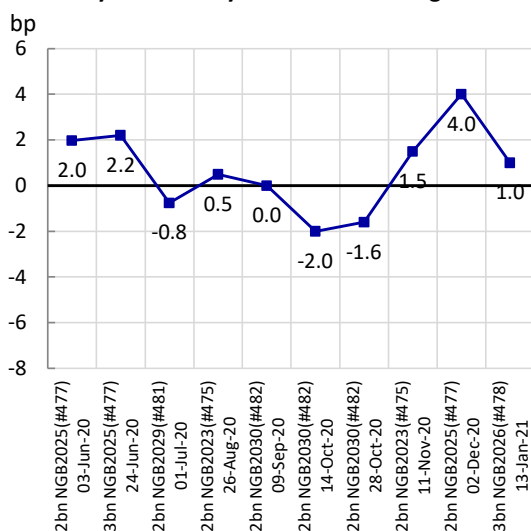
NOK 3bn in NGB 3 03/14/24 (NST476)

Nordea Markets, Oslo, Norway, 25. January 2021

On Wednesday 27. January, Norges Bank will auction NOK 3bn in NGB 3 03/14/24 (NST476). Bids can be placed until 11:00 CET through Nordea Markets or another primary dealer. The auction result will be published at 11:05 CET on debt norway.no

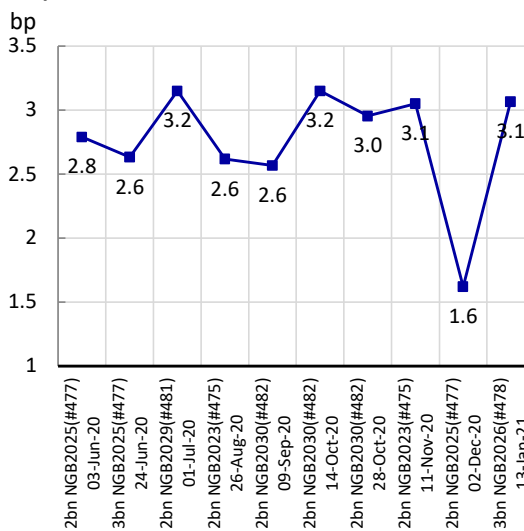
We expect Wednesday's auction of NST476 to come in around current prices. NGBs are in general on the cheap side, but we believe investors will want to lighten up on exposure in the next few weeks to make room for the new 10Y bond that will be sold through syndication next month. NST476 is a bond with fairly short maturity that is usually not in heavy demand by the L&P companies, and with the potential for a prolonged period of very tight structural NOK bank liquidity from mid-February, we do not believe banks will want to load up in new bonds just now. The NGB curve is very flat, with little roll expect for the very short end.

Auction yield vs mid yield on the exchange



■ Auctions of NST476

Bid/covers

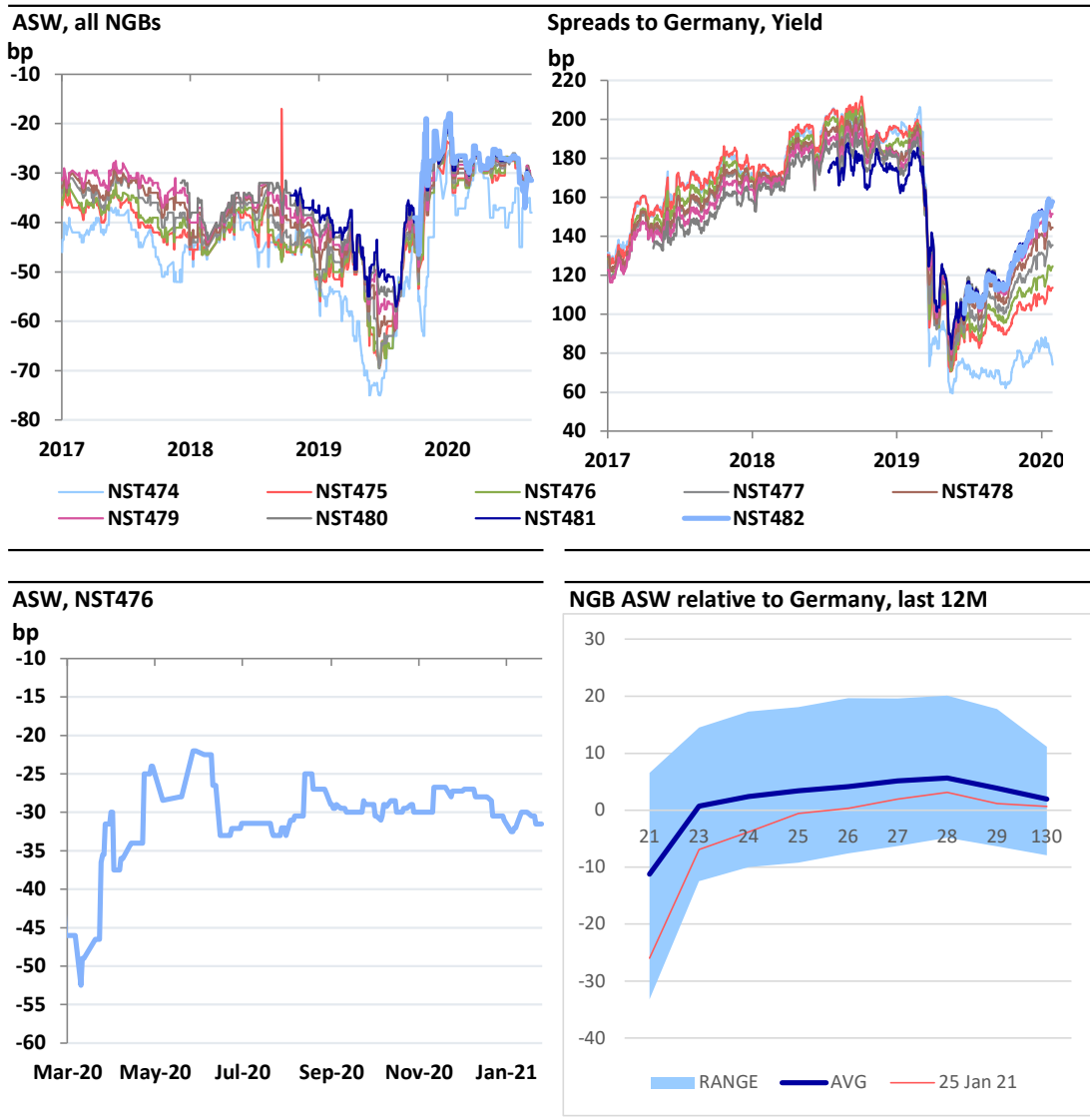


■ Auctions of NST476

Auction preview: NOK 3bn in NGB 3 03/14/24 (NST476)

Pricing

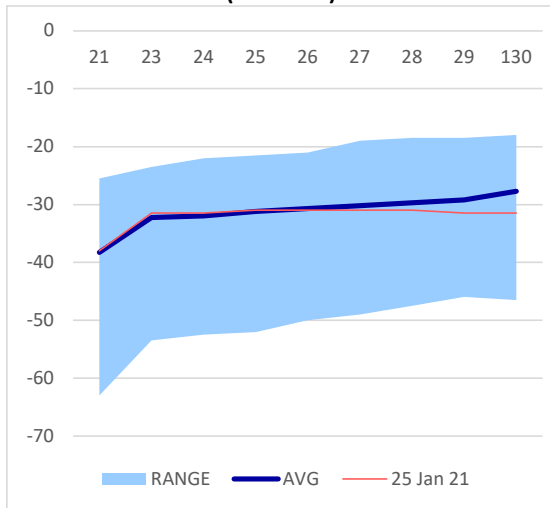
NGBs are cheap, but have been so since March 2020. The NOK curve is steep, and offer far better carry&roll than the german and japanses curves. The NOK currency has stablized and strengthened since the massive selloff at the start of the pandemic. The ASW-curve, however, does not offer much curvature and with Norges Bank planning to start hiking rates, there is room for higher rates to affect NGB bondprices negatively over the next couple of years.



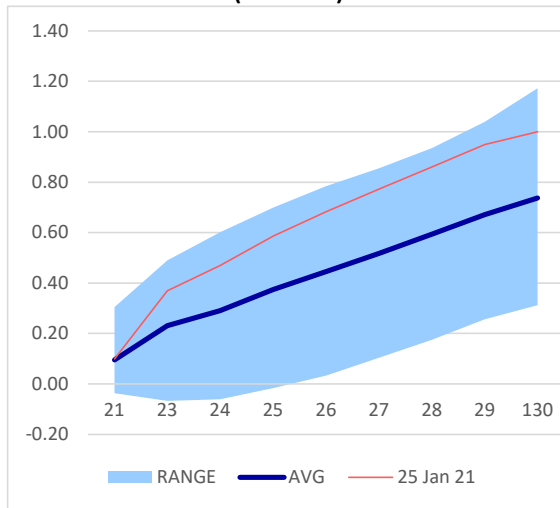
Auction preview: NOK 3bn in NGB 3 03/14/24 (NST476)

Pricing

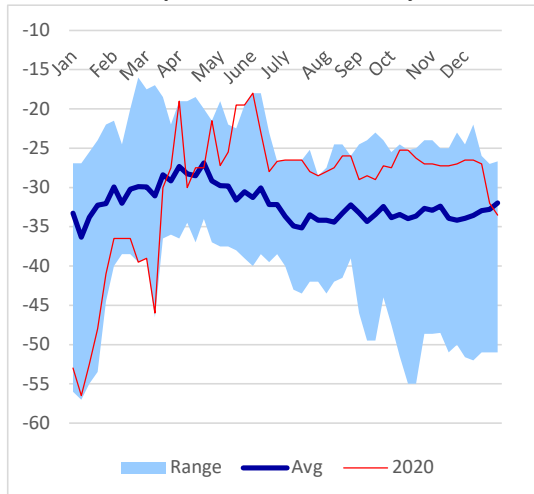
ASW term structure (Last 12M)



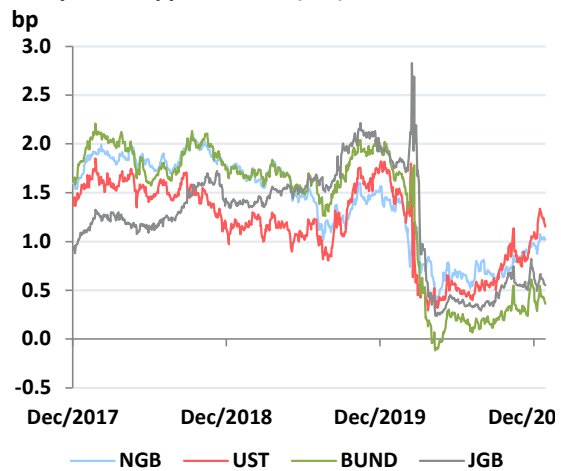
Yield term structure (Last 12M)



Seasonal ASW pattern 10Y NGB last 5 yrs



10Y yield swapped to NOK (3M)



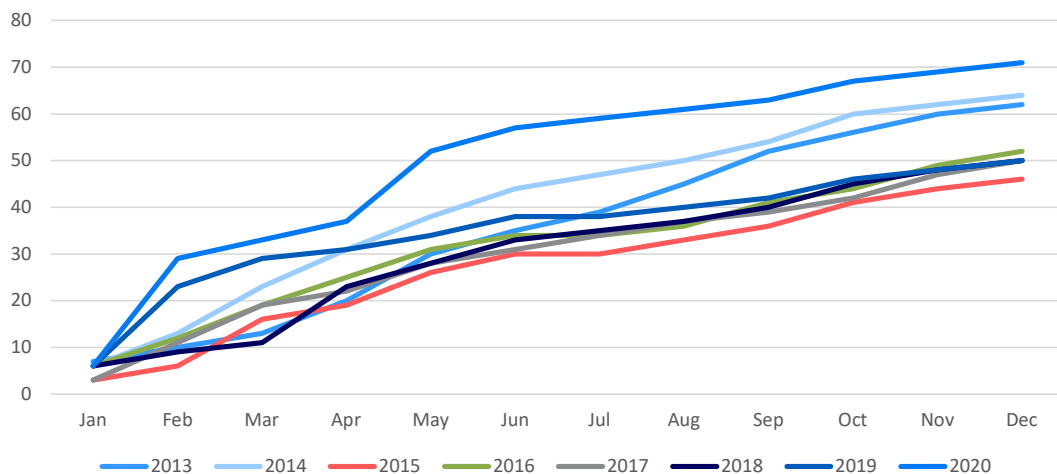
Issuance plans

NGBs are generally only used to fund a short list of government sponsored lending schemes (for instance in housing and student loans). Funding budget shortfalls are left to oil revenues, both directly and via the oil fund. Hence, the issuance of NGBs is very steady from one year to the next. Last year, however, saw more than a 50% increase in net supply in order to fund a special vehicle to support the credit market. This is part of the reason why NGBs sold off last year. Net issuance will be lower than normal this year, and much of the new supply will come in the February syndication. We therefore believe NGBs will stay cheap into the syndication and then to become more expensive going into the summer.

For more information please visit

<https://www.norges-bank.no/en/topics/Government-debt/Borrowing-programme-reports>

YTD auction volume



Sources: Bloomberg, Norges Bank, VPS, Nordea staff estimates and calculations

DISCLAIMER

Nordea Markets is the commercial name for Nordea's international capital markets operation.

The information provided herein is intended for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Markets as of the date of this document and are subject to change without notice. The views have been provided solely based on the information made available to Nordea Markets and for the purposes of presenting the services made available by Nordea Markets. This notice does not substitute the judgement of the recipient.

Nordea Markets is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction. Relevant professional advice should always be obtained before making any investment or credit decision. In the United States, to the extent that this publication or report includes an analysis of the price or market for any derivative and is not otherwise exempt from the applicable U.S. Commodity Futures Trading Commission (CFTC) regulations, it is approved for distribution in the United States to US persons that are eligible contract participants from a CFTC perspective. Nordea Bank Abp is a provisionally registered swap dealer with the CFTC. Any derivatives transactions with US persons must be effected in accordance with the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

This document may not be reproduced, distributed or published for any purpose without the prior written consent from Nordea Markets.

Nordea Bank Abp, Satamaradankatu 5, FI-00020 NORDEA, Finland, domicile Helsinki, Business ID 2858394-9

Further information on Nordea available on www.nordea.com