

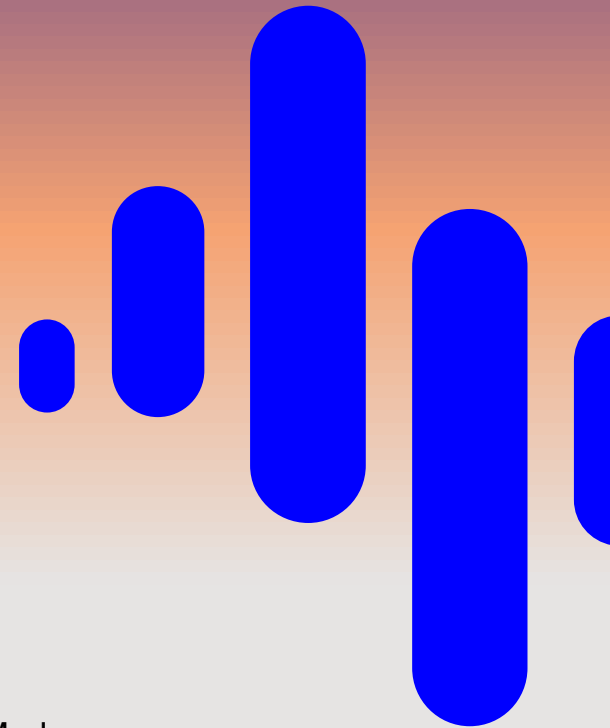
Nordea

Nordea XCCY Publication

Keeping up with Cross-Currency! 2nd of September 2025

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Welcome to our latest XCCY Publication!

We hope everyone has enjoyed the summer! Since our last publication, the EUR, SEK & NOK XCCY basis curves have all flattened driven by higher front levels and to some extent lower levels further out the curve with the tipping point around the 5y area. The largest cross border issuers are ahead of plans, closing in on YTD funding targets. Thus, unless we see changes to funding targets we expect less demand for paying EURUSD XCCY basis towards year-end.

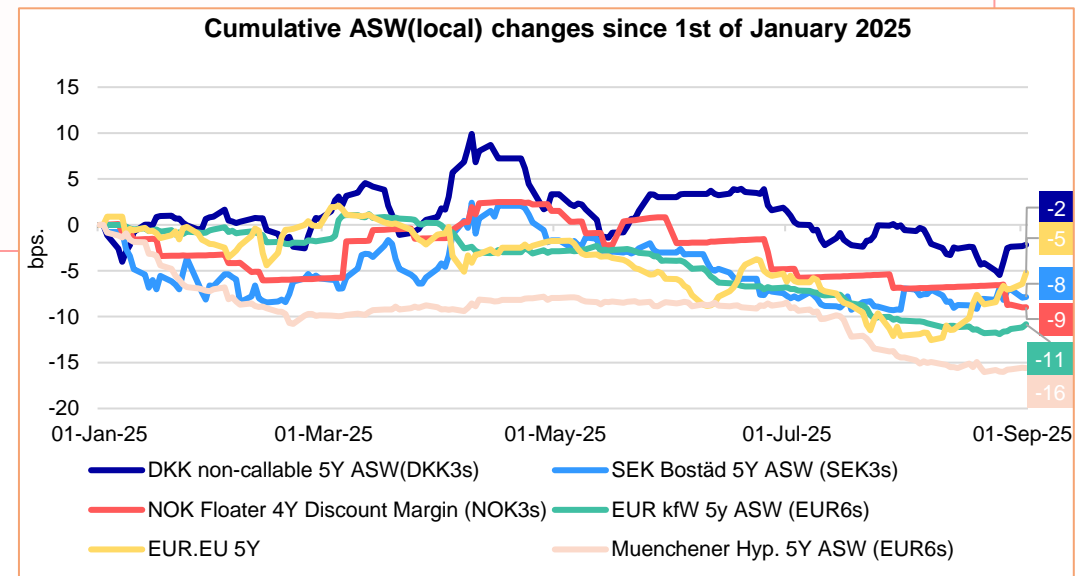
In general, credit spreads have tightened across currencies in 2025 with good performance over summer. The chart below illustrates cumulative ASW (in local ccy) changes since 1 January 2025. EUR credit spreads have also tightened, implying that new issuance EURs have become “cheaper” than issuing locally in NOK and SEK, respectively. And, even though XCCY basis levels (EUR to SEK and NOK) have moved higher, the ASW performance has more than compensated for the basis move making for attractive issuance levels for Swedish and Norwegian issuers via the EUR market. This case in particular for senior debt vs covered in EURs.

This publication focuses on EUR & USD liquidity as well as our view on current developments and outlook for Scandi liquidity where we have seen some volatility in the short-end as of late.

Please have a look at our QuantPack for extended graphs and details regarding curve changes and rolls!

- link can be found in the e-Markets article.

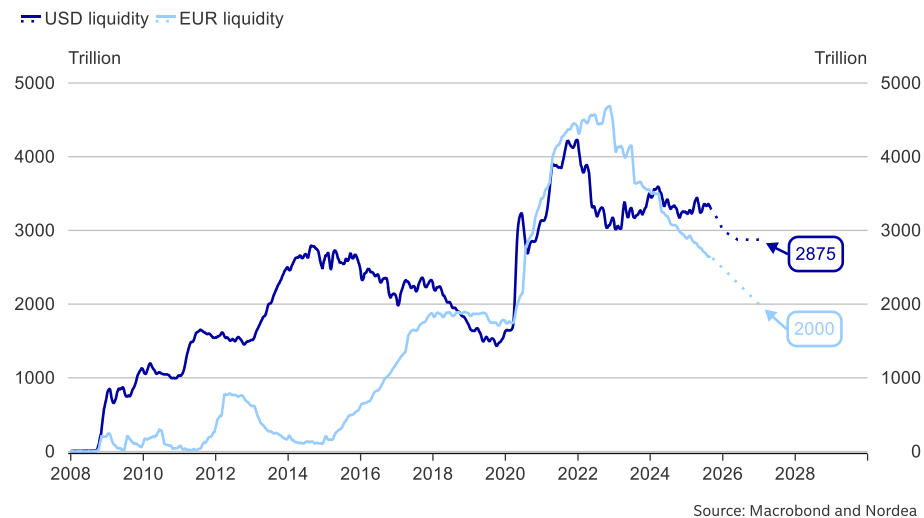
Enjoy the read!



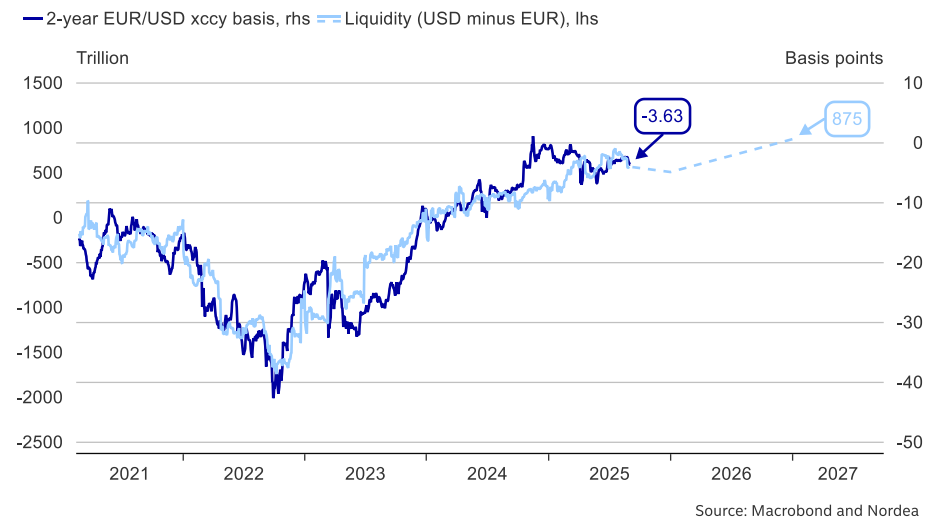
EURUSD XCCY (1/4): Cross currents ahead suggest wider before tighter

- **Our view:** We expect EUR/USD XCCY basis will widen before it will tighten.
- Looking into the end of the year, US bank reserves fall by about \$350bn as the US Treasury builds up its Treasury General Account (TGA) and Quantitative Tightening (QT) remains on autopilot. The ECB QT will drain EUR excess liquidity by around 250bn over the same period. Mind the delta, though! The drain on US bank reserves will turn negative for the first time in a long time, meanwhile the pace of decline of EUR excess liquidity is unchanged.
- Increasing USD funding stress over quarter-ends and a slowdown of European SSA issuance, who are very large EURUSD XCCY basis payers, will also contribute to a wider basis. Finally, economic risks when US tariffs hit the economy could quickly spike demand for USD liquidity and widen the XCCY basis.
- For next year, we expect the end of the Fed's QT and a continuation of the ECB's QT to tighten the XCCY basis again. Even if the Fed continues QT in the first half of 2026 like we charted below the ECB QT will be much larger once again and put upward pressure on the XCCY basis. In addition, we expect the implementation of the Enhanced Supplementary Leverage Ratio (ELSR) to free up US banks' balance sheet for US bank reserves and US treasuries and ultimately tighten EURUSD XCCY basis.

EUR liquidity is falling faster than USD liquidity



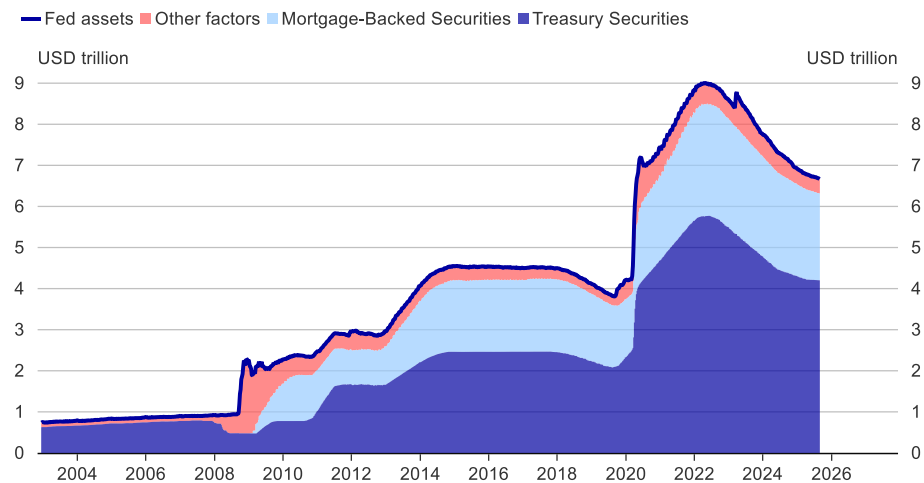
Liquidity favors wider and then tighter basis



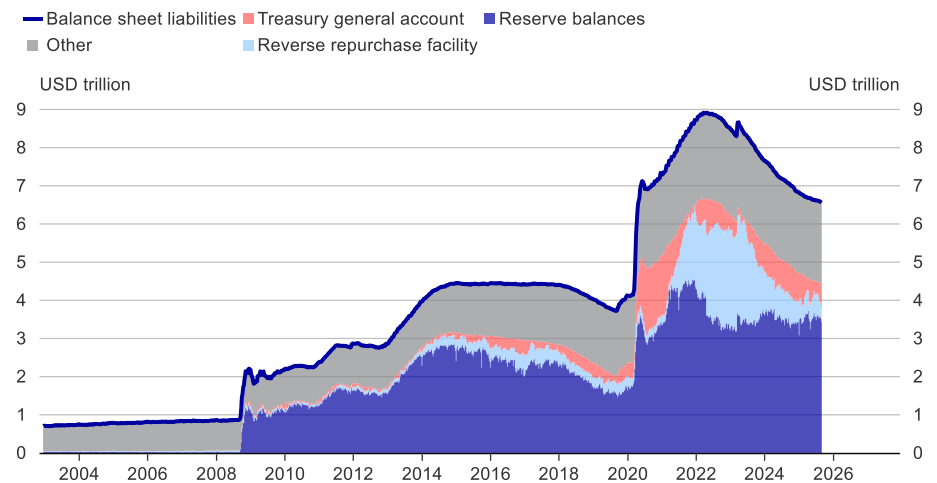
EURUSD XCCY (2/4): Cross currents ahead suggest wider before tighter

- **Fed QT will stop by the end of the year:** The Fed began to reduce its system open market account holdings in 2022 and has now reduced its holdings by \$2200bn. It has reduced its treasuries bond holdings by \$1600bn and mortgage bond holdings by \$600bn. The asset reduction caused an equal reduction in the liabilities. It reduced the Fed's Reverse Repurchase (RRP) facility by \$2200bn, which means the facility is down \$35billion and close to completely empty.
- Looking ahead, QT will start to reduce US bank reserves because there is no money left in the RRP facility to absorb the new treasury or mortgage supply, but it probably also means that it wont be long before the Fed will stop QT or at least slow it down again. Most expect QT to end by the end of the year.
- After tapering the QT program in the spring, the current monthly run-off rate is about \$25bn, \$5bn treasuries and \$20bn mortgages, which suggest QT will reduce bank reserves by about \$100bn before the Fed could choose to stop or slowdown the program around the end of the year.

Fed balance sheet asset run off will slow down going forward



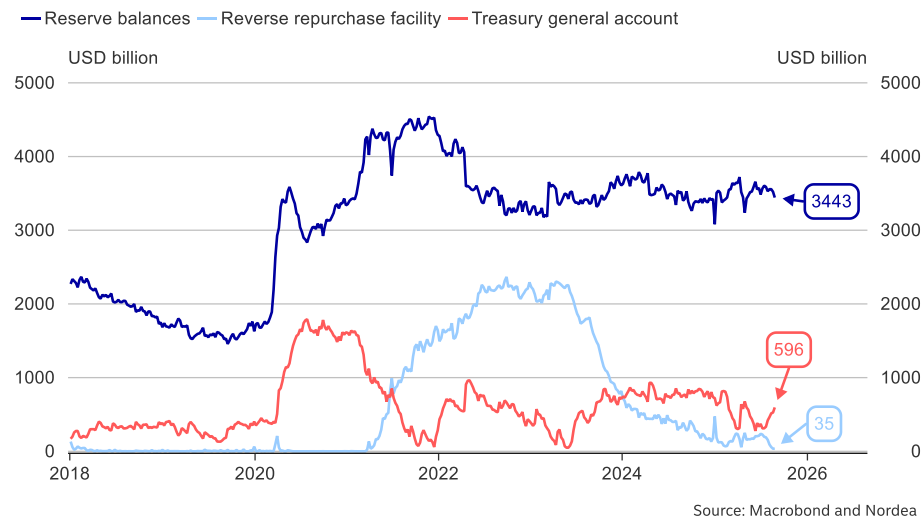
Fed reserve balances will now fall now the RRP facility is empty



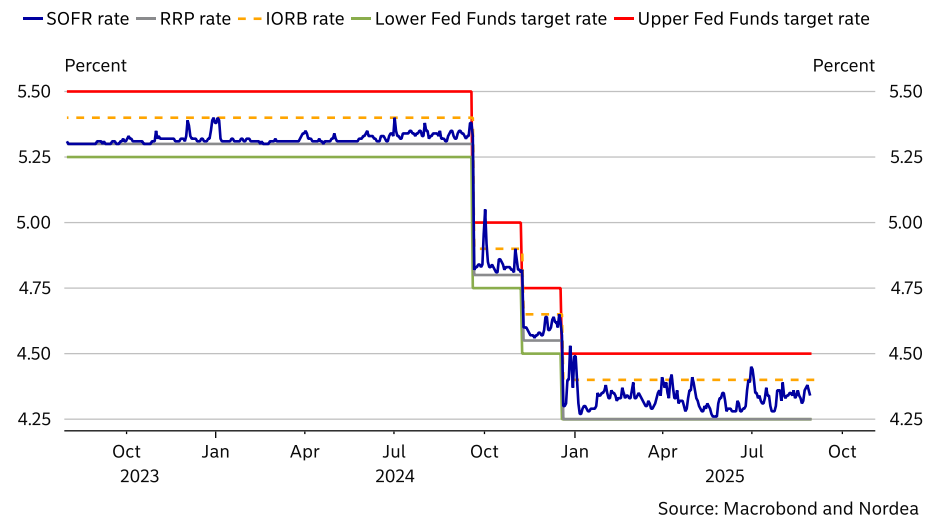
EURUSD XCCY (3/4): Cross currents ahead suggest wider before tighter

- **US TGA build-up will drain USD liquidity:** The TGA has been build up to \$596bn and the US Treasury has announced that it wants to raise its cash account all the way up to \$850 billion. The build-up is as usual financed by treasury bills and has drained all the excess money that was parked in the Fed's RRP facility, which suggest the next \$250bn is going to be financed from US bank reserves already out in the private sector. To sum up, the TGA buildup and QT impact is likely to push US bank reserves down toward \$3100bn from current \$3443bn before the Fed will probably put the breaks on QT.
- **Domestic funding stress is key to monitor:** It is impossible to know when USD liquidity will be too low and the Fed should stop QT, but we do have some indicators that tell us about USD liquidity conditions. Dallas Fed President, Lorie Logan, who is a thought leader in the Fed when it comes to managing the balance sheet, has argued that the spread between repo rates and the rate on US bank reserves is a good indicator of funding conditions. She says repo rates should be around the rate on US bank reserves on average. This suggest there is more room to reduce US bank reserves, but that we are closing in on a good balance, which will probably be reached by year-end or early next year.

Building the TGA will lower bank reserves now the RRP is empty

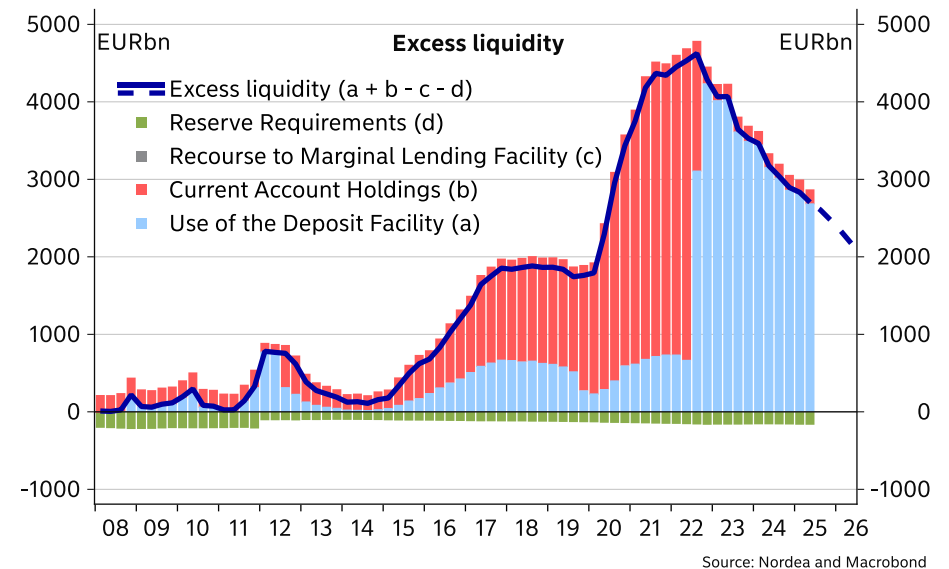
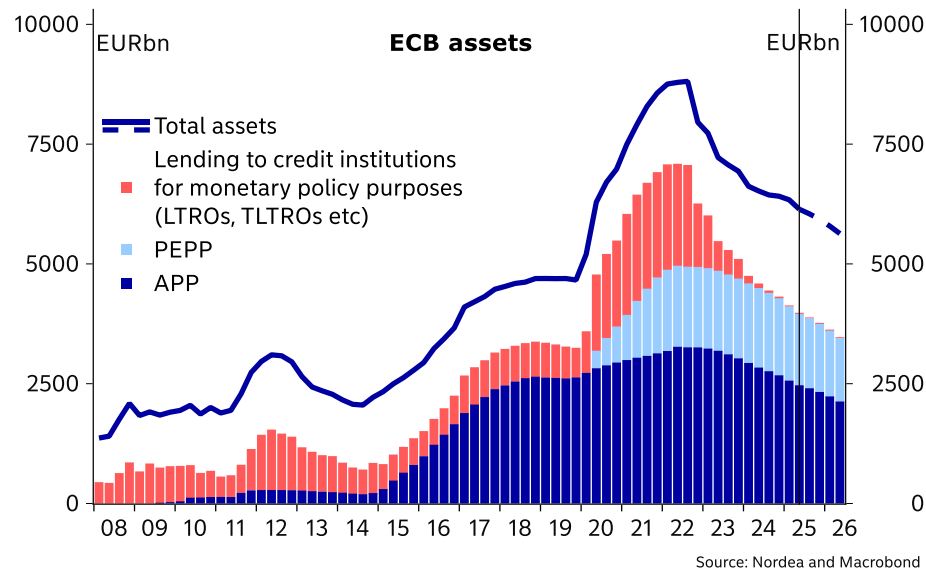


Domestic funding stress is increasing but remains modest



EURUSD XCCY (4/4): Cross currents ahead suggest wider before tighter

- **ECB QT continues unabated.** The two big asset portfolios for monetary policy purposes – the APP and the PEPP – runs off with redemptions totaling EUR 510bn from Q3 this year to Q2 next year. All TLTROs have matured and though banks have started using the ECBs standing facilities a bit more it is so far not in a size big enough to change the broad projection for excess liquidity.
- At this pace, excess liquidity will reach ~2000bn around the end of next year and ~1500bn at the end of 2027. The ECB may slow or stop QT at some point if money markets become volatile, but the narrow policy rate corridor at 15bp could also allow the ECB to continue at full redemption pace. Thus, the Fed did not have its standing repo facility in place when the US had its repo spikes when the Fed did QT last time. The ECB's standing repo facility is unlimited and just 15bp above the deposit rate.
- With policy rates now at neutral, more than a couple of rate cuts going forward would make monetary policy easy and open questions regarding the continuation of QT. We do see risks skewed towards more rate cuts in the near term but have no more actual rate cuts in our forecast.



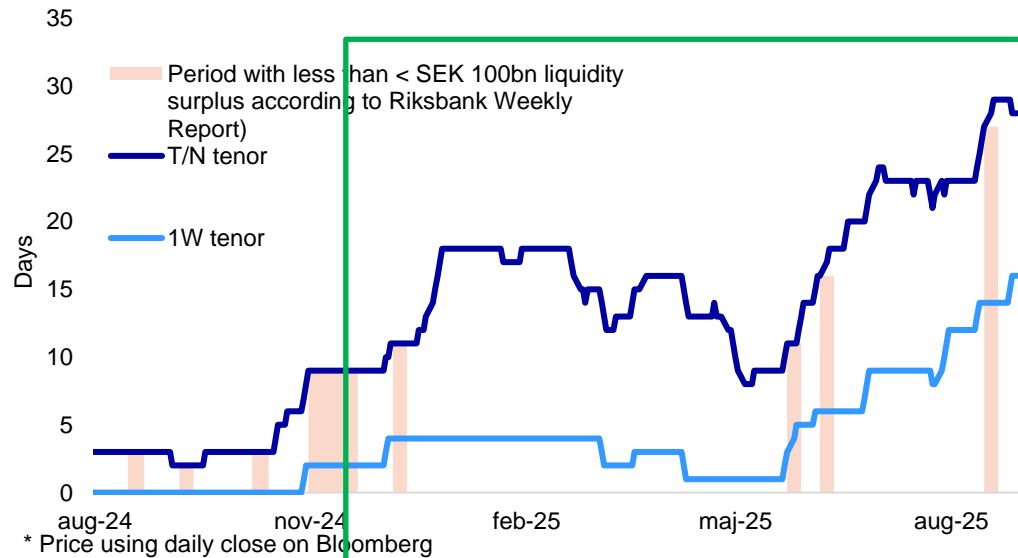
SEK XCCY (1/2): Short-end thoughts

- Revisiting some of our previous thoughts heading into summer we expected SEK cash to follow the cyclical summer behavior and stay or become more expensive throughout the summer. Where the case was: “The steepness between the spot break & June IMM (spot less negative) is rather steep and should flatten” ; This has been the case with the front end 3M trading -20 to -18; Sep-IMM -19 to -17.5 and Dec-IMM -26 to -24.
- T/N & 1W SEK implied yields have been higher for a prolonged period starting back in Q4-24; The increased volatility and overall premium in the front has affected LCR premiums further out the curve and the overall development in implied yields, i.e., in the 3M area. This has only been marginally captured by the 3M Swestr/Stibor break; This has lead to a higher USDSEK & EURSEK XCCY break throughout the year.
- Previously on the year a new “tax” was announced with the “Interest Free Deposits for Credit Institutions”. However, overall impact has been negligible so far and despite initial concerns we’re not expecting any large moves on the back of this heading into year-end.

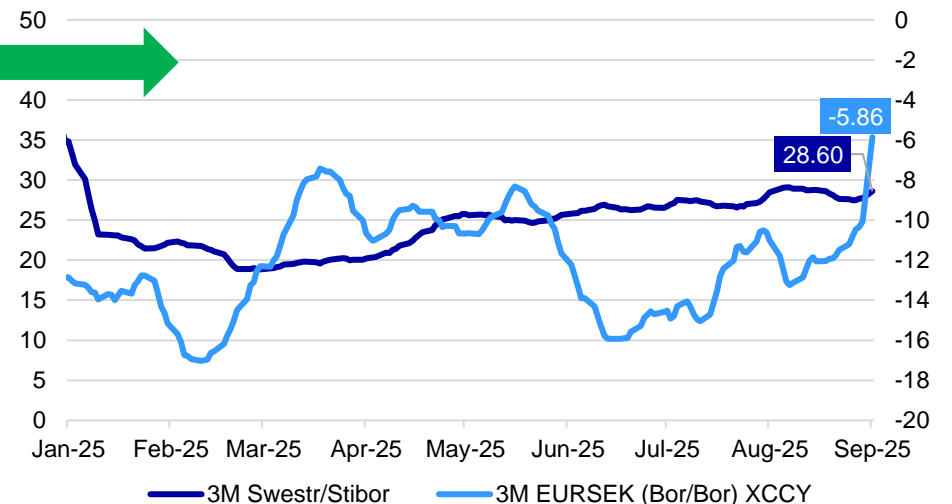
Solutions to the short-end?

- Promote use of Overnight Riksbank Facility
 - I.e., as the Danish central bank did for their facilities
- Limit Riks Cert. total auction size to keep liquidity ample
- Reduce Riks Cert Sellback “Costs”
- Change Riks Cert Sellback to T+0
 - Reduce vol. in TN
- Increase Overnight Rate at Riks
 - Reduce demand for certs.
- Decrease Cert rates
 - Implicit Rate Cut

#Days with SEK implied yield (via EURSEK fxfwds) above Riksbank policy rate, 90d rolling; via Estr



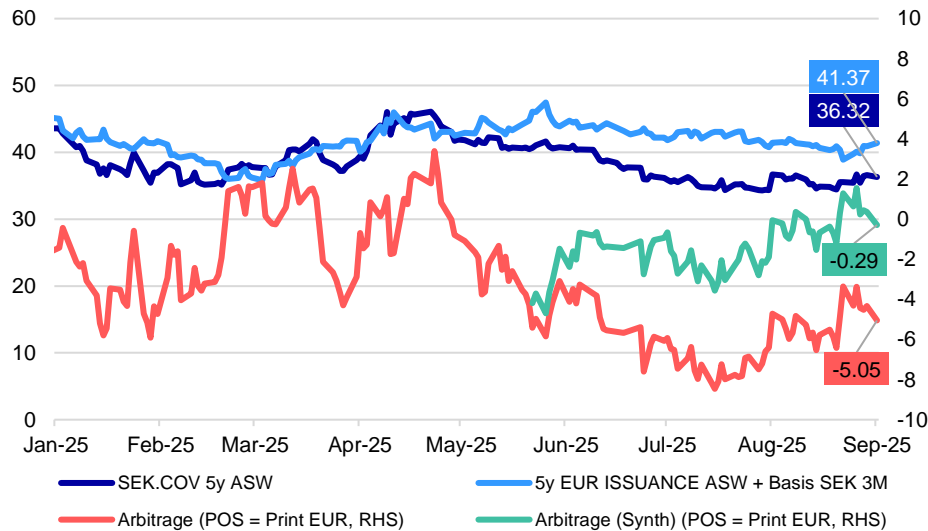
Swestr/Stibor3M vs. EURSEK (Bor/Bor) XCCY (rhs), 14d rolling avg



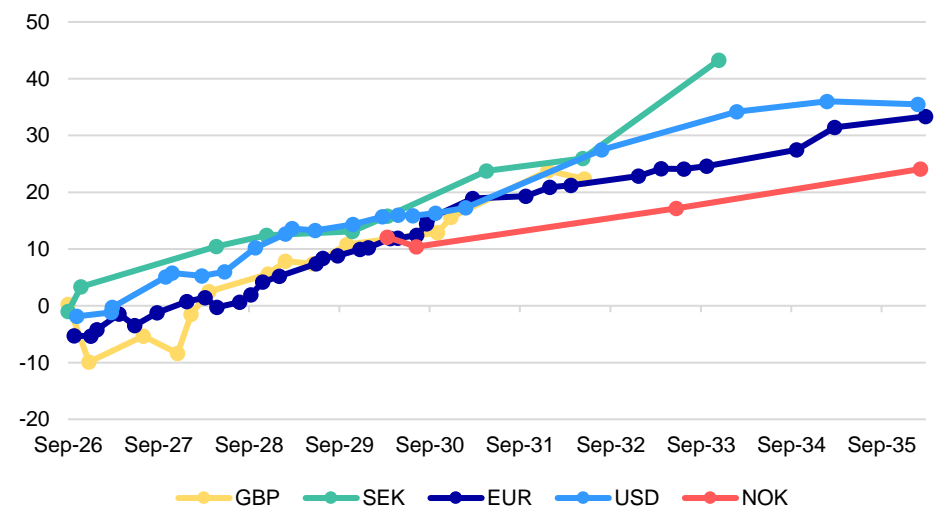
SEK XCCY (2/2): Funding arbitrage

- EUR Arbitrage: Secondary market pricing indicates a premium for attaining funding for covered through the EUR market, see issuance arbitrage for Swedish issuers in below graph.
- Through our proxy setup the arbitrage looks more balanced, i.e., considering the MS level for Spabol in EURs from 19th of August issuance; see “green – Arbitrage (Synth)”. However, overall funding in Sweden is ahead of the curve and as the largest issuers have already printed a EUR covered ahead of summer, we tone down expectations for the remainder of the year; we thus expect issuers to keep the remaining funding domestic.
 - Worth noting is that Senior debt vs. Covered in EURs have performed which makes this segment look more attractive in a historical context.
- SEK arbitrage; there is currently no funding arbitrage for the usual issuers utilizing the SEK primary market; please see graph from EIB.
- All-else-equal, there is very limited opportunities for issuers around the SEK XCCY market. We thus expect limited amount of risk coming to the market in the near future.

SEK Covered 5Y Funding curve back to SEK3M



EIB 5Y Funding curve back to EUR6s

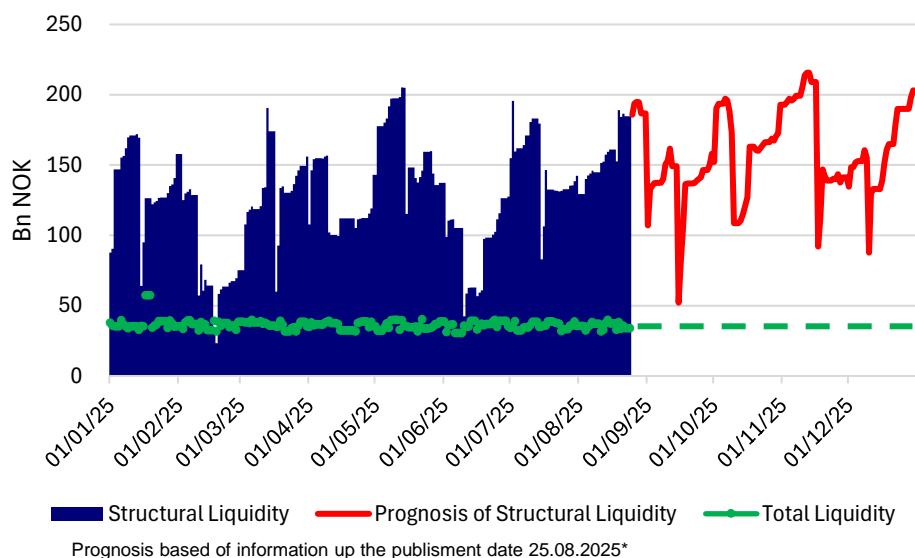


* Positive values on “Arbitrage” implies issuing in EURs and swapping the funding back to SEK will come at a premium for Swedish issuers and vice versa

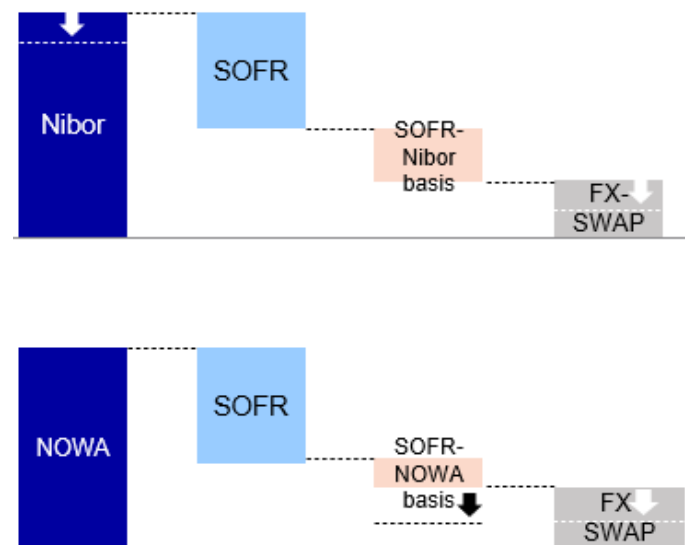
NOK XCCY (1/2): Nowa/Nibor edging back despite ample liquidity

- The massive increase in NOK structural liquidity this year had pushed 3M Nibor-NOWA spreads from 25bp to below 10bps before the recent market turmoil; however level has been converging around +15 throughout the summer.
- Liquidity outlook looks ample taking into account that Norwegian banks are still only allowed to deposit a total of 45bn overnight at the Central bank. The compression of “NOK” premium in the USDNOK FX-Swap remains relatively prevalent.
- As previously discussed; We have found that the USDNOK fx-swap developments almost 100% passthrough into lower Nibor-NOWA spreads, with no impact on SOFR-Nibor basis, alternatively a 100% impact on SOFR-NOWA basis. This observation further confirms our long-standing view that Nibor is still a function of USD money-market rates and a scarcity premium on NOK driven by structural liquidity. Thus the overarching development observed over summer with US money market rates has also affected the USDNOK XCCY 3M break currently around -24.
- NOK structural liquidity is likely to stay elevated (above 100bn) for the next couple of years.
- There is few drawdowns on liquidity in the second half of the year, i.e., 15th of the September (97bn), 10th of Oct (64bn), 17th of November (117bn) & 10th of December (67bn); Impacts of these drawdowns are expected to be minimal as excess liquidity is still well above what is needed.

Norges Bank: Banks Liquidity 2025



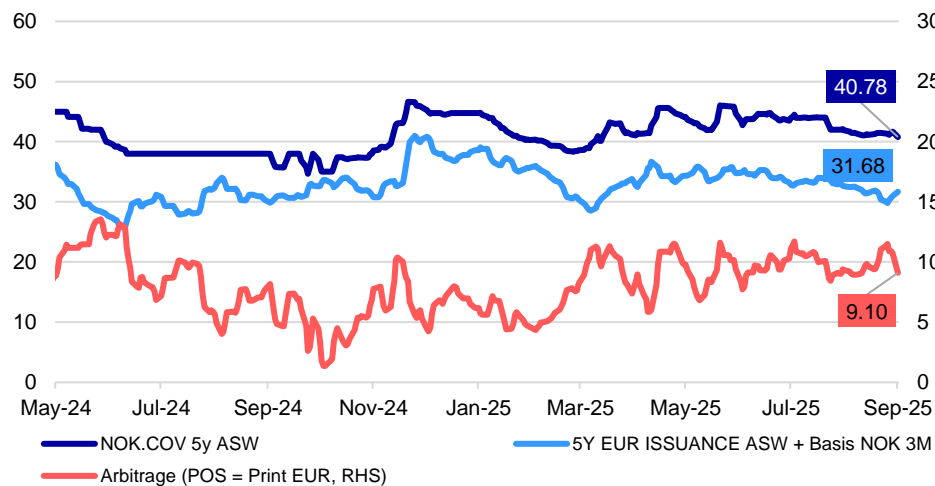
Tighter USDNOK fx swaps with full impact on Nibor and SOFR-NOWA basis



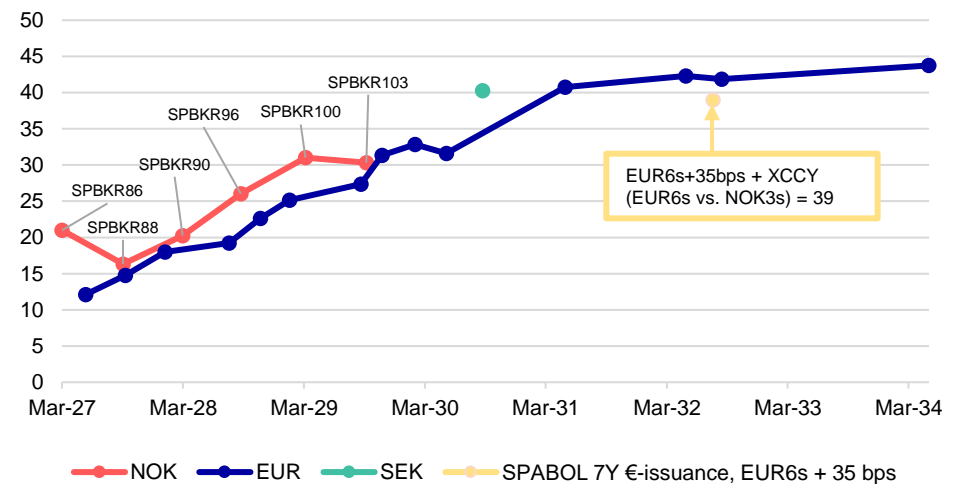
NOK XCCY (2/2): Funding arbitrage

- Funding arbitrage for Norwegian Issuers in the EUR market remains elevated, see graph below.
 - Additionally there is also opportunities for SSA issuers in the Norwegian market
- As new risk is coming to the market, in and out of Norway, the liquidity remains historically good and keeps levels rather stable.
- Last month, Sparebank 1 Boligkreditt (SPABOL) came to the market with a EUR issuance; EUR1bn 7Y tenor issued on august 19th . This issuance came at +35bps vs EUR6s and with a XCCY on top (EUR6s to NOK3s) of ~4bps, SPABOL ended up with an issuance level of ~+39bps vs NOK3s (highlighted by yellow point in below chart). A level of +35bps vs EUR6s corresponds to a spread of 15bps to a KfW ASW curve, which is almost same spread as for SPABOLs previous EUR-issuance back in May, but some bps. tighter than a year ago.
- From an analytical perspective it looks like a “clear-cut” for Norwegian covered bond issuers to issue in EUR at the moment and XCCY swap back to NOK, both in 4- and 5Y tenors but as well for the longer tenors like the 7Y as below chart illustrates.
 - Many of the larger Norwegian issuers have already utilized this arbitrage first half of 2025, i.e., Eika, DNB and SpareBank Vest.

Norwegian 5Y Benchmark in EURs vs. Local Issuance level, bps vs. NOK3s



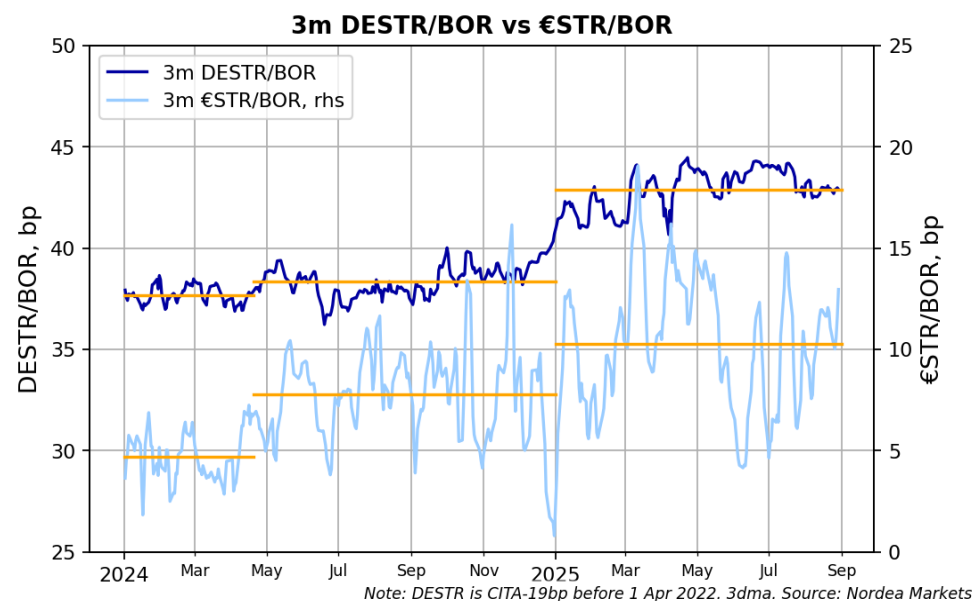
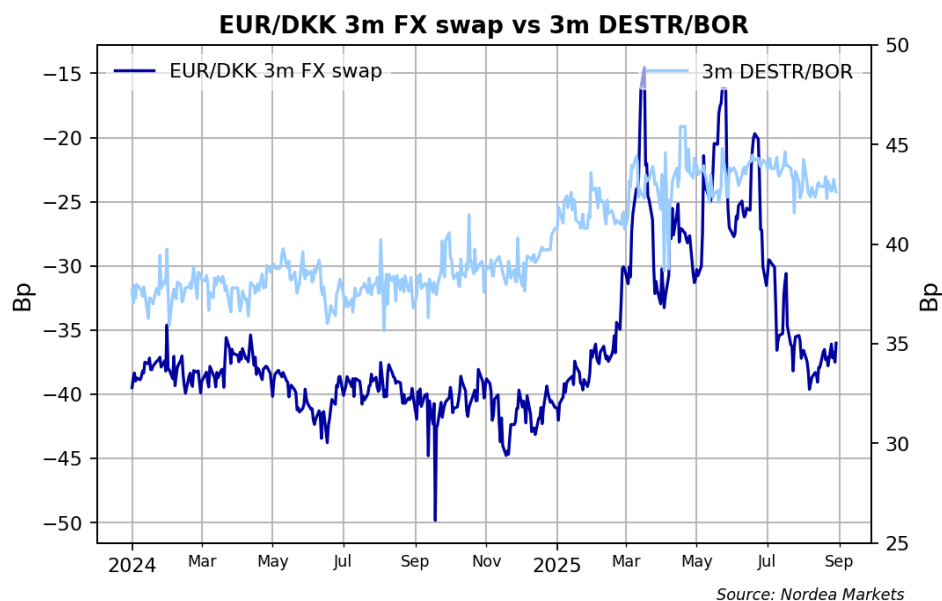
SPABOL funding curves NOK, EUR & SEK, bps vs. NOK3s



* Positive values on “Arbitrage” implies issuing in EURs and swapping the funding back to NOK will come at a premium for Norwegian issuers and vice versa

DKK XCCY (1/1): Liquidity to rise further – issuance flows have turned

- One of the largest issuers in Denmark changed funding strategy in April – from issuing in EUR and swapping back to DKK to issuing in DKK directly – which have had a significant impact on the EURDKK XCCY market. Recently, NIB and KfW issued in DKK at attractive levels relative to EUR issuance, suggesting more DKK issues are likely which, in turn, could push the XCCY basis lower.
- DKK liquidity was tight during the first half of the year. As the Destr/Cibor break didn't reflect the development in cash premiums there was a large passthrough into the XCCY market. A higher central bank net position as well as an effort from the central bank to make banks use its 1w liquidity facility without stigma have normalized DKK liquidity and pushed short FX swaps closer to central bank spreads; Taking the EURDKK XCCY 3M break back down.
- The net position is likely to increase going forward as we believe the government will finance one-offs and increased spending via draw-downs from its account at the central bank rather than increased issuance. Even though demand for DKK liquidity has likely risen structurally, we believe a higher net position is more likely to reduce volatility in FX forwards than to make DKK liquidity cheaper. If there continues to be a disconnect between Destr/Cibor and cash liquidity premiums; any changes in cash premiums is expected to passthrough into the XCCY break as observed earlier this year.
- We believe the Danish central bank will keep the policy rate spread to the ECB at -40bp throughout the current forecast period. Risks are probably slightly skewed towards a less negative spread rather than a more negative spread, arguing for some positive risk premium on the curve.



Issuances of note:

Country	Ticker	Issuer	Ccy	Coupon type	Issue spread	Issue date	Maturity	Tenor~	Rank	Green	Amount issued (mio.)
Denmark	DANBNK	DANSKE BANK A/S	EUR	VARIABLE	118	11-Aug-2025	19-Aug-2030	5Y	Subordinated	GRN	500
	JYBC	JYSKE BANK A/S	EUR	VARIABLE	152	27-Aug-2025	4-Dec-2031	6Y3M	Subordinated		500
	RDKRE	REALKREDIT DANMARK	SEK	FLOATING	70	28-Aug-2025	1-Oct-2027	2Y1M	Covered		360 (TAP)
	NYKRE	NYKREDIT REALKREDIT AS	SEK	FLOATING	52	22-Aug-2025	1-Oct-2028	3Y1M	Covered	GRN	450 (TAP)
	DANBNK	DANSKE BANK A/S	SEK	FLOATING	65	25-Aug-2025	29-Aug-2028	3Y	Sr Non Preferred		750
	DANBNK	DANSKE BANK A/S	SEK	FIXED	65	25-Aug-2025	29-Aug-2028	3Y	Sr Non Preferred		1,150
	RDKRE	REALKREDIT DANMARK	SEK	FLOATING	48	22-Aug-2025	1-Oct-2029	4Y1M	Covered	GRN	2,418 (TAP)
Norway	KBN	KOMMUNALBANKEN AS	CHF	FIXED	29	13-Aug-2025	10-Sep-2035	10Y1M	Sr Unsecured		100
	SPABOL	SPAREBANK 1 BOLIGKREDITT	EUR	FIXED	35	19-Aug-2025	27-Aug-2032	7Y	Covered		1,000
	SPOLNO	SPAREBANK 1 OESTLANDET	SEK	FLOATING	67	21-Aug-2025	28-Aug-2028	3Y	Sr Non Preferred	GRN	300
	DNBNO	DNB BANK ASA	SEK	VARIABLE	50	6-Aug-2025	14-Aug-2028	3Y	Sr Preferred	GRN	1,800
	SVEGNO	SPAREBANKEN NORGE	SEK	FIXED	-	27-Aug-2025	3-Sep-2029	4Y	Sr Non Preferred		500
	DNBNO	DNB BOLIGKREDITT AS	SEK	FLOATING	36	19-Aug-2025	26-Aug-2030	5Y	Covered	GRN	5,600
	DNBNO	DNB BOLIGKREDITT AS	SEK	FIXED	36	19-Aug-2025	26-Aug-2030	5Y	Covered	GRN	2,200
Sweden	SHBASS	SVENSKA HANDELSBANKEN AB	AUD	FIXED	82	26-Aug-2025	2-Sep-2030	5Y	Sr Preferred		600
	SHBASS	SVENSKA HANDELSBANKEN AB	AUD	FLOATING	82	26-Aug-2025	2-Sep-2030	5Y	Sr Preferred		650
	VLVY	VOLVO TREASURY AB	EUR	FLOATING	35	18-Aug-2025	26-Aug-2027	2Y	Sr Unsecured		300
	BALDER	FASTIGHETS AB BALDER	EUR	FIXED	130	28-Aug-2025	28-Jan-2028	2Y5M	Sr Unsecured		200 (TAP)
	KOMINS	KOMMUNINVEST I SVERIGE	EUR	FIXED	10	25-Aug-2025	4-Oct-2028	3Y1M	Sr Unsecured		100 (TAP)
	SHBASS	SVENSKA HANDELSBANKEN AB	EUR	FIXED	77	12-Aug-2025	19-Aug-2032	7Y	Sr Non Preferred	GRN	750
	KOMINS	KOMMUNINVEST I SVERIGE	EUR	FIXED	28	28-Aug-2025	1-Sep-2032	7Y	Sr Unsecured	GRN	500
	BALDER	FASTIGHETS AB BALDER	EUR	FIXED	162	28-Aug-2025	4-Mar-2033	7Y6M	Sr Unsecured		500
	SEB	SKANDINAVISKA ENSKILDA	EUR	FIXED	95	7-Aug-2025	14-Aug-2035	10Y	Sr Non Preferred		750
	SWEDA	SWEDBANK AB	EUR	VARIABLE	118	12-Aug-2025	19-Aug-2030	5Y	Subordinated		500
	SEK	SWEDISH EXPORT CREDIT	EUR	FIXED	-	12-Aug-2025	21-Aug-2037	12Y	Sr Unsecured		150
	FASTIG	VASAKRONAN AB	NOK	FIXED	-	22-Aug-2025	1-Sep-2037	12Y	Sr Unsecured	GRN	350
	SWEDA	SWEDBANK (NEW YORK)	USD	FLOATING	20	18-Aug-2025	19-Feb-2026	6M	Sr Unsecured		100
	SWEDA	SWEDBANK (NEW YORK)	USD	FLOATING	20	19-Aug-2025	20-Feb-2026	6M	Sr Unsecured		275
	SEB	SKANDINAVISKA ENSKILDA	USD	FIXED	-	25-Aug-2025	3-Sep-2030	5Y	Sr Non Preferred		750
SEB	SKANDINAVISKA ENSKILDA	USD	FLOATING	106	25-Aug-2025	3-Sep-2030	5Y	Sr Non Preferred		300	
Supra/SSA	KFW	KFW	DKK	FIXED	13.7	29-Aug-2025	29-Sep-2032	7Y1M	Sr Unsecured	GRN	850
	KFW	KFW	EUR	FIXED	4	27-Aug-2025	31-Jul-2028	2Y11M	Sr Unsecured		1,000 (TAP)
	KFW	KFW	EUR	FIXED	19	19-Aug-2025	15-Nov-2032	7Y3M	Sr Unsecured	GRN	3,000
	IDAWBG	INTL DEVELOPMENT ASSOC	AUD	FIXED	49	20-Aug-2025	29-Aug-2030	5Y	Sr Unsecured		1,750
	IBRD	INTL BK RECON & DEVELOP	CAD	FIXED	27	21-Aug-2025	5-Sep-2028	3Y1M	Sr Unsecured		1,500
	IDAWBG	INTL DEVELOPMENT ASSOC	CHF	FIXED	20	14-Aug-2025	16-Sep-2031	6Y1M	Sr Unsecured		250
	NIB	NORDIC INVESTMENT BANK	DKK	FIXED	-	25-Aug-2025	1-Sep-2028	3Y	Sr Unsecured		2,000
	EU	EUROPEAN UNION	EUR	FIXED	-6	25-Aug-2025	6-Dec-2027	2Y3M	Sr Unsecured		2,120 (TAP)
	EFSF	EFSF	EUR	FIXED	7	1-Sep-2025	11-Apr-2029	3Y7M	Sr Unsecured		1,000 (TAP)
	CAF	CORP ANDINA DE FOMENTO	EUR	FIXED	77	27-Aug-2025	3-Sep-2032	7Y	Sr Unsecured		1,500
	IDAWBG	INTL DEVELOPMENT ASSOC	EUR	FIXED	31	27-Aug-2025	3-Sep-2032	7Y	Sr Unsecured		2,000
	EFSF	EFSF	EUR	FIXED	22	1-Sep-2025	13-Feb-2034	8Y6M	Sr Unsecured		1,000 (TAP)
	ASIA	ASIAN DEVELOPMENT BANK	GBP	FIXED	42	18-Aug-2025	22-Oct-2030	5Y2M	Sr Unsecured		800
	FNPLAT	FONPLATA	JPY	FIXED	-	21-Aug-2025	5-Sep-2028	3Y1M	Sr Unsecured		3,000
	IBRD	INTL BK RECON & DEVELOP	USD	FIXED	-	5-Aug-2025	14-Nov-2025	3M	Sr Unsecured		500
	NIB	NORDIC INVESTMENT BANK	USD	FIXED	30	21-Aug-2025	28-Aug-2028	3Y	Sr Unsecured		1,000
	ASIA	ASIAN DEVELOPMENT BANK	USD	FIXED	39	20-Aug-2025	28-Aug-2030	5Y	Sr Unsecured		3,000
ESM	EURO STABILITY MECHANISM	USD	FIXED	39	27-Aug-2025	4-Sep-2030	5Y	Sr Unsecured		2,000	
EIB	EUROPEAN INVESTMENT BANK	USD	FIXED	39	19-Aug-2025	15-Oct-2030	5Y2M	Sr Unsecured		4,000	
IBRD	INTL BK RECON & DEVELOP	USD	FIXED	60	19-Aug-2025	27-Aug-2035	10Y	Sr Unsecured		5,000	

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