

## **Auction of DGB 2020 and DGB 2027**

Auction on Wednesday 5 July at 10:15

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# Auction of DGB 2020 and DGB 2027

## DGB 2020:

- The uptrend yield in rates has continued and the YTM is now at -0.30%, where the pickup vs DGB 2019 is at 17bps
- After the performance of DGBs vs Bunds, the YTM pickup vs Germany is reduced and now at 17bps
- The ASW (mm) pickup vs DGB 2019 continues to trade at 3bps
- **We see pricing as fair**

## DGB 2027:

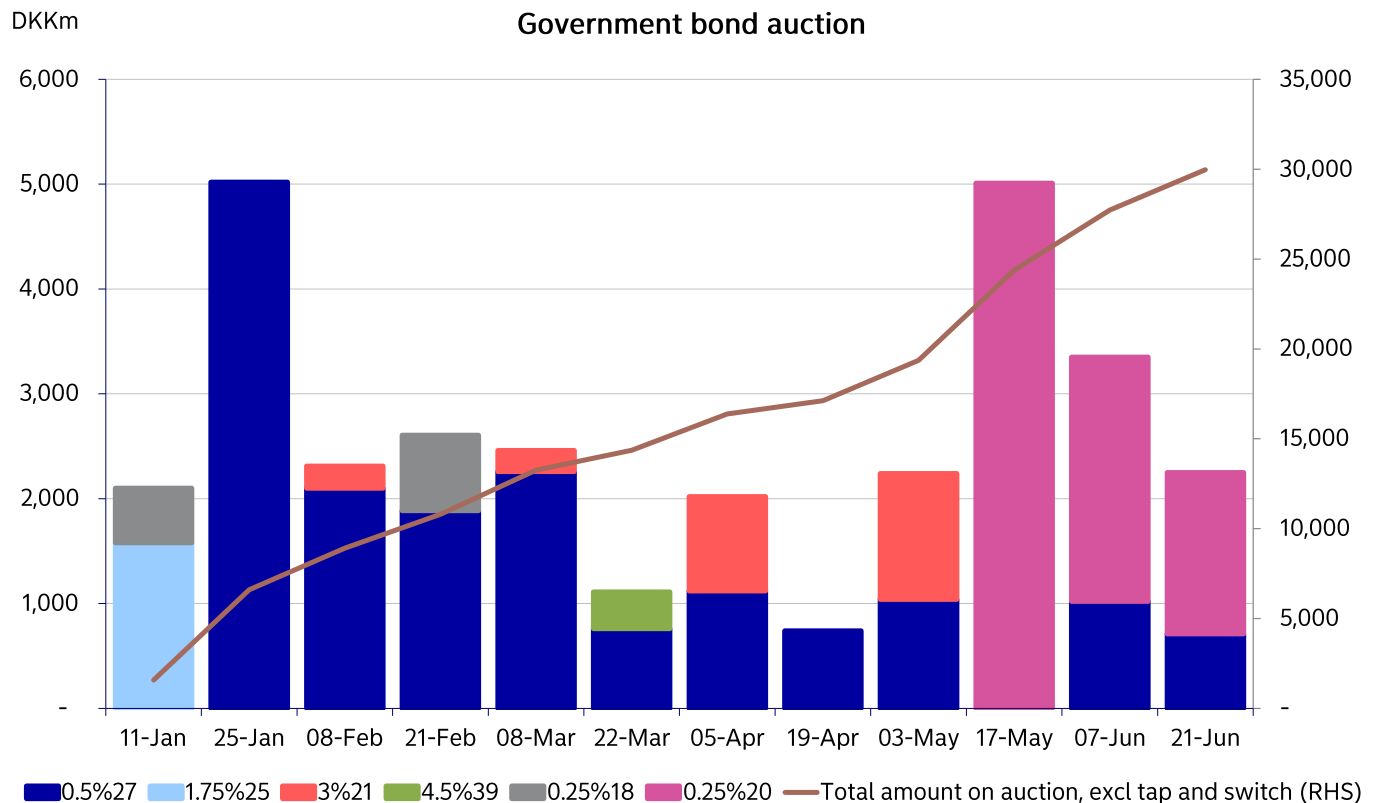
- The YTM level has increased to 0.67% and the roll to DGB 2025 is 30bps
- DGB 2027 gives the highest roll vs Cita and Swap (6m)
- The performance of DGBs vs Bunds means that the YTM pickup vs Germany has tightened to 20bps (vs Feb'27), whereas the pickup vs the new 10Y German benchmark to be opened next week will be around 15bp.
- The ASW (mm) pickup vs DGB 2025 is 6bps and therefore the highest among DGBs
- **We see pricing as fair**

	DUR	ASW(pp) 6M	ASW(pp) diff to next (roll)	ASW(mm) 6M	ASW(mm) diff to next (roll)	YTM, %	YTM diff to next (roll)	YTM diff vs Germany (MM)	German comparable	YTM diff vs DKK Flex(MM)	DKK Flex comparable
DGB 2018	1.4	-54	-	-55	-	-0.57	-	10	DE 1 12Oct18	5	Nyk Jan 18
DGB 2019	2.3	-57	-3	-57	-2	-0.47	10	11	DE 3.25 04Jan20	22	Nyk Jan20
DGB 2020	3.4	-54	3	-54	3	-0.30	17	17	DE 0.25 16Oct20	28	Nyk Jan21
DGB 2021	4.1	-58	-4	-58	-4	-0.20	10	13	DE 0 08Oct21	40	Nyk Jan22
DGB 2023	6.1	-58	0	-59	-1	0.09	29	16	DE 2 15Aug23	54	Nyk Jan24
DGB 2025	7.8	-56	2	-58	1	0.37	28	15	DE 1 15Aug25	64	Nyk Jan26
DGB 2027	10.0	-51	5	-52	6	0.67	30	20	DE 0.25 15Feb27	59	RD Apr27
DGB 2039	15.7	-55	-4	-59	-7	1.16	49	9	DE 4.25 04Jul39		

## Timing and auction details

- The auction will take place on **Wednesday 5 July 2017**
- It is the last auction before the summer break and the next auction will be on 9 August
- ISINs: **DK0009923641 and DK0009923567**
- The Danish central bank has published that they will focus their issuing in the 2Y and 10Y benchmark bonds in 2017
- As from 8:00 a.m. (CET) on the opening day, **bids can be submitted until 10:15 a.m.** Subsequently, a cut-off price will be fixed as quickly as possible and within 10 minutes at the latest. Bids at the cut-off price or above will be accommodated at the cut-off price. A pro-rata allocation of bids at the cut-off price may be applied.
- The sale will commence via MTS Denmark's auction system with primary dealers as counterparts. The opening is contingent on stable market conditions.

# Funding progress



Source: Nordea Markets

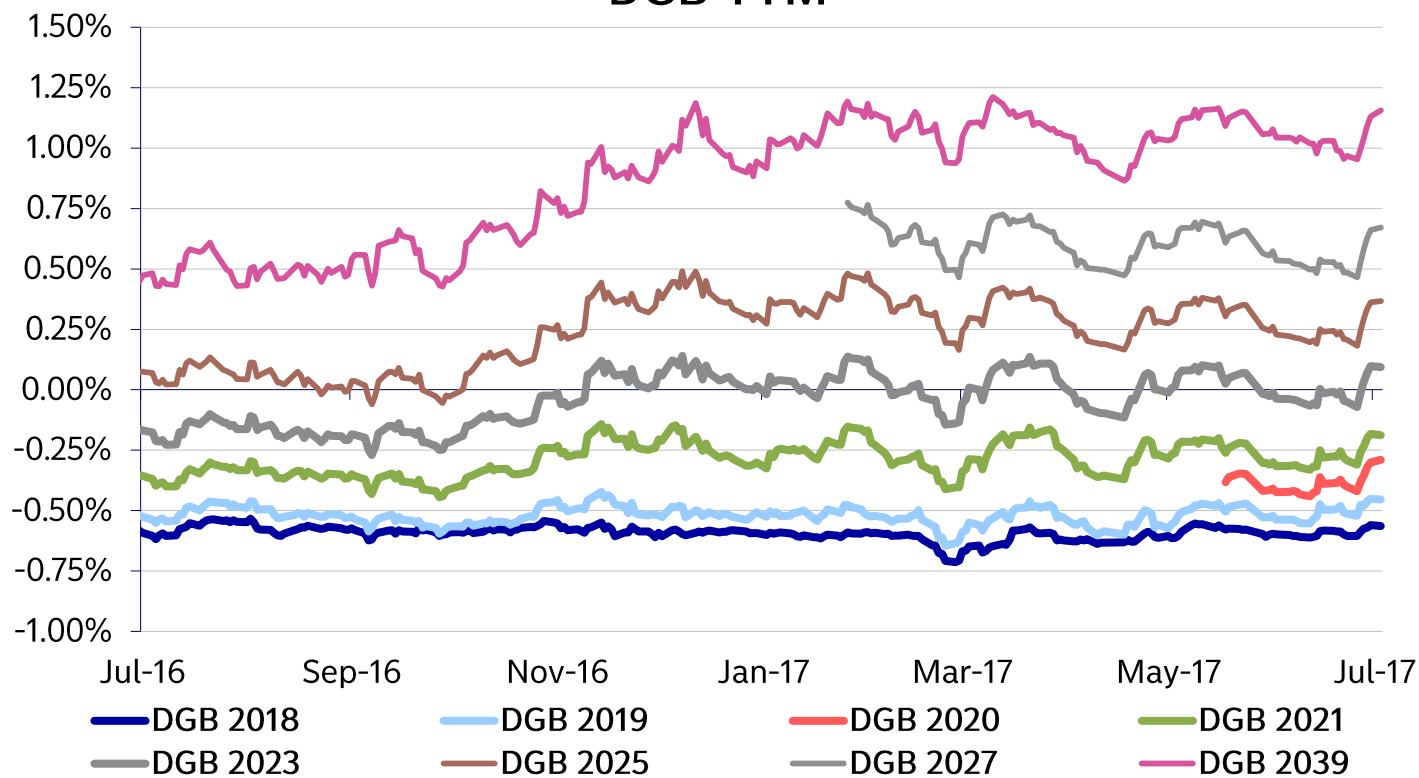
At the last auction DKK 2.25bn was sold with DKK 1.54bn in DGB 2020 and DKK 0.7bn in DGB 2027

So far DKK 36.6bn has been issued on the auctions and by tap and the target is DKK 65bn.

An updated financing strategy was published two weeks ago, where the auction target was kept unchanged.

# YTM

## DGB YTM

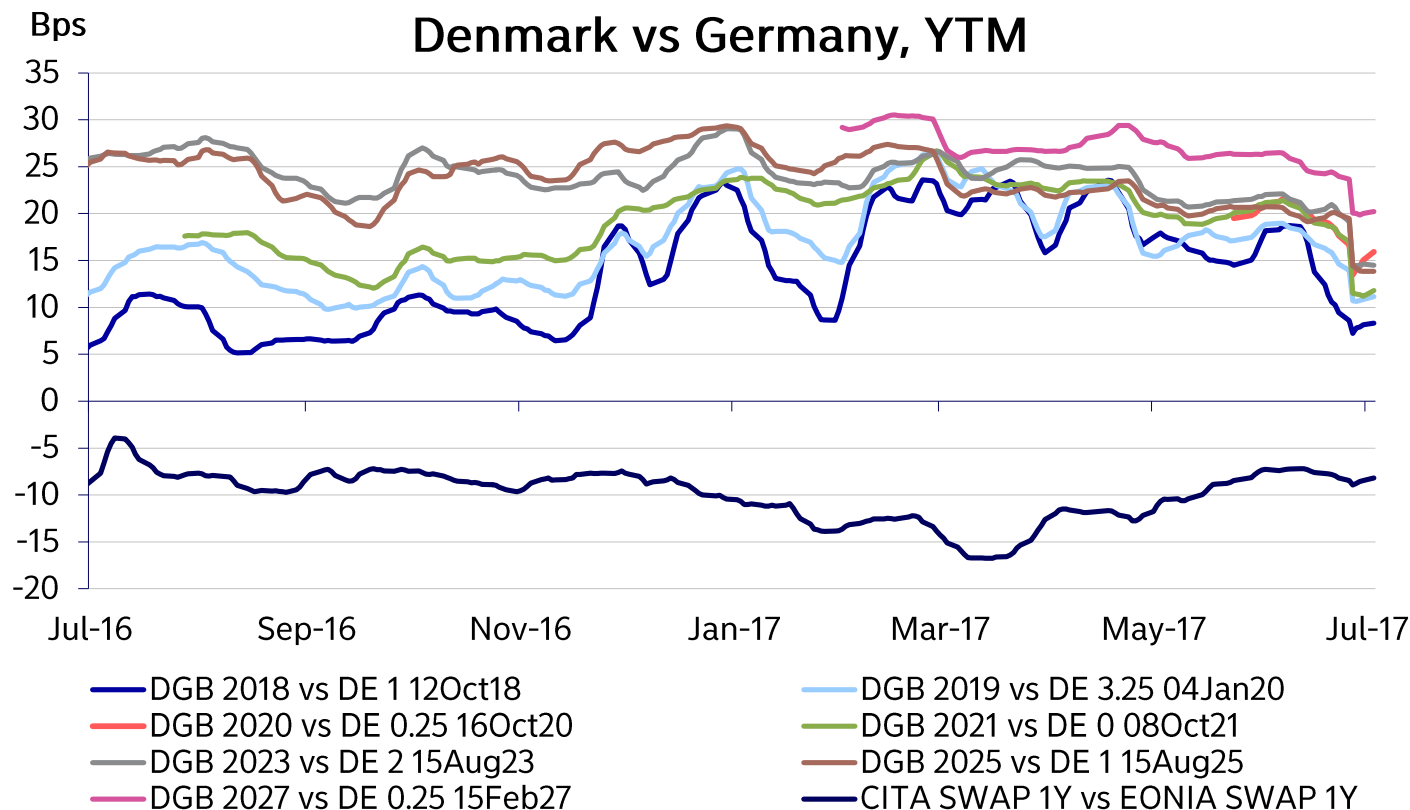


Since the last auction the YTM has increased

Source: Nordea Markets

# YTM spread vs Germany

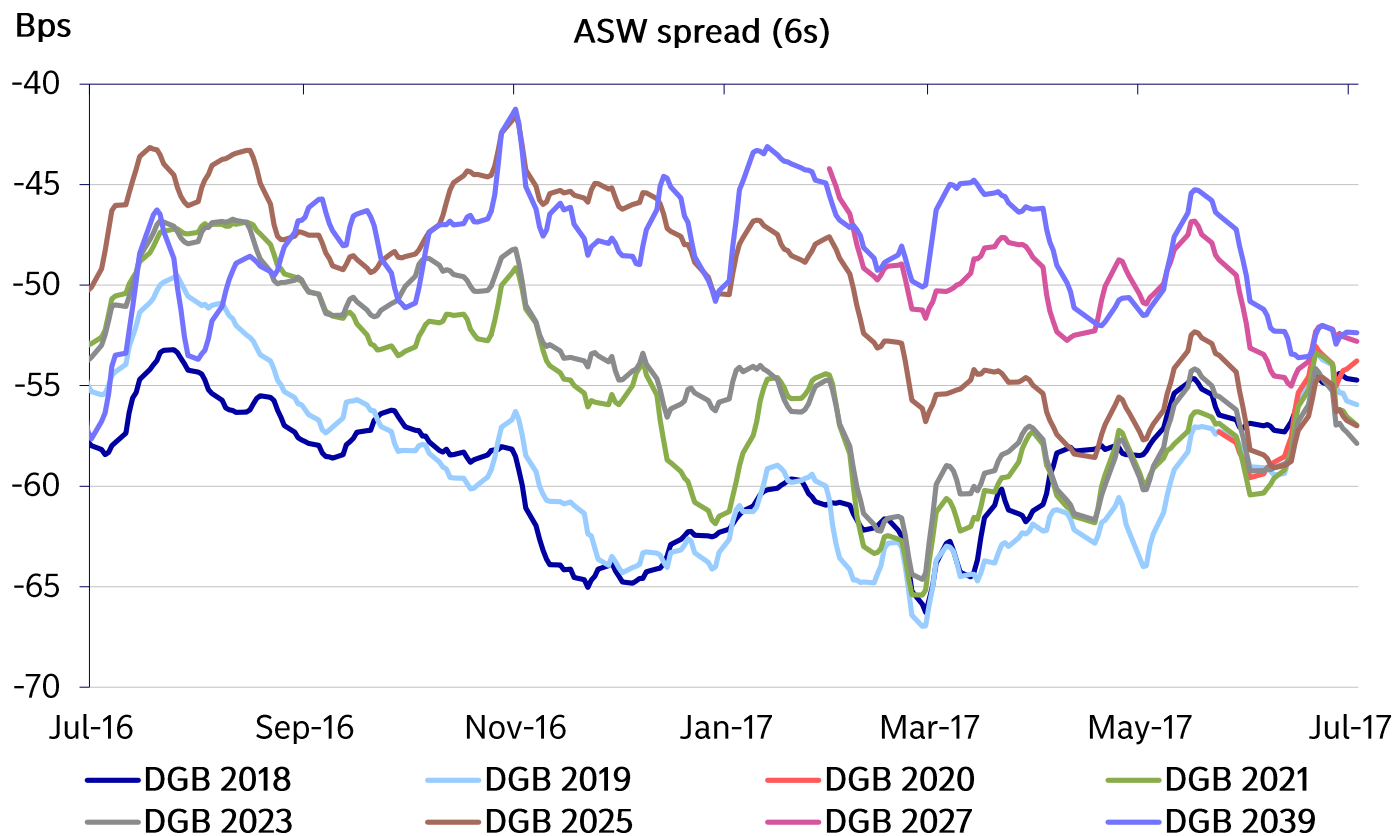
Denmark vs Germany, YTM



DGBs have performed significant vs Germany since the last auction across maturities and especially in the shorter end due to higher yields for Bunds compared to DGBs.

Source: Nordea Markets

## Spread vs Cibor 6M



Source: Nordea Markets

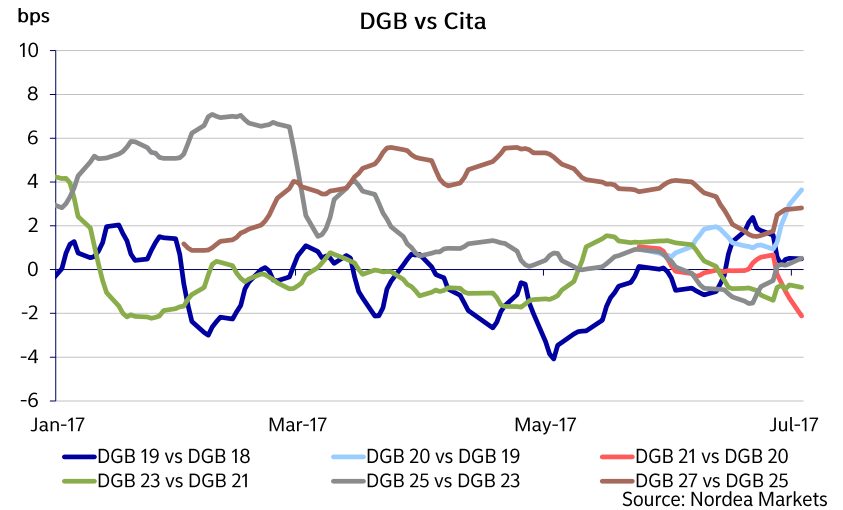
The DGB ASW vs Cibor 6m curve has continued to trade flat, since the last auction

The underperformance in the short end since mid-May follows higher yields in DGBs and Bunds

# ASW roll: almost flat ASW structure

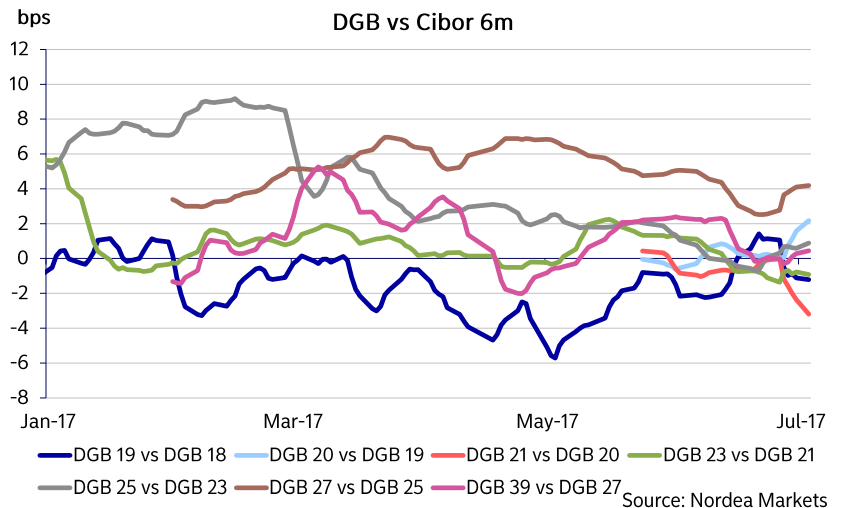
## Spread vs Cita

- Rolls vs Cita are the widest for the two bonds on auction, but they are still only around 2bps



## Spread vs swaps (6M)

- The roll vs Cibor (6m) for DGB 2027 is the widest at 4 bps

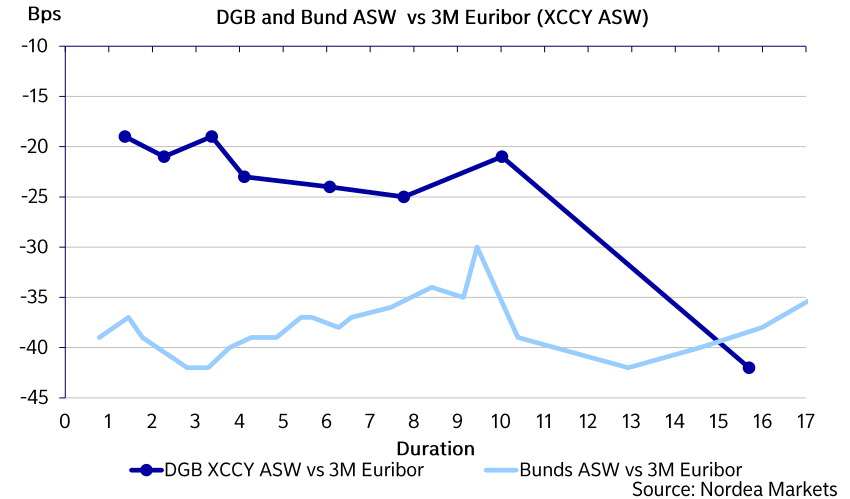




# Attractive front end for foreign investors

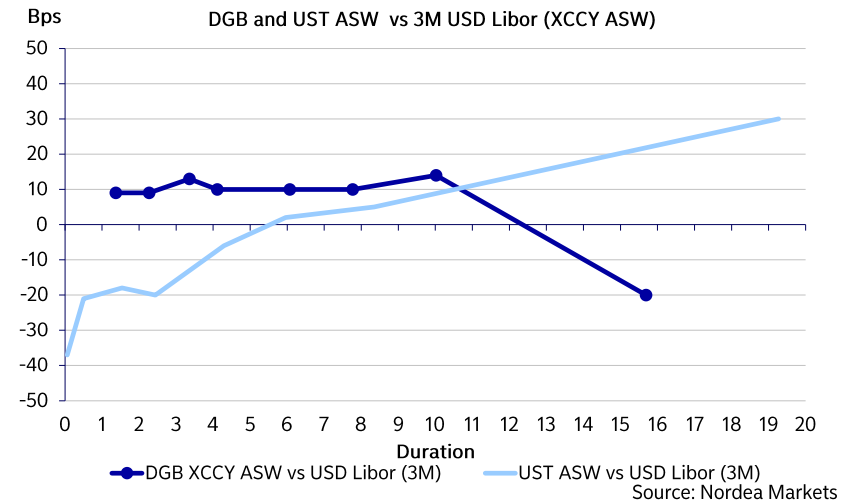
## ASW vs 3M Euribor

- The pickup of DGB vs Germany has become less attractive due to the performance of Bunds, but it is still positive



## ASW vs 3M USD Libor

- The short end of the DGB curve still provides a positive ASW vs 3M USD Libor (XCCY ASW)



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## Distribution of recommendations (last quarter)

Recommendation	Distribution	Definition
Buy	2.9%	Recommendation to buy
Sell	0.0%	Recommendation to sell
Hold	0.0%	Recommendation to hold
Other	97.1%	Recommendations that include buying and/or selling more than one financial instrument

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## Recommendation changes in the past 12 months

Author(s)	Date issued	ISIN	Recommendation	Entry price	Price target	Valid until
Anders Skytte Aalund, Maria Holm Rasmussen	25/07/2016		Buy%47IO vs 3%44			
Anders Skytte Aalund, Maria Holm Rasmussen	04/10/2016		Good value in DGBs, especially 0.25%18 and 1.75%25			
Maria Holm Rasmussen, Uffe Kalmar Hansen	15/11/2016	DK0009923138	Buy			
Maria Holm Rasmussen	14/12/2016	DK0002030683	Buy DK0002030683, hold DK0002032895			
Maria Holm Rasmussen	10/01/2017		Buy DK0009923484 and DK0009923138 at auction			11/01/2017
Frederik Nordsborg, Maria Holm Rasmussen	20/01/2017	DK0009923567	Buy			26/01/2017
Frederik Nordsborg, Maria Holm Rasmussen	07/02/2017	DK0009923567, DK0009922676	Pricing is fair to rich at auction			09/02/2017
Maria Holm Rasmussen	21/02/2017	DK0009923484,DK0009923567				22/02/2017
Maria Holm Rasmussen	06/03/2017		Buy DK0009923567, hold DK0009923138			
Maria Holm Rasmussen	07/03/2017	DK0009923567	Buy			09/03/2017
Maria Holm Rasmussen	21/03/2017	DK0009923567	Buy at auction on 22 March			23/03/2017
Maria Holm Rasmussen	24/03/2017		Buy DK0009502627, hold DK0009503005			
Frederik Nordsborg, Maria Holm Rasmussen	31/03/2017		Expected pricing of DK0009513319, DK0009513582, DK0009513665			
Maria Holm Rasmussen	04/04/2017		Buy DK0009922676 and DK0009923567 on auction			06/04/2017
Maria Holm Rasmussen	19/04/2017	DK0009923567, DK0009922320	Buy DK0009923567 at auction			20/04/2017
Maria Holm Rasmussen	02/05/2017	DK0009922676, DK0009923567	Pricing is fair at auction			04/05/2017
Frederik Nordsborg, Jan Størup Nielsen, Maria Holm Rasmussen	15/05/2017	DK0009923641	We expect pricing of ASW 6s @ 56bp and ASW Cita @17bp at coming auction			18/05/2017

Frederik Nordsborg, Maria Holm Rasmussen, Uffe Kalmar Hansen	18/05/2017	DK0009513236, DK0009513822, DK0009513905, DK0009392508, DK0002038587, DK0004603461, DK0004605755	Expected pricing at floater auction of 3-8bps spread (Cita) vs Flex and 25bps spread vs Eonia for DK0004603461			
Frederik Nordsborg, Maria Holm Rasmussen, Uffe Kalmar Hansen	18/05/2017		Potential in the 3Y Flex segment for both international and domestic investors			
Frederik Nordsborg, Jan Størup Nielsen, Maria Holm Rasmussen	01/06/2017		Positive view on DGB valuation			
Jan Størup Nielsen, Maria Holm Rasmussen	06/06/2017	DK0009923641, DK0009923567	Pricing is fair at auction			08/06/2017
Frederik Nordsborg, Maria Holm Rasmussen	15/06/2017		Potential in adding long duration in swaps over government bonds			
Maria Holm Rasmussen	20/06/2017	DK0009923641, DK0009923567	Pricing is fair at auction			22/06/2017
Maria Holm Rasmussen	04/07/2017	DK0009923641, DK0009923567	Pricing is fair at auction			06/07/2017