

Auction of DGB 2020 and DGB 2027

Auction on Wednesday 20 September at 10:15

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Auction of DGB 2020 and DGB 2027

DGB 2020:

- The YTM for DGB 2020 has increased 3bps since the last auction (currently @ -0.47%)
- The spread vs Cita roll of shorter dated DGB's is negative
- The YTM pickup vs Germany is the highest at 14bps and should be supported by the general tightening of DKK/EUR spreads in the front end
- **We see current pricing as fair**

DGB 2027:

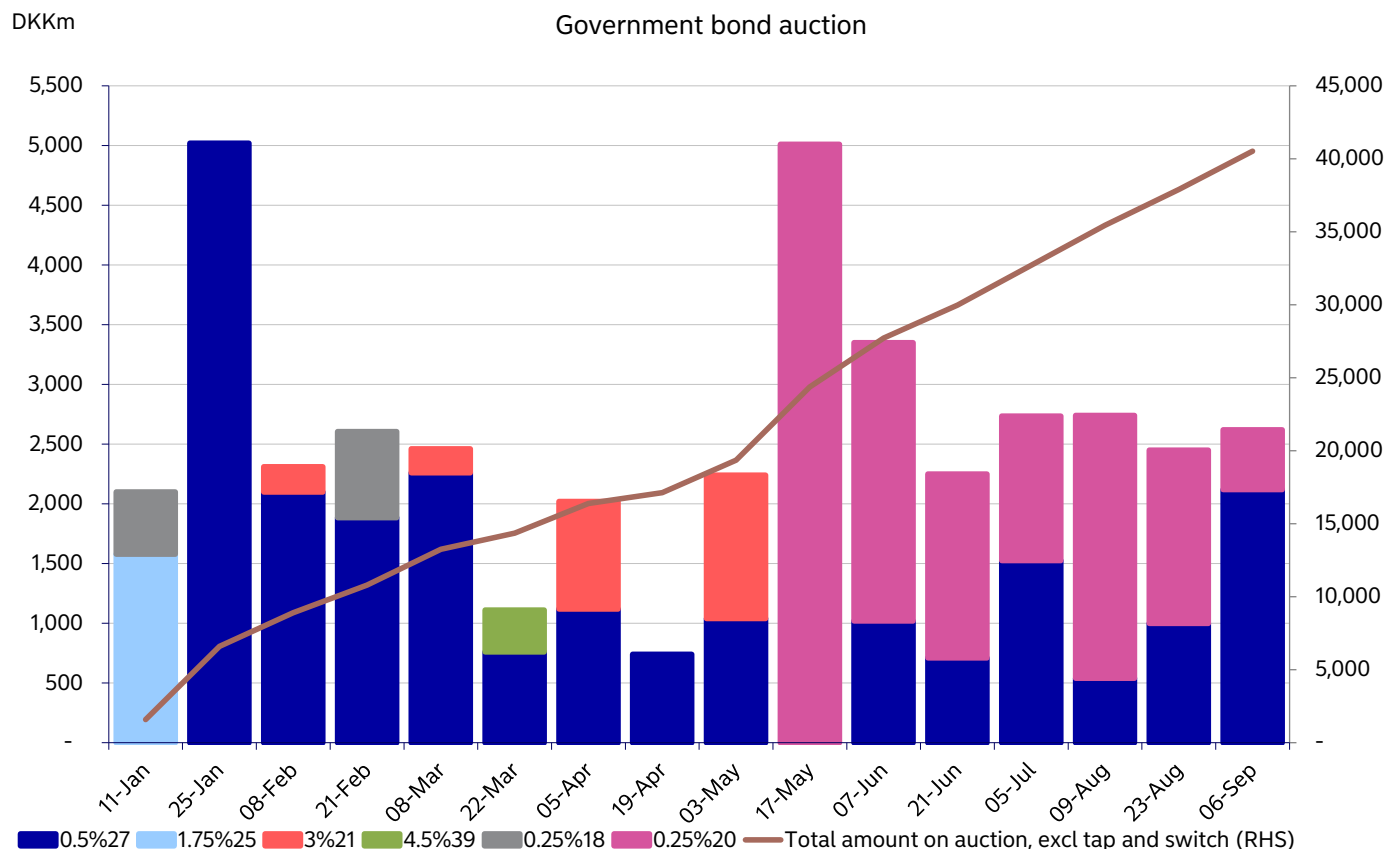
- The YTM level has increased to 0.52%, while the YTM-roll to DGB 2025 has decreased to 30bps
- The ASW (mm)-level is at -57bps and it is therefore at the lowest level ever
- The ASW (mm)-pickup vs DGB'25 has decreased to 5bps
- The longer DGBs has performed vs Germany and the YTM pickup vs Germany is at 9bps
- **We see current pricing as rich**

	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	1.2	-52	-	-52	-	-0.65	-	10	DE 1 12Oct18	8	Nyk Jan 18
DGB 2019	2.1	-57	-5	-57	-5	-0.59	6	11	DE 3.25 04Jan20	19	Nyk Jan20
DGB 2020	3.2	-59	-2	-59	-2	-0.47	12	14	DE 0.25 16Oct20	26	Nyk Jan21
DGB 2021	3.9	-61	-2	-61	-2	-0.35	12	11	DE 0 08Oct21	36	Nyk Jan22
DGB 2023	5.9	-62	-1	-63	-2	-0.06	29	11	DE 2 15Aug23	53	Nyk Jan24
DGB 2025	7.6	-60	2	-62	1	0.22	28	12	DE 1 15Aug25	61	Nyk Jan26
DGB 2027	9.8	-56	4	-57	5	0.52	30	9	DE 0.5 15Aug27	56	RD Apr27
DGB 2039	15.6	-65	-9	-67	-10	1.03	51	2	DE 4.25 04Jul39		

Timing and auction details

- The auction will take place on **Wednesday 20 September 2017**
- 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

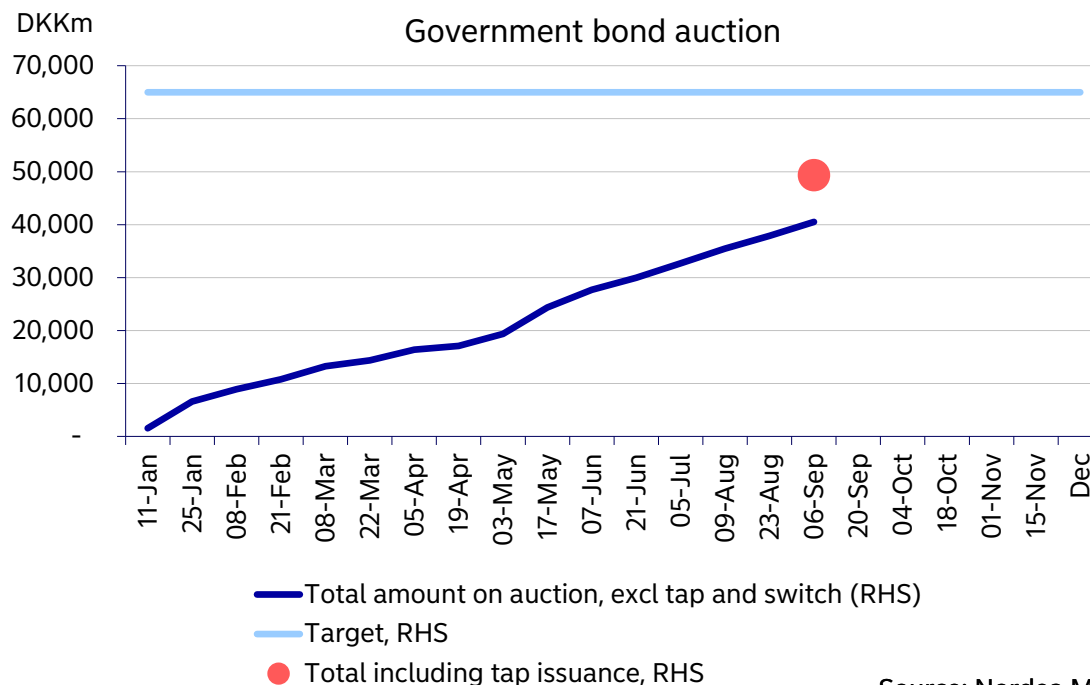
At the last auction DKK 2.62bn was sold with DKK 0.5bn in DGB 2020 and DKK 2.1bn in DGB 2027

In total DKK 40.5bn has been sold at the auctions in 2017.

So far DKK 49.3bn has been issued on the auctions and by tap and the target is DKK 65bn. This means that so far 76% of the target has been issued.

Funding in 2017

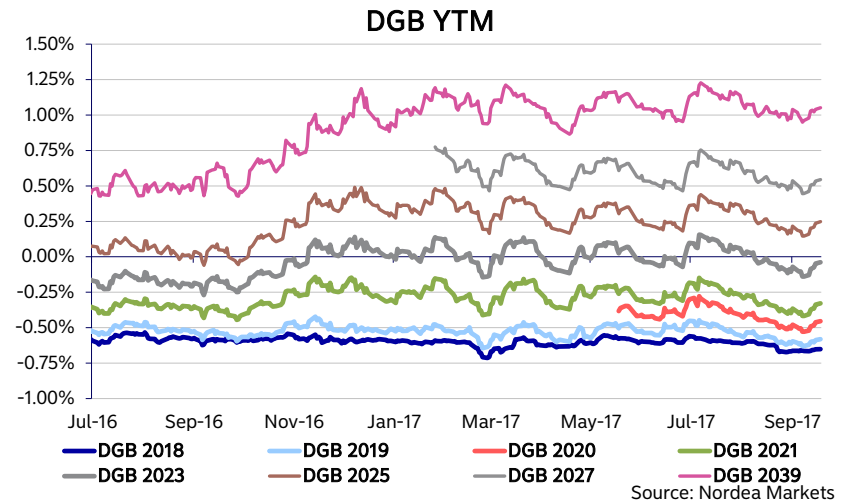
- Including the auction tomorrow 5 auctions have been announced up to 15 November. Assuming one additional auction in the rest of 2017 the average amount at the auctions will be DKK 2.6bn if this was the only issuance source
- However, the average tap issuance between the auctions have been DKK 0.5bn, so if one assumes this will continue the average auctions amount will be DKK 2.1bn going forward
- Since the issuance of DGB 2020 the average auction size has been DKK 2.6bn and if this continues we might end up in a situation, where the supply at the last auctions of 2017 will be low



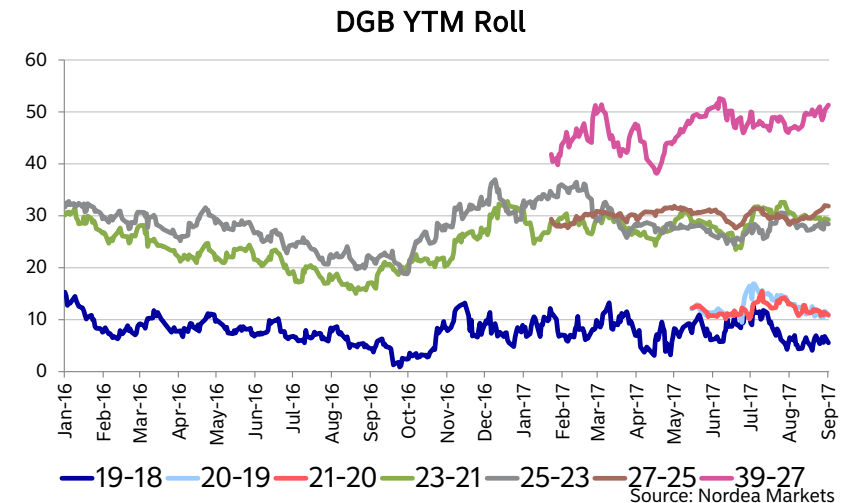
Source: Nordea Markets

YTM

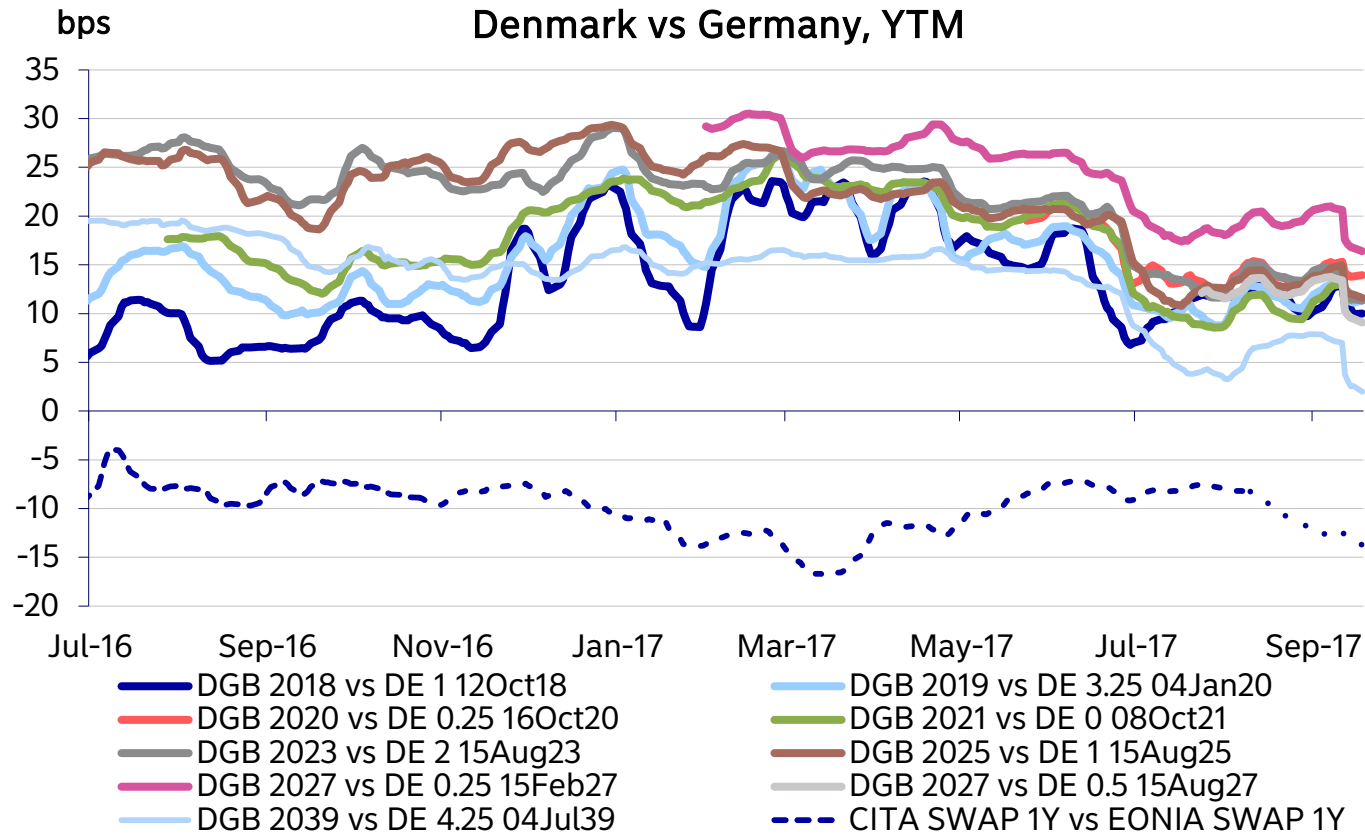
- YTM has increased since the last auction



- The YTM-rolls have decreased in the short end and trading sideways in the longer end



YTM spread vs Germany

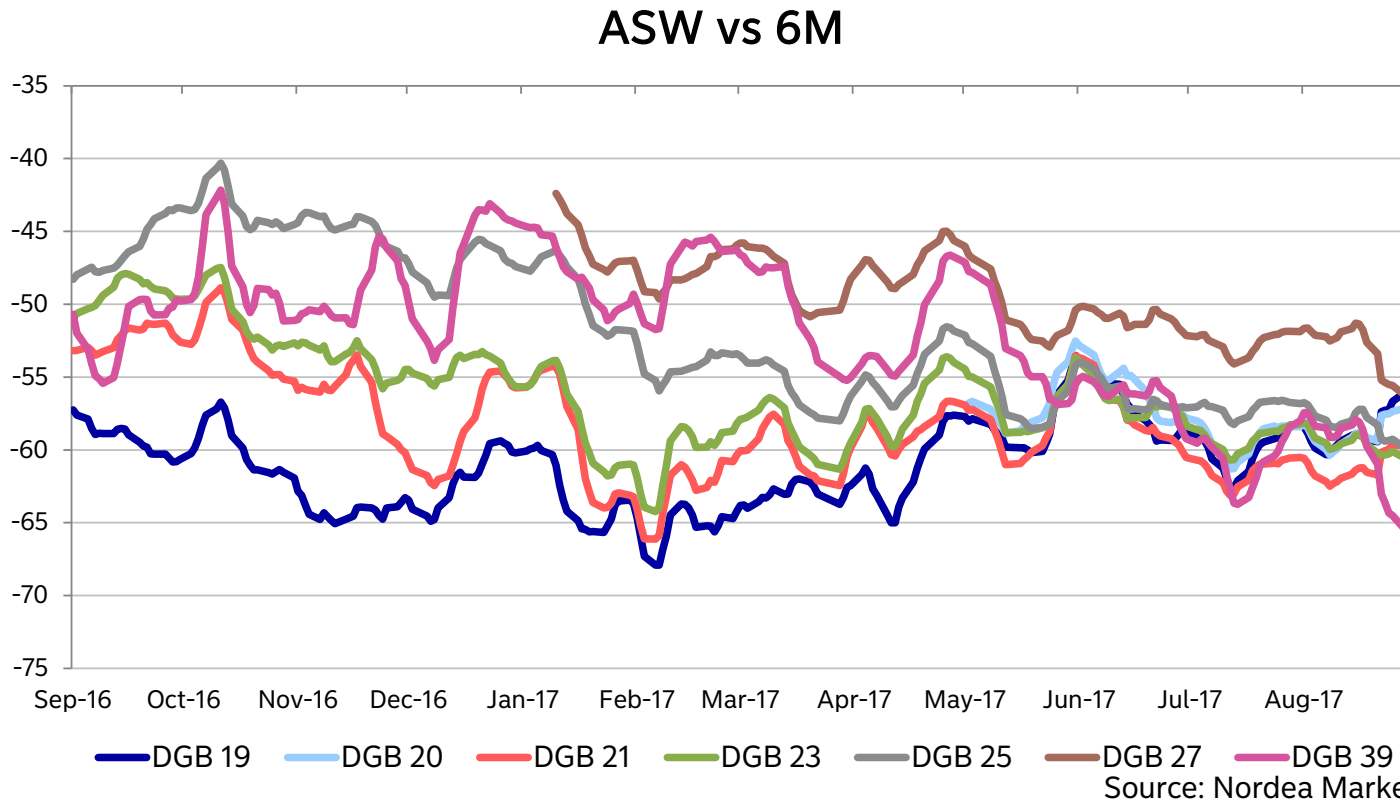


Source: Nordea Markets

DGBs performed vs Germany since the last auction.

Cita/Eonia continues to tighten and supports the tighter DGB/DBR spread

ASW vs 6M Cibor



The ASW vs 6M CIBOR for the longer dated DGBs has tightened significant since the last auction, and DGB 2027 trades at the lowest ASW level ever

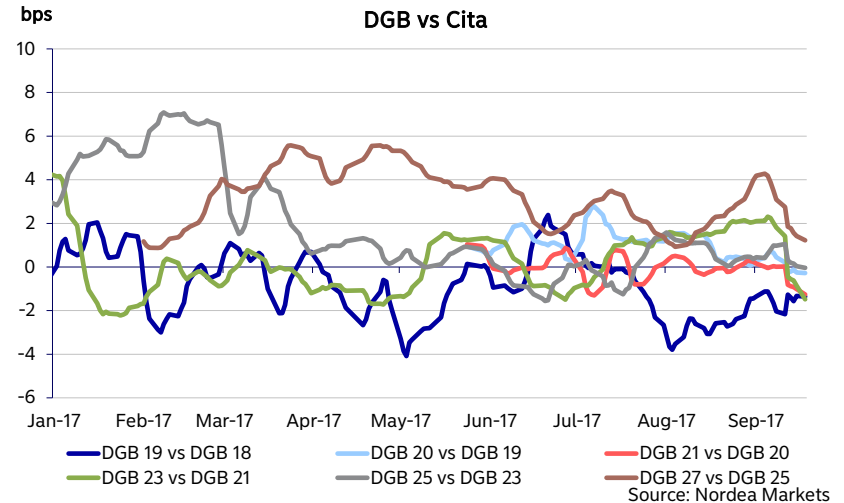
Shorter dated DGBs has on the other hand underperformed vs DKK swaps since the last auction

This results in a flatter ASW structure

ASW roll: flat ASW structure

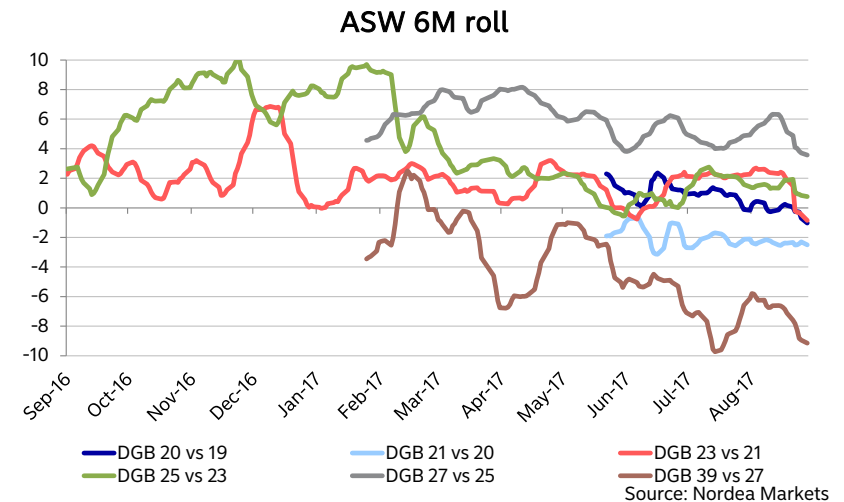
Spread vs Cita

- Rolls vs Cita has decreased since the last auction and it is negative for most DGBs



ASW (mm) vs Cibor 6M

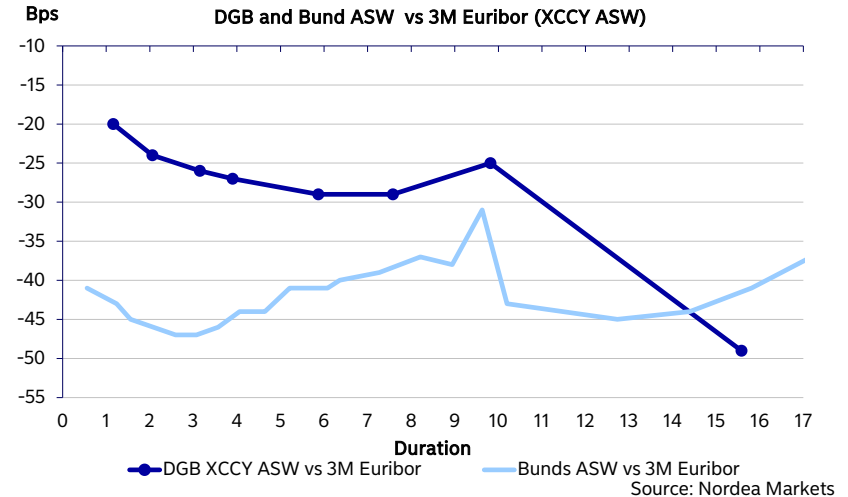
- The roll vs Cibor (6m) has decreased for longer DGBs and it is close to its lowest level for DGB 2039 and DGB 2027



Attractive front end for foreign investors

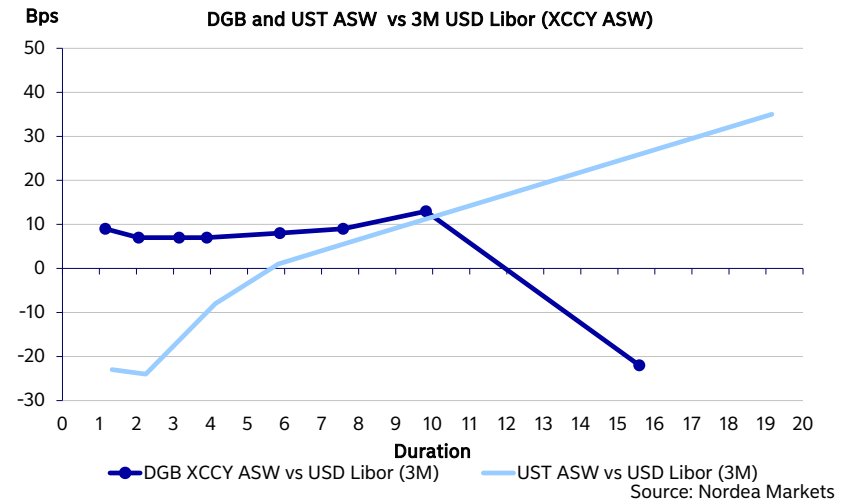
ASW vs 3M Euribor

- The pickup of DGB vs Germany is still attractive for hedged investor



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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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	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
Frederik Nordsborg, Maria Holm Rasmussen	18/08/2017		Good relative value in longer Flex bonds at the upcoming refinancing auction			
Jan Størup Nielsen, Maria Holm Rasmussen	22/08/2017	DK0009923641, DK0009923567	Pricing is fair at auction			23/08/2017
Jan Størup Nielsen, Maria Holm Rasmussen	05/09/2017	DK0009923641, DK0009923567	Fair value at the auction			06/09/2017
Maria Holm Rasmussen	19/09/2017	DK0009923641, DK0009923567	DK0009923641: Pricing is fair at auction DK0009923567: Pricing is rich at auction			20/09/2017