

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

Auction on Wednesday 04 October at 10:15

Maria Holm Rasmussen  
Fixed Income Research  
+45 5547 1783  
[maria.holm.rasmussen@nordea.com](mailto:maria.holm.rasmussen@nordea.com)



# Auction of DGB 2020 and DGB 2027

## DGB 2020:

- The YTM for DGB 2020 has decreased 2bps since the last auction (currently @ -0.48%)
- The spread vs Cita is at -20bps and the spread roll of shorter dated DGB's is negative
- The YTM pickup vs Germany is at 12bps and should be supported by the general tightening of DKK/EUR spreads in the front end
- The shorter DGBs have not performed as much vs swaps as the longer DGBs and we therefore see potential for at further performance
- **We see current pricing as fair**

## DGB 2027:

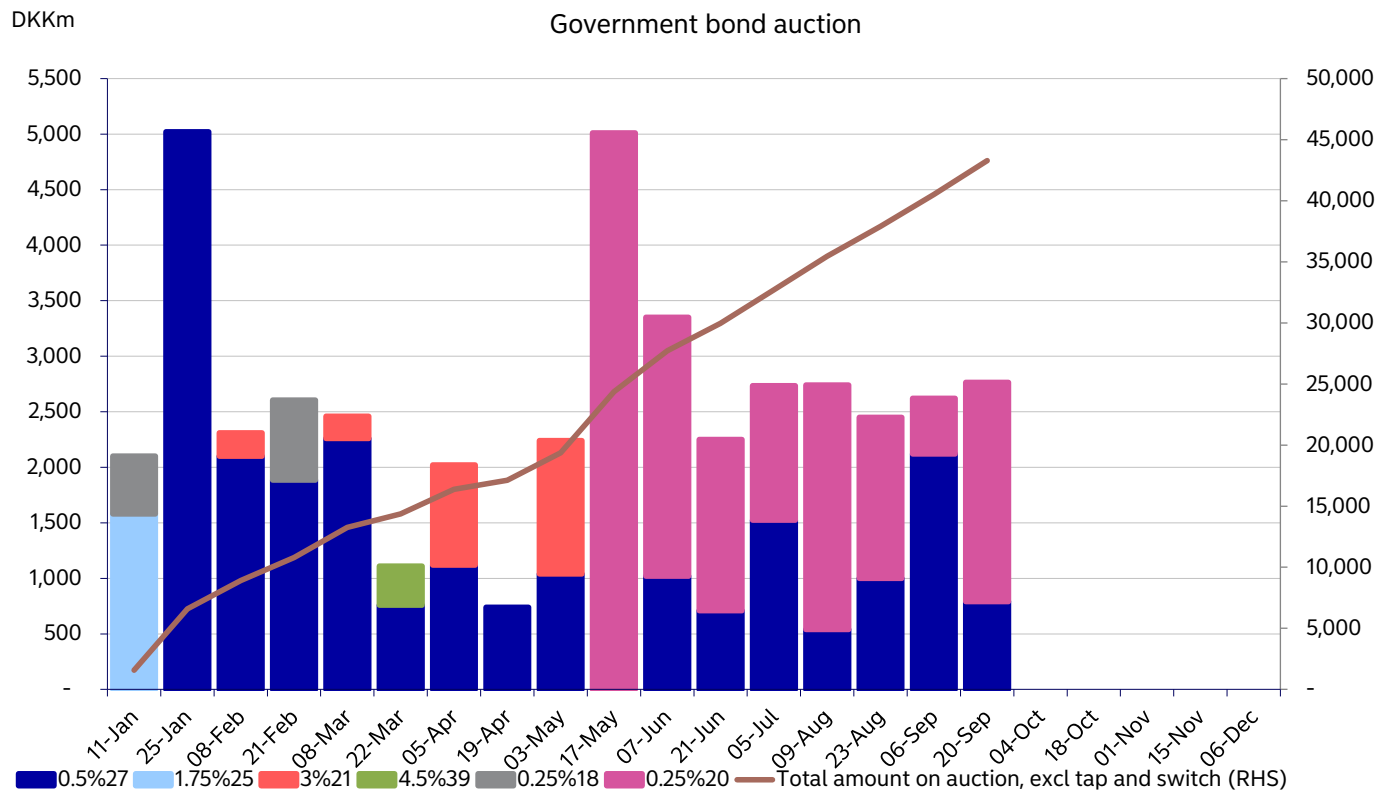
- The YTM level has increased to 0.57% and the YTM-roll to DGB 2025 has stayed at 30bps
- The ASW (mm)-level is at -57bps and it is therefore at the tightest level ever, however the roll to DGB 2025 is the highest at 5 bps
- The longer DGBs has performed vs Germany and the YTM pickup vs Germany is at 9bps
- The recent performance of callable bonds supports the demand for longer government bonds
- **We see current pricing as fair to 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	1.1	-51	-	-51	-	-0.65	-	11	DE 1 12Oct18	8	Nyk Jan 18
DGB 2019	2.0	-58	-7	-57	-6	-0.60	5	10	DE 3.25 04Jan20	22	Nyk Jan20
<b>DGB 2020</b>	<b>3.1</b>	<b>-60</b>	<b>-2</b>	<b>-61</b>	<b>-4</b>	<b>-0.48</b>	<b>12</b>	<b>12</b>	<b>DE 0.25 16Oct20</b>	<b>29</b>	<b>Nyk Jan21</b>
DGB 2021	3.9	-62	-2	-62	-1	-0.33	15	11	DE 0 08Oct21	36	Nyk Jan22
DGB 2023	5.8	-62	0	-63	-1	-0.03	30	11	DE 2 15Aug23	52	Nyk Jan24
DGB 2025	7.5	-60	2	-62	1	0.27	30	12	DE 1 15Aug25	59	Nyk Jan26
<b>DGB 2027</b>	<b>9.8</b>	<b>-56</b>	<b>4</b>	<b>-57</b>	<b>5</b>	<b>0.57</b>	<b>30</b>	<b>9</b>	<b>DE 0.5 15Aug27</b>	<b>53</b>	<b>RD Apr27</b>
DGB 2039	15.5	-68	-12	-69	-12	1.06	49	0	DE 4.25 04Jul39		

## Timing and auction details

- The auction will take place on **Wednesday 04 October 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

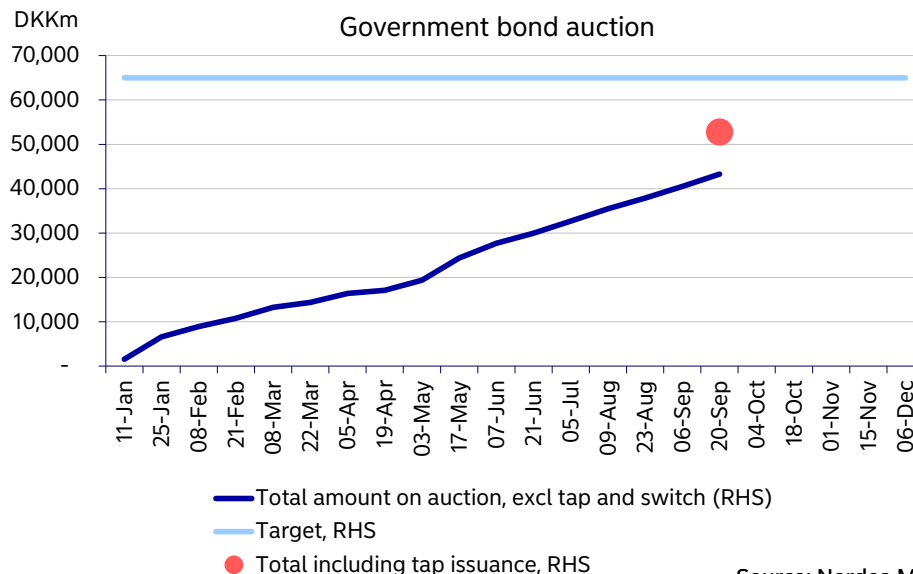
At the last auction DKK 2.8bn was sold with DKK 2.0bn in DGB 2020 and DKK 0.8bn in DGB 2027

In total DKK 43.3bn has been sold at the auctions in 2017.

So far DKK 52.8bn has been issued on the auctions and by tap and the target is DKK 65bn. This means that so far 81.2% of the target has been issued.

# Funding in 2017

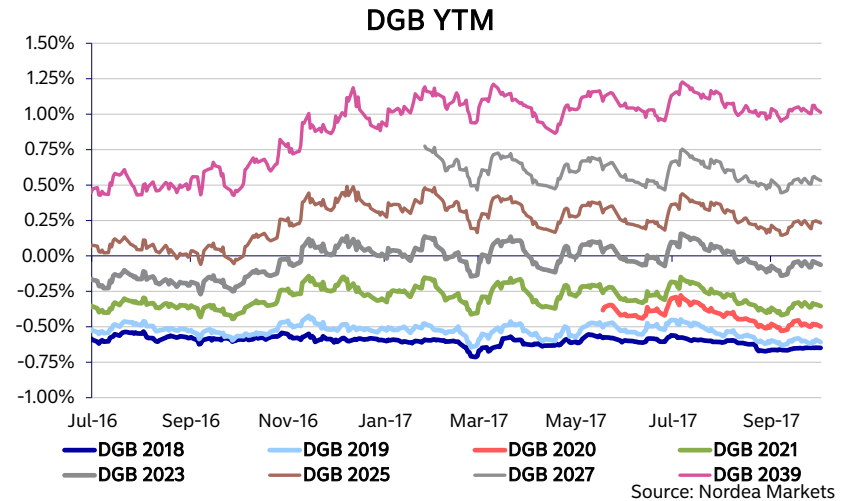
- Including the auction tomorrow 5 auctions have been announced up to 6 December, which we expect will be the last auction of government bonds in 2017. Given the target of DKK 65bn the average amount at the auctions will be DKK 2.45bn if this was the only issuance source
- However, the average tap issuance between the auctions have been DKK 0.5bn, so if one assumes this will continue the average auctions amount will be DKK 1.9bn going forward
- Since the issuance of DGB 2020 the average auction size has been DKK 2.7bn and if this continues we might end up in a situation, where the supply at the last auctions of 2017 will be low
- In addition a total of DKK 19.6bn has been issued at the switch operations in 2017, compared to DKK 18.2bn last year. The issuance on switch operations is not included in the target of DKK 65bn



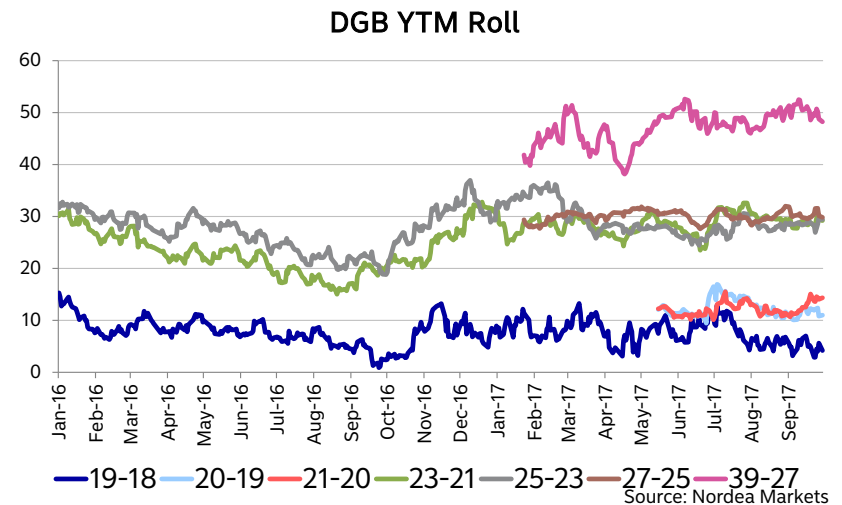
Source: Nordea Markets

# YTM

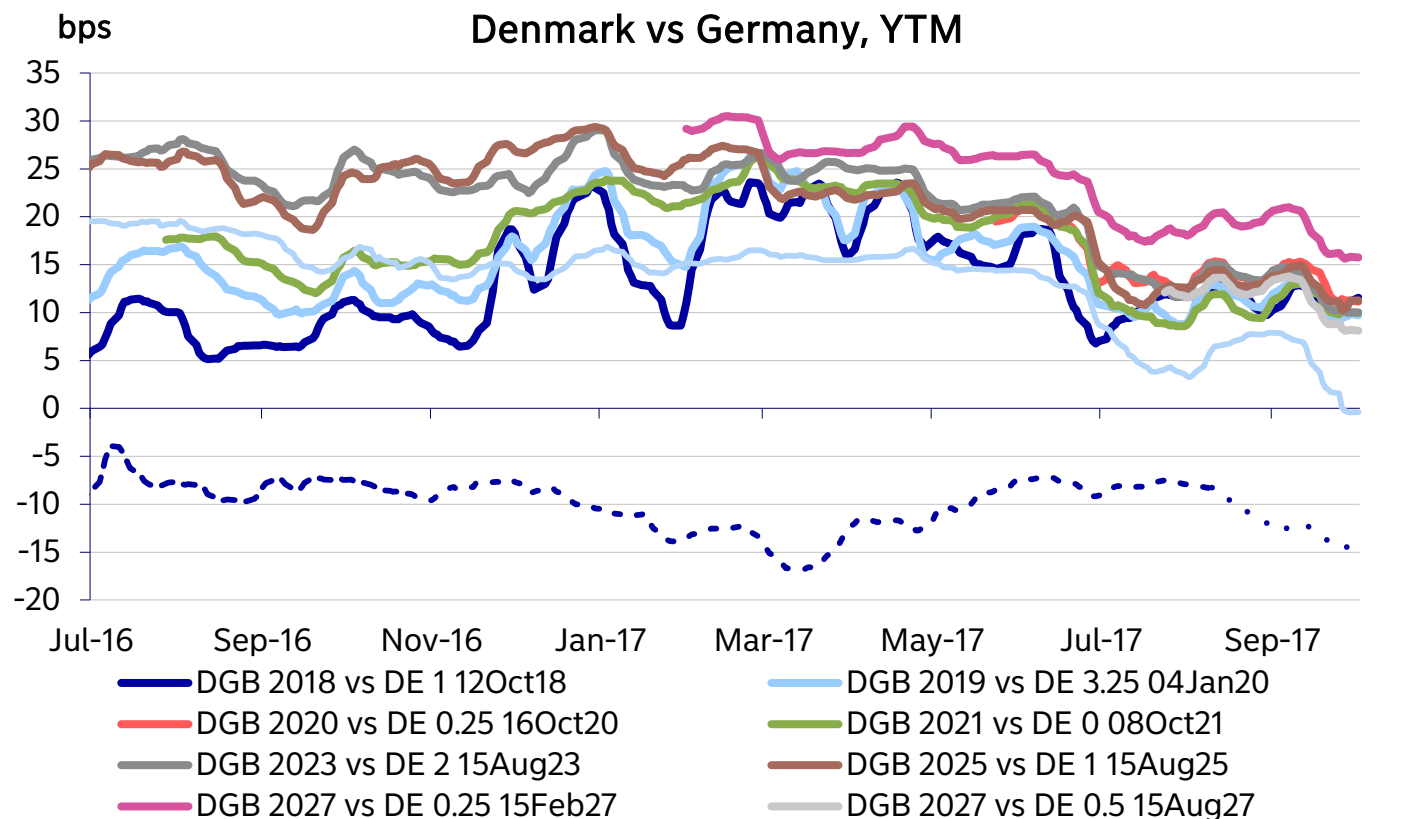
- YTM has been trading sideways since the last auction



- The YTM-rolls have stayed at the same levels since the last auction



# YTM spread vs Germany

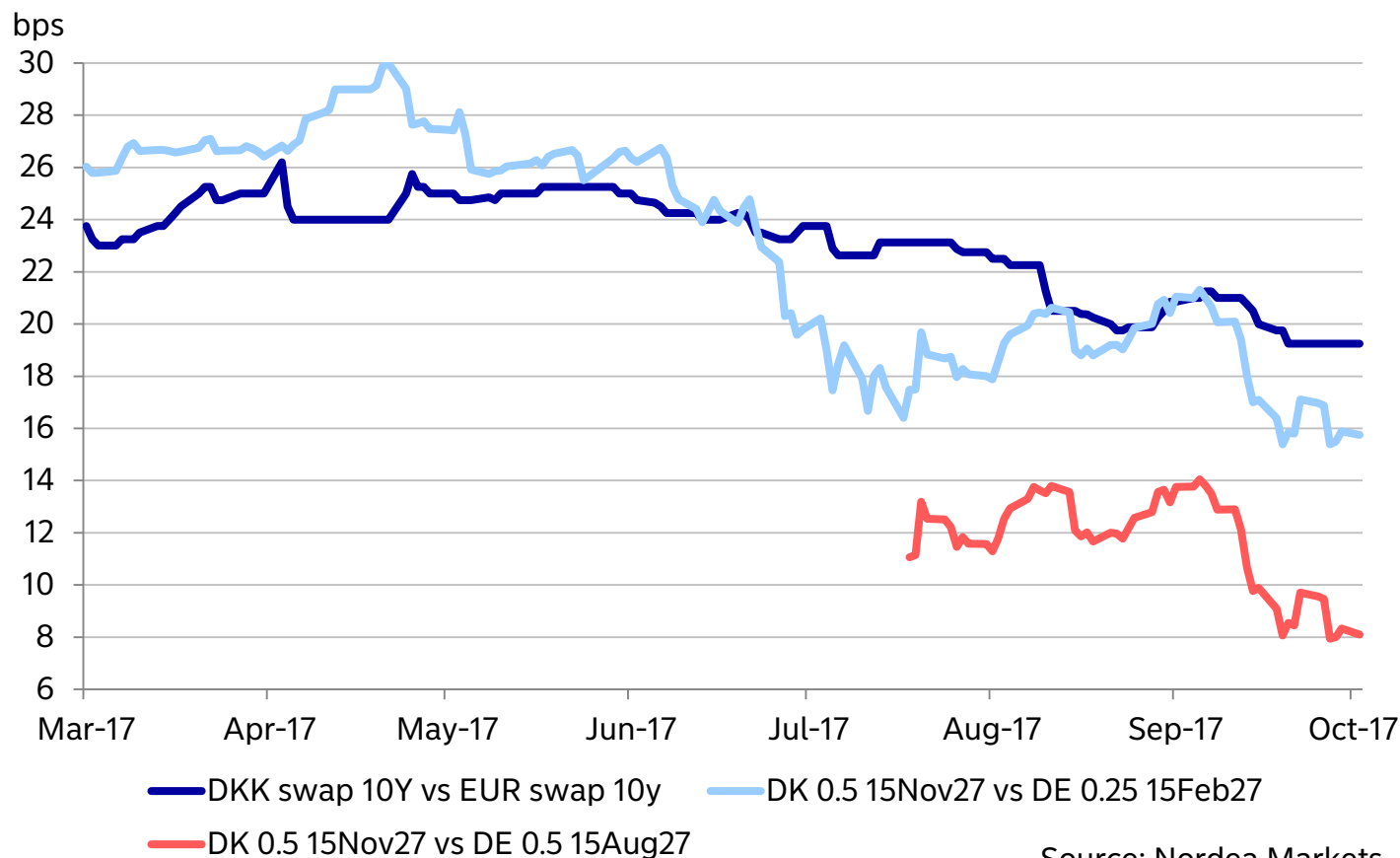


Source: Nordea Markets

DGBs have performed vs Germany since the last auction and DGB 2039 now trades with a lower YTM than DE 4.25 04Jul39

Cita/Eonia has continued to tighten in the last 2 months and supports tighter DGB/DBR spread in the short end

## Relative performance for Denmark vs Germany



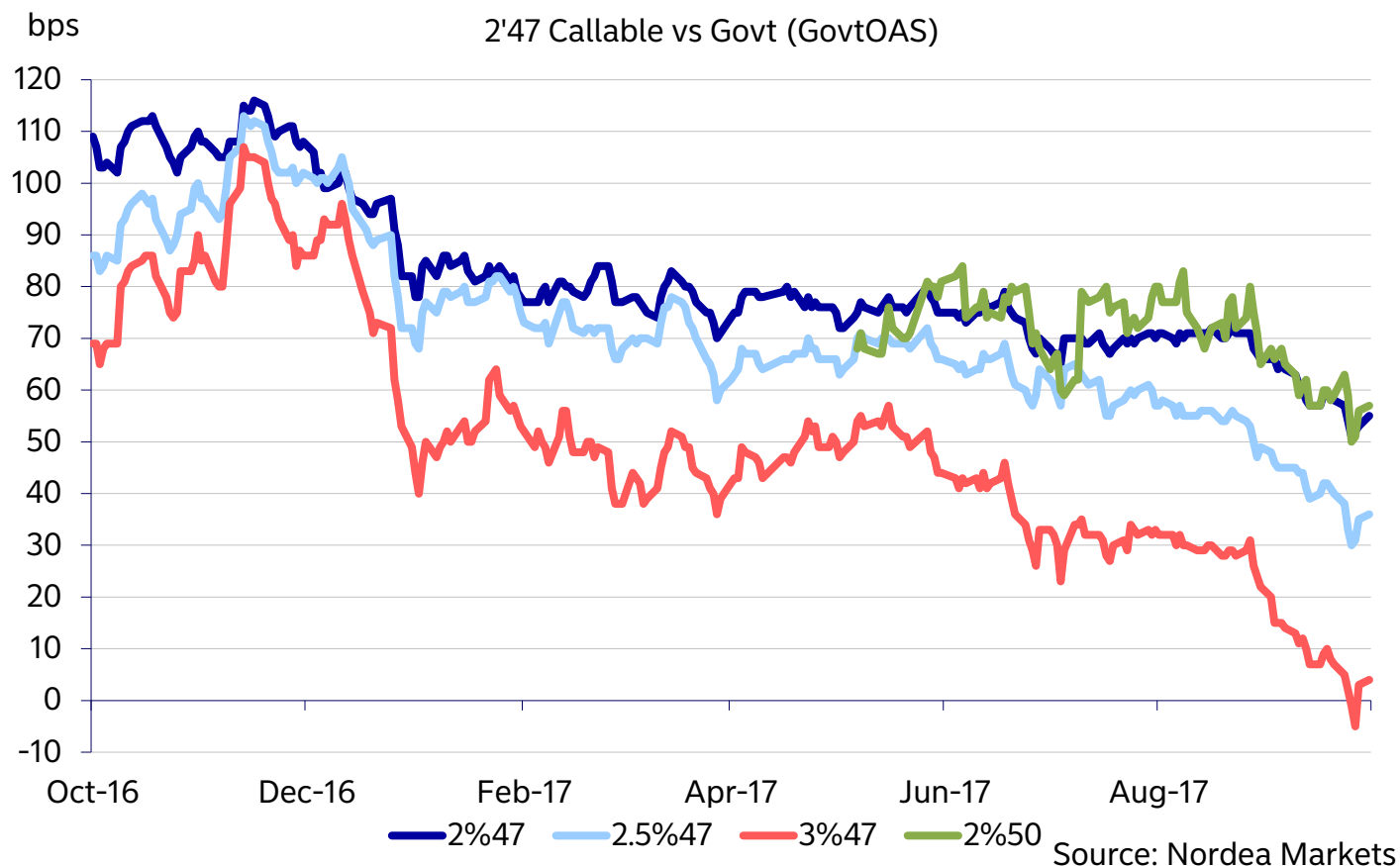
In September DGB 2027 has performed more vs DE 0.25 15Feb27 than DKK swap 10Y has performed vs EUR swap 10Y.

The recent performance for DGBs is therefore not only due to swap performance

Source: Nordea Markets



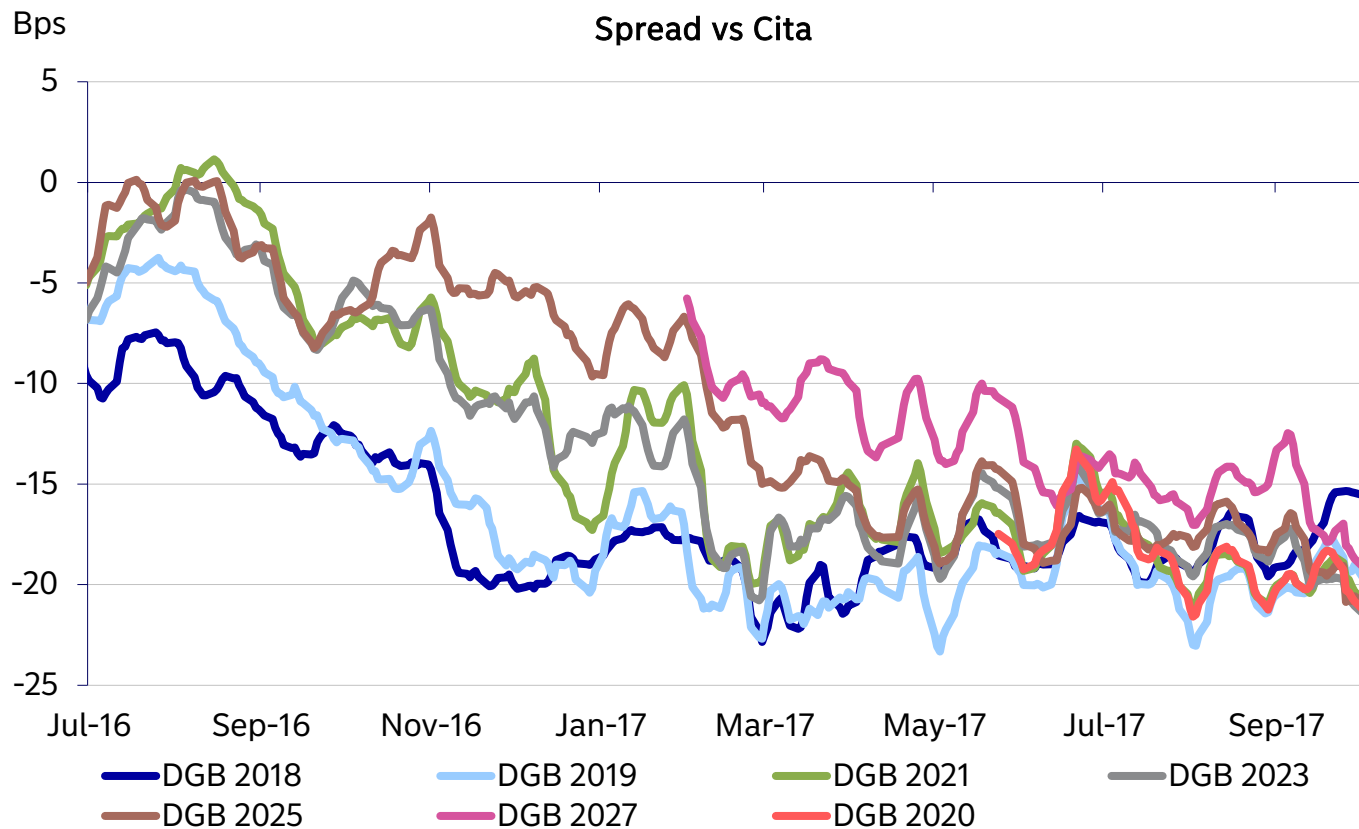
## Relative performance in Callables vs Govies



A reason for the performance of longer government bonds is the recent tightening in spreads for callable bonds

The pickup vs government bonds has been significant reduced for Callables over the last month and also the demand for duration has driven the demand for longer DGBs

## Spread vs Cita: Flat spread structure

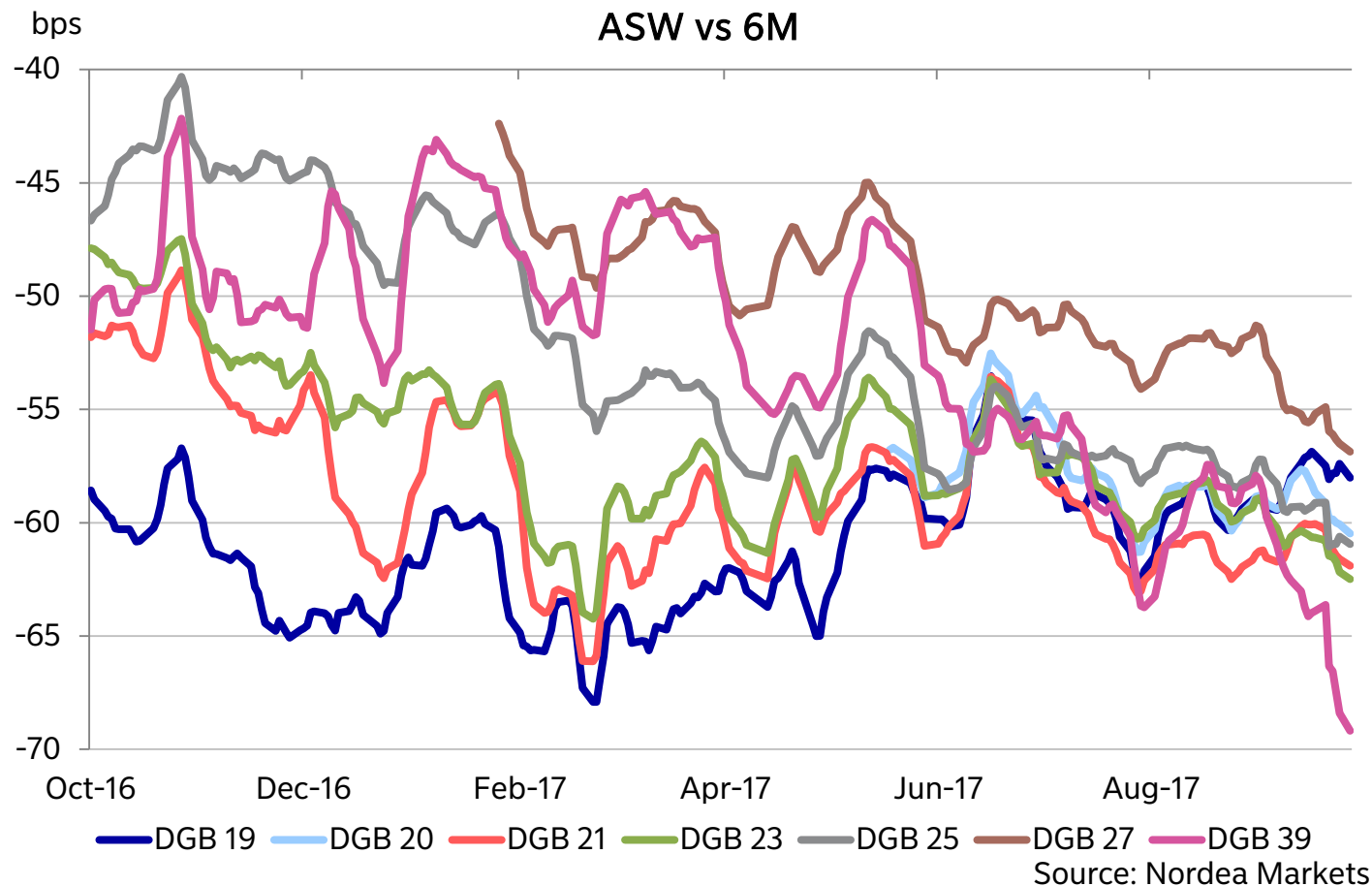


The spread vs Cita in the short end has been trading sideways since the last auction except for DGB 2018, where the spread has widened.

DGB 2020 continues to trade with a spread vs Cita of -20bps

Source: Nordea Markets

## ASW vs 6M Cibur: Flattening of the ASW structure



The ASW vs 6M Cibur for the longer dated DGBs has tightened significant in September, and DGB 2027 trades at the tightest ASW level ever

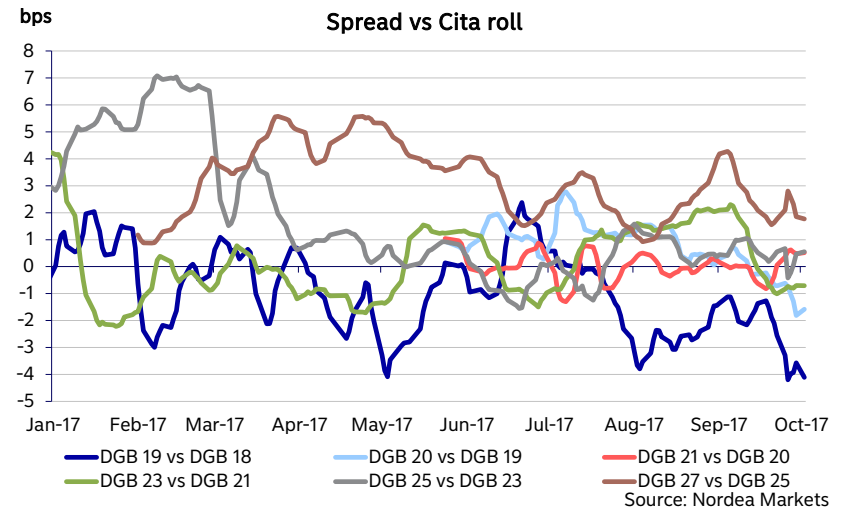
Shorter dated DGBs has on the other hand not performed vs DKK swaps since the last auction

This results in a flatter ASW structure except for DGB'39 which has performed significantly vs swaps

# Spread roll

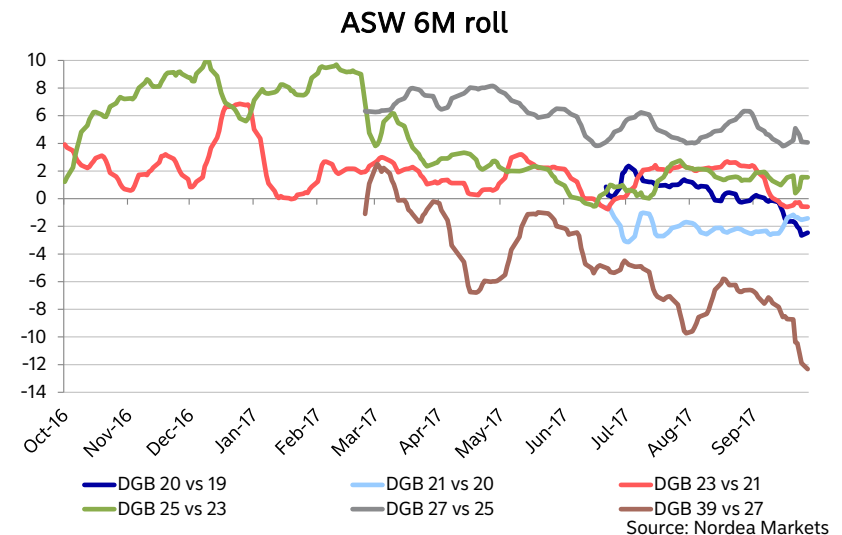
## Spread vs Cita

- The roll vs Cita spread is negative in the short end
- The roll for DGB 2020 vs DGB 2019 is the lowest -4bps



## ASW (mm) vs Cibor 6M

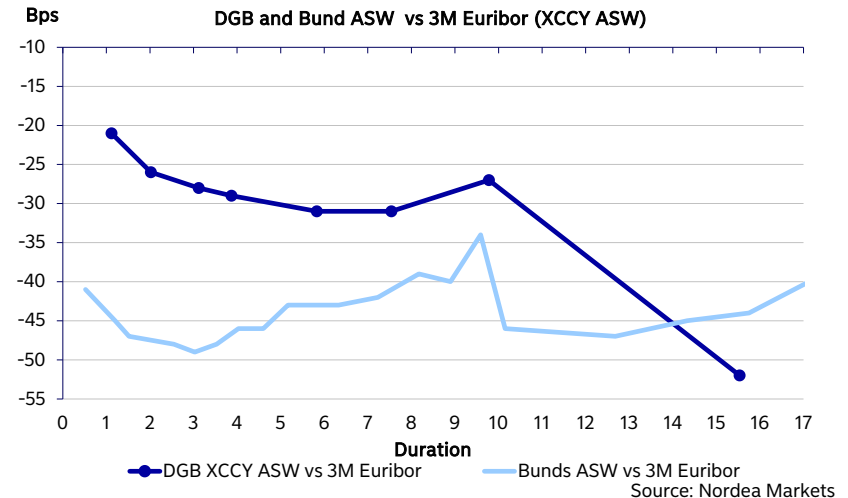
- DGB 2027 continues to trade an ASW pickup vs DGB 2025



# Attractive front end for foreign investors

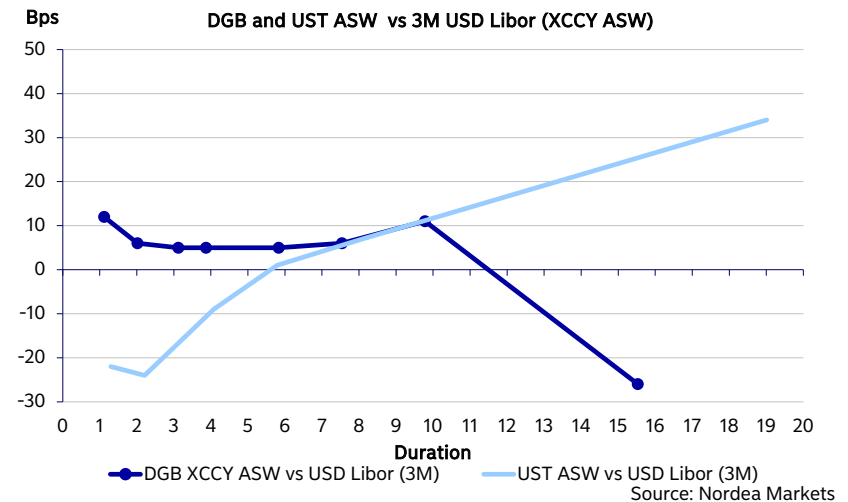
## ASW vs 3M Euribor

- 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)



## Disclaimer and legal disclosures

### Origin of the publication or report

This publication or report originates from: Nordea Bank AB (publ), including its branches Nordea Danmark, filial af Nordea Bank AB (publ), Sverige, Nordea Bank AB (publ), filial i Finland and Nordea Bank AB (publ), filial i Norge (together "Nordea") acting through their unit Nordea Markets. Nordea Bank AB (publ) is supervised by the Swedish Financial Supervisory Authority and the branches are supervised by the Swedish Financial Supervisory Authority and the Financial Supervisory Authorities in their respective countries.

### Content of the publication or report

This publication or report has been prepared solely by Nordea Markets. Opinions or suggestions from Nordea Markets may deviate from recommendations or opinions presented by other departments in Nordea. The reason may typically be the result of differing time horizons, methodologies, contexts or other factors. Opinions and price targets are based on one or more methods of valuation, for instance cash flow analysis, use of multiples, behavioural technical analyses of underlying market movements in combination with considerations of the market situation and the time horizon. Key assumptions of forecasts, price targets and projections in research cited or reproduced appear in the research material from the named sources. The date of publication appears from the research material cited or reproduced. Opinions and estimates may be updated in subsequent versions of the publication or report, provided that the relevant company/issuer is treated anew in such later versions of the publication or report.

### Validity of the publication or report

All opinions and estimates in this publication or report are, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report and are subject to change without notice.

### No individual investment or tax advice

The publication or report is intended only to provide general and preliminary information to investors and shall not be construed as the basis for any investment decision. This publication or report has been prepared by Nordea Markets as general information for private use of investors to whom the publication or report has been distributed, but it is not intended as a personal recommendation of particular financial instruments or strategies and thus it does not provide individually tailored investment advice, and does not take into account the individual investor's particular financial situation, existing holdings or liabilities, investment knowledge and experience, investment objective and horizon or risk profile and preferences. The investor must particularly ensure the suitability of an investment as regards his/her financial and fiscal situation and investment objectives. The investor bears the risk of losses in connection with an investment.

Before acting on any information in this publication or report, it is recommendable to consult one's financial advisor. The information contained in this publication or report does not constitute advice on the tax consequences of making any particular investment decision. Each investor shall make his/her own appraisal of the tax and other financial merits of his/her investment.

### Sources

This publication or report may be based on or contain information, such as opinions, recommendations, estimates, price targets and valuations which emanate from: Nordea Markets' analysts or representatives, Publicly available information,

Information from other units of Nordea, or Other named sources.

To the extent this publication or report is based on or contain information emanating from other sources ("Other Sources") than Nordea Markets ("External Information"), Nordea Markets has deemed the Other Sources to be reliable but neither Nordea, others associated or affiliated with Nordea nor any other person, do guarantee the accuracy, adequacy or completeness of the External Information. The perception of opinions or recommendations such as Buy or Sell or similar expressions may vary and the definition is therefore shown in the research material or on the website of each named source.

### Limitation of liability

Nordea or other associated and affiliated companies assume no liability as regards to any investment, divestment or retention decision taken by the investor on the basis of this publication or report. In no event will Nordea or other associated and affiliated companies be liable for direct, indirect or incidental, special or consequential damages resulting from the information in this publication or report.

### Risk information

The risk of investing in certain financial instruments, including those mentioned in this document, is generally high, as their market value is exposed to a lot of different factors such as the operational and financial conditions of the relevant company, growth prospects, change in interest rates, the economic and political environment, foreign exchange rates, shifts in market sentiments etc. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. Past performance is not a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. When investing in individual shares, the investor may lose all or part of the investments.

### Conflicts of interest

Nordea, affiliates or staff in Nordea, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report. This includes serving as primary dealer for: Kingdom of Denmark, Nykredit Realkredit, Nordea Kredit, Realkredit Danmark, BRFkredit, DLRkredit, LR Realkredit, Kingdom of Sweden, Statshypotek, Spintab, Nordea Hypotek, SEB Bolån, SBAB, LF Hypotek, Kommuninvest, Kingdom of Norway, Republic of Finland, Federal Republic of Germany and the Dutch State. To limit possible conflicts of interest and counter the abuse of inside knowledge, the analysts of Nordea Markets are subject to internal rules on sound ethical conduct, the management of inside information, handling of unpublished research material, contact with other units of Nordea and personal account dealing. The internal rules have been prepared in accordance with applicable legislation and relevant industry standards. The object of the internal rules is for example to ensure that no analyst will abuse or cause others to abuse confidential information. It is the policy of Nordea Markets that no link exists between revenues from capital markets activities and individual analyst remuneration. Nordea and the branches are members of national stockbrokers' associations in each of the countries in which Nordea has head offices. Internal rules have been developed in accordance with recommendations issued by the stockbrokers associations. This material has been prepared following the Nordea Conflict of Interest Policy, which may be viewed at [www.nordea.com/mifid](http://www.nordea.com/mifid). Important disclosures of interests regarding this research material are available at:

<http://nordea.com/equitydisclosure>

### Distribution restriction

The securities referred to in this publication of report may not be eligible for sale in some jurisdictions. This research report is not intended for, and must not be distributed to private customers in Great Britain or the US. In Singapore, this research report is intended only for, and may be distributed only to, accredited investors, expert investors or institutional investors who may contact Nordea Bank AB Singapore Branch of 138 Market Street, #09-01 CapitaGreen, Singapore 048946. This publication or report may be distributed by Nordea Bank Luxembourg S.A., 562 rue de Neudorf, L-2015 Luxembourg which is subject to the supervision of the Commission de Surveillance du Secteur Financier. This publication or report may be distributed by Nordea Bank, Singapore Branch, which is subject to the supervision of the Monetary Authority of Singapore. This publication or report may not be mechanically duplicated, photocopied or otherwise reproduced, in full or in part, under applicable copyright laws.

## Disclaimer and legal disclosures for investment recommendations

### Origin of the publication or report

This publication or report originates from: Nordea Bank AB (publ), including its branches Nordea Danmark, filial af Nordea Bank AB (publ), Sverige, Nordea Bank AB (publ), filial i Finland and Nordea Bank AB (publ), filial i Norge (together “Nordea”) acting through their unit Nordea Markets.

Nordea Bank AB (publ) is supervised by the Swedish Financial Supervisory Authority and the branches are supervised by the Swedish Financial Supervisory Authority and the Financial Supervisory Authorities in their respective countries.

### Content of the publication or report

This recommendation has been prepared solely by Nordea Markets.

Opinions or investment recommendations from Nordea Markets may deviate from one another or from recommendations or opinions presented by other departments in Nordea. This may typically be the result of differing time horizons, methodologies, contexts or other factors.

Investment opinions, ratings, recommendations and target prices are based on one or more methods of valuation, for instance cash flow analysis, use of multiples, behavioural technical analyses of underlying market movements in combination with considerations of the market situation and the time horizon. Key assumptions of forecasts, ratings, recommendations, target prices and projections in research cited or reproduced appear in the research material from the named sources. The date of publication appears from the material cited or reproduced. Opinions and estimates may be updated in subsequent versions of the publication or report, provided that the relevant company/issuer is treated anew in such later versions of the publication or report.

### Validity of the publication or report

All opinions and estimates in this recommendation are, regardless of source, given in good faith, and may only be valid at the stated date and time of this recommendation and are subject to change without notice. This recommendation has not been disclosed to the issuer directly or indirectly.

### No individual investment or tax advice

The recommendation is intended only to provide general and preliminary information to investors and shall not be construed as the basis for any investment decision or strategy. This recommendation has been prepared by Nordea Markets as general information for private use of the investor to whom the recommendation has been distributed, but it is not intended as a personal recommendation of particular financial instruments or strategies and thus it does not provide individually tailored investment advice, and does not take into account the individual investor’s particular financial situation, existing holdings or liabilities, investment knowledge and experience, investment objective and horizon or risk profile and preferences. The investor must particularly ensure the suitability of an investment as regards his/her financial and fiscal situation and investment objectives. The investor bears the risk of losses in connection with an investment.

Before acting on any information in this publication or report, it is recommendable to consult one’s financial advisor. The information contained in the recommendation does not constitute advice on the tax consequences of making any particular investment decision or strategy. Each investor shall make his/her own appraisal of the tax and other financial merits of his/her investment.

### Sources

This recommendation may be based on or contain information, such as opinions, recommendations, estimates, price targets and valuations which emanate from: Nordea Markets’ analysts or representatives, publicly available information, information from other units of Nordea, or other named sources.

To the extent this publication or recommendation is based on or contain information emanating from other sources (“Other Sources”) than Nordea Markets (“External Information”), Nordea Markets has deemed the Other Sources to be reliable but neither Nordea, others associated or affiliated with Nordea nor any other person, do guarantee the accuracy, adequacy or completeness of the External Information.

The perception of opinions or recommendations such as Buy or Sell or similar expressions may vary and the definition is therefore shown in the link at the bottom of the page or on the website of each named source.

### Limitation of liability

Nordea or other associated and affiliated companies assume no liability as regards to any investment, divestment or retention decision taken by the investor on the basis of this recommendation. In no event will Nordea or other associated and affiliated companies be liable for direct, indirect or incidental, special or consequential damages resulting from the information in this publication or report.

### Risk information

The risk of investing in certain financial instruments, including those mentioned in this document, is generally high, as their market value is exposed to a lot of different factors such as the operational and financial conditions of the relevant company, growth prospects, change in interest rates, the economic and political environment, foreign exchange rates, shifts in market sentiments etc. Where an investment or security is denominated in a different currency to the investor’s currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. Past performance is not a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. When investing in financial instruments, the investor may lose all or part of the investments.

### Conflicts of interest

Nordea, affiliates or staff in Nordea, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

To limit possible conflicts of interest and counter the abuse of inside knowledge, the author of Nordea Markets are subject to internal rules on sound ethical conduct, the management of inside information, handling of unpublished research material, contact with other units of Nordea and personal account dealing. The internal rules have been prepared in accordance with applicable legislation and relevant industry standards. The object of the internal rules is for example to ensure that no author will abuse or cause others to abuse confidential information. It is the policy of Nordea Markets that no link exists between revenues from capital markets activities and individual analyst remuneration. Nordea and the branches are members of national securities dealers associations in each of the countries in which Nordea has head offices. Internal rules have been developed in accordance with recommendations issued by the stockbrokers associations. This material has been prepared following the Nordea Conflict of Interest Policy, which may be viewed at [www.nordea.com/mifid](http://www.nordea.com/mifid).

### Distribution restriction

The securities referred to in this publication or report may not be eligible for sale in some jurisdictions. This research report is not intended for, and must not be distributed to US persons or within the US.

With respect to Singapore, this research report is intended only for, and may be distributed only to, accredited investors, expert investors or institutional investors in Singapore who may contact Nordea Bank, Singapore Branch of 3 Anson Road, #22-01, Springleaf Tower, Singapore 079909. This publication or report may be distributed by Nordea Bank, Singapore Branch, which is subject to the supervision of the Monetary Authority of Singapore.

With respect to Luxembourg, this publication or report may be distributed by Nordea Bank Luxembourg S.A., 562 rue de Neudorf, L-2015 Luxembourg which is subject to the supervision of the Commission de Surveillance du Secteur Financier.

With respect to UK, this publication or report may be distributed in the UK to institutional investors by Nordea Bank AB, London Branch of 6th Floor, 5 Aldermanbury Square, London, EC2V 7AZ, which is authorised by Finansinspektionen (Financial Supervisory Authority) in Sweden and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request.

This publication or report may not be mechanically duplicated, photocopied or otherwise reproduced, in full or in part, under applicable copyright laws.

For disclosures and disclaimers, visit <https://nerw.nordea.com/nerw/compliance>

## Distribution of recommendations (last quarter)

Recommendation	Distribution	Definition
Buy	8.0%	Recommendation to buy
Sell	0.0%	Recommendation to sell
Hold	2.0%	Recommendation to hold
Other	90.0%	Recommendations that include buying and/or selling more than one financial instrument

## Conflicts of interest

-

## 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
Maria Holm Rasmussen	03/10/2017	DK0009923641, DK0009923567	Pricing is fair at the auction for DK0009923641 Pricing is fair to rich at the auction for DK0009923567			04/10/2017