

DGB auction preview:

5Y 0.1% DGBi 2030

10Y 2.25% DGB 2035

March 2025

Auction Preview

DGBi'30 and DGB'35

- Wednesday, March 19, 2025, the Danish Central Bank will offer
 - 5Y 0.1% DGBi 2030 (992372)
 - 10Y 2.25% DGB 2035 (992496)
- Bids can be submitted as from the opening of MTS Denmark until 10.15 CET

- **General:**

- Wednesday the Danish Central bank will offer DGBi'30 and DGB'35 at the auction.
- Target for DGB issuance is set at DKK 65 bn in 2025.
- Prior to Wednesday's auction YTD issuance amounts to 22.5% of the annual target.
- Current implied FX EURDKK-hedge provides a pickup of 12.6 bps pa. in 3M vs. EGB's.

- **DGBi'30:**

- DGBi'30 breakeven inflation (Fisher BEI) is trading at 161 bps, while the BEI-level on 5Y EUR IL swap trades at 199 bps.
- The latest Danish CPI in February 25 came out at 2.0% y/y, up from 1.5% in January, driven mostly by core CPI up to 1.8% from 1.4%. According to a newly released report from Nationalbanken this is expected to continue primarily due to higher price levels in Denmark¹.
- The current DGBi'30/DBRi'30 BEI-spread is -29 bps and season adjusted -46 bps.
- **We see current pricing of DGBi'30 as fair**

- **DGB'35:**

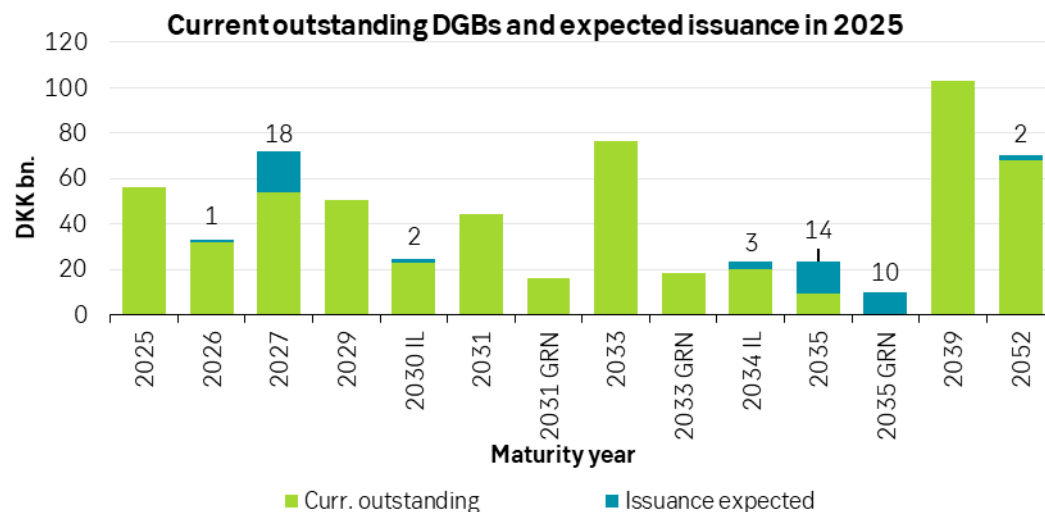
- DGB'35 trades at -18.7 bps vs. DBR 08/34 which is 6.6 bps tighter than at the last DGB auction.
- The YTM-roll from DGB'35 to DGB'33 is 12.8 bps, which is 0.2 bps higher than at the last DGB auction.
- The FX hedged excess yield in DGB'35 vs. core EGBs is now at -14.3 bps vs. Germany and -31.7 bps vs. the Netherlands driven by the sharp decline in YTM pick-up from 3M FX EURDKK-hedge.
- DGB'35 vs DESTB has tightened 6.4 bps to 24.6 bps.
- The ASW box between DGB'35 and DBR 08/34 has tightened 6.8 bps since the last auction reaching -35.5 bps.
- **We see current pricing of DGB'35 as expensive**

¹ <https://www.nationalbanken.dk/da/viden-og-nyheder/publikationer-og-taler/analyse/2025/hoejt-prisniveau-bidraget-til-lavere-inflation-i-danmark-end-i-euroomraadet>

DGBs – Funding in 2025

Issuance target unchanged at DKK 65bn

- Target for DGB issuance is set at DKK 65 bn for 2025, which is unchanged compared to 2022-2024, based on sound surpluses on public finances.
- After increasing the central government account in 2024 by DKK 52 bn to DKK 212 bn by the end of 2024, there is plenty of room for buybacks should investor demand fade.
- DGB issuance is concentrated in the 2Y and 10Y nominal bonds, supplemented by sales in the 10Y green DGB'35 from H2 and 30Y DGB'52. In addition, the short inflation-linked bond DGBi'30 is open for issuance again alongside DGBi'34.
- The new twin green DGB'35 will not come into issuance before H2, and as such there will be no green bonds up for auction in DGB space before then.
- From April 1 DGB'27 will be the new 2Y benchmark bond, and we expect DGB'26 on auction 0-1 times before going off-the-run.

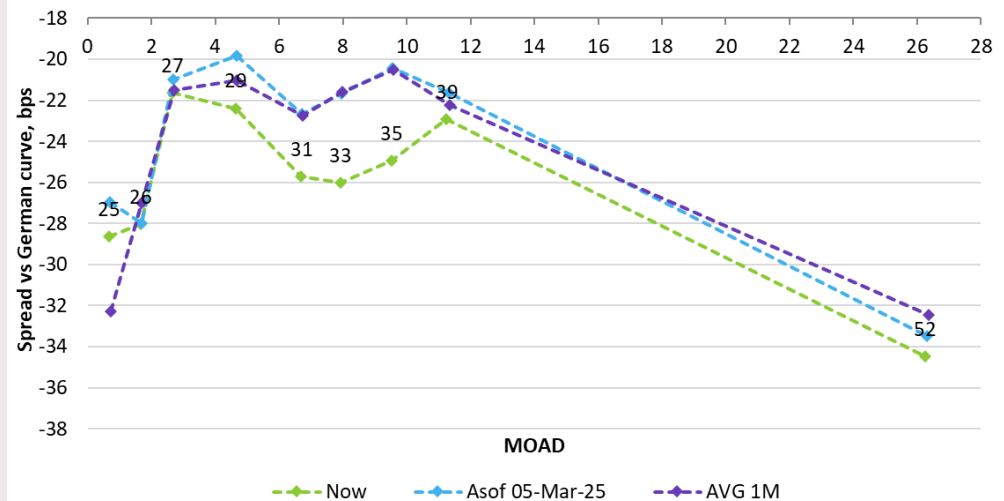
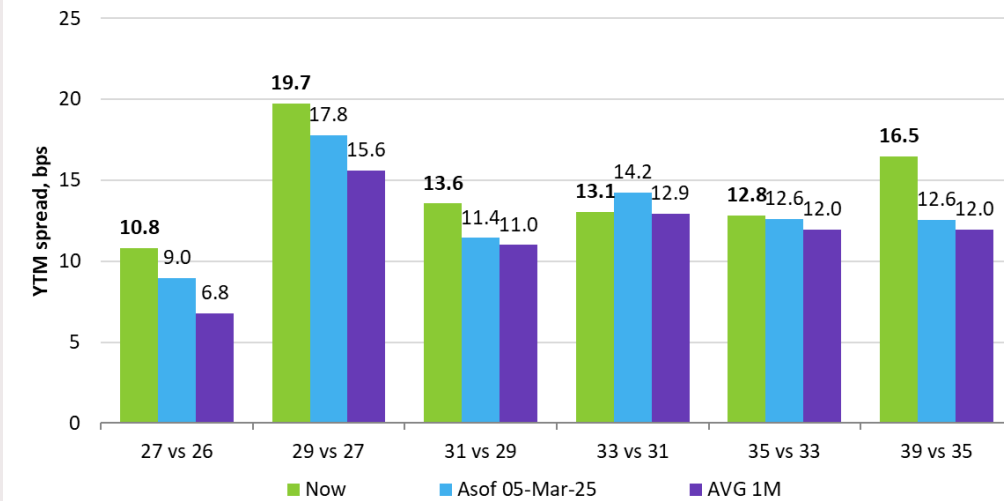
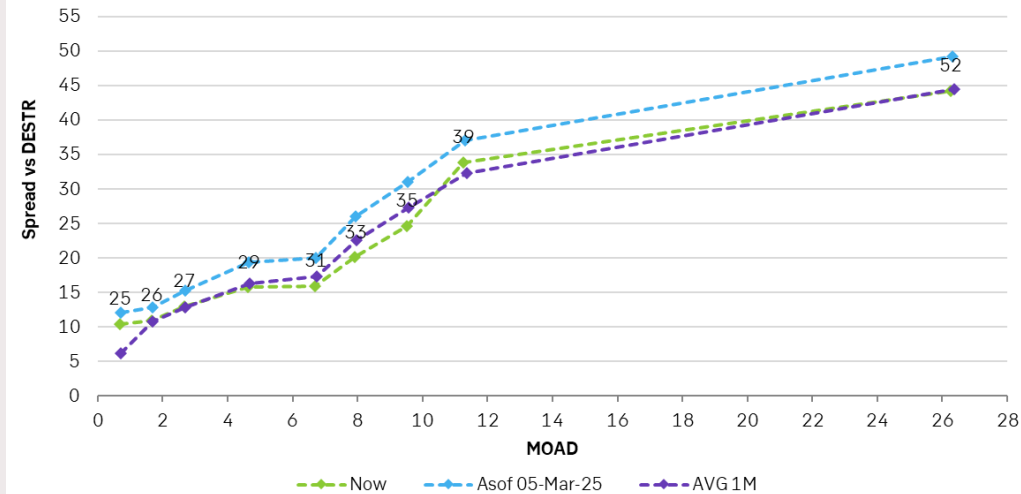


DGB Issuance in 2025 - actual year-to-date and expected

Bonds	Issuance in 2025 (DKK bn)	%-distribution YTD	Expected %-distribution	Remaining issuance in 2025
DGB'26	0.8	1%	3%	1
DGB'27	0.0	0%	28%	18
DGB'33	3.6	6%	6%	0
DGB'35	8.1	13%	34%	14
DGB'35 GRN	0.0	0%	15%	10
DGB'52	0.6	1%	4%	2
DGBi'30	1.5	2%	5%	2
DGBi'34	0.0	0%	5%	3
Market value	14.6	22%	100%	50.4
% of target	22.5%			
Sales target	65.0			65.0

DGB - relative value vs. DBR and swaps

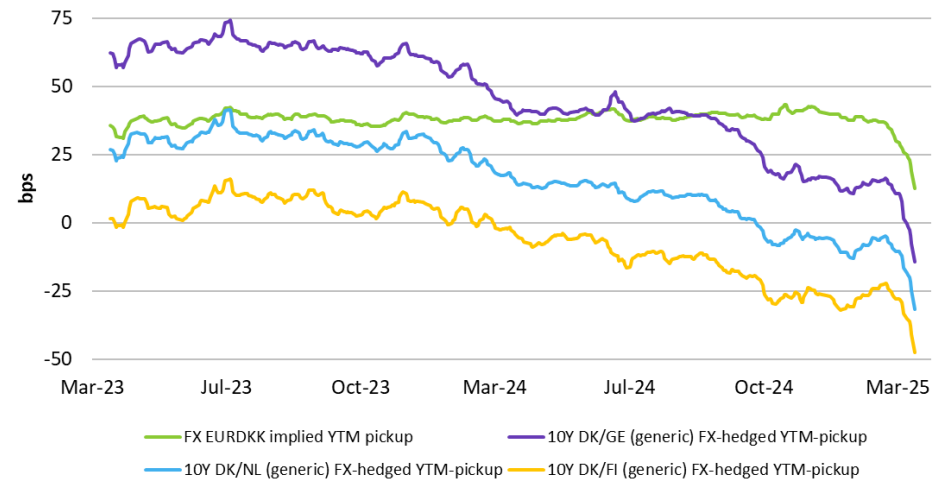
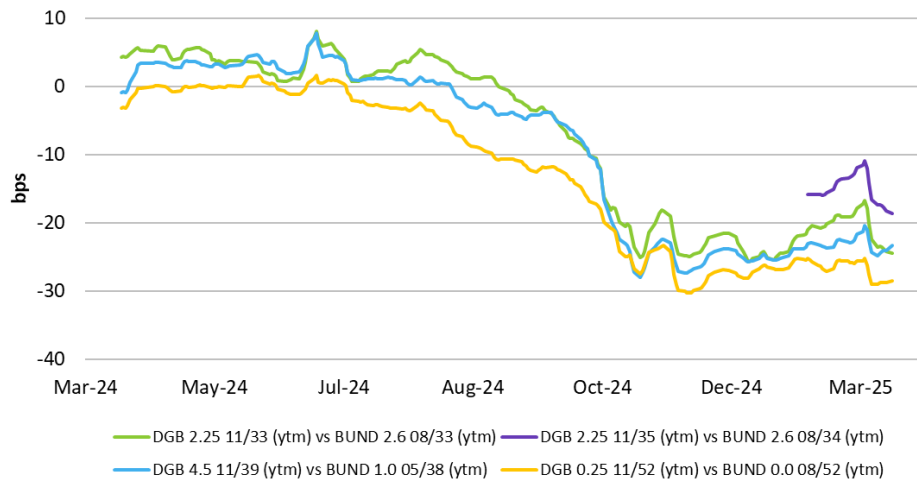
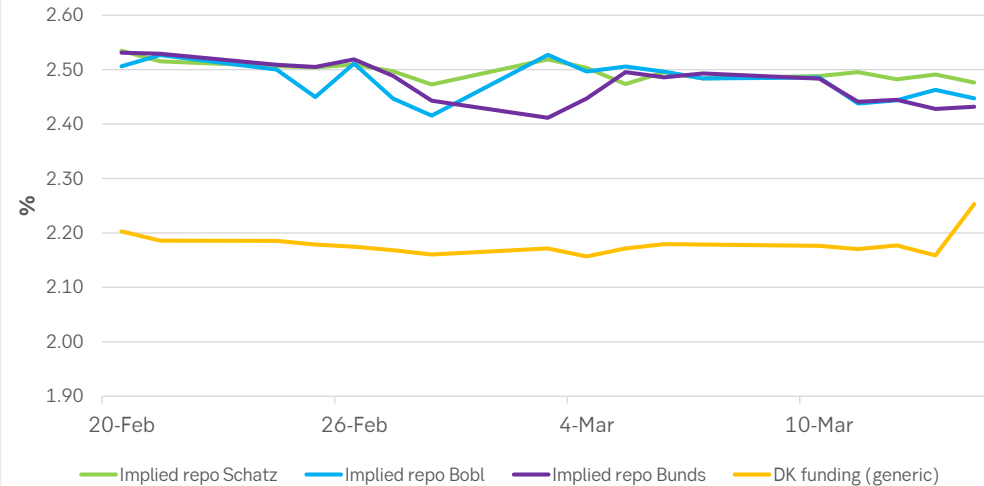
- Since last DGB auction DGB'35 has tightened 6.4 bps vs DESTR to 24.6 bps. The medium-long maturities of the DGB curve is unchanged to tighter compared to their 1M average level, while DGB'39 and DGB'52 are a bit wider.
- The DGB curve is a lot tighter vs Germany than at the last auction in the 2029-2035 maturities with DGB'35 4.6 bps tighter to -25.2.. While the new plans for defense and infrastructure spending in Germany are expected to require additional funding, there have been no such expectations forming in Denmark yet.
- The YTM roll from DGB'35 to DGB'33 is 12.8 bps which is 0.2 bps higher than at the last auction.



10Y DGB vs Germany and EUR cores

YTM-spreads vs DBRs and core EGBs including FX-hedge

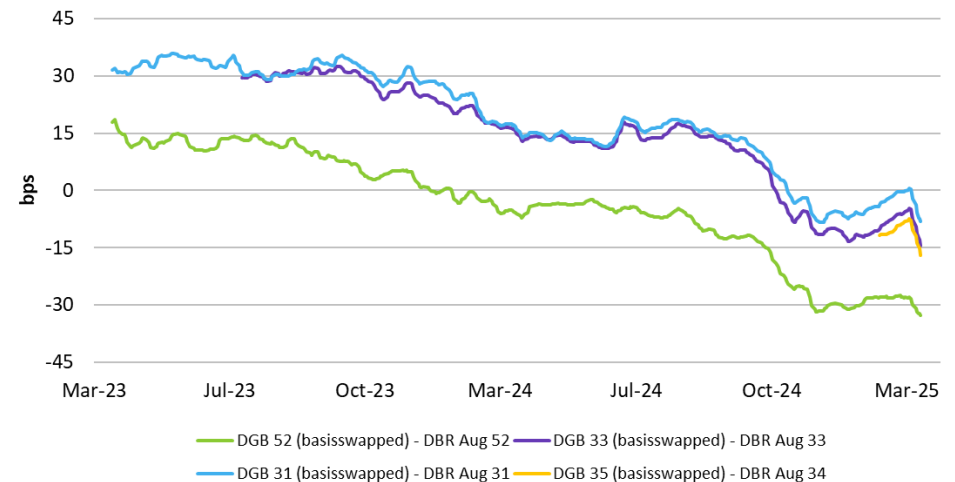
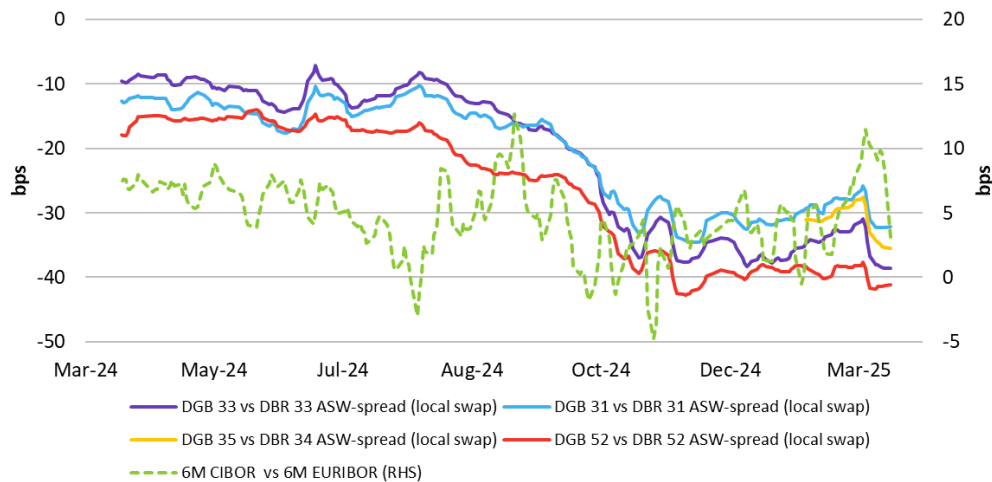
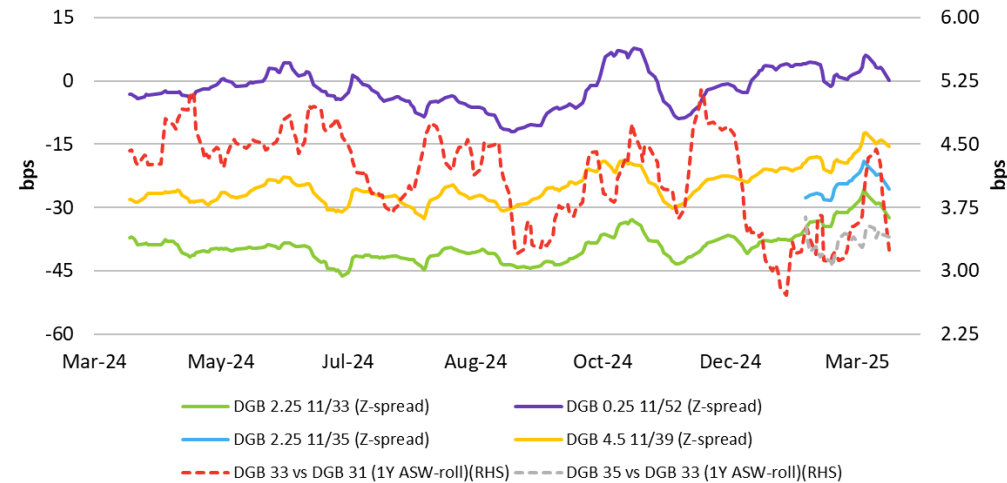
- In outright YTM terms DGB'35 has performed 6.6 bps vs DBR 08/34 since the last auction, trading at -18.7 bps.
- The implied YTM from 3M FX-hedging to EUR decreased 15.0 bps since the last auction to 12.6 bps. This change is due to seasonal liquidity tightening in Denmark, where liquidity is expected to be scarce in March and April.
- The FX hedged excess yield in DGB'35 vs. core EGBs is now -14.3 bps vs. Germany and -31.7 bps vs. the Netherlands.
- The repo spread between German futures implied repo and DK funding is 18-22 bps, due to current seasonal Danish liquidity stress.



DGB ASW carry and roll

Local ASW spreads and XCCY ASW pickup vs German comparables

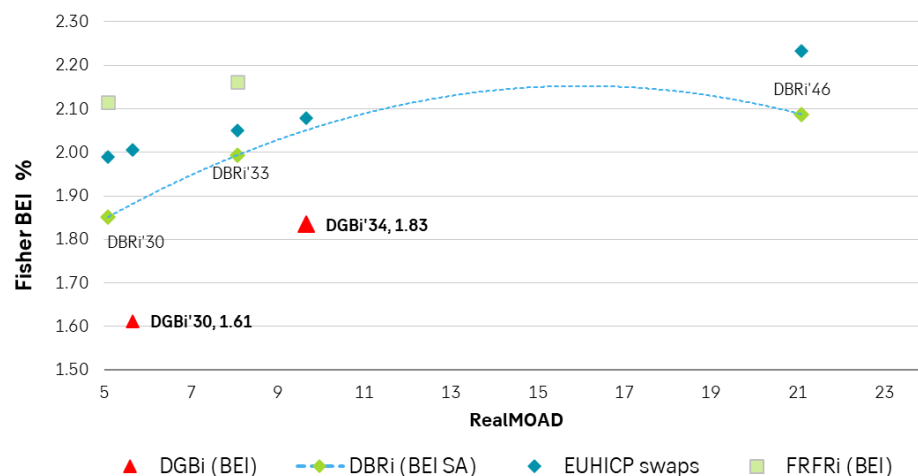
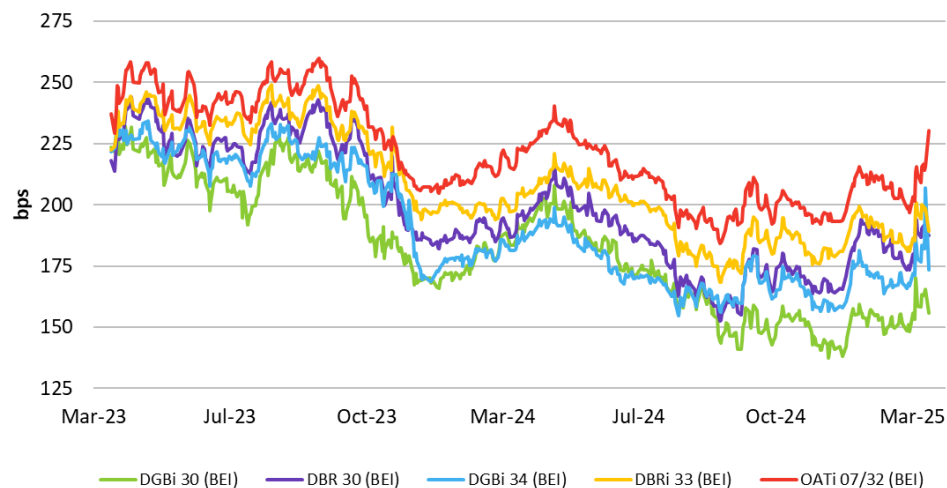
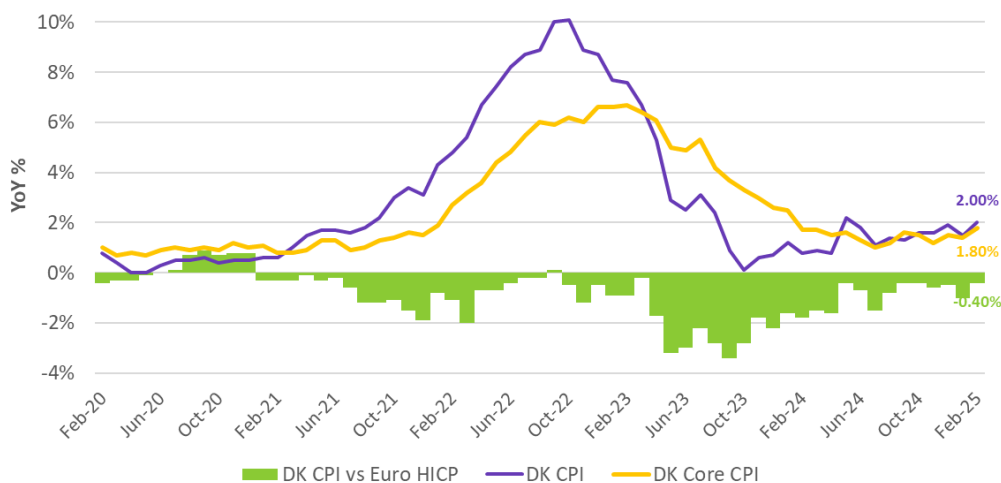
- The DGB'35 1Y ASW-roll (vs 6M) to DGB'33 is up 0.1 bps since the last auction to 3.4 bps.
- The ASW box (vs 6M) between DGB'35 and DBR 08/34 has tightened 6.8 bps since the last auction to -35.5 bps. 6M CIBOR vs EURIBOR has tightened 8.3 bps to 3.1 bps.
- DGB'35 has -16.9 bps in ASW-pickup (vs. 3M Euribor) vs. DBR 08/34, which is 9.4 bps tighter than at the last auction.



DGBi'30 – relative pricing

Real YTM structure and BEI vs DBRi's

- DGBi'30 breakeven inflation (Fisher BEI) is trading at 161 bps, while the BEI-level on 5Y EUR IL swap trades at 199 bps.
- The current DGBi'30/DBRi'30 BEI-spread is -29 bps and season adjusted -46 bps.
- Latest Danish CPI came out at 2.0% y/y for February 2025, up from 1.5% in January, driven mostly by core CPI up to 1.8% from 1.4%.
- Danish CPI has been lower than Euro HICP for some years. According to a newly released report from Nationalbanken this is expected to continue primarily due to higher price levels in Denmark.
- We see current DGBi'30 BEI pricing as **fair**



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