
18 March 2025

NOK 4bn in NST489 and NST488

On Wednesday March 19th, Norges Bank will hold multiple tap auctions where a total of NOK 4bn will be issued, split between the NST489 bond (3.75%, 06/2035) and the NST 488 bond (3.625%, 05/2039). NST489 currently trades with a yield of 4.14%, implying a maturity-matched spread vs. Germany of 128bps and an ASW spread at -2.5bps. NST488 trades with a yield of 4.115%, with corresponding spread levels at 107bps and an ASW spread of 2.5bps. The auction closes at 11.00 CET and results will be available on Norges Bank's website at 11.10 CET.

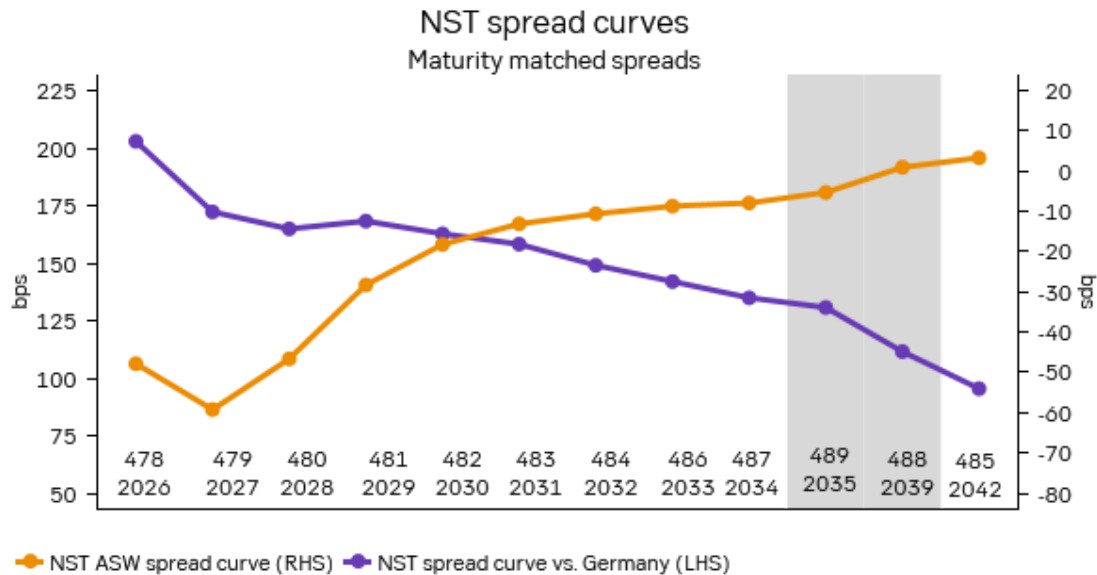
Norges Bank will offer a total of NOK 4bn split between the new 10y bond NST489 (06/2035) and NST488 (05/2039), and there are no volume targets for the specific bonds. The last tap auction two weeks ago also included these two bonds, and volumes were split equally with NOK 1.5bn in each bond. Demand was solid with bid-to-cover of 5.8 in NST489 and 4.5 in NST488. Strong demand in the previous auction has likely affected the choice of bonds in the upcoming auction. Demand for NSTs have been solid recently, enabling the bank to build up size in the new 10y bond. Hence, we expect the auction to run smoothly.

The outlook for international yields remains divergent. In the US, increasing growth fears have pushed long yields lower though a small correction has been noted in the past two weeks. Markets are now less likely to fade Fed rate cut expectations as concerns about negative tariff effects are factored into outlooks. We expect the 10y treasury to trade in a 4.00-4.50% range in the coming months. Meanwhile, German and the EU's spending plans have triggered a sharp selloff in Bunds. Further rebalancing of positions and CTA flows could push yields higher, but several factors, like further ECB rate cuts, should cap the upside in long yields to around 3% for now. Read more on the international outlook in our SEB FI & FX Strategy report [here](#). Norwegian long yields have traded more in line with their German counterparts though the more favorable supply outlook has tightened long yield spreads. This reflects that borrowing in Norway covers loans to state lending schemes as well as funding upcoming redemptions, and increased defense spending will instead be covered via the budget.

The massive upside inflation surprise in February put CPI-ATE 0.7ppt above Norges Bank's estimate. Combined with higher-than-expected wage growth this will render a larger upward revision to the bank's inflation trajectory. This triggered a sharp repricing in the market's rate cut expectations. A 25bps cut is no longer a done deal, the market discounts 32% probability and in total between 35-40bps of cuts in both 2025 and 2026. We have also revised our Norges Bank call expecting two rate cuts in both year (more [here](#)). The yield curve has steepened somewhat since the inflation data, but short-end demand has been supported by the redemption of NST477 and FX-related buying.

We have long favored NSTs on a spread-basis against swaps. ASW spreads have tightened again during February and trades at historically cheap levels. Demand for ASWs have been centered in the mid-part of the curve which offers best rolldown. However, we also expect long end ASWs to perform as supply pressure eases as seasonality turns positive during spring. That said, the diverging supply outlook and fewer rate cuts from Norges Bank are expected to underpin further long-end outperformance against Germany.

Supply recap: In Norges Bank's [Borrowing and Strategy programme for 2025](#) it states that it plans to issue between NOK 95-105bn in 2025, of which at least half will be in maturities over seven years. Comparably, Norges Bank issued NOK 102bn in 2024 with 74% of supply directed to longer maturities. Norges Bank plans two syndicated deals in 2025. As the new 10y bond was successfully issued by syndication in February with a total issue size of 22bn, one more syndication remains in May or June. One of the existing bonds will be reopened (NOK 10-15bn), if market conditions permit. Hence, this leaves between NOK 55-75bn in regular tap auctions split on 24 auctions, compared to NOK 70bn in 2024. The Government Debt Management has stated that dual auctions will be the norm, and the total volume will be between NOK 2-4bn per auction.



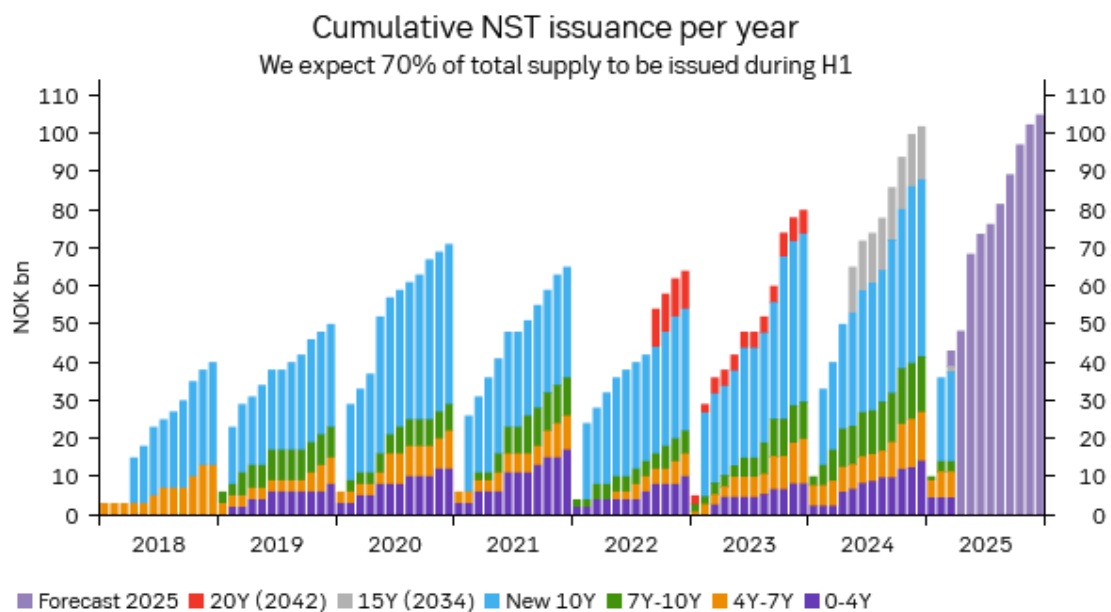
Note: Levels are as of yesterday's close.

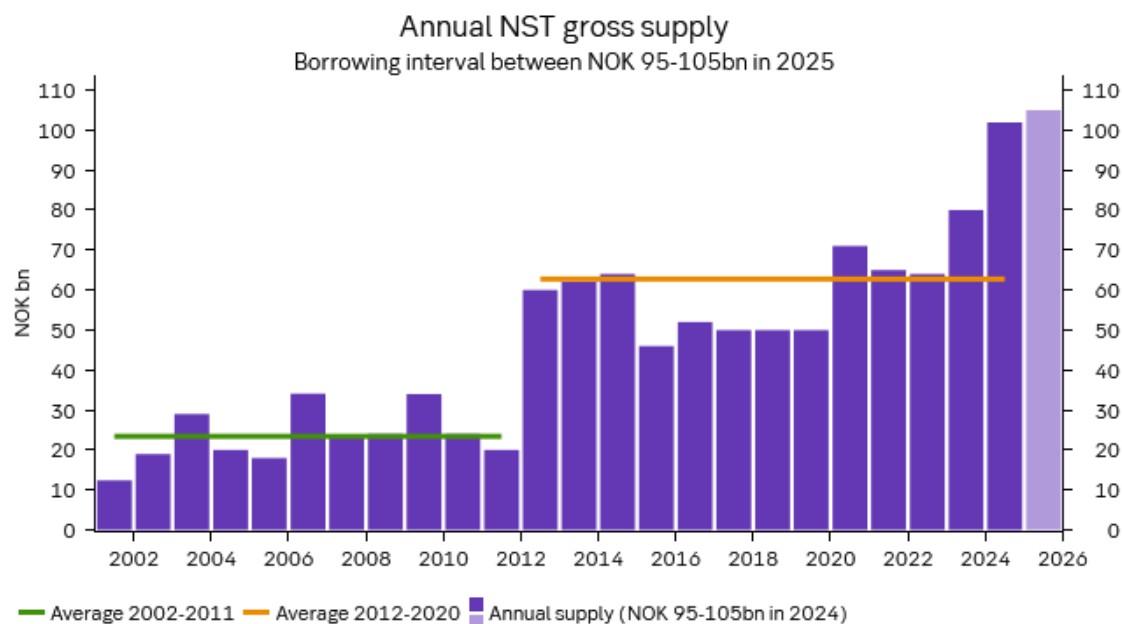


Source: Bloomberg, Macrobond, SEB



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