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DGB Auction: Breaking through?

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DGBi30 and DGB35.

- DGB35 continues to offer value for hedged and funded investors and looks attractive against DESTA.
- Higher inflation outlooks and BE spreads vs DGBi34 and DBRi30 make then DGBi30 look attractive.

This Wednesday the Danish Central bank is offering the DGBi30 and the DGB35

- *We like the DGB35 as the best pickup per risk on the DGB curve for hedged and funded investors.*
Also note that the DGB35 is only missing DKK 395m before passing the DKK 10bn benchmark.
- *Inflation outlooks points toward higher inflation in 2025 and 2026, making the DGBi 30 more attractive.*

See our [quant packs](#) for all the details.

DGB 2.25 35

We find the DGB 35 looks attractive as an on-the-run bond. Compared to DGB 33 ASW against DESTA, it currently offers an additional pickup of about 1 bps in risk adjusted terms (DGB33 vs. DGB35).

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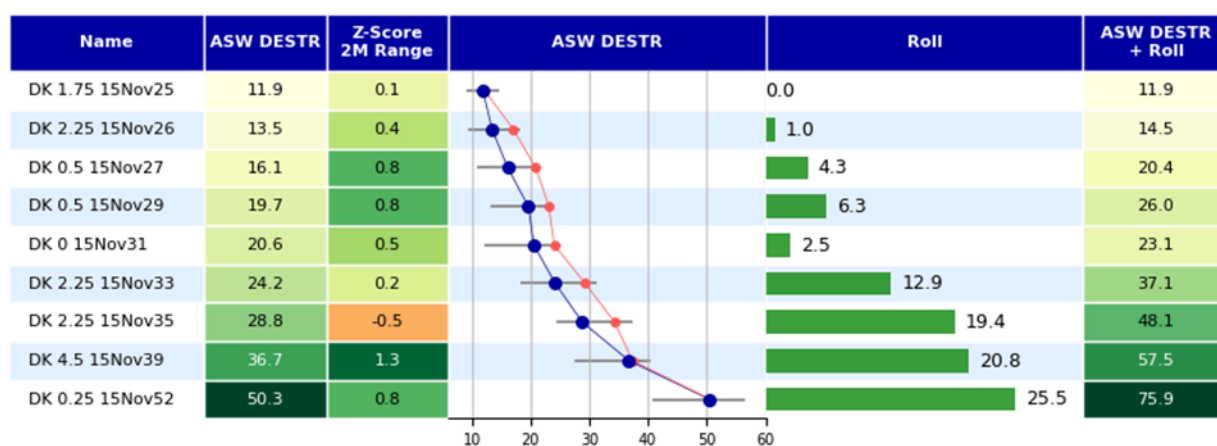
Danish Government bonds ASW vs DESTR

	ASW	ASW roll value	ASW + roll	Fixing - OIS spread	Repo - OIS spread	Pickup	Risk adj.
DK 2.25 15Nov26	13.5	1.1	14.6	0.0	22.0	-7.4	-4.6
DK 0.5 15Nov27	16.2	4.3	20.5	0.0	22.0	-1.4	-0.6
DK 0.5 15Nov29	19.6	6.1	25.7	0.0	22.0	3.7	0.8
DK 0 15Nov31	20.5	2.5	23.1	0.0	22.0	1.1	0.2
DK 2.25 15Nov33	24.1	12.7	36.8	0.0	22.0	14.9	1.9
DK 2.25 15Nov35	28.9	20.2	49.1	0.0	22.0	27.1	2.9
DK 4.5 15Nov39	36.7	20.5	57.2	0.0	22.0	35.2	3.2
DK 0.25 15Nov52	50.3	25.5	75.8	0.0	22.0	53.8	2.1

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Source: Nordea Markets

It has roughly the same roll as the DGB33 in outright yield terms but does provide just shy of 1 bp addition roll in ASW terms.



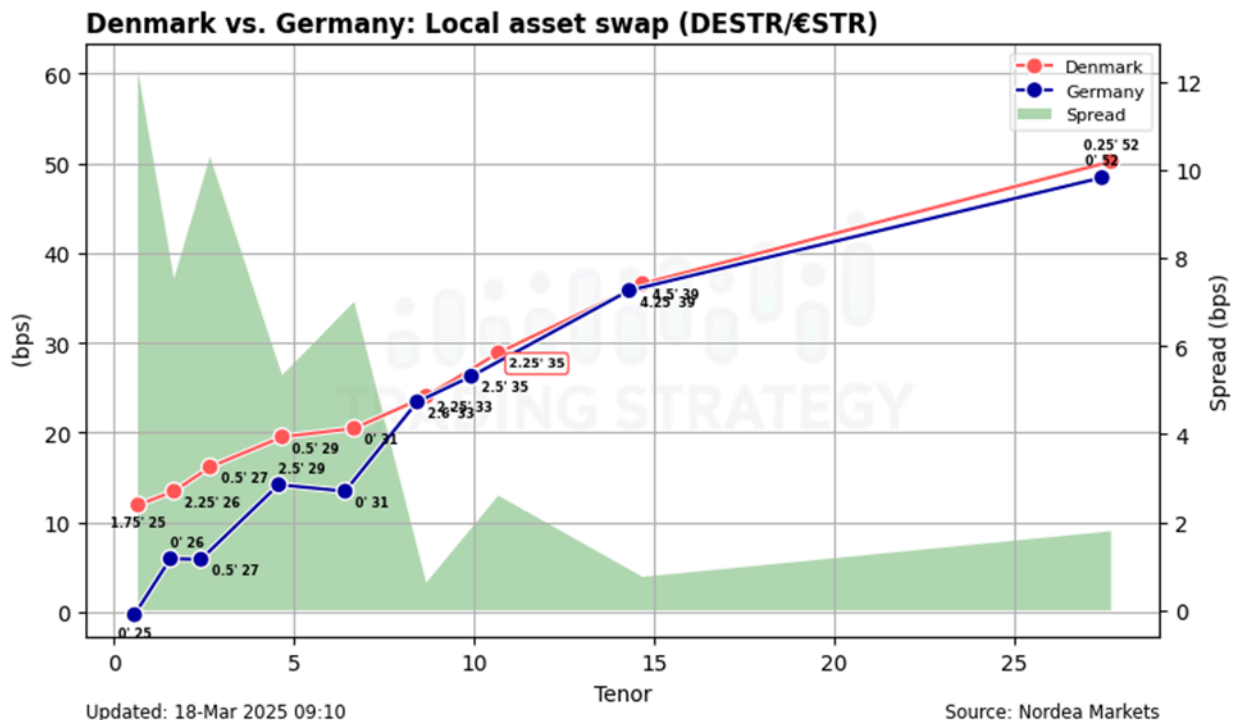
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Source: Nordea Markets

Comparing to German peers, the DGB curve still offers value in DESTR/€STR terms and we find that the DGB35 looks attractive.

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Finally, we note that the DGB35 **is only DKK 400 from the DKK 10bn marker**, making it eligible for inclusion in Nordea's GOV benchmark, which re-balances March 28 EOD. We would expect issuance to surpass this at Wednesday's auction.

Higher Danish inflation

- In February annual Danish inflation increased markedly to 2.0%, the highest level since May 2024. This was especially due to a much higher than expected increase in housing rents and a ongoing upward pressure on food prices
- Looking forward, Nordea expects Danish inflation to increase further. Since late 2024 the annual change in producer prices has stayed well above 10%. At the same time the annual increase in Danish import prices has reached the highest level since the first half of 2023.
- The large increases in producer prices, higher import prices and the risk of upward inflation pressure from an US trade war all points to higher consumer price inflation going forward. In our main scenario we expect Danish inflation to reach an average of around 2.2% in both 2025 and 2026. However, the risk to our forecast is tilted to the upside

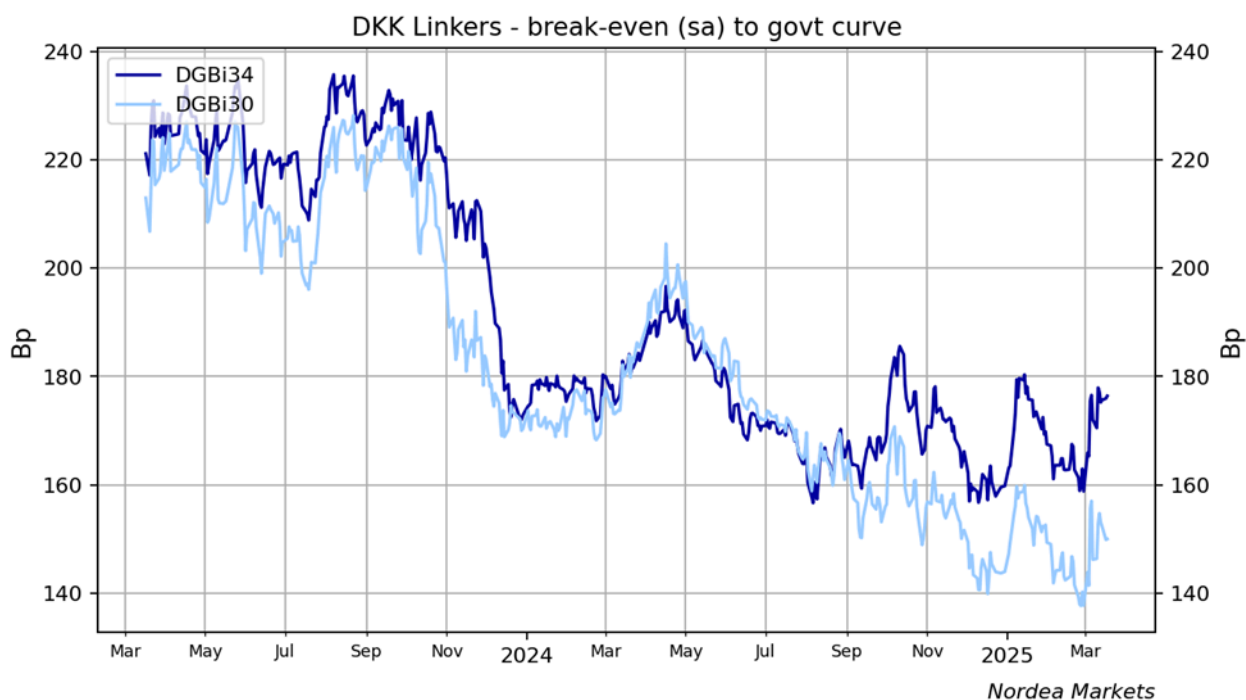
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DGBi30

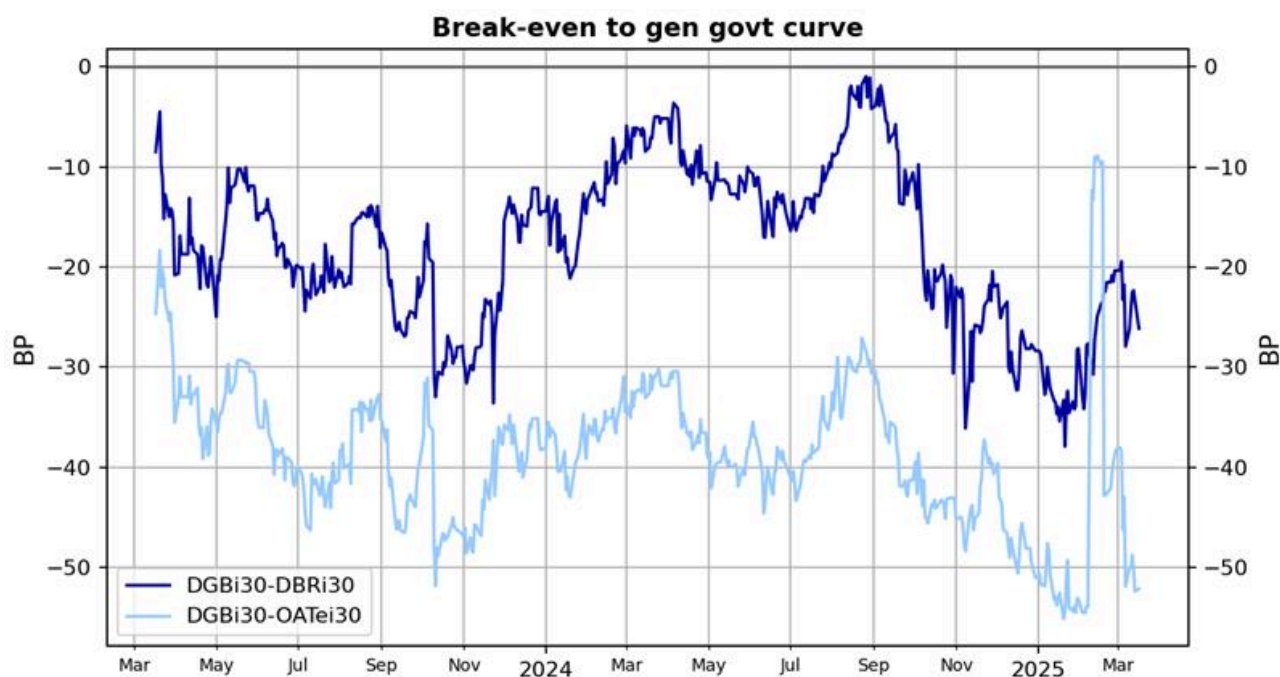
This is the second offering of the DGBi30 in 2025. In 2024 we only had four auctions/switches offering linkers, which all consisted of the DGBi34, so for investors looking to pick up additional holdings in linkers (and especially the DGBi30), Wednesday provides opportunity for this.

DGBi30 BE is about 20 bps lower than DGBi34 and comparing to DBRI30 the DGBi30 it also looks attractive.



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Source: Nordea Markets

The sparse issuance of Danish inflation-linked bonds, current levels and expected higher Danish inflation makes the DGBi30 look attractive and we believe it will perform well at the auction Wednesday

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