

# Strategy

## Sweden – introduction of DH2412

Starting on 23 May (depending on market conditions), Danske Hypotek is set to introduce a new benchmark loan (ISIN SE0012621852), which matures on 18 December 2024 and will be the longest benchmark bond from Danske Hypotek. The coupon rate is set at 1%.

In the wake of the Riksbank meeting, SEK rates moved significantly lower outright and relative to EUR rates. In a broader context, European rates have generally continued to trend lower since October 2018. This has created an intensifying hunt for yield. From this perspective, longer dated covered bonds remain attractive.

### Pricing

Following the share price plunge, spreads on Danske Hypotek initially widened relative to other issuers, although we note that spreads versus other issuers have started tightening lately. However, taken in a broader context, the differentiation between issuers remains relatively small, perhaps because of the continued hunt for yield. The Danske Hypotek curve trades relatively parallel to those of other issuers. In the 2023 segment, DH2312 trades 4.5bp cheap relative to the matching SEB576. We believe a similar spread is reasonable in the December 2024 segment.

Based on the market pricing at 09:30 CEST on 21 May and assuming curves are priced correctly, we think a fair mid valuation for DH2412 is **15.5-16.5bp above DH2312**. In the charts below, we assume a spread of 16bp above DH2312. In matched ASW terms, this would mean a spread around 20bp.

### Today's key points

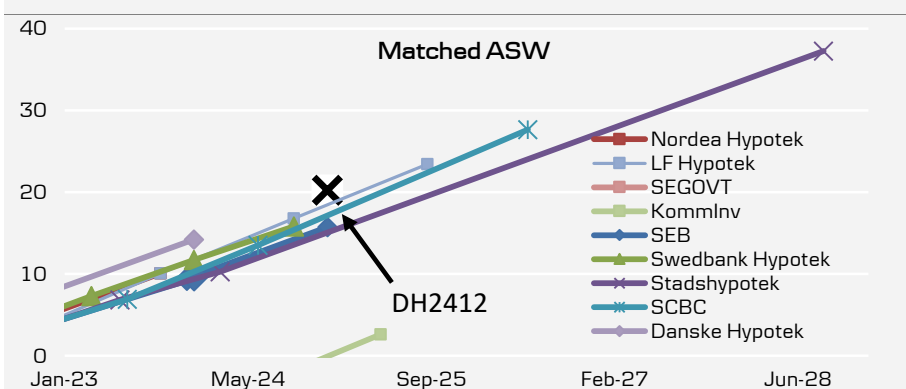
- With expected start on 23 May, Danske Hypotek is set to introduce a new loan, which matures on 18 December 2024, within the benchmark programme.
- The coupon rate is set at 1% and the ISIN code is SE0012621852.

### Pricing vs bonds with similar maturity

Spread to DH2412 bond given pricing	
DH2412	0.555%
DH2312	-16.0
SHYP1588	-18.0
NDH5534	-6.5
SWH194	-7.0
LFH517	-6.0
LFH518	11.0
KI2410	-24.0
SEB579	-4.5
SGB1058	-78.0

Source: Danske Bank

Spreads to SEK swap curve [matched] – 21 May at 09:30 CEST

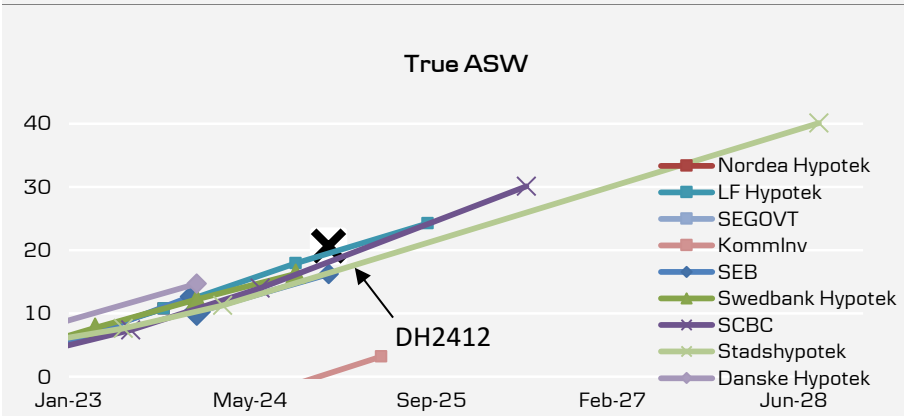


Source: Danske Bank

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The spread in true ASW terms would be relatively close to matched levels, around 20.5bp.

Spreads to SEK swap curve (true) – 09:30 CEST on 21 May



Source: Danske Bank

ASW levels given mid-pricing – 09:30 CEST on 21 May

ASW spreads - Pricing DH2412 16bp above DH2312			
Bond	Maturity	MATCHED	TRUE
DH2412	2024-12-18	20.3	20.6
DH2312	2023-12-20	14.2	14.7
SHYP1588	2024-03-01	10.3	11.3
NDH5534	2024-09-18	16.3	16.8
SWH194	2024-09-18	15.8	16.3
LFH517	2024-09-18	16.8	17.9
LFH518	2025-09-17	23.4	24.2
KI2410	2024-10-02	-1.5	-0.9
SEB579	2024-12-18	15.8	16.2
SGB1058	2025-05-12	-61.9	-64.0

Source: Danske Bank

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