Investment Research

Danske Bank

Government Bonds Weekly

- ECB has boosted the carry-friendly environment, and plenty of coupons and redemptions are due in the next three weeks. We stay long European Fixed Income.

Arne Lohmann Rasmussen
Chief Analyst, Head of FI Research
arr@danskebank.dk
+45 45 12 85 32

Jens Peter Sørensen
Chief Analyst, FI Research
jenssr@danskebank.dk
+45 45 12 85 17

Philip Toft Lyngsø
Assistant Analyst, FI Research
phl@danskebank.dk
+45 45 13 71 79

12 April 2019

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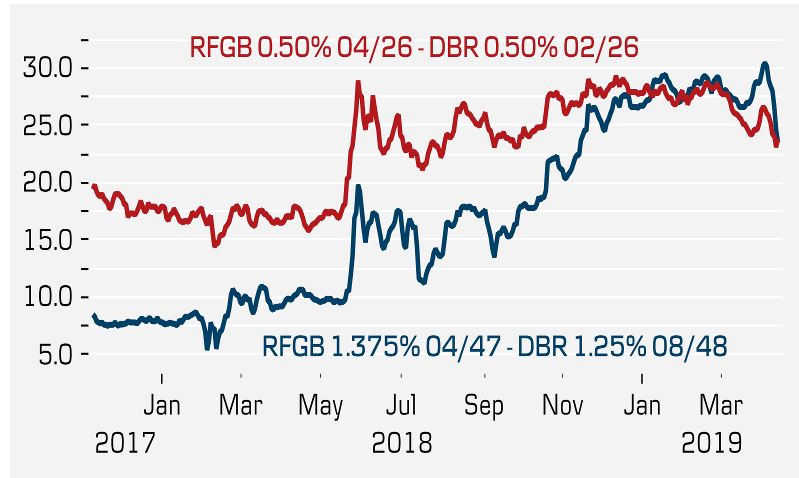
Trading recommendations update

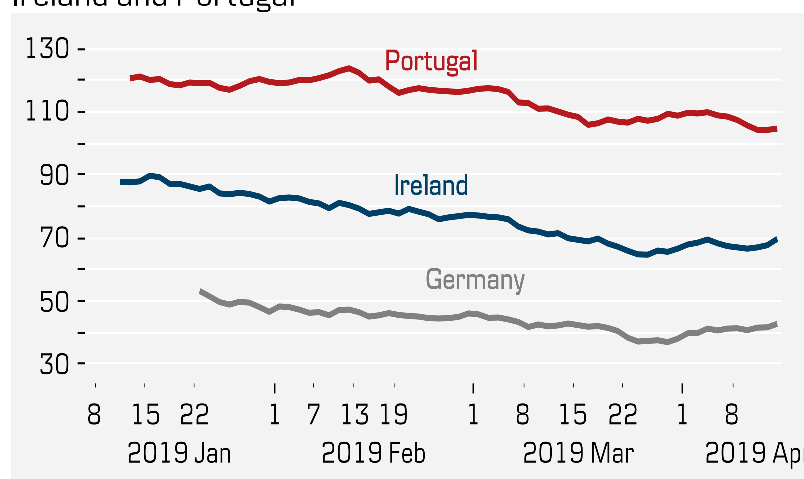
- ECB has created a carry-friendly environment

- Over the next five weeks we see a total of EUR122.3bn (France alone EUR43bn) coming to the market in coupons and redemptions. However, as we wrote in last week's issue, most of the impact came already in March, especially in France. Hence, we are still comfortable being long 5Y Spain vs France.
- This week the ECB confirmed their dovish stance as the comments on the 'negative impact' of 'negative rates' supports the market view that rates will stay low for longer. Together with the recent Reuters story that ECB is mulling that the TLTRO3 will be offered with a rate as low as the depo rate at -0.4%, the strong positive carry environment got another boost.
- Hence, we are comfortable with our **5s10s flattening recommendations in Portugal and Ireland**. Especially, the PGB trade has performed over the last week and with Brexit kicked down the road, Ireland should be next. Hence, **we are also very happy being long 3Y Ireland vs France and Belgium**.
- **This week we went long 6Y and 18Y Finland vs Germany/Netherlands.** Finland saw some concessions ahead of the taps this week, also as we have the general election on Sunday (see recommendation here). Finland have performed 1-2bps since the taps, but we see room for further performance.
- We continue to **be long the Bund spread as a hedge against our periphery/semi-core exposure.** The 'hedge' has lost a few bps this week as periphery has performed.
- Today, we are seeing global FI coming under pressure. We see this primarily as profit-taking. The ECB remains dovish and there are few signs that Euro zone data is picking-up. **We do not expect a major FI sell-off.**

We see room for performance for Finland vs Germany and Netherlands



Carry environment to flatten 5s10s curves further in Ireland and Portugal



Source: Danske Bank, Bloomberg

Supply from France and Netherlands
- Italy up for review by S&P on 26 April

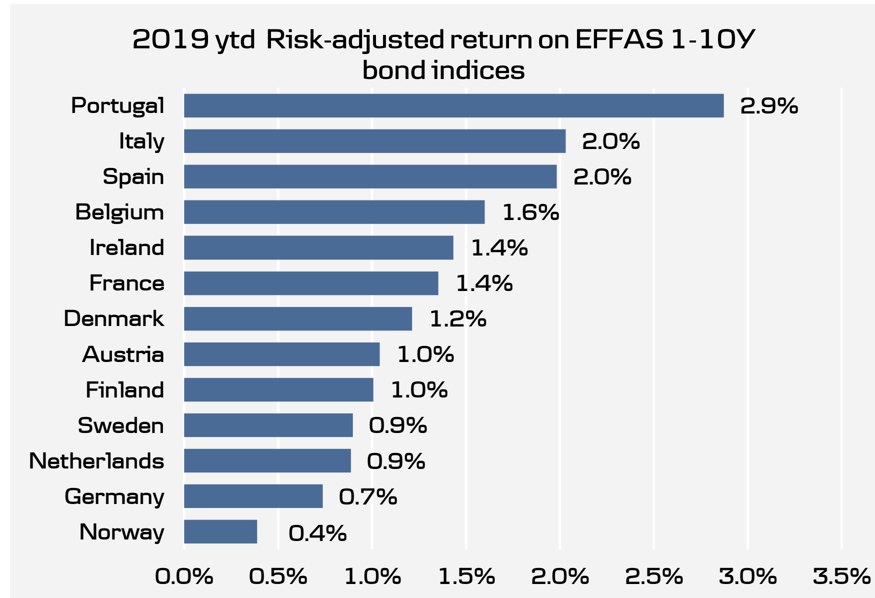
Positive cash flow in the coming three weeks

- There is a modest positive net cash flow of EUR7.1bn in the coming week as we have coupon and redemptions of EUR18.6bn (EUR11.4bn in BTPs alone) and an estimated supply of EUR11.5bn – mainly from France.
- France is seeing EUR43.0bn in coupon and redemptions in the week after Easter, and in the following week more than EUR50bn in total is coming to the Italian and Spanish bond markets. In total the market will see EUR122.3bn in redemptions and coupons over the next five weeks (see slide 6) .
- The following week attention turns to the Netherlands which will tap in the 10Y benchmark bond (EUR1-2bn). It will be the last tap before the DSTA May 21 will issue a new 20Y green bond.
- France will also be in the market, introducing a new 6Y OAT (Mar-25) and with taps in the May-23 and Feb-22 nominals. In the linker space the 3y, 10y and 20Y linkers will be tapped.
- For supply calendar see slide 5.

Rating events due in the next two weeks

- Italy is up for review on 26 April by S&P (BBB/negative outlook). We expect no change but risks are tilted towards a downgrade. For more details see next slide and slides 16-17.
- Belgium(Aa3/stable) and Netherlands (AAA/stable) are up for review on 19 April and 26 April by Moody's and Fitch respectively. No changes are expected.

YTD performance:
Strong performance in Belgium, whereas Norway suffers from hawkish Norges Bank



Note: we calculate the risk-adjusted return, as there are small differences in the duration of the EFFAS 1-10Y for the individual countries; we scale all countries to the duration of Germany, so countries with a higher duration than Germany will have the absolute return 'scaled down' and vice versa – this should give a more accurate picture of the 'league table'

Source: Bloomberg, Danske Bank

Italy up for review by S&P on 26 April (BBB/negative outlook)
- despite a weaker growth and fiscal outlook we expect no change

S&P's three potential downgrade triggers

1. Real GDP growth materially undershoots our [S&P] expectations (1.1% for 2019).
Our take: Fitch's revised 0.9% of GDP growth in February and the government recently slashed 0.8-0.9% from their estimates. We expect S&P to make a similar revision. Fitch did not downgrade Italy, despite already being on negative outlook. Growth revision should not trigger a downgrade alone, but is a negative factor.

2. General government deficit and net government debt as a percent of GDP significantly exceed our [S&P] forecasts (-2.7%).
Our take: The government recently updated their forecast to a deficit of 2.4% from 2.04% of GDP for 2019. However, S&P already assumes a 2.7% deficit for 2019. Hence, this alone should not trigger a downgrade.

3. We [S&P] observe a marked deterioration in the economy's external financial conditions with adverse implications for Italy and its banks.
Our take: Italian bonds have performed in 2019 and demand is set to continue to be strong given the easing tones from the ECB. Combined with the announcement of the bank supporting TLTRO3 programme, we believe these are strong factors against a downgrade.

All in all, we expect S&P to affirm their BBB rating, but keep the outlook on negative. But risk is tilted towards a downgrade. See also slides 16-17.

Forecasts for Italy in 2019

		2019		
	Current rating	Real GDP Growth (%)	Financial Balance/GDP (%)	Debt/GDP (%)
S&P (Oct-26)	BBB (Negative)	1.1	-2.7	128.5
Fitch (Feb-19)	BBB (Negative)	0.3 (1.2)	-2.3	132.0
Moody's (Oct-19)	BBB- (Stable)	1.0	-2.5	130.0
EU Commission Winter Forecast		0.2	-	-
Government fcst		0.1 (1.0)	-2.2	

Source Danske Bank, Bloomberg, S&P, Fitch, Moody's, EU

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Supply: France and Netherlands to tap the markets

week 16		issuer	type	maturity	coupon	size
Tuesday	16/04	Netherlands	NETHER	Jul-2029	0.25%	EUR 1-2
Wednesday	17/04	Germany	Bund	Jul-2044	2.50%	EUR 1.5bn
Thursday	18/04	France	FRTR	Mar-2025	0.00%	EUR 9bn
		France	FRTR	May-2023	1.75%	
		France	FRTR	Feb-2022	0.00%	
		France	FRTRei	Jul-2022	1.10%	
		France	FRTRei	Mar-2028	0.10%	
		France	FRTRei	Jul-2047	0.10%	

week 17		issuer	type	maturity	coupon	size
Wednesday	24/04	Denmark	DGB		5y and 10Y	DKK 2.5bn
		Germany	Bund	Feb-2029		EUR 3bn
		Italy	CTZ-BTPei			EUR 5bn
		Sweden	SGB		10Y	

Source: Danske Bank

There is a modest positive net cash flow of EUR7.1bn in the coming week as we have coupons and redemptions of EUR18.6bn (EUR11.4bn in BTPs alone) and an estimated supply of EUR11.5bn – mainly from France.

France is seeing EUR43.0bn in coupon and redemptions in the week after Easter, and the following week more than EUR50bn in total is coming to the Italian and Spanish bond markets. In total the market will see EUR122.3bn in redemptions and coupons over the next five weeks.

The following week attention turns to the Netherlands which will tap in the 10Y benchmark bond (EUR1-2bn). It will be the last tap before the DSTA May 21 will issue a new 20Y green bond.

France will also be in the market, introducing a new 6Y OAT (Mar-25) and with taps in the May-23 and Feb-22 nominals. In the linker space the 3y, 10y and 20Y linkers will be tapped. Given the upcoming coupon and redemptions in the week after Easter in France we expect good demand at the auctions. We also see that Japanese investors are still buying France and together with the positive carry environment created by the ECB, more tightening for both semi-core and periphery is expected.

Finally, the German Finanzagentur will tap the Jul-44 Bund.

In the week after Easter Germany will tap the 10Y Bund and Italy will be selling CTZs and linkers. Details will be announced on 18 April. In Scandinavia, Sweden and Denmark will be in the market. Details not yet announced.

Cash flow: Net cash flow is slightly positive, before becoming strongly positive in the following two weeks

Coupon and redemptions, bn

Coupon + Redemption	Week 16	Week 17	Week 18	Week 19	Week 20	5w sum
Germany	0.4	0.0	0.0	0.0	0.5	0.9
France		43.0				43.0
Italy	11.4	0.6	24.1	0.0	1.1	37.1
Spain	0.0		26.3			26.3
Portugal	1.0	0.0	0.0	0.0	0.0	1.0
Belgium		0.1				0.1
Netherlands	0.0	0.0	0.0	0.0	0.0	
Austria	0.4					0.4
Finland	0.8	0.0	0.0	0.0	0.0	
Ireland	0.5				0.6	1.1
Slovakia	0.0	0.1	0.0	1.5	0.0	1.6
Greece	2.6					2.6
EFSF	1.7	0.0	5.7	0.0	0.0	7.4
ESM		0.0	0.0			0.1
Total - EUR	18.6	43.8	56.1	1.5	2.3	122.3
Denmark						
Sweden	0.0	0.0	0.0	1.9	0.0	
Norway		0.7				

Note: all values are millions, local currency

Net cash flow, bn

Net cash flow	Week 16	Week 17	Week 18	Week 19	Week 20	5w sum
Germany	-0.6	-3.0	-4.0	-3.8	-0.5	-11.8
France	-9.0	43.0	-8.0		-9.0	17.0
Italy	11.4	-4.4	16.1	0.0	-6.9	16.1
Spain	0.0		21.3		-5.0	16.3
Portugal	1.0			-1.0	0.0	0.0
Belgium		0.1	-3.0			-2.9
Netherlands	-1.5				-1.5	-3.0
Austria	0.4			-1.2		-0.8
Finland	0.8					0.8
Ireland	0.5			-1.0	0.6	0.1
Slovakia		0.1		1.5		1.6
Greece	2.6					2.6
EFSF	1.7	0.0	5.7	0.0	0.0	7.4
ESM		0.0	0.0			0.1
Total - EUR	7.1	35.8	28.1	-5.4	-22.2	43.4
Denmark		-2.5		-2.5		-5.0
Sweden		-1.5	-0.5	0.4	-0.5	-2.1
Norway		0.7			-3.0	-2.3

Note: All volumes are in billions, local currency.

Note: Negative means more issuance than coupon and redemption

Source: Danske Bank

Supply over the past week

- Strong bid-to-cover at Swedish and Norwegian government bond auctions

week 15		issuer	type	maturity	coupon	sold	b-t-c	avg. Yield
Tuesday		Austria	RAGB	Jul-2023	0.0%	500	2.2	-0.39%
		Austria	RAGB	Feb-2029	0.5%	500	2.3	0.28%
		Germany	DBRi	Apr-2030	0.5%	562	1.3	-1.12%
Wednesday	10/04	Germany	Bobl	Apr-2024	0.0%	2,480	1.8	-0.41%
		Norway	NGB	May-2023	2.0%	2,000	3.1	1.42%
		Finland	RFGB	Apr-2026	0.5%	500	2.0	-0.08%
		Finland	RFGB	Apr-2047	1.4%	500	1.8	0.89%
		Sweden	SGB	Nov-2029	0.8%	750	7.8	0.38%
		Sweden	SGB	May-2025	2.5%	750	6.9	-0.07%
		Portugal	PGB	Jun-2029	2.0%	600	2.3	1.14%
		Portugal	PGB	Apr-2037	4.1%	400	1.8	1.90%
Thursday	11/04	Italy	BTPS	Jul-2022	1.0%	2,500	1.6	1.08%
		Italy	BTPS	Jul-2026	2.1%	3,750	1.4	2.05%
		Italy	BTPS	Mar-2035	3.3%	1,500	1.4	3.00%
		Spain	SPGB	Jul-2024	0.3%	2,695	1.4	0.17%
		Spain	SPGB	Jul-2035	1.9%	1,250	1.4	1.64%

Source: Danske Bank, Bloomberg

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Funding overview 2019

– Finland following other semi-core issuers – and Netherlands will be above 40% after next week's auction

Expected issuance (Bn)	Expected gross bond issuance 2019		Gross issuance 2019 YtD	Bonds maturing 2019	Net issuance 2019 YtD	Expected net issuance 2019	% issued YtD of expected gross	
	Official estimate*	Danske Markets					Official estimate	Danske Markets
Germany	164.0	164.0	48.8	95.0	8.8	69.0	30%	30%
France	200.0	200.0	88.9	120.4	80.4	79.6	44%	44%
Italy	250.0	250.0	83.8	148.1	36.8	101.9	34%	34%
Spain	127.0	127.0	48.1	73.9	29.9	53.1	38%	38%
Portugal	15.0	15.0	8.6	8.1	8.6	6.9	57%	57%
Greece	7.0	7.0	5.0	8.7	5.0	-1.7	71%	71%
Belgium	28.0	28.0	14.7	10.5	4.7	17.5	52%	52%
Netherlands	21.0	21.0	7.7	13.8	-7.3	7.2	37%	37%
Austria	20.0	20.0	8.7	14.4	-2.6	5.6	43%	43%
Finland	9.0	9.0	4.0	5.0	4.0	4.0	44%	44%
Ireland	16.0	16.0	5.5	13.1	5.5	2.9	35%	35%
EU	5.0	5.0		1.5	0.0	3.5		
EFSF	22.5	22.5	7.5	11.2	-0.5	11.3	33%	33%
ESM	10.0	10.0	2.0	5.0	2.0	5.0	20%	20%
Total - EUR	894.5	894.5	333.1	528.8	175.3	365.7	37%	37%
Denmark*	65.0	65.0	27.3	52.2	27.3	12.8	42%	42%
Sweden	41.0	41.0	15.0	15.5	-83.6	25.6	36%	36%
Norway	50.0	50.0	33.0	52.9	33.0	-2.9	66%	66%

*Denmark numbers are notional levels – i.e. not taking into account the additional revenue from sale of bonds trading above 100.

Source: Danske Bank

Open trade recommendations -1

Open strategies

Type	Trade	Idea	Risk	Target & P/L	Target & P/L
Buy 1Y BOT at opening t-bill auction. We move target to -10bp)	Buy BOT 2/20 at opening auction	Steep curve in Italy and funding well below zero	The political outlook and a prolonmges recession	Target	-10bp
				Currently	2.1bp
				Opened	18bp
				P&L (bp)	15.9bp
				Opened	12-Feb-19
Buy new 10Y NGB asw at syndication vs 5Y NGB asw	Buy NGB 0.5% 9/2029 asw vs NGB 3% 3/24 asw	Steep asw curve in Norway and Nwe Issue Premium expected at syndicated deal	Little supply in 5y segment and higher Nibor spread pushing up 5y swap	Target	3bp
				Currently	8bp
				Opened	15.8bp
				P&L (bp)	7.8bp
				Opened	27-Feb-19
Buy 5Y Spain vs. 5Y France. Reopned March 8.	Buy SPGB 3.8% 04/24 vs. FRTR 2.25% 5/28 @ 65bp.	Better fundametal outlook for Spain and bigger decline in issaunce. Better roll on the curve. Spain to get support from strong carry environment after ECB	Spill over from Italy	Target	30bp
				Currently	38bp
				Opened	45bp
				P&L (bp)	7bp
				Opened	08-Mar-19
Long Bund swap spread	Buy Bund asw 1st pos.	Hedge of periphery risk and cheap Bunds relative to outright Bund yield level. Trade in low end of expected trading range.	More supply and continued risk-on	Target	58bp
				Currently	51bp
				Opened	51.6bp
				P&L (bp)	-1bp
				Opened	08-Mar-19
Buy 10Y Ireland vs 5Y Ireland.	Buy IRISH 1.1% 05/29vs.IRISH 3.4% 03/24	Global central b anks and rapidly detoriating data have created a strong carry and 'hunt for yield' environment	Better economic number. Bunds sell-off.	Target	50bp
				Currently	68bp
				Opened	65bp
				P&L (bp)	-3bp
				Opened	23-Mar-19

Source: Danske Bank

Open trade recommendations -2

Buy 10Y Portugal vs 5Y Portugal.	Buy PGB 1.95% 06/29 vs PGB 5.65% 02/24	Global central b anks and rapidly detoriating data have created a strong carry and 'hunt for yield' environment	Better economic number. Bunds sell-off.	Target Currently Opened P&L (bp) Opened	106bp 104bp 106bp 2bp 23-Mar-19
Buy 10Y Belgium vs 10Y Germany.	Buy BGB 0.9% 06/29 vs DBR 0.25% 02/29	Global central b anks and rapidly detoriating data have created a strong carry and 'hunt for yield' environment. Support to Belgium from redemptions.	If the economic weakness accelerates BGBs might not be able to follow 10Y Bund yields lower.	Target Currently Opened P&L (bp) Opened	30bp 44.16bp 44bp 0bp 23-Mar-19
Buy 3Y ireland vs. Belgium and France	Buy IRISH 10/22 vs. BGB 09/22 @17bp and IRISH 10/22 vs. OAT 10/22 @15bp	The Irish yield curve is steep relative to Belgium and France	A hard Brexit leading to fiscal uncertainty in Ireland	Target Currently Opened P&L (bp) Opened	12bp/10bp 12bp/10bp 17bp/15bp 5bp/5bp 05-Apr-19
Buy 6Y Finland vs Germany/Netherlands	Buy RFGB 0.5% 04/26 vs DBR 0.5% 02/26 or Nether 0.5% 07/26	Finland is cheap relative to core-EU despite solid fundamentals and ECB buying through the reinvestment programme	Risk-off sentiment and Finnish elections	Target Currently Opened P&L (bp) Opened	19bp/2bp 23bp/7bp 24bp/7bp 1bp/0bp 10-Apr-19
Buy 18Y Finland vs Germany/Netherlands	Buy RFGB 1.375% 04/47 vs DBR 1.25% 08/28 or Nether 2.75% 01/47	Finland is cheap relative to core-EU despite solid fundamentals and ECB buying through the reinvestment programme	Risk-off sentiment and Finnish elections	Target Currently Opened P&L (bp) Opened	22bp/17bp 25bp/21bp 27bp/22bp 2bp/1bp 00-Jan-00

Source: Danske Bank

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Closed trade recommendations

Closed strategies

Type	Trade	Idea	Risk	Target & P/L	Target & P/L
Buy 5Y Italy vs. 5Y Germany. Closed Feb 1, 2019.	Buy BTPS 1.85% 05/24 vs. DBR 1.5% 05/24 @220bp	Italy has struck a budget deal with the EU commission. Gross funding in 2019 is modestly higher than in 2018, but there are also higher redemptions	ECB does not have much reinvestment need until April. Modest growth can lead to higher budget deficit in Italy	Target Currently Opened P&L (bp) Opened	190bp 208bp 220bp 12bp 02-Jan-19
Buy 10Y Finland vs. 10Y Denmark - closed on Feb 20	Buy RFGB 0.5% 09/28 vs DGB 0.5% 11/27 @34bp	Finland has underperformed Denmark in 2018 despite strong findamentals and despite moving towards a triple A rating. DGBs have seen support from buy-backs that will be much smaller in 2019.	Finnish budget slippage and safe haven-flows into Denmark.	Target Currently Opened P&L (bp) Opened	25bp 36bp 34bp +0.5bp 04-Dec-18
Buy 10Y Netherlands vs. 10Y Denmark - closed on Feb 20	Buy Nether 07/28 vs DGB 0.5% 11/27 @16bp	The relative cash flow is supportive for Nether vs DGB in January. Growing risk of a Danish indepenmdent rate hike due to 'weak' DKK. Little priced for a Danish rate hike in 5-10Y segment.	New move lower in EUR/DKK and safe haven-flows into Denmark.Litlle supply of DGB's.	Target Currently Opened P&L (bp) Opened	10bp 21bp 19bp **-2bp** 02-Jan-19
Buy 5Y Netharlands vs. 5Y Denmark - closed on Feb 20,	Buy Nether 01/24 vs DGB 11/23 @8bp	The relative cash flow is supportive for Nether vs DGB in January. Growing risk of a Danish indepenmdent rate hike due to 'weak' DKK. Little priced for a Danish rate hike in 5-10Y segment.	New move lower in EUR/DKK and safe haven-flows into Denmark.Litlle supply of DGB's.	Target Currently Opened P&L (bp) Opened	4bp 12bp 10bp -2bp 02-Jan-19
Buy 5Y Spain vs. 5Y France. Closed March 1st.	Buy SPGB 3.8% 04/24 vs. FRTR 2.25% 5/28 @ 65bp. Part of our Fixed Income Top Trades 2019.	Better fundametal outlook for Spain and bigger decline in issuance. Better roll on the curve.	Spill over from Italy	Target Currently Opened P&L (bp) Opened	40bp 41bp 65bp 24bp 04-Dec-18

Source: Danske Bank

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Fixed income top trades 2019

- See Danske Bank Fixed Income Top Trades 2019 here.

	Trade	Opened	Closed	Comment	P/L
#1:	Receive the 5Y USD swap in a 2s5s10s USD fly	04/12/2018	02/01/2019	Profit target hit (-21bp)	14.0bp
#2:	Pay Mar-20 and receive Sep-19 3M Euribors	04/12/2018	08/03/2019	Loss taken after new ECB forward guidance	-8.7bp
#3:	Buy callable 2'50 and sell DGB 0.5% 2027	04/12/2018	28/03/2019	Closed as BPV in 2'50 is too low	97bp
#4:	Sell Dec 2028 SGBi's vs. Apr 2030 DBRi's	04/12/2018	43553.00	Closed with a decent proft	7.1bp
#5:	Pay 2Y2Y NOK vs EUR and buy long-end NGB vs. Bunds	04/12/2018			9.0bp
#6:	Long 5Y Spain vs. 5Y France	04/12/2018	01/03/2019	Closed 1bp from profit-target	24bp
#7:	Long 10Y Finland vs. 10Y Denmark	04/12/2018	20/02/2019	Closed as DGB outlok has improved	-2bp
#8:	10Y-30Y steepener 5Y Forward	04/12/2018	22/03/2019	Closed with profit, as the e risk of a bullish flatetning is growing.	11.3bp

Source: Danske Bank

An overview of the 12M carry in selected EU government bonds

– the 2Y-5Y segment provides the best carry relative to risk in the periphery, while it is the 10Y segment in the core and semi-core

GERMANY	Segment					
12mth horzion	2	5	10	15	20	30
"Coupon" Carry	-0.61%	-0.45%	-0.02%	0.20%	0.39%	0.68%
Roll-down	-0.03%	0.29%	0.75%	0.63%	0.47%	1.51%
Total carry	-0.63%	-0.16%	0.73%	0.83%	0.87%	2.20%
Total carry + funding	-0.04%	0.35%	1.25%	0.86%	1.40%	3.24%
Total carry + funding (riskadjusted)	-0.02%	0.06%	0.12%	0.04%	0.05%	0.11%
Funding rate	-0.60%	-0.50%	-0.52%	-0.58%	-0.53%	-1.04%

FRANCE	Segment					
	2	5	10	15	20	30
"Coupon" Carry	-0.51%	-0.29%	0.30%	0.72%	0.96%	1.31%
Roll-down	0.01%	0.36%	0.93%	1.43%	1.05%	0.76%
Total carry	-0.50%	0.07%	1.22%	2.15%	2.00%	2.07%
Total carry + funding	0.00%	0.57%	1.72%	2.65%	2.50%	2.57%
Total carry + funding (riskadjusted)	0.00%	0.10%	0.17%	0.18%	0.12%	0.09%
Funding rate	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%

SPAIN	Segment					
	2	5	10	15	20	30
"Coupon" Carry	-0.27%	0.15%	0.96%	1.52%	1.77%	2.19%
Roll-down	0.10%	0.73%	0.81%	1.80%	0.70%	0.73%
Total carry	-0.18%	0.89%	1.77%	3.33%	2.48%	2.93%
Total carry + funding	0.31%	1.32%	2.22%	3.77%	2.90%	3.49%
Total carry + funding (riskadjusted)	0.14%	0.24%	0.19%	0.26%	0.14%	0.15%
Funding rate	-0.49%	-0.43%	-0.45%	-0.44%	-0.42%	-0.56%

ITALY	Segment					
	2	5	10	15	20	30
"Coupon" Carry	0.47%	1.60%	2.61%	3.07%	3.40%	3.26%
Roll-down	0.38%	1.08%	0.88%	0.74%	0.44%	-0.50%
Total carry	0.85%	2.68%	3.48%	3.81%	3.84%	2.76%
Total carry + funding	1.32%	3.09%	3.92%	4.22%	4.28%	3.20%
Total carry + funding (riskadjusted)	0.63%	0.62%	0.41%	0.32%	0.26%	0.18%
Funding rate	-0.47%	-0.41%	-0.44%	-0.41%	-0.44%	-0.45%

NETHERLANDS	Segment					
12mth horizon	2	5	10	15	20	30
"Coupon" Carry	-0.59%	-0.33%	0.07%	0.39%	0.52%	0.71%
Roll-down	0.00%	0.52%	0.64%	0.96%	0.63%	0.55%
Total carry	-0.59%	0.19%	0.71%	1.35%	1.15%	1.26%
Total carry + funding	-0.10%	0.65%	1.21%	1.84%	1.69%	1.81%
Total carry + funding (riskadjusted)	-0.05%	0.13%	0.10%	0.11%	0.07%	0.05%
Funding rate	-0.49%	-0.46%	-0.50%	-0.49%	-0.53%	-0.52%

BELGIUM	Segment					
	2	5	10	15	20	30
"Coupon" Carry	-0.51%	-0.24%	0.41%	0.84%	1.14%	1.46%
Roll-down	0.02%	0.57%	1.12%	0.78%	0.58%	0.82%
Total carry	-0.49%	0.34%	1.52%	1.62%	1.72%	2.28%
Total carry + funding	-0.02%	0.80%	1.95%	2.12%	2.14%	2.75%
Total carry + funding (riskadjusted)	-0.02%	0.15%	0.19%	0.13%	0.11%	0.11%
Funding rate	-0.47%	-0.46%	-0.43%	-0.50%	-0.42%	-0.47%

IRELAND	Segment					
	2	5	10	15	20	30
"Coupon" Carry	-0.44%	-0.11%	0.53%	0.97%	1.18%	1.43%
Roll-down	0.08%	0.55%	1.23%	0.89%	-0.22%	-5.47%
Total carry	-0.37%	0.44%	1.77%	1.86%	0.96%	-4.04%
Total carry + funding	0.12%	0.89%	2.15%	2.31%	1.36%	-3.54%
Total carry + funding (riskadjusted)	0.04%	0.16%	0.21%	0.16%	0.08%	-0.17%
Funding rate	-0.48%	-0.45%	-0.39%	-0.45%	-0.40%	-0.49%

PORTUGAL	Segment					
	2	5	10	15	20	30
"Coupon" Carry	-0.34%	0.16%	1.11%	1.65%	1.99%	2.43%
Roll-down	0.00%	0.97%	1.15%	1.12%	-0.22%	-6.74%
Total carry	-0.34%	1.12%	2.27%	2.77%	1.78%	-4.31%
Total carry + funding	0.16%	1.58%	2.67%	3.39%	2.16%	-3.93%
Total carry + funding (riskadjusted)	0.07%	0.28%	0.27%	0.24%	0.12%	-0.19%
Funding rate	-0.50%	-0.46%	-0.40%	-0.62%	-0.38%	-0.38%

Note. The funding rate is an indicative price for the repo rate for the bonds. Source. Danske Bank

Belgium – Moody's

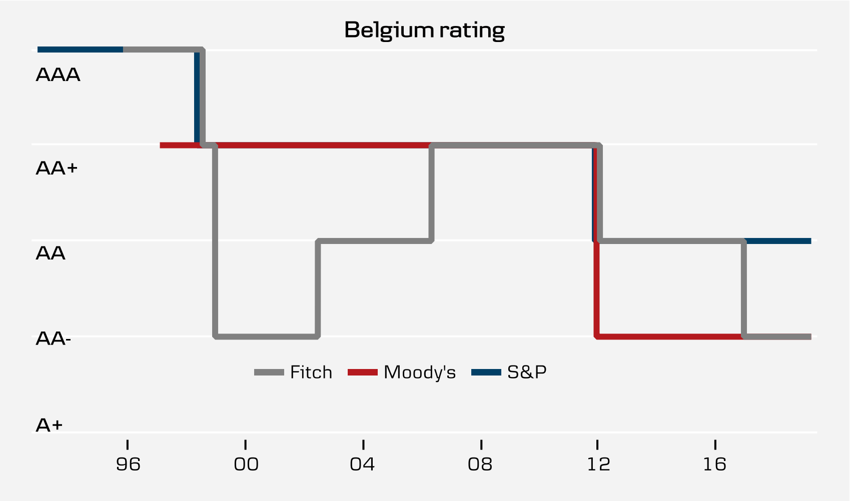
Moody's: 19 April

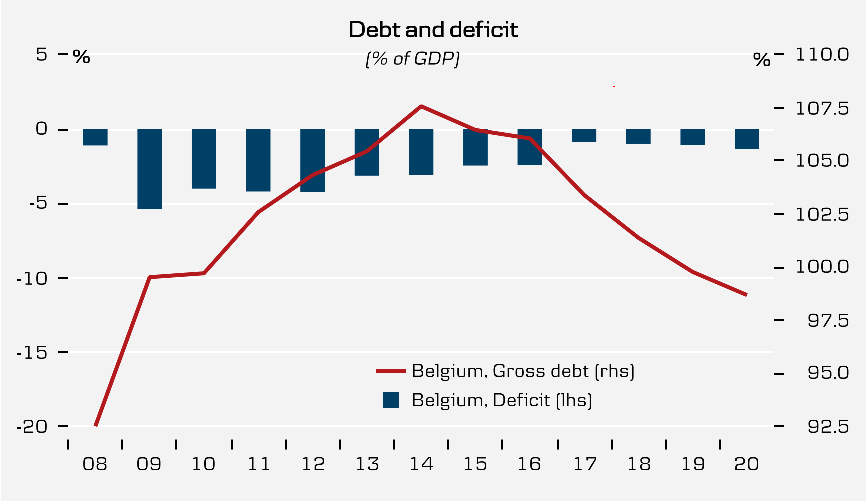
Belgium	Moody's	S&P	Fitch
Rating	Aa3	AA	AA-
Outlook	Stable	Stable	Stable
Potential rating decision	19 April 2019	20 September 2019	04 October 2019
Requirement for upgrade	Upward pressure on the rating might develop if some of the country's key structural challenges were to be decisively addressed. A faster-than-expected reduction of government debt, through materially stronger economic growth and/or more aggressive deficit reduction would place upward pressure on the rating. Improvements in the labour market--particularly higher employment rates--and tax reform would also be credit positive given the impact that they could have on Belgium's economic dynamism.	We could raise the ratings if Belgium's fiscal deficit and government debt steadily declined beyond our current expectations. We could also raise the ratings if Belgium started posting consistent current account surpluses, or if there was a further reduction in the economy's external short-term debt.	- A sustained decline in the government debt to GDP ratio. - Strengthening medium-term economic growth prospects, particularly if related to improvements in competitiveness and structural reform implementation.
Requirement for downgrade	Downward pressure on the rating might develop if the government's debt trend were to diverge significantly from our expectation that it will peak and start to decline from below 107% of GDP (following the ESA 2010 debt data revisions). In particular, a sustained deterioration in the government's fiscal position or, over the medium term, a failure to reduce indebtedness would exert downward pressure on the rating given the reduced capacity to absorb shocks associated with a high debt load. That would be a particular concern were the country's structural weaknesses, such as low labour force participation and fiscal rigidities, to remain unaddressed. Separately, a significant rise in the currently low risk of euro area fragmentation, particularly prompted by events in core countries such as France (Aa2 stable) or Italy (Baa2 negative), that suggested a sharp rise in the risk of their exit from the euro area, would be negative for all euro area member countries and would exert pressure upon Belgium's rating.	We could lower our ratings if Belgium's budgetary position deviates significantly from our current expectations. Deterioration in budgetary outcomes could notably result from an underfunding of additional tax cuts, or adverse economic or financial shocks to the economy, most likely of external nature.	-Larger fiscal deficits resulting in an increase in public sector indebtedness -Worsening of Belgium's medium-term growth prospects and competitiveness

Source: Fitch, S&P, Moody's

Belgium – Moody's

Moody's: 19 April





Source: Fitch, S&P, Moody's, European Commission

Italy – S&P

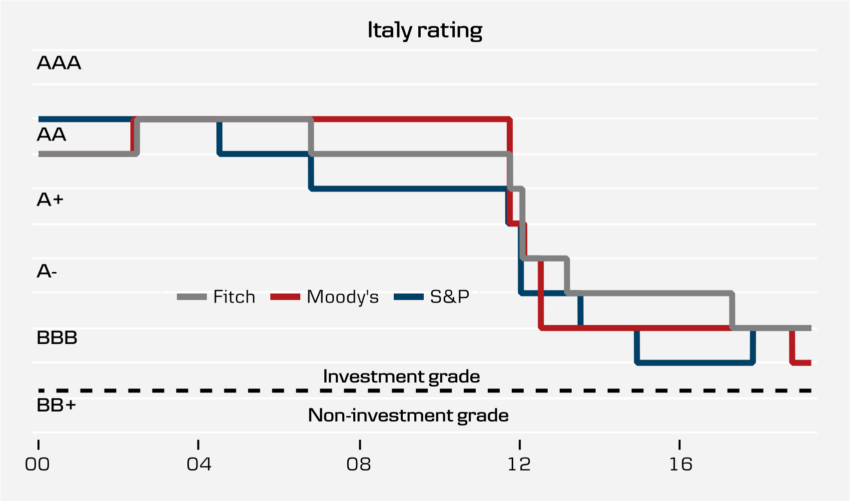
S&P: 26 April

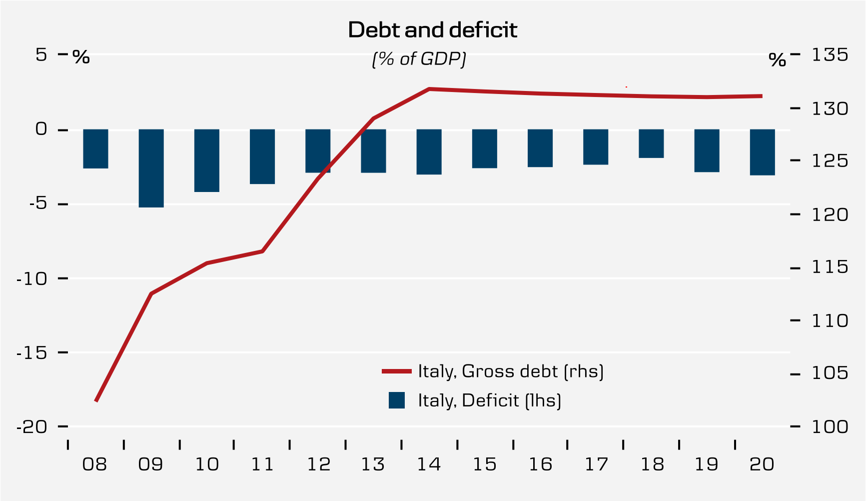
Italy	Moody's	S&P	Fitch
Rating	Baa3	BBB	BBB
Outlook	Stable	Negative	Negative
Potential rating decision	06 September 2019	26 April 2019	09 August 2019
Requirement for upgrade	Positive rating pressure could emerge if a coherent programme of structural reforms were to be introduced, including for example measures which increased the efficiency of the public administration, improved the functioning of the labour market and the education system and strengthened competition, all with the ultimate goal of raising productivity growth in the Italian economy. A change in the fiscal stance that would result in a declining debt trend would also be credit positive.	We could revise the outlook to stable if we see that the economic recovery is accelerating, enabling government debt to GDP to decline, or that the budgetary deviation is markedly narrower than we currently expect. We could also revise the outlook to stable if we saw further significant progress in restoring Italy's financial sector, for example via the ongoing resolution of nonperforming loans (NPLs) or the introduction and shared financing of a European deposit insurance scheme.	- A track record of fiscal policy that supports an improvement in Italy's government debt dynamics; - A stronger economic recovery and greater confidence in medium-term growth prospects, particularly if supported by the implementation of effective structural reforms; and - Reduction in banking sector risks.
Requirement for downgrade	The rating would come under renewed downward pressure if the Italian government were to pursue a fiscal strategy that would lead to a rising debt trend in the coming years, possibly as a result of a weaker growth performance than expected. The rating would also come under pressure if Moody's were to conclude that the affordability of Italy's elevated public debt were likely to worsen materially and in a sustained way, particularly if that signaled some increased risk of the government losing market access. Given the government's confrontational stance towards the EU and the risk of further escalation, Moody's now assumes a higher susceptibility to political event risk than before. Relatedly, the rating would likely also be downgraded if Moody's were to conclude that the risk of Italy exiting the euro area were to rise materially. While currently very low, the likelihood of such a scenario could rise if tensions between the Italian government and the European authorities over Italy's fiscal stance and its commitment to the fiscal rules were to escalate further, particularly if accompanied by a rise in support for confrontation within the Italian electorate and/or measures which signaled preparation for a parallel currency.	The negative outlook signifies that we could lower our ratings on Italy within the next 24 months if: - Real GDP growth materially undershoots our expectations; - General government deficits and net government debt as a percentage of GDP significantly exceed our forecasts; or - We observe a marked deterioration in the economy's external financial conditions due to persistent political uncertainties and their potentially adverse implications for Italy and its banks, which are one of the government's largest creditors.	- Weaker government debt dynamics, for example due to additional fiscal policy loosening and/or weaker GDP growth prospects; - Political developments negatively affecting economic and fiscal policies and/or outturns; and - Adverse developments in the banking sector increasing risks to the real economy or public finances.

Source: Fitch, S&P, Moody's

Italy – S&P

S&P: 26 April





Source: Fitch, S&P, Moody's, European Commission

Netherlands – Fitch

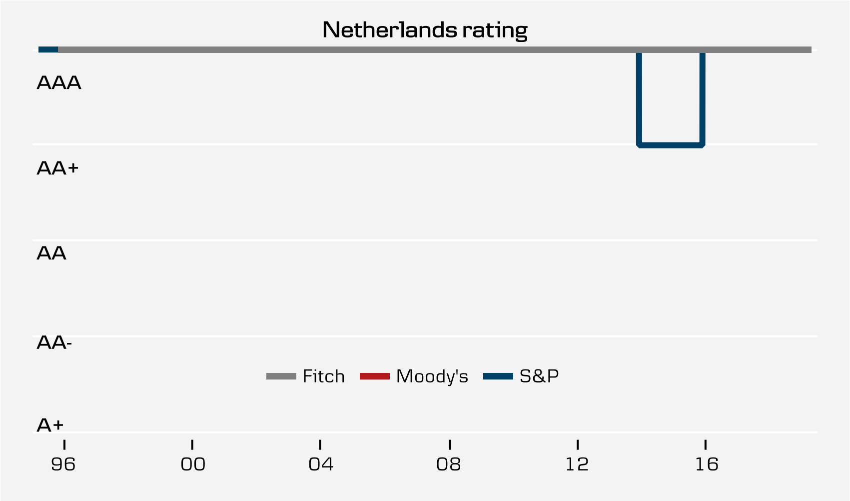
Fitch: 26 April

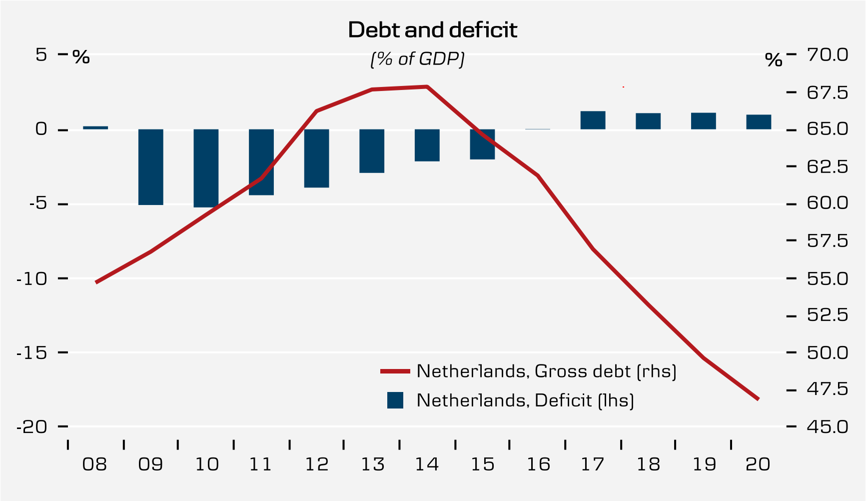
Netherlands	Moody's	S&P	Fitch
Rating	Aaa	AAA	AAA
Outlook	Stable	Stable	Stable
Potential rating decision	16 August 2019	17 May 2019	26 April 2019
Requirement for upgrade			
Requirement for downgrade	Downward pressure upon the rating might occur if we were to observe persistent economic weakness or if we were to conclude that fiscal metrics were likely to deteriorate significantly, with the deficit, the overall debt burden or debt-financing costs on a rising trend. Separately, a significant rise in the risk of euro area fragmentation, particularly prompted by events in core countries such as France (Aa2 stable) or Italy (Baa2 negative), which suggested a sharp rise in the risk of their exit from the euro area, would be negative for all euro area member countries and would exert pressure upon the rating of the Netherlands.	Although unlikely at this stage, we could lower the ratings if, contrary to our current expectations, The Netherlands was not able to withstand potential financial and economic shocks without a significant deterioration in key rating metrics. Such shocks could potentially emanate from a slowdown in world growth or an adverse effect on net trade from the U.K.'s exit from the EU. Pressure could also build on the ratings if the fragmented political landscape led to disruption of the country's prudent policy direction.	- A severe macroeconomic shock, potentially originating in the housing sector, or sharp fiscal loosening that reverses the downward trajectory in public debt. - Crystallisation of sizeable contingent liabilities, for example from the national mortgage/social housing guarantee schemes, or eurozone bail-out packages.

Source: Fitch, S&P, Moody's

Netherlands – Fitch

Fitch: 26 April





Source: Fitch, S&P, Moody's, European Commission

Danske Bank

Current rating and outlook

RATINGS

	Fitch	Moody's	S&P	DBRS
Germany	AAA	Aaa	AAAu	AAA
Finland	AA+	Aa1	AA+	AAH
Netherlands	AAA	Aaa	AAAu	AAA
Austria	AA+	Aa1	AA+	AAA
Belgium	AA-	Aa3	AAu	AAH
France	AA	Aa2	AAu	AAA
Ireland	A+	A2	A+	AH
Italy	BBB	Baa3	BBBu	BBBH
Spain	A-	Baa1	A-u	A
Portugal	BBB	Baa3	BBBu	BBB
UK	AA *-	Aa2	AAu	AAA
Denmark	AAA	Aaa	AAAu	AAA
Sweden	AAA	Aaa	AAAu	AAA
Norway	AAA	Aaa	AAA	AAA
Slovenia	A-	Baa1	A+	A
Cyprus	BBB-	Ba2	BBB-	BBBL
Greece	BB-	B1	B+	BH
EFSF	AA	Aa1	AA	WR
ESM	AAA	Aa1	---	---
EU	AAA	Aaa	---	---

Source: Moody's, Fitch, Standard & Poor's, DBRS

OUTLOOK

	Fitch	Moody's	S&P	DBRS
Germany	STABLE	STABLE	STABLE	STABLE
Finland	POS	STABLE	STABLE	STABLE
Netherlands	STABLE	STABLE	STABLE	STABLE
Austria	POS	STABLE	STABLE	STABLE
Belgium	STABLE	STABLE	STABLE	STABLE
France	STABLE	POS	STABLE	STABLE
Ireland	STABLE	STABLE	STABLE	STABLE
Italy	NEG	STABLE	NEG	STABLE
Spain	STABLE	STABLE	POS	STABLE
Portugal	STABLE	STABLE	STABLE	POS
UK	---	STABLE	NEG	STABLE
Denmark	STABLE	STABLE	STABLE	STABLE
Sweden	STABLE	STABLE	STABLE	STABLE
Norway	STABLE	STABLE	STABLE	STABLE
Slovenia	STABLE	STABLE	POS	STABLE
Cyprus	STABLE	STABLE	STABLE	STABLE
Greece	STABLE	STABLE	POS	POS
EFSF	STABLE	POS	STABLE	STABLE
ESM	STABLE	POS	---	STABLE
EU	STABLE	STABLE	STABLE	STABLE

Source: Moody's, Fitch, Standard & Poor's, DBRS

Rating calendar for 2019

Moody's	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Germany	25						19					
France					3					25		
Italy			15						6			
Spain					24						15	
Portugal		15						9				
Greece			1					23				
Belgium				19						11		
Netherlands		22						16				
Austria			22						13			
Finland		1					26					
Ireland		8						2				
Denmark						7					29	
Sweden			29						20			
Norway					10						1	

Source: Moody's, Fitch, Standard & Poor's, DBRS

S&P	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Germany				12						11		
France				5						4		
Italy				26						25		
Spain			22						20			
Portugal			15						13			
Greece	18					26				25		
Belgium			22						20			
Netherlands					17						15	
Austria			15						13			
Finland			15						13			
Ireland					31						29	
Denmark			8						6			
Sweden		22						23				
Norway			22						20			

Source: Moody's, Fitch, Standard & Poor's, DBRS

Fitch	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Germany	25						19					
France	18					14						13
Italy		22						9				
Spain	11					21						13
Portugal					24						22	
Greece		8						2				
Belgium				5						4		
Netherlands				26						25		
Austria	18				31						22	
Finland		1					26					
Ireland					17						15	
Denmark			22						20			
Sweden	25					28						6
Norway			15					30				

Source: Moody's, Fitch, Standard & Poor's, DBRS

DBRS	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Germany						7						6
France				26						25		
Italy	11						12				15	
Spain			22						20			
Portugal				5						4		
Greece					3						1	
Belgium		15						16				
Netherlands	25						26					
Austria		15						16				
Finland	18				17						15	
Ireland		1						2				
Denmark						7						6
Sweden				26						25		
Norway				26						25		

Source: Moody's, Fitch, Standard & Poor's, DBRS

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Report completed: 12 April 2019, 15:12 CEST
Report first disseminated: 12 April 2019, 16:30 CEST