

Government Bonds Weekly

- The difference between Spain and Italy becomes more evident and we close our long 5Y BTP recommendation. We stay long 5Y Spain

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Finland likely to be in the market with a syndicated deal this week

- Ireland and Greece up for rating reviews

No supportive cash flow this week

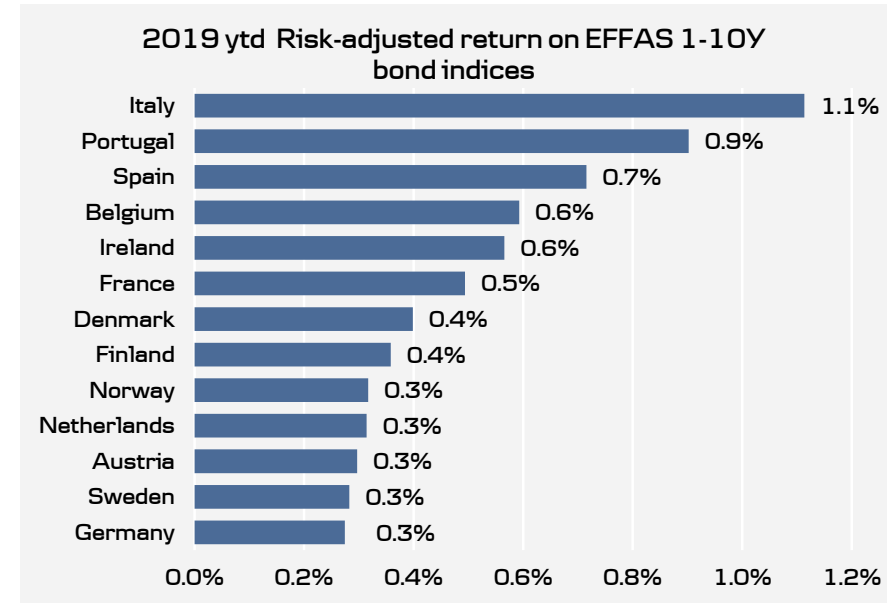
- Expected issuance in the coming week is EUR16.5bn. After close to EUR55bn came to the market in coupons and redemptions from mainly Italy and Spain last week, there is no supportive cash flow this week, and we have a negative net cash flow of EUR15.6bn.
- In respect of syndicated deals, we expect only **Finland** to be in the market – most likely in the 10Y segment. For an overview of syndicated deals this year, see [slide 5](#).
- France** will be in the market on Thursday and will tap up to EUR9bn in the 7Y, 11Y and 22Y bonds. Spain will also be in the market on Thursday tapping in the 2Y, 7Y and the 14Y bonds. Finally, note that the RAGB auction has been cancelled after the Austrian syndication last week.
- Denmark** will be in the market and we expect a first tap in the Nov-2030 10Y benchmark bond. The inaugural auction of the new 10Y was as we wrote last week a disappointment. However, when we take into account the performance in the short-end of the DGB curve recently, we would expect better demand this time. Note, this is in right the middle of the Danish mortgage bond refinancing auctions and investor focus might be less than normal on the government bond market.

Ireland and Greece up for review by Moody's and Fitch

- Ireland** is up for review by Moody's (A2/Stable). Given the Brexit uncertainty, we expect no change. **Greece** is for review by Fitch(BB-/Stable). Fitch is the most positive rating agency. Still, the successful return to the debt market and the improved political stability might trigger a 'positive' outlook.

YTD performance:

Periphery bonds take the lead



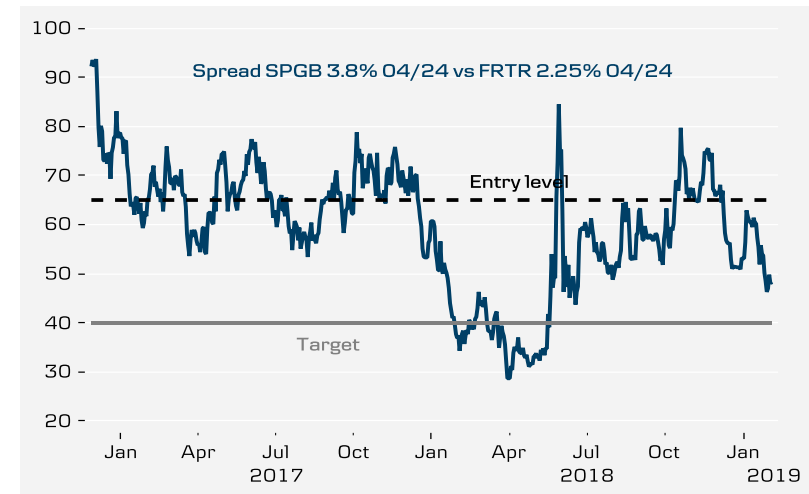
Note: we calculate the risk-adjusted return, as there are small differences in the duration of the EFFAS 1-10Y for the individual countries; we scale all countries to the duration of Germany, so countries with a higher duration than Germany will have the absolute return 'scaled down' and vice versa –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

Source: Bloomberg, Danske Bank

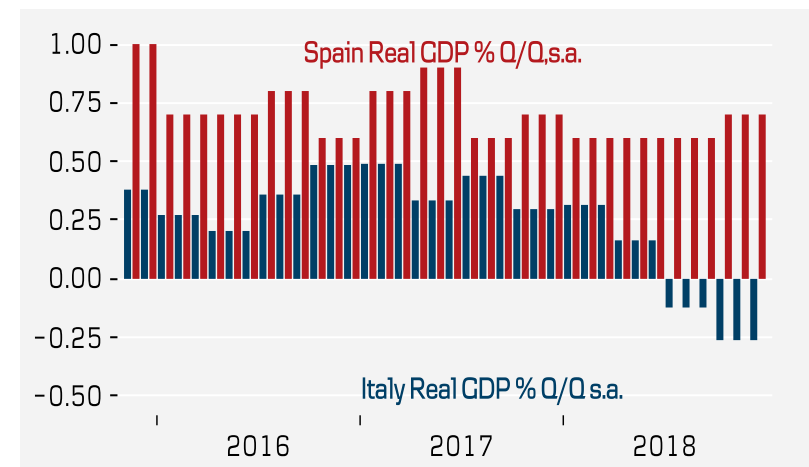
Trade overview: we take profit on Italy and stay long Spain

- It has been a mixed week for the periphery. After the strong BTP syndication a few weeks ago, luck has turned for the worse for Italy. The economy has slipped back into recession and the forward PMIs point to further weakness. Hence, we have decided to close our long 5Y Italy vs Germany with a small profit. For more, see the next slide.
- We keep our long 5Y Spain vs France open. Spain is still a very different story to Italy. Contrary to Italy, the Spanish economy expanded a healthy 0.7% in Q4 18 and the PMI picked up in January. As we wrote in [Government Bonds Weekly](#), 25 January, we saw that Asian demand for the new 10Y picked up from roughly 1% a year ago to 12% now. For comparison, the 'rest of world', which includes Asia and North America, accounted for just 2% in the BTP allocation. On Friday next week, we should have the official flow data from the Japanese Ministry of Finance for December. We expect it to confirm that Japanese investors moved further into Spain in December. The 2018 drop in 10Y France yields including the 3M EURJPY FX hedge should also help push Japanese investors towards Spain, which still offers an above 1% yield.
- Finland remains our favourite in the semi-core space and we keep our 10Y Finland vs 10Y DGB open. Finland might get a 'positive outlook' from Moody's tonight, and the new 10Y DGBs saw little investor interest at the inaugural auction.

We are still long 5Y Spain vs 5Y France



Source: Bloomberg, Danske Bank
Spain is different to Italy

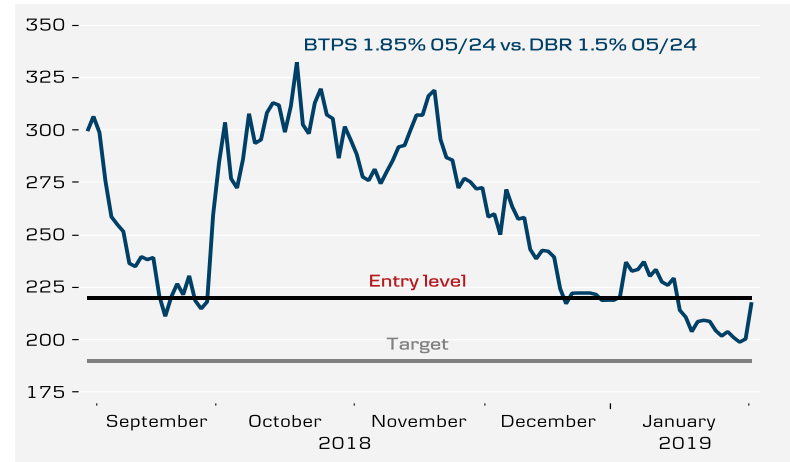


Source: Macrobond Financial, Danske Bank

Trade update: we close our long position in 5Y Italy vs Germany

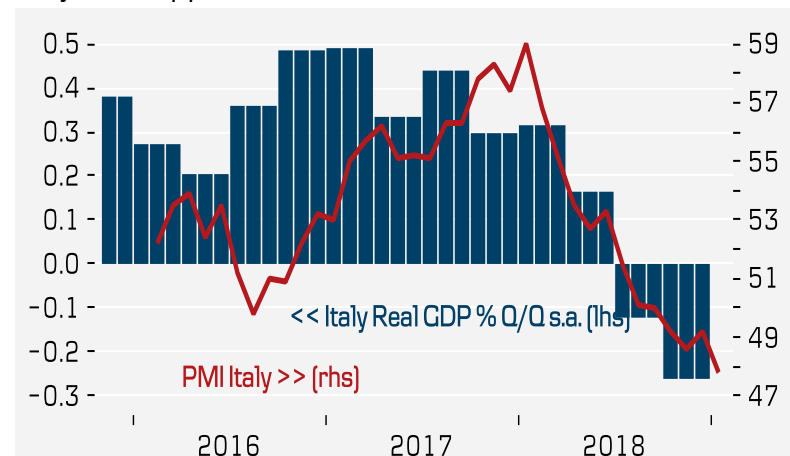
- The weak economic data coming from Italy has again put pressure on Italian government bonds relative to peers such as Spain and the core EU. GDP data showed that Italy went into recession in Q4 and this morning, PMI showed that the weakness has continued into Q1.
- Hence, the 5Y spread between Italy and Germany, which has been testing the 200bp level since the start of the year, has bounced back towards the starting level of 220bp from early January. That said, we manage to close the trade with a small profit.
- The weak numbers are naturally not a positive driver, and the risk is that the Italian rating will come under renewed pressure on the back of the weak growth numbers and that the EU once again will focus on unrealistic GDP assumptions in the budget.
- The Italian government might also once again try to renegotiate the deal with the EU regarding the budget deficit for 2019 given the risk of more weak data in Q1. Hence, the political clashes with the EU that we saw last year could resurface.
- All these risk factors are likely to weigh on Italian government bonds for now. However, we expect the Italian government will try to stay on track and avoid another clash with the EU. The data is also expected to improve in Q2.
- **Conclusion: we close our long 5Y recommendation on Italy with a small profit, but expect to reopen it again if the spread widens further above the 230-240bp level.**

BTPS under pressure again after the January rally



Source: Bloomberg, Danske Bank

Italy has slipped back into recession



Source: Bloomberg, Danske Bank

Issuance season peaked this week

- We are almost through the Q1 supply wave and strong performance for new 5Y GGB

New issuance calendar

Date	Issuer	Maturity	Amount	Pricing	Current price	Book	NIP
07/01/2019	Slovenia	10Y	EUR 1.5bn	ms +40bp	ms+39bp	> EUR 3bn	13bp
07/01/2019	EFSF/ESM	7Y	EUR 3bn	ms +1bp	ms-5bp	> EUR 4bn	3bp
08/01/2019	Belgium	10Y	EUR 6bn	ms +8bp	ms7bp	> EUR 28.5bn	4bp
08/01/2019	Kfw	10Y	EUR 3bn	ms- 7bp	ms-11bp	> EUR 7bn	4bp
09/01/2019	Ireland	10Y	EUR 4bn	ms+27	ms+23bp	> EUR 18.1bn	6bp
09/01/2019	Germany*	10Y	EUR 4bn	ms-55bp	ms-48bp		
09/01/2019	Portugal	10Y	EUR 4bn	ms+112bp	ms+96bp	> EUR 24bn	5bp
15/01/2019	Italy	15Y	EUR 10bn	ms+215bp	ms+208bp	> EUR 35.5bn	15bp
15/01/2019	EIB	10Y	EUR 5bn	ms-3bp	ms-5bp	> EUR 15bn	3bp
22/01/2019	Spain	10Y	EUR 3bn	ms+65bp	ms+62bp	> EUR 46.4bn	3bp
23/01/2019	Denmark	10Y	DKK 2.5bn*	ms-59bp	ms-52bp	DKK 5bn	1bp
23/01/2019	Germany*	5Y	EUR 4bn*	ms-51bp	ms-48bp	EUR 3.8bn	
24/01/2019	France*	3Y	EUR 4.1bn*	ms-31bp	ms-28bp	EUR 7.8bn	
29/01/2019	Austria	10Y	EUR 5bn	ms-19bp	ms-14bp	EUR 28bn	3bp
29/01/2019	Belgium	30Y	EUR 5bn	ms+44bp	ms+ 44bp	EUR 27bn	4-5bp
29/01/2019	Greece	5Y	EUR2.5bn	3.60%	ms+ 329bp	EUR10bn	10-15bp
29/01/2019	Kfw	5Y	EUR 5bn	ms-17bp	ms-17bp	EUR 17.6bn	
Week 5/6	Finland	5Y-10Y	EUR 3bn				
Week 7	EFSF/ESM	20Y-30Y	EUR 2bn				
Week 8	Netherlands	10Y	EUR 4bn				
Week 8	Norway	10Y	NOK 12bn				

*Note. The bonds were sold via auctions - not syndicated deals. NIP - new issue premium.

Source: Bloomberg, Danske Bank

The European January sovereign issuance season peaked this week as Austria (EUR5bn, 10Y, order book: EUR28bn), Belgium (EUR5bn, 30Y, order book: EUR27bn) and Greece (EUR2.5bn, 5Y, order book: EUR10bn) managed in total to raise EUR12.5bn with books in excess of EUR65bn. In 2018, when Belgium and Austria both introduced a new 10Y bond, the total book was 'just' EUR31.2bn. In addition, Kfw issued EUR5bn with a book in excess of EUR17.6bn. Hence, any fear that the end of QE would make it more difficult to sell bonds were effectively refuted. Despite the strong order books, the deals in Austria and Belgium offered new issue premiums, NIP, of roughly 2-3bp and 4-5bp, respectively. NIP was even bigger in Greece (10-15bp). Greece has seen a remarkable performance after the introduction. The spread to OBL 0% 5/24 was set at +389.4bp. It is now at +364bp.

The EGB issuance season is now slowing down and we have on Finland and maybe the ESM/EFSS over the next couple of weeks on the agenda. The Netherlands will also introduce a new 10Y in February. In Scandinavia, Norway will through a syndicated deal introduce a new 10Y benchmark bond.

Supply: France and possible syndicated deal from Finland

week 6		issuer	type	maturity	coupon	size
Tuesday	05/02	Finland	RFGB	5-10Y	possible syndicated deal	EUR 3bn
		Austria	RAGB		Cancelled due to January syndicated deal	EUR 1-1.25bn
		DBRi	DBRi	Apr-2026	0.10%	EUR500mn
		DBRi	DBRi	Apr-2046	0.10%	EUR250mn
Wednesday	06/02	Denmark	DGB	10Y		DKK 2.5bn
Thursday	07/02	Sweden	SGBi	Feb-2026	0.13%	SEK 0.5bn
		France	OAT	May-2030	2.50%	EUR 7-9bn
		France	OAT	Jun-2039	1.75%	
		France	OAT	Nov-2028	0.75%	
		Spain	SPGB	Oct-2021	0.05%	EUR 4-5bn
		Spain	SPGB	Jul-2026	5.90%	
		Spain	SPGBei	Nov-2030	1.00%	
		Spain	SPGB	Jul-2033	2.35%	

Source: Danske Bank

After a week of heavy supply activity, the coming week is expected to be quieter and in respect of the syndicated deal we expect only Finland to be in the market – most likely in the 10Y segment.

France will be in the market on Thursday and will tap up to EUR9bn in the 7Y, 11Y and 22Y bonds. Spain will also be in the market on Thursday, tapping the Oct-21, Jul-26 and Jul-33 nominals and the Nov-30 linker. Finally, note that the RAGB auction has been cancelled after the Austrian syndication last week.

Denmark will also be in the market and we expect a first tap in the 2030 10Y benchmark bond. The inaugural auction of the new 10Y was, as we wrote last week, a disappointment. However, when we take into account the performance in the short-end of the DGB curve recently, we would expect more demand. Note, this is in right in the middle of the Danish mortgage bond refinancing auctions and there might be less investor focus than normal on the government bonds market.

Cash flow: no supportive coupons and redemptions this week

After close to EUR55bn came to the market in coupons and redemptions from mainly Italy (EUR30.5bn) and Spain (EUR23.1bn) last week, there is basically no supportive cash flow this week. Note, though, that especially Spain should see ECB reinvestment supportive flows next week and the following week after the redemption last week. The cash flow does not pick up before week 8 and 9. The table below shows 'coupons and redemptions' in local currency.

Coupon + Redemption	Week 6	Week 7	Week 8	Week 9	Week 10	4wsum
Germany	0.0	1.0	16.2	0.0	0.0	17.2
France				8.5		8.5
Italy	0.0	0.1	0.0	38.7	0.2	39.0
Spain						
Portugal	0.0	1.1	0.0	0.0	0.0	1.1
Belgium	0.1					0.1
Netherlands	0.0	0.0	0.0	0.0	0.0	
Austria	0.0		0.2			0.2
Finland	0.0	0.0	0.0	0.0	0.0	
Ireland			0.2			0.2
Slovakia	0.1	0.0	0.0	0.1	0.1	0.2
Greece	0.1	0.1	0.1			0.3
EFSF	0.1	0.2	0.1	0.1	0.0	0.4
ESM				0.0	0.1	0.1
Total - EUR	0.4	2.4	16.7	47.4	0.3	67.2

Denmark						
Sweden	0.0	0.0	0.0	0.0	0.0	
Norway		0.6	0.5			

Note: all values are millions, local currency

Source: Danske Bank

Note: all volumes are in billions, local currency.

Note: negative 'Net cash flows' means more issuance than coupons and redemption

Expected issuance is EUR16.5n as France and Spain and possibly Finland are coming to the market.

It creates a negative cash flow of roughly EUR15bn. The table below shows the 'net cash flows'.

Net cash flow	Week 6	Week 7	Week 8	Week 9	Week 10	4wsum
Germany		-0.5	12.2	-8.0	-0.8	2.9
France	-8.0		-9.0	8.5	-8.0	-16.5
Italy		-7.9	-5.0	30.7	0.2	18.0
Spain	-5.0		-5.0		-5.0	-15.0
Portugal		0.1				0.1
Belgium	0.1					0.1
Netherlands			-5.0			-5.0
Austria	0.0		0.2		-1.2	-1.0
Finland	-3.0					-3.0
Ireland			0.2			0.2
Slovakia	0.1			0.1	0.1	0.2
Greece	0.1	0.1	0.1			0.3
EFSF	0.1	-2.8	0.1	0.1	0.0	-2.6
ESM				0.0	0.1	0.1
Total - EUR	-15.6	-11.1	-11.3	31.4	-14.6	-21.2

Denmark	-2.5		-2.5		-2.5	-7.5
Sweden	-0.5	-1.5	-0.5		-0.5	-3.0
Norway		-2.4	0.5			-1.8

Note: All volumes are in billions, local currency.

Note: Negative means more issuance than coupon and redemption

Supply over the past two weeks

- Strong order books for new 10Y RAGB, new 30 BGB and new 5Y GGB

week 4		issuer	type	maturity	coupon	sold	b-t-c	avg. Yield
Monday	21/01	Belgium	BGB		Cancelled			
Tuesday	22/01	Spain	SPGB	Apr-2029	1.5%	10,000	4.7	ms+65bp
Wednesday	23/01	Germany	Bobl	Apr-2024	0.0%	3,199	1.2	-0.29%
		Denmark	DGB	Nov-2029	0.5%	2,520	2.0	0.39%
Thursday	24/01	Sweden	SGBi	Dec-2027	0.1%	500	4.4	-1.37%
		France	FRTR	Mar-2024	0.0%	2,700	2.1	0.1%
		France	FRTR	May-2025	0.5%	948	4.1	0.1%
		France	FRTR	May-2022	0.0%	1,455	2.4	-0.34%
		France	FRTR	Feb-2022	0.0%	3,854	2.0	-0.35%
		France	FRTRei	Jul-2024	0.3%	535	2.7	-1.07%
		France	FRTRei	Mar-2028	0.1%	803	1.9	-0.48%
		France	FRTRei	Jul-2047	0.1%	161	3.0	0.04%
Friday	25/01	Italy	BTPei	Sep-2041	2.6%	405	1.9	2.30%
		Italy	CTZ	Nov-2020	0.0%	2,500	1.5	0.45%
		Italy	BTPei	May-2028	1.3%	845	1.9	1.75%

week 5		issuer	type	maturity	coupon	sold	b-t-c	avg. Yield
Tuesday	29/01	Austria	RAGB	Feb-2029	0.0%	5,000	5.6	ms+19bp
		Germany	Schatz	Dec-2020	0.0%	3,976	1.6	-0.58%
		Belgium	BGB	Jun-2050	1.7%	6,000	4.5	ms+44bp
		Greece	GGB	Apr-2024	3.5%	2,500	4.0	3.60%
Wednesday	30/01	Sweden	SGB	May-2025	2.5%	1,000	4.3	
		Sweden	SGB	Jun-2032	2.3%	500	2.3	0.81%
		Germany	Bund	Feb-2029	0.3%	2,334	1.5	0.20%
		Italy	BTPS	Oct-2023	2.5%	2,750	1.3	1.55%
		Italy	BTPS	Dec-2028	2.8%	2,750	1.3	1.65%
		Italy	FRN	Jan-2025		2,500	1.4	2.63%
		Norway	NGB	Apr-2028	2.0%	3,000	2.7	1.78%

Funding overview 2019

-Austria, Belgium and Greece well ahead with funding after this week's syndications

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	13.0	124.0	-11.0	40.0	8%	8%
France	200.0	200.0	21.5	128.9	21.5	71.1	11%	11%
Italy	250.0	250.0	29.6	195.0	29.6	55.0	12%	12%
Spain	127.0	127.0	19.6	92.1	19.6	34.9	15%	15%
Portugal	15.0	15.0	4.0	8.1	4.0	6.9	27%	27%
Greece	5.0	5.0	2.5	8.7	2.5	-3.7	50%	50%
Belgium	28.0	28.0	11.0	21.6	11.0	6.4	39%	39%
Netherlands	21.0	21.0	1.8	14.0	-13.1	7.0	8%	8%
Austria	20.0	20.0	6.3	25.8	6.3	-5.8	31%	31%
Finland	9.0	9.0		5.0		4.0		
Ireland	16.0	16.0	4.1	13.1	4.1	2.9	26%	26%
EU	5.0	5.0		1.5		3.5		
EFSF	22.5	22.5	3.0	12.9	3.0	9.6	13%	13%
ESM	10.0	10.0		5.0		5.0		
Total - EUR	892.5	892.5	116.4	655.7	77.5	236.8	13%	13%
Denmark*	65.0	65.0	8.0	58.4	8.0	6.6	12%	12%
Sweden	41.0	41.0	3.6	114.0	3.6	-73.0	9%	9%
Norway	50.0	50.0	6.0	58.8	6.0	-8.8	12%	12%

*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

Open strategies					
Type	Trade	Idea	Risk	Target & P/L	Target & P/L
Buy 5Y Spain vs. 5Y France	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 issaunce. Better roll on the curve.	Spill over from Italy	Target	40bp
				Currently	47bp
				Opened	65bp
				P&L (bp)	18bp
				Opened	04-Dec-18
Buy 10Y Finland vs. 10Y Denmark	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	25bp
				Currently	33bp
				Opened	34bp
				P&L (bp)	1bp
				Opened	04-Dec-18
Buy 10Y Netherlands vs. 10Y Denmark	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	10bp
				Currently	17bp
				Opened	16bp
				P&L (bp)	-1bp
				Opened	02-Jan-19
Buy 5Y Netharlands vs. 5Y Denmark	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	4bp
				Currently	8bp
				Opened	8bp
				P&L (bp)	0bp
				Opened	02-Jan-19
Buy 5Y Italy vs. 5Y Germany. Closed February 1st.	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	190bp
				Currently	208bp
				Opened	220bp
				P&L (bp)	12bp
				Opened	02-Jan-19

Source: Danske Bank

Closed trade recommendations

Closed strategies						
Type	Trade	Idea	Risk	Target & P/L		Target & P/L
Buy 5Y Italy vs. 5Y Germany. Closed February 1st.	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		190bp
				Currently		208bp
				Opened		220bp
				P&L (bp)		12bp
				Opened		02-Jan-19

Source: Danske Bank

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	27/11/2018	02/01/2019	Profit target hit (-21bp)	14.0bp
#2: Pay Mar-20 and receive Sep-19 3M Euribors	03/12/2018			-6.1bp
#3: Buy callable 2'50 and sell DGB 0.5% 2027	03/12/2018			22.0bp
#4: Sell Dec 2028 SGBi's vs. Apr 2030 DBRi's	27/11/2018			5.6bp
#5: Pay 2Y2Y NOK vs EUR and buy long-end NGB vs. Bunds	03/12/2018			-0.3bp
#6: Long 5Y Spain vs. 5Y France	27/11/2018			17.3bp
#7: Long 10Y Finland vs. 10Y Denmark	27/11/2018			1.7bp
#8: 10Y-30Y steepener 5Y Forward	27/11/2018			-2.5bp

Source: Danske Bank

An overview of the 12M carry in selected EU government bonds – the 5Y segment provides the best carry in the periphery and 10Y in the core

GERMANY		Segment				
12mth horizon	2	5	10	15	20	30
"Coupon" Carry	-0.59%	-0.35%	0.16%	0.37%	0.55%	0.83%
Roll-down	0.04%	0.40%	1.00%	0.61%	0.43%	1.95%
Total carry	-0.55%	0.06%	1.16%	0.98%	0.97%	2.77%
Total carry + funding	-0.01%	0.59%	1.68%	1.07%	1.53%	3.31%
Total carry + funding (riskadjusted)	-0.01%	0.11%	0.17%	0.06%	0.06%	0.12%
Funding rate	-0.54%	-0.53%	-0.52%	-0.68%	-0.56%	-0.54%

NETHERLANDS		Segment				
12mth horizon	2	5	10	15	20	
"Coupon" Carry	-0.57%	-0.22%	0.22%	0.56%	0.66%	
Roll-down	0.03%	0.72%	0.59%	0.96%	0.47%	
Total carry	-0.54%	0.49%	0.81%	1.52%	1.12%	
Total carry + funding	0.01%	0.96%	1.35%	2.04%	1.72%	
Total carry + funding (riskadjusted)	-0.01%	0.19%	0.11%	0.12%	0.07%	
Funding rate	-0.55%	-0.46%	-0.54%	-0.52%	-0.60%	

FRANCE		Segment				
	2	5	10	15	20	30
"Coupon" Carry	-0.48%	-0.14%	0.57%	0.98%	1.19%	1.54%
Roll-down	0.05%	0.48%	1.04%	1.23%	0.69%	0.77%
Total carry	-0.44%	0.34%	1.61%	2.21%	1.88%	2.30%
Total carry + funding	0.06%	0.84%	2.11%	2.71%	2.38%	2.80%
Total carry + funding (riskadjusted)	0.03%	0.15%	0.21%	0.18%	0.12%	0.11%
Funding rate	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%

BELGIUM		Segment				
	2	5	10	15	20	
"Coupon" Carry	-0.49%	-0.07%	0.68%	1.09%	1.37%	
Roll-down	0.06%	0.88%	1.39%	1.09%	0.72%	
Total carry	-0.43%	0.81%	2.06%	2.19%	2.10%	
Total carry + funding	0.06%	1.29%	2.54%	2.72%	2.56%	
Total carry + funding (riskadjusted)	0.02%	0.25%	0.25%	0.18%	0.13%	
Funding rate	-0.49%	-0.48%	-0.48%	-0.53%	-0.47%	

SPAIN		Segment				
	2	5	10	15	20	30
"Coupon" Carry	-0.19%	0.34%	1.23%	1.76%	1.99%	2.40%
Roll-down	0.14%	0.95%	0.85%	1.88%	0.63%	0.68%
Total carry	-0.05%	1.29%	2.07%	3.64%	2.62%	3.08%
Total carry + funding	0.32%	1.74%	2.56%	4.11%	3.08%	3.77%
Total carry + funding (riskadjusted)	0.16%	0.31%	0.22%	0.30%	0.15%	0.17%
Funding rate	-0.37%	-0.46%	-0.49%	-0.47%	-0.46%	-0.69%

IRELAND		Segment				
	2	5	10	15	20	
"Coupon" Carry	-0.40%	0.04%	0.84%	1.28%	1.48%	
Roll-down	0.08%	0.64%	1.36%	0.91%	-0.05%	
Total carry	-0.32%	0.69%	2.20%	2.19%	1.42%	
Total carry + funding	0.16%	1.13%	2.58%	2.67%	1.89%	
Total carry + funding (riskadjusted)	0.07%	0.20%	0.27%	0.20%	0.12%	
Funding rate	-0.48%	-0.44%	-0.37%	-0.48%	-0.47%	

ITALY		Segment				
	2	5	10	15	20	30
"Coupon" Carry	0.48%	1.60%	2.76%	3.16%	3.45%	3.31%
Roll-down	0.28%	1.15%	0.92%	0.57%	0.26%	-0.47%
Total carry	0.75%	2.76%	3.68%	3.73%	3.71%	2.84%
Total carry + funding	1.15%	3.17%	4.09%	4.15%	4.12%	3.27%
Total carry + funding (riskadjusted)	0.57%	0.63%	0.43%	0.33%	0.27%	0.19%
Funding rate	-0.40%	-0.41%	-0.41%	-0.42%	-0.40%	-0.42%

PORTUGAL		Segment				
	2	5	10	15	20	
"Coupon" Carry	-0.23%	0.41%	1.55%	2.05%	2.42%	
Roll-down	0.09%	1.02%	1.21%	0.97%	-0.21%	
Total carry	-0.14%	1.43%	2.76%	3.03%	2.21%	
Total carry + funding	0.36%	1.86%	3.27%	3.63%	2.58%	
Total carry + funding (riskadjusted)	0.17%	0.33%	0.34%	0.28%	0.16%	
Funding rate	-0.50%	-0.43%	-0.51%	-0.60%	-0.38%	

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

Ireland – Moody's

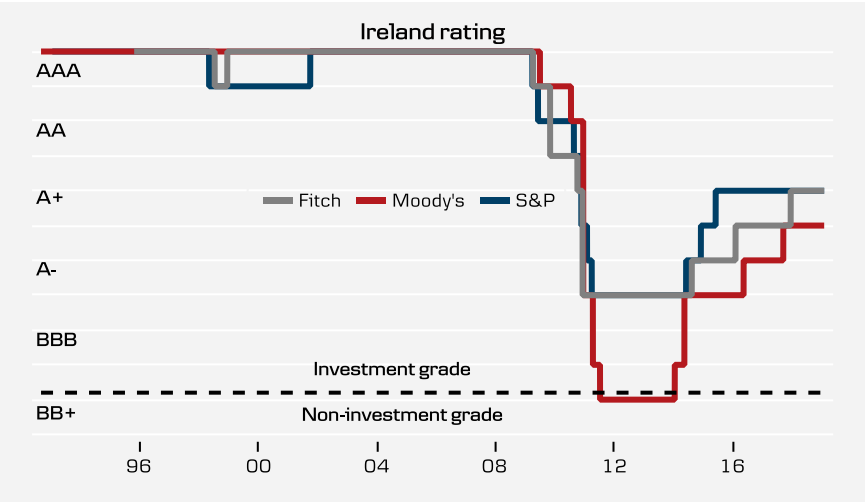
Moody's: February 8

Ireland	Moody's	S&P	Fitch
Rating	A2	A+	A+
Outlook	Stable	Stable	Stable
Potential rating decision	08 February 2019	31 May 2019	17 May 2019
Requirement for upgrade	A further upgrade of Ireland's rating would require significant further progress in eliminating the remaining crisis-era imbalances, in particular a substantial further reduction in the public debt ratio. A material reduction in the private-sector's still elevated leverage and elimination of legacy non-performing loans in the banking sector would also be important to improve the resilience of the economy and could be triggers for positive rating actions.	We could raise our ratings on Ireland if we see government debt, in absolute terms, starting to decline, for example due to consistent general government surpluses, which we could consider appropriate in light of Ireland's strong cyclical recovery	The following factors may, individually or collectively, result in positive rating action: -A continued reduction in government indebtedness; and -A continued improvement in private sector balance sheets and evidence that the economy is resilient to the impact of Brexit and other external shocks including shifts in corporate taxation and trade policies
Requirement for downgrade	In contrast, downward pressure on the rating would emerge if the course of fiscal policy changed, putting at risk the downward trend in the debt ratio. Moody's will also closely follow developments in the real economy, such as wage and credit growth, to monitor the risks of a return to the ultimately unsustainable growth profile in the years before the global financial crisis. Although not anticipated, a material adverse impact of Brexit on Ireland's growth performance in the coming years would also be rating negative.	We could lower the ratings if, contrary to our current expectations, Ireland's external or budgetary positions deteriorate, for example due to more pronounced international tax competition or increasing pressure on public spending.	The following factors may, individually or collectively, result in negative rating action: -Reversal of the downward trend in government indebtedness; -Weaker economic performance, for example triggered by external shocks; and -Adverse developments in the banking sector affecting the sector's asset quality and capitalisation.

Source: Fitch, S&P, Moody's

Ireland – Moody's

Moody's: February 8



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



Greece – Fitch

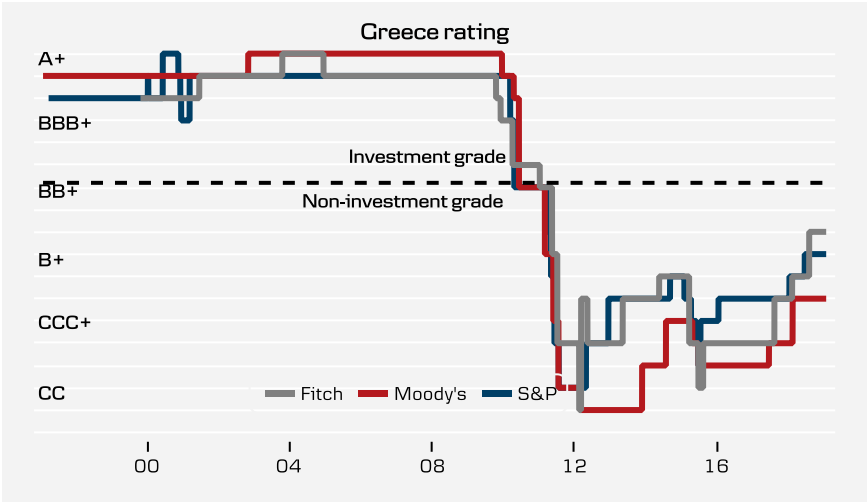
Fitch: February 8

Greece	Moody's	S&P	Fitch
Rating	B3	B+	BB-
Outlook	Positive	Positive	Stable
Potential rating decision	01 March 2019	18 January 2019	08 February 2019
Requirement for upgrade	The rating could be upgraded further if the reform efforts were sustained beyond the end of the programme and yield, or look likely to yield, more positive results than currently expected in the form of stronger economic growth and a more rapid decline in the public debt ratio. Faster-than-expected improvements in the banking sector's health could also be a trigger for a positive rating action.	The positive outlook signifies that we could raise our ratings on Greece within the next 12 months if the economic recovery strengthens. This could result from further economic reforms implemented by the government. Another potential trigger for an upgrade would be a marked reduction in nonperforming assets in Greece's impaired banking system, as well as the elimination of all remaining capital controls. Mitigation of fiscal risks related to the pending court decisions regarding the past pension system reforms could also trigger a rating upgrade.	Future developments that could, individually or collectively, result in positive rating action include: -Track record of achieving further primary surpluses and greater confidence that the economic recovery will be sustained over time. -Policy continuity after Greece's exit from the ESM programme, underpinned by an orderly working relationship between with official sector creditors and a stable political environment. -Lower risks of crystallisation of banking sector risks on the sovereign balance sheet.
Requirement for downgrade	The rating could come under downward pressure if -- against expectations -- the Greek government decided to deviate from its commitments and reversed reforms that had been previously agreed and legislated, or if tensions with official creditors re-emerged for any other reason. This would put the euro area's continued support and commitment for further debt relief in jeopardy.	We could revise the outlook to stable if, contrary to our expectations, there are reversals of previously implemented reforms, or if growth outcomes are significantly weaker than we expect, restricting Greece's ability to continue fiscal consolidation, debt reduction, and financial sector restructuring.	Future developments that could, individually or collectively, result in negative rating action include: -A loosening of fiscal policy and/or a reversal of the policies legislated under the ESM programme. -Adverse developments in the banking sector increasing risks to the real economy and the public finances. -Re-emergence of sustained current account deficits, further weakening the net external position.

Source: Fitch, S&P, Moody's

Greece - Fitch

Fitch: February 8



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

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	BBB-u	BBB
UK	AA	Aa2	AAu	AAA
Denmark	AAA	Aaa	AAA	AAA
Sweden	AAA	Aaa	AAAu	AAA
Norway	AAA	Aaa	AAA	AAA
Slovenia	A-	Baa1	A+	A
Cyprus	BBB-	Ba2	BBB-	BB
Greece	BB-	B3	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	POS	STABLE
UK	NEG	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	POS
Greece	STABLE	POS	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

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

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

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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