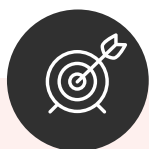


DANMARKS NATIONALBANK

1 JULY 2019 — NO. 14

STRATEGY ANNOUNCEMENT

Central government borrowing strategy in the 2nd half of 2019



Increased target for issuance of government bonds

The target for sales of domestic government bonds and T-bills in 2019 is kr. 75 billion and kr. 30 billion.



Focus on 2- and 10-year nominal bonds

The on-the-run issues remain unchanged. Focus will be on issuance in the 2-year and 10-year nominal bonds.



Expected sales per auction of around kr. 3 billion

The expected average sales of government bonds per auction are around kr. 3 billion at market value.

Target for issuance of government bonds is kr. 75 billion in 2019

The target for issuance of government bonds in 2019 is increased from kr. 65 billion to kr. 75 billion. The larger issuance target reflects an increase of around kr. 20 billion in the central government's purchases of bonds issued for financing of social housing due to early prepayment of fixed-rate mortgage bonds. The remainder of the increased borrowing requirement will be covered by drawing on the central government's account.

The government's total purchases of government-guaranteed mortgage bonds in 2019 are expected to be roughly kr. 70 billion, cf. Chart 1.

The central government maintains a broad list of on-the-run bonds with focus on 2-year and 10-year segments

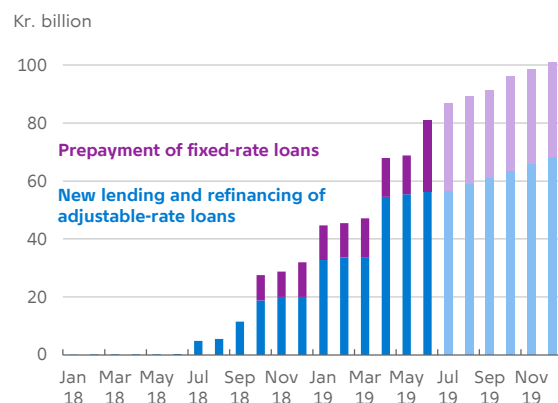
In the 1st half of 2019, the central government has issued bonds for approximately kr. 42 billion at market value via auctions and tap sales, cf. Chart 2. The issuance strategy has mainly focused on building liquidity in the 2- and 10-year maturity segments, but there has also been demand for the 5-year nominal bond. Average sales per auction have been approximately kr. 2.7 billion at market value. In the 2nd half of the year, average sales per auction are expected to be roughly kr. 3 billion.

The strategy for the 2nd half of 2019 is still to focus issuance in the new 2- and 10-year nominal bonds that were opened in the 1st half of the year. The aim is to build volume in the bonds to the levels of liquid benchmark series. Issuance in the 5-year and 20-year maturity segments as well as in the inflation-linked bond is also possible, cf. Table 1.

Switch operations continue

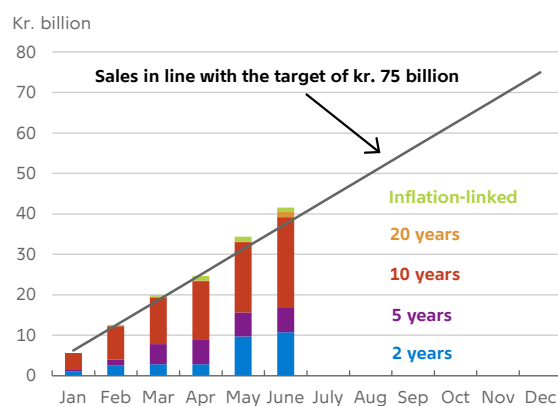
Switch operations make it possible to increase the outstanding volume of the new bond series faster thereby improving liquidity of the bonds. In late June, the outstanding volume of the new 10-year bond has been built up to around kr. 24 billion, kr. 3.5 billion of which through switch operations. In the 2nd half of 2019, the central government will offer two switch operations per month. Calendar dates will be announced in line with auctions in T-bills and government bonds. Papers will be announced no later than one trading day before the switch takes place.

Accumulated purchases of government-guaranteed mortgage bonds Chart 1



Note: The government will purchase government-guaranteed mortgage bonds for around kr. 17 billion due to early prepayment of fixed-rate bonds at the beginning of July.

Sales of government bonds in line with the strategy Chart 2



Note: Sales at market value excl. switch operations up to value date 24 June 2019.

Buy-backs

Buy-backs may take place in government bonds via auctions and tap. Buy-back auctions of 4 per cent 2019 will be held at the end of each month.

Unchanged target for T-bills

The target for the outstanding volume of T-bills at year-end remains unchanged at kr. 30 billion. Two monthly T-bill auctions will be held in in the 2nd half of 2019. New 6-month T-bills will be opened at the auctions in the beginning of September and December, respectively.

Robust debt profile maintained in 2019

The robust central government debt profile will be maintained. The target band for the average duration in 2019 is set at 10.5 years \pm 0.5 year, calculated without discounting.

On-the-run issues in the 2nd half of 2019

Table 1

Maturity segment	On-the-run issues
Maturity < 1 year	T-bills
2-year nominal	0.25% 2022
5-year nominal	1.75% 2025
10-year nominal	0.5% 2029
20-year nominal	4.5% 2039
10-year inflation-linked	0.1% 2030i

ABOUT ANALYSIS



As a consequence of Danmarks Nationalbank's role in society we conduct analyses of economic and financial conditions.

Analyses are published continuously and include e.g. assessments of the current cyclical position and the financial stability.

The analysis consists of a Danish and an English version. In case of doubt regarding the correctness of the translation the Danish version is considered to be binding.

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BANKING AND MARKETS