

DANMARKS NATIONALBANK

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STRATEGY ANNOUNCEMENT

Central government borrowing strategy 2020



Target for bond issuance at kr. 75 billion

The target for sales of domestic government bonds and T-bills in 2020 is kr. 75 billion and kr. 30 billion, respectively. This is unchanged from 2019.



Focus on 2- and 10-year bonds

The focus will be on issuance in the 2-year and 10-year nominal bonds.



New 30-year nominal bond

A new 30-year bond maturing in 2052 will be opened in the 1st half of the year.

Target for issuance of government bonds is kr. 75 billion in 2020

In light of sound public finances, the central government's borrowing requirement in 2020 is expected to be kr. 87 billion mainly stemming from financing of social housing and redemptions, cf. Table 1. The target for sales of government bonds in 2020 is kr. 75 billion at market value. It reflects the aim of smoothing the government's redemption profile by purchasing government bonds maturing after 2020.

Broad list of on-the-run issues with focus on 2-year and 10-year bonds

The central government continues to offer a broad list of on-the-run issues in 2020, cf. Table 2. Issuance will be concentrated in the 2-year and 10-year nominal government bonds that were opened in 2019. The aim is to build volume in the bonds to levels of liquid benchmark series.

In addition to the 2- and 10-year nominal bonds, the focus will primarily be on sale in the 30-year nominal maturity segment, see below. The central government may also issue in the 5-year nominal bond and the 10-year inflation-linked bond in 2020.

New 30-year on-the-run bond

A new 30-year nominal bond maturing 15 November 2052 will be opened in the 1st half of the year. In 2020, the aim is to issue between kr. 5 and 10 billion in the bond via auctions and tap sales. The future annual issuance volume in the 30-year segment is expected to be of the same order of magnitude. 4.5 per cent 2039 will become off-the-run when the new 30-year bond opens.

Green issuance

Danmarks Nationalbank and the Ministry of Finance are looking into the possibility of adding a green element to the Danish issuance programme in a way that ensures a continued well-functioning and liquid market for Danish government bonds. This work will continue until a final political decision on green issuance is made.

Switch operations

The central government will continue to hold two switch operations per month in 2020. In these operations, banks and investors can switch off-the-run bonds to on-the-run issues, including

Borrowing requirement 2020

Table 1

Borrowing requirement	Kr. billion
Net financing requirement	-22
Social housing	30
Redemption bonds, etc.	49
Redemption T-bills	30
Borrowing requirement	87

Note: Redemption bonds, etc. includes redemptions of government bonds, payments from the central government in cross-currency and interest rate swaps, and net purchases of government funds.

On-the-run issues in 2020

Table 2

Maturity segment	On-the-run issues
Maturity < 1 year	T-bills
2-year nominal	0.25 per cent 2022
5-year nominal	1.75 per cent 2025
10-year nominal	0.5 per cent 2029
20-year nominal (becomes off-the-run when X per cent 2052 opens)	4.5 per cent 2039
30-year nominal (opens in the 1st half of 2020)	X per cent 2052
10-year inflation-linked	0.1 per cent 2030i

the new 30-year bond. Switch operations make it possible to increase the outstanding volume of the new bond series faster thereby improving liquidity of the bonds. 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.

Buy-backs

Buy-backs may take place in government bonds via auctions and tap. Buy-back auctions of 0.25 per cent 2020 will be held at the end of each month.

Unchanged target for T-bills

In 2020, the target is an outstanding volume of kr. 30 billion in T-bills by year-end. Two monthly T-bill

auctions will be held in 2020. New 6-month T-bills will be opened at the auctions in the beginning of March, June, September and December, respectively.

Robust debt profile maintained in 2020

In line with the strategy, the duration of the central government debt was reduced in 2019. The duration reduction was primarily driven by the normalisation of the balance on the central government's account which has decreased the central government's holdings of short-term assets. In 2020, the target band for the average duration is set at 10 years \pm 0.5 years, calculated without discounting.

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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