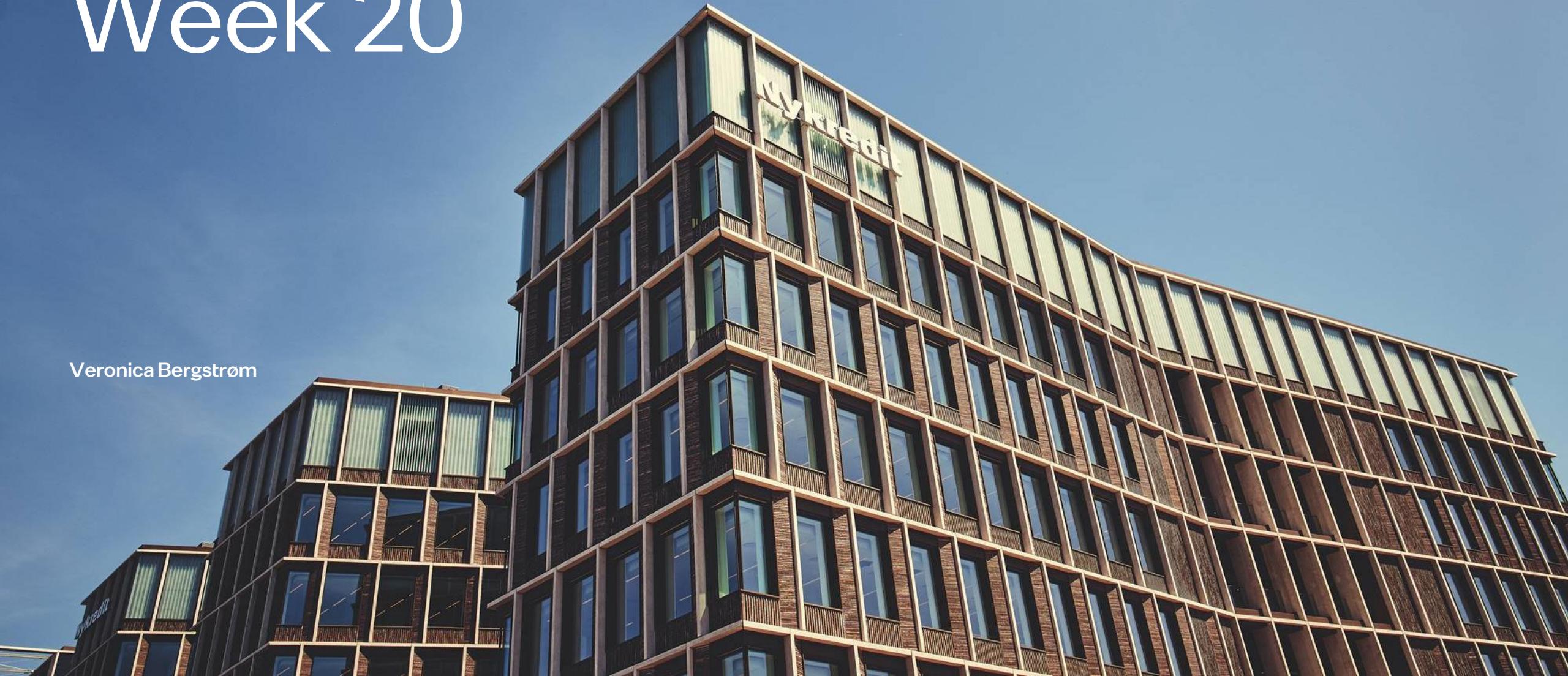


Fixed Income Update Week 20

Veronica Bergstrøm



Refinancing auctions next week

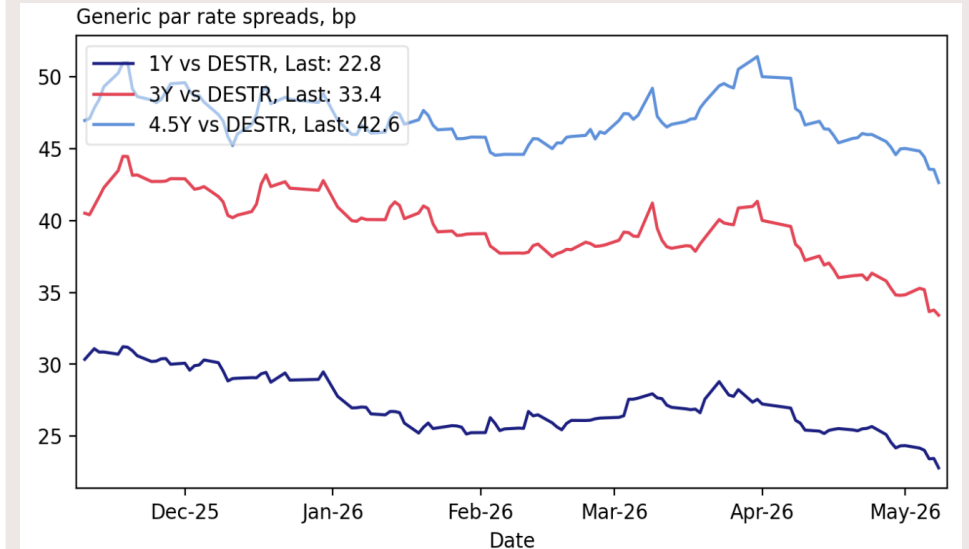
- NYK, NDA and JRK will hold their refinancing auctions next week, jointly issuing DKK 35 billion-worth of FRNs and DKK 19.5 billion-worth of bullets.
- RD and DLR will follow with their auctions (26-28 May), where total issuance is just under DKK 41.5 billion-worth of FRNs.
- A full overview of the upcoming week's auctions is available in the right-hand table. The auction calendar can also be accessed [here](#) (PDF) or [here](#) (XLS)
- **We will host our regular walkthrough of next week's refinancing auctions on Wednesday, 13 May at 9:30am via Microsoft Teams.**
 - Feel free to reach out to us or your sales contact for further information, including access link to the Teams meeting.

Sum of Offer			DKKm					EURm
			1Y	2Y	3Y	4Y	5Y	Floater
19 May (Tue)	10:30	DK0009550865 (RTL 1 NYK H apr 27 SDO DK)	2,800					
	11:30	DK0009552218 (RTL 1 NYK H jul 31 SDO DK)					2,250	
	13:00	DK0009545196 (RTL 1 NYK H jul 29 SDO DK)			3,000			
19 May Total			2,800		3,000		2,250	
20 May (Wed)	10:00	DK0009419137 (FRN JRK E jul 30 SDO DK)						3,000
	10:30	DK0009552721 (FRN NYK H jul 29 SDO DK)						13,400
	11:00	DK0002065556 (FRN NDA 2 jan 30 SDRO DK)						6,375
	11:30	DK0009552218 (RTL 1 NYK H jul 31 SDO DK)					2,250	
	11:45	DK0002065473 (FRN NDA 2 jan 30 SDRO DK)						275
	13:00	DK0009545196 (RTL 1 NYK H jul 29 SDO DK)			3,000			
	TAP	DK0009534315 (RTL 1 NYK H jul 27 SDO RT DK)	200					
		DK0009542334 (RTL 1 NYK H jul 28 SDO RT DK)		650				
20 May Total			200	650	3,000		2,250	23,050
21 May (Thu)	10:30	DK0009552648 (FRN NYK H jul 29 SDO DK)						11,300
	11:30	DK0009552218 (RTL 1 NYK H jul 31 SDO DK)					2,250	
	13:00	DK0009548539 (RTL 1 NYK H jul 30 SDO DK)				850		
21 May Total						850	2,250	11,300
22 May (Fri)	10:30	DK0009552564 (FRN NYK H jul 34 SDO DK)						650
	11:30	DK0009552218 (RTL 1 NYK H jul 31 SDO DK)					2,250	
22 May Total							2,250	650
26 May (Tue)	11:00	TBA (FRN RD Jul 30 SDRO DK)						9,000
	TAP	TBA (FRN RD Jul 29 SDRO DK)						30
26 May Total								9,000
27 May (Wed)	10:30	DK0006363049 (FRN DLR B jul 31 SDO DK)						9,300
	11:00	TBA (FRN RD Jul 30 SDRO DK)						8,300
	12:30	DK0004629508 (FRN RD T jul 28 SDRO DK Green)						2,000
	TAP	DK0006362660 (FRN DLR B jan 31 SDO DK Green)						250
27 May Total								19,850
28 May (Thu)	11:00	TBA (FRN RD Jul 30 SDRO DK Green)						12,400
28 May Total								12,400
Total			3,000	650	6,000	850	9,000	76,250

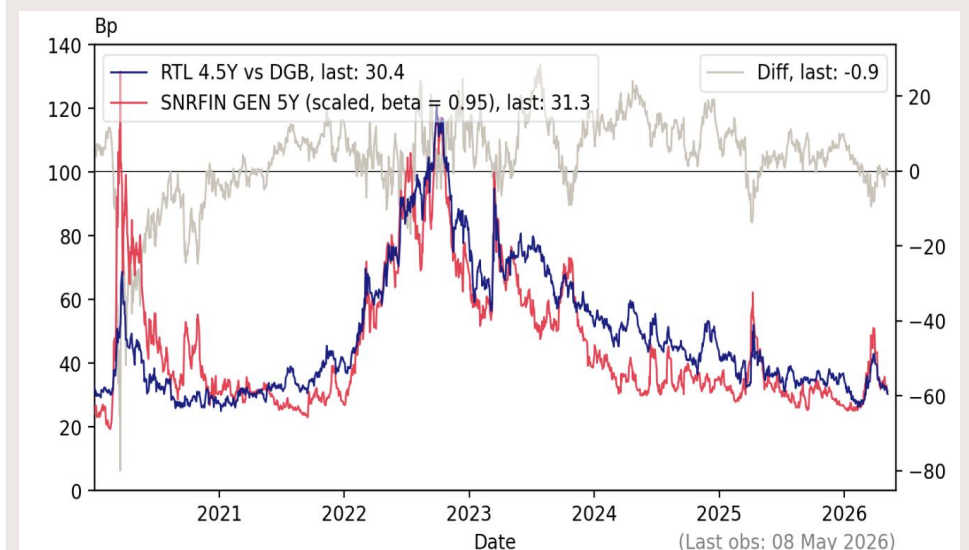
Auction offering fails to unsettle bullets

- The prospect of nearly DKK 20 billion in auction offering next week did not affect bullets last week, which tightened in spread.
- Performance was likely driven by the positive tone in credit markets and European covered bonds.
- The slope of the bullets-DESTR spread curve remains largely unchanged, as performance was broadly unchanged across the curve.

Bullets: Spreads vs DESTR



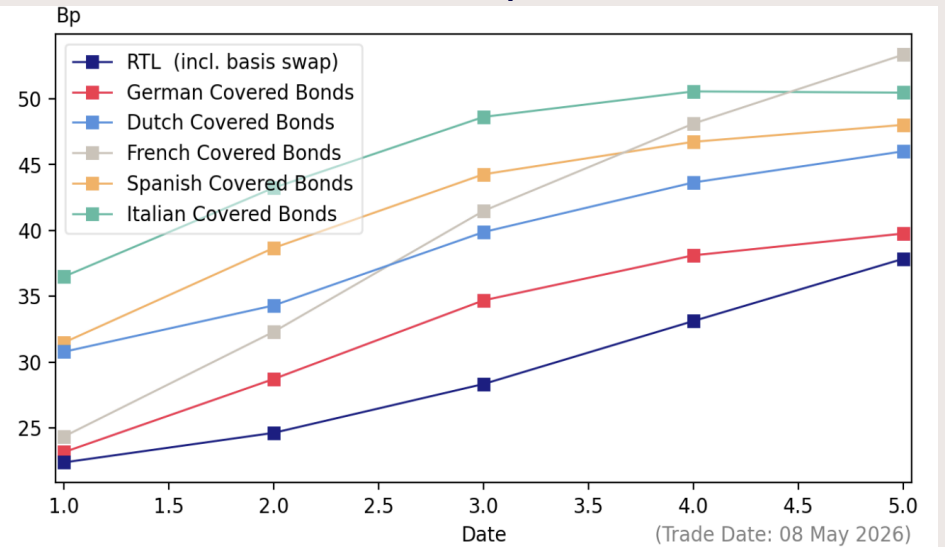
4.5Y bullets YCS vs Senior Financials



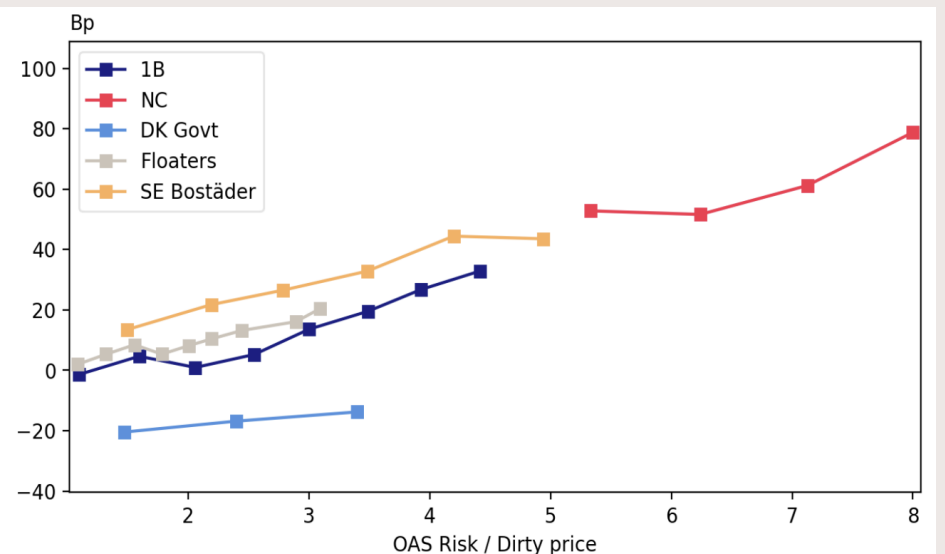
Bullets look expensive relative to alternatives

- Bullets already looked expensive relative to alternatives such as European covered bonds and Swedish bostäder even before last week's performance.
- Although European covered bonds also performed well last week, the bullets outperformed and are now trading richer than German covered bonds, measured on swap spreads, see the top chart.
- Similarly, there is also significantly more hedged and funded HPR available in Swedish bostäder (see bottom chart).
- We therefore consider bullets to be too expensive at current levels and expect spread widening over the next weeks.
- Furthermore, we continue to expect the bullets-DESTR spread curve to flatten. However, the larger auction offering in 5Y bullets relative to 3Y bullets and 1Y bullets may support the current slope of the spread curve.

Bullets and EUR covered bonds: Spreads vs ESTR

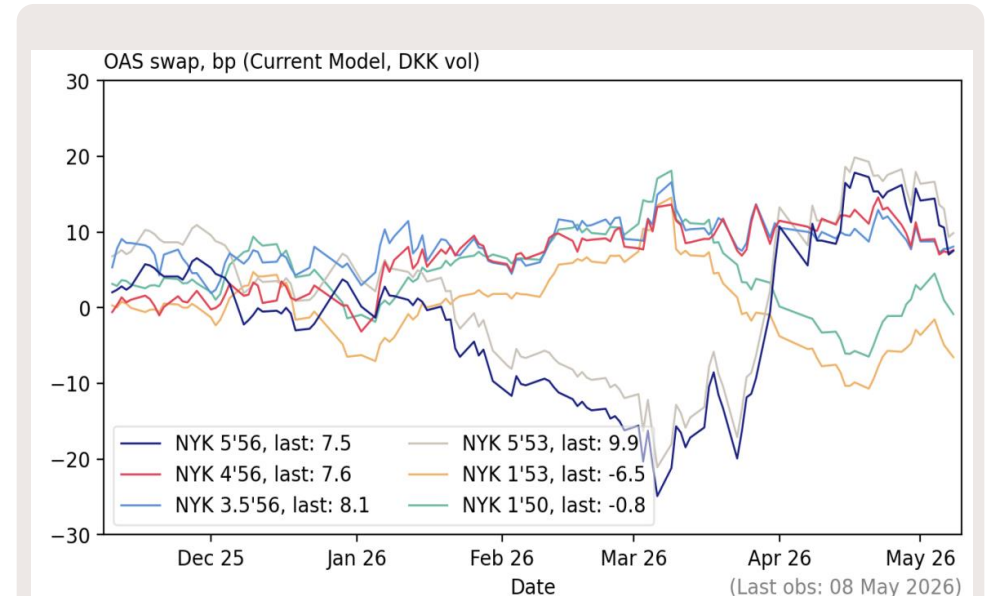


Hedged and funded HPR (vs 3M swap)

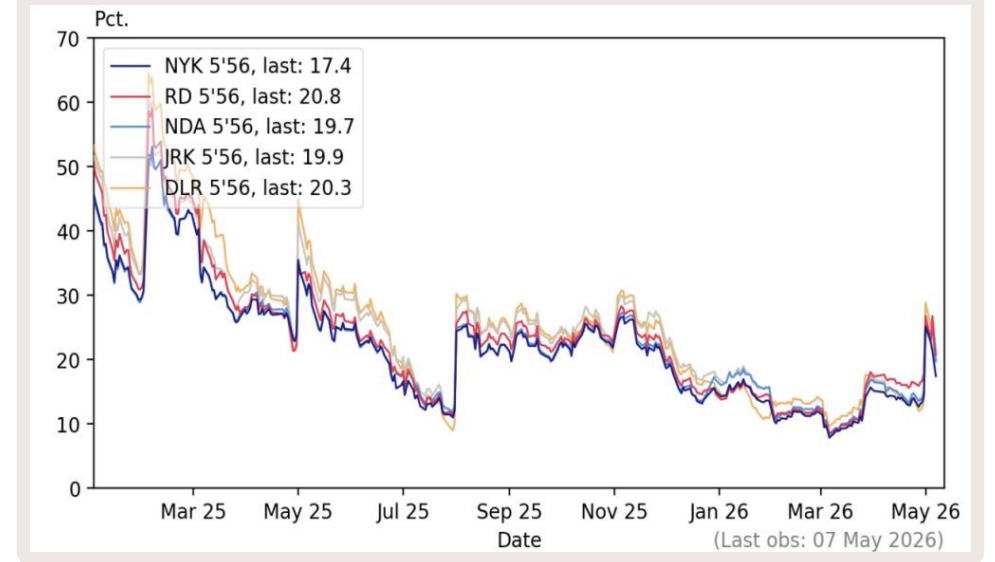


Good week for 5% bonds

- Callable bonds delivered solid performance across coupon buckets last week, with the strongest performance seen in both high and low-coupon bonds, while OTR callables gained only 1-2bp.
- The 5% bonds benefited from the fact that prepayments at the July payment date came in low, averaging around 9%, although notably higher for RD, which recorded prepayments of around 15%.
- The strong performance has also reduced the breakeven prepayment rate vs duration-equivalent bullets back to around 20%.
- We continue to expect prepayments to gradually decline into the coming payment dates and therefore still view the 5% bonds as offering attractive relative value vs duration-equivalent bullets.



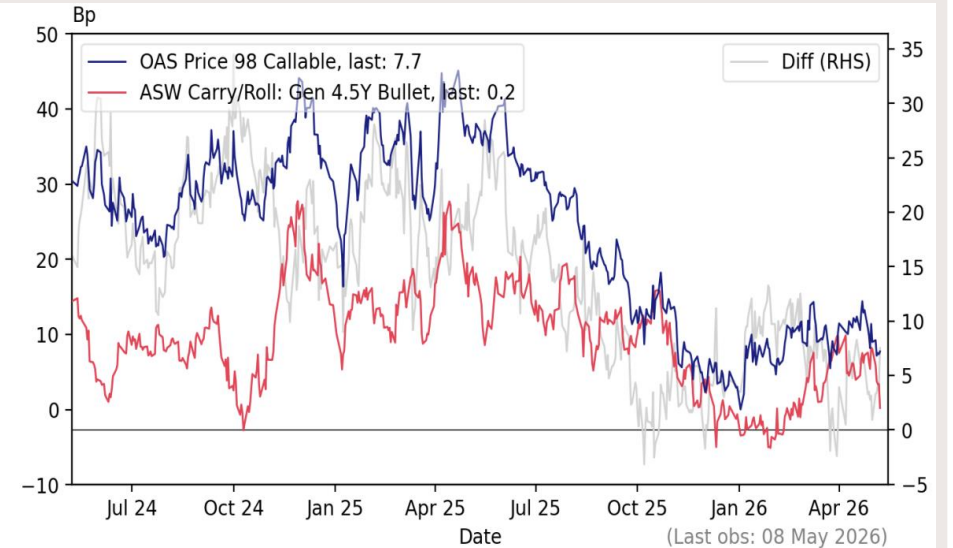
Break Even Prepayments vs MOAD Eq Bullets



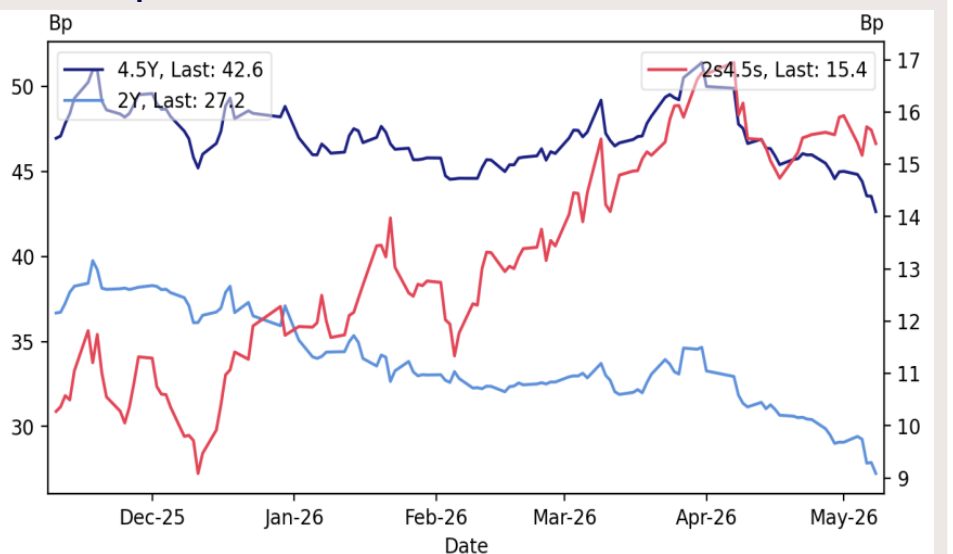
Still prefer 5Y bullets over callables

- Last week, we opened a recommendation of 5Y bullets against OTR callables (including swap overlays EU1030 or EU051030, to hedge/replicate the volatility exposure), as we considered callables to be expensive relative to 5Y bullets.
- The strong performance in 5Y bullets last week has reduced the asset-swapped carry roll-down in 5Y bullets, making them less attractive relative to callables.
- However, OTR callables started the week with performance of around 3bp and therefore once again appear somewhat expensive.
- While we see potential for spread widening in 5Y bullets, we still prefer them over OTR callables at the current levels.

OAS Price 98 Callable vs Gen 5Y Bullet (Start 08 May 24)



Bullets: Spreads vs DESTR



Closing effects – a myth from the old days?

- In some prepayment models, the change of maturity class leads to a closing effect in bonds that are closing for issuance.
- The closing effect arises from the transition from CK91, which assumes evenly distributed issuance over the entire opening period, to CK94, which reflects actual cash flows.
- In Nykredit's prepayment model, CKNYK is applied, combining CK94 with future issuances estimated using Nykredit's pricing model. As a result, the closing effect is virtually non-existent (OAS CKNYK and OAS CK94).
- In other prepayment models, bonds with shorter cash flows than implied by CK91 will "mechanically" see higher OAS levels as a consequence of the transition from CK91 to CK94.
- We have previously shown that bonds facing the largest "mechanical" increase in OAS tend to perform in price as they approach closing.
- If the closing effect is not fully priced in ahead of closing, the bonds tend to cheapen at closing and remain cheap subsequently.
- The right-hand table shows the 20 bonds currently facing the largest potential closing effect.
- However, it should be noted that several of these series are small, which may make it difficult to realise the potential gains from the closing effect in practice.

Obligation	OAS CKNYK	OAS CK94	OAS CK91	Potentiel "lukkeeffekt" (bp)	OAS risk	Potentiel kurseffekt	Cirkulerende mængde
3% NDA 2046 A	19.8	20.1	9.9	10.3	19.8	2.0	1065
4% NDA 2046 A	10.5	10.5	2.9	7.6	10.5	0.8	1358
3.5% BRF 2056 DA	9.9	10.2	2.6	7.6	9.9	0.8	436
3% RD 2046 A	17.0	17.3	9.8	7.5	17.0	1.3	1564
5% BRF 2046 A	54.3	54.9	48.6	6.4	54.3	3.5	536
5% NDA 2046 A	52.5	52.7	46.7	6.0	52.5	3.2	143
5% BRF 2056 DA	17.4	17.2	11.8	5.4	17.4	0.9	1841
4% RD 2046 A	7.6	7.5	2.3	5.2	7.6	0.4	2048
3.5% BRF 2046 A	19.6	19.7	14.6	5.1	19.6	1.0	2374
1% RD 2056 A	47.3	47.3	42.3	5.1	47.3	2.4	2192
4% RD 2056 DA	4.5	4.5	-0.4	4.9	4.5	0.2	16859
5% RD 2056 DA	13.5	13.3	8.4	4.8	13.5	0.7	1926
5% NYK 2056 DA	9.9	9.6	4.9	4.7	9.9	0.5	4609
5% NYK 2046 A	34.2	34.8	30.2	4.6	34.2	1.6	808
4% NYK 2046 A	8.9	8.9	4.5	4.4	8.9	0.4	7114
6% BRF 2056 DA	92.0	95.7	91.5	4.2	92.0	3.9	39
6% BRF 2056 A	124.9	125.7	121.5	4.2	124.9	5.3	44
4% BRF 2046 A	9.5	9.5	5.5	4.0	9.5	0.4	1349
3.5% DLR 2056 A	9.2	9.2	5.4	3.8	9.2	0.4	1201
5% NDA 2056 DA	10.9	10.9	7.1	3.8	10.9	0.4	1025

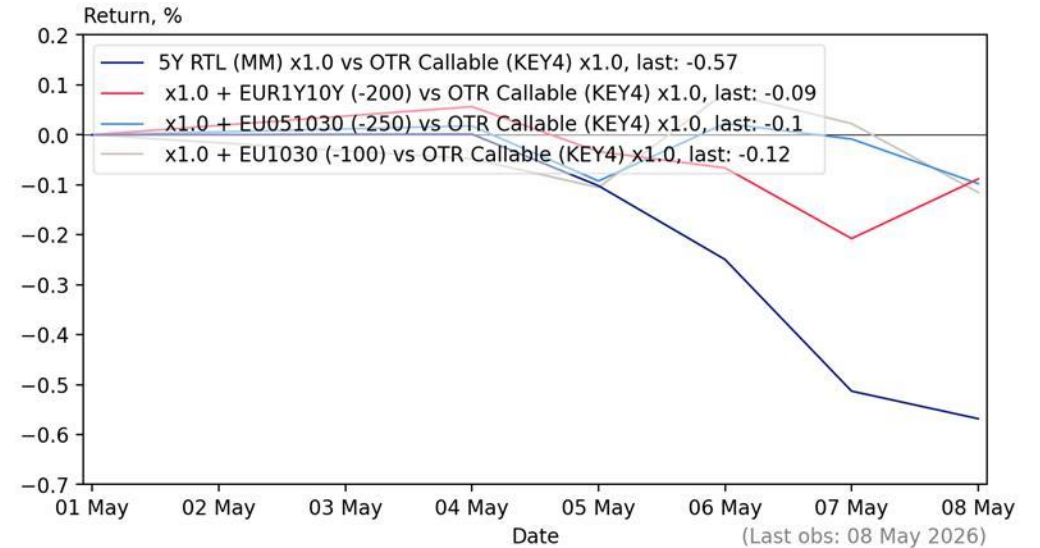
Recommendations

- Our recommendation of 5Y bullets vs OTR callables and of 5'56 vs duration-equivalent bullets are both in the money following last week's developments.
 - We still see potential in both recommendations and maintain our position.
- Our recommendation of 5Y bullets vs 1Y bullets delivered a modest gain last week, but remains out of the money.
 - We still believe in a flattening of the bullets-DESTR spread curve and maintain our recommendation.

Current recommendations

Opening date	Name	Return 5bd	Total return
2026-02-23	RTL5 vs. RTL1	0.02	-0.02
2026-04-23	5'56 vs RTL	0.54	0.39

5Y bullets vs OTR callable incl Swap overlay



Outlook recommendations

Opening date	Name	Return 5bd	Total return
2025-08-25	CITA vs CIBOR 3M FRN	0.00	0.01
2025-11-27	CIBOR 6M vs CIBOR 3M FRN	0.04	0.09
2026-01-12	RTL5 vs. RTL3	0.03	-0.08
2026-01-15	RTL vs FRN	0.00	-0.04
2026-01-15	NYK 4'56 vs RD 5'56 + JRK 1.5'53 IO	0.37	-0.15
2026-01-26	4'56 vs RTL5	0.50	0.34

Nykredit

markets

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Recommendation	
Buy	50%
Sell	50%

As at 13.12.2024

Note: Distribution of our recommendations, which therefore add up to 100%.