

International Interest Rate Strategist

Generating alpha in summer

- **Two opportunities in core Europe:** We recommend switching out of 30yr Netherlands into Germany as a way to fade the steepening of 10s30s, which has lost momentum. We also recommend 2s5s steepeners in France as an alternative to scaling into short France/Germany positions in light of France's outperformance.
- **Analysis of changing EMU bid-offers:** We find that intra-day ranges often serve as a leading indicator for bid-offer spreads in EMU governments. Liquidity has actually improved in August relative to July but is still higher than April.
- **10yr gilts vs Treasuries:** Following recent moves, the return of gilt issuance and uncertainty ahead of Jackson Hole, we find it prudent to take profits on long 10yr gilts vs Treasuries. However, we retain a bias to be long gilts vs Treasuries over the medium-term and expect 10yr gilts to trade 40bp through Treasuries later this year.
- **Where is carry most attractive?** With little prospect of a structural shift higher in yields, uncertainty in Europe still high, and the summer lull upon us, everyone remains hungry for returns. We examine the currencies and sectors where total carry, adjusted for volatility, is highest.
- **4 EMU RV Trades:** Pick up 36bps by extending 2 years in the Netherlands and 20bps by extending 9 months in Finland. The richness of Oct15s in France also presents an attractive short term opportunity.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Contents

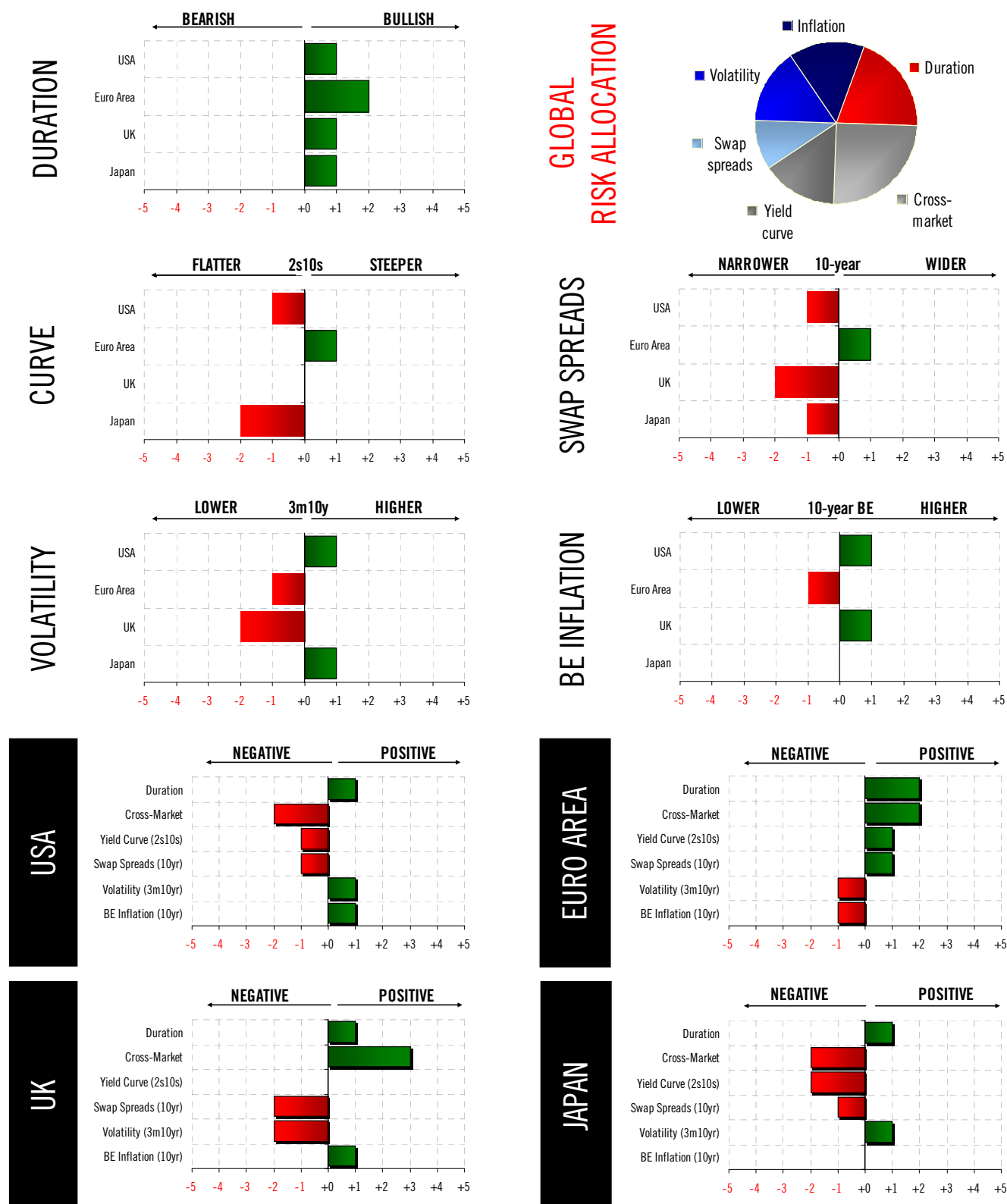
Tradesheet	6
Overview	8
Two Opportunities in Core Europe	9
Liquidity snapshot in euro government debt	12
10yr Gilts vs Treasuries	14
Where is carry most attractive?	15
European Relative Value Trades	17
European Relative Value Tables	18
Relative Value Tables – All Maturities	19
Relative Value Tables – Max 12Yr Maturity	20
Relative Value Tables – Min 8yr Maturity	21
Global Supply Monitor	22
Appendix – Global Supply Forecasts	30
EUR: Coupons & Redemptions (next 3mths)	37
Inflation Forecasts, Carry & Weekly Changes	38
Summary of Recent Publications	40
Global Rates Team	41
Appendix A-1	45

Figure 1. Strategy Summary Table

GLOBAL	View	Strategies
Direction	The correction in Bunds has extended to 1.55-1.6% and the top of the three-month range. Positioning remains all important in these thin markets, but we expect there to be greater resistance to higher yields at these levels. There is also likely to be interest to re-establish longs ahead of the considerable event risk in September. We look for 10yr Bund yields to rally towards 1.2%.	The sell-off in Bunds extended further than we originally anticipated and we have been stopped out of our long 10yr Bund recommendation. However, we would still rather be long than short and recommend Jan Bund calls.
Yield Curve	We see 5s10s flatteners in core EUR markets as a congested trade. A cut in the Discount Rate to -0.5% (which we expect in September) would further support the 2yr to 5yr sector, also undermining 5s10s flatteners. The near-term risk-reward on 10s30s EUR steepeners has diminished, but rather than fade the steepening directly we recommend buying 30yr Bunds vs DSLs. In gilts, ongoing (and increasing) QE is likely to exert a flattening bias on 10s30s.	10s30s steepeners in Germany as a long-term trade (or boxed with Gilts). Peripheral EMU flatteners, outright and boxed against core steepeners. Receive the belly of EUR 7s10s15s, 3yF
Cross-market	UST vs Bund spreads remain correlated to forward short rate differentials. A Discount Rate cut from the ECB could ease the cap on these spreads. Use dips to buy 5yr Bobls against US Treasuries under -20bp or consider 2s5s EUR vs USD box trades (long 5yr EUR). We continue to prefer gilts to USTs over the medium-term, but would lighten up after recent gains.	2s5s flattener in EUR versus steepener in USD Long 2x5 ATMF/+100 payer spread in USD versus EUR Long 10yr Bunds vs USTs Long 30yr gilts vs USTs
EMU Spreads	The hunt for yield has driven a strong tightening in soft core spreads to Germany. France has been the main beneficiary of this and may well underperform if the yield grab trade loses momentum. Expressing this as a 2s5s OAT steepener looks appealing rather than selling the spread directly. Periphery curves have lost steepening momentum as the market awaits the ECB's actions rather than just its words. Periphery curves are unlikely to move far until there is further clarity.	Buy 30yr Bunds vs DSLs as proxy for 10s30s flatteners. 2s5s steepeners in France as a proxy for short France vs Germany
Swap Spreads	Recent ratings news and speculation have had minimal impact on Bund and Gilt spreads. With all core ratings in the spotlight we do not think that fiscal concerns will be the main driver of spreads. In the UK, mediums are likely to be supported by a favourable net cash requirement and a dwindling free-float.	Long 10yr gilt swap spreads. Buy soft core EMU vs swaps at positive spreads if you expect an EMU break-up.
Inflation	The strong rally in euro break-even inflation spreads looks stretched to us. Much will depend on whether oil prices are able to make further gains, but the fundamental inflation outlook remains very weak. Longs are likely to take profits here and we expect break-evens to correct lower, especially if risk appetite fades in the face of September event risk. UK break-evens have also jumped higher, but remain very cheap by historical standards.	Sell OATei40 break-even outright or boxed vs UKTI 2040 Buy Bunde16 break-even as a long-term trade. 10s30s TIPS break-evens steepeners as a LT structural trade.
Volatility	Front-end euro forwards are too high relative to our expectations for additional policy measures from the ECB (rate cuts, more LTROs). GBP 2y2y vol (and 1y5y vol) looks too rich relative to fundamentals, we recommend selling straddles.	Sell EUR 1y3yF ATMF straddles and buy EUR 1y3yF ATMF-25 receivers Sell GBP 2y2y ATMF straddle
European SSA	Spreads have converged among core European SSA issuers. The tone remains constructive and we expect the market to remain relatively well bid over the summer months.	Increasingly look for RV between KfW and EIB/EU in the front-end Long KfW vs France in the 4yr sector
Risk Allocation	Markets retain their preference for safe-haven assets and are generally reluctant to engage. We recommend an extremely cautious risk allocation to all strategies and trading very opportunistically.	

Source: Citi Research

Figure 2. Global Summary



Source: Citi Research

Tradesheet

New Trades

1. Buy 30yr Germany vs Netherlands

Buy Bund 2.5% Jul44 at 2.34%

Sell DSL 3.75% Jan42 at 2.44%

Open 10bps. Current 10bps. Target 20bp. Stop 5bps.

2. France 2s5s Steepener

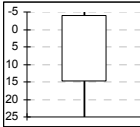
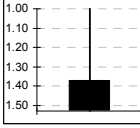
Buy BTAN 3% Jul14 at 0.14%

Sell OAT 3.75% Apr17 at 0.86%

Open 70bps. Current 70bps. Target 100bp. Stop 60bps.

Record of Closed Trades

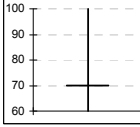
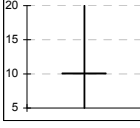
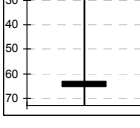
Figure 3. Record of Closed Trades

Region	Trade	Levels	Rationale	
UK / US	Long 10yr Gilt vs UST	Open 15bp Current -4bp P&L 19bp Target -5bp Stop 25bp	Taking Profit (15 August 2012)	
<i>Cross Market</i>	Buy UKT 4% Mar22 at 2.10% Sell UST 2% Feb22 at 1.95%		IIRS 26 April 2012	
Germany	Long 10yr Bund	Open 1.37% Current 1.53% P&L -0.16% Target 1% Stop 1.53%	Hit Stop 15 August 2012	
<i>Duration</i>	Buy 1.75% Jul22 at 1.37%		Rate Strategy Update 2 August 2012	

Source: Citi Research

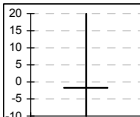
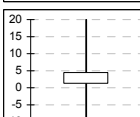
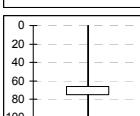
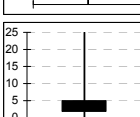
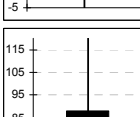
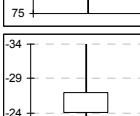
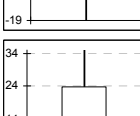
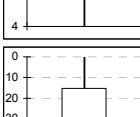
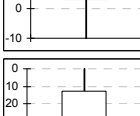
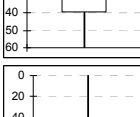
Record of Our Open Trades

Figure 4. Record of our Open Trades

Region	Trade	Levels	Rationale + Publication Date	
France	France 2s5s Steepener	Open 70bp Current 70bp P&L 0bp Target 100bp Stop 60bp	Proxy for shorting France vs Germany	
<i>Curve</i>	Buy BTAN 3% Jul14 at 0.14% Sell OAT 3.75% Apr17 at 0.86%		IIRS 16 August 2012	
Europe	Buy 30yr Germany vs Netherlands	Open 10bp Current 10bp P&L 0bp Target 20bp Stop 5bp	30yr Germany cheap vs 10yr and also 30yr Netherlands	
<i>Cross Market</i>	Buy Bund 2.5% Jul44 at 2.34% Sell DSL 3.75% Jan42 at 2.44%		IIRS 16 August 2012	
Europe	Sell EUR 1y3yF ATMf straddle and buy ATMf-25 receiver	Open 63bp Current 66bp P&L -3bp Target 30bp Stop 73bp	Fwd levels in front-end EUR swaps are too high in an environment where additional policy measures by the ECB are likely to be undertaken	
<i>Volatility</i>	Sell EUR 1y3yF ATMf (=1.36%) straddle for 98bp Buy EUR 1y3yF ATMf-25 receiver for 35bp		IIRS 9 August 2012	

Source: Citi Research

Figure 5. Record of our Open Trades (continued)

US / Europe	EUR 2s5s flattener vs USD steepener	Open -1.5bp Current -2bp P&L -1bp Target 20bp Stop -10bp	Attractive entry level offers good opportunity for long Europe vs US trade ahead of anticipated ECB rate cut Morning Call 9 August 2012	
Europe	Long KfW 1.375% Feb17s vs OAT 5% Oct16s	Open 1bp Current 4.58bp P&L 3.58bp Target 20bp Stop -10bp	Spread compression looking overdone and we look for KfW to outperform should the EMU crisis intensify IIRS 2 August 2012	
UK	Sell GBP 2y2y ATMf straddle	Open 76bp Current 66bp P&L 10bp Target 0bp Stop 114bp	The fundamental backdrop in the UK supports selling GBP 2y2y vol IIRS 12 July 2012	
Europe / US	Buy USD Payer Spread vs EUR (delta-weighted and fx-adjusted)	Open 5bp Current 2bp P&L -3bp Target 25bp Stop -5bp	Range-bound short rates with short term cash-flow support for Europe IIRS 12 July 2012	
Germany	Germany 10s30s steepener	Open 88bp Current 82bp P&L -6bp Target 120bp Stop 75bp	Replaces 5s30s steepener. Regulatory pressures expected to weigh on long end. IIRS 12 July 2012	
UK	Buy UKT 1.75% Sep22s YYS	Open -23.9bp Current -27bp P&L 3bp Target -34bp Stop -19bp	Net cash-flows and a dwindling free-float support Mediums over the coming months UK Rates Strategy 11 July 2012	
US / Europe	Long 10yr Bund vs UST	Open 14bp Current 24bp P&L 10bp Target 35bp Stop 4bp	The recent weakness in equities, the upcoming NCR profile & our ARTS weekly trading signal suggests buying 10yr Bunds vs USTs Interest Rate Strategy Update 25 June 2012	
US / UK	Long 30yr Gilt vs UST	Open 36bp Current 15bp P&L 21bp Target 0bp Stop 50bp	With Operation Twist extension largely priced in, QE resumption should help gilts outperform treasuries UK Rates Strategy 20 June 2012	
Europe	Sell EUR 6m15y Strangle and buy OTM receiver	Open 3bp Current 19bp P&L 22bp Target 25bp Stop -10bp	Adjustment of GGB swap hedges should put downward pressure on 15yr EUR yields Update on Long Duration Trades, 28 Feb 2012	
US / Europe	Pay USD 2y 2y fwd vs EUR	Open 40bp Current 13bp P&L 27bp Target 0bp Stop 60bp	We expect divergence between UST and core EMU yields IIRS 23 February 2012	
UK / Europe	Bund 5s30s steepener vs gilts flattener	Open 62bp Current 45bp P&L 17bp Target 0bp Stop 100bp	Free-float profile suggests support to UK long end by QE, hedged by EUR steepener against EUR driven risk of mid-curve repricing Interest Rate Strategy Focus on QE 14 Sep2011	

Source: Citi Research

Overview

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Summer moves have opened up opportunities

Switch out of 30yr Netherlands into Germany as a way to fade the steepening of 10s30s, which has lost momentum. See page 9

We regard the current Bund sell-off as temporary. There will be no shortage of rumblings and smoke coming from the volcano that is EMU.

Consider January Bund calls as an alternative to vanilla longs or receiver spreads

The richness of France, 2s5s France is at the bottom of its well-defined range and is a good proxy for selling France vs Germany

In which countries and maturities is carry most attractive?

We examine how liquidity is changing in Europe - see page 12

Reassessing gilt/Treasury spreads in light of recent moves – see page 14

There have been three salient features of recent weeks: the sell-off in Bunds, the underperformance of the long end, and the outperformance of France. All three have been helped by positioning, compounded by summer liquidity, and met little opposition. But they have also opened up opportunities beyond the obvious trades.

10s30s curves have steepened significantly, with anticipation of regulatory pressures weighing on the long end. While we see further scope for steepening in the absence of demand to drive long end yields lower, the short term risk/reward is much less attractive than it was and we have seen a variety of accounts lightening up on steepeners in swaps. However, rather than fade the steepening directly we would recommend looking at buying 30yr Germany vs 30yr Netherlands.

The risk/reward of buying the Netherlands vs Germany here looks poor historically and the recent tightening has been driven by the German leg rather than the Dutch one. We expect another risk-off Bund rally once markets return from holiday to focus on how much there remains to do in Europe, the increasing probability of Greek exit¹ or request for even more aid, the likely request from Spain for assistance, the size of the available firepower relative to the breadth and depth of the potential calls on it, the divergences in opinion amongst the main players on the European stage, the resumption of heavy supply in September... the (depressingly familiar) list goes on.

The sell-off in Bunds has extended further than we and many others expected (see Closed Trades on page 6). In vanilla terms buying 10yr Bunds here with a stop at 1.70% targeting 1.20% is attractive, but it probably makes more sense expressing the view using Jan calls rather than outright (or receiver spreads). Amongst other events, the period would encompass the September and December Troika reports on Greece, the Dutch elections, the German Constitutional Court Ruling, and the events outlined in the previous paragraph.

The third salient feature of recent moves is the strong outperformance of France. 2s5s steepeners in France are a good proxy for selling France/Germany, whether in 5s or 10s. The 2s5s curve is right at the bottom of the range which has contained it in recent years. As outlined above we expect the EMU crisis to intensify and for Germany to take back a lot of its recent risk-on inspired sell-off. See page 10.

In this environment of uncertainty and volatility but low yields – and with little prospect of a structural shift higher – everyone remains hungry for returns. On page 15 we identify the currencies and sectors where total carry, after adjusting for volatility, is highest.

We also examine how bid offers have evolved in different countries in Europe and different parts of the curve. For example, bid offers have actually fallen in August relative to July (with the exception of Italy). 10yrs has had the smallest bid-offer recently and 2yrs the highest – and not just in peripherals. And there has been a large pick up in intra-day volatility in Bunds over the last few weeks in the sell-off.

But while Bunds have sold off, gilts have been relatively resilient. On page 14 we reassess our 10 and 30yr gilt/Treasury recommendations. The short term risk-reward is much more balanced than it was following recent moves, but we remain very constructive gilts in the medium term.

¹ See 16 August, Euro Area Sovereign Debt Crisis Update.

Two Opportunities in Core Europe

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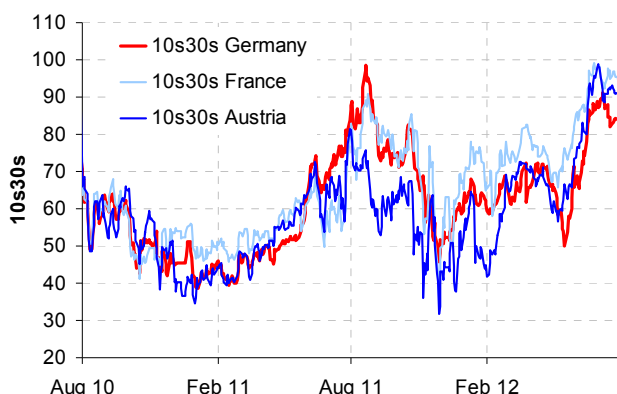
The strong performance of France and underperformance of long ends in Europe has opened up some opportunities beyond the obvious trades. We recommend looking at switching out of 30yr Netherlands into Germany as a way to fade the steepening of 10s30s, which has lost momentum. We also recommend 2s5s steepeners in France as a good alternative to scaling into short France/Germany positions.

(1) Long end Netherlands/Germany

Switch out of 30yr Netherlands into Germany

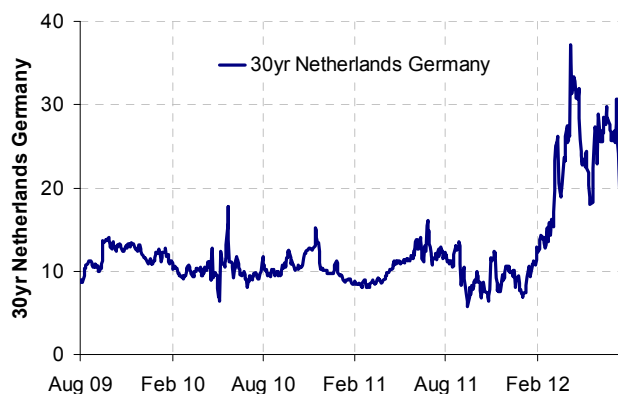
10s30s curves have steepened significantly, not least because of anticipation of regulatory pressures have weighed on the long end (Figure 6). While we see further scope for steepening in the absence of demand to drive long end yields lower, the short term risk/reward is much less attractive than it was and we have seen a variety of accounts lightening up on steepeners in swaps. In short, the spread seems to have stalled. However, rather than fade the steepening directly we would recommend looking at buying 30yr Germany vs 30yr Netherlands (Figure 7).

Figure 6. 10s30s curves have steepened hard but have lost momentum



Source: Citi Research

Figure 7. 30yr Netherlands is close to its richest levels vs Germany



Source: Citi Research

The risk/reward of buying the Netherlands vs Germany here looks poor and we expect another risk-off Bund rally

The risk/reward of buying the Netherlands vs Germany here looks poor historically and the recent tightening has been driven by the German leg rather than the Dutch one. We expect another risk-off Bund rally once markets return from holidays to focus on how much there remains to do in Europe, the increasing probability of Greek exit² or request for even more aid, the likely request from Spain for assistance, the size of the available firepower relative to the breadth and depth of the potential calls on it, the German Constitutional Court Ruling and the Dutch elections, the resumption of supply in September... the (depressingly familiar) list goes on.

Conclusion

Recent moves have skewed the short term risk/reward to attractive levels

Starting to switch out of 30yr Netherlands into Germany at current levels looks attractive in its own right, and also as a way to fade the steepening of the back end of curves as the market has rushed to price in the possible future regulatory impact. Recent moves have skewed the short term risk/reward to attractive levels.

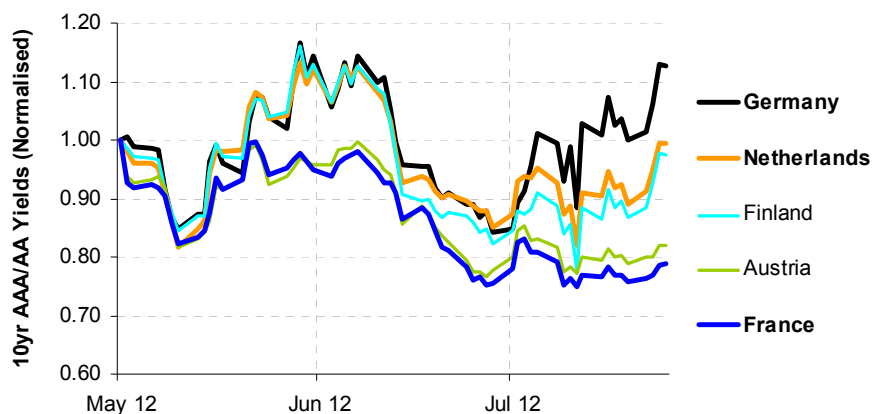
² See 16 August, Euro Area Sovereign Debt Crisis Update.

(2) Taking advantage of France's outperformance

**French yields have failed to follow
German yields higher**

The other salient feature of the current move is the outperformance of France. Though this is less dramatic when looked at in normalised terms, Figure 8 does clearly illustrate the differential performance of France, the Netherlands, and Germany, over the last 3 months.

Figure 8. French yields have failed to follow German yields higher in the last month

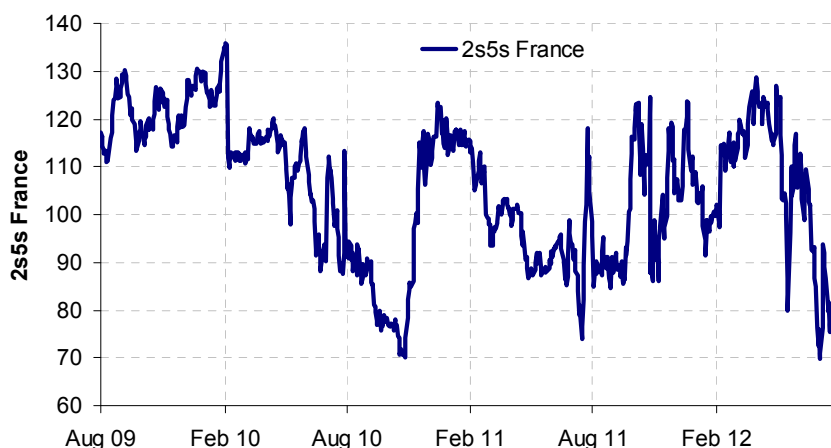


Source: Citi Research

**France has benefited from the liquidity
and depth of its market but the spread is
getting very tight**

France has benefited from the liquidity and depth of its market rather than any radical improvement in its economic outlook (see article on page 12 examining evolving bid-offers in different countries and maturities in Europe). The 10yr spread has been driven to within 20bps of the levels of the first half of 2011 which seems to be getting quite rich. The most direct expression of the view is obviously short France/long Germany.

Figure 9. 2s5s France is at its lows



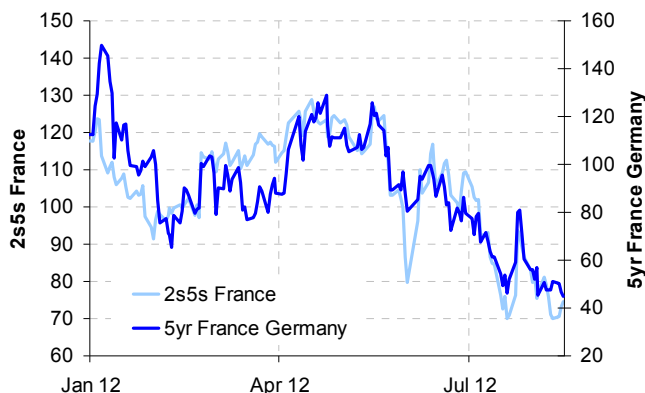
Source: Citi Research

**2s5s steepeners in France are a good
proxy for shorting France**

But if you don't want to scale into France/Germany then 2s5s steepeners in France present an interesting proxy (see below). The spread is at its lows (Figure 9 above), and the yield grab dynamic appears to have weakened of late as the marginal pick-up has fallen as curves and spreads have compressed.

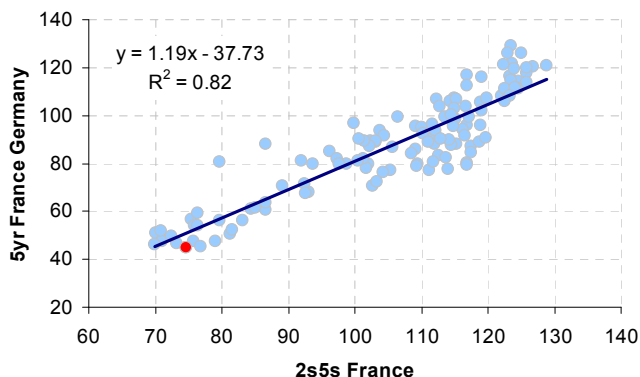
2s5s in France has behaved as a good proxy for the cross-market spread this year.

Figure 10. Close relationship between 2s5s France and 5yr OAT/Bund



Source: Citi Research

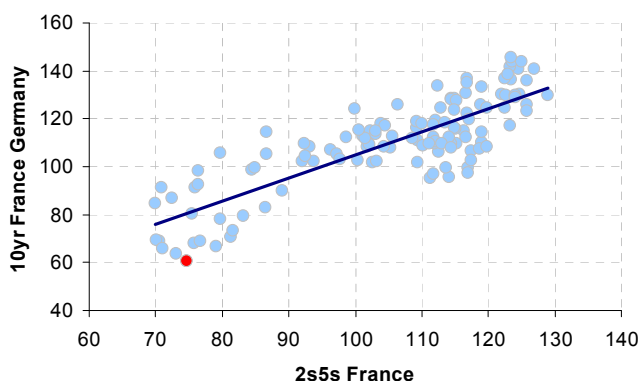
Figure 11. 2s5s steepeners are a good proxy for shorting France



Source: Citi Research

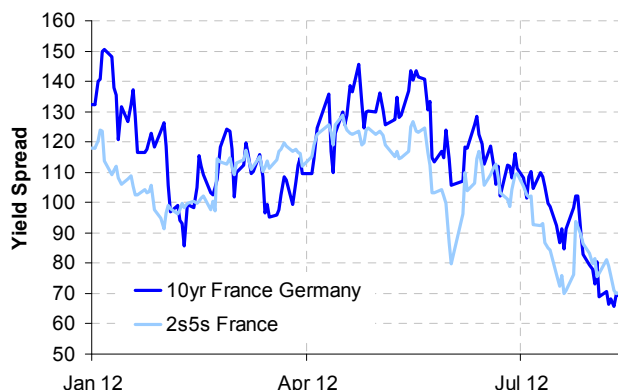
The relationship is less strong in 10s than 5s (Figure 12), as you would expect, but is still reasonable (Figure 13).

Figure 12. 2s5s steepeners are a good proxy for shorting France



Source: Citi Research

Figure 13. Close relationship between 2s5s France and 10yr OAT/Bund



Source: Citi Research

Conclusion

2s5s steepeners in France are a good proxy for selling France/Germany

2s5s steepeners in France are a good proxy for selling France/Germany, whether in 5s or 10s. The 2s5s curve is right at the bottom of the range which has contained it in recent years. We expect the EMU crisis to intensify and for Germany to take back a lot of its recent risk-on inspired sell-off for the reasons outlined above.

Liquidity snapshot in euro government debt

Below we provide a snapshot of relative liquidity³ in euro government debt markets.

We highlight our main observations below:

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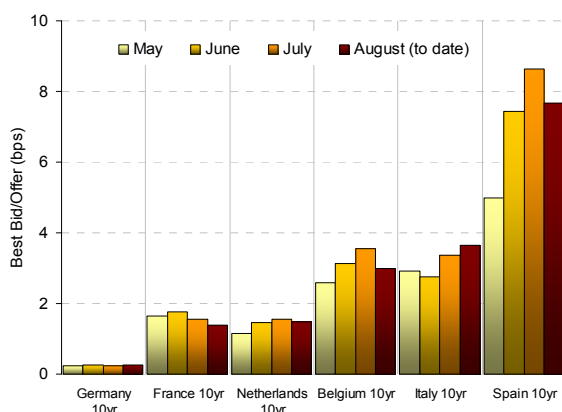
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With the exception of Italy, liquidity has improved for all EMU issuers in August (to date) relative to July

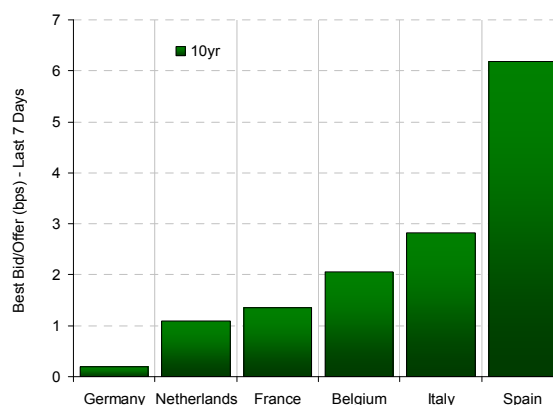
- **EMU Issuers:** After Germany, France clearly has the strongest combination of market size and liquidity. This is a key factor behind its recent performance. Perhaps surprisingly, with the exception of Italy, liquidity has improved for all EMU issuers in August (to date) relative to July (Figure 14).
- **Spain:** Among the six largest EMU markets, Spain has the widest bid-offer spread in the 10yr sector on a seven day horizon followed by Italy and Belgium (Figure 15). Spain has consistently had the largest bid-offer spread over the last seven weeks (Figure 14).

Figure 14. Average best bid-offer spreads for selective EMU issuers (10yr bonds over the last 7wks)



Source: Citi Research, Bloomberg

Figure 15. Average best bid-offer spreads over the last seven days (10yr bonds)

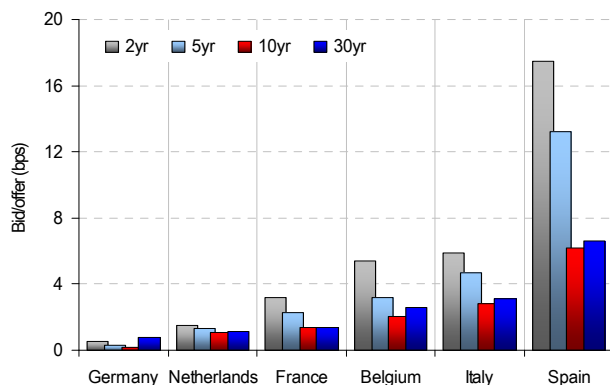


Source: Citi Research, Bloomberg

The front-end of the curve has a larger bid-offer spread than longer maturities due to higher intra-day volatility

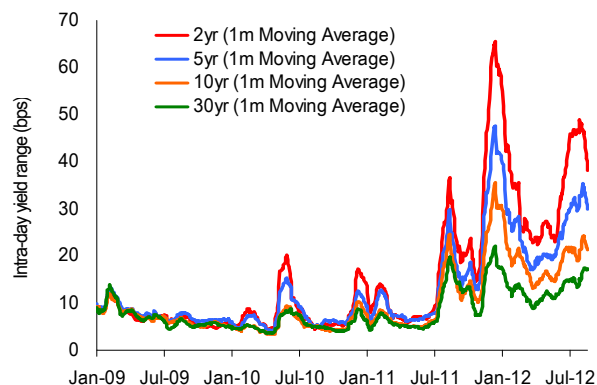
- **Tenors:** With the exception of Germany, the front-end of the curve has a larger bid-offer spread than longer maturities (Figure 16). This is due to the front-end of EMU curves having larger intra-day volatility (than longer maturity issues), in our view – Figure 17. 10yrs has had the smallest bid-offer recently and 2yrs the highest – and not just in peripherals. This is very clear in France too.

Figure 16. Average bid-offer spreads over the last seven days – front-end bid-offer spreads are wider than longer maturities



Source: Citi Research, Bloomberg

Figure 17. Italy: 1month moving average of intra-day trading ranges in the short-end is larger than the long-end



Source: Citi Research, Bloomberg

³ Defined by the best closing bid-offer spread (independent of quote size) for each issuer quoted on Bloomberg.

Large pick up in intra-day yield volatility for Germany over the last few weeks

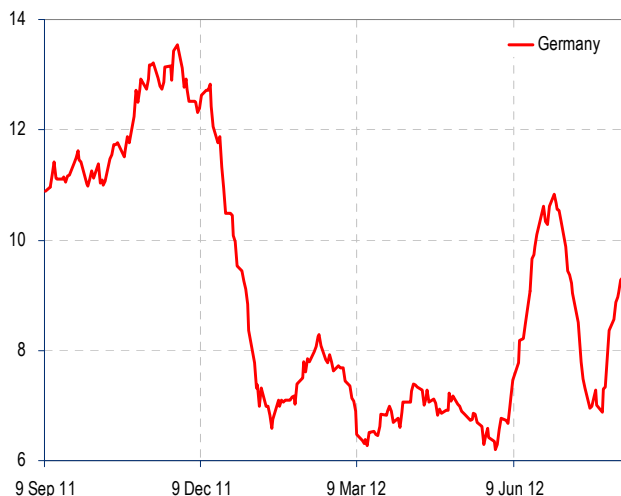
- **10yr Germany and Spain intra-day ranges:** Intra-day trading ranges continue to remain at their highs in Spain (Figure 18). Intra-day ranges for Germany are much lower but there has been a large pick up in intra-day yield volatility over the last few weeks.

Figure 18. 10yr Spain intra-day yield range (1m average)



Source: Citi Research

Figure 19. 10yr Germany intra-day yield range (1m average)

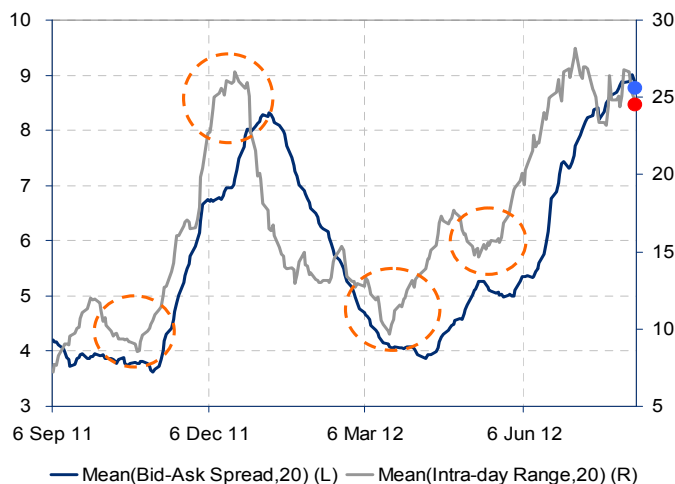


Source: Citi Research

Intra-day yield ranges often serve as a leading indicator for bid-offer spreads

- **Intra-day range vs bid-offer spread:** Comparing daily intra-day ranges for 10yr Spain with bid-offer spreads for the same tenor highlights an interesting dynamic:
 - While it is expected that wider intra-day ranges result in wider bid-offer spreads (Figure 20) we find that intra-day ranges often serve as a leading indicator for bid-offer spreads (orange circles in Figure 20). In other words, if you notice increasing intra-day ranges you may want to execute trades sooner rather than later before bid-offers increase. But if you see intra-day ranges falling sharply then you can reasonably expect bid-offers to contract as well.

Figure 20. 10yr Spain Bid-offer spread vs 10yr Spain intra-day yield range (both rolling 1month average, bps)



Source: Citi Research, Bloomberg

10yr Gilts vs Treasuries

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We recommend taking profits on long 10yr gilts vs Treasuries

Later this year, 10yr gilts yields could trade as much as 40bp below 10yr Treasury yields

Net cash-flows point to support of 10s in the coming weeks, but this may now be in the price

Take profits, but maintain a bias to be long gilts vs Treasuries

Gilts have performed strongly over the last few weeks, no doubt helped by the supply hiatus. The generic 10yr spread to Treasuries has moved from +8bp in late-July to around -13bp at the time of writing. This has led us to close our existing trade recommendation to buy UKT 4% Mar22 vs sell UST 2% Feb22 (from [26 April 2012](#)) close to its target (see the *Tradesheet* on page 6 and Figure 21). After recent moves, it seems prudent to take profits, especially ahead of the uncertainty of Jackson Hole on 31 August (at which the Fed may signal further stimulus).

However, we continue to believe that gilts will trade significantly through Treasuries later in the year and would look for opportunities to re-enter.

Medium-term outlook still favours gilts

Historically, it is unusual for 10yr gilts to trade through Treasuries. It hasn't happened on a sustained basis since 2006. Since then, a negative spread has quickly reversed (Figure 22). There is likely to be some resistance to negative spreads again this time around, which is one reason why we prefer to now take profits, but ultimately we think this resistance will be broken. The economic outlook for the UK remains bleak and we continue to believe that the total level of QE will exceed the market's expectations (see [UK Economics Weekly](#)). The Fed could also engage in more stimulus, and QE3, but we regard this as a more uncertain outcome. With this in mind, we see potential for gilts to trade significantly through Treasuries later in the year, perhaps by as much as 40bp (see page 43, [GEOS](#)).

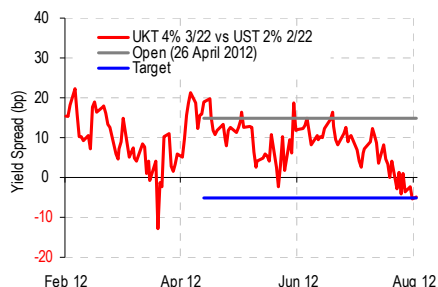
The return of gilt issuance and upcoming cash-flows

Gilts have benefited over the last few weeks from a pause in issuance. At the same time, the Bank of England's gilt purchases have continued, making it a double whammy. However, gilt issuance returned this week with a £1.5bn re-opening of UKT 4.5% 2034. The return of gilt issuance could put the brakes on gilt outperformance. The 10yr sector is relatively sheltered in that the next auction is not until 13 September. Moreover, gilt coupon payments on the 7 September are most supportive for Mediums (Figure 23). However, given recent price action, it has to be assumed that much of the benefit of the upcoming cash-flows is now in the price.

Conclusion – take profits and look to re-enter on any pullback

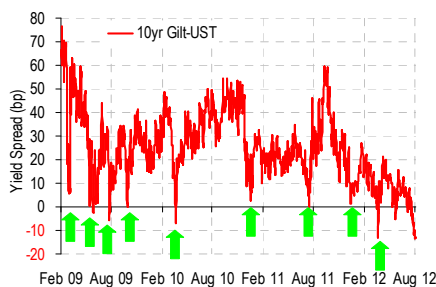
Following recent moves, the return of gilt issuance and uncertainty ahead of Jackson Hole, we find it prudent to take profits on our existing recommendation to be long 10yr gilts vs Treasuries. However, we still believe that 10yr gilt yields will eventually fall significantly below 10yr Treasury yields. We retain a bias to be long gilts vs Treasuries and would look to re-enter if the differential moves back to +5bp.

Figure 21. Take profits on 10yr gilt vs UST



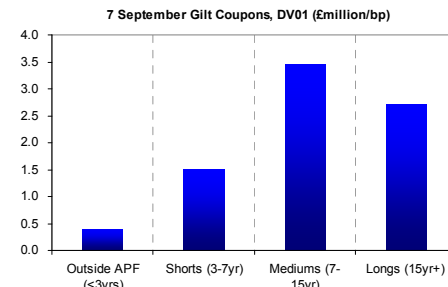
Source: Citi Research, Bloomberg.

Figure 22. 10yr Gilt yields rarely fall below UST



Source: Citi Research, Bloomberg.

Figure 23. Upcoming gilt coupons payments



Source: Citi Research

Where is carry most attractive?

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With little prospect of a structural shift higher in yields, uncertainty in Europe still high, and the summer lull in full swing, everyone remains hungry for returns. Below we examine the currencies and parts of the curve where total carry, after adjusting for volatility, is highest on a relative basis.

Comparing volatility-adjusted carry globally

You only get paid to take duration risk, in carry and roll terms, out to 5 years in EUR and USD, and 10 years in GBP (and EUR and USD)

Adjusting carry for volatility shows that you only get paid to take duration risk, in carry and roll terms, out to 5 years in EUR and USD, and 10 years in GBP (and JPY).

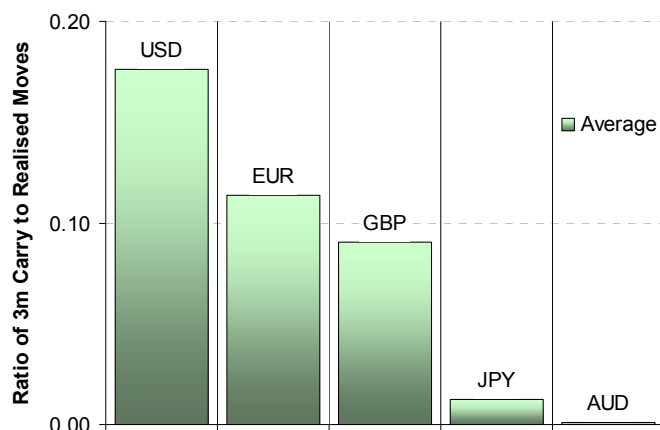
Figure 24. Adjusting carry for volatility shows that extending beyond the 5-years in USD and EUR, and 10-years in GBP, is not attractive

Ratio of 3m Carry to Realised Moves											
	Max	Average	2yr	3yr	4yr	5yr	7yr	10yr	20yr	30yr	
USD	5yr	0.26	0.18	0.17	0.22	0.26	0.26	0.21	0.15	0.09	0.05
EUR	5yr	0.19	0.11	0.04	0.10	0.15	0.19	0.18	0.14	0.07	0.04
GBP	10yr	0.18	0.09	-0.08	0.01	0.08	0.12	0.16	0.18	0.14	0.10
JPY	10yr	0.19	0.01	-0.58	-0.10	0.07	0.12	0.17	0.19	0.16	0.08
AUD	7yr	0.03	0.00	-0.07	-0.02	0.00	0.02	0.03	0.03	0.02	0.00

Source: Citi Research

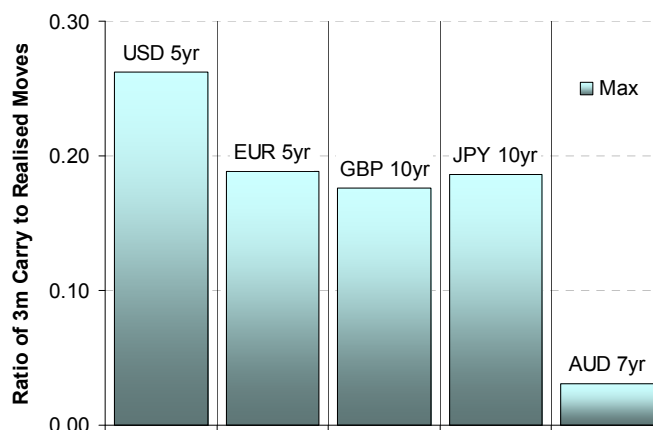
Volatility-adjusted carry is highest in USD, followed by EUR and GBP (Figure 25). This ratio of carry to realized moves is similar in 5yr EUR, 10yr GBP, and 10yr JPY (Figure 26).

Figure 25. Average volatility-adjusted carry is highest in USD, 50% more than in EUR and GBP



Source: Citi Research

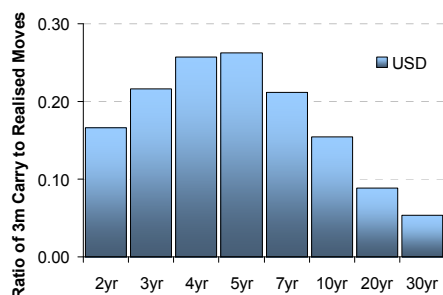
Figure 26. Volatility-adjusted carry is highest in 5yr USD



Source: Citi Research

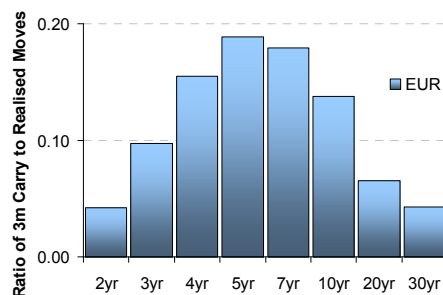
Volatility-adjusted carry is positive at the front-end in USD (Figure 27 below), and smaller but also positive in EUR (Figure 28 below). In GBP, volatility-adjusted carry only rises above zero once you get beyond 3yrs, and peaks around the 7-10yr area (Figure 29 below).

Figure 27. In USD, volatility-adjusted carry peaks around the 4-5yr area



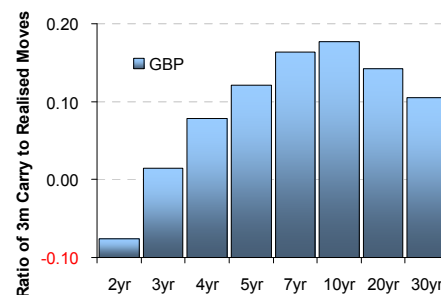
Source: Citi Research

Figure 28. In EUR, volatility-adjusted carry peaks around the 5-7yr area



Source: Citi Research

Figure 29. In GBP volatility-adjusted carry only rises above 0 beyond 3yrs and peaks in 10yrs

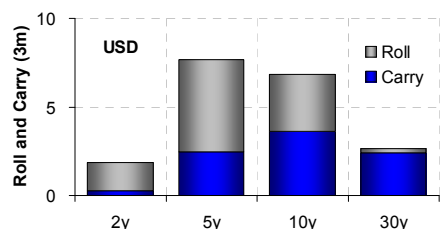


Source: Citi Research

Roll is the main contributor to the prospective return, and it is only in USD where carry is significantly positive

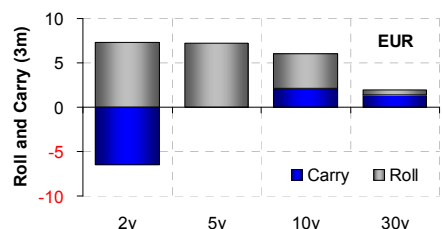
When you split the total carry down into carry and roll you see that roll is the main contributor to the prospective return, and that it is only in USD where carry is significantly positive, on a relative basis. The higher total carry in USD compared to other countries is due to both the roll and the positive carry (Figure 30 below).

Figure 30. Higher total carry in USD is due to both roll and positive carry



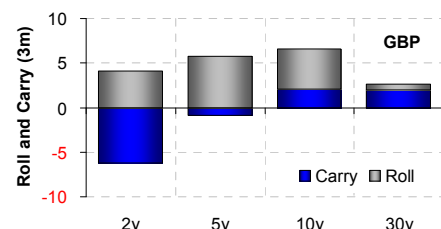
Source: Citi Research

Figure 31. Roll is the main contributor to total carry in EUR



Source: Citi Research

Figure 32. Like in EUR, carry is very low (or negative) in GBP, but mostly offset by roll



Source: Citi Research

Conclusions

EUR...

- In EUR you only get paid to take duration risk, in carry and roll terms, out to 5 years. Volatility-adjusted carry is positive at the front-end in EUR, but is smaller than in USD

USD...

- Volatility-adjusted carry is highest in USD, followed by EUR and GBP, but you only get paid to take duration risk, in carry and roll terms, out to 5 years. Volatility-adjusted carry is positive at the front-end in USD.

GBP...

- In GBP, volatility-adjusted carry only rises above zero once you get beyond 3yrs, and peaks around the 7-10yr area. The ratio of carry to realized moves is similar in 10yr GBP, 10yr JPY, and 5yr EUR,

European Relative Value Trades

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Investors can pick up 36bps by extending 2 years in the Netherlands and 20bps by extending 9 months in Finland. The richness of Oct15s in France also presents an attractive short term opportunity.

Pick up 36bps by extending 2 years in Netherlands

The Netherlands: 7s9s flattener

- Switch from 4% Jul19 to 3.25% Jul21 for a 36bps yield pick up (Figure 33).

Pick up 20bps by extending 9 months in Finland

Finland: Taking advantage of cheapness of Apr20s

- Switch from 4.375% Jul19 to 3.375% Apr20 for a 20bps yield pick up (Figure 34).

Figure 33. Netherlands: 3.25% Jul21 – 4% Jul19 yield spread (bp)



Source: Citi Research

Figure 34. Finland: 3.375% Apr20 - 4.375% Jul19 yield spread (bp)



Source: Citi Research

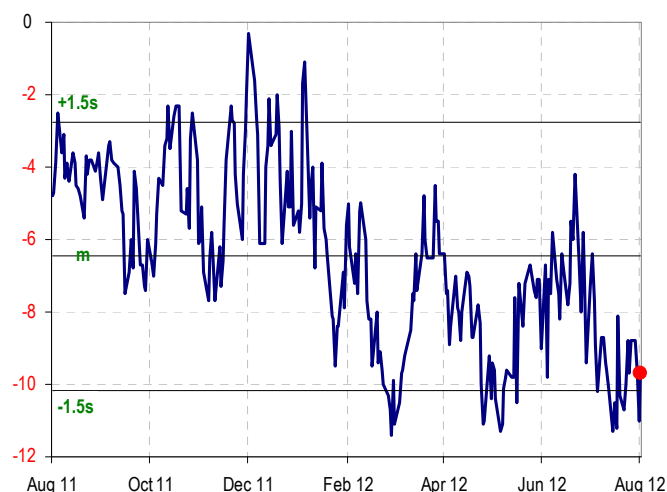
Fly at highs in France

France: Taking advantage of rich Oct15s

- Sell 3% Oct15 vs 3.5% Apr15 and 2.5% Jul16 (Figure 35).

Or, Sell 3% Oct15 vs 3.5% Apr15 and 5% Oct16 (Figure 36).

Figure 35. France: 3.5% Apr15, 3% Oct15, 2.5% Jul16 fly (bp)



Source: Citi Research

Figure 36. France: 3.5% Apr15, 3% Oct15, 5% Oct16 fly (bp)



Source: Citi Research

European Relative Value Tables

Regular readers will be familiar with the Relative Value Appendix showing individual bonds from the major EMU markets in the context of their 6-month trading range relative to our fitted curve. We have expanded this approach and summarized the results below.

For example, Figure 37 shows the five cheapest and richest bonds in Germany relative to a fitted yield curve (shown on the left half of the page) and to the euro swap curve (right half of page). The table identifies benchmarks and CTDs and also gives the amount outstanding and initial issue date.

Figure 37. Yield Spread and CAS to Fitted Relative Value Curve (6m History)

GERMANY

Versus Fitted Yield Curve						Versus Swap Curve (CAS)						
	Rank		ZScore	Issued	Size (€bn)		Rank		ZScore	Issued	Size (€bn)	
<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>	Richest	1	2.50 Feb15	-2.25	Jan10	17	Richest	1	5.50 Jan31	-0.02	Oct00	17
		2	3.25 Jul42	-1.48	Jul10	15		2	6.25 Jan30	0.00	Jan00	9
		3	2.50 Jul44 (30y)	-1.43	Apr12	3		3	4.75 Jul34	0.01	Jan03	20
		4	3.75 Jan15	-1.28	Nov04	23		4	4.00 Jan37 (UB)	0.56	Jan05	23
		5	2.25 Apr15	-1.10	Apr10	19		5	3.25 Jul42	0.86	Jul10	15
		5	0.50 Apr17 (5y)	1.56	Apr12	5		5	1.75 Jul22 (10y)	2.32	Apr12	5
		4	4.25 Jul39	1.65	Jan07	14		4	4.25 Jul18	2.35	May08	21
		3	0.75 Feb17	1.96	Jan12	8		3	4.25 Jul17 (OE)	2.38	May07	19
		2	4.00 Jan37 (UB)	2.12	Jan05	23		2	4.00 Jan18	2.42	Nov07	20
		1	2.50 Oct14	2.58	Sep09	17		1	0.75 Feb17	2.50	Jan12	8
	Cheapest						Cheapest					

Source: Citi Research

Figure 38 (overleaf) looks at bonds of all maturities. For investors with maturity restrictions we have also provided another set of summary tables (Figure 39 and Figure 40) which looks at bonds shorter than 12 years and longer than 8 years, and uses the same criteria as Figure 38 to highlight the richest and cheapest bonds in these narrower maturity spectrums.

These summary tables should help facilitate efficient screening of bonds and, among other things, provide a selection of starting points when considering switches.

Relative Value Tables – All Maturities

Figure 38. Yield Spread and CAS to Fitted Relative Value Curve by Country (6m History); All bonds on each curve

		Versus Fitted Yield Curve					Versus Swap Curve (CAS)				
		Rank		ZScore	Issued	Size (€bn)	Rank		ZScore	Issued	Size (€bn)
GERMANY	Richest	1	2.50 Feb15	-2.25	Jan10	17	1	5.50 Jan31	-0.02	Oct00	17
		2	3.25 Jul42	-1.48	Jul10	15	2	6.25 Jan30	0.00	Jan00	9
		3	2.50 Jul44 (30y)	-1.43	Apr12	3	3	4.75 Jul34	0.01	Jan03	20
		4	3.75 Jan15	-1.28	Nov04	23	4	4.00 Jan37 (UB)	0.56	Jan05	23
		5	2.25 Apr15	-1.10	Apr10	19	5	3.25 Jul42	0.86	Jul10	15
	Cheapest	5	0.50 Apr17 (5y)	1.56	Apr12	5	5	1.75 Jul22 (10y)	2.32	Apr12	5
		4	4.25 Jul39	1.65	Jan07	14	4	4.25 Jul18	2.35	May08	21
		3	0.75 Feb17	1.96	Jan12	8	3	4.25 Jul17 (OE)	2.38	May07	19
		2	4.00 Jan37 (UB)	2.12	Jan05	23	2	4.00 Jan18	2.42	Nov07	20
		1	2.50 Oct14	2.58	Sep09	17	1	0.75 Feb17	2.50	Jan12	8
FRANCE	Richest	1	2.50 Oct20	-1.85	Oct09	30	1	4.75 Apr35	-2.57	Apr03	18
		2	3.50 Apr20	-1.78	Feb10	27	2	5.75 Oct32	-2.57	Oct00	23
		3	2.00 Jul15	-1.70	Jun10	21	3	4.00 Apr60	-2.56	Apr09	8
		4	3.00 Oct15	-1.40	Oct04	33	4	4.50 Apr41 (30y)	-2.56	Apr09	15
		5	2.50 Jan15	-1.36	Jan10	20	5	4.00 Oct38	-2.56	Oct05	24
	Cheapest	5	0.75 Sep14 (2y)	0.83	Sep11	4	5	3.50 Apr15	-1.51	Apr04	22
		4	3.25 Oct21	1.04	Oct10	6	4	2.50 Jan15	-1.35	Jan10	20
		3	4.25 Oct18	1.21	Oct07	22	3	4.00 Oct14	-1.00	Oct03	20
		2	4.00 Oct38	1.54	Oct05	24	2	1.00 Jul17 (5y)	-0.46	Jul11	5
		1	4.25 Oct23	1.84	Oct06	31	1	0.75 Sep14 (2y)	-0.45	Sep11	4
ITALY	Richest	1	5.25 Aug17	-1.91	Feb02	23	1	4.75 Jun17 (5y)	-1.41	Jun12	3
		2	4.50 Aug18	-1.77	Feb08	22	2	4.50 Jul15	-1.04	Jul12	4
		3	4.25 Feb15	-1.66	Aug04	21	3	2.50 Mar15	-0.10	Mar12	5
		4	2.50 Mar15	-1.23	Mar12	5	4	4.00 Feb37	0.09	Aug05	25
		5	4.50 Feb18 (MFB)	-1.10	Aug07	25	5	4.25 Feb15	0.14	Aug04	21
	Cheapest	5	5.00 Aug34	1.09	Aug03	21	5	4.00 Sep20	0.41	Mar10	22
		4	4.50 Jul15	1.15	Jul12	4	4	3.75 Aug21	0.41	Feb06	27
		3	4.25 Mar20	1.22	Sep09	23	3	4.75 Sep21	0.42	Mar11	22
		2	4.50 Feb20	1.53	Feb04	21	2	4.50 Feb20	0.43	Feb04	21
		1	3.75 Aug16	2.11	Feb06	27	1	4.25 Mar20	0.43	Sep09	23
N'LANDS	Richest	1	3.75 Jan42 (30y)	-2.12	May10	10	1	2.50 Jan33	-1.75	Mar12	4
		2	3.50 Jul20	-2.12	Feb10	15	2	3.50 Jul20	-1.01	Feb10	15
		3	4.00 Jul19	-1.52	Feb09	13	3	3.75 Jan23	-0.99	Jan06	10
		4	0.75 Apr15	-1.38	Jan12	3	4	3.25 Jul21	-0.95	Mar11	11
		5	2.75 Jan15	-1.24	Jul09	13	5	2.25 Jul22 (10y)	-0.87	Feb12	9
	Cheapest	5	3.75 Jan23	0.58	Jan06	10	5	3.75 Jan42 (30y)	-0.70	May10	10
		4	2.25 Jul22 (10y)	1.65	Feb12	9	4	4.00 Jul16	-0.68	Jul06	13
		3	4.00 Jul16	1.84	Jul06	13	3	4.00 Jul18	-0.66	Feb08	15
		2	2.50 Jan17	2.00	Jun11	8	2	2.75 Jan15	-0.22	Jul09	13
		1	4.00 Jan37	2.56	Apr05	12	1	1.25 Jan18	0.66	Jul12	6
SPAIN	Richest	1	5.85 Jan22 (10y)	-3.84	Nov11	4	1	4.40 Jan15	0.46	Jun04	18
		2	4.00 Jul15	-1.74	Jan12	4	2	3.30 Oct14	0.47	Jul09	17
		3	3.00 Apr15	-1.19	Mar10	18	3	3.00 Apr15	0.51	Mar10	18
		4	4.40 Jan15	-0.74	Jun04	18	4	4.00 Jul15	0.52	Jan12	4
		5	5.75 Jul32	-0.48	Jan01	14	5	3.15 Jan16	0.67	Sep05	16
	Cheapest	5	3.30 Oct14	1.27	Jul09	17	5	4.00 Apr20	0.85	Jan10	16
		4	3.15 Jan16	1.45	Sep05	16	4	4.30 Oct19	0.86	Jun09	15
		3	4.90 Jul40	1.69	Jun07	13	3	4.65 Jul25	0.86	Feb10	14
		2	4.65 Jul25	2.19	Feb10	14	2	4.85 Oct20	0.87	Jul10	16
		1	4.80 Jan24	3.78	Sep08	15	1	4.80 Jan24	0.89	Sep08	15
BELGIUM	Richest	1	3.75 Sep15	-2.63	Mar05	11	1	4.25 Mar41 (30y)	-2.20	Apr10	6
		2	4.25 Sep21	-1.67	Jan11	8	2	4.25 Sep21	-2.16	Jan11	8
		3	5.50 Sep17	-1.38	Jun02	8	3	5.00 Mar35	-2.13	May04	14
		4	4.25 Sep22 (10y)	-1.08	Jan12	8	4	4.25 Sep22 (10y)	-2.12	Jan12	8
		5	4.00 Mar18	-1.08	Jan08	10	5	4.00 Mar22	-2.12	May06	14
	Cheapest	5	3.25 Sep16	0.68	Jan06	12	5	3.00 Sep19	-1.78	Apr12	4
		4	4.00 Mar19	0.84	Jan09	10	4	2.75 Mar16	-1.77	Mar10	10
		3	3.75 Sep20	1.18	Jan10	18	3	3.75 Sep15	-1.74	Mar05	11
		2	3.00 Sep19	1.38	Apr12	4	2	3.50 Mar15	-1.52	Mar09	10
		1	4.50 Mar26	1.49	Jun11	4	1	4.25 Sep14 (2y)	-1.22	Jan04	13

Source: Citi Research

Relative Value Tables – Max 12Yr Maturity

Figure 39. Yield Spread and CAS to Fitted Relative Value Curve by Country (6m History); Bonds with a Maximum Maturity of 12yrs

	Versus Fitted Yield Curve						Versus Swap Curve (CAS)					
	Rank		ZScore	Issued	Size (€bn)		Rank		ZScore	Issued	Size (€bn)	
GERMANY		Richest					Richest					
	1	2.50 Feb15	-2.25	Jan10	17		1	2.25 Sep21	1.70	Aug11	16	
	2	3.75 Jan15	-1.28	Nov04	23		2	2.00 Jan22	1.79	Nov11	16	
	3	2.25 Apr15	-1.10	Apr10	19		3	3.25 Jul21 (RX)	1.87	Apr11	19	
	4	1.25 Oct16	-0.88	Sep11	16		4	2.50 Jan21	1.88	Nov10	19	
	5	2.25 Sep21	-0.64	Aug11	16		5	2.25 Sep20	1.92	Aug10	16	
	5	2.00 Feb16	1.27	Jan11	16		5	1.75 Jul22 (10y)	2.32	Apr12	5	
	4	3.25 Jul21 (RX)	1.31	Apr11	19		4	4.25 Jul18	2.35	May08	21	
	3	0.50 Apr17 (5y)	1.56	Apr12	5		3	4.25 Jul17 (OE)	2.38	May07	19	
	2	0.75 Feb17	1.96	Jan12	8		2	4.00 Jan18	2.42	Nov07	20	
	1	2.50 Oct14	2.58	Sep09	17		1	0.75 Feb17	2.50	Jan12	8	
		Cheapest					Cheapest					
FRANCE		Richest					Richest					
	1	2.50 Oct20	-1.85	Oct09	30		1	4.25 Oct23	-2.36	Oct06	31	
	2	3.50 Apr20	-1.78	Feb10	27		2	3.00 Apr22 (10y)	-2.29	Feb12	14	
	3	2.00 Jul15	-1.70	Jun10	21		3	3.75 Apr21	-2.23	Apr05	31	
	4	3.00 Oct15	-1.40	Oct04	33		4	2.50 Oct20	-2.22	Oct09	30	
	5	2.50 Jan15	-1.36	Jan10	20		5	3.25 Oct21	-2.21	Oct10	6	
	5	3.25 Apr16	0.76	Apr05	28		5	3.50 Apr15	-1.51	Apr04	22	
	4	0.75 Sep14 (2y)	0.83	Sep11	4		4	2.50 Jan15	-1.35	Jan10	20	
	3	3.25 Oct21	1.04	Oct10	6		3	4.00 Oct14	-1.00	Oct03	20	
	2	4.25 Oct18	1.21	Oct07	22		2	1.00 Jul17 (5y)	-0.46	Jul11	5	
	1	4.25 Oct23	1.84	Oct06	31		1	0.75 Sep14 (2y)	-0.45	Sep11	4	
		Cheapest					Cheapest					
ITALY		Richest					Richest					
	1	5.25 Aug17	-1.91	Feb02	23		1	4.75 Jun17 (5y)	-1.41	Jun12	3	
	2	4.50 Aug18	-1.77	Feb08	22		2	4.50 Jul15	-1.04	Jul12	4	
	3	4.25 Feb15	-1.66	Aug04	21		3	2.50 Mar15	-0.10	Mar12	5	
	4	2.50 Mar15	-1.23	Mar12	5		4	4.25 Feb15	0.14	Aug04	21	
	5	4.50 Feb18 (MFB)	-1.10	Aug07	25		5	5.25 Aug17	0.22	Feb02	23	
	5	3.75 Aug15	0.94	Feb05	26		5	4.00 Sep20	0.41	Mar10	22	
	4	4.50 Jul15	1.15	Jul12	4		4	3.75 Aug21	0.41	Feb06	27	
	3	4.25 Mar20	1.22	Sep09	23		3	4.75 Sep21	0.42	Mar11	22	
	2	4.50 Feb20	1.53	Feb04	21		2	4.50 Feb20	0.43	Feb04	21	
	1	3.75 Aug16	2.11	Feb06	27		1	4.25 Mar20	0.43	Sep09	23	
		Cheapest					Cheapest					
N'LANDS		Richest					Richest					
	1	3.50 Jul20	-2.12	Feb10	15		1	3.50 Jul20	-1.01	Feb10	15	
	2	4.00 Jul19	-1.52	Feb09	13		2	3.75 Jan23	-0.99	Jan06	10	
	3	0.75 Apr15	-1.38	Jan12	3		3	3.25 Jul21	-0.95	Mar11	11	
	4	2.75 Jan15	-1.24	Jul09	13		4	2.25 Jul22 (10y)	-0.87	Feb12	9	
	5	1.25 Jan18	-0.97	Jul12	6		5	4.00 Jul19	-0.84	Feb09	13	
	5	4.00 Jul18	-0.05	Feb08	15		5	2.50 Jan17	-0.72	Jun11	8	
	4	3.75 Jan23	0.58	Jan06	10		4	4.00 Jul16	-0.68	Jul06	13	
	3	2.25 Jul22 (10y)	1.65	Feb12	9		3	4.00 Jul18	-0.66	Feb08	15	
	2	4.00 Jul16	1.84	Jul06	13		2	2.75 Jan15	-0.22	Jul09	13	
	1	2.50 Jan17	2.00	Jun11	8		1	1.25 Jan18	0.66	Jul12	6	
		Cheapest					Cheapest					
SPAIN		Richest					Richest					
	1	5.85 Jan22 (10y)	-3.84	Nov11	4		1	4.40 Jan15	0.46	Jun04	18	
	2	4.00 Jul15	-1.74	Jan12	4		2	3.30 Oct14	0.47	Jul09	17	
	3	3.00 Apr15	-1.19	Mar10	18		3	3.00 Apr15	0.51	Mar10	18	
	4	4.40 Jan15	-0.74	Jun04	18		4	4.00 Jul15	0.52	Jan12	4	
	5	4.60 Jul19	-0.47	Feb09	13		5	3.15 Jan16	0.67	Sep05	16	
	5	3.25 Apr16	0.78	Nov10	17		5	5.50 Apr21	0.85	Jan11	20	
	4	4.85 Oct20	1.10	Jul10	16		4	4.00 Apr20	0.85	Jan10	16	
	3	3.30 Oct14	1.27	Jul09	17		3	4.30 Oct19	0.86	Jun09	15	
	2	3.15 Jan16	1.45	Sep05	16		2	4.85 Oct20	0.87	Jul10	16	
	1	4.80 Jan24	3.78	Sep08	15		1	4.80 Jan24	0.89	Sep08	15	
		Cheapest					Cheapest					
BELGIUM		Richest					Richest					
	1	3.75 Sep15	-2.63	Mar05	11		1	4.25 Sep21	-2.16	Jan11	8	
	2	4.25 Sep21	-1.67	Jan11	8		2	4.25 Sep22 (10y)	-2.12	Jan12	8	
	3	5.50 Sep17	-1.38	Jun02	8		3	4.00 Mar22	-2.12	May06	14	
	4	4.25 Sep22 (10y)	-1.08	Jan12	8		4	3.75 Sep20	-2.07	Jan10	18	
	5	4.00 Mar18	-1.08	Jan08	10		5	4.00 Mar19	-2.04	Jan09	10	
	5	3.50 Jun17 (5y)	0.62	Mar11	6		5	3.00 Sep19	-1.78	Apr12	4	
	4	3.25 Sep16	0.68	Jan06	12		4	2.75 Mar16	-1.77	Mar10	10	
	3	4.00 Mar19	0.84	Jan09	10		3	3.75 Sep15	-1.74	Mar05	11	
	2	3.75 Sep20	1.18	Jan10	18		2	3.50 Mar15	-1.52	Mar09	10	
	1	3.00 Sep19	1.38	Apr12	4		1	4.25 Sep14 (2y)	-1.22	Jan04	13	
		Cheapest					Cheapest					

Source: Citi Research

Relative Value Tables – Min 8yr Maturity

Figure 40. Yield Spread and CAS to Fitted Relative Value Curve by Country (6m History); Bonds with a Minimum Maturity of 8yrs

	Versus Fitted Yield Curve					Versus Swap Curve (CAS)				
	Rank		ZScore	Issued	Size (€bn)	Rank		ZScore	Issued	Size (€bn)
GERMANY		Richest					Richest			
	1	3.25 Jul42	-1.48	Jul10	15	1	5.50 Jan31	-0.02	Oct00	17
	2	2.50 Jul44 (30y)	-1.43	Apr12	3	2	6.25 Jan30	0.00	Jan00	9
	3	2.25 Sep21	-0.64	Aug11	16	3	4.75 Jul34	0.01	Jan03	20
	4	4.75 Jul40	0.30	Jul08	16	4	4.00 Jan37 (UB)	0.56	Jan05	23
	5	1.75 Jul22 (10y)	0.41	Apr12	5	5	3.25 Jul42	0.86	Jul10	15
	5	2.50 Jan21	0.84	Nov10	19	5	2.00 Jan22	1.79	Nov11	16
	4	3.25 Jul21 (RX)	1.31	Apr11	19	4	3.25 Jul21 (RX)	1.87	Apr11	19
	3	4.75 Jul34	1.33	Jan03	20	3	2.50 Jan21	1.88	Nov10	19
	2	4.25 Jul39	1.65	Jan07	14	2	2.25 Sep20	1.92	Aug10	16
	1	4.00 Jan37 (UB)	2.12	Jan05	23	1	1.75 Jul22 (10y)	2.32	Apr12	5
FRANCE		Richest					Richest			
	1	2.50 Oct20	-1.85	Oct09	30	1	4.75 Apr35	-2.57	Apr03	18
	2	4.00 Apr60	-1.27	Apr09	8	2	5.75 Oct32	-2.57	Oct00	23
	3	3.75 Apr21	-1.08	Apr05	31	3	4.00 Apr60	-2.56	Apr09	8
	4	5.75 Oct32	-0.97	Oct00	23	4	4.50 Apr41 (30y)	-2.56	Apr09	15
	5	4.00 Apr55	-0.95	Apr04	15	5	4.00 Oct38	-2.56	Oct05	24
	5	3.00 Apr22 (10y)	0.23	Feb12	14	5	4.25 Oct23	-2.36	Oct06	31
	4	4.75 Apr35	0.60	Apr03	18	4	3.00 Apr22 (10y)	-2.29	Feb12	14
	3	3.25 Oct21	1.04	Oct10	6	3	3.75 Apr21	-2.23	Apr05	31
	2	4.00 Oct38	1.54	Oct05	24	2	2.50 Oct20	-2.22	Oct09	30
	1	4.25 Oct23	1.84	Oct06	31	1	3.25 Oct21	-2.21	Oct10	6
ITALY		Richest					Richest			
	1	4.00 Feb37	-1.00	Aug05	25	1	4.00 Feb37	0.09	Aug05	25
	2	5.50 Sep22 (10y-IK)	-0.63	Mar12	8	2	5.75 Feb33	0.24	Feb02	15
	3	4.75 Aug23	-0.42	Feb08	21	3	5.00 Sep40 (30y)	0.24	Sep09	20
	4	4.50 Mar26	-0.28	Sep10	14	4	4.50 Mar26	0.25	Sep10	14
	5	5.00 Mar22	-0.25	Sep11	9	5	5.50 Sep22 (10y-IK)	0.26	Mar12	8
	5	4.75 Sep21	0.86	Mar11	22	5	5.00 Mar22	0.35	Sep11	9
	4	3.75 Aug21	0.88	Feb06	27	4	3.75 Mar21	0.40	Sep10	23
	3	5.00 Mar25	1.00	Mar09	20	3	4.00 Sep20	0.41	Mar10	22
	2	5.00 Aug39	1.01	Aug07	19	2	3.75 Aug21	0.41	Feb06	27
	1	5.00 Aug34	1.09	Aug03	21	1	4.75 Sep21	0.42	Mar11	22
N'LANDS		Richest					Richest			
	1	3.75 Jan42 (30y)	-2.12	May10	10	1	2.50 Jan33	-1.75	Mar12	4
	2	2.50 Jan33	-0.74	Mar12	4	2	3.75 Jan23	-0.99	Jan06	10
	3	3.25 Jul21	-0.71	Mar11	11	3	3.25 Jul21	-0.95	Mar11	11
	3	3.75 Jan23	0.58	Jan06	10	3	2.25 Jul22 (10y)	-0.87	Feb12	9
	2	2.25 Jul22 (10y)	1.65	Feb12	9	2	4.00 Jan37	-0.87	Apr05	12
	1	4.00 Jan37	2.56	Apr05	12	1	3.75 Jan42 (30y)	-0.70	May10	10
	1	5.85 Jan22 (10y)	-3.84	Nov11	4	1	5.75 Jul32	0.70	Jan01	14
	2	5.75 Jul32	-0.48	Jan01	14	2	5.85 Jan22 (10y)	0.76	Nov11	4
	3	4.70 Jul41 (30y)	-0.16	Sep09	11	3	4.20 Jan37	0.77	Jan05	16
SPAIN		Richest					Richest			
	4	5.50 Apr21	0.24	Jan11	20	4	4.70 Jul41 (30y)	0.78	Sep09	11
	5	4.20 Jan37	0.45	Jan05	16	5	4.90 Jul40	0.79	Jan07	13
	5	5.90 Jul26	0.99	Mar11	7	5	5.90 Jul26	0.80	Mar11	7
	4	4.85 Oct20	1.10	Jul10	16	4	5.50 Apr21	0.85	Jan11	20
	3	4.90 Jul40	1.69	Jun07	13	3	4.65 Jul25	0.86	Feb10	14
	2	4.65 Jul25	2.19	Feb10	14	2	4.85 Oct20	0.87	Jul10	16
	1	4.80 Jan24	3.78	Sep08	15	1	4.80 Jan24	0.89	Sep08	15
	1	4.25 Sep21	-1.67	Jan11	8	1	4.25 Mar41 (30y)	-2.20	Apr10	6
	2	4.25 Sep22 (10y)	-1.08	Jan12	8	2	4.25 Sep21	-2.16	Jan11	18
BELGIUM		Richest					Richest			
	3	4.00 Mar32	-0.86	Mar12	5	3	5.00 Mar35	-2.13	May04	8
	4	4.00 Mar22	-0.74	May06	14	4	4.25 Sep22 (10y)	-2.12	Jan12	8
	4	5.00 Mar35	-0.33	May04	14	4	4.00 Mar22	-2.12	May06	14
	3	4.25 Mar41 (30y)	-0.10	Apr10	6	3	3.75 Sep20	-2.07	Jan10	18
	2	3.75 Sep20	1.18	Jan10	18	2	4.50 Mar26	-2.07	Jun11	4
	1	4.50 Mar26	1.49	Jun11	4	1	4.00 Mar32	-1.94	Mar12	5

Source: Citi Research

Global Supply Monitor

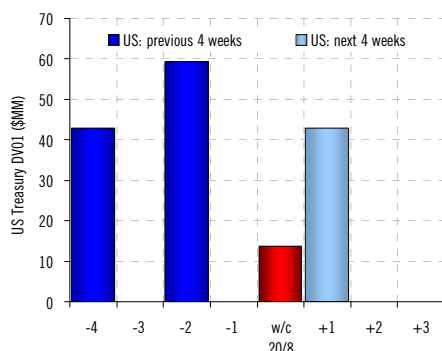
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Historical and projected DV01 of USD, EUR and GBP issuance (weekly)

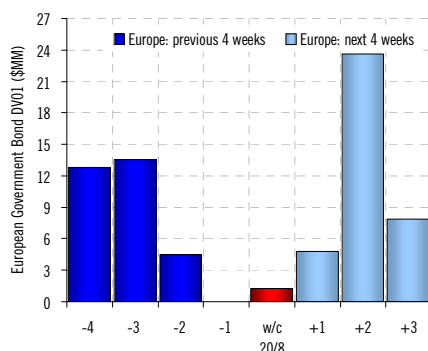
Figure 41 to Figure 43 show the \$DV01 of projected issuance over the next four weeks and the previous four weeks. The DV01 of issuance in the week commencing 20 August is shown in red.

Figure 41. Estimated \$DV01 of US Treasury Issuance (Previous 4 and Next 4 Weeks)



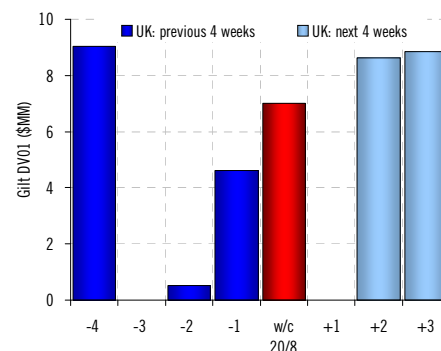
Source: US Treasury, Citi estimates

Figure 42. Estimated \$DV01 of Euro Bond Issuance (Previous 4 and Next 4 Weeks)



Source: DMOs, Citi estimates

Figure 43. Estimated \$DV01 of UK Gilt Issuance (Previous 4 and Next 4 Weeks)



Source: DMO, Citi estimates

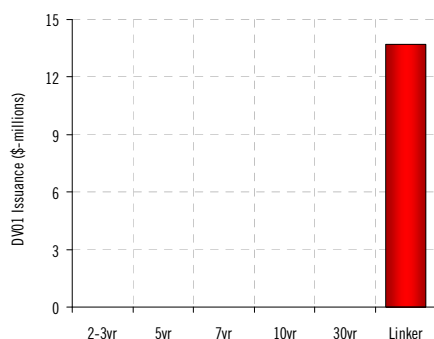
DV01 of expected USD, EUR and GBP issuance split by maturity (week beginning 20 August)

US Treasury supply comes in the form of a re-opening of a 5-year TIPS at approximately \$14million/bp (Figure 44).

The DV01 of next week's euro issuance is extremely light at only €1million/bp (Figure 45). All of next week's euro issuance comes from 2year Germany.

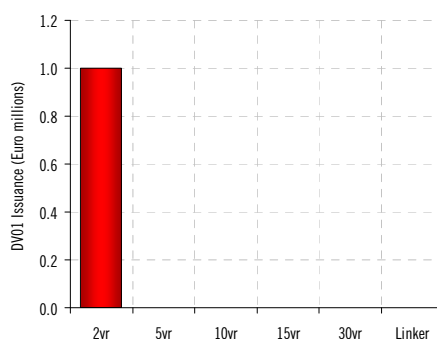
Next week's gilt issuance comes in the form of conventional gilt (5% 2018) and a linker '29 at around £4.5million/bp (Figure 46).

Figure 44. USD DV01: Split by Maturity (20 Aug–24 Aug)



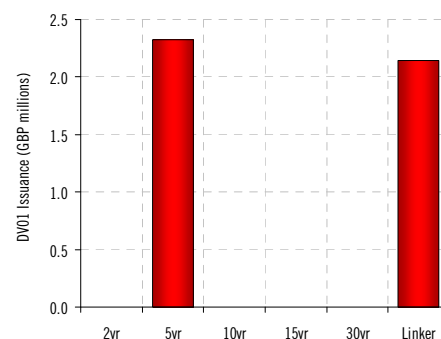
Source: US Treasury, Citi estimates

Figure 45. EUR DV01: Split by Maturity (20 Aug–24 Aug)



Source: DMOs, Citi estimates

Figure 46. GBP DV01 Split by Maturity (20 Aug–24 Aug)



Source: DMO, Citi estimates

US coupons for the next four weeks – maturity split

US Treasury coupon payments will be light over the next four weeks. \$4.7bn of coupon payments from 2-7 year sectors will fall in week 2 (Figure 47).

Figure 47. Maturity Split of UST Coupon Payments over the Next Four Weeks (USD-Billions)*

Week Commencing	2-3yr	5yr	7yr	10yr	30yr	Linker	Total
20 Aug							
27 Aug	2.3	1.8	0.5				4.7
03 Sep							
10 Sep	1.0						1.0
Total	3.3	1.8	0.5				5.6

Source: Citi Research, Bloomberg

*This table is on a trade-date basis

Euro coupons for the next four weeks – maturity split

There are no coupon payments and redemptions next week. €6.6bn of coupon payments (from Germany and Italy) and €11.5bn of redemptions (from Italy) will fall in week 2 (Figure 48 and Figure 50).

Figure 48. Maturity Split of Euro Coupon Payments over the Next Four Weeks (EUR-Billions)*

Week Commencing	2yr	5yr	10yr	15yr	30yr	Linker	Total
20 Aug							
27 Aug	0.3	0.2	4.7	0.9	0.5		6.6
03 Sep							
10 Sep	0.7		0.5			1.5	4.0
Total	1.0	1.5	5.2	0.9	0.5	1.5	10.6

Source: Citi Research, Bloomberg

*This table is on a trade-date basis

UK coupons for the next four weeks – maturity split

There are minimal gilt coupon payments over the next two weeks. However, there will be large coupon payments (£10.5bn) across all maturities in week 3 (Figure 49).

Figure 49. Maturity Split of Gilt Coupon Payments over the Next Four Weeks (GBP-Billions)*

Week Commencing	2yr	5yr	10yr	15yr	30yr	Linker	Total
20 Aug		0.5					0.5
27 Aug							
03 Sep	2.2	2.4	3.7	0.8	1.4		10.5
10 Sep							
Total	2.2	2.8	3.7	0.8	1.4		10.9

Source: Citi Research, Bloomberg

*This table is on a trade-date basis

Euro coupons and redemptions split by maturity and country

Figure 50 below shows a weekly breakdown of euro coupons and redemptions, split by sector and country for the next four weeks.

Figure 50. Euro Coupons and Redemptions by Maturity and Country for the Next 4 weeks (EUR Billions)

WEEK 1	Week Beginning 20 Aug (Mon)		Coupons	Redemptions	WEEK 2	Week Beginning 27 Aug (Mon)		Coupons	Redemptions
		Austria					Austria		
		Belgium					Belgium		
		Germany					Germany	0.7	
		Finland					Finland		
	Coupons	France				Coupons	France		
2yr		Greece			2yr	0.3	Greece		
5yr		Ireland			5yr	0.2	Ireland		
10yr		Italy			10yr	4.7	Italy	5.9	11.5
15yr		Netherlands			15yr	0.9	Netherlands		
30yr		Portugal			30yr	0.5	Portugal		
Linker		Spain			Linker		Spain		
	0.0		0.0	0.0		6.6		6.6	11.5
WEEK 3	Week Beginning 03 Sep (Mon)		Coupons	Redemptions	WEEK 4	Week Beginning 10 Sep (Mon)		Coupons	Redemptions
		Austria					Austria	1.2	
		Belgium					Belgium		
		Germany					Germany	0.3	18.0
		Finland					Finland	0.7	6.0
	Coupons	France				Coupons	France		
2yr		Greece			2yr	0.7	Greece		
5yr		Ireland			5yr	1.3	Ireland		
10yr		Italy			10yr	0.5	Italy	1.8	10.4
15yr		Netherlands			15yr		Netherlands		
30yr		Portugal			30yr		Portugal		
Linker		Spain			Linker	1.5	Spain		
	0.0		0.0	0.0		4.0		4.0	34.4

Source: Citi Research, Bloomberg

**This table is on a trade-date basis*

Provisional auction calendar for the next four weeks

Figure 51. Provisional Auction Calendar for the Next Four Weeks, Gross Issuance (Billions), DV01 (USD Millions)

Date	Country Issuing	Estimated Size (Local Ccy)	Issue Details (Estimated)	DV01 \$million/bp	Approx. Number 10yr Futures TYM2 (UST) G M2 (Gilt) RXM2 (Bund)
20 Aug (Mon)	US	4.25 - 5	Outright Treasury Coupon Purchases: 31/8/2018 - 15/8/2020		-48k
20 Aug (Mon)	UK	1.0	Gilt APF Buyback: 3-7yrs		-5k
21 Aug (Tue)	UK	1.3	01/8% Index-linked Treasury Gilt 2029 (issue and size confirmed)		23k
21 Aug (Tue)	US	7 - 8	Outright Treasury Coupon Sales: 15/9/2014 - 30/4/2015		18k
21 Aug (Tue)	UK	0.8	Gilt APF Buyback: 15yrs+		-19k
22 Aug (Wed)	Germany	5.0	New Schatz Sep14 (issue and size confirmed)		9k
22 Aug (Wed)	US	1.5 - 2	Outright Treasury Coupon Purchases: 15/2/2036 - 15/8/2042		-46k
22 Aug (Wed)	UK	1.0	Gilt APF Buyback: 7-15yrs		-10k
23 Aug (Thu)	UK	3.8	5% Treasury Gilt 2018 (issue and size confirmed)		25k
23 Aug (Thu)	US	14.0	5-Year TIPS (re-opening)		168k
23 Aug (Thu)	US	1.5 - 2	Outright Treasury Coupon Purchases: 15/11/2022 - 15/2/2031		-34k
24 Aug (Fri)	US	7 - 8	Outright Treasury Coupon Sales : 15/5/2015 - 15/11/2015		28k

Weekly \$DV01 of Issuance

10.4

Total Number of Futures Contracts

87k

14k

9k

Date	Country Issuing	Estimated Size (Local Ccy)	Issue Details (Estimated)	DV01 \$million/bp	Approx. Number 10yr Futures TYM2 (UST) G M2 (Gilt) RXM2 (Bund)
27 Aug (Mon)	US	1.5 - 2	Outright Treasury Coupon Purchases: 15/2/2036 - 15/8/2042		-46k
27 Aug (Mon)	UK	1.0	Gilt APF Buyback: 3-7yrs		-5k
28 Aug (Tue)	Italy	2.5	CTZ (estimated size)		5k
28 Aug (Tue)	US	35.0	2-Year		86k
28 Aug (Tue)	US	4.5 - 5.5	Outright Treasury Coupon Purchases: 15/11/2020 - 15/8/2022		-52k
28 Aug (Tue)	UK	0.8	Gilt APF Buyback: 15yrs+		-19k
29 Aug (Wed)	US	35.0	5-Year		206k
29 Aug (Wed)	US	4.25 - 5	Outright Treasury Coupon Purchases: 31/8/2018 - 15/8/2020		-48k
29 Aug (Wed)	UK	1.0	Gilt APF Buyback: 7-15yrs		-10k
30 Aug (Thu)	Italy	5.0	BTP 5yr and 10yr (estimated tenors and size)		30k
30 Aug (Thu)	US	29.0	7-Year		235k
30 Aug (Thu)	US	1.5 - 2	Outright Treasury Coupon Purchases : 15/2/2036 - 15/8/2042		-46k

Weekly \$DV01 of Issuance

27.1

Total Number of Futures Contracts

335k

-34k

35k

Date	Country Issuing	Estimated Size (Local Ccy)	Issue Details (Estimated)	DV01 \$million/bp	Approx. Number 10yr Futures TYM2 (UST) G M2 (Gilt) RXM2 (Bund)
03 Sep (Mon)	Belgium	1.5	OLO 5yr and 15yr (estimated tenors and size)		17k
03 Sep (Mon)	UK	1.0	Gilt APF Buyback: 3-7yrs		-5k
04 Sep (Tue)	Austria	1.5	RAGB 5yr and 30yr (estimated tenors and size)		20k
04 Sep (Tue)	UK	0.8	Mini tender (estimated date and size)		19k
04 Sep (Tue)	UK	0.8	Gilt APF Buyback: 15yrs+		-19k
05 Sep (Wed)	Germany	5.0	New Bund Sep22 (issue and size confirmed)		41k
05 Sep (Wed)	UK	1.6	4½% Treasury Gilt 2042 (issue confirmed, estimated size)		40k
05 Sep (Wed)	UK	1.0	Gilt APF Buyback: 7-15yrs		-10k
06 Sep (Thu)	France	7.9	OAT (estimated size)		78k
06 Sep (Thu)	Spain	3.0	Bono 5yr, Obligaciones 10yr (estimated tenors and size)		17k

Weekly \$DV01 of Issuance

27.1

Total Number of Futures Contracts

0k

25k

173k

Date	Country Issuing	Estimated Size (Local Ccy)	Issue Details (Estimated)	DV01 \$million/bp	Approx. Number 10yr Futures TYM2 (UST) G M2 (Gilt) RXM2 (Bund)
10 Sep (Mon)	UK	1.0	Gilt APF Buyback: 3-7yrs		-5k
11 Sep (Tue)	Netherlands	1.8	DSL Jul22 reopening (issue confirmed, size €1.5-2.5bn)		14k
11 Sep (Tue)	UK	1.1	0¼% Index-linked Treasury Gilt 2034 (issue confirmed, estimated size)		28k
11 Sep (Tue)	UK	0.8	Gilt APF Buyback: 15yrs+		-19k
12 Sep (Wed)	Germany	5.0	New Bobl-164 Oct17 (issue and size confirmed)		22k
12 Sep (Wed)	UK	1.0	Gilt APF Buyback: 7-15yrs		-10k
13 Sep (Thu)	Italy	4.5	BTP 3yr and 15yr (estimated tenor and size)		22k
13 Sep (Thu)	UK	3.3	Reopening of 7 Sep 2022 (issue confirmed, estimated size)		32k

Weekly \$DV01 of Issuance

11.7

Total Number of Futures Contracts

0k

26k

58k

The next release of the approximate purchase and sale amounts and tentative Outright operation schedule will be at 1400 (NY Time) on 31 August 2012

Source: DMOs, Citi estimates

US net cash requirements (NCR) over the next four weeks

The three figures on this page show the upcoming profile gross and net supply, coupons and redemptions, and the resultant NCR, for each of the next four weeks.

These are calculated on a *settlement date* basis.

There is a large amount of issuance settling in week 2 which results in a positive NCR (\$52bn) as \$113bn of gross supply easily outweighs \$55bn of coupon payments and redemptions (Figure 52).

Figure 52. US Weekly Cash Flow Profile for Next Four weeks, USD Billions

Settling in Week Commencing	A Gross Supply	B Coupons	A - B Net Supply	C Redemptions	D Buybacks	A - B - C - D NCR
20 Aug					0.6	-0.6
27 Aug	113.0	4.7	108.3	50.4	5.6	52.3
03 Sep					0.2	-0.2
10 Sep					0.2	-0.2
Total	113.0	4.7	108.3	50.4	6.7	51.2
Average	28.3	1.2	27.1	12.6	1.7	12.8
YTD Average	43.2	3.4	39.8	26.0	-0.1	13.8

Source: US Treasury, Citi estimates, Bloomberg

Euro cash-flow profile over the next four weeks

The euro NCR is significantly negative in week 4 as €35bn of coupon payments and redemptions easily offset €18bn of gross supply (Figure 53).

Figure 53. Estimated Euro Weekly Cash Flow Profile for Next Four weeks, EUR Billions

Settling in Week Commencing	A Gross Supply	B Coupons	A - B Net Supply	C Redemptions	A - B - C NCR
20 Aug		0.0	-0.0		-0.0
27 Aug	7.5		7.5	11.5	-4.0
03 Sep	8.0	6.6	1.4		1.4
10 Sep	17.6	0.3	17.4	34.4	-17.1
Total	33.1	6.8	26.3	45.9	-19.7
Average	8.3	1.7	6.6	11.5	-4.9
YTD Average	16.5	4.4	12.1	11.0	1.0

Source: DMOs, Citi estimates, Bloomberg

UK cash-flow profile over the next four weeks

The NCR is negative (-£11bn) over the next four weeks as £12bn of gross supply is easily offset by £11bn of coupon payments and £12bn of APF buybacks (Figure 54).

Figure 54. Estimated UK Weekly Cash Flow Profile for Next Four weeks, GBP Billions

Settling in Week Commencing	A Gross Supply	B Coupons	A - B Net Supply	C Redemptions	D Buybacks	A - B - C - D NCR
20 Aug	5.0		5.0		3.0	2.0
27 Aug		0.5	-0.5		3.0	-3.5
03 Sep	2.4	10.5	-8.1		3.0	-11.1
10 Sep	4.4		4.4		3.0	1.4
Total	11.8	10.9	0.9		12.0	-11.1
Average	2.9	2.7	0.2		3.0	-2.8
YTD Average	3.2	0.8	2.4	1.6	2.8	-2.0

Source: DMO, Citi estimates, Bloomberg

JGB settlement cash-flow profile over the next four weeks

Figure 55 shows the profile of JGB gross and net supply, coupons and redemptions, and the resultant NCR, for each of the next four weeks. The NCR is strongly positive over the next four weeks (¥9.7trillion). By comparison the YTD average of the NCR is only ¥0.6trillion.

Figure 55. Estimated JGB Weekly Cash Flow Profile for Next Four weeks (JPY-Trillions) *

Settling in week commencing	A Gross Supply	B Coupons	A - B Net Supply	C Redemptions	A - B - C Net Cash Requirement
20 Aug			-0.0		-0.0
27 Aug	3.7		3.7		3.7
03 Sep	3.0		3.0		3.0
10 Sep	3.0		3.0		3.0
Total	9.7	0.0	9.7		9.7
Average	2.4		2.4		2.4
YTD Average	2.3	0.1	2.2	1.6	0.6

Source: Citi estimates, Bloomberg, BoJ

*This table is on a settlement-date basis

Explanation of trade-date and settlement-date:

Throughout the *Supply Monitor* section coupons and redemption payments are allocated on a trade date basis *except in the cash flow tables* shown above. In these cash flow tables; gross supply, coupons and redemptions are on a settlement date basis. This is to keep everything in line with US supply settling during the middle or end of the month instead of just T+3 as in Europe for example.

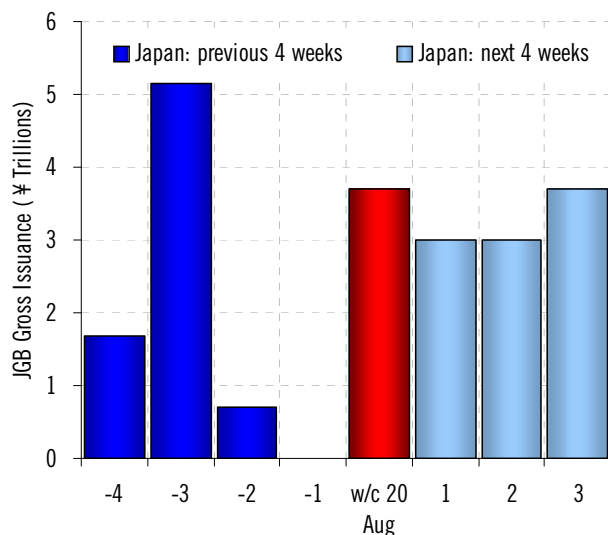
Trade date basis: In Europe if the coupon payment falls on Monday 5th March, for example, it would be allocated to the previous week (the week commencing 27 February) as that would be when you would trade to use the money you know is coming in on Monday 5th March. In other words, you don't wait for the money to hit your account to use it. Since we are trying to account for the impact of those payments we allocate them on a trade date basis, rather than settlement date.

Settlement date basis: The net cash requirement tables (Figure 52, Figure 53, Figure 54 and Figure 55) are on a settlement basis. In the US, conventional supply settles either during the middle of the month or at the end of the month. (If there is a Treasury auction during the last week of the month it will settle in the following week). Consequently, if you participate in the UST 3-year auction on 7 February the money would leave your account during the w/c 15 February. In addition, TIPS often settle during a different week from conventional supply.

Historical and projected DV01 of JGB issuance (weekly)

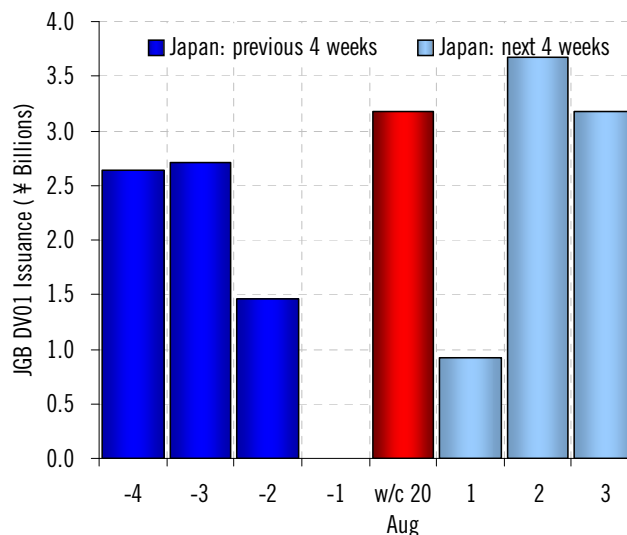
Figure 56 and Figure 57 show projected JGB gross and ¥DV01 of issuance over the next four weeks and the previous four weeks. Next week sees ¥3.7trillion of JGB issuance in the 5- and 20-year sectors (Figure 56). In DV01 terms, this is equivalent to around ¥3.2billion/bp (Figure 57).

Figure 56. Estimated Gross JGB Issuance (Previous 4 and Next 4 weeks)



Source: Citi estimates, BoJ, MoF

Figure 57. Estimated ¥DV01 of JGB Issuance (Previous 4 and Next 4 weeks)



Source: Citi estimates, BoJ, MoF

JGB coupons for the next four weeks – maturity split

There are minimal coupon payments over the next three weeks. ¥1.9trillion of coupon payments (distributed across 2-20 year sectors) will fall in week 4 (Figure 58).

Figure 58. Maturity Split of JGB Coupon Payments over the Next Four weeks (JPY-Billions)*

Week commencing	2yr	5yr	10yr	20yr	30yr	TOTAL
20 Aug						
27 Aug						
03 Sep						
10 Sep	454	457	699	327		1938
Total	454	457	699	327		1938

Source: Citi estimates, Bloomberg

*This table is on a trade-date basis

JGB auction calendar for the next four weeks

Figure 59 shows our JGB issuance expectations for the next four weeks and weekly \$DV01.

Figure 59. Provisional Auction Calendar for the Next Four Weeks, Gross Issuance (Billions), DV01 (JPY Millions).

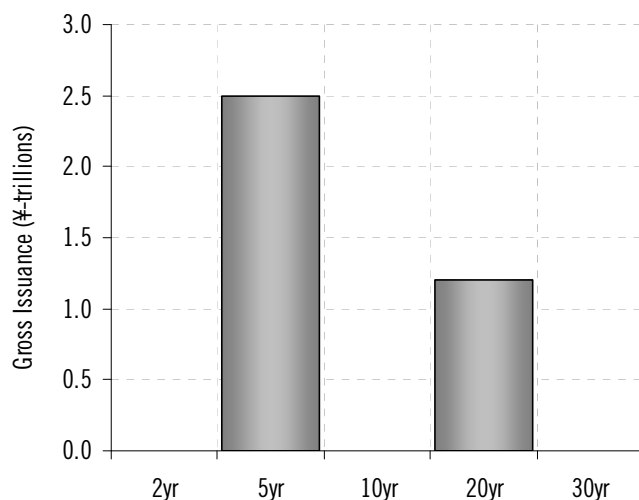
Auction Date	Country Issuing	Estimated Size (Local Ccy)	Issue Details (Estimated)	Weekly DV01	
				¥ millions	\$ millions
21 Aug (Tue)	JPY	2500	5year	1213	15
23 Aug (Thu)	JPY	1200	20year	1968	25
Weekly DV01 of Issuance				¥3180	\$40
28 Aug (Tue)	JPY	300	AEL (10-20 years)	386	5
30 Aug (Thu)	JPY	2700	2year	535	7
Weekly DV01 of Issuance				¥920	\$12
04 Sep (Tue)	JPY	2300	10year	2139	27
06 Sep (Thu)	JPY	700	30year	1540	20
Weekly DV01 of Issuance				¥3679	\$47
11 Sep (Tue)	JPY	2500	5year	1213	15
13 Sep (Thu)	JPY	1200	20year	1968	25
Weekly DV01 of Issuance				¥3180	\$40

Source: Citi estimates, BoJ, MoF

Expected JGB gross and DV01 issuance by maturity (week beginning 6 August)

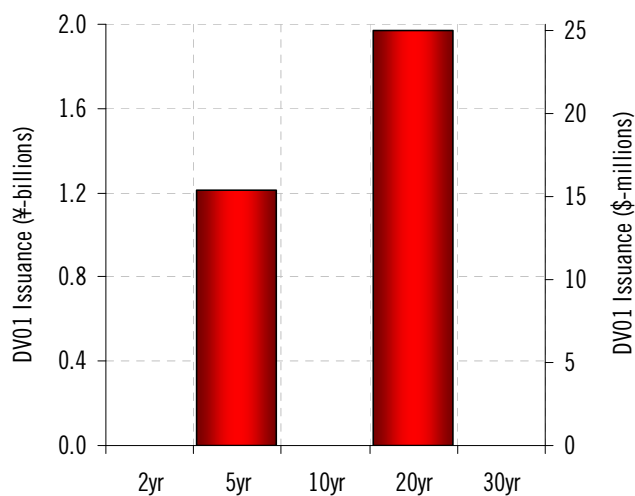
Figure 60 and Figure 61 show a split of next week's JGB issuance by maturity.

Figure 60. JGB Gross Split by Maturity (Week Beginning 6 Aug)



Source: Citi Research, Bloomberg

Figure 61. JGB DV01 Split by Maturity (Week Beginning 6 Aug)



Source: Citi Research, Bloomberg

Figure 62. UK, US and EMU-11 Gross Supply – Citi forecasts

2012 Cashflow Tables

Gross Supply (\$bn nominal)									A	B	C	D = A - B - C	E	F = D - E
US	2yr	3yr	5yr	7yr	10yr	30yr	TIPS	Gross Supply	Coupons	C Fed Purchases	Net Supply	Redemptions	NCR	
Jan-12	35	32	35	29	21	13	15	180	12	-1	172	100	72	
Feb-12	35	32	35	29	24	16	9	180	26	1	152	120	32	
Mar-12	35	32	35	29	21	13	13	178	9		169	96	73	
Apr-12	35	32	35	29	21	13	16	181	6	-1	176	116	59	
May-12	35	32	35	29	24	16	13	184	27		157	100	57	
Jun-12	35	32	35	29	21	13	7	172	4		168	92	76	
Jul-12	35	32	35	29	21	13	15	180	13		167	118	48	
Aug-12	35	32	35	29	24	16	14	185	27	0	158	105	54	
Sep-12	35	32	35	29	21	13	13	178	3		175	90	84	
Oct-12	35	32	35	29	21	13	8	173	10		163	91	73	
Nov-12	35	32	35	29	24	16	13	184	22		162	115	47	
Dec-12	35	32	35	29	21	13	14	179	7		172	92	80	
Total	420	384	420	348	264	168	150	2154	165	-3	1992	1237	755	

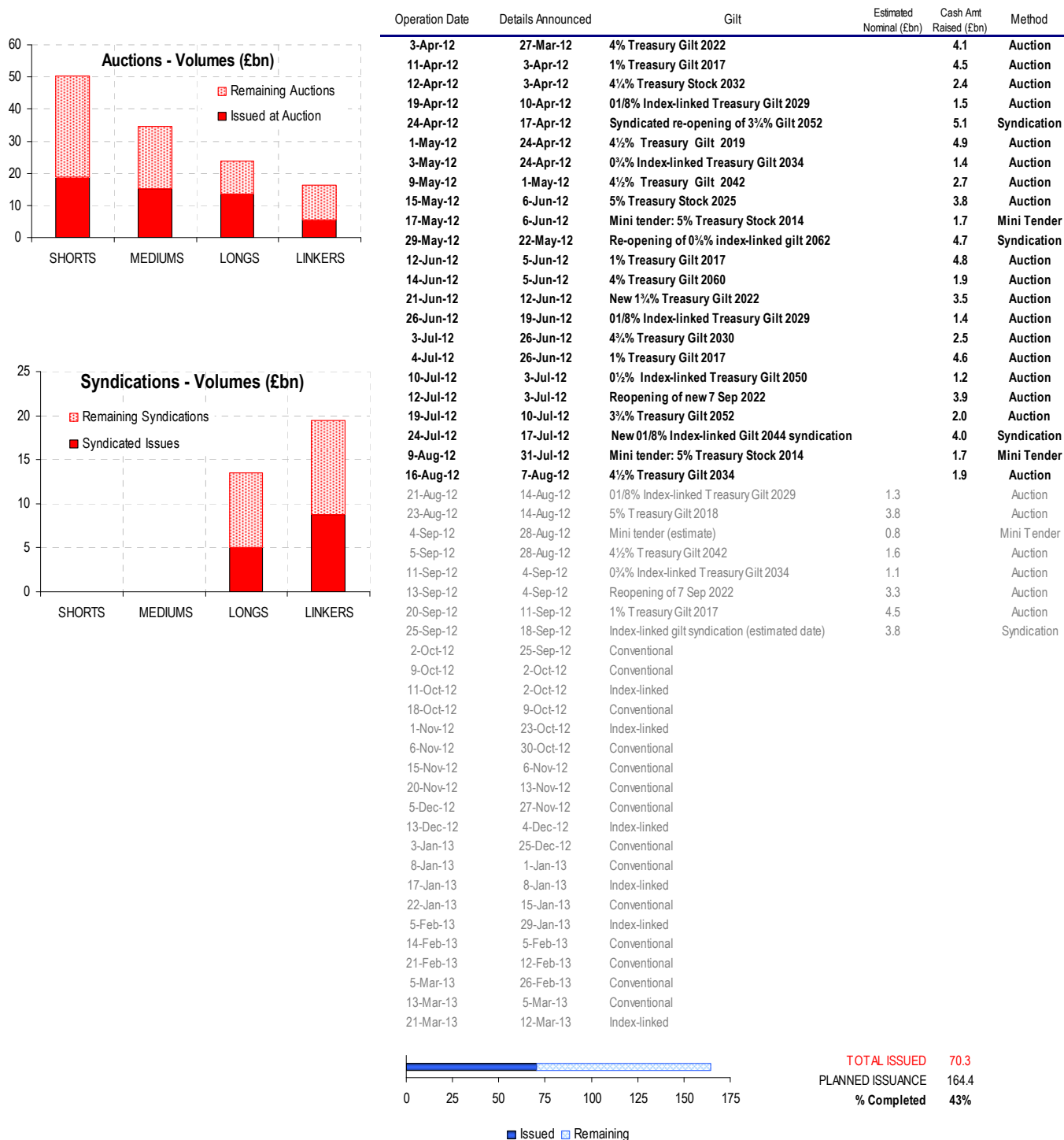
(for fixed rate government bonds and index-linked notes)

Gross Supply			Gross Supply (€bn)			Tickers used in our supply estimates
	2012	2013		2012	2013	
EMU-11 (€bn)	780	691	Germany	183	166	Schatz, Bobl, Bund, Bundeig, Boblei
- excluding GRC, IRE and PRT			France	191	179	OAT,BTAN,BTANI,OATi,OATei
			Italy	193	139	BTP, BTPei, CCT, CTZ
Gross Supply	2012	2013	Spain	86	101	SPGB
US (\$bn)	2154	2035	Netherlands	60	44	DSL
			Belgium	34	38	OLO
Gross Supply *	11/12	12/13	Austria	23	15	RAGB
UK (€bn)	179	164	Finland	11	8	RFGB
*UK supply forecasts on financial year basis (cash amt)			Total	780	691	

**UK supply forecasts on financial year basis (cash amt)*

Source: DMOs, Citi estimates, Bloomberg

Figure 63. UK Gilt Remit and Progress for FY2012/13



Source: Citi Research

Figure 64. 2012 Euro Government Bond Supply – Citi Forecasts (Euro in Billions)

EMU-11	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan	22.3	26.9	26.8	3.1	10.5	2.3	92	29	63	54	9
Feb	19.7	25.1	34.9		1.6	3.3	85	12	72	38	34
Mar	24.5	17.8	15.6	2.3	8.2	4.6	73	17	56	56	1
Apr	19.6	16.8	17.3	1.7	5.4	3.6	64	30	34	75	-41
May	22.0	21.1	19.3	3.5		3.6	69	5	65		65
Jun	18.4	20.8	19.1	2.7	6.3	3.1	70	5	65	29	36
Jul	21.3	22.8	21.1	1.9	3.0	2.3	72	39	33	112	-79
Aug	8.8	8.0	7.3				24	9	15	12	3
Sep	13.3	23.6	25.4	2.0	5.5	2.5	72	16	56	56	
Oct	17.8	23.0	18.3	3.5	3.0	2.5	68	27	41	69	-28
Nov	14.0	24.3	17.5	1.0		3.5	60	5	55	13	42
Dec	10.3	7.8	10.3	1.5			30	3	26	59	-32
Total	212	238	233	23	43	31	780	198	582	573	10

GERMANY	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan	4.0	4.0	5.0		3.0		16	13	3	25	-22
Feb	5.0	4.0	9.0				18	1	17		17
Mar	5.0	4.0				2.0	11	0	11	19	-8
Apr	5.0	4.0	5.0		3.0		17	3	14	16	-2
May	5.0	5.0	5.0			1.5	17		17		17
Jun	5.0	5.0	5.0			1.0	16	1	15	19	-4
Jul	5.0	4.0	5.0		3.0	1.0	18	13	5	27	-22
Aug	5.0	4.0	4.0				13		13		13
Sep	5.0	5.0	10.0				20	1	19	18	1
Oct	5.0	4.0	4.0		2.0		15	2	13	16	-3
Nov	5.0	7.0	4.0			2.0	18		18		18
Dec	4.0						4		4	17	-13
Total	58.0	50.0	56.0		11.0	7.5	183	35	148	157	-9

FRANCE	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan	4.9	4.3	4.8		3.6	1.7	19	3	16	15	2
Feb	3.4	6.7	8.5			1.8	20	1	20		20
Mar	4.0	5.5	6.1	2.3		1.6	20		20		20
Apr	5.3	4.0	4.7	1.7	1.2	2.5	19	17	2	20	-18
May	4.1	6.6	5.9	1.9		1.4	20		20		20
Jun	4.3	7.5	3.5	2.0	0.7	1.4	19		19		19
Jul	1.8	7.1	9.4			1.3	20	7	12	29	-17
Aug											
Sep	3.0	6.4	4.5		1.5	1.5	17		16	12	4
Oct	4.0	6.0	4.5			1.5	16	15	1	20	-20
Nov	2.5	6.5	2.5	1.0		1.5	14		14		14
Dec		2.5	3.0	1.5			7		7	5	1
Total	37.3	63.1	57.4	10.3	7.0	16.2	191	45	146	102	45

ITALY	CTZ/3yr	5yr/CCT	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan	9.4	6.4	3.5			0.6	20	1	19		19
Feb	7.6	4.9	4.7			1.5	19	10	9	36	-28
Mar	8.7	4.8	4.4			1.0	19	7	11	27	-16
Apr	5.9	3.6	5.1			1.0	16	2	14	27	-14
May	7.0	4.4	3.9	0.6		0.8	17	5	12		12
Jun	6.4	2.9	5.9			0.6	16	2	14		14
Jul	8.0	2.5	4.1				15	1	14	17	-3
Aug	2.5	2.8	2.3				8	9	-2	12	-13
Sep	5.3	6.8	6.0	1.0		1.0	20	8	12	10	2
Oct	5.5	4.5	4.5	1.5		1.0	17	2	15	18	-3
Nov	5.3	6.5	4.0				16	5	11	13	-2
Dec	4.0	4.5	4.0				13	2	10	31	-20
Total	75.7	54.4	52.4	3.1		7.5	193	54	139	192	-54

Source: DMOs, Citi estimates, Bloomberg

Figure 65. 2012 Euro Government Bond Supply – Citi Forecasts (Euro in Billions)

SPAIN	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan		11.5	5.3				17	7	10		10
Feb	3.6	4.6	5.3				14		13	1	12
Mar	4.0	3.5					8		8		8
Apr	2.2	1.0	1.9				5	4	1	12	-11
May	2.6	2.9					5		5		5
Jun	2.6	1.6	0.6				5		5		5
Jul	2.6	2.1	1.3				6	8	-2	13	-15
Aug	1.3	1.2	1.0				4		4		4
Sep		3.5	2.0		1.0		7		7		7
Oct	2.5	2.3	2.3		1.0		8	4	4	15	-11
Nov		2.3	2.3				5		5		5
Dec	2.3		2.3				5		5		5
Total	23.7	36.4	24.2		2.0		86	23	63	41	22

NETHERLANDS	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan	4.1				1.5		6	4	2	14	-13
Feb		4.0	6.0				10		10		10
Mar	2.8				4.2		7		7		7
Apr	1.1	3.5			1.1		6		6		6
May	3.3		2.9				6		6		6
Jun			2.2		1.7		4		4		4
Jul	3.8	6.0		0.9			11	6	5	15	-11
Aug											
Sep			1.8		1.8		4		4		4
Oct	0.8	1.5		1.3			4		4		4
Nov	1.3		2.3				4		4		4
Dec											
Total	17.1	14.9	15.1	2.1	10.2		60	10	49	30	20

BELGIUM	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan			4.5				5		5		5
Feb		1.0	1.4		1.6		4		4		4
Mar			4.0		4.0		8	7	1	4	-2
Apr											
May		0.5	1.0	1.0			3		3		3
Jun		0.8	1.3	0.7			3		2		2
Jul		1.1	1.3	1.0			3		3		3
Aug											
Sep		0.5	0.6	1.0	0.5		3	5	-2	9	-11
Oct		4.0					4		4		4
Nov		0.5	0.8				1		1		1
Dec										6	-6
Total		8.5	14.9	3.9	6.4		34	12	22	19	3

GREECE	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan											
Feb											
Mar											
Apr											
May											
Jun											
Jul											
Aug											
Sep											
Oct											
Nov											
Dec											
Total								0	0	0	-0

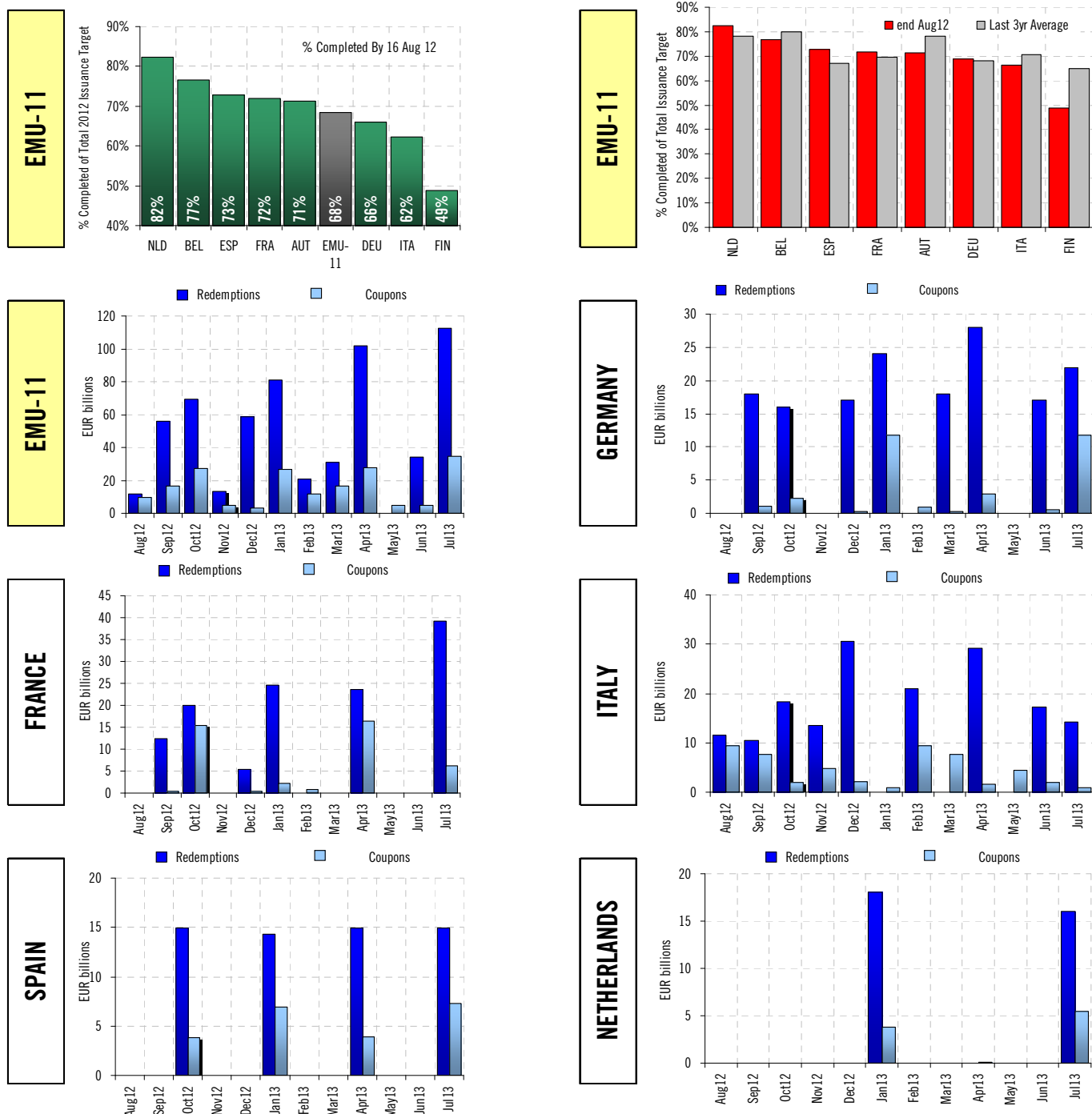
Source: DMOs, Citi estimates, Bloomberg

Figure 66. 2012 Euro Government Bond Supply – Citi Forecasts (Euro in Billions)

AUSTRIA	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan		0.7	3.7		2.0		6	1	6		6
Feb											
Mar			1.1				1	1			
Apr		0.7	0.6				1		1		1
May		0.7	0.6				1		1		1
Jun		3.0	0.7		2.4		6		6		6
Jul								2	-2	10	-13
Aug											
Sep		0.8			0.8		2	1			
Oct		0.8		0.8			2	1	1		1
Nov		0.8	1.0				2		2		2
Dec		0.8	1.0				2		2		2
Total		8.1	8.7	0.8	5.2		23	7	15	10	5
FINLAND	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan				3.0			3		3		3
Feb											
Mar											
Apr								1	-1		-1
May		1.0					1		1		1
Jun					1.5		2		2		2
Jul								1	-1		-1
Aug											
Sep		0.8	0.5				1	1	1	6	-5
Oct			3.0				3		3		3
Nov		0.8	0.8				2		2		2
Dec											
Total		2.5	4.3	3.0	1.5		11	2	9	6	3
PORTUGAL	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan											
Feb											
Mar											
Apr								1	-1		-1
May											
Jun								2	-2	10	-12
Jul											
Aug											
Sep								1	-1		-1
Oct								1	-1		-1
Nov											
Dec											
Total								5	-5	10	-15
IRELAND	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan											
Feb											
Mar								1	-1	6	-6
Apr								1	-1		-1
May											
Jun											
Jul											
Aug											
Sep											
Oct								1	-1		-1
Nov											
Dec											
Total								4	-4	6	-10

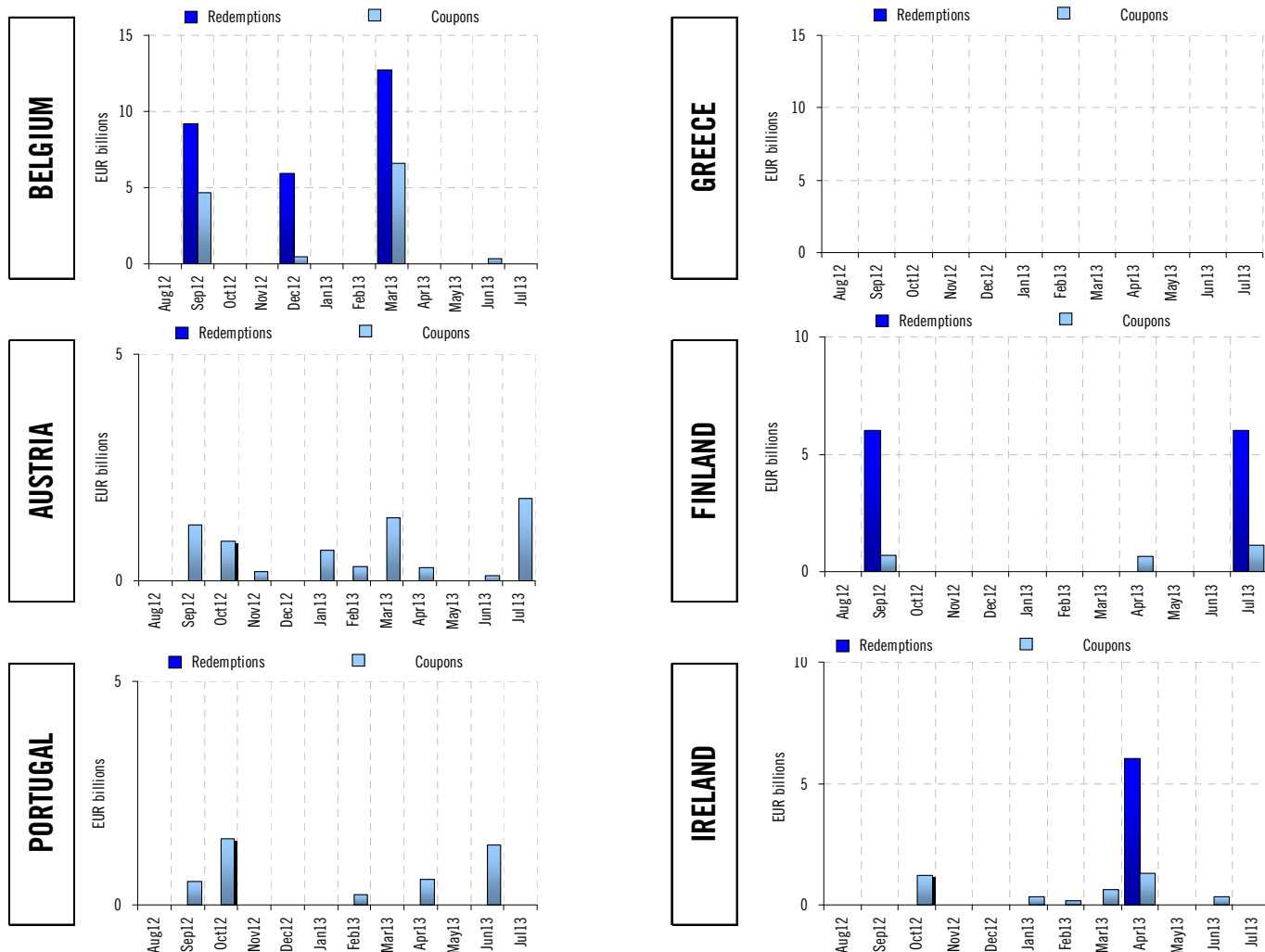
Source: DMOs, Citi estimates, Bloomberg

Figure 67. 2012 EMU Issuance Progress and Cash flow profile – Citi Forecasts (Euro in Billions)



Source: DMOs, Citi estimates, Bloomberg

Figure 68. 2012 EMU Issuance Progress and Cash flow profile – Citi Forecasts (Euro in Billions)



Size of bond market (fixed rate bonds and linkers)	Sector					
	2yr	5yr	10yr	15yr	30yr	Total
	Germany	France	Netherlands	Italy	Spain	Belgium
	403	296	183	63	91	1035
	369	335	274	94	120	1191
	108	78	56	13	31	286
	486	262	287	133	120	1288
	192	123	103	53	39	510
	85	83	58	25	28	280
	48	54	40	15	17	174
	24	23	13	9	2	69
	18	27	26	12	0	83
	24	40	23	0	7	94
	0	0	0	0	0	0

Credit Rating (LT local currency)	S&P		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
	Germany	France	Netherlands	Italy	Spain	Belgium
	AAA	Stable	Aaa	-ve	AAA	Stable
	AA+	-ve	Aaa	-ve	AAA	-ve
	AAA	-ve	Aaa	-ve	AAA	Stable
	BBB+	-ve	Baa2	-ve	A-	-ve
	BBB+	-ve	Baa3	-ve watch	BBB	-ve
	AA	-ve	Aa3	-ve	AA	-ve
	AA+	-ve	Aaa	-ve	AAA	Stable
	AAA	-ve	Aaa	Stable	AAA	Stable
	BBB+	-ve	Ba1	-ve	BBB+	-ve
	BB	-ve	Ba3	-ve	WD	-ve
	CCC	-ve	C		CCC	

Source: DMOs, Citi estimates, Bloomberg

EUR: Coupons & Redemptions (next 3mths)

Figure 69. EMU-11 Redemptions over the next three months (€bn)

Redemptions = €150bn											
Redemptions	DEU	FRA	NLD	ITA	ESP	BEL	AUT	FIN	PRT	GRC	IRL
	34	32	0	54	15	9	0	6	0	0	0
(Fri) 31-Aug-12				11.5							
(Fri) 14-Sep-12	18.0										
(Sat) 15-Sep-12				10.4				6.0			
(Thu) 20-Sep-12		12.4									
(Fri) 28-Sep-12						9.2					
(Sun) 30-Sep-12											0.02
(Fri) 12-Oct-12	16.0										
(Mon) 15-Oct-12				18.4							
(Thu) 25-Oct-12		20.1									
(Wed) 31-Oct-12					15.0						
(Thu) 01-Nov-12				13.5							

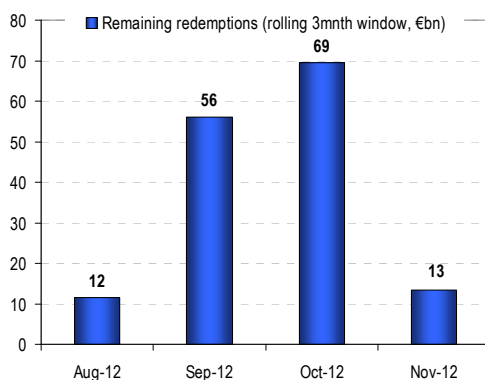
Source: DMOs, Bloomberg, Citi estimates

Figure 70. EMU-11 Coupon Payments over the next three months (€bn)

Coupons = €48bn											
Coupons	DEU	FRA	NLD	ITA	ESP	BEL	AUT	FIN	PRT	GRC	IRL
	3	16	0	14	4	5	2	1	2	0	1
(Sat) 18-Aug-12											0.001
(Sat) 01-Sep-12				5.9							
(Tue) 04-Sep-12	0.7										
(Thu) 13-Sep-12	0.1										
(Fri) 14-Sep-12	0.1										
(Sat) 15-Sep-12				1.8			1.2	0.7			
(Thu) 20-Sep-12	0.0	0.1									
(Sun) 23-Sep-12									0.5		
(Tue) 25-Sep-12		0.4									
(Fri) 28-Sep-12						4.7					
(Sun) 30-Sep-12											0.001
(Mon) 01-Oct-12				0.2							
(Tue) 09-Oct-12	0.3										
(Wed) 10-Oct-12	0.4										
(Thu) 11-Oct-12	0.6										
(Fri) 12-Oct-12	0.7										
(Sun) 14-Oct-12	0.2										
(Mon) 15-Oct-12				1.7					0.9		
(Tue) 16-Oct-12									0.3		
(Thu) 18-Oct-12											1.2
(Sat) 20-Oct-12							0.9				
(Thu) 25-Oct-12		15.4							0.4		
(Wed) 31-Oct-12					3.8						
(Thu) 01-Nov-12				4.3							
(Thu) 15-Nov-12				0.4							

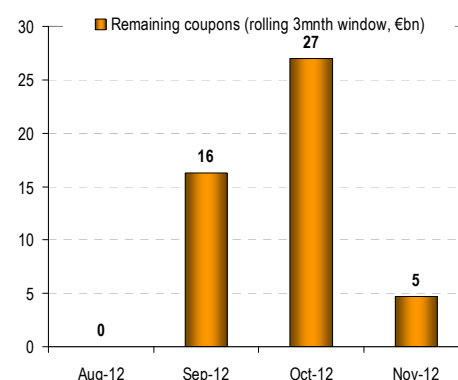
Source: DMOs, Bloomberg, Citi estimates

Figure 71. EMU-11 remaining redemptions over the next 3months (€bn)



Source: DMOs, Bloomberg, Citi estimates

Figure 72. EMU-11 remaining coupons over the next 3months (€bn)



Source: DMOs, Bloomberg, Citi estimates

Inflation Forecasts, Carry & Weekly Changes

Figure 73. Citi Inflation Forecasts

Month	EUR HICPxT			France CPIxT			UK RPI			US CPURNSA		
	Index Forecast	MoM Change	YoY Change	Index Forecast	MoM Change	YoY Change	Index Forecast	MoM Change	YoY Change	Index Forecast	MoM Change	YoY Change
Jul 12	114.65	-0.6	2.3	124.22	-0.4	1.9	242.10	0.1	3.2	229.10	-0.2	1.4
Aug 12	114.82	0.1	2.3	124.85	0.5	1.8	243.00	0.4	2.9	229.10	-0.0	1.1
Sep 12	115.20	0.3	1.9	124.74	-0.1	1.8	243.71	0.3	2.4	229.20	0.0	1.0
Oct 12	115.60	0.3	1.9	124.63	-0.1	1.6	244.01	0.1	2.5	229.30	0.0	1.3
Nov 12	115.69	0.1	1.9	124.89	0.2	1.5	244.31	0.1	2.4	229.30	-0.0	1.4
Dec 12	116.14	0.4	2.0	125.40	0.4	1.5	245.52	0.5	2.6	229.10	-0.1	1.5

Shaded = Already released

Source: Citi Research, Bloomberg

Figure 74. US TIPS Inflation- Linked Carry (based on forecasts above) – One week changes

Bond	RY (%)	Chg (bp)	Carry-adj chg	Carry: RY (bp)			Ref	BE (bp)	Chg (bp)	Carry-adj chg	Carry: BE (bp)			ZC Swap - BE Spread (bp)	Chg (bp)
				1 Oct	1 Nov	1 Dec					1 Oct	1 Nov	1 Dec		
Repo (%)				0.14	0.14	0.14									
TIPS 1/14	-1.15	-2	-2	-31	-42	-51	US-4.000-02/15/14	141	1	-3	-32	-44	-54	9	-3
TIPS 4/14	-1.11	-1	-1	-25	-34	-41	US-1.875-04/30/14	139	2	-2	-26	-36	-44	3	-3
TIPS 7/14	-1.41	1	1	-24	-33	-40	US-2.625-07/31/14	171	-0	-4	-25	-35	-43	9	-1
TIPS 1/15	-1.24	3	3	-18	-24	-28	US-2.250-01/31/15	159	-1	-4	-19	-26	-31	13	-2
TIPS 4/15	-1.24	6	6	-16	-21	-25	US-2.500-04/30/15	161	-4	-6	-17	-23	-28	7	1
TIPS 7/15	-1.36	3	3	-15	-21	-24	US-4.250-08/15/15	179	-1	-3	-17	-23	-28	15	-2
TIPS 1/16	-1.22	8	8	-12	-17	-19	US-2.625-02/29/16	172	-4	-6	-14	-19	-23	18	0
TIPS 4/16	-1.17	7	7	-11	-15	-17	US-2.000-04/30/16	171	-3	-4	-13	-17	-20	15	-1
TIPS 7/16	-1.24	7	7	-11	-15	-17	US-4.875-08/15/16	184	-2	-4	-13	-17	-21	21	-2
TIPS 1/17	-1.12	5	5	-9	-12	-14	US-3.125-01/31/17	182	-0	-2	-11	-15	-18	20	-4
TIPS 4/17	-1.13	8	8	-9	-11	-13	US-0.875-04/30/17	189	-2	-3	-10	-14	-17	11	-2
TIPS 7/17	-1.15	8	8	-9	-11	-13	US-4.750-08/15/17	195	-1	-2	-10	-14	-17	21	-3
TIPS 1/18	-1.03	9	9	-7	-10	-11	US-3.500-02/15/18	196	-0	-2	-9	-13	-15	18	-3
TIPS 7/18	-1.05	10	10	-7	-9	-10	US-4.000-08/15/18	203	-2	-3	-9	-12	-15	22	-2
TIPS 1/19	-0.89	8	8	-6	-8	-8	US-2.750-02/15/19	201	1	-0	-8	-11	-13	23	-5
TIPS 7/19	-0.89	8	8	-6	-7	-8	US-3.625-08/15/19	209	2	1	-8	-11	-13	25	-5
TIPS 1/20	-0.76	12	12	-5	-6	-7	US-3.625-02/15/20	207	-1	-2	-7	-10	-12	26	-2
TIPS 7/20	-0.72	12	12	-5	-6	-6	US-2.625-08/15/20	215	-2	-3	-7	-9	-11	27	-1
TIPS 1/21	-0.59	11	11	-4	-5	-5	US-3.625-02/15/21	209	0	-1	-6	-9	-11	31	-3
TIPS 7/21	-0.58	12	12	-4	-5	-5	US-2.125-08/15/21	220	-1	-2	-6	-8	-10	27	-2
TIPS 1/22	-0.48	12	12	-3	-4	-4	US-2.000-02/15/22	219	-1	-2	-6	-8	-9	26	-1
TIPS 7/22	-0.47	12	12	-3	-4	-4	US-1.625-08/15/22	226	-2	-2	-5	-8	-9	25	-1
TIPS 1/25	-0.13	12	12	-2	-3	-3	US-7.625-02/15/25	215	-1	-2	-5	-7	-9	40	-1
TIPS 1/26	-0.02	13	13	-2	-2	-2	US-6.000-02/15/26	218	-2	-2	-5	-6	-8	39	-1
TIPS 1/27	0.03	16	16	-2	-2	-2	US-6.625-02/15/27	221	-4	-5	-4	-6	-8	38	2
TIPS 1/28	0.11	13	13	-2	-2	-2	US-6.125-11/15/27	220	-2	-2	-4	-6	-7	40	-1
TIPS 4/28	0.14	14	14	-2	-2	-2	US-5.500-08/15/28	222	-1	-2	-4	-6	-7	36	-1
TIPS 1/29	0.13	14	14	-2	-2	-1	US-5.250-02/15/29	227	-2	-3	-4	-6	-7	35	-0
TIPS 4/29	0.16	13	13	-2	-2	-1	US-5.250-02/15/29	224	-1	-2	-4	-6	-7	36	-1
TIPS 4/32	0.23	14	14	-1	-1	-1	US-5.375-02/15/31	223	-2	-2	-4	-5	-6	40	-1
TIPS 2/40	0.51	16	16	-1	-1	0	US-4.625-02/15/40	226	-2	-3	-3	-4	-5	39	-1
TIPS 2/41	0.53	16	16	-1	-1	0	US-4.750-02/15/41	226	-2	-2	-3	-4	-5	39	-1
TIPS 2/42	0.59	15	15	-1	-1	0	US-3.125-02/15/42	229	-2	-2	-2	-3	-4	36	-1

Source: Citi Research

Figure 75. EUR Inflation- Linked Carry (based on forecasts above)- One week changes

Bond	RY (%)	Chg (bp)	Carry-adj chg	Carry: RY (bp)			Ref	BE (bp)	Chg (bp)	Carry-adj chg	Carry: BE (bp)			ZC Swap - BE Spread (bp)	Chg (bp)
				1 Oct	1 Nov	1 Dec					1 Oct	1 Nov	1 Dec		
Repo (%)				0.10	0.09	0.08									
BTPei14	2.47	8	8	-17	1	33	BTP 8/14	98	-5	-7	-39	-38	-27	66	4
OATei15	-1.12	1	2	-26	-25	-17	FFRG 4/15	135	0	-1	-26	-26	-19	45	-0
BUNDei16	-1.00	-0	-0	-20	-19	-12	BUND 1/16	115	4	3	-20	-20	-13	33	-4
BTANi16	-0.88	7	7	-14	-3	-8	FFRG 4/16	143	-3	-4	-16	-6	-12	58	3
BTPei16	3.68	-8	-8	-5	7	25	BTP 8/16	71	13	12	-19	-17	-10	98	-12
OATi17	-0.70	7	7	-11	-2	-5	FFRG 4/17	156	-0	-1	-13	-5	-11	49	1
BTPei17	4.01	-7	-7	-3	7	22	BTP 8/17	76	10	10	-16	-15	-10	96	-9
BOBLEi18	-0.74	0	0	-12	-11	-6	BUND 1/18	135	6	6	-14	-13	-10	27	-5
OATei18	-0.33	2	2	-11	-9	-4	FFRG 4/18	150	2	1	-13	-13	-10	32	-1
OATi19	-0.28	2	2	-7	0	-2	FFRG 4/19	176	2	2	-10	-5	-9	40	-1
BTPei19	4.44	-5	-5	-2	7	18	BTP 9/19	82	6	6	-12	-11	-7	103	-5
BUNDei20	-0.56	4	4	-9	-8	-4	BUND 1/20	160	3	3	-11	-11	-8	20	-2
OATei20	-0.03	-0	-0	-8	-6	-2	FFRG 4/20	177	3	3	-11	-11	-9	20	-2
BTPei21	4.72	-11	-11	-1	6	15	BTP 9/20	71	11	11	-10	-10	-8	130	9
OATei22	0.22	1	1	-6	-4	-1	FFRG 4/21	174	1	1	-9	-10	-8	35	-0
BUNDei23	-0.36	5	5	-6	-5	-2	BUND 1/22	181	3	3	-8	-8	-7	22	-2
OATi23	0.23	2	2	-4	1	0	FFRG 10/23	209	0	-0	-7	-4	-7	30	0
BTPei23	4.83	-10	-10	-1	5	14	BTP 8/23	94	7	7	-8	-8	-6	118	-6
BTPei26	4.91	-6	-6	-1	5	12	BTP 3/26	106	5	4	-7	-8	-6	116	-4
OATei27	0.49	-0	-0	-4	-3	0	FFRG 4/26	209	2	2	-7	-7	-6	18	-1
OATi29	0.54	-2	-2	-3	1	1	FFRG 4/29	221	2	2	-5	-3	-6	20	-1
OATei32	0.60	-5	-5	-3	-2	0	FFRG 10/32	226	5	4	-6	-6	-6	6	-3
BTPei35	4.64	-8	-8	-1	3	7	BTP 8/34	164	5	5	-6	-7	-7	70	-4
OATei40	0.69	-3	-3	-2	-1	0	FFRG 10/38	235	1	1	-4	-5	-5	8	-0
BTPei41	4.51	-5	-5	-1	2	6	BTP 9/40	179	2	1	-6	-7	-7	64	-1

Source: Citi Research

Figure 76. UK Gilts Inflation- Linked Carry (based on forecasts above)- One Week Changes

Bond	RY (%)	Chg (bp)	Carry-adj chg	Carry: RY (bp)			Ref	BE (bp)	Chg (bp)	Carry-adj chg	Carry: BE (bp)			ZC Swap - BE Spread (bp)	Chg (bp)
				1 Oct	1 Nov	1 Dec					1 Oct	1 Nov	1 Dec		
Repo (%)				0.44	0.43	0.41									
UKTi'16	-1.91	-8	-9	2	3	5	UKT 9/16	239	12	12	2	3	4	40	-0
UKTi'17	-1.53	-5	-3	-5	-1	2	UKT 3/18	234	10	8	-6	-2	0	47	-3
UKTi'20	-1.09	-5	-5	3	4	6	UKT 3/20	236	11	11	1	2	2	50	-2
UKTi'22	-0.72	-4	-3	-1	1	4	UKT 3/22	240	10	9	-3	-2	-1	62	-1
UKTi'24	-0.54	-5	-5	2	4	6	UKT 3/25	256	10	10	0	0	1	52	-1
UKTi'27	-0.22	-1	-1	-1	2	3	UKT 12/27	251	6	5	-3	-2	-1	64	3
UKTi'29	-0.08	-2	-2	0	2	3	UKT 12/30	257	8	8	-2	-2	-1	57	-1
UKTi'30	-0.19	-1	-1	2	3	5	UKT 6/32	281	7	7	0	0	0	40	0
UKTi'32	-0.06	0	0	0	2	3	UKT 6/32	267	6	5	-2	-2	-2	56	1
UKTi'34	0.03	-1	-0	0	1	3	UKT 9/34	274	7	7	-2	-2	-2	49	-0
UKTi'35	-0.03	0	0	2	3	4	UKT 3/36	288	7	7	0	0	-1	38	1
UKTi'37	0.05	1	1	0	1	3	UKT 12/38	288	7	6	-2	-2	-2	42	-0
UKTi'40	0.08	2	2	0	1	2	UKT 9/39	291	6	6	-2	-2	-2	40	1
UKTi'42	0.07	1	1	0	1	2	UKT 12/42	297	7	6	-2	-2	-2	39	0
UKTi'44	0.11	-0	0	0	1	2	UKT 12/42	293	8	7	-2	-2	-2	42	-1
UKTi'47	0.09	1	1	0	1	2	UKT 12/46	302	7	6	-2	-2	-2	35	0
UKTi'50	0.12	1	2	0	1	2	UKT 12/49	303	6	6	-2	-2	-2	33	1
UKTi'55	0.11	1	1	0	1	2	UKT 12/55	306	6	6	-2	-2	-2	33	1
UKTi'62	0.11	0	0	0	1	1	UKT 1/60	305	7	7	-2	-2	-2	34	0

Source: Citi Research

Summary of Recent Publications

Date	Publication	Topic	Page	Region
13-Aug-12	NOTE	Global Flow Monitor: Core Demand for Europe	-	Global
09-Aug-12	IIRS	Overview: The eye of the storm	8	Global
		Another way to trade US/Europe	10	Global
		EUR Vol: Making money in a low rates world	12	EUR
		SSA Spreads Moving Tighter	14	EUR
06-Aug-12	NOTE	Global Flow Monitor: Light Demand For Europe Conceals Strong Bond Appetite	-	Global
02-Aug-12	IIRS	Overview: Changing curve dynamic post-ECB	8	EUR
		Inflation: sell 30yr OATei break-evens	9	EUR
		SSA Issuer Focus: KfW	10	EUR
02-Aug-12	NOTE	Rates Strategy Update: Go long into the ECB	-	EUR
30-Jul-12	NOTE	Global Flow Monitor: Risk-on – but maybe not where you think	-	Global
27-Jul-12	NOTE	Month-End Index-Linked Index Projections	-	Global
26-Jul-12	IIRS	Overview: Time for a correction?	10	Global
		Beware the “yield grab” trade	12	EUR
		Spread Compression in SSA – What Next?	13	EUR
		EMU: 4 key auctions before the issuance lull	15	EUR
		Sell 30yr OATei vs IL gilt break-evens	18	Global
		Sovereign Ratings Outlook – July 2012	19	Global
		Key Expected Ratings Issues	20	Global
		EMU-11: August Supply Outlook	28	EUR
25-Jul-12	NOTE	Rate Strategy Update: Unwind “reach for yield” trades	-	EUR
23-Jul-12	NOTE	Global Month-End Index Projections: Support for Liquid Core Markets	-	Global
19-Jul-12	IIRS	The ongoing yield shortage: what to grab	8	EUR
		Bunds could record new lows in August	11	EUR
		Upcoming cash flows in Italy & Spain	13	EUR
		Euro inflation: too early to fade the rally	15	EUR
		SSA Issuer Focus: EIB	17	EUR
		End-July EGBI/WGBI Projections	20	Global

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Figure 77. Citi Global Interest Rate Strategy Team, For informational purposes only

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Source: Citi Research

Notes

Notes

Notes

Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

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