

European Rates Weekly

OAT: Another Year of Flat Performance?

- **Outlook for OATs:** In a recent note, we investigated the emerging competition between US Treasuries, OATs and peripheral EGBs. We develop this theme with a particular focus on the structure of demand for OATs. We continue to favour selling OATs vs OLOs and Bunds (as a butterfly trade) in the 5yr and 10yrs sectors.
- **EUR Volatility – back testing of receiver swaption carry trades:** We look at the historical evolution of ex-ante and ex-post rolldown PnL for long positions on receiver swaptions as well as ranking current ex-ante rolldown PnL for ATM and OTM receivers. Strategy: Buy 1y3y ATM Receiver Swaption
- **UK Rates – tactical flatteners in 10s30s:** As always with 10s30s, the direction of the front-end will be crucial. But with 2yr gilt yields back to 0.50%, and the possibility of a further fall in the jobless rate next week, we would rather hold gilt flatteners. This is especially true given upcoming supply/demand and cash-flow dynamics.
- **Near-term signposts for Spain and Italy:** Spain and Italy have enjoyed a good start to the year and we believe spreads are likely to nudge tighter still in January. Near-term signposts include Q4 GDP releases & large cash flows later this month.
- **Outlook for EUR swap spreads:** We expect spreads to widen across the curve. We recommend buying Bobl-167 vs swaps and continue to expect 10yr Bund ASW to widen further. Our least favourite position for wideners is the 2yr sector due to the high negative carry. We recommend taking profit on 30yr Bund ASW wideners.
- **UK inflation:** The price action over the last week points to strong support for the IL68s. We advocate 30s50s break-even steepeners. This should be supported by a pick-up in LDI activity, 15yr+ index extensions and infrequent 50yr supply.
- **SSA – strategies for KfW:** We see better relative value in KfW vs sovereigns such as the Netherlands (3yr) and France (2yr) than compared with KfW- Bund spreads.
- **Covered bonds:** Fitch has now also sent out a request for comment on a proposal of the rating agency to adapt its rating methodology to the new European resolution regime. We present the key outline of the new proposal and its implications.
- **Technicals:** Bunds are trading near the top of a long-term descending triangle. A break-out will give a measuring target of 7.5 point move in the same direction.
- **Relative value trades:** We highlight a number of relative value opportunities in the 2-10yr sector of the French, Austrian, Belgian, Spanish and gilt yield curves.
- **Supply:** Within Europe, next week's bond supply comes from Germany (€4bn) and France (around €9bn). The UK will issue £3.25bn of a gilt 2023 next Thursday.

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

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Figure 1. Strategy Summary Table

Europe	View	Strategies
Direction	We do not expect a substantial deviation in Bund yields from current levels based on the modest euro area recovery, low inflation and accommodative ECB policy.	Buy the dips in Bund yields
Money Market	Even with a 1/2 rate hike priced in for 2015 and zero excess liquidity, we are unlikely to see 1y1y Eonia trading higher than in Sep13. We continue to like decoupling strategies with USD money markets. diverge from inflation expectations	Receive EUR 2y1y vs USD Short-sterling H6 vs H5 flatteners
Yield Curve	we like EUR 5s30s steepeners, especially in forward space for optimal carry. This based on our expectations for ECB policy and our supply projections. We recommend holding onto BTP 2s10s steepeners for the carry and to capture supply dynamics. In the UK, we like receiving 2s5s10s fly (but have tightened the stop) and also advocate 10s30s gilt flatteners to capture upcoming supply and cash-flow dynamics	Buy gilt 3.25% 2044 vs 2.25% Sep23 Receive EUR 3y2y vs 5y25y (5s30s steepeners) Receive EUR 5y5yF vs 15y15yF (or receive EUR 5s15s30s) Receive GBP 2s5s10s Hold BTP 2s10s steepener
Cross-market	Over the longer-term, we still expect Bunds to outperform given diverging growth/inflation fundamentals between Europe and the US. We continue to like 10yr gilt-Bund wideners given the likelihood of further stimulus from the ECB in 2014 while the MPC are edging towards the exit. Gilt-USTs are likely to remain highly correlated for now.	Stay short 10yr gilts vs Bunds Long Bunds vs UST (add on corrections)
EMU Spreads	We would not fade the rally in periphery EMU spreads just yet, despite the impressive move so far in 2014. We believe demand will remain firm amid an environment of growing market confidence and hunt-for-yield. We continue to expect Spain to outperform Italy and note there is Q4 GDP data from Spain later in January.	Long Spain vs Italy Sell France vs Belgium and Germany (in either 5s or 10s) Sell 20yr DSLs vs Bunds Range trade 10yr OAT-Bunds
Swap Spreads	we expect swap spreads to widen further across the curve due to a reduction in 2014 Bund issuance our expectation of their being reduced swapped issuance from corporates & US debt ceiling concerns. Our preferred point for ASW wideners is the 5yr sector. In the UK, the lack of supply in longs this quarter may help 30yr swap spreads to richen. Supply trends are also supportive over the longer-term	Buy 5yr Germany vs swaps Hold long 10yr Bund ASW positions for another 4bps Take profit on 30yr Bund ASW wideners
Inflation	Euro break-evens have fallen back sharply today as nominals have rallied, but we suspect that this move has further to run given low inflation prints and a high level of issuance (we target the November lows). In the UK, the focus is firmly on the upcoming IL68 syndication. The IL68s have found support over the last week and we like 30s50s break-even steepeners (or real yield curve flatteners) here.	Buy IL68 vs IL44 break-even inflation Sell Bunde123 break-evens Buy OATi17 vs BTANi16 on a break-even inflation basis
Volatility	Whilst black swans can, and indeed have, appeared to wreak havoc on carry trades (they showed up at least twice in 2013), we believe that long positions on receiver swaptions in the top left corner are the safest way to play the ECB at the current market juncture, given the limited downside and the current cheap gamma vol valuation.	Long 1y3y ATMF Receiver Swaption
SSA	This week's volume of supply is likely to be indicative of the January supply pipeline. Look to the primary market for liquidity pockets to add exposure selectively. Move up in quality, especially from EMU sovereigns of lower ratings, when spread levels and liquidity permit.	Long 3yr KfW vs the Netherlands Long 2yr KfW vs France Long EU vs other supras with larger supply pipelines
For a list of outstanding trade strategies please see the Tradesheet section of this report		

Duration Scorecard

Figure 2. Bund Weekly Cheat Sheet: 18th-24th January

Bund Directional Scorecard (1wk horizon)

RECOMMENDATION	Short
Conviction level	3%

RXH4 (EOD Thurs) = 141.17

CTD yield = 1.56% 10day del vol = 3.8%

SIGNAL STRENGTH (+/-2)

MACRO	0.1	Weight = 35%
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ECB	1	Monetary policy to be accommodative for as long as needed	7.5%
Fed, BoE and BOJ	0	Dovish forward guidance but modest tapering broadly priced	5.0%
Inflation	1	Headline inflation projected to remain in 0.7-0.8% for next 4 months	5.0%
Growth related data	-1	PMIs likely to continue to indicate mild expansion	7.5%
Citi surprise	0	Citi Economic Surprise Index flat	5.0%
Middle East / Oil	1	Brent prices stabilising near 2 month low	5.0%

EURO MARKET FACTORS	-0.2	Weight = 33%
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Supply	-1	Short-end supply from Germany and France. No cash flows	7.5%
Risk appetite	-1	GRAMI index indicates very low levels of risk aversion	7.5%
Flow	1	Demand for core improving	2.5%
Equity	-1	Eurostoxx50 at new 5 year highs	5.0%
Sovereign credit	-1	Peripheral yields at multi year low	5.0%
FX	1	EUR effective exchange rate range-bound near 6m lows	5.0%

EVENT RISK	0.0	Weight = 10%
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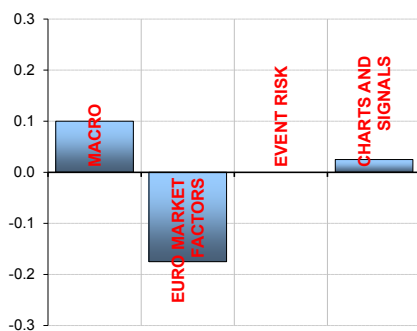
Politics	0	No political event likely to impact the market in near-term	2.5%
3yr LTRO	0	We expect a new 1yr LTRO in 1H14	5.0%
Stability mechanisms	0	Nothing on the agenda in the near-term	2.5%

CHARTS AND SIGNALS	0.0	Weight = 23%
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Technicals	1	140.5 a key support level on a weekly horizon	5.0%
T-Note	0	Neutral	5.0%
CFTC	-1	Positioning slightly short	7.5%
ARTS	1	Mild longs	5.0%

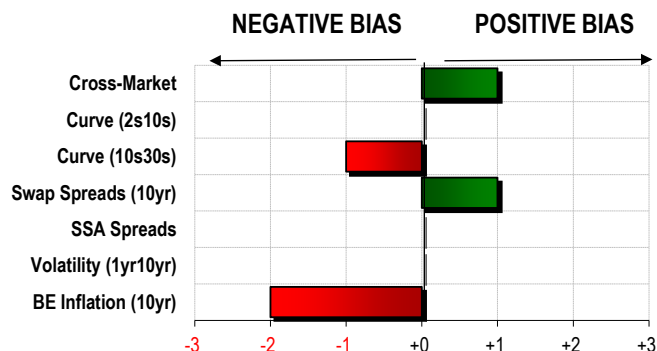
Source: Citi Research Note: Futures trading involves a substantial risk of loss

Figure 3. Contribution to Bund Signals



Source: Citi Research

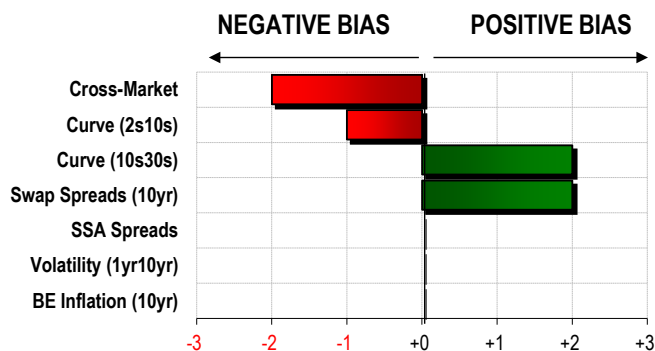
Figure 4. EURO AREA (Near-term Bias)



Source: Citi Research

POSITIVE bias = bullish vs UST, flatter curve, wider swap spreads, tighter SSA spreads, higher implied vol, wider BE inflation

Figure 5. UK (Near-term Bias)



Source: Citi Research

POSITIVE bias = bullish vs Bunds, flatter curve, wider swap spreads, tighter SSA spreads, higher implied vol, wider BE inflation

Tradesheet

New Trades

Please see p19 for details

1. Buy 5yr Germany vs swaps

Buy Bobl-167 (Oct18) vs swaps (YYS) at -33bp

Open -33bp. Current -33bp. Target -50bp. Stop -24bp

2. Buy IL gilt 2068 vs IL gilt 2044 break-even

Buy IL gilt 2068 break-even at 347bp

Sell IL gilt 2044 break-even at 346.5bp

Open 0.5bp. Current 0.5bp. Target 3.5bp. Stop -1bp.

Please see p22 for details

Please see [UK Rates Strategy](#) for details

3. Gilt 10s30s flatteners

Buy gilt 3.25% Jan44 at 3.56%

Sell gilt 2.25% Sep23 at 2.82%

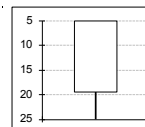
Open 73.5bp. Current 74.5bp. Target 63bp. Stop 79bp.

Record of Our Closed Trades

Figure 6. Record of our Closed Trades

Region	Trade	Levels	Rationale
Europe	Buy 5yr Belgium vs France	Open 19.5bp Current 5bp P&L 15bp Revised Target 5bp Revised Stop 14bp	Hit Target 16 January 2014 Euro Rates Strategy, 24 July 2013 Revised: European Rates Weekly, 21 November 2013
Cross Market	Buy OLO 4% Mar18 at 1.15% Sell OAT 4% Apr18 at 0.95%		

Source: Citi Research



Record of Our Open Trades

Figure 7. Record of our Open Trades

Region	Trade	Levels	Rationale + Publication Date
EUR	Buy 5yr Germany vs Swaps	Open -33bp Current -33bp P&L 0bp Target -50bp Stop -24bp	Attractive entry levels, a reduction in swapped issuance and 5yr bund supply in 2014 & a cheap option to express a change in sentiment European Rates Weekly, 16 January 2014
Swap Spreads	Buy Bobl-167 (Oct18) vs swaps (YYS) at -33bp		
UK	Buy IL gilt 2068 break-even vs IL gilt 2044	Open 0.5bp Current 1bp P&L 0bp Target 3.5bp Stop -1bp	A pick-up in LDI activity, extensions in the 15yr+ IL gilt index and infrequent 50yr supply should steepen the 30s50s European Rates Weekly, 16 January 2014
Inflation	Buy IL gilt 2068 break-even at 347bp Sell IL gilt 2044 break-even at 346.5bp		
UK	Gilt 10s30s flatteners	Open 73.5bp Current 75bp P&L -1bp Target 63bp Stop 79bp	Tactical 10s30s flatteners given upcoming supply/demand and cash-flow dynamics UK Rates Strategy, 15 January 2014
Curve	Buy gilt 3.25% Jan44 at 3.56% Sell gilt 2.25% Sep23 at 2.82%		

Source: Citi Research

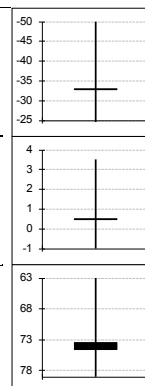
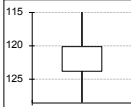
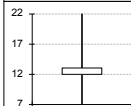
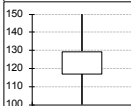
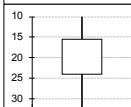
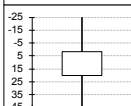
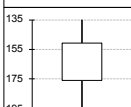
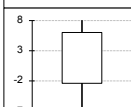
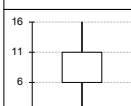
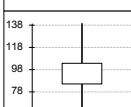
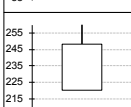
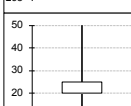
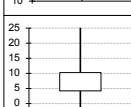
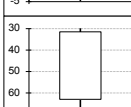
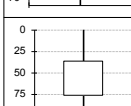


Figure 8. Record of our Open Trades (continued)

EUR	Sell Bund23 break-even inflation spread	Open 123.8bp Current 120bp P&L 4bp Target 115bp Stop 128.5bp	Low inflation prints and higher issuance are likely to weigh on break-evens European Rates Weekly, 9 January 2014	
EUR	Long Bund Jan37 vs DSL Jan37	Open 12bp Current 13bp P&L 1bp Target 22bp Stop 7bp	Optically attractive entry level + relative supply pressures are more favourable for Bunds than DSLs European Rates Weekly, 9 January 2014	
EUR	Receive EUR 3y2y vs 5y25y	Open 117bp Current 129bp P&L 12bp Target 150bp Stop 100bp	Current level of the 5yr point does not reflect our expectations of Euro Area fundamentals and ECB policy; large amount of net 30yr issuance from core Euro Rates Strategy, 8 January 2014	
UK	Receive 5yr GBP swaps vs 2yr and 10yr	Open 24bp Current 16bp P&L 9bp Target 10bp Stop 32bp Revised Stop 24bp	A bullish tactical trade to capture the idea that the Christmas sell-off has gone too far UK Rates Strategy, 6 January 2014 Revised Stop: The Morning Call, 14 January 2014	
EUR	Long 10yr Spain vs Italy	Open 20bp Current 2bp P&L 18bp Target -25bp Stop 45bp	Spain has a stable rating and lower political risks compared with Italy European Rates Weekly 5 Dec 2013	
EUR	Long 10yr Ireland vs Germany	Open 176bp Current 151bp P&L 25bp Target 135bp Stop 196bp	Ireland is fully funded next year and we expect a rating upgrade in 2014 European Rates Weekly 5 Dec 2013	
EUR	Buy OAT17 break-even vs BTAN16	Open -2.4bp Current 6bp P&L 8bp Target 8bp Stop -7bp	Relative value looks attractive European Rates Weekly, 21 November 2013	
EUR	Sell France vs Belgium and Germany	Open 6bp Current 11bp P&L 5bp Target 16bp Stop 1bp	Attractive entry level, possible auction concession and non-supportive cash flow profile for OATs into year-end Euro Rates Strategy, 8 November 2013.	
EUR / UK	Sell UKT Sep23 vs DBR Aug23	Open 85bp Current 104bp P&L 19bp Target 140bp Stop 58bp Revised Stop 85bp	Entry levels are attractive for medium-term gilt-Bund wideners European Rates Weekly, 24 October 2013. Revised Stop: UK Rates Strategy, 11 November 2013	
EUR	BTP 2s10s steepener	Open 220bp Current 248bp P&L 28bp Revised Target 260bp Revised Stop 240bp	Redemptions to support 2s in 2014. Political uncertainty & long-end issuance to weigh on 10s. European Rates Weekly, 11 October 2013. Revised Levels: The Morning Call, 14 November 2013	
UK	Sell 30yr gilt swap spreads vs 10yr	Open 20bp Current 25bp P&L 5bp Target 50bp Stop 10bp	Fiscal risks, supply pressures and the absence of QE to put steepening pressure on the gilt curve. UK Rates Strategy, 30 July 2013	
Europe	Receive EUR 10y2y vs 12y3y	Open 4bp Current 10bp P&L 6bp Target 25bp Stop -5bp	Cheapness of the sector due to legacy ASW positions. The trade offers a positive roll-down for relatively low volatility The Morning Call, 23 January 2013	
Europe	Sell EUR 1y3yF ATM straddle and buy ATM-25 receiver	Open 63bp Current 31bp P&L 32bp Target 30bp Stop 73bp	Fwd levels in front-end EUR swaps are too high when additional policy measures by the ECB are likely to be undertaken IIRS 9 August 2012	
UK	Sell GBP 2y2y ATM straddle	Open 76bp Current 37bp P&L 39bp Target 0bp Stop 114bp	The fundamental backdrop in the UK supports selling GBP 2y2y vol IIRS 12 July 2012	

Source: Citi Research

OAT: Another Year of Flat Performance?

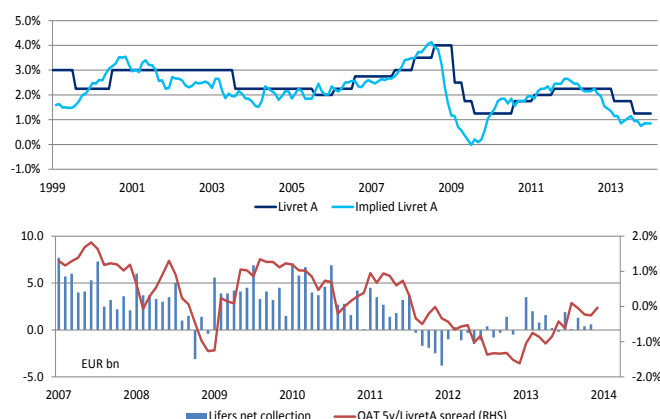
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LivretA fixing likely to remain unchanged despite drop in French inflation

In a recently published paper¹, we have investigated the competition between US Treasuries, OATs and peripheral EGBs in the context of rising US yields and against the background of our 2014 forecasts. Here, we provide an update on the structure of demand for OATs.

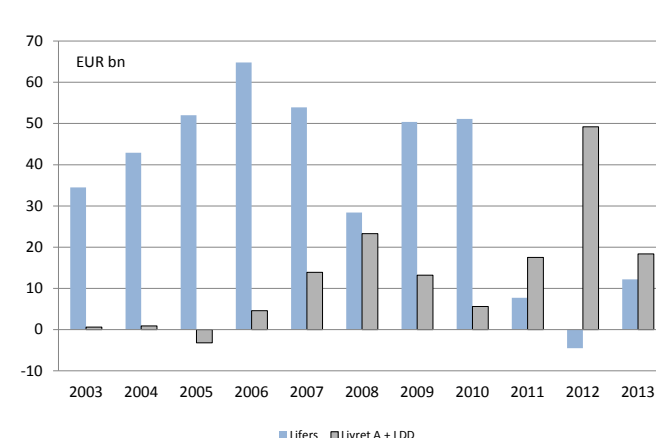
The below consensus French ex-tobacco print for December (0.6%) together with average Eonia and 3-month Euribor fixings imply a LivretA rate that is 50bp lower than the current 1.25% (Figure 9). In the past, the French government has overruled the LivretA fixing procedure in several occasions: a) LivretA kept constant at 2.25% despite Dec-11 inflation implying 2.75%; b) Fixing at 1.75% in Feb-13 with inflation at 1.2% implying a reduction in LivretA rates from 2.25% to 1.50%; c) Fixing at 1.25% in Aug-13 with inflation at 0.8% implying a reduction in LivretA rates from 1.75% to 1.0%. According to the French press², FM Moscovici will keep the new fixing at the current level of 1.25% (applicable as of 1 February), despite a different opinion expressed by Banque de France.

Figure 9. LivretA and insco inflows



Source: FFSA, Citi Research

Figure 10. Net collection: Life insurance vs LivretA



Source: FFSA, Caisse de Depot, Citi Research

The spread between LivretA and nominal OATs tends to drive retail flows

How does this affect the performance of OATs? LivretA and life insurance contracts are usually competitor retail saving products. With declining French CPI we've seen a partial reversal of the 2012 flow out of life insurance contracts and into LivretA (Figure 10): Lifers collected a mere EUR 3.2bn between 2011 and 2012, while net inflows into LivretA and LDD accounted for EUR 40.5bn.

Domestic demand for OATs in 2013, but still mildly negative performance

From our understanding the increased domestic interest for nominal OATs resulting from a positive net collection at lifers level (estimated EUR 12.2bn vs EUR 18.4bn for LivretA+LDD) has been enough to compensate for a somewhat reduced international interest³. In fact, Citi's France Govt Bond index has returned -0.5% in 2013, despite an average coupon of 3.52%.

OAT/Bund expected to trade in a range during 2014...

Looking at 2014, we're forecasting OAT/Bund spreads to stay bound within a generic 50/70bp range (current on-the-run spread is around 65bp). Compared to our call for peripheral EGBs⁴, the view on France as conservative as it has been

¹ "EGBs and Bond Market Competition" (8 January 2014)

² <http://www.lemonde.fr/economie/article/2014/01/15/le-taux-du-livret-a-sera-maintenu-a-1-25-4348131-3234.html>

³ Unfortunately, neither BIS international banking statistics nor Tresor's database provide us with data beyond Q2 2013.

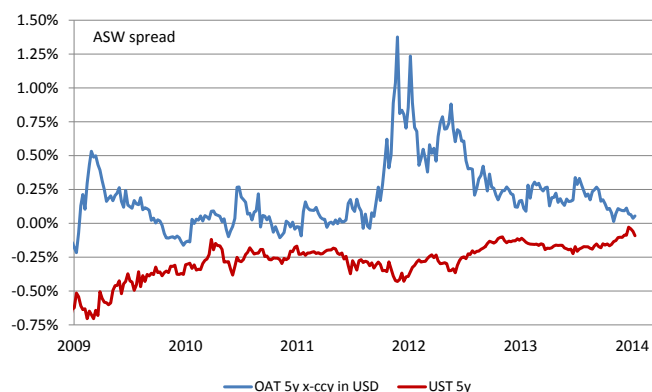
⁴ We expect both BTPs and Bonos to tighten vs Bunds by the end of this year with Spain further outperforming Italy.

throughout 2013 and reflects our thinking about the balance between international and domestic demand. So far – and this is true for all EGBs – the disappointing fundamental performance has had a negligible impact on OAT valuations.

...but global bond competition could become a trigger for underperformance

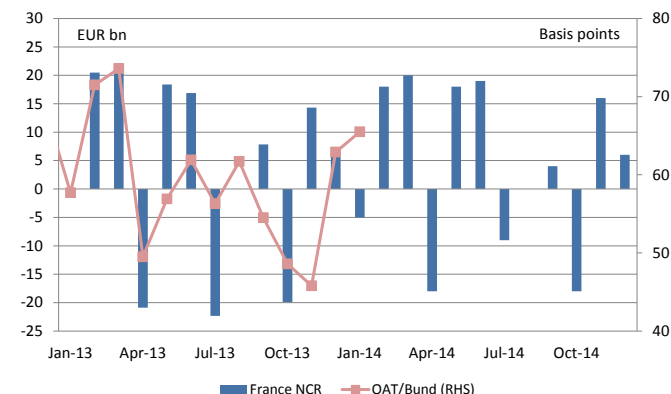
Abstracting from fundamental issues, we think that the competition amongst global sovereign bonds may become a factor of risk for the performance of OATs in 2014. Currently, 5y OATs trade almost flat to 5y Treasuries in ASW level (Figure 11) and the marginal carry advantage result exclusively from the cross-ccy basis and the Eonia/FF spread. Nevertheless, French domestic investors have been able to compensate for weaker international demand in the past and this is likely to provide market support also in the event of market turbulence. Furthermore, the prospects of a diverging monetary policy between the Fed and the ECB, as well as the FOMC's tapering strategy play a key role in the balance of the OAT vs UST carry trade.

Figure 11. Comparing OATs with US Treasuries



Source: Citi Research

Figure 12. OAT/Bund dynamics and France's NCR



Source: Citi Research

Conclusion & Trade Idea

Total return on OATs likely to come mainly from accrued coupons in 2014

Our OAT/Bund scenario⁵ for 2014 implies that France's total return would almost entirely come from realizing its 3.45% average coupon. From a month-to-month perspective, we think the relationship between net cash requirement (i.e. a measure of net supply, Figure 12) and the OAT/Bund spread might continue to hold as long as domestic demand will be able to compensate international flows, hence keeping the OAT market in a stable equilibrium.

Investors looking to extrapolate the very recent bearish momentum might consider selling France via an [OLO/OAT/Bund credit butterfly](#). For example:

- Sell BTAN Jul-17, vs buy Bobl Oct-17 and OLO Jun-17 @18bp
- Sell OAT May-23 vs buy Bund May-23 and OLO Jun-23 @31bp

⁵ Bund at 1.8% and OAT/Bund spread unchanged from Dec-13 levels.

EUR Vol: Backtesting of Receiver Carry Trades

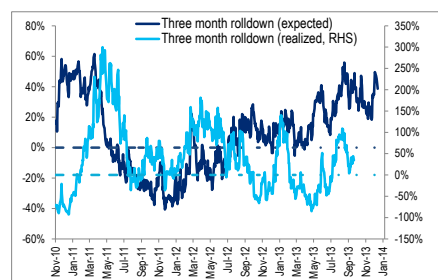
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Receiver swaption carry trades on short and intermediate tails have recently started to make money again.

In the words of Mario Draghi last week, “... we [the Governing Council] reiterate our forward guidance that we continue to expect the key ECB interest rates to remain at present or lower levels for an extended period of time.” Our economists indeed expect the Refi rate to be cut to 0% by the end of the second quarter (as well as setting alongside a slightly negative deposit rate).

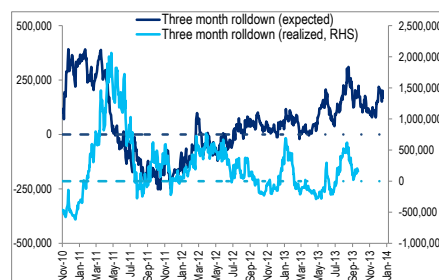
With carry trades in turn being yet again the name of the game, it is a good time to take a look at the historical evolution of receiver swaption ex-ante as well as backtesting the carry strategy on a selection of points.

Figure 13. Backtesting of 1y2y rolldown return (PnL in terms of premium)



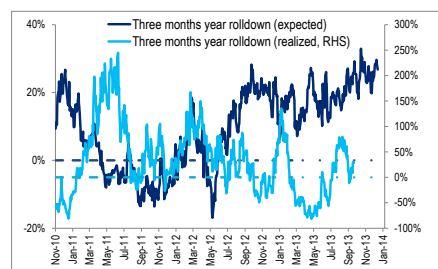
Source: Citi Research

Figure 14. Backtesting of 1y2y rolldown PnL (assuming EUR 100mn notional)



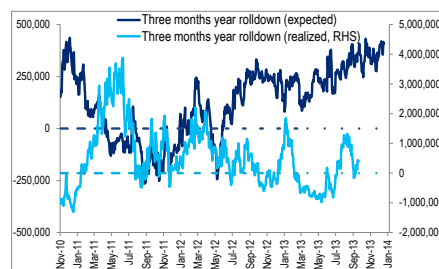
Source: Citi Research

Figure 15. Backtesting of 1y5y rolldown return (PnL in terms of premium)



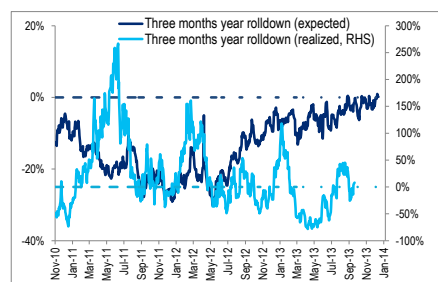
Source: Citi Research

Figure 16. Backtesting of 1y5y rolldown PnL (assuming EUR 100mn notional)



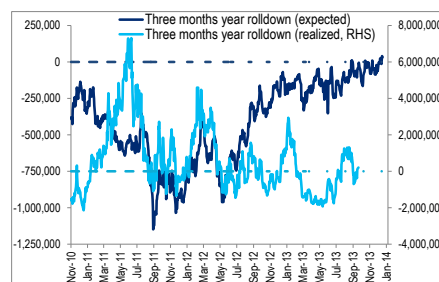
Source: Citi Research

Figure 17. Backtesting of 1y10y rolldown return (PnL in terms of premium)



Source: Citi Research

Figure 18. Backtesting of 1y10y rolldown return (PnL in terms of premium)



Source: Citi Research

The dark blue horizontal line refers to the break-even level for the ex-ante rolldown whereas the light blue horizontal line refers to the break-even for the ex-post (realized) rolldown for a three month holding period.

For convenience we summarize basic results from the above charts in the following numerical tables

Figure 19. Descriptive statistics for 1y2y ATMF receiver 3M rolldown (Nov 2010 – To Date)

	Return		PnL	
	Expected	Rlz	Expected	Rlz
MAX	61%	300%	392,090	2,063,140
MIN	-41%	-93%	-252,768	-616,268
AVERAGE	9%	42%	46,746	245,905
LAST	35%	35%	140,485	158,374

Source: Citi Research

Figure 20. Descriptive statistics for 1y5y ATMF receiver 3M rolldown (Nov 2010 – To Date)

	Return		PnL	
	Expected	Rlz	Expected	Rlz
MAX	33%	245%	436,584	3,887,586
MIN	-17%	-82%	-265,356	-1,308,818
AVERAGE	10%	34%	128,907	547,796
LAST	29%	29%	377,194	402,571

Source: Citi Research

Figure 21. Descriptive statistics for 1y10y ATMF receiver 3M rolldown (Nov 2010 – To Date)

	Return		PnL	
	Expected	Rlz	Expected	Rlz
MAX	2%	267%	41,076	7,310,411
MIN	-30%	-78%	-1,149,119	-2,144,232
AVERAGE	-13%	22%	-409,968	645,079
LAST	1%	8%	15,178	208,976

Source: Citi Research

For example the table in Figure 19 shows that at present the ex-ante rolldown PnL (in terms of premium) from a long position in 1y2y ATMF receiver swaption is 35%; it translates into around EUR 140k for EUR 100mn notional. The table also shows that if you bought the swaption three months ago, today you would realize EUR 158k. The same interpretation applies for Figure 20 and Figure 21.

In terms of entry points, the ex-ante rolldown is close to the three year historical maximum of 33% for ATMF 1y5y receiver swaption whereas it is roughly half the maximum for ATMF 1y2y receiver.

Observe also that in the given samples ex-post (realized) rolldown has exceeded ex-ante (expected) rolldown on average for all three selected points.

The scan of the volatility surface shows that the sweet spot is currently 1y3y.

Ranking of receiver swaption ex-ante rolldown trades across the surface is done via carrying out the calculations above for all points on the vol grid. Moreover, we also add an analysis for OTM receivers (50bp and 100bp out). As above, rolldown of EUR swaptions is measured as the ratio of rolldown PnL to swaption upfront cost (premium), the difference here being that we have chosen to look at one year horizon.

Figure 22. One year rolldown for ATMF receivers

	1y	2y	3y	4y	5y	6y	7y	8y	9y	10y	15y	20y	30y
1y	14%	62%	74%	68%	60%	51%	44%	36%	28%	22%	-12%	-33%	-51%
2y	44%	52%	48%	41%	35%	31%	26%	22%	18%	14%	-2%	-11%	-17%
3y	47%	42%	37%	31%	28%	24%	21%	17%	14%	11%	1%	-5%	-8%
4y	30%	28%	26%	24%	20%	17%	14%	11%	9%	7%	-1%	-4%	-6%
5y	26%	22%	21%	18%	15%	13%	11%	9%	6%	4%	-2%	-4%	-4%
6y	23%	19%	16%	14%	12%	10%	8%	6%	4%	2%	-1%	-2%	-2%
7y	19%	15%	12%	11%	9%	7%	6%	4%	2%	1%	-1%	-1%	0%
8y	14%	11%	10%	8%	6%	5%	3%	2%	1%	0%	-2%	-2%	-1%
9y	10%	8%	6%	5%	3%	1%	0%	0%	-1%	-1%	-2%	-2%	-1%
10y	8%	5%	3%	1%	0%	-1%	-2%	-2%	-3%	-3%	-2%	-1%	0%
15y	-4%	-4%	-4%	-3%	-3%	-3%	-2%	-2%	-2%	-1%	0%	1%	1%
20y	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	2%	3%	3%
30y	4%	4%	4%	4%	5%	5%	5%	5%	4%	4%	4%	4%	4%

Source: Citi Research

Figure 23. One year rolldown for ATMF – 50bp receivers

	1y	2y	3y	4y	5y	6y	7y	8y	9y	10y	15y	20y	30y
1y	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%
2y	15%	48%	44%	35%	24%	18%	11%	5%	0%	-6%	-25%	-36%	-43%
3y	52%	46%	40%	32%	28%	22%	17%	12%	8%	4%	-10%	-16%	-20%
4y	32%	30%	27%	25%	20%	16%	11%	8%	4%	3%	-7%	-11%	-13%
5y	28%	23%	22%	18%	14%	12%	9%	6%	4%	1%	-6%	-8%	-8%
6y	26%	21%	17%	14%	12%	9%	7%	4%	2%	0%	-4%	-5%	-4%
7y	21%	15%	12%	11%	9%	6%	4%	3%	1%	0%	-3%	-3%	-2%
8y	15%	11%	10%	7%	6%	4%	2%	1%	0%	-2%	-4%	-3%	-2%
9y	9%	8%	5%	4%	2%	0%	-1%	-2%	-3%	-3%	-4%	-4%	-2%
10y	7%	4%	2%	0%	-1%	-2%	-3%	-4%	-4%	-4%	-4%	-2%	0%
15y	-5%	-5%	-5%	-4%	-4%	-4%	-3%	-3%	-3%	-3%	-2%	0%	1%
20y	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	3%	3%
30y	4%	4%	4%	5%	5%	5%	5%	5%	5%	4%	4%	4%	4%

Source: Citi Research

Figure 24. One year rolldown for ATMF – 100bp receivers

	1y	2y	3y	4y	5y	6y	7y	8y	9y	10y	15y	20y	30y
1y	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%
2y	-79%	-14%	1%	-3%	-14%	-18%	-24%	-29%	-33%	-38%	-55%	-64%	-69%
3y	42%	39%	33%	24%	21%	13%	6%	0%	-6%	-11%	-25%	-31%	-34%
4y	30%	28%	25%	22%	16%	10%	5%	1%	-3%	-5%	-15%	-20%	-22%
5y	29%	22%	21%	16%	11%	8%	5%	2%	-1%	-4%	-12%	-14%	-14%
6y	28%	21%	16%	13%	10%	7%	5%	1%	-1%	-3%	-7%	-9%	-8%
7y	22%	15%	11%	10%	7%	4%	2%	0%	-2%	-3%	-5%	-6%	-4%
8y	14%	10%	8%	5%	4%	2%	0%	-1%	-2%	-4%	-6%	-5%	-3%
9y	8%	6%	4%	2%	0%	-2%	-3%	-4%	-4%	-5%	-5%	-5%	-3%
10y	6%	3%	0%	-2%	-3%	-4%	-5%	-5%	-6%	-6%	-6%	-5%	-2%
15y	-6%	-6%	-6%	-5%	-5%	-5%	-4%	-4%	-4%	-3%	-2%	1%	0%
20y	0%	-1%	0%	-1%	-1%	-1%	0%	0%	0%	0%	2%	3%	3%
30y	4%	4%	4%	5%	5%	5%	5%	5%	5%	4%	4%	4%	4%

Source: Citi Research

We note that whilst the ATMF 1y3y is the “sweet spot”, with regard to short tails ATMF – 50bp receivers outperform ATMF receivers in terms of 1y rolldown on a number of points (as well as of course being all cheaper to purchase upfront). In particular, the difference between the rolldown of 3y1y ATMF – 50bp receiver and the rolldown of 3y1y ATMF receiver is 5.6%. For convenience rolldown spreads between ATMF – 50bp and ATMF receivers are gathered in Figure 25 (numbers have been rounded). For completeness we show in Figure 26 spreads between the rolldown of ATMF -100bp receivers and the rolldown of ATMF receivers.

Conclusion

Whilst black swans can, and indeed have, appeared to wreak havoc on carry trades (they showed up at least twice in 2013), we believe that long positions on receiver swaptions in the top left corner are the safest way to play the ECB at the current market juncture, given the limited downside and the current cheap gamma vol valuation.

Figure 25. ATMF/ATMF – 50bp 1y rolldown spread

	1y	2y	3y	4y	5y	6y	7y	8y	9y	10y	15y	20y	30y
1y	-114%	-162%	-174%	-168%	-160%	-151%	-144%	-136%	-128%	-122%	-88%	-67%	-49%
2y	-30%	-5%	-3%	-7%	-11%	-13%	-15%	-17%	-18%	-20%	-24%	-25%	-26%
3y	5.6%	4%	3%	1%	0%	-2%	-4%	-5%	-7%	-8%	-10%	-11%	-12%
4y	2%	2%	1%	1%	0%	-2%	-3%	-3%	-4%	-4%	-6%	-7%	-7%
5y	2%	1%	1%	0%	-1%	-1%	-2%	-2%	-3%	-3%	-4%	-4%	-4%
6y	3%	2%	1%	0%	0%	-1%	-1%	-2%	-2%	-2%	-3%	-3%	-3%
7y	2%	1%	0%	0%	-1%	-1%	-1%	-1%	-2%	-2%	-2%	-2%	-1%
8y	1%	0%	0%	-1%	-1%	-1%	-1%	-1%	-1%	-2%	-2%	-1%	-1%
9y	0%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
10y	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
15y	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	0%	0%	0%
20y	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
30y	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Citi Research

Figure 26. ATMF/ATMF – 100bp 1y rolldown spread

	1y	2y	3y	4y	5y	6y	7y	8y	9y	10y	15y	20y	30y
1y	-114%	-162%	-174%	-168%	-160%	-151%	-144%	-136%	-128%	-122%	-88%	-67%	-49%
2y	-123%	-66%	-47%	-45%	-49%	-49%	-51%	-51%	-52%	-52%	-53%	-53%	-52%
3y	-5.1%	-3%	-4%	-7%	-7%	-11%	-15%	-18%	-20%	-22%	-25%	-26%	-26%
4y	0%	0%	-1%	-2%	-4%	-7%	-9%	-10%	-11%	-12%	-15%	-16%	-16%
5y	3%	0%	0%	-2%	-4%	-5%	-6%	-6%	-7%	-8%	-10%	-10%	-10%
6y	5%	2%	0%	-1%	-2%	-3%	-4%	-5%	-5%	-6%	-6%	-7%	-6%
7y	3%	0%	-1%	-2%	-2%	-3%	-3%	-4%	-4%	-4%	-4%	-4%	-3%
8y	0%	-1%	-1%	-2%	-2%	-3%	-3%	-3%	-3%	-4%	-4%	-3%	-3%
9y	-1%	-2%	-2%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-2%
10y	-2%	-2%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-2%
15y	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-1%	-1%	-1%	-1%	-1%	-1%
20y	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	0%	0%	0%	0%	0%
30y	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Citi Research

UK Rates – time for 10s30s flatteners?

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The 10s30s gilt curve has steepened by around 10bp so far in 2014. This is partly directional and partly in anticipation of supply. The first conventional gilt auction of the year took place today and featured £2bn of the 3.25% 2044. The market is also preparing for the IL68 syndication due in the second half of January (the lack of announcement to date suggests that the week beginning 27 January is most likely). The steepening has gone far enough, in our view, and we outline several factors which support near-term flatteners.

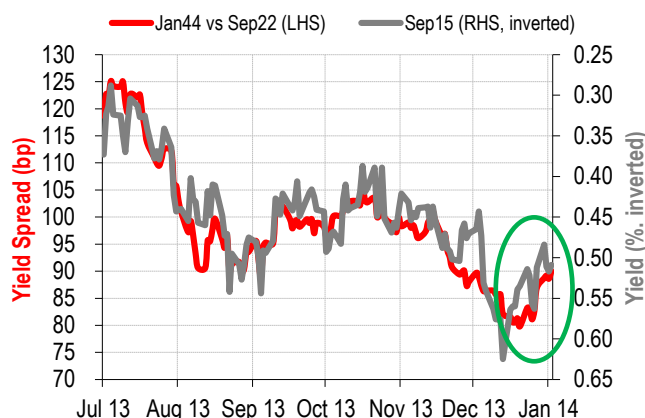
The case for 10s30s flatteners

Limited potential for further bull-steepening

Next week's events could create near-term volatility, but we doubt they will propel the front-end rally

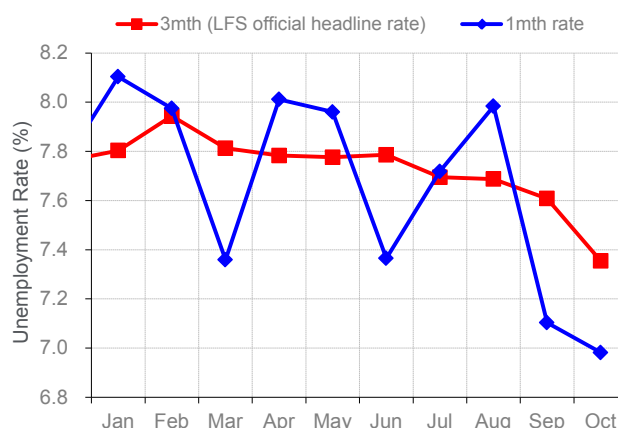
- **Front-end direction:** The 10s30s gilt curve remains highly directional and the recent steepening is consistent with the front-end rally (Figure 27). With 2yr gilt yields back to the levels of early-December, the potential for further bull-steepening looks increasingly limited.
- **Jobless data and MPC minutes:** Next week's jobless data (22 January) will be pivotal to the near-term direction of the front-end (and therefore has implications for the performance of 10s30s). The last three single-month figures have been 8%, 7.1% and 7% (Figure 28). Therefore a figure of 8% is required for November to keep the three-month headline rate unchanged at 7.4%. The risks are skewed towards a further decline towards 7% in our view (the Citi forecast is 7.2%). The MPC minutes on the same day will also be important, but we doubt that they will contain any serious complaint from the MPC that the market was mispricing the policy rate outlook at the time of the meeting (8-9 January). A key difference with the sell-off in mid-2013 (which prompted the July 'rate protest' statement from the MPC) is that the sell-off ahead of year-end was primarily driven by domestic drivers. While it may have overshot, it is hard to argue that it was "unwarranted."

Figure 27. Recent steepening of 10s30s and directionality



Source: Citi Research, Bloomberg.

Figure 28. Single-month vs headline three-month average jobless rate



Source: Citi Research, ONS.

Following today's 2044 auction, there is only one more conventional long auction this quarter

- **Near-term supply pressure:** Today's 2044 auction has probably contributed to the recent steepening. There is only one more auction in longs this quarter and that is not for another month (2052s on 13 February). Moreover, supply pressure on the conventional curve will now shift to the 10yr sector with a re-opening of the 2023s on Thursday (23 January). The IL68 syndication is still a factor, but given the conventional curve has already steepened by 10bp we suspect that any further concession will be felt more in real yield space.

Seasonal demand is strong in Q1, but supply into longs is light

- **Seasonal demand:** Pension fund demand for gilts tends to be strong in Q1 (see the [European Rates Weekly, 9 January](#)). The combination of light supply into conventional longs and the potential for seasonal demand suggests trading 10s30s with a flattening bias.
- **Cash-flows support 30s:** There will be £1.3bn of gilt coupon payments into the 30yr+ sector (including £0.4bn into the 2044s itself) on 22 January.

Strategy summary and trade idea

Upcoming supply/demand and cash-flow dynamics support 10s30s flatteners

There is a good case for tactical flatteners in 10s30s, in our view. As always with 10s30s, the direction of the front-end will be crucial. In that regard, the jobless data and MPC minutes on Wednesday are likely to create near-term volatility. But with 2yr gilt yields back to just above 0.50%, and the possibility of a further fall in the jobless rate, we would rather hold flatteners here. Moreover, supply trends are supportive in both the near-term (with the supply focus in conventionals switching to 10s next week) and the medium-term (given the lack of long issuance over the quarter).

- **Trade idea:** Buy gilt 3.25% 2044 vs gilt 2.25% Sep23.
- Open 73.5bp (on 15 January, see [Tactical opportunity for 10s30s gilt flatteners](#)), target 63bp, stop 79bp.

EGB Strategy – spreads to nudge tighter still

BTP and Bono spreads – signposts to watch out for

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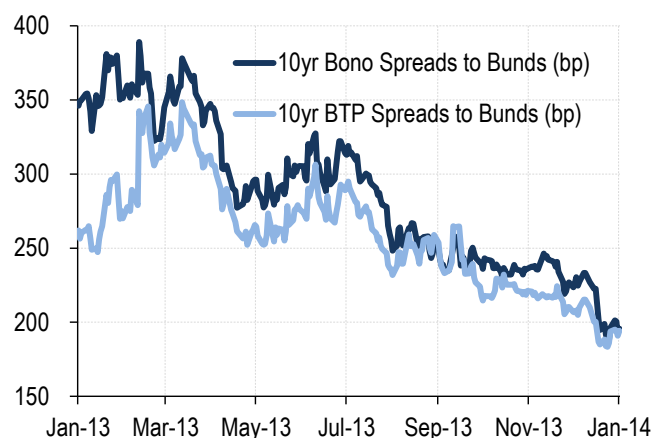
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Spain and Italy have had a healthy start to the year with encouraging signs in both the primary and secondary markets. Both sovereigns have enjoyed relatively strong auction results (with on-going firm support from domestics) and yields and spreads continue to probe levels not seen for several years. Recent moves may be providing investors pause for thought: is it time to fade some of the rally? For various reasons in the near-term, we don't think so.

Time to fade the peripheral rally?

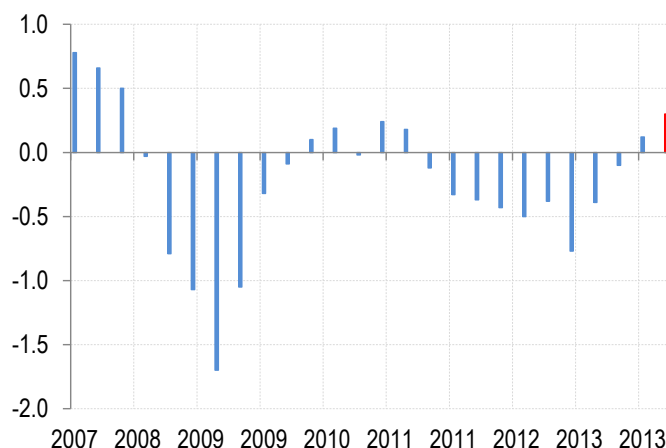
Both Spain and Italy have performed well in the first few weeks of January, with 10yr yields now around 3.7% and 10yr spreads around 200bp to Bunds (Figure 29). However, we think there is still scope for spreads to nudge tighter still in January.

Figure 29. 10yr Bono and BTP spreads (bp)



Source: Citi Research

Figure 30. QoQ Spanish Real GDP Growth, official forecast by Spain highlighted (%)



Source: Citi Research

Upcoming GDP data for Spain

Following the strong PMI data, one driver in the near-term to watch out for is Spain's Q4 GDP release on 30th January. Spanish authorities expect a 0.3% reading ([Europe - Sovereign Debt Update - Spain 4Q GDP to Rise by 0.3%, Says Economy Minister](#)) which would mark the second consecutive quarter of positive growth since early 2011 (Figure 30). In such a scenario, we expect this to further shore up sentiment and provide more evidence that Spain's recovery is taking root to the benefit of Bono spreads Bunds (and to BTPs).

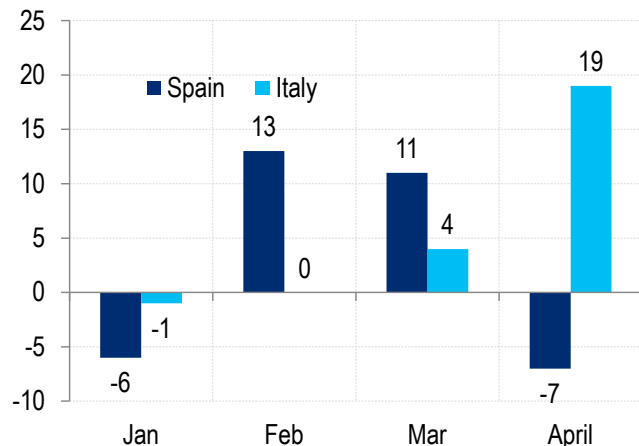
Cash flow support in late January

At the end of the month (31st Jan), Spain also benefits from over €22bn in redemption and coupon payments ([Weekly Supply Monitor](#)). There are also supportive cash flows for Italy around the same time: €14.5bn in redemptions on 31st January and €8.4bn in coupon payments on 1st February. All things being equal, this cash flow support leaves us constructive on peripheral spreads for the time being.

However, the net cash profile turns in February and March

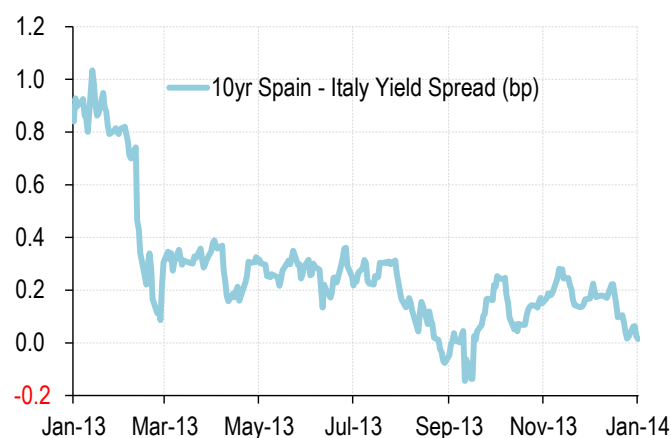
We therefore wouldn't fade the rally just quite yet, but we are mindful of supply pressures later in Q1. For Spain, €13bn (February) and €12bn (March) of issuance has no offsetting redemption payments and for Italy, the net cash requirement is flat in February and +€4bn in March (Figure 31). This could mean that supply may be harder to digest than what we have so far seen in January which in turn could prompt a softer spread environment later in Q1.

Figure 31. Net Cash Requirement for Spain and Italy (€bn)



Source: Citi Research, Bloomberg, DMOs.

Figure 32. 10yr Spain – Italy (Yield spread, bp)



Source: Citi Research

Upcoming rating decisions for Italy and Spain

Another signpost for Italy and Spain in the coming weeks is that both sovereigns feature on Moody's rating calendar: Italy is first on 14th February and Spain follows the week after on 21st February. At the margin, we believe there is slightly more event risk for Italy in this regard – not least because Spain now enjoys a "Stable Outlook" from Fitch (BBB), Moody's (Baa3) and S&P (BBB-). Italy (Baa2) on the other hand carries a "Negative Outlook" by Moody's meaning that risks are more skewed to the downside regarding this rating agency's baseline scenario.

Conclusion – still prefer Spain to Italy on balance

Our key message can be described as follows:

- **Near-term supports for periphery spreads:** For the rest January, we see various supports for the periphery market, not least upcoming cash flows in both Italy and Spain. Softer spreads may materialise later in February and March as the net cash flow profile turns much less supportive.
- **Continue to prefer Spain vs Italy on balance:** Weighing the various drivers, we maintain a preference for Spain over Italy. We continue to hold 10yr Bonos vs BTPs as detailed in our [2014 Outlook](#), targeting a spread of -25bp.

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Update: Outlook for EUR Swap Spreads

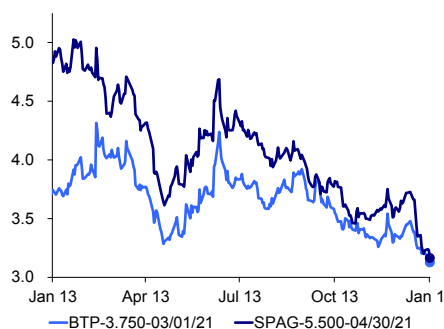
In this section we provide an update of our views on German swap spreads across the curve⁶. Overall, we continue to expect swap spreads to widen (bonds to outperform swaps) but stress the importance of picking the optimal maturity point given current levels and carry.

Why we expect swaps spreads to widen further

We continue to expect swap spreads to widen further (across the curve) for a number of reasons:

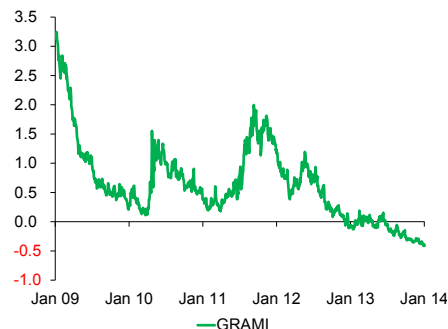
- **An improving fiscal balance in Germany** has resulted in a decrease in planned 2014 Bund issuance vs 2013 by €12bn. All things being equal, this should put widening pressure on swap spreads.
- We expect the effect of **(swapped) corporate issuance** to be weaker in 2014 vs the last few years as issuers are less likely to want floating rate liabilities during a rising yield environment over the next few years. Therefore the degree of tightening pressure on swap spreads from issuance will be much lower than previous years, in our view. Currently, we feel swap spreads are not pricing in our expectation of a decrease in swapped issuance. For further details on the amount of EUR corporate issuance that has taken place from European institutions see the *Appendix* section on page 21.
- **US fiscal concerns** are likely to gain more attention in the next few weeks as we approach the 7 February debt ceiling date⁷. We would expect a degree of uncertainty associated with this to put widening pressure on swap spreads. Furthermore, as noted by Fitch Ratings earlier this week the 7 February debt-limit date is 'key' for the U.S credit rating⁸.

Figure 33. 10yr Italian and Spanish yields are currently at historic lows



Source: Citi Research

Figure 34. Citi's GRAMI (Global Risk Aversion Macro Index) is at historic lows



Source: Citi Research

- **Cheap protection for risk-off:** Peripheral markets have seen an impressive rally in the last few weeks. As noted in the *EGB Strategy* section of this publication, the net cash requirement for both Italy and Spain will revert from being strongly supportive for bonds in January to being non-supportive in both February and March. With Italian and Spanish bond yields trading at historic lows we feel swap spread wideners offer a relatively cheap option to express a change in sentiment. We look at the net carry associated with swap spread wideners in 2-10yrs on the next page.

⁶ Last highlighted in European Rates Weekly, 12 December 2013 (for 10yr Bund ASW) and European Rates Weekly, 24 October 2013 (2yr, 5yr, 30yr ASW)

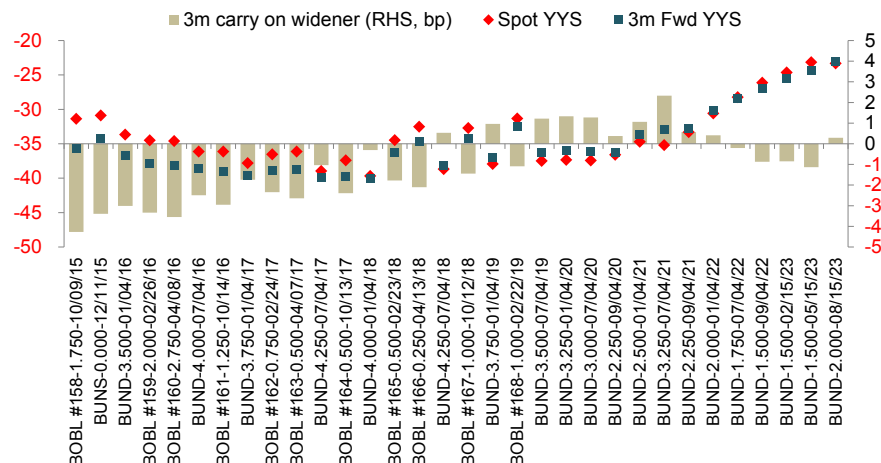
⁷ [US Short-End Note: When is the next "hard" debt ceiling?](#)

⁸ Bloomberg: Fitch Says Feb. 7 Debt-Limit Date Is 'Key' for U.S.'s Rating, 13 January 2014

2yr ASW: negative carry on wideners is too high

We expect swap spreads to widen generally across the curve and for the 2yr sector to benefit from the reduction in short-end issuance in 2014 vs 2013 (Figure 36). However, the negative carry of 10bps on Schatz 0% Dec15 ASW wideners does not make this segment of the curve an optimal point for wideners, in our view (Figure 35).

Figure 35. Germany 2-10yrs: Spot YYS levels vs 3m forward YYS (bp)



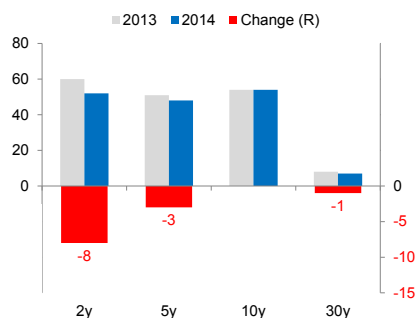
Source: Citi Research

5yr Bund ASW: our favourite point for wideners

5yr ASWs have widened by around 5bp over the last month in a similar fashion to other points on the curve. The 5yr sector is our favourite point to express fresh ASW widening positions for the following reasons:

- Macro factors are supportive for wider swap spreads (improvement in fiscal balance, US debt ceiling, outlook for corporate issuance and the likelihood of the peripheral rally running out of steam after January)
- The 2yr and 5yr sector of the Bund curve will see a €11bn reduction in issuance in 2014 (Figure 36). Purely from an issuance perspective this is likely to put widening pressure on front-end ASW.
- Despite the recent widening, 5yr ASW are still close to their cheapest levels in the last 5yrs and therefore look attractive from an optical perspective (Figure 37)
- Comparing 10yr Bund ASW levels to Bobl ASW shows that the spread of swap spreads is close to its tightest levels in the last five years (i.e. Bobl swap spreads are historically tight to Bund swap spreads) - Figure 38. As a result, this may result in investors choosing to buy Bobl ASW rather than Bund ASW or relative value investors buying Bobl ASWs vs Bund ASWs (swap spread box).

Figure 36. Germany bond issuance: the decrease in 2014 bond issuance is mainly in the front-end of the curve.



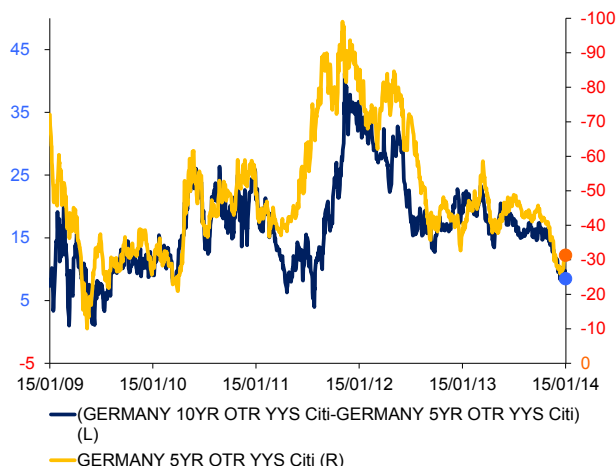
Source: Citi Research, DMO

Figure 37. Bobl ASW wideners look optically attractive



Source: Citi Research

Figure 38. Bobl ASWs are historically tight to 10yr Bund ASW (bp)



Source: Citi Research

- Adopting a model based approach⁹ for 5yr ASWs shows that current ASW spreads are approximately 8.5bps too tight. Inputting forecasts for the two variables used in the model suggests a -44bp level for Bobl-167 ASW at end-1Q14 (Figure 39).

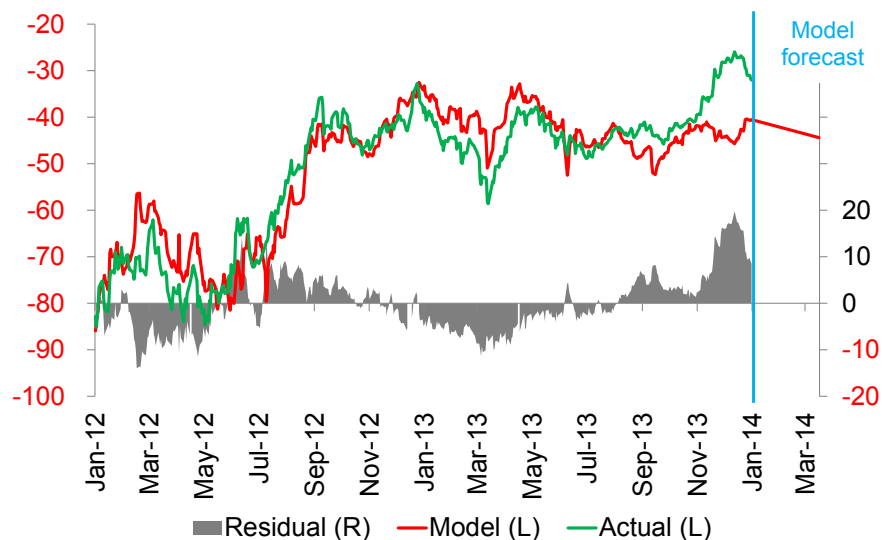
New Trade

Buy 5yr Bobls (Bobl-167) vs swaps (YYS)

Open/Current -33bp.
Target 50bp. Stop -24bp

We acknowledge that 5yr ASW wideners carry slightly negative (around -1bp month) but we expect this to be easily offset based on the reasons discussed earlier.

Figure 39. 5yr Bund ASW: model estimates suggests spreads are around 8bp too tight



Source: Citi Research

⁹ Using two inputs: peripheral yields and EONIA basis spreads

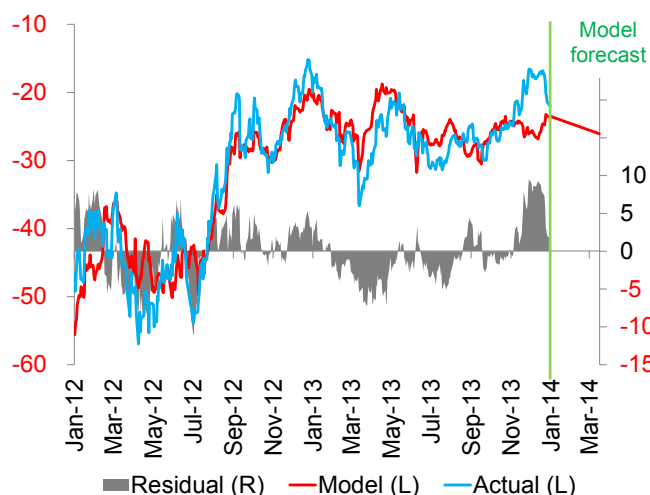
10yr Bund ASW: to widen by around 4bp from here

We continue to believe that there have been two main drivers of 10yr Bund spreads over the last 2 years¹⁰: peripheral yields (mainly in Italy due to the political situation) and EONIA basis spreads (a result of expectations of ECB policy rates and excess liquidity). Modeling 10yr Bund spreads using these two factors highlights a fairly strong relationship (adjusted R2 = 84%) - Figure 40.

As shown in Figure 40 below, we think 10yr Bund spreads are now only 1.5bp cheap to model estimates having previously been 8.4bps too wide on [12 December](#). More importantly, based on our projections for these two factors we see scope for 10yr Bund ASW spreads (2% Aug23) to widen to -26bp by end 1Q14 (Figure 41).

Trading strategy: Continue to run 10yr Bund ASW wideners that we recommended towards the end of [last year](#) for another 4bps. We do not recommend fresh positions at current levels given the deterioration in the risk-reward.

Figure 40. 10yr Bund ASWs are now in line with model based estimates. Figure 41. We expect 10yr Bund ASW to reach -26bp by end-1Q14
Model forecast show spreads have scope to widen gradually

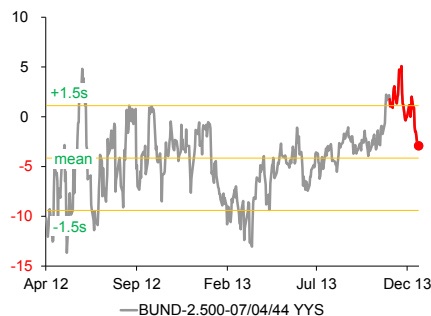


Source: Citi Research



Source: Citi Research

Figure 42. 30yr Bund ASW are within a few bp of average levels



Source: Citi Research

30yr Bund ASW: take profits on wideners

The 30yr sector of the curve has been one of our preferred points to express wideners in 4Q13 ([Buy 30yr Bunds in ASW, 28 November 2013](#)). However, following the considerable amount of widening that has taken place in the last few months (Jul44 ASW is now only 1bp wider than its average levels since it was first issued) we recommend taking profits at -3bp (or lower). We think the bias is slightly towards wider 30yr spreads but feel that the risk-reward of holding spread wideners or entering new positions is unattractive at current levels

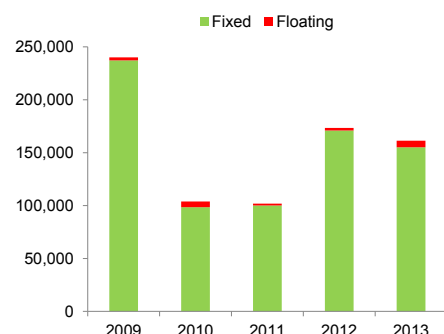
¹⁰ [European Rates Weekly](#), 12 December 2013 & [European Rates Weekly](#), 24 October 2013

Appendix: Impact of supply on swap spreads

Corporate issuance

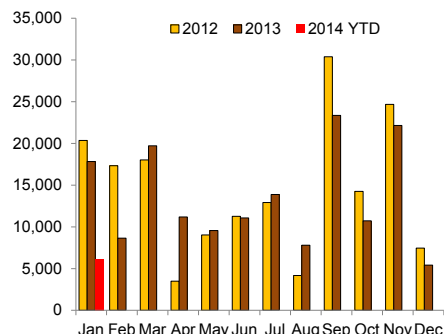
- The majority of euro issuance in the last five years from corporates has been in fixed rate notes (Figure 43). Therefore, any swapped issuance (into floating rate liabilities) is likely to put downward pressure on swap yields.
- In the last two years, average annual EUR issuance by European corporates (non-financials and financials) has been approximately €167bn (€174bn in 2012 and €161bn in 2013). The largest months have been November and September (Figure 44). The first quarter has had the largest quarter for issuance in the last two years (approximately 30% of total issuance per year).
- So far this year, issuance has been slightly lower than in the last two years (Figure 45).

Figure 43. EUR issuance by European corporates (fixed issuance vs floating issuance), €mn



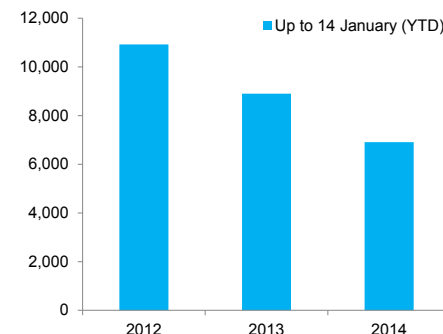
Source: Citi Research, Dealogic

Figure 44. EUR issuance by European corporates by month and year (€mn)



Source: Citi Research, Dealogic

Figure 45. YTD European corporate issuance (€,mn)



Source: Citi Research, Dealogic

Impact of corporate issuance on swap spreads: Our credit strategists forecast similar levels of corporate issuance in 2014 to 2013 (~€173bn). As noted earlier, almost all corporate issuance in Europe has been fixed. Going forward, we think the amount of corporate issuance (in 2014) that is swapped from fixed to floating is likely to be much lower than the last two years as expectations of a rising yield environment are likely to be more favourable for paying a fixed rate rather than having a floating rate liability.

As a result, we are likely to see a smaller amount of receiving pressure in the 3-7yr of the euro swap curve than previous years despite European corporate issuance in 2014 forecasted to be at similar levels to 2013.

Other types of issuers

Two other entities involved in issuing fixed rate notes are EGB issuers (such as the Netherlands) and supnationals. On balance, we expect this to put small amount of tightening pressure swap spreads (as the amount of issuance that is swapped by issuers is likely to be slightly larger than purchases of securities in ASW).

Impact of issuance from the largest entities on swap spreads: Overall, our key point is that pressures from corporate, government and supranational issuance on swap spreads is likely to be much smaller than previous years.

UK Inflation Strategy – all eyes on IL68s

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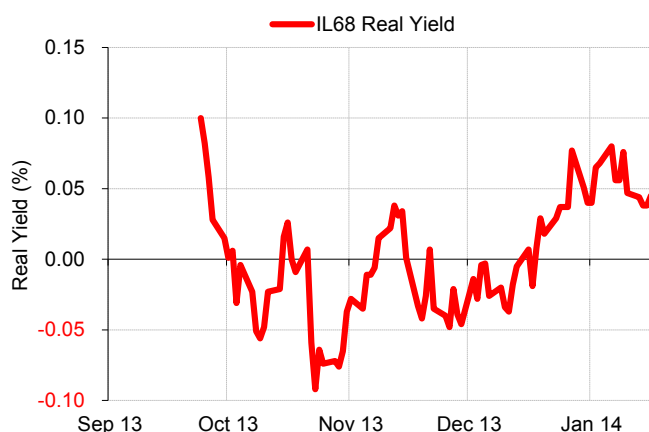
The IL gilt market remains focused on the very long-end of the curve and the IL68 syndication. The syndication is due in the second half of January and the lack of announcement to-date suggests that it will probably occur in the week beginning 27 January. We look at the recent price action and suggest break-even steepeners.

Surprisingly strong performance from the IL68

The IL68 has performed well in outright real yield terms and on asset-swap

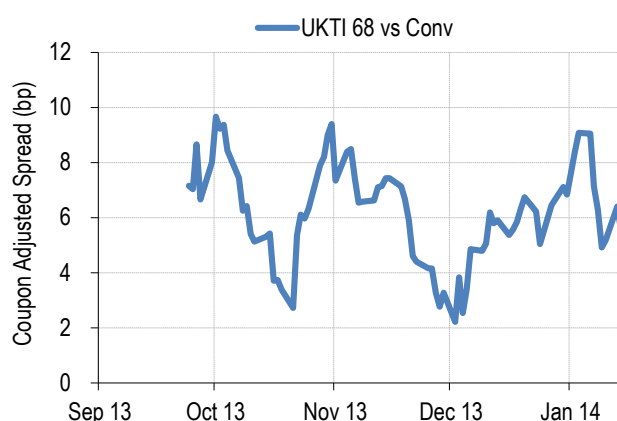
The IL68 has performed very well this year, despite the forthcoming syndication. In outright terms, the real yield is currently 0.04% (Figure 46) compared with 0.14% when first issued last September. We had expected the real yield to gravitate towards double digits ahead of the syndication (see *European Rates Weekly*, 9 January), but this now looks increasingly unlikely (barring a broader sharp sell-off in core yields). The recent support for the IL68s can be seen in other metrics too, such as the outperformance vs the conventional 2068s in coupon adjusted swap (CAS) spread terms (Figure 47).

Figure 46. The outright real yield on IL68s has richened so far this year



Source: Citi Research, Bloomberg.

Figure 47. IL68s have also performed strongly on ASW vs nominals

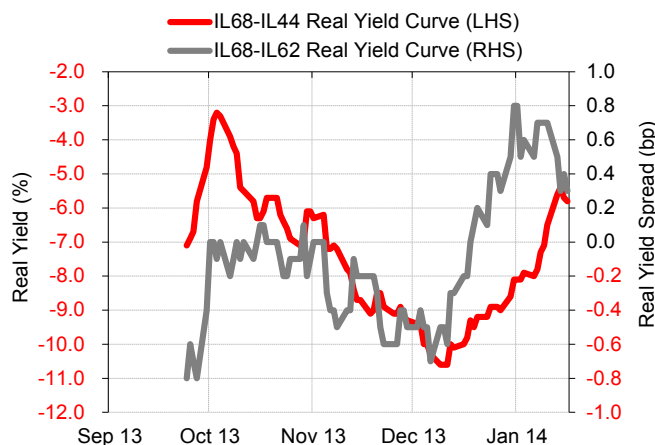


Source: Citi Research

The very long-end of the real yield curve has steepened ahead of the syndication

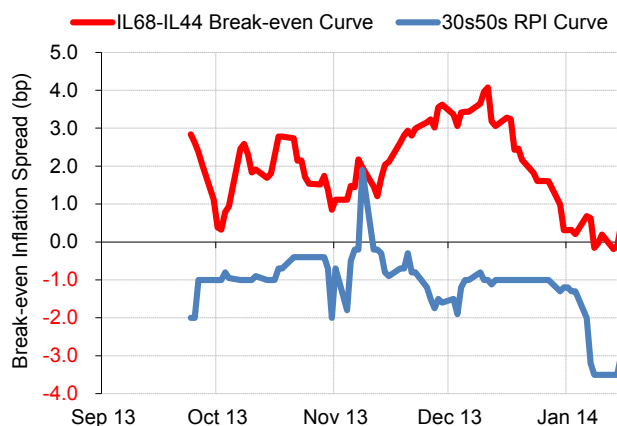
One area where supply pressure is more evident is the IL68-IL62 real yield spread. This has tightened by around 0.5bp this year, but only after cheapening around 1.5bp in late-2013 (Figure 48). There has also been a steepening of the 30s50s (IL68-IL44) real yield curve, but this too is beginning to find support (Figure 48).

Figure 48. The 30s50s real yield curve has steepened...



Source: Citi Research, Bloomberg.

Figure 49. ...and the break-even inflation curve has flattened



Source: Citi Research, Bloomberg.

30s50s break-even steepeners look historically attractive

The IL68 syndication and the IL29 re-bucketing in March taken together will extend the 15yr+ index by around 1.3yrs

There may not be any more 'lumpy' supply into IL68s for a while, although auctions are possible

We advocate 30s50s break-even steepeners (and real yield flatteners) at current levels.

The syndication may kick-start wider activity

The strong performance of the IL68s bodes well for the syndication which we expect will be met with strong demand. Further steepening of the 30s50s real yield curve may be quite limited, especially if the IL68 syndication triggers wider LDI activity which hasn't really got going in 2014, perhaps awaiting the syndication. Moreover, further cheapening in the IL68-IL62 spread is likely to be limited by the convexity premium offered by the 68s.

Similarly, we think 30s50s break-even steepeners are worth looking at, as we first discussed last week. We had a target entry level of -1/-2bp for the IL68-44 break-even curve (0bp at the time), but the strong interest this week to extend into the very long-end of the real yield curve has pushed it back up to +0.5bp (see Figure 49, which also shows the 30s50s RPI curve).

Index extensions support 30s50s break-even steepeners

The 30s50s break-even curve is likely to steepen further in the weeks ahead (and the real yield curve flatten), in our view. This may find support from upcoming extensions in the 15yr+ IL gilt index. The IL68 syndication itself will create an extension of around 0.5yrs (assuming a size of £4.5bn). Then, on 22 March, the IL29 will fall out of the 15yr+ index and cause an extension of almost 0.8yrs. There will be supply in the form of the IL52s on the 27 March, but the combined extension of 1.3yrs over the quarter should be supportive for break-even steepeners (and real yield flatteners). For the IL68-44 break-even curve, we would target a move back into the 3bp+ region.

The next IL gilt syndication may not be until July

It is also worth noting that an IL gilt syndication is far from a given for Q1 of FY2014-15. The gross issuance need is likely to be very similar to this year and the allocation to linkers is also likely to be broadly unchanged. This suggests total linker issuance of close to £40bn and perhaps three IL gilt syndications. The pattern of alternating quarterly syndications between longs and linkers may also be kept, suggesting that the April-June quarter could feature a long. In short, the next IL syndication may not be until July and there is no guarantee that this will feature the 2068s.

Strategy summary – look for the 50yr sector to richen

The price action over the last week points to strong support for the super-long sector of the real yield curve. Strong demand and positioning may mean that the IL68s resist further cheapening. We advocate 30s50s break-even steepeners (and real yield flatteners) at current levels. Such positions should be supported by a pick-up in LDI activity, extensions in the 15yr+ IL gilt index and infrequent 50yr supply.

- **Trade idea** – buy IL gilt 2068 vs IL gilt 2044 break-even
- Open +0.5bp, target +3.5bp, stop -1bp.

SSA Strategy – Trading KfW

How to trade KfW in the current environment

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Supply is back and the primary market is energetic – not least with the stellar €8bn EFSF transaction yesterday. Low yields and tight spreads mean the market is open to an array of issuers. Given waning systemic risks, supply is likely to play a dominant role in governing secondary market behavior and relative value considerations in our view.

The need to be creative regarding relative value

Key message: In the case of KfW, some spreads remain historically low (such as vs Germany). To trade KfW therefore, we recommend looking further afield: we see better relative value vs other EMU sovereigns such as the Netherlands and France. Fundamental details regarding KfW can be found in our primer, [Euro SSA and Covered Bond Strategy - Overview and opportunities: German agency and covered bonds](#).

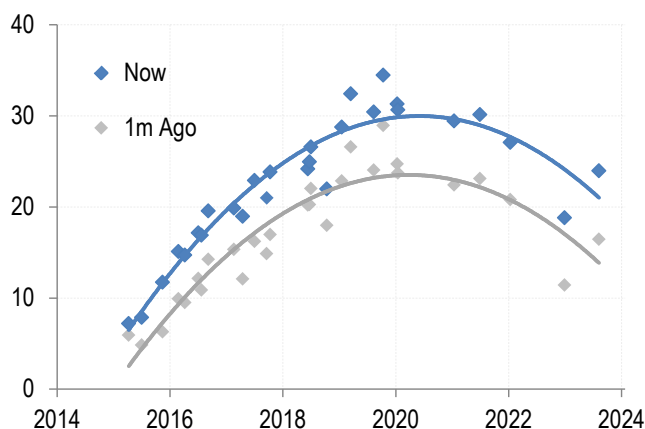
Cheapening to Germany...but spreads still historically low

Spreads to Germany are still relatively low...

Spreads cheapening...KfW has cheapened some 5bp-7bp vs Germany over the last month in the belly of the curve (Figure 50). To our minds, this probably reflects a mixture of profit taking from the very tight levels achieved in December (Figure 51) and supply pressures.

...but better value elsewhere: Despite this slight cheapening, note the move is hardly dramatic and most spreads remain at the low-end of pre-established ranges. We think it will probably take wider spreads for buying opportunities in KfW-Germany relative value to emerge.

Figure 50. KfW – Germany Spread curve (bp)



Source: Citi Research

Figure 51. 7yr KfW to Germany (Spread, bp)



Source: Citi Research

... so hunt out the RV vs other core sovereigns

We see better value vs other EMU sovereigns

Scouring the universe of cross market spreads in all sectors, it is the front-end of KfW's curve where we see attractive relative value vs other sovereigns. We chart such instances below.

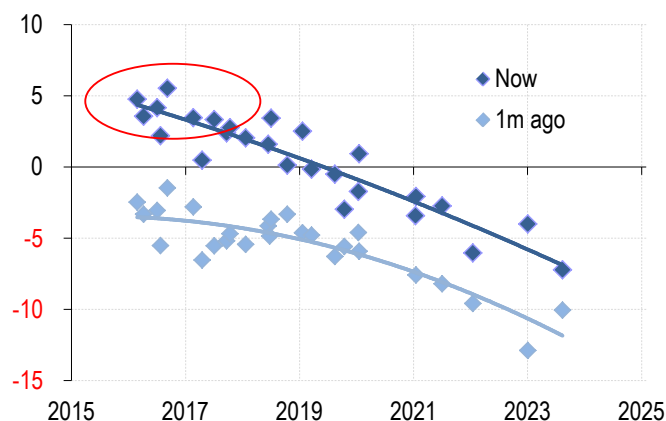
(A) Relative value vs the Netherlands in 3yr

Long 3yr KfW vs the Netherlands

One idea we like is the switch out of 3yr Netherlands (AA+/Aaa) into 3yr KfW (AAA/Aaa). Spreads have widened across the board, but it is in the front-end where we see the opportunity to switch at a spread *pick-up* (Figure 52). This is largely because KfW has lagged in the core market rally. As Figure 53 illustrates, there are now cases where spreads are noticeably outside of pre-established ranges.

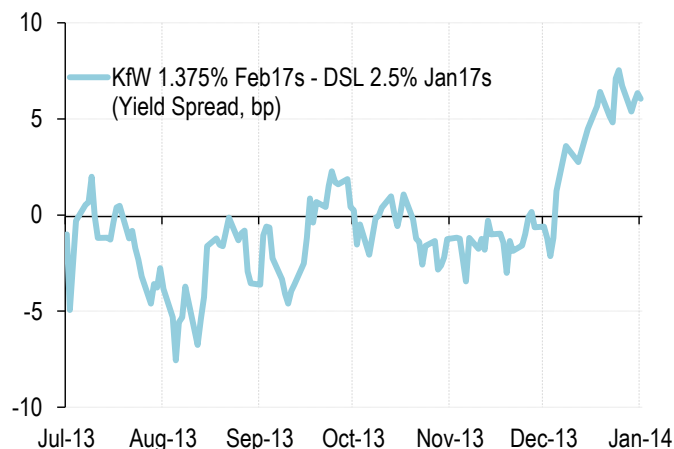
Further details can be found in our [Euro SSA Strategy - Relative Value Insights – another way to trade KfW](#).

Figure 52. KfW – Netherlands Spread Curve (bp) *



Source: Citi Research *Spreads based on interpolated differentials between KfW yields and maturity matched points on Citi's fitted cash curve for the Netherlands

Figure 53. 3yr KfW – 3yr Netherlands (bp)



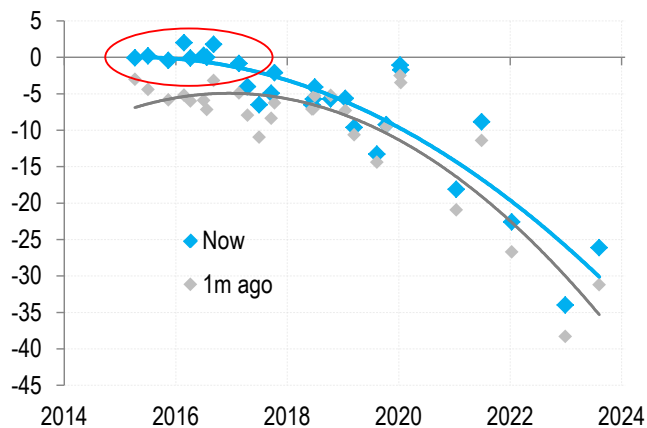
Source: Citi Research

(B) Relative value vs France in 2yr

Long 2yr KfW vs France

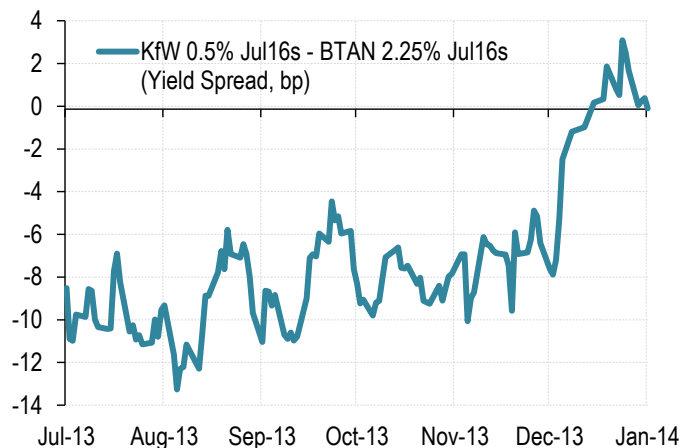
In a similar vein, it is now possible to move out of France (AA/Aa1) and into KfW at a flat spread in the 2yr sector (Figure 54). This is historically unusual as shown in the differential in Figure 55. In general, we tend to favour such trades which enable a step-up in quality at little or no spread give-up.

Figure 54. KfW – France Spread Curve (bp)



Source: Citi Research

Figure 55. 2yr KfW – 2yr France (bp)



Source: Citi Research

Covered Bond Strategy

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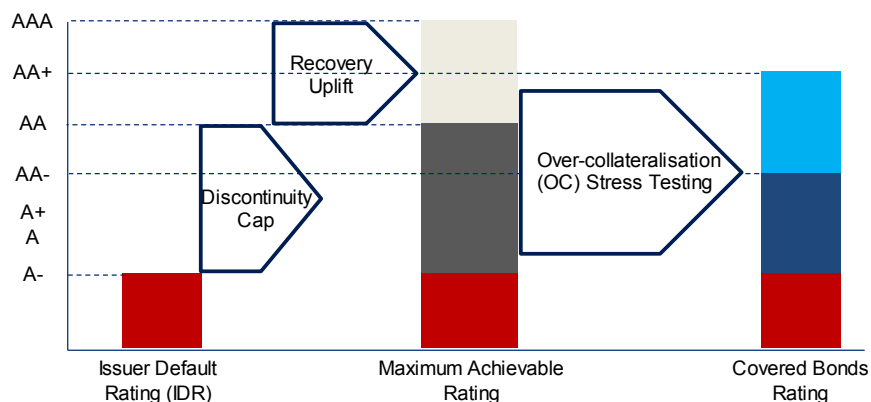
Following the latest requests for comments asked by Moody's and S&P in the end of 2013, Fitch has now also sent out a request for comment on a proposal of the rating agency to adapt to the new European resolution regime. We present the key outline of the new proposal and its implications.

Fitch to follow Moody's on the road to new reality

Background: In 2012, the European Commission started to launch a Bank Recovery and Resolution Directive (BRRD) with the aim to decrease risk for taxpayers by building adequate tools that ease dealing with failing financial institutions. One tool of this will be the shift of burden sharing from tax payers to shareholders and creditors. This also means that senior creditors might be affected by absorbing losses in case of a necessary bail-in. Position papers of the European trialogue (Parliament, Council and Commission) emphasize the bail-inability of senior bonds as well as the exclusion of covered bonds from any burden sharing. This is a main problem for rating agencies as their methodology mostly has the senior unsecured of Issuer Default Rating (IDR) as the anchor point for covered bond ratings.

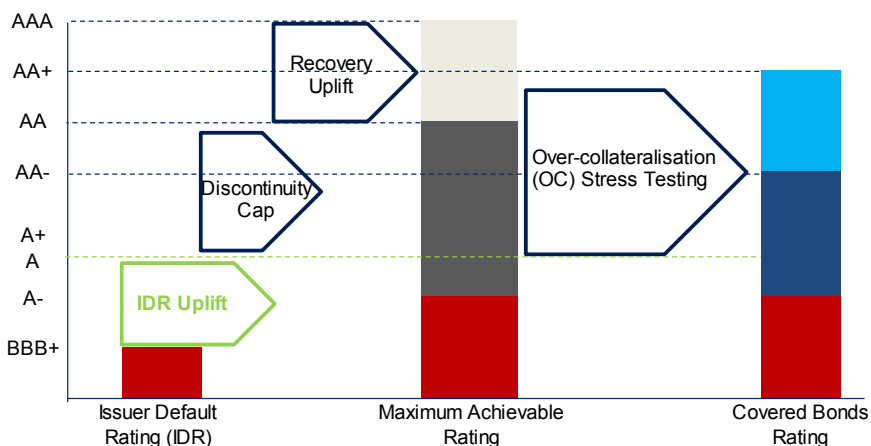
Proposal:

Figure 56. The old methodology in a nutshell



Source: Fitch, Citi Research

Figure 2. The new methodology in a nutshell



Source: Fitch, Citi Research

Maximum uplift of three notches above the IDR possible...

Fitch aims to uplift the starting point for the covered bond rating from the IDR by up to three notches. Apart from that, the methodology should stay the same. This change should only apply to covered bonds from countries where BRRD applies, i.e. the European Union, Switzerland and New Zealand – with the latter two countries having very similar resolution regimes in place. However, there will be some further constraints.

The details: There are some more factors which Fitch will monitor in order to give an uplift to the IDR:

- (1) A large proportion of senior unsecured debt in the bank's liability structure is available for bail-in.
- (2) Covered bonds are seen as significantly important to financial markets in a jurisdiction.
- (3) Greater relative ease and more motivation for use of resolution tools rather than liquidation by resolution authorities.

...in case the issuer is rated BB or lower and fulfills several requirements

If the issuer is rated BB or higher, there is the possibility of a two-notch uplift if at least two of the three factors are present and a one-notch uplift can be given if one of the three factors is fulfilled. If the entity is rated in the B category or lower, the upper factors apply but additionally Fitch would monitor the specific situation of the bank. If liquidation is looming there won't be any uplift above the IDR. If, however, it is foreseen that resolution tools will be used an uplift above the IDR can apply. As it is a case-by-case decision, Fitch can grant up to three notches of uplift for covered bonds from such distressed issuers.

Implications given the factors:

- (1) The higher the amount of senior unsecured debt, the easier it will be to absorb shocks via bail-in. This reduces the likelihood that covered bond creditors solely have to rely on cover pool receipts. More specifically, if the level of the outstanding senior unsecured debt is at least as much as the amount of junior debt and common equity and subject to a minimum threshold of 10% of the total balance sheet (adjusted for insurance assets and derivatives) an uplift can be granted. For bank groups a single entry approach is used which will lead to measuring on a consolidated basis. On the other side, this will be measured on a legal entity basis for multiple points of entry groups. According to Fitch, this factor does not affect many programs.
- (2) In many countries, covered bonds are (one of) the most important refinancing tools for banks which might lead to lower probability of contagion as the market is protected from a regulatory and political angle. This increases the likelihood that the covered bond program will be supported extraordinarily. Hence, Fitch only foresees a potential uplift for covered bond programs in several countries: Germany, France, Spain, Norway, Sweden and Denmark. Note that Norway is among the specific countries although currently there are no similar plans to introduce a resolution regime as it is in Europe. This means that Norwegian covered bonds would not benefit from potential uplifts at current stage.
- (3) Fitch thinks that covered bond creditors might have to absorb losses if other methods than liquidation are used for a bank resolution. As the liquidation of complex institutions might be too difficult, Fitch thinks that there is a given likelihood that smaller banks and specialized financial institutions can be liquidated easier. Hence, the potential uplift depends on the one hand on the nature of the legal entity issuing covered bonds and on the other hand of the

position of the entity within the banking group. If the entity is a specialized subsidiary and if the cover pool assets are not seen as strategically important for the entity, it is easier to wind down or sell the entity. In this case, Fitch would not give any uplift to the covered bond program.

**9% of Fitch rated covered bond universe
might see a positive impact**

Results: Fitch expects that the impact is rather limited. On the one hand this is due to the limited number of jurisdictions which will be affected by the change in their methodology. On the other hand, 60% of all covered bond ratings granted by Fitch are rated AAA – and many of these are found in the jurisdictions affected. Hence, overall, around 9% (24%) of all (non-‘AAA’ rated) covered bond programs will be positively affected. However, as Fitch also examines the potential weakening or removal of state support for banks in the future and the implications for IDRs an even lower share of covered bond ratings might be affected positively.

Remaining uncertainty: There are at least three factors which are remaining uncertainties, according to Fitch:

- Implicit support for banks will probably become weaker in some countries whereas it will be unchanged in others. The former would obviously lead to a revision banks’ IDR outlook which are driven by support. However, regulatory initiatives might have the reverse effect and IDR might be positively affected via the Viability Ratings.
- So far, the BRRD has not been implemented, current talks between the trialogue might lead to further amendments and the final implementation into national law will probably take several years.
- Still, there is a lack of certainty concerning the treatment of voluntary overcollateralization during a resolution of an institution.

This step taken by Fitch is welcomed

Summary: With Fitch, it is the second rating agency which reconsiders its rating methodology and the implications of BRRD. We generally welcome this change given the potential rating actions in the longer-term. The impact might take some time as Fitch aims to have more clarity on the final configuration of BRRD. The consultation period will end on January 31st 2014. Comments can be sent to cvb.feedback@fitchratings.com.

Technical update: Bunds and gilts

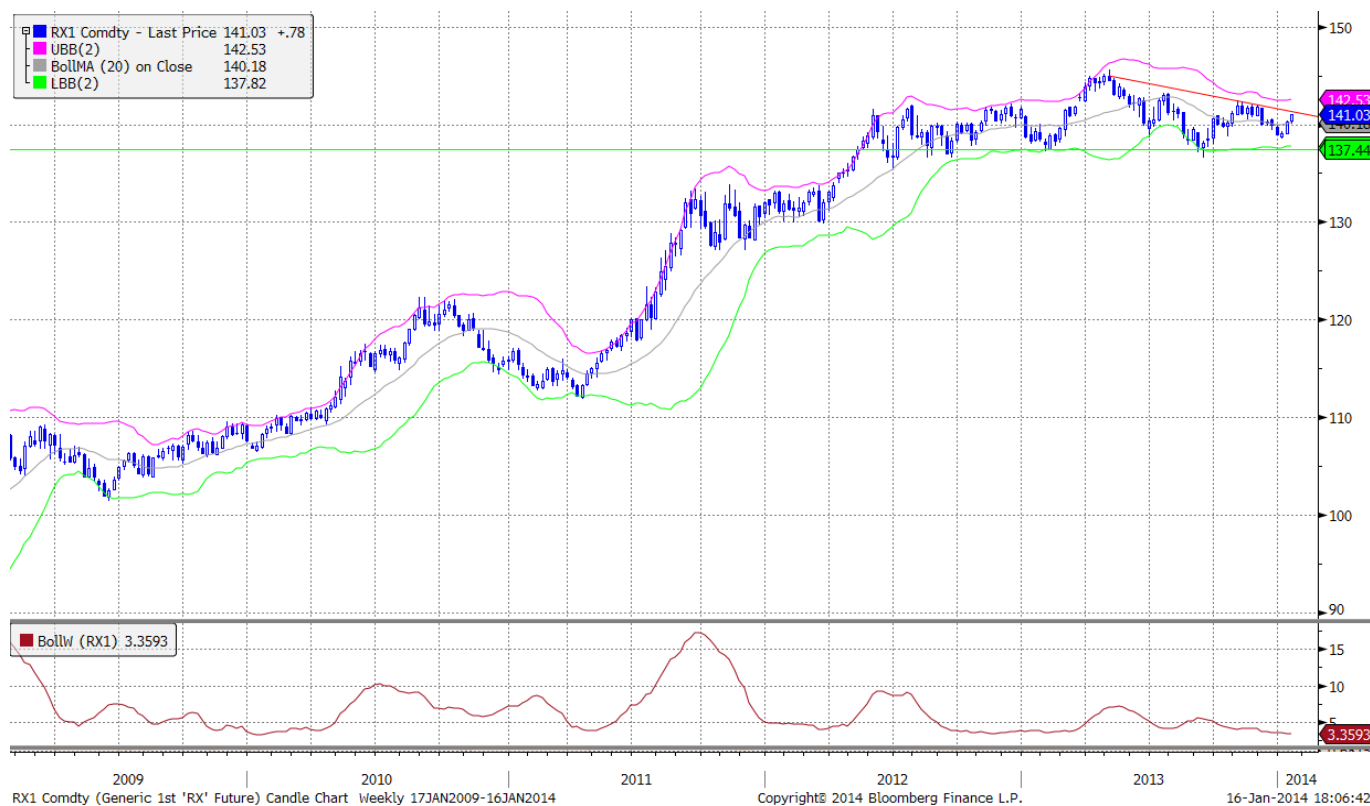
Bunds near the top of descending triangle

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Bunds broke the key resistance of 140.5 earlier this week and are closing in with the top of the descending triangle on a weekly chart (Figure 57). Bollinger Bands have also continued to tighten. This is likely to continue until Bunds break out of the triangle. This is typically a bearish pattern but the final direction will be determined based on whether it breaks out upward or downwards.

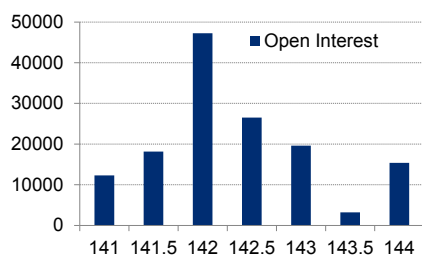
The triangle will be breached if Bunds rally past 141.27 during this week or 141.16 during the next week. The pattern gives a measuring target of 7.5 point move in the direction of the break-out, however major supports/resistances might contain the move. The first such level is 142, which has acted as a strong resistance over the last 2 months. Furthermore, the concentration and recent rise of open interest in March Bund calls at 142 level indicates that it is a significant accumulation level (Figure 58).

Figure 57. 10yr continuous Bund futures with descending triangle and 20 week Bollinger bands (weekly chart)



Source: Bloomberg

Figure 58. Open interest in Bund call options



Source: Bloomberg

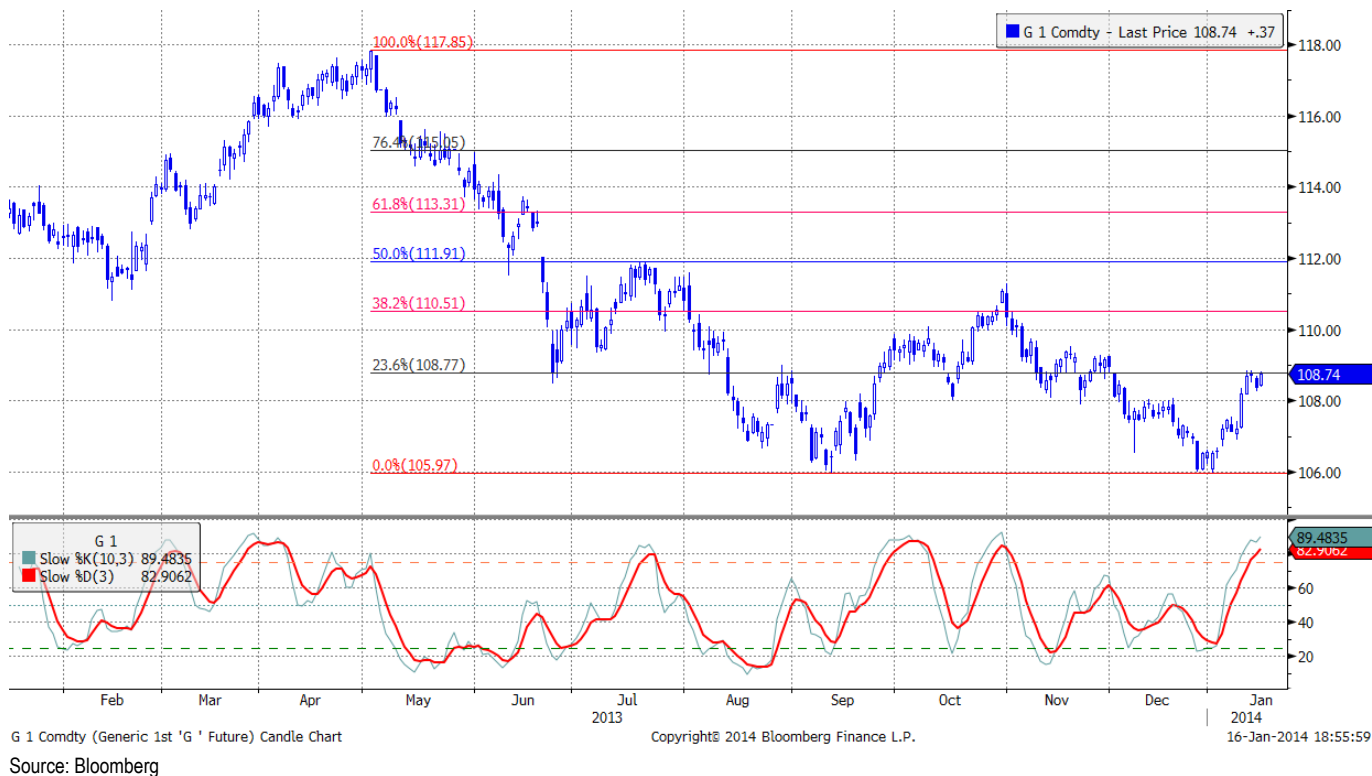
Support: The first major support is seen at the 138.7 level. If this level is broken, the next key level is 137.44 which is the support of the triangle.

Resistance: The first major resistance is given by the trendline defining the triangle. The next resistance will likely be seen at 142.

Gilts: a break of 108.7 might see a move towards 111.9

Gilts have rallied over the last 3 weeks from the support level of 106, however they are struggling to break the resistance at 108.7. A sustained break might see gilts moving towards 111.9. The slow stochastic is firmly in the overbought territory and any shorts should only be considered when it moves out of that zone and crosses over the trigger line. On the downside, 106 is a key level and any breach should be faded but with a tight stop beyond this level (Figure 59).

Figure 59. Daily continuous gilt futures with Fibonacci levels and slow stochastic (10,3,3)



Resistance: If the resistance at 108.7 is broken, the next resistance will be given by the 23.6% retracement of the Mar 2011 – June 2013 rally on the weekly chart at 109.4. However, the next major technical level will be 111.9.

Support: The support at 106 level is very strong from a technical perspective. A sustained break of this level might signal the continuation of the long-term bear trend of the last 9 months.

Relative value trades

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We highlight a number of relative value opportunities in the 2-10yr sector of the French, Austrian, Belgian, Spanish and gilt yield curves.

France: take advantage of cheapness of Oct19s

Buy Oct19s vs surrounding issues

■ Buy 3.75% Oct19 vs 1% Nov18 and 3.25% Oct21 (3m carry: 0.1bp) - Figure 60

Austria: take advantage of cheapness of Jul20s

Buy Jul20s vs surrounding issues

■ Buy 3.9% Jul20 vs 4.65% Jan18 and 3.65% Apr22 (3m carry: 0.8bp) - Figure 61.

Belgium: fade the richness of Sep17s

Sell Sep17s vs surrounding issues

■ Sell 5.5% Sep17 vs 4% Mar17 and 1.25% Jun18 (3m carry: -0.6bp) - Figure 62.

Figure 60. France: 1% Nov18, 3.75% Oct19, 3.25% Oct21 microfly (bp)



Source: Citi Research

Figure 61. Austria: 4.65% Jan18, 3.9% Jul20, 3.65% Apr22 microfly (bp)



Source: Citi Research

Figure 62. Belgium: 4% Mar17, 5.5% Sep17, 1.25% Jun18 microfly (bp)



Source: Citi Research

Spain: 2s4s flattener

Switch into Jul18s

■ Switch from 4.25% Oct16 to 4.1% Jul18 for 68bp (3m carry: -0.6bp) - Figure 63.

UK: 6s7s steepener

Switch into Mar20s

■ Switch from 3.75% Sep21 to 4.75% Mar20 at 33bp (3m carry: 2bp) - Figure 64.

Figure 63. Spain: 4.1% Jul18 – 4.25% Oct16 yield spread (bp)



Source: Citi Research

Figure 64. UK: 3.75% Sep21 – 4.75% Mar20 yield spread (bp)



Source: Citi Research

Relative value tables

Regular readers will be familiar with the Relative Value Appendix showing individual bonds from the major EMU/UK 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 65 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 65. Yield Spread and CAS to Fitted Relative Value Curve (6m History)

GERMANY

Versus Govt Curve (CAS)						Versus Swap Curve (CAS)					
	Rank		ZScore	Issued	Size (€bn)		Rank		ZScore	Issued	Size (€bn)
<div><div>Richest</div><div>↑</div><div>↓</div><div>Cheapest</div></div>	1	0.50 Apr17	-2.20	Apr12	18	Richest	1	2.50 Jul44 (30y)	-0.93	Apr12	16
	2	1.50 May23	-2.01	May13	18	2	4.00 Jan37	-0.39	Jan05	23	
	3	2.50 Jul44 (30y)	-1.91	Apr12	16	3	3.25 Jul42	-0.32	Jul10	15	
	4	1.50 Feb23 (RX)	-1.38	Jan13	18	4	4.75 Jul40	-0.26	Jul08	16	
	5	2.00 Aug23 (10y)	-1.35	Sep13	18	5	4.75 Jul34	-0.26	Jan03	20	
	5	1.50 Sep22	1.00	Sep12	18	5	3.25 Jan20	1.18	Nov09	22	
	4	4.75 Jul40	1.08	Jul08	16	4	4.25 Jul18	1.21	May08	21	
	3	3.00 Jul20	1.13	Apr10	22	3	0.25 Apr18	1.23	Apr13	17	
	2	3.25 Jul42	1.27	Jul10	15	2	3.50 Jul19	1.24	May09	24	
	1	4.25 Jul39 (UB)	1.28	Jan07	14	Cheapest	1	0.50 Feb18	1.26	Jan13	17

Source: Citi Research

Figure 66 (overleaf) looks at bonds of all maturities. For investors with maturity restrictions we have also provided another set of summary tables (Figure 67 and Figure 68) which looks at bonds shorter than 12 years and longer than 8 years, and uses the same criteria as Figure 66 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.

EMU relative value table – all maturities

Figure 66. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History); All bonds on each curve

	Versus Govt Curve (CAS)						Versus Swap Curve (CAS)					
	Rank		ZScore	Issued	Size (€bn)		Rank		ZScore	Issued	Size (€bn)	
GERMANY		Richest						Richest				
	1	0.50 Apr17	-2.20	Apr12	18		1	2.50 Jul44 (30y)	-0.93	Apr12	16	
	2	1.50 May23	-2.01	May13	18		2	4.00 Jan37	-0.39	Jan05	23	
	3	2.50 Jul44 (30y)	-1.91	Apr12	16		3	3.25 Jul42	-0.32	Jul10	15	
	4	1.50 Feb23 (RX)	-1.38	Jan13	18		4	4.75 Jul40	-0.26	Jul08	16	
	5	2.00 Aug23 (10y)	-1.35	Sep13	18		5	4.75 Jul34	-0.26	Jan03	20	
	5	1.50 Sep22	1.00	Sep12	18		5	3.25 Jan20	1.18	Nov09	22	
	4	4.75 Jul40	1.08	Jul08	16		4	4.25 Jul18	1.21	May08	21	
	3	3.00 Jul20	1.13	Apr10	22		3	0.25 Apr18	1.23	Apr13	17	
	2	3.25 Jul42	1.27	Jul10	15		2	3.50 Jul19	1.24	May09	24	
	1	4.25 Jul39 (UB)	1.28	Jan07	14		1	0.50 Feb18	1.26	Jan13	17	
		Cheapest						Cheapest				
FRANCE		Richest						Richest				
	1	4.25 Oct23 (OAT)	-2.31	Oct06	33		1	3.25 May45 (30y)	-1.48	May12	9	
	2	2.25 Oct22	-2.25	Oct11	24		2	4.50 Apr41	-1.46	Apr09	24	
	3	1.75 Feb17	-1.62	Feb11	20		3	4.00 Apr55	-1.39	Apr04	15	
	4	3.00 Apr22	-1.56	Feb12	33		4	4.00 Oct38	-1.39	Oct05	24	
	5	1.75 May23	-1.52	May12	26		5	5.75 Oct32	-1.29	Oct00	25	
	5	4.25 Apr19	1.25	Apr03	31		5	4.25 Apr19	1.65	Apr03	31	
	4	3.75 Oct19	1.40	Oct08	32		4	1.00 Nov18 (5y)	1.70	Nov12	21	
	3	4.25 Oct18 (BTA)	1.49	Oct07	28		3	4.25 Oct18 (BTA)	1.71	Oct07	28	
	2	2.50 Oct20	2.88	Oct09	34		2	3.50 Apr20	1.73	Feb10	36	
	1	3.50 Apr20	3.09	Feb10	36		1	3.75 Oct19	1.80	Oct08	32	
		Cheapest						Cheapest				
ITALY		Richest						Richest				
	1	4.50 Mar19	-3.13	Sep08	24		1	3.75 May21	-2.21	Oct13	8	
	2	4.75 Sep28	-2.66	Jan13	16		2	5.75 Feb33	-2.20	Feb02	15	
	3	5.75 Feb33	-2.32	Feb02	15		3	4.75 Sep44 (30y)	-2.16	Mar13	9	
	4	4.75 May17	-1.77	Feb12	14		4	5.00 Sep40	-2.14	Sep09	21	
	5	4.25 Feb19	-1.46	Feb03	25		5	4.00 Feb37	-2.11	Aug05	25	
	5	3.50 Nov17	2.17	Nov12	17		5	4.75 Sep16	-1.75	Sep11	16	
	4	4.50 Feb18	2.23	Aug07	25		4	4.50 May23 (10y)	-1.75	Mar13	18	
	3	3.50 Jun18	2.74	Apr13	17		3	2.75 Nov16	-1.59	Sep13	12	
	2	4.75 Aug23	2.94	Feb08	25		2	4.75 Aug23	-1.59	Feb08	25	
	1	4.50 May23 (10y)	2.99	Mar13	18		1	1.50 Dec16	-0.41	Jan14	4	
		Cheapest						Cheapest				
N'LANDS		Richest						Richest				
	1	1.25 Jan18	-1.36	Jul12	15		1	3.75 Jan42 (30y)	-1.61	May10	14	
	2	1.75 Jul23 (10y)	-1.35	Mar13	16		2	4.00 Jan37	-1.38	Apr05	13	
	3	3.75 Jan42 (30y)	-0.69	May10	14		3	2.50 Jan33	-1.07	Mar12	10	
	4	1.25 Jan19 (5y)	-0.29	Jun13	8		4	2.50 Jan17	-0.32	Jun11	16	
	5	2.50 Jan17	-0.26	Jun11	16		5	0.00 Apr16	-0.21	Jan13	15	
	5	2.50 Jan33	0.81	Mar12	10		5	1.25 Jan19 (5y)	0.66	Jun13	8	
	4	4.00 Jul16	0.84	Jul06	13		4	3.50 Jul20	0.72	Feb10	15	
	3	0.50 Apr17	1.00	Jan14	4		3	4.00 Jul18	0.92	Feb08	15	
	2	4.00 Jul18	1.76	Feb08	15		2	0.50 Apr17	1.00	Jan14	4	
	1	4.00 Jul19	2.86	Feb09	14		1	4.00 Jul19	1.08	Feb09	14	
		Cheapest						Cheapest				
SPAIN		Richest						Richest				
	1	5.15 Oct28	-3.13	Jul13	6		1	5.15 Oct44	-2.71	Oct13	4	
	2	3.15 Jan16	-2.78	Sep05	21		2	4.90 Jul40	-2.47	Jun07	13	
	3	3.80 Jan17	-1.71	Oct06	21		3	5.15 Oct28	-2.46	Jul13	6	
	4	2.10 Apr17	-1.68	Nov13	5		4	4.70 Jul41 (30y)	-2.45	Sep09	12	
	5	4.90 Jul40	-1.65	Jun07	13		5	4.20 Jan37	-2.41	Jan05	16	
	5	4.80 Jan24	2.01	Sep08	15		5	3.75 Oct18 (5y)	-2.10	Jul13	19	
	4	4.50 Jan18	2.25	Nov12	19		4	4.80 Jan24	-2.07	Sep08	15	
	3	4.40 Oct23 (10y)	3.30	May13	18		3	4.10 Jul18	-2.02	Feb08	19	
	2	5.40 Jan23	4.12	Jan13	17		2	2.10 Apr17	-1.96	Nov13	5	
	1	4.10 Jul18	4.15	Feb08	19		1	2.75 Apr19	-0.74	Jan14	4	
		Cheapest						Cheapest				
BELGIUM		Richest						Richest				
	1	4.25 Sep22	-2.34	Jan12	15		1	4.25 Mar41	-1.79	Apr10	12	
	2	4.00 Mar32	-1.91	Mar12	8		2	4.00 Mar32	-1.74	Mar12	8	
	3	3.50 Jun17	-1.54	Mar11	13		3	5.00 Mar35	-1.74	May04	18	
	4	4.00 Mar19	-1.52	Jan09	11		4	2.75 Mar16	-1.59	Mar10	10	
	5	4.25 Sep21	-1.49	Jan11	15		5	4.50 Mar26	-1.59	Jun11	8	
	5	1.25 Jun18 (5y)	1.01	Feb13	12		5	3.75 Sep20	-1.18	Jan10	18	
	4	2.60 Jun24	1.06	Jan14	5		4	4.00 Mar19	-1.06	Jan09	11	
	3	2.25 Jun23 (10y)	1.23	Jan13	14		3	3.00 Sep19	-0.99	Apr12	9	
	2	5.00 Mar35	1.35	May04	18		2	1.25 Jun18 (5y)	-0.85	Feb13	12	
	1	4.00 Mar18	1.71	Jan08	12		1	4.00 Mar18	-0.70	Jan08	12	
		Cheapest						Cheapest				

Source: Citi Research

EMU relative value table – max 12yr maturity

Figure 67. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History); Bonds with a Maximum Maturity of 12yrs

		Versus Govt Curve (CAS)					Versus Swap Curve (CAS)				
		Rank		ZScore	Issued	Size (€bn)	Rank		ZScore	Issued	Size (€bn)
GERMANY	Richest	1	0.50 Apr17	-2.20	Apr12	18	1	1.00 Feb19 (5y)		Jan14	5
		2	1.50 May23	-2.01	May13	18	2	2.00 Aug23 (10y)	0.12	Sep13	18
		3	1.50 Feb23 (RX)	-1.38	Jan13	18	3	1.50 May23	0.55	May13	18
		4	2.00 Aug23 (10y)	-1.35	Sep13	18	4	1.50 Feb23 (RX)	0.64	Jan13	18
		5	0.75 Feb17	-1.32	Jan12	16	5	1.00 Oct18	0.84	Sep13	17
	Cheapest	5	3.50 Jul19	0.70	May09	24	5	3.25 Jan20	1.18	Nov09	22
		4	2.00 Jan22	0.87	Nov11	20	4	4.25 Jul18	1.21	May08	21
		3	3.25 Jan20	0.96	Nov09	22	3	0.25 Apr18	1.23	Apr13	17
		2	1.50 Sep22	1.00	Sep12	18	2	3.50 Jul19	1.24	May09	24
		1	3.00 Jul20	1.13	Apr10	22	1	0.50 Feb18	1.26	Jan13	17
FRANCE	Richest	1	4.25 Oct23 (OAT)	-2.31	Oct06	33	1	4.25 Oct23 (OAT)	-1.23	Oct06	33
		2	2.25 Oct22	-2.25	Oct11	24	2	2.25 Oct22	-0.90	Oct11	24
		3	1.75 Feb17	-1.62	Feb11	20	3	1.75 May23	-0.75	May12	26
		4	3.00 Apr22	-1.56	Feb12	33	4	5.00 Oct16	-0.61	Oct00	29
		5	1.75 May23	-1.52	May12	26	5	3.00 Apr22	-0.53	Feb12	33
	Cheapest	5	4.25 Apr19	1.25	Apr03	31	5	4.25 Apr19	1.65	Apr03	31
		4	3.75 Oct19	1.40	Oct08	32	4	1.00 Nov18 (5y)	1.70	Nov12	21
		3	4.25 Oct18 (BTA)	1.49	Oct07	28	3	4.25 Oct18 (BTA)	1.71	Oct07	28
		2	2.50 Oct20	2.88	Oct09	34	2	3.50 Apr20	1.73	Feb10	36
		1	3.50 Apr20	3.09	Feb10	36	1	3.75 Oct19	1.80	Oct08	32
ITALY	Richest	1	4.50 Mar19	-3.13	Sep08	24	1	3.75 May21	-2.21	Oct13	8
		2	4.75 May17	-1.78	Feb12	14	2	4.50 Mar24	-2.08	Aug13	19
		3	4.25 Feb19	-1.46	Feb03	25	3	3.75 Mar21	-2.08	Sep10	24
		4	5.50 Nov22 (IK)	-1.24	May12	21	4	4.50 Mar19	-2.08	Sep08	24
		5	5.50 Sep22	-0.72	Mar12	20	5	3.75 Aug21	-2.06	Feb06	28
	Cheapest	5	3.50 Nov17	2.17	Nov12	17	5	4.75 Sep16	-1.75	Sep11	16
		4	4.50 Feb18	2.23	Aug07	25	4	4.50 May23 (10y)	-1.75	Mar13	18
		3	3.50 Jun18	2.73	Apr13	17	3	2.75 Nov16	-1.59	Sep13	12
		2	4.75 Aug23	2.95	Feb08	25	2	4.75 Aug23	-1.59	Feb08	25
		1	4.50 May23 (10y)	2.99	Mar13	18	1	1.50 Dec16	-0.41	Jan14	4
N'LANDS	Richest	1	1.25 Jan18	-1.36	Jul12	15	1	2.50 Jan17	-0.32	Jun11	16
		2	1.75 Jul23 (10y)	-1.35	Mar13	16	2	0.00 Apr16	-0.21	Jan13	15
		3	1.25 Jan19 (5y)	-0.29	Jun13	8	3	1.75 Jul23 (10y)	-0.17	Mar13	16
		4	2.50 Jan17	-0.26	Jun11	16	4	4.00 Jul16	-0.08	Jul06	13
		5	4.50 Jul17	-0.01	Jul07	15	5	1.25 Jan18	0.00	Jul12	15
	Cheapest	5	3.25 Jul21	0.78	Mar11	16	5	1.25 Jan19 (5y)	0.66	Jun13	8
		4	4.00 Jul16	0.84	Jul06	13	4	3.50 Jul20	0.72	Feb10	15
		3	0.50 Apr17	1.00	Jan14	4	3	4.00 Jul18	0.92	Feb08	15
		2	4.00 Jul18	1.76	Feb08	15	2	0.50 Apr17	1.00	Jan14	4
		1	4.00 Jul19	2.86	Feb09	14	1	4.00 Jul19	1.08	Feb09	14
SPAIN	Richest	1	3.15 Jan16	-2.78	Sep05	21	1	3.30 Jul16	-2.25	Apr13	17
		2	3.80 Jan17	-1.71	Oct06	21	2	4.85 Oct20	-2.24	Jul10	18
		3	2.10 Apr17	-1.68	Nov13	5	3	5.50 Jul17	-2.23	Mar02	20
		4	4.00 Apr20	-1.43	Jan10	20	4	3.80 Jan17	-2.21	Oct06	21
		5	4.85 Oct20	-1.05	Jul10	18	5	5.50 Apr21	-2.21	Jan11	24
	Cheapest	5	4.80 Jan24	2.01	Sep08	15	5	3.75 Oct18 (5y)	-2.10	Jul13	19
		4	4.50 Jan18	2.25	Nov12	19	4	4.80 Jan24	-2.07	Sep08	15
		3	4.40 Oct23 (10y)	3.30	May13	18	3	4.10 Jul18	-2.02	Feb08	19
		2	5.40 Jan23	4.12	Jan13	17	2	2.10 Apr17	-1.96	Nov13	5
		1	4.10 Jul18	4.15	Feb08	19	1	2.75 Apr19	-0.74	Jan14	4
BELGIUM	Richest	1	4.25 Sep22	-2.34	Jan12	15	1	2.75 Mar16	-1.59	Mar10	10
		2	3.50 Jun17	-1.54	Mar11	13	2	4.25 Sep22	-1.57	Jan12	15
		3	4.00 Mar19	-1.52	Jan09	11	3	2.25 Jun23 (10y)	-1.53	Jan13	14
		4	4.25 Sep21	-1.49	Jan11	15	4	4.00 Mar22	-1.51	May06	14
		5	5.50 Sep17	-1.31	Jun02	8	5	3.25 Sep16	-1.51	Jan06	13
	Cheapest	5	3.00 Sep19	0.74	Apr12	9	5	3.75 Sep20	-1.18	Jan10	18
		4	1.25 Jun18 (5y)	1.01	Feb13	12	4	4.00 Mar19	-1.06	Jan09	11
		3	2.60 Jun24	1.06	Jan14	5	3	3.00 Sep19	-0.99	Apr12	9
		2	2.25 Jun23 (10y)	1.23	Jan13	14	2	1.25 Jun18 (5y)	-0.85	Feb13	12
		1	4.00 Mar18	1.71	Jan08	12	1	4.00 Mar18	-0.70	Jan08	12

Source: Citi Research

EMU relative value table – min 8yr maturity

Figure 68. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History); Bonds with a Minimum Maturity of 8yrs

		Versus Govt Curve (CAS)					Versus Swap Curve (CAS)				
		Rank		ZScore	Issued	Size (€bn)	Rank		ZScore	Issued	Size (€bn)
GERMANY	Richest	1	1.50 May23	-2.01	May13	18	1	2.50 Jul44 (30y)	-0.93	Apr12	16
		2	2.50 Jul44 (30y)	-1.91	Apr12	16	2	4.00 Jan37	-0.39	Jan05	23
		3	1.50 Feb23 (RX)	-1.38	Jan13	18	3	3.25 Jul42	-0.32	Jul10	15
		4	2.00 Aug23 (10y)	-1.35	Sep13	18	4	4.75 Jul40	-0.26	Jul08	16
		5	4.00 Jan37	-0.58	Jan05	23	5	4.75 Jul34	-0.26	Jan03	20
	Cheapest	5	5.50 Jan31	0.99	Oct00	17	5	6.25 Jan30	0.19	Jan00	9
		4	1.50 Sep22	1.00	Sep12	18	4	1.50 May23	0.55	May13	18
		3	4.75 Jul40	1.08	Jul08	16	3	1.50 Feb23 (RX)	0.64	Jan13	18
		2	3.25 Jul42	1.27	Jul10	15	2	1.75 Jul22	0.88	Apr12	24
		1	4.25 Jul39 (UB)	1.28	Jan07	14	1	1.50 Sep22	0.95	Sep12	18
FRANCE	Richest	1	4.25 Oct23 (OAT)	-2.31	Oct06	33	1	3.25 May45 (30y)	-1.48	May12	9
		2	2.25 Oct22	-2.25	Oct11	24	2	4.50 Apr41	-1.46	Apr09	24
		3	3.00 Apr22	-1.56	Feb12	33	3	4.00 Apr55	-1.39	Apr04	15
		4	1.75 May23	-1.52	May12	26	4	4.00 Oct38	-1.39	Oct05	24
		5	4.00 Apr55	-1.15	Apr04	15	5	5.75 Oct32	-1.29	Oct00	25
	Cheapest	5	4.00 Oct38	-0.66	Oct05	24	5	2.25 Oct22	-0.90	Oct11	24
		4	3.50 Apr26	0.34	Apr10	30	4	1.75 May23	-0.75	May12	26
		3	2.75 Oct27	0.95	Oct11	18	3	3.50 Apr26	-0.73	Apr10	30
		2	3.25 May45 (30y)	1.01	May12	9	2	3.00 Apr22	-0.53	Feb12	33
		1	2.25 May24 (10y)	1.03	Nov13	9	1	2.25 May24 (10y)	-0.11	Nov13	9
ITALY	Richest	1	4.75 Sep28	-2.66	Jan13	16	1	5.75 Feb33	-2.20	Feb02	15
		2	5.75 Feb33	-2.32	Feb02	15	2	4.75 Sep44 (30y)	-2.16	Mar13	9
		3	5.50 Nov22 (IK)	-1.24	May12	21	3	5.00 Sep40	-2.14	Sep09	21
		4	5.50 Sep22	-0.71	Mar12	20	4	4.00 Feb37	-2.11	Aug05	25
		5	4.50 Mar24	-0.60	Aug13	19	5	5.00 Aug39	-2.10	Aug07	19
	Cheapest	5	4.50 Mar26	0.99	Sep10	21	5	5.00 Mar22	-1.86	Sep11	18
		4	5.00 Mar22	1.35	Sep11	18	4	5.50 Nov22 (IK)	-1.85	May12	21
		3	5.00 Mar25	1.57	Mar09	22	3	5.50 Sep22	-1.82	Mar12	20
		2	4.75 Aug23	2.95	Feb08	25	2	4.50 May23 (10y)	-1.75	Mar13	18
		1	4.50 May23 (10y)	3.00	Mar13	18	1	4.75 Aug23	-1.59	Feb08	25
N'LANDS	Richest	1	1.75 Jul23 (10y)	-1.39	Mar13	16	1	3.75 Jan42 (30y)	-1.61	May10	14
		2	3.75 Jan42 (30y)	-0.71	May10	14	2	4.00 Jan37	-1.38	Apr05	13
		3	4.00 Jan37	0.06	Apr05	13	3	2.50 Jan33	-1.07	Mar12	10
	Cheapest	3	3.75 Jan23	0.09	Jan06	11	3	1.75 Jul23 (10y)	-0.18	Mar13	16
		2	2.25 Jul22	0.27	Feb12	15	2	3.75 Jan23	0.18	Jan06	11
		1	2.50 Jan33	0.79	Mar12	10	1	2.25 Jul22	0.26	Feb12	15
SPAIN	Richest	1	5.15 Oct28	-3.10	Jul13	6	1	5.15 Oct44	-2.71	Oct13	4
		2	4.90 Jul40	-1.63	Jun07	13	2	4.90 Jul40	-2.47	Jun07	13
		3	4.70 Jul41 (30y)	-1.20	Sep09	12	3	5.15 Oct28	-2.46	Jul13	6
		4	5.90 Jul26	-1.17	Mar11	10	4	4.70 Jul41 (30y)	-2.45	Sep09	12
		5	4.65 Jul25	-0.75	Feb10	14	5	4.20 Jan37	-2.41	Jan05	16
	Cheapest	5	4.20 Jan37	0.14	Jan05	16	5	4.65 Jul25	-2.18	Feb10	14
		4	5.85 Jan22 (FBB)	1.87	Nov11	19	4	5.85 Jan22 (FBB)	-2.17	Nov11	19
		3	4.80 Jan24	2.02	Sep08	15	3	4.40 Oct23 (10y)	-2.11	May13	18
		2	4.40 Oct23 (10y)	3.31	May13	18	2	5.40 Jan23	-2.10	Jan13	17
		1	5.40 Jan23	4.14	Jan13	17	1	4.80 Jan24	-2.07	Sep08	15
BELGIUM	Richest	1	4.25 Sep22	-2.30	Jan12	15	1	4.25 Mar41	-1.79	Apr10	12
		2	4.00 Mar32	-1.81	Mar12	8	2	4.00 Mar32	-1.74	Mar12	8
		3	4.00 Mar22	-1.19	May06	14	3	5.00 Mar35	-1.74	May04	18
		4	4.25 Mar41	-0.89	Apr10	12	4	4.50 Mar26	-1.59	Jun11	8
	Cheapest	4	4.50 Mar26	0.17	Jun11	8	4	3.75 Jun45 (30y)	-1.53	Sep13	4
		3	2.60 Jun24	1.07	Jan14	5	3	2.25 Jun23 (10y)	-1.53	Jan13	14
		2	2.25 Jun23 (10y)	1.26	Jan13	14	2	4.00 Mar22	-1.51	May06	14
		1	5.00 Mar35	1.36	May04	18	1	2.60 Jun24	-1.28	Jan14	5

Source: Citi Research

UK relative value table

Figure 69. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History)

		Versus Govt Curve (CAS)					Versus Swap Curve (CAS)				
		Rank		ZScore	Issued	Size (€bn)	Rank		ZScore	Issued	Size (€bn)
ALL	<div> <div>↑ Richest</div> <div>↓ Cheapest</div> </div>	1	4.50 Sep34	-2.26	Jun09	26	1	1.75 Jul19	-1.53	Nov13	9
		2	2.25 Mar14	-1.86	Mar09	35	2	2.25 Sep23 (10y)	-0.82	Jun13	20
		3	4.00 Mar22	-1.54	Feb09	37	3	1.00 Sep17	-0.63	Mar12	31
		4	1.25 Jul18 (5y)	-1.34	Feb13	34	4	4.00 Sep16	-0.62	Mar06	35
		5	1.75 Sep22	-1.29	Jun12	28	5	1.75 Sep22	-0.60	Jun12	28
		5	4.25 Dec40	1.53	Jun10	24	5	3.75 Sep19	0.94	Jul09	28
		4	2.75 Jan15	1.55	Nov09	29	4	4.25 Sep39	0.98	Mar09	19
		3	3.75 Jul52	1.71	Sep11	20	3	4.75 Dec38	1.00	Apr04	25
		2	1.75 Jan17	2.56	Aug11	27	2	2.75 Jan15	1.07	Nov09	29
		1	3.50 Jul68	5.44	Jun13	10	1	2.25 Mar14	1.49	Mar09	35
2yr - 7yr	<div> <div>↑ Richest</div> <div>↓ Cheapest</div> </div>	1	1.25 Jul18 (5y)	-1.15	Feb13	34	1	1.75 Jul19	-1.45	Nov13	9
		2	3.75 Sep20	-0.78	Jun10	24	2	4.00 Sep16	-0.58	Mar06	35
		3	4.75 Mar20	-0.45	Mar05	33	3	1.00 Sep17	-0.57	Mar12	31
		4	1.75 Jul19	-0.20	Nov13	9	4	1.75 Jan17	-0.37	Aug11	27
		5	1.00 Sep17	0.37	Mar12	31	5	2.00 Jan16	-0.35	Nov10	32
		5	4.00 Sep16	0.64	Mar06	35	5	5.00 Mar18 (WX)	-0.04	May07	34
		4	5.00 Mar18 (WX)	0.94	May07	34	4	3.75 Sep20	0.55	Jun10	24
		3	2.00 Jan16	1.45	Nov10	32	3	4.50 Mar19	0.63	Sep08	35
		2	3.75 Sep19	1.48	Jul09	28	2	4.75 Mar20	0.64	Mar05	33
		1	1.75 Jan17	2.80	Aug11	27	1	3.75 Sep19	0.98	Jul09	28
7yr - 15yr	<div> <div>↑ Richest</div> <div>↓ Cheapest</div> </div>	1	4.00 Mar22	-1.33	Feb09	37	1	2.25 Sep23 (10y)	-0.77	Jun13	20
		2	1.75 Sep22	-1.03	Jun12	28	2	1.75 Sep22	-0.56	Jun12	28
		3	3.75 Sep21	-0.89	Mar11	28	3	4.00 Mar22	-0.22	Feb09	37
		4					4				
		5					5				
		4					4				
		3	5.00 Mar25 (G)	1.17	Sep01	34	3	3.75 Sep21	0.14	Mar11	28
		2	2.25 Sep23 (10y)	1.26	Jun13	20	2	5.00 Mar25 (G)	0.23	Sep01	34
		1	4.25 Dec27	1.53	Sep06	29	1	4.25 Dec27	0.29	Sep06	29
>15yr	<div> <div>↑ Richest</div> <div>↓ Cheapest</div> </div>	1	4.50 Sep34	-1.86	Jun09	26	1	4.25 Dec49	-0.07	Sep08	19
		2	4.25 Jun32	-0.68	May00	35	2	3.50 Jul68	0.03	Jun13	10
		3	4.25 Dec55	-0.45	May05	23	3	4.25 Dec55	0.08	May05	23
		4	4.25 Dec49	-0.26	Sep08	19	4	4.25 Dec46	0.11	May06	21
		5	4.00 Jan60	-0.04	Oct09	19	5	3.75 Jul52	0.16	Sep11	20
		5	4.75 Dec38	1.66	Apr04	25	5	4.50 Dec42	0.70	Jun07	26
		4	4.25 Sep39	1.86	Mar09	19	4	4.25 Dec40	0.96	Jun10	24
		3	4.25 Dec40	2.29	Jun10	24	3	4.25 Mar36	0.98	Feb03	26
		2	3.75 Jul52	2.75	Sep11	20	2	4.25 Sep39	1.03	Mar09	19
		1	3.50 Jul68	9.48	Jun13	10	1	4.75 Dec38	1.05	Apr04	25

Source: Citi Research

4 Week Auction Calendar: US, EMU-10, UK

Mohit Aggarwal
Nishay Patel

This is an excerpt from our latest [Weekly Supply Monitor](#) that was published earlier today. For further details (such as a breakdown of upcoming coupon payments, redemptions and our longer term supply forecasts) please see the original note.

Figure 70. Provisional Auction Calendar for the Next Four Weeks, Gross Issuance (Billions), DV01 (USD Millions)

Date	Country	Nominal Size (Local Ccy, bn)	Issue Details	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYH4 (UST)	G H4 (Gilt)	RXH4 (Bund)
21 Jan (Tue)	US	1 - 1.5	Outright Treasury Coupon Purchases: 15/2/2036 - 15/11/2043		-27k		
22 Jan (Wed)	Germany	4.0	Schatz 0% Dec15 re-opening (issue and size confirmed)				7k
22 Jan (Wed)	US	2.25 - 3	Outright Treasury Coupon Purchases: 15/2/2021 - 15/11/2023		-22k		
23 Jan (Thu)	France	9.2	OAT 2yr and 5yr, index-linked OAT (estimated tenors and size)				38k
23 Jan (Thu)	UK	3.25	2¼% Treasury Gilt 2023 (issue and size confirmed)			28k	
23 Jan (Thu)	US	15.0	10-year TIPS		172k		
23 Jan (Thu)	US	1 - 1.5	Outright Treasury Coupon Purchases: 15/2/2036 - 15/11/2043		-27k		
24 Jan (Fri)	US	2.5 - 3.5	Outright Treasury Coupon Purchases: 31/10/2019 - 31/12/2020		-19k		
Weekly \$DV01 of Issuance				17.6			
Total Number of Futures Contracts					76k	28k	44k

Date	Country	Nominal Size (Local Ccy, bn)	Issue Details	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYH4 (UST)	G H4 (Gilt)	RXH4 (Bund)
27 Jan (Mon)	US	1 - 1.5	Outright Treasury Coupon Purchases: 15/2/2036 - 15/11/2043		-27k		
28 Jan (Tue)	Netherlands	1.8	2yr and 15yr Off-the-run DSL (estimated tenor and size)				19k
28 Jan (Tue)	Italy	4.0	CTZ (estimated size)				7k
28 Jan (Tue)	Italy	1.2	BTPei (estimated size)				10k
28 Jan (Tue)	UK	4.0	Syndication of 01/8% Index-linked Treasury Gilt 2068 (issue confirmed, second half of January)			215k	
28 Jan (Tue)	US	32.0	2-year		101k		
28 Jan (Tue)	US	2.25 - 3	Outright Treasury Coupon Purchases: 15/2/2021 - 15/11/2023		-22k		
29 Jan (Wed)	Germany	5.0	New Bund Feb24 (issue and size confirmed)				38k
29 Jan (Wed)	US	15.0	2-Year FRN		47k		
30 Jan (Thu)	Italy	6.0	BTP 5yr and 10yr (estimated tenor and size)				37k
30 Jan (Thu)	Italy	1.8	CCTeu (estimated size)				7k
30 Jan (Thu)	US	35.0	5-year		185k		
30 Jan (Thu)	US	29.0	7-year		219k		
30 Jan (Thu)	US	1 - 1.5	Outright Treasury Coupon Purchases: 15/2/2036 - 15/11/2043		-27k		
31 Jan (Fri)	US	3.75 - 4.75	Outright Treasury Coupon Purchases: 15/2/2018 - 31/10/2018		-19k		
Weekly \$DV01 of Issuance				89.1			
Total Number of Futures Contracts					458k	215k	118k

Date	Country	Nominal Size (Local Ccy, bn)	Issue Details	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYH4 (UST)	G H4 (Gilt)	RXH4 (Bund)
04 Feb (Tue)	Austria	1.4	RAGB 5yr and 10yr (estimated tenor and size)				8k
04 Feb (Tue)	UK	4.4	1.75% Treasury Gilt 2019 (issue confirmed, estimated size)			24k	
05 Feb (Wed)	Germany	4.0	Bobl Feb19 re-opening (issue and size confirmed)				16k
06 Feb (Thu)	France	8.5	OAT 5yr, 10yr and 15yr (estimated tenors and size)				72k
06 Feb (Thu)	Spain	5.5	Bono/Obligaciones 2yr, 5yr and 15yr (estimated tenors and size)				23k
Weekly \$DV01 of Issuance				22.9			
Total Number of Futures Contracts					0k	24k	119k

Date	Country	Nominal Size (Local Ccy, bn)	Issue Details	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYH4 (UST)	G H4 (Gilt)	RXH4 (Bund)
11 Feb (Tue)	Germany	1.0	Bobleii/Bundei (estimated size)				8k
11 Feb (Tue)	Netherlands	2.5	DSL 1.25% Jan19 re-opening (issue confirmed, estimated size)				10k
11 Feb (Tue)	UK	1.4	01/8% Index-linked Treasury Gilt 2024 (issue confirmed, estimated size)			16k	
11 Feb (Tue)	US	30.0	3-year		95k		
12 Feb (Wed)	Germany	5.0	New Schatz Mar16 (issue and size confirmed)				8k
12 Feb (Wed)	US	24.0	10-year		257k		
13 Feb (Thu)	Italy	7.3	BTP 3yr, 7yr and 30yr (estimated tenor and size)				49k
13 Feb (Thu)	UK	2.0	3¾% Treasury Gilt 2052 (issue confirmed, estimated size)			44k	
13 Feb (Thu)	US	16.0	30-year		353k		
Weekly \$DV01 of Issuance				77.5			
Total Number of Futures Contracts					704k	60k	76k

The next release of the tentative outright Treasury operation schedule will be at 3 p.m. on January 31, 2013. Therefore we have only included Fed buybacks upto January 31 in this calendar. Additional issues expected in January: 10yr Spain (€7bn), 15yr Finland (€1bn); February: 10yr Netherlands via DDA (€5bn). These are not included in the table above as the timing of these supply events has not been announced.

Source: DMOs, Citi Research

EUR: Coupons & Redemptions (next 3 mths)

Figure 71. EMU-10 Redemptions over the next three months (€bn)

Redemptions = €100bn											
Redemptions	DEU 34	FRA 0	NLD 0	ITA 43	ESP 14	BEL 9	AUT 0	FIN 0	PRT 0	GRC 0	IRL 0
(Fri) 31-Jan-14				14.5	14.2						
(Sat) 01-Mar-14				13.4							
(Fri) 14-Mar-14	15.0										
(Fri) 28-Mar-14						8.7					
(Tue) 01-Apr-14				14.8							
(Fri) 11-Apr-14	19.0										

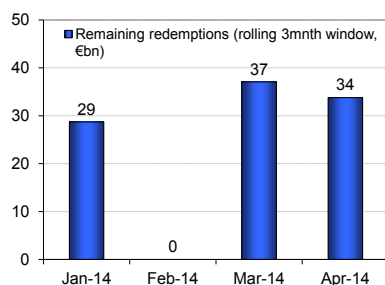
Source: DMOs, Bloomberg, Citi Research

Figure 72. EMU-10 Coupon Payments over the next three months (€bn)

Coupons = €42bn											
Coupons	DEU 3	FRA 1	NLD 0	ITA 18	ESP 9	BEL 6	AUT 2	FIN 1	PRT 1	GRC 0	IRL 1
(Mon) 20-Jan-14											0.0
(Sun) 26-Jan-14							0.1				
(Fri) 31-Jan-14					8.4						
(Sat) 01-Feb-14				8.4							
(Sat) 15-Feb-14	0.3								0.4		
(Tue) 18-Feb-14											0.2
(Thu) 20-Feb-14							0.3				
(Sun) 23-Feb-14	0.1										
(Mon) 24-Feb-14	0.1										
(Tue) 25-Feb-14		1.0									
(Wed) 26-Feb-14	0.3										
(Thu) 27-Feb-14	0.4										
(Sat) 01-Mar-14				7.0							
(Thu) 13-Mar-14	0.0										0.6
(Fri) 14-Mar-14	0.0										
(Sat) 15-Mar-14				1.9			1.4				
(Thu) 20-Mar-14											0.2
(Fri) 28-Mar-14						6.4					
(Mon) 31-Mar-14					0.3						
(Tue) 01-Apr-14				0.2							
(Mon) 07-Apr-14	0.1										
(Tue) 08-Apr-14	0.5										
(Thu) 10-Apr-14	0.4										
(Fri) 11-Apr-14	0.4										
(Sun) 13-Apr-14	0.0										
(Tue) 15-Apr-14	0.6		0.1	0.8				0.7	0.6		

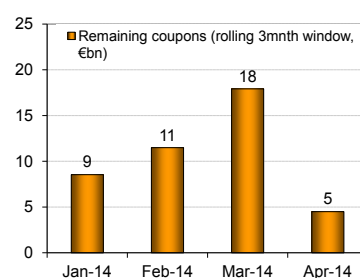
Source: DMOs, Bloomberg, Citi Research

Figure 73. EMU-10 remaining redemptions over the next 3months (€bn)



Source: DMOs, Bloomberg, Citi Research

Figure 74. EMU-10 remaining coupons over the next 3months (€bn)



Source: DMOs, Bloomberg, Citi Research

ESP and ITA Bill Issuance Projections

This page contains our projections for Spanish and Italian bill supply in 2013.

Auction calendar for the next four weeks

Figure 75. Provisional Bill Auction Calendar for the Next Four Weeks, Gross Issuance (Billions), DV01 (EUR Million/bp)

Week	Date	Country	Issue Details	Total Size (€bn)
Week 1	21 Jan (Tue)	Spain	6 month (18 July 2014) and 12month (new bill) - tenors confirmed, estimated issue and size	5.3
Total Size in Week 1				5.3
Week 2	28 Jan (Tue)	Spain	3month (16 April 2014) and 9 month (17 October 2014) - tenors confirmed, estimated issue and size	3.4
	29 Jan (Wed)	Italy	6 month (31 July 2014; issue confirmed, estimated size)	9
Total Size in Week 2				12.4
Week 4	12 Feb (Wed)	Italy	12 month (13 February 2015; issue confirmed, estimated size)	9
Total Size in Week 4				9.0

Italy announces issue size 3 business days before the auction

Spain announces issue details 1 business day before the auction

Source: DMOs, Citi Research

2014 projections for bill supply

Figure 76. 2014 Italy and Spain Bill Supply – Citi Forecast (Euro Billion)

SPAIN	3m	6m	9m	12m	18m	Gross Supply	Redemptions	NCR
Jan	0.9	1.3	2.5	4.0		9	8	1
Feb	0.9	1.3	2.5	4.0		9	11	-3
Mar	0.9	1.3	2.5	4.0		9	10	-1
Apr	0.9	1.5	3.0	4.0		9	12	-3
May	0.9	1.5	3.0	4.0		9	8	1
Jun	0.9	1.5	3.0	4.0		9	14	-4
Jul	0.8	1.5	3.0	4.0		9	8	1
Aug	0.8	1.5	3.0	4.0		9	8	1
Sep	0.8	1.5	3.0	4.0		9	8	2
Oct	0.8	1.5	3.0	3.8		9	9	
Nov	0.8	1.5	3.0	3.8		9	8	1
Dec	0.8	1.5	3.0	3.8		9	8	1
Total	9.9	17.3	34.5	47.3		109	112	-3

ITALY	3m*	6m	9m	12m	Flexible BOT	Gross Supply	Redemptions	NCR
Jan		9.0		9.3		18	20	-1
Feb		9.0		9.0		18	19	-1
Mar		9.0		9.0		18	16	2
Apr	3.0	9.0		9.0		21	17	4
May		9.0		6.5	3.0	19	14	5
Jun		9.0		6.5		16	15	1
Jul		9.0		6.5		16	19	-4
Aug		9.0		8.0		17	18	-1
Sep		8.5		8.0	3.0	20	19	1
Oct		8.5		8.0		17	19	-2
Nov		7.0		7.0		14	16	-2
Dec		7.0		6.0		13	15	-2
Total	3.0	103.0		92.8	6.0	205	206	-1

*3month bills will be issued only for specific cash needs. In this case, auctions shall be held on the 12 month BOT auction dates

Source: DMOs, Bloomberg, Citi estimates

Inflation Forecasts, Carry & Weekly Changes

Figure 77. Citi Inflation Forecasts

Month	EUR HICP _{XT}			France CPI _{XT}			UK RPI			US CPURNSA		
	Index	MoM	YoY	Index	MoM	YoY	Index	MoM	YoY	Index	MoM	YoY
	Forecast	Change	Change	Forecast	Change	Change	Forecast	Change	Change	Forecast	Change	Change
Dec 13	117.28	0.4	0.8	125.82	0.4	0.6	253.40	0.5	2.7	233.05	-0.0	1.5
Jan 14	116.13	-1.0	0.9	125.37	-0.4	0.8	252.10	-0.5	2.6	234.15	0.5	1.7
Feb 14	116.46	0.3	0.8	125.55	0.1	0.7	253.60	0.6	2.4	234.95	0.3	1.2
Mar 14	117.76	1.1	0.7	126.53	0.8	0.7	254.20	0.2	2.2	236.55	0.7	1.6
Apr 14	118.14	0.3	1.1	126.47	-0.0	0.8	255.30	0.4	2.3	237.66	0.5	2.2
May 14	118.15	0.0	1.0	126.74	0.2	0.9	256.00	0.3	2.4	238.26	0.3	2.3

Source: Citi Research, Bloomberg

Shaded = Already released

Figure 78. 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 Mar	1 Apr	####					1 Mar	1 Apr	1 May		
Repo (%)				0.09	0.09	0.09									
TIPS 4/15	-1.35	-9	-4	-25	7	31	US-2.500-04/30/15	154	5	-1	-26	5	28	-2	1
TIPS 7/15	-1.73	-8	-3	-24	-1	15	US-4.250-08/15/15	200	2	-3	-25	-3	11	2	3
TIPS 1/16	-1.32	-8	-5	-15	4	18	US-2.625-02/29/16	174	3	-1	-17	1	12	10	1
TIPS 4/16	-1.17	-8	-5	-12	5	18	US-2.000-04/30/16	167	2	-1	-14	1	11	10	1
TIPS 7/16	-1.42	-9	-6	-12	2	13	US-4.875-08/15/16	201	2	-1	-15	-2	6	6	-0
TIPS 1/17	-1.05	-9	-7	-9	5	14	US-3.125-01/31/17	187	0	-2	-12	-1	6	11	-1
TIPS 4/17	-0.87	-8	-6	-7	6	15	US-0.875-04/30/17	182	-0	-3	-10	0	6	12	-1
TIPS 7/17	-1.03	-8	-6	-7	4	12	US-4.750-08/15/17	207	-0	-3	-11	-2	3	9	-1
TIPS 1/18	-0.68	-8	-7	-5	6	13	US-3.500-02/15/18	197	-1	-3	-9	-1	4	15	-2
TIPS 4/18	-0.50	-7	-6	-4	6	14	US-0.625-04/30/18	190	-2	-4	-8	-1	4	18	-1
TIPS 7/18	-0.64	-8	-6	-5	5	12	US-4.000-08/15/18	210	-2	-4	-8	-2	2	16	-2
TIPS 1/19	-0.37	-8	-7	-3	6	13	US-2.750-02/15/19	204	-2	-4	-7	-1	3	18	-2
TIPS 7/19	-0.32	-8	-7	-3	6	12	US-3.625-08/15/19	214	-3	-4	-7	-2	2	20	-1
TIPS 1/20	-0.07	-10	-9	-2	6	12	US-3.625-02/15/20	204	-1	-2	-6	-1	2	28	-3
TIPS 7/20	-0.04	-9	-8	-2	6	11	US-2.625-08/15/20	220	-2	-4	-6	-2	1	22	-2
TIPS 1/21	0.18	-9	-8	-1	6	11	US-3.625-02/15/21	209	-2	-3	-6	-1	1	31	-2
TIPS 7/21	0.20	-10	-9	-1	5	10	US-2.125-08/15/21	224	-2	-3	-5	-2	0	25	-2
TIPS 1/22	0.41	-9	-8	-1	6	10	US-2.000-02/15/22	216	-2	-4	-5	-1	1	31	-1
TIPS 7/22	0.41	-9	-9	-1	5	10	US-1.625-08/15/22	226	-2	-3	-5	-2	0	28	-2
TIPS 1/23	0.55	-8	-8	-1	5	10	US-2.000-02/15/23	220	-3	-4	-4	-1	0	32	-1
TIPS 7/23	0.56	-9	-8	-1	5	9	US-2.500-08/15/23	227	-2	-3	-4	-2	0	32	-2
TIPS 1/25	0.72	-9	-9	0	5	9	US-7.625-02/15/25	217	-2	-3	-4	-2	-1	45	-3
TIPS 1/26	0.82	-8	-8	0	5	9	US-6.000-02/15/26	223	-3	-4	-4	-2	-1	42	-2
TIPS 1/27	0.89	-7	-7	0	5	8	US-6.625-02/15/27	224	-4	-5	-4	-2	-1	44	-3
TIPS 1/28	0.98	-6	-6	0	4	8	US-6.125-11/15/27	223	-5	-6	-4	-2	-1	48	-3
TIPS 4/28	0.95	-6	-6	0	5	8	US-5.500-08/15/28	233	-5	-5	-4	-2	0	36	-3
TIPS 1/29	1.01	-6	-6	0	4	8	US-5.250-02/15/29	231	-5	-5	-4	-2	-1	41	-4
TIPS 4/29	0.99	-6	-6	0	5	8	US-5.250-02/15/29	233	-4	-5	-4	-2	-1	39	-4
TIPS 4/32	1.12	-6	-6	0	4	7	US-5.375-02/15/31	230	-5	-5	-3	-2	-1	46	-2
TIPS 2/40	1.35	-3	-3	0	3	5	US-4.625-02/15/40	232	-6	-7	-2	-2	-1	50	1
TIPS 2/41	1.36	-4	-3	0	3	5	US-4.750-02/15/41	232	-6	-6	-2	-2	-1	49	0
TIPS 2/42	1.41	-4	-4	0	3	4	US-3.125-02/15/42	236	-5	-6	-2	-2	-2	46	-1
TIPS 2/43	1.42	-4	-3	0	2	4	US-3.125-02/15/43	238	-5	-6	-2	-2	-2	44	-1

Source: Citi Research, Bloomberg

Figure 79. 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 Mar	1 Apr	####					1 Mar	1 Apr	####		
Repo (%)				0.20	0.20	0.20									
OATei15	-0.86	1	4	15	-66	-54	FFRG 4/15	109	1	-2	15	-66	-55	15	0
BUNDei16	-0.38	-2	-1	13	-38	-28	BUND 1/16	56	0	-1	13	-38	-27	11	1
BTANI16	-0.86	-2	-1	9	-10	-8	FFRG 4/16	122	2	0	8	-11	-10	29	-2
BTPei16	0.69	-2	-1	16	-24	-10	BTP 8/16	71	1	0	10	-34	-26	40	-1
OATi17	-0.67	-9	-8	7	-6	-4	FFRG 4/17	129	7	6	6	-9	-8	26	-7
BTPei17	1.07	-3	-3	13	-15	-4	BTP 8/17	87	1	-0	7	-26	-20	35	-1
BOBLEi18	-0.30	-7	-6	7	-19	-13	BUND 1/18	83	-2	-3	6	-21	-16	26	1
OATei18	-0.20	-6	-5	7	-17	-11	FFRG 4/18	112	-1	-2	4	-21	-17	29	-0
BTPei18	1.36	-3	-3	11	-10	-1	BTP 8/18	92	1	0	5	-20	-16	41	-2
OATi19	-0.18	-9	-9	6	-2	0	FFRG 4/19	139	1	-0	3	-6	-6	28	-2
BTPei19	1.68	-3	-3	10	-7	1	BTP 9/19	97	-1	-2	44	-17	-14	43	-0
BUNDei20	-0.09	-8	-7	5	-12	-8	BUND 1/20	111	-5	-5	4	-15	-12	21	3
OATei20	0.14	-6	-6	5	-11	-7	FFRG 4/20	135	-3	-4	3	-16	-13	19	2
OATi21	0.28	-8	-7	5	0	2	FFRG 4/21	144	-3	-3	2	-5	-5	38	2
BTPei21	2.23	-6	-6	8	-4	3	BTP 9/21	106	1	1	37	-14	-11	52	-3
OATei22	0.48	-4	-4	4	-8	-4	FFRG 4/21	125	-6	-7	2	-12	-11	45	4
BUNDei23	0.26	-8	-7	4	-7	-4	BUND 1/22	121	-3	-4	2	-11	-9	41	1
OATi23	0.56	-6	-6	4	1	3	FFRG 10/23	174	-6	-6	2	-5	-5	21	4
BTPei23	2.55	-4	-4	7	-3	3	BTP 8/23	115	1	0	2	-12	-10	59	-3
OATei24	0.74	-5	-5	4	-5	-2	FFRG 10/23	156	-7	-7	1	-11	-10	29	5
BTPei26	2.78	-3	-3	6	-2	3	BTP 3/26	121	-1	-2	25	-10	-8	70	0
OATei27	0.92	-6	-6	3	-4	-2	FFRG 4/26	176	-6	-6	1	-9	-9	22	5
OATi29	0.90	-7	-7	3	1	3	FFRG 4/29	201	-4	-5	1	-4	-4	15	3
OATei32	1.08	-5	-5	3	-3	-1	FFRG 10/32	196	-5	-6	1	-8	-7	11	4
BTPei35	2.79	0	0	4	-1	2	BTP 8/34	175	-5	-6	0	-8	-7	32	4
OATei40	1.19	-5	-5	2	-2	0	FFRG 4/41	210	-5	-6	0	-6	-6	3	4
BTPei41	3.16	1	1	3	0	2	BTP 9/40	151	-6	-7	16	-6	-6	63	5

Source: Citi Research

Figure 80. 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 Mar	1 Apr	1 May					1 Mar	1 Apr	1 May		
Repo (%)				0.43	0.43	0.43									
UKTi Jul16	-1.82	-3	-3	3	6	9	UKT 9/16	266	-7	-7	1	3	4	42	15
UKTi Nov17	-1.49	-16	-16	9	-10	2	UKT 3/18	299	3	2	5	-16	-6	11	-19
UKTi Nov19	-0.92	-18	-18	7	-4	4	UKT 9/19	293	4	3	3	-11	-5	25	-4
UKTi Apr20	-0.73	-13	-13	4	6	9	UKT 3/20	285	-2	-2	0	0	0	29	2
UKTi Nov22	-0.41	-15	-15	6	-2	5	UKT 3/22	294	0	-0	2	-8	-4	37	-1
UKTi Mar24	-0.14	-15	-15	5	-1	5	UKT 3/25	309	-1	-1	1	-7	-4	21	0
UKTi Jul24	-0.13	-12	-12	3	5	8	UKT 3/25	308	-4	-4	0	-1	-1	30	3
UKTi Nov27	-0.03	-12	-12	4	0	4	UKT 12/27	322	-2	-3	1	-6	-4	28	1
UKTi Mar29	0.08	-9	-9	3	0	4	UKT 12/30	325	-2	-2	1	-5	-3	25	1
UKTi Jul30	0.06	-6	-7	2	4	6	UKT 6/32	333	-4	-4	0	-1	-1	25	-2
UKTi Nov32	0.06	-7	-7	3	0	3	UKT 6/32	333	-3	-3	0	-5	-3	30	2
UKTi Mar34	0.10	-6	-6	3	0	3	UKT 9/34	335	-3	-4	0	-5	-3	28	3
UKTi Jan35	0.10	-4	-4	2	3	4	UKT 3/36	338	-4	-4	-1	-1	-2	27	5
UKTi Nov37	0.08	-4	-4	2	0	3	UKT 12/38	341	-3	-4	0	-4	-3	26	3
UKTi Mar40	0.10	-4	-4	2	0	2	UKT 9/39	342	-3	-4	0	-4	-3	24	4
UKTi Nov42	0.07	-4	-4	2	0	2	UKT 12/42	346	-3	-3	0	-4	-3	23	2
UKTi Mar44	0.11	-3	-3	2	0	2	UKT 1/44	347	-4	-4	0	-4	-3	21	3
UKTi Nov47	0.07	-3	-3	2	0	2	UKT 12/46	346	-3	-4	0	-4	-3	22	3
UKTi Mar50	0.07	-3	-3	2	0	2	UKT 12/49	344	-3	-4	0	-3	-3	21	3
UKTi Mar52	0.08	-2	-3	1	0	1	UKT 7/52	345	-3	-4	0	-3	-3	20	3
UKTi Nov55	0.05	-3	-3	1	0	2	UKT 12/55	345	-2	-3	0	-3	-3	21	2
UKTi Mar62	0.04	-3	-3	1	0	1	UKT 1/60	345	-2	-3	0	-3	-3	20	2
UKTi Mar68	0.05	-3	-3	1	0	1	UKT 7/68	347	-2	-3	-1	-3	-3	17	2

Source: Citi Research

Summary of Recent Publications

Date	Publication	Topic	Page	Region
16-Jan-14	NOTE	Weekly Supply Monitor: Euro, UK and US Supply Outlook	-	EUR
15-Jan-14	NOTE	UK Rates Strategy: Tactical opportunity for 10s30s gilt flatteners	-	UK
14-Jan-14	NOTE	Euro SSA Strategy: Relative Value Insights – another way to trade KfW	-	EUR
13-Jan-14	NOTE	European Flow Monitor: Diverging trends between France and Belgium	-	EUR
13-Jan-14	NOTE	European SSA strategy: Weekly spread and issuance monitor: 6th-13th January	-	EUR
9-Jan-14	European Weekly	EMU: Trading strategies for 2014 Supply	9	EUR
		Scale into 5s30s steepeners using forwards	13	EUR
		UK Rates – supply and demand trends	16	UK
		Euro Inflation: fade the rally ahead of supply	19	EUR
		EUR Vol: Supply in Vega Space	20	EUR
		Trading upcoming SSA supply	23	EUR
		Covered Bond Strategy	25	EUR
9-Jan-14	NOTE	Weekly Supply Monitor: Euro, UK and US Supply Outlook	-	Global
8-Jan-14	NOTE	EUR Swaps: time to scale into 5s30s steepeners using forwards	-	EUR
6-Jan-14	NOTE	European Flow Monitor: Strong Demand for Ireland	-	EUR
6-Jan-14	NOTE	UK Rates Strategy: Receive 2s5s10s GBP ahead of the MPC	-	UK
3-Jan-14	NOTE	Weekly Supply Monitor: Euro, UK and US Supply Outlook*	-	Global
3-Jan-14	NOTE	Euro Rates Strategy: EMU Supply: heavy cash flows in January	-	EUR
2-Jan-14	NOTE	Euro Rates Strategy: S&P and Moody's Sovereign Credit Ratings Calendar for 2014	-	EUR
30-Dec-13	NOTE	European Rates Strategy: The Month-end RV pack	-	EUR
20-Dec-13	NOTE	Euro Rates Strategy: EMU 2014 Supply Outlook	-	EUR
19-Dec-13	NOTE	EMU Inflation-linked Index Projection	-	EUR
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16-Dec-13	NOTE	European Flow Monitor	-	EUR
9-Dec-13	NOTE	Covered Bond Strategy: NBC about to debut in the € covered bond market	-	EUR
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Appendix A-1

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