

International Interest Rate Strategist

Can The Positive Mood In EMU Last?

- **Excess Liquidity When Rates Are Negative:** The Eonia market is pricing in a not insignificant chance of an ECB deposit rate cut during the next six months. We like receiving longer-dated 1y forwards as a trading strategy within euro money markets.
- **EMU Spreads:** EMU is enjoying an unusual run of good news, but the positive mood could quickly change if Spain resists financial assistance. The risk-reward on semi-core vs core spread widenings looks appealing here. We recommend selling 5yr Austria/France vs Germany and highlight the optimal switches to do so.
- **BTP Flatteners:** The ECB announcement has led to a broad flattening dynamic across peripheral markets which we think can continue in the near-term in both risk-on and risk-off environments. We highlight 4 switches on the BTP curve to take advantage of 2s10s flattening.
- **Moody's Review of Spain's Rating:** We provide an update on the issues related to Moody's current review of Spain's rating. Given that Spain has not requested aid and might not for several weeks, Spain is likely to remain Baa3 in the very near-term in our view, as Moody's could keep Spain on review beyond September.
- **EMU RV Trades:** The richness of Feb16s in France presents two opportunities. Investors can pick up 20bps by extending 12months in the Netherlands.
- **Algorithmic Trading Signals:** We maintain core long duration view and add to longs given the recent uptick in yields.

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

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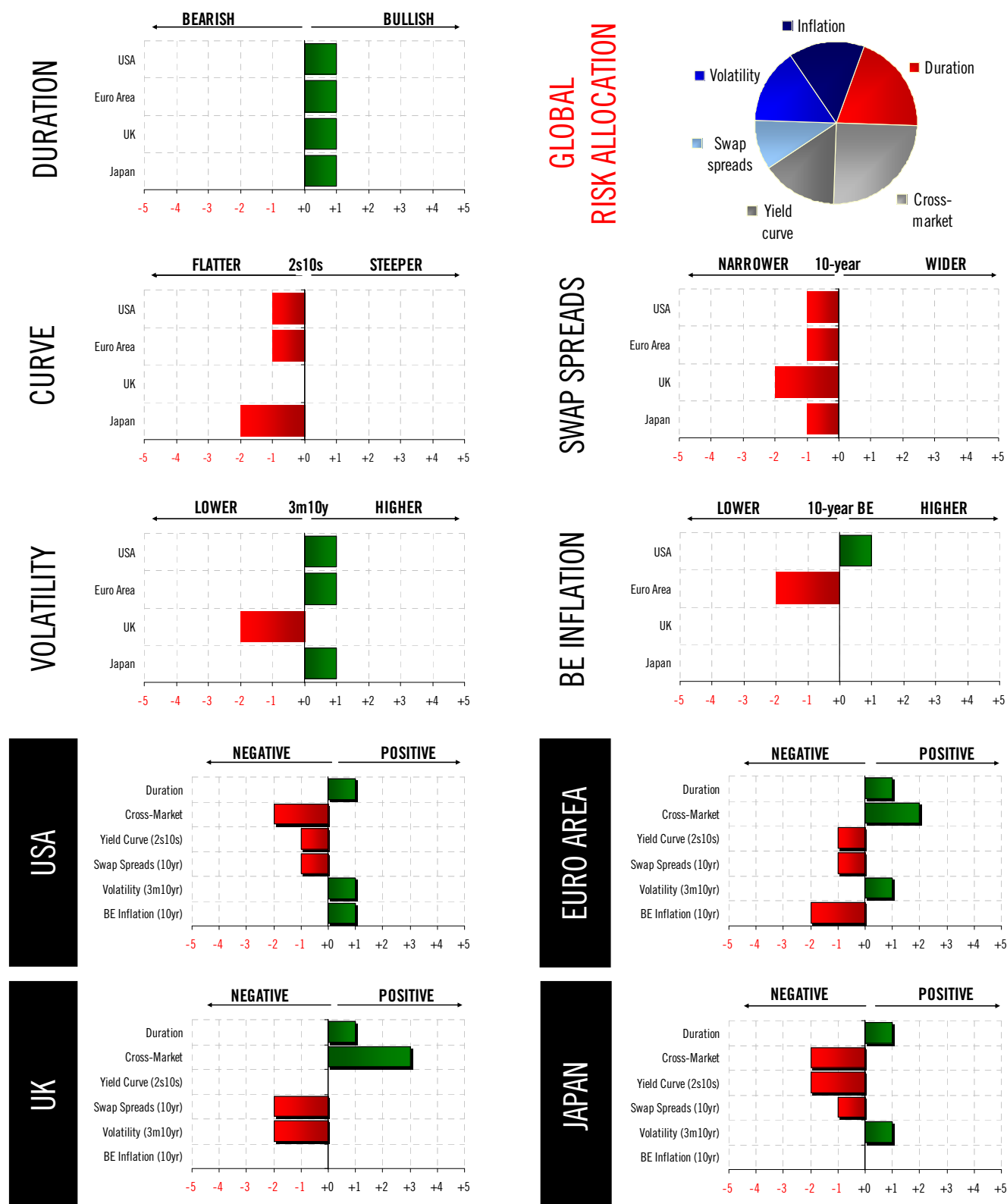
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Figure 1. Strategy Summary Table

GLOBAL	View	Strategies
Direction	10yr Bunds yields continue to test the 3mth highs. Near-term direction will depend on the market's reaction to the Fed meeting. Looking at longer-term horizons, say three-months, we would still rather be long than short, especially given our economists warning that Grexit remains a possibility over the coming months.	We like buying core market duration on dips, but current volatility is likely to prompt better entry points than at present.
Money Market	We like receiving longer-dated 1y forwards. This trade profits - of course - from a rate cut scenario as well in a situation of long-term unchanged rates, in which the market is desperate to grab the additional yield in forward space. This strategy rolls down by a cumulated 80bp in 24 months. Looking at Japan, the JPY 1y rate dropped to a low of 0.08% in June 2003.	Receive EUR 3yly @1.36%.
Yield Curve	There has been interest in 5s10s Bund flatteners around the 12m highs. We see scope for further flattening, especially given our bullish duration bias. Issuance pressures are likely to continue to put steepening pressure on the long-end of the UK curve in the near-term.	10s30s steepeners in Germany as a long-term trade (or boxed with Gilts).
Cross-market	We continue to prefer Bunds to Treasuries over the longer-term and would look to fade the recent spread tightening. Gilts have started to give back some of the recent coupon-related outperformance and this looks set to continue in the near-term.	Long 2x5 ATMF/+100 payer spread in USD versus EUR Long 30yr gilts vs USTs
EMU Spreads	EMU spreads have reacted positively to the OMT, but the market has already priced-in a lot and the risks are now skewed to flatter periphery curves. We would not dismiss the wider and challenging fundamental backdrop as a governor of EMU spreads in the longer term. The risk-reward of semi-core vs core wideners also looks appealing here.	Sell 5yr Austria/France vs Germany 2s10s flatteners in Spain and Italy Hold 30yr Bunds vs DSLs 2s5s steepeners in France as a proxy for short France vs Germany
Swap Spreads	Bund spreads have tightened significantly in the last two months. 30yr spreads are at levels which are likely to attract real money interest and we favour wideners here. Schatz spreads look historically cheap, both outright and vs Bobl spreads. Gilt spreads continue to cheapen, influenced by the core market sell-off and corporate issuance.	Long 30yr Bund swap spreads
Inflation	Euro break-evens have narrowed this week, but with 10s still close to 2% there is little medium-term value, in our view. UK break-evens remain at the mercy of the minutes of the CPAC meeting which will be released on 18 September. This could trigger significant revisions to the RPI outlook.	Sell OATei22 vs Bunde23 real yield spread Sell OATei40 break-even outright or boxed vs UKTI 2040 10s30s TIPS break-evens steepeners as a LT structural trade.
Volatility	Event risk over the next 6months should provide upward pressure on EUR 3m10y bpv. We recommend bullish positions in EUR front-end fws which are considerably elevated vs spot and do not reflect further ECB action. GBP 2y2y vol is too rich vs fundamentals, we suggest selling straddles.	Sell EUR 1y3yF ATMF straddles and buy EUR 1y3y ATMF-25 receivers. Alternatively, sell EUR 1y3yF ATMF payers Sell GBP 2y2y ATMF straddles
European SSA	Given the rally over recent months, SSA spreads have been slightly softer recently, but we are not looking for significant underperformance in the near term. Downgrade risk remains a key concern for core issuers but we continue to believe this sector can provide a degree of insulation from the wider EMU debt crisis.	Long KfW vs France in the 4yr sector Micro extension trades in core issuers
Risk Allocation	Markets remain volatile and event risk is high over the coming weeks. We recommend a cautious risk allocation to all strategies and trading very opportunistically.	

Source: Citi Research

Figure 2. Global Summary



Source: Citi Research

Tradesheet

New Trades

- Receive EUR 1y3yF at 1.36%**
Open 136bp. Current 136bp. Target 50bp. Stop 150bp
- Sell 5yr Austria vs 5yr Germany**
Sell RAGB 4% Sep16 at 0.59%
Buy Bobl 1.25% Oct16 at 0.35%
Open 24bp. Current 24bp. Target 40bp. Stop 16bp
- Italy 2s10s flattener**
Sell BTP 4.25% Jul14 at 2.20%
Buy BTP 5.5% Sep22 at 5.00%
Open 280bp. Current 275bp. Target 250bp. Stop 290bp

Record of Closed Trades

Figure 3. Record of Closed Trades

Region	Trade	Levels	Rationale	
Europe	Buy 30yr Germany vs Netherlands	Open 10bp Current 15bp P&L 5bp Target 30bp Stop 15bp	Hit Revised Stop 12 September 2012	
<i>Cross Market</i>	Buy Bund 2.5% Jul44 at 2.34% Sell DSL 3.75% Jan42 at 2.44%		First recommended in IIRS 16 August 2012 Target & Stop amended in IIRS 23 August 2012	
UK	Buy UKT 1.75% Sep22s YYS	Open -24bp Current -19bp P&L -5bp Target -34bp Stop -19bp	Hit Stop 11 September 2012	
<i>Duration</i>	Buy UKT 1.75% Sep22s YYS at -23.9bps		UK Rates Strategy 11 July 2012	
US / Europe	EUR 2s5s flattener vs USD steepener	Open -1.5bp Current -10bp P&L -9bp Target 20bp Stop -10bp	Hit Stop 7 September 2012	
<i>Cross Market</i>	EUR 2s5s flattener at 46.5bps USD 2s5s steepener at 45bps		Morning Call 9 August 2012	

Source: Citi Research

Record of Our Open Trades

Figure 4. Record of our Open Trades

Region	Trade	Levels	Rationale + Publication Date	
Europe	Receive EUR 1y3yF	Open 136bp Current 136bp P&L 0bp Target 50bp Stop 150bp	ECB rate cut and very high carry should be supportive for this trade	
<i>Duration</i>	Receive EUR 1y3yF at 1.36%		IIRS 13 September 2012	
Europe	Sell 5yr Austria vs 5yr Germany	Open 24bp Current 24bp P&L 0bp Target 40bp Stop 16bp	Risk of delay to the ECB's OMT programme and attractive entry levels	
<i>EMU Spreads</i>	Sell RAGB 4% Sep16 at 0.59% Buy Bobl 1.25% Oct16 at 0.35%		IIRS 13 September 2012	

Source: Citi Research

Figure 5. Record of our Open Trades (continued)

Europe	Italy 2s10s flattener	Open 280bp Current 275bp P&L -5bp Target 250bp Stop 290bp	We expect this strategy to work in both a risk-on environment (duration extension across front-end BTPs) & risk-off environment (increase in credit risk would bear-flatten the curve) Assessing the Impact of a Theoretical OMT... 12 August 2012	
Europe	France 2s5s Steepener	Open 70bp Current 67bp P&L -3bp Target 100bp Stop 60bp	Proxy for shorting France vs Germany IIRS 16 August 2012	
Europe	Sell EUR 1y3yF ATMF straddle and buy ATMF-25 receiver	Open 63bp Current 60bp P&L 3bp Target 30bp Stop 73bp	Fwd levels in front-end EUR swaps are too high in an environment where additional policy measures by the ECB are likely to be undertaken IIRS 9 August 2012	
Europe	Long KfW 1.375% Feb17s vs OAT 5% Oct16s	Open 1bp Current -1bp P&L -2bp Target 20bp Stop -10bp	Spread compression looking overdone and we look for KfW to outperform should the EMU crisis intensify IIRS 2 August 2012	
UK	Sell GBP 2y2y ATMF straddle	Open 76bp Current 65bp P&L 11bp Target 0bp Stop 114bp	The fundamental backdrop in the UK supports selling GBP 2y2y vol IIRS 12 July 2012	
Europe / US	Buy USD Payer Spread vs EUR (delta-weighted and fx-adjusted)	Open 5bp Current 8bp P&L 3bp Target 25bp Stop -5bp	Range-bound short rates with short term cash-flow support for Europe IIRS 12 July 2012	
Germany	Germany 10s30s steepener	Open 88bp Current 86bp P&L -2bp Target 120bp Stop 75bp	Replaces 5s30s steepener. Regulatory pressures expected to weigh on long end. IIRS 12 July 2012	
US / Europe	Long 10yr Bund vs UST	Open 14bp Current 15bp P&L 1bp Target 35bp Stop 4bp	The recent weakness in equities, the upcoming NCR profile & our ARTS weekly trading signal suggests buying 10yr Bunds vs USTs Interest Rate Strategy Update 25 June 2012	
US / UK	Long 30yr Gilt vs UST	Open 36bp Current 22bp P&L 14bp Target 0bp Stop 50bp	With Operation Twist extension largely priced in, QE resumption should help gilts outperform treasuries UK Rates Strategy 20 June 2012	
US / Europe	Pay USD 2y 2y fwd vs EUR	Open 40bp Current 27bp P&L 13bp Target 0bp Stop 60bp	We expect divergence between UST and core EMU yields IIRS 23 February 2012	
UK / Europe	Bund 5s30s steepener vs gilts flattener	Open 62bp Current 50bp P&L 12bp Target 0bp Stop 100bp	Free-float profile suggests support to UK long end by QE, hedged by EUR steepener against EUR driven risk of mid-curve repricing Interest Rate Strategy Focus on QE 14 Sep2011	

Source: Citi Research

Euro Money Markets

Citi Interest Rate Strategy

If zero interest rates are a challenging concept in economic terms, negative interest rates are widely seen as a pure market aberration. Recent academic research presented at the Jackson Hole Symposium (e.g. *Woodford*, 8/2012) discusses forward guidance and balance sheet policy on both liabilities (QE) as well as a central bank's assets as optimal strategies of policy accommodation in a regime of zero interest rates.

Excess Liquidity When Rates Are Negative

Figure 6. ECB expectations curve

Meeting	Reserve Period		Eonia
04-Oct-12	10-Oct-12	13-Nov-12	0.09
08-Nov-12	14-Nov-12	11-Dec-12	0.08
06-Dec-12	12-Dec-12	15-Jan-13	0.07
10-Jan-13	16-Jan-13	12-Feb-13	0.06
07-Feb-13	13-Feb-13	12-Mar-13	0.05
07-Mar-13	13-Mar-13	09-Apr-13	0.07
04-Apr-13	10-Apr-13	07-May-13	0.08
02-May-13	08-May-13	11-Jun-13	0.09
06-Jun-13	12-Jun-13	09-Jul-13	0.10
04-Jul-13	10-Jul-13	06-Aug-13	0.11
01-Aug-13	07-Aug-13	10-Sep-13	0.11
05-Sep-13	11-Sep-13	08-Oct-13	0.13
02-Oct-13	09-Oct-13	12-Nov-13	0.14

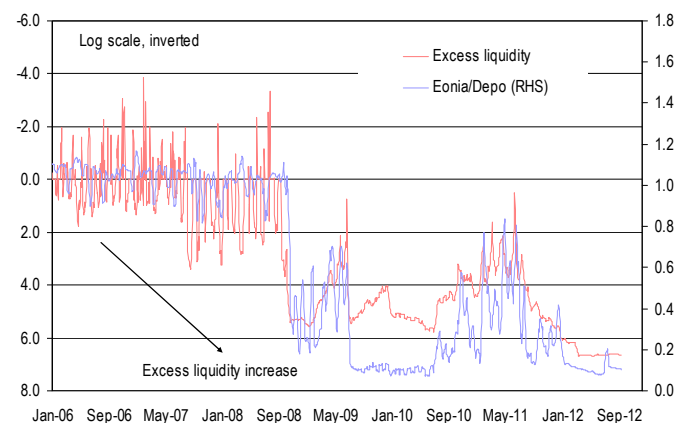
Source: Citi Research

Notwithstanding strong theoretical arguments, the Eonia market is pricing in a not insignificant chance of the ECB cutting the deposit rate during the next six months (Figure 6). Extracting expectations from the actual curve can be tricky, though. The main uncertainty comes from the behavior of Eonia fixings in a negative deposit rate environment. Currently, Eonia fixes around 10bp over the deposit rate and if we keep this level of spread constant there is a 20% chance of a cut of the deposit rate to -0.25% by February. In practice, it's less obvious, though.

Figure 7 shows the link between excess liquidity in the Eurosystem and the spread between Eonia and the deposit rate. Two observations at this point: 1) The Eonia/depo spread tightens as excess liquidity increases, and 2) The volatility of Eonia fixings increases as excess liquidity tightens. It is unclear whether the Eonia/depo spread will remain at 10bp in case of a deposit rate cut. We have already witnessed a substantial shift of excess liquidity (EUR 436bn) from the deposit facility into current accounts after the decision to cut the deposit rate to zero (Figure 8). Note that this transfer is neutral with regards to the level of excess liquidity.

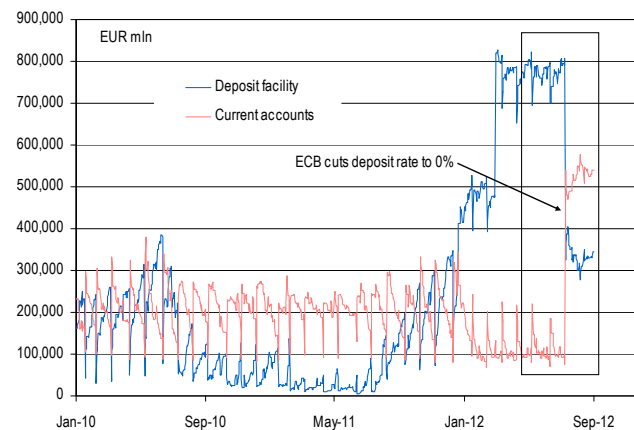
At the current level of rates there is no incentive for banks to hold cash in the deposit facility rather than in non-remunerated current accounts. Furthermore, the carry trade whereby banks would repo AAA bonds and lend the liquidity back to the ECB, thus locking in the GC/depo spread, has disappeared.

Figure 7. The impact of ECB liquidity on Eonia



Source: ECB, Citi Research

Figure 8. Deposit facility at zero deposit rates



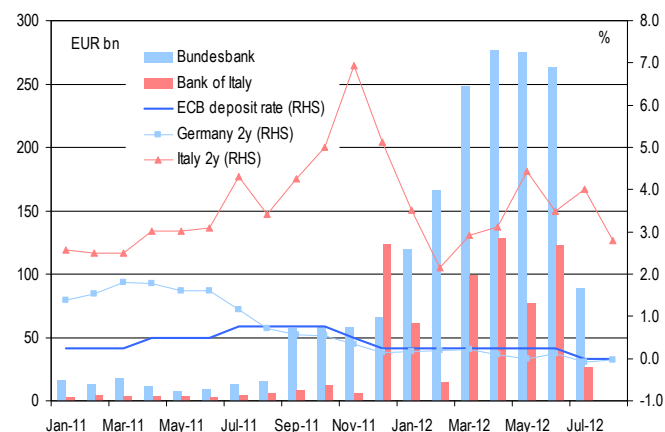
Source: ECB, Citi Research

At this juncture, our Eurozone economist expects the ECB to cut the main refinancing rate to 0.5% by the end of Q4 and to 0.25% by Q1 2013. This corridor compression will be interpreted as a necessary interim step towards negative deposit rates, while acknowledging the need for additional pressure in order to motivate such a decision.

What else do we need to consider when modeling Eonia fixings? The ECB could introduce a negative rate on current accounts in case of negative deposit rates. The rationale for this step would be that the attempt of sterilizing the SMP or the OMT with negative deposit rates could result in additional cash flows into current accounts. Assume the extreme scenario where the deposit rate is -0.25% and the refi is 0%: Unless the ECB penalizes excess reserves, banks would be at best indifferent between holding cash on current accounts and buying certificates of deposit issued by the ECB.

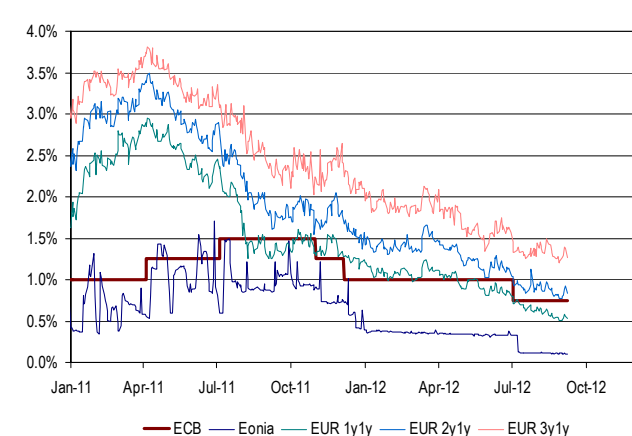
Furthermore, there is a non-negligible chance that those MFI who have participated at the 3y LTRO program for speculative purposes only will exercise their 1st repayment option on 30 January 2013. In Figure 9 we show the increase in Bundesbank's deposit facility (roughly a cumulated EUR 200bn) following the settlement of the two 3y tenders. We think a large portion of this liquidity is speculative. Unwinding this liquidity could add to Eonia fixing volatility, thus resulting in increased uncertainty about the Eonia/depo spread.

Figure 9. Deposit facility usage



Source: Citi Research

Figure 10. Rolling down the forward curve



Source: Citi Research

Strategy

EUR Swaps: We like receiving longer-dated 1y forwards (e.g. EUR 3y1y @1.36%). This trade profits – of course – from a rate cut scenario as well in a situation of long-term unchanged rates, in which the market is desperate to grab the additional yield in forward space. This strategy rolls down by about 48bp in 12 months (EUR 2y1y 0.88%) and a cumulated 80bp in 24 months (see Figure 10). Looking at Japan, the JPY 1y1y rate dropped to a low of 0.08% in June 2003.

EUR Swaptions: As noted in the *Tradesheet* section of this publication we also see good value in expressing long duration positions in EUR 3y1y using swaptions (selling EUR 3y1y ATM straddles and buying EUR 3y1y ATM-25 receivers). For further details see [IIRS 9 August 2012](#).

Will Draghi's Words Be Enough?

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EMU is enjoying an unusual run of good news. The announcement of the OMT has raised the credibility of the firewall, progress is being made on a banking union, the German Constitutional Court gave the go ahead for Germany to participate in the ESM and the Dutch elections produced an EU friendly outcome.

The markets have been buoyed and EMU spreads have raced tighter. The greatest danger now is that the politicians, feeling more comfortable with yield levels, let the momentum slip. For those looking to fade the positive mood, we look at the optimal way of expressing spread wideners between the semi-core and Germany.

Words alone may not be enough

The greatest single driver of recent EMU spread tightening has been Draghi's commitment to do *"whatever it takes"* backed up the OMT (Outright Monetary Transactions). The message seems to be, 'don't fight the central bank'.

The ECB want to send a clear message of 'don't fight the central bank'

One insight into the ECB's thinking came today from Governing Council member Demetriades (Cyprus). According to Bloomberg, Demetriades said *"a central bank has this wonderful ability that no other player in the market has when it says 'I'm going to do whatever it takes' and everyone believes that. In the end they may do nothing"*.

But at this stage, words are unlikely to be enough

But the threat to do whatever it takes has to be deemed credible and the market is acutely aware that the Bundesbank disapproves. For the OMT to have a lasting impact on spreads, we believe that at least Spain will need to enter a EFSF/ESM programme with minimal delay. Moreover, when the ECB first engage the OMT, the initial buying will need to be large enough to demonstrate real intent.

Investors are likely to need to see evidence that the ECB are willing to buy in size

Words alone will not be enough, in our view. The EMU crisis is too far gone for that. There needs to be action of sufficient scale, and probably quite soon. Investors are not buying periphery bonds because they think the crisis is over. Rather, they are taking a short-term view and buying, or at least covering shorts, in anticipation of the ECB joining them. This highlights the vulnerability of spreads in the event of any delay.

What could go wrong for the OMT?

There are signs that Spain is not in any rush to request assistance

Anything that challenges the effectiveness of the OMT could cause a significant re-widening in spreads, led by the front-end. In the short-term, the obvious hurdle is that the OMT can't even begin until the politicians have requested financial assistance. The signs from Spain are that they are in no rush. It would be better if Spain asked for assistance sooner rather than later to keep up the positive momentum. If not, then spreads will likely re-widen and force the issue.

Longer term challenges will include the credibility of the conditionality, the dire economic backdrop and discomfort in Germany

Longer-term, the enforcement of the conditionality is going to be a key issue. If the ECB stop buying, or even sell, then spreads will probably widen. If the ECB carry on buying, despite targets being missed, spreads could still widen to account for the fiscal slippage and as economic reality catches up. Furthermore, it is already known that the Bundesbank do not approve of the OMT. As the OMT grows, so will the discomfort in Germany.

Semi-core wideners for those looking to fade the positive mood

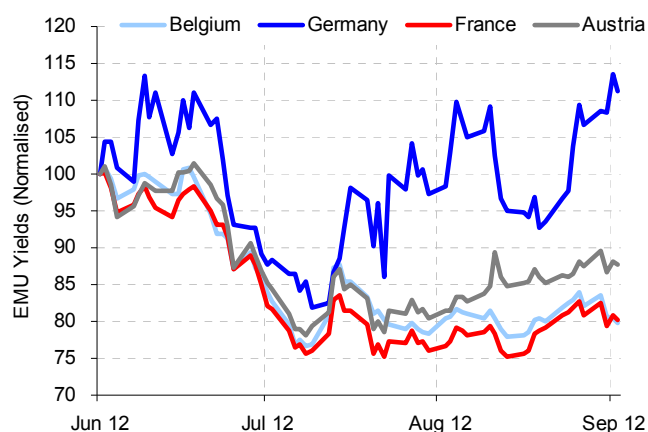
Away from the periphery, semi-core spreads have also tightened sharply as Bund yields have moved higher. The risk-reward on spread wideners looks quite appealing in the semi-core as a way of fading the recent positive momentum.

Optimal wideners in the semi-core

The market is too complacent over the risk of Grexit

As periphery yields have fallen, Bund yields have risen. Meanwhile, yields in the semi-core have been relatively unmoved (Figure 11). In the 10yr sector, Bund yields continue to test the three-month highs and the price action has been poor. In the near-term, direction will likely depend on the market reaction to the Fed meeting. However, if we consider a three-month window, say, we would still rather be long Bunds than short. A key consideration here is the risk of Greek exit from EMU. The market seems complacent in this regard while our economists continue to warn that a Greek exit cannot be ruled out in the coming months.

Figure 11. Selective EMU yields, Normalised 3mths



Source: Citi Research, Bloomberg.

Figure 12. 5yr Austria-Germany YYS (3yr history)



Source: Citi Research

Buy Germany vs Austria or France in the 5yr sector

We prefer to buy Germany vs selling the semi-core. We would avoid Belgium as upcoming coupon payments (28 September) should provide some support. Instead, we focus our attention on Austria and France. In Austria, the 5yr sector looks particularly rich. The spread vs Germany is nearing historic lows (32bp, Figure 12) and the yield pick-up over the Netherlands and Finland is now just 12bp. France has performed very well recently and has good momentum, but the budget on 26 September will focus minds on the fiscal outlook which remains very challenging. The rating agencies will also be watching closely.

Trade recommendations with a relative value overlay

Screening for the optimal bonds to express short positions in 5yr Austria (and France) vs Germany reveals the switches in the two tables below. For example in Austria selling RAGB Sep16s vs Bobl-161s has a yield give up of just 24bps. Likewise, in France if you sell OAT 5% Oct16s vs Bund Jan17s the yield give up is just 26bps. We discuss our methodology overleaf.

Figure 13. Optimal bonds to express short Austria vs Germany positions in the 5yr sector (sorted by the tightest yield-spread)

SELL (Austria)	BUY (Germany)	Yield Spread (bp)	6m Z-Score
RAGB-4.000-09/15/16	BOBL #161-1.250-10/14/16	24	1.68
RAGB-3.200-02/20/17	BOBL #162-0.750-02/24/17	29	1.57
RAGB-3.200-02/20/17	BUND-3.750-01/04/17	34	1.60
RAGB-4.650-01/15/18	BUND-4.000-01/04/18	35	1.80
RAGB-4.300-09/15/17	BUND-4.250-07/04/17	39	1.68

Source: Citi Research

Figure 14. Optimal bonds to express short France vs Germany positions in the 5yr sector (sorted by the tightest yield-spread)

SELL (France)	BUY (Germany)	Yield Spread (bp)	6m Z-Score
FFRG-5.000-10/25/16	BUND-3.750-01/04/17	26	1.68
FFRG-3.750-04/25/17	BUND-4.250-07/04/17	30	1.72
FFRG-5.000-10/25/16	BOBL #161-1.250-10/14/16	31	1.66
FFTN-1.750-02/25/17	BOBL #162-0.750-02/24/17	33	1.70
FFRG-4.250-10/25/17	BUND-4.000-01/04/18	36	1.72
FFTN-1.750-02/25/17	BUND-3.750-01/04/17	37	1.73
FFRG-3.750-04/25/17	BOBL #162-0.750-02/24/17	38	1.67
FFRG-4.000-04/25/18	BUND-4.250-07/04/18	40	1.78

Source: Citi Research

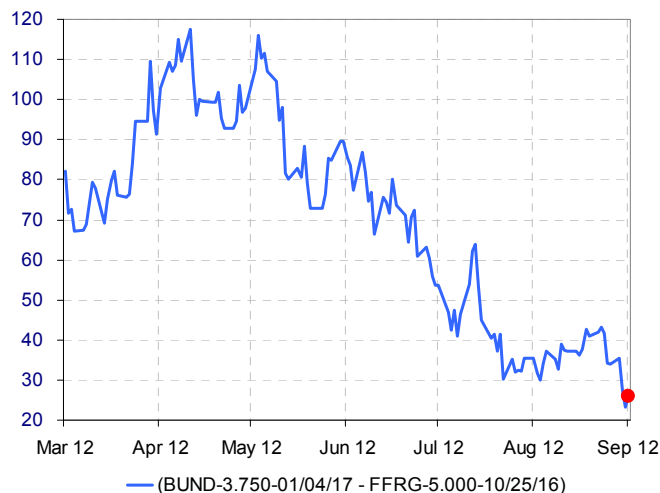
Figure 15 and Figure 16 below display a one year history of the optimal switches in Austria and France in the 5yr sector.

Figure 15. RAGB 4% Sep16 – Bobl 1.25% Oct16 yield spread



Source: Citi Research

Figure 16. OAT 5% Oct16 – Bund 3.75% Jan17 yield spread



Source: Citi Research

Appendix: Methodology used to populate the optimal switches on the previous page

In order to populate the optimal switches out of both Austria and France into Germany (Figure 13 and Figure 14) we used the following methodology:

1. Populated a list of bonds for each country that have a maturity between 4- and 6yrs (in order to focus our trades on the 5yr sector) and filtered for any old bonds which may not be liquid - Figure 17 and Figure 18.

Figure 17. Bond list for Austria and Germany

Label	IssueCountry	MatureDate
RAGB-4.650-01/15/18	AUT	15-Jan-18
RAGB-4.300-09/15/17	AUT	15-Sep-17
RAGB-3.200-02/20/17	AUT	20-Feb-17
RAGB-4.000-09/15/16	AUT	15-Sep-16
BUND-4.250-07/04/18	DEU	04-Jul-18
BUND-4.000-01/04/18	DEU	04-Jan-18
BUND-4.250-07/04/17	DEU	04-Jul-17
BOBL #163-0.500-04/07/17	DEU	07-Apr-17
BOBL #162-0.750-02/24/17	DEU	24-Feb-17
BUND-3.750-01/04/17	DEU	04-Jan-17
BOBL #161-1.250-10/14/16	DEU	14-Oct-16

Source: Citi Research

Figure 18. Bond list for France and Germany

Label	IssueCountry	MatureDate
BUND-4.250-07/04/18	DEU	04-Jul-18
BUND-4.000-01/04/18	DEU	04-Jan-18
BUND-4.250-07/04/17	DEU	04-Jul-17
BOBL #163-0.500-04/07/17	DEU	07-Apr-17
BOBL #162-0.750-02/24/17	DEU	24-Feb-17
BUND-3.750-01/04/17	DEU	04-Jan-17
BOBL #161-1.250-10/14/16	DEU	14-Oct-16
FFRG-4.000-04/25/18	FRA	25-Apr-18
FFRG-4.250-10/25/17	FRA	25-Oct-17
BTNS-1.000-07/25/17	FRA	25-Jul-17
FFRG-3.750-04/25/17	FRA	25-Apr-17
FFTN-1.750-02/25/17	FRA	25-Feb-17
FFRG-5.000-10/25/16	FRA	25-Oct-16

Source: Citi Research

2. Populated a list of all the combinations where the maximum maturity gap of a switch (between either Austria or France to Germany) is 3months (in order to minimize curve risk) and the 6m z-score is greater than 1.5standard deviations.
3. Sorted the list so switches with the tightest yield spread appear on the top (Figure 13 and Figure 14).

Assessing the Impact of a Theoretical OMT on the Market for Italian Government Debt

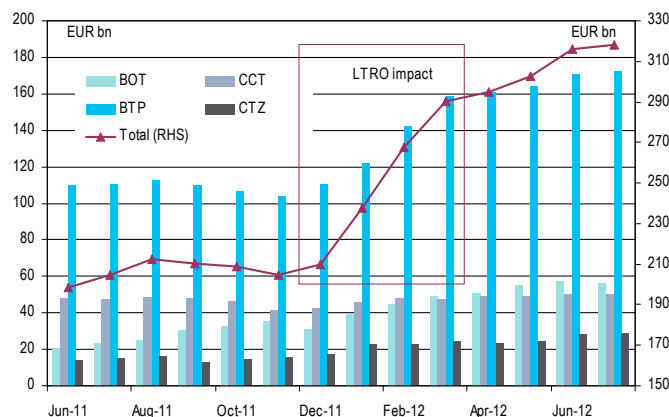
This article was first published on
12 September 2012

In light of the ECB's recent announcement regarding Outright Monetary Transactions (*International Interest Rate Strategist - Draghi Delivers, As Expected*) we outline our views on the Italian government bond market, including our thoughts on trends in international diversification, the dynamics of yield curve segmentation as well as the impact of a hypothetical OMT.

The ECB announcement has led to a broad flattening dynamic across peripheral markets which we think can continue in the near-term in both risk-on and risk-off environments. However, we believe the immediate reaction to a hypothetical OMT for Italy would be steepening of 2s10s and an outperformance of 0-3yr BTPs vs comparable instruments (BOT, CTZ, CCT and BTPei).

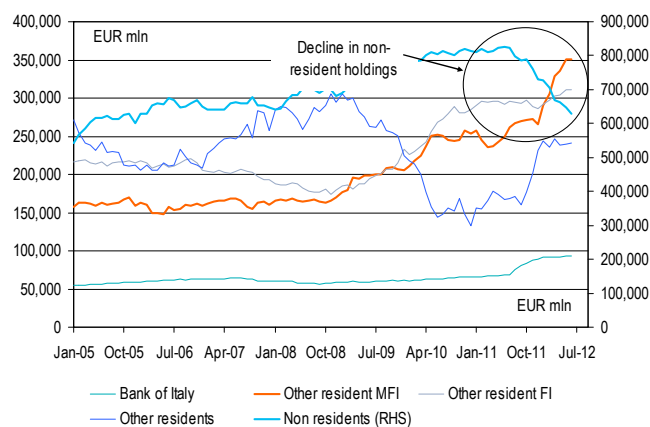
The market for Italian government bonds is segmented not only in terms of geographical distribution, but also in terms of product trends (Figure 19).

Figure 19. Resident MFI Holdings of Italian Government Debt by Instrument



Sources: Bank of Italy

Figure 20. Holdings of Italian Government Debt by Investor Category



Source: Bank of Italy

Figure 20 shows the evolution of non-resident holdings of Italian public debt. Note the shift in investor preference taking place during the second half of 2011 as a consequence of the rapid deterioration in macroeconomic fundamentals as well as the deterioration in expected risk-adjusted returns. The percentage of non-resident holdings declined from 52% to an estimate of 39% during the 12-month period ending in June 2012.

In our view, this process of endogenisation of public debt is not a cyclical, short-term process, but rather a structural shift towards a more stable and regulated domestic investor base. The same process has been observed in other countries as well, mainly reflecting non-standard monetary policy strategies. Examples are QE in countries like Japan and the UK and the LTRO/SMP in the Euro area.

In a recently published paper¹, the IMF expresses the view that the marked increase in non-resident holdings seen during most of the Euro period is linked to integration and regulation: "The period leading to the global financial crisis was marked by a broad-based trend toward international financial integration, which in turn encouraged the international diversification of portfolios...in addition, supporting regulatory changes catalysed larger non-resident holdings. For example,

¹ Andritzky, June 2012, WP/12/58

government bonds of all euro area issuers received a zero risk weighting for the calculation of capital adequacy ratios". In the long-term, a significant share of domestic holdings is expected to help reduce both the volatility of bond returns and the sensitivity of bond returns to changes in a country's credit rating.

Moreover, increasing the share of resident holdings provides the policymaker with an efficient financing mechanism that sources funds from households. Again, the liquidity loop between commercial banks, the postal savings system and the JGB market engineered by the BoJ over the years is a paramount example of how household wealth can be used for the purpose of public debt financing.

The SMP Precedent

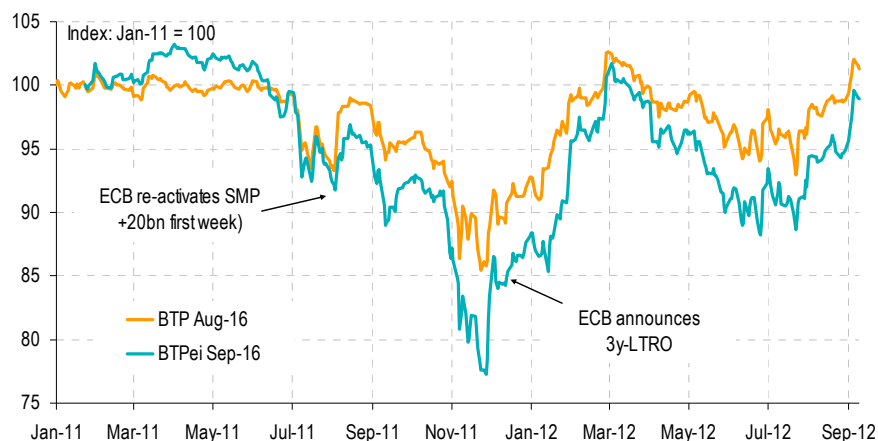
Should the ECB ever activate the OMT for the Republic of Italy, the impact on the share on non-resident holdings would be quite comparable to activation of the SMP and the 3y LTRO programme last year.

From the standpoint of investor preference, the BTP curve is fragmented into three main EGBI buckets (market value):

- **1yr - 3yr** (€241bn, 25% of the index): Predominantly domestic institutions and central banks
- **3yr -10yr** (€443bn, 46% of the index): Domestic and international investors, both fast and real money including reserve managers, wealth funds, HF, banks
- **+10yr** (€284bn, 29% of the index): Relatively limited domestic participation, we estimate that not more than EUR 100-125bn (35-45% of Italy +10y EGBI) are invested by resident accounts.

Furthermore, we have to take into account other debt products issued by the Italian Treasury. The relative and indirect impact of SMP's re-activation on important funding instruments such as the CCT (8.2% of outstanding debt) and the BTPei (7.9%) can be severe at times and should not be underestimated (see Chart 3).

Figure 21. 5yr Italian Debt Price Performance, Indexed at 100 in January 2011



Source: Citi Research, Bloomberg.

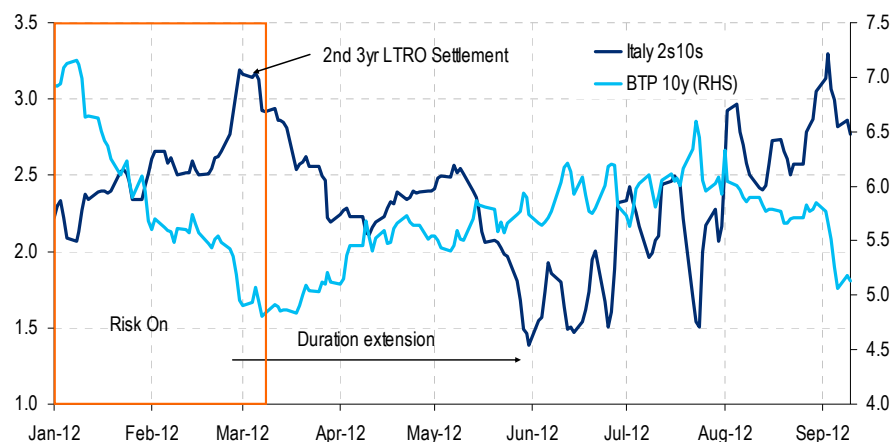
According to ECB's documents, the OMT is yet another highly sector-specific policy tool and we see the risk of financial anomalies appearing on the Italian government bond market in the event of its activation.

Risk-Reward Continues to Favour Flatteners

In the current environment, where the OMT is nothing more than an option in ECB's palette of non-standard monetary policy strategies (we believe Mr Weidmann would vehemently disagree that it can be accounted for a monetary policy tool), we are witnessing a flattening of the BTP curve.

This re-shaping of the term structure reflects not only OMT's disclosure, but also investor preference arguments discussed above. The current flattening theme seems to work in both risk-on and risk-off modes, a situation similar to the first half of 2012 when a combination of domestic duration-extension strategies and short-covering by fast money and international investors produced a 180bp flattening on BTP 2s10s (Figure 22).

Figure 22. Italy 2s10s (Left, %) and 10yr Yield (Right, %)



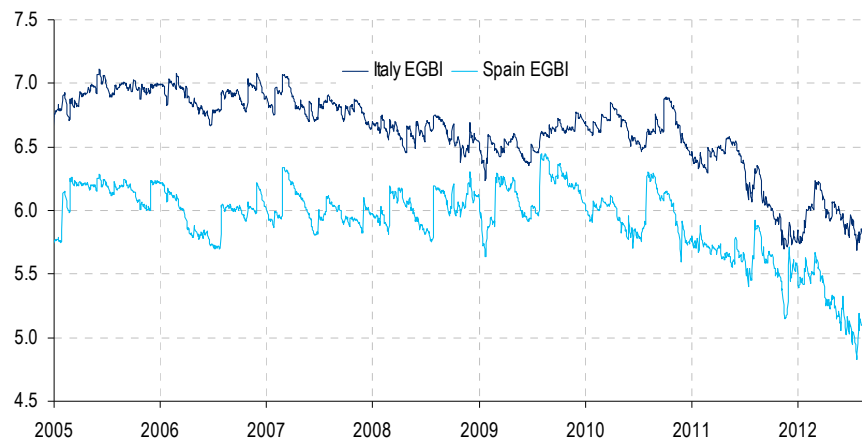
Source: Citi Research, Bloomberg

Long-Term Impact on Issuance and Sovereign Rating

From a long-term perspective, we need also to consider the impact of OMT on the overall duration of a government bond market. As we can see in Figure 23, debt duration of the Italian and Spanish EGBI has dropped during the EMU sovereign crisis.

Non-conventional monetary policy, not only QE but also in the form of LTROs, intensify the investor segmentation across the curve. Given the prospect for stable demand from resident accounts in the front-end of the curve, the trend towards reducing debt duration is understandable from an issuers' point of view although it could increase roll-over risk over time.

Figure 23. Modified Duration of Italy and Spain EGBI Sub-Indices



Source: Citi Research

In terms of credit implications as detailed by the rating agencies, both Moody's and S&P point to the potential positives of OMTs but that ultimately, the policy is mostly a buying-time exercise. S&P noted² that *"The announcements that the ECB made largely conform with Standard & Poor's Rating Services' expectations and therefore do not affect our current euro area sovereign ratings and outlook"* They conclude, *"the ECB's position has been constructive....it's up to the governments to use this respite effective"*. Similarly, Moody's have a similar view in their document which is entitled *"ECB Debt Purchases Can Buy Time for Struggling Sovereigns, but Crisis Resolution Requires Government Action"*.

Conclusion & Investment Recommendations

Putting the pieces together, we think the immediate reaction to a hypothetical OMT for Italy is going to be:

- Steepening on BTP 2s10s
- 0-3y BTPs to outperform comparable instruments (BOT, CTZ, CCT, BTPei).
- Further reduction in the duration of debt issue by the Republic of Italy.

At the same time, this scenario's embedded uncertainty is compounded by investor risk aversion, which is unlikely to be low in the event of OMT's activation. In reality, the probability of activating the OMT for Italy is a function of the level of – let's say – 2yr BTP yields. As we've seen in the past, episodes of low risk appetite tend to be coupled with pronounced yield curve flattening. This is a direct result of notional-based risk management, through which flattening positions are a synthetic way to buy CDS on a single name.

From a quantitative point of view, the impact of central bank buying on the developed government bond markets is estimated in the region of 25-40bp on average across the curve for every 10% of outstanding bonds purchased³. In the hypothetical case of an OMT applied to Italian government bonds, we need to limit the analysis to approximately EUR 375bn of 0-3yr nominal BTPs.

² S&P Ratings Direct: *"The European Central Bank's Policy Initiatives Could Benefit Some Sovereigns, But Implementation Risks Remain"*. 7th September 2012

³ See Andritzky, June 2012 and Neely, April 2012, as an example.

In our qualitative assessment, the bulk of the response to a 10% OMT purchase of BTPs (€38bn) would impact the 0-3y sector more significantly than the estimates discussed above. Not only have the studies been conducted on the average expected return of the government bond market, but also they consider an average G7 market and do not take into account the specific segmentation of the BTP curve.

As a benchmark case, we can use the BTP market's response to the SMP. In its Financial Statement relating to the week ending on 12 August 2011, the ECB reports an increase in Item 7.1 ("*Securities Held for Monetary Policy Purposes*") of EUR 22bn. During that period, BTP 2yr yield declined by approximately 120bp. Given the differences between SMP and OMT, this response should be enjoyed with a grain of salt.

Investment Recommendation: Flatteners

The likelihood of near-term activation of the OMT for Italy, as implied by the current level of BTP yields is very low: BTP 2yr @2.25% vs 4.70% in Aug-11 prior SMP and 7.70% in Nov-11 prior to the first 3yr LTRO.

We recommend keeping BTP flatteners as advised in last [International Interest Rate Strategist](#) (6 September). As discussed at length above, we expect this strategy to work both in a risk-on as well as in a risk-off market environment. Our first target is around 250bp, while the medium-term potential for this strategy is in the 150-200bp area (from a current level of 280bp).

RV Overlay: 4 BTP switches to express 2s10s flatteners

In this section, we highlight our favourite trading strategies to express a flattening view in BTP 2s10s.

Step 1: Switches with the highest 6m z-score

The first step is to screen for the five cheapest and richest bonds (in the 2- to 10-year sector) vs both a fitted BTP curve relative to a fitted yield curve. As shown in Figure 24 below, the cheapest BTP in the 2-10yr sector vs a fitted yield curve (based on a 6month z-score) is the BTP 3.75% Aug16 and the richest is BTP 4.25% Sep19.

Step 2: the largest yield pick up for a 1yr maturity extension

Screening for BTP switches (with a 1year maturity) extension which offer the largest yield spread adjusted by the z-score (of the yield spread) highlights four attractive opportunities. These are shown in Figure 25.

For example, selling the BTP 3.75% Aug16 and buying BTP 3% Nov15 offers a 49bp yield pick up and a z-score of over 2 (Figure 27 and Figure 28).

Figure 24. Yield Spread and CAS to Fitted Relative Value Curve by Country (6m History); Bonds with a Maximum Maturity of 12yrs

Versus Fitted Yield Curve

Richest Cheapest	1	4.25 Sep19	-2.85	Mar09	22
	2	3.00 Jun15	-1.97	Jun10	19
	3	5.50 Nov22	-1.74	May12	4
	4	2.50 Mar15	-1.74	Mar12	5
	5	3.75 Apr16	-1.69	Apr11	12
	5	3.75 Aug15	1.45	Feb05	26
	4	4.75 Sep16	1.88	Sep11	9
	3	4.75 May17	2.09	Feb12	4
	2	4.00 Feb17	2.54	Aug06	23
	1	3.75 Aug16	3.11	Feb06	27

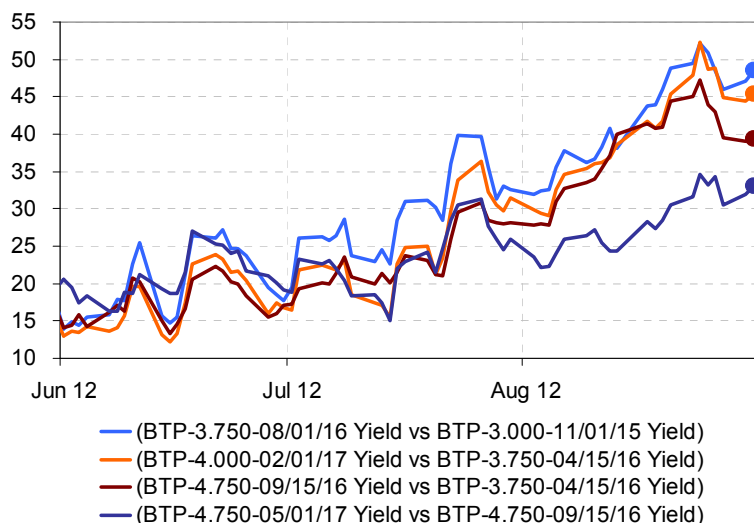
Source: Citi Research

Figure 25. BTP switches in the 2- to 10yr sector with the best yield pick-up and 6month z-score

Buy	Sell	Yield Spread	6m carry (bp)
BTP-3.750-08/01/16	BTP-3.000-11/01/15	49	-5
BTP-4.000-02/01/17	BTP-3.750-04/15/16	45	-4
BTP-4.750-09/15/16	BTP-3.750-04/15/16	39	1
BTP-4.750-05/01/17	BTP-4.750-09/15/16	33	-4

Source: Citi Research

Figure 26. Time series of the BTP switches highlighted in Figure 25



Source: Citi Research

Appendix

Figure 27 displays BTP switches in the 2- to 10yr sector that have the largest yield spread for a maturity extension of up to one year

Figure 28 highlights BTP switches (with a maximum maturity gap of 1year) in the 2- to 10yr sector with the highest z-score

Both of these figures have been used to populate Figure 25

Figure 27. BTP switches with the highest z-score (2- to 10yr sector)

Buy	Sell	6m z-score
BTP-4.750-05/01/17	BTP-4.750-06/01/17 (5Y)	3.42
BTP-3.750-08/01/21	BTP-4.750-09/01/21	2.80
BTP-3.750-08/01/15	BTP-3.000-11/01/15	2.79
BTP-3.750-08/01/16	BTP-3.750-04/15/16	2.59
BTP-5.250-08/01/17	BTP-4.750-06/01/17 (5Y)	2.51
BTP-3.750-08/01/15	BTP-3.000-06/15/15	2.45
BTP-4.250-03/01/20	BTP-4.250-09/01/19	2.20
BTP-4.500-02/01/20	BTP-4.250-09/01/19	2.16
BTP-3.750-08/01/16	BTP-3.000-11/01/15	2.10
BTP-4.000-02/01/17	BTP-3.750-04/15/16	2.10
BTP-3.750-08/01/15	BTP-2.500-03/01/15	2.10
BTP-4.750-05/01/17	BTP-4.750-09/15/16	2.05
BTP-5.000-03/01/22	BTP-5.500-09/01/22 (10Y)	1.99
BTP-3.000-04/15/15	BTP-2.500-03/01/15	1.99
BTP-4.250-02/01/19	BTP-4.500-02/01/18	1.94
BTP-3.750-08/01/21	BTP-3.750-03/01/21	1.93
BTP-4.750-09/15/16	BTP-3.750-04/15/16	1.89
BTP-3.750-08/01/15	BTP-6.000-11/15/14	1.84
BTP-4.000-02/01/17	BTP-4.750-09/15/16	1.83
BTP-4.500-08/01/18	BTP-4.500-02/01/18	1.79

Source: Citi Research

Figure 28. BTP switches with the highest yield spread (2- to 10yr sector)

Buy	Sell	Yield Spread
BTP-4.750-09/15/16	BTP-3.000-11/01/15	63
BTP-4.750-06/01/17 (5Y)	BTP-3.750-08/01/16	52
BTP-5.250-08/01/17	BTP-3.750-08/01/16	50
BTP-3.750-08/01/16	BTP-3.000-11/01/15	49
BTP-3.750-08/01/16	BTP-3.750-08/01/15	48
BTP-4.750-05/01/17	BTP-3.750-08/01/16	48
BTP-4.000-02/01/17	BTP-3.750-04/15/16	45
BTP-3.750-08/01/15	BTP-6.000-11/15/14	45
BTP-3.000-11/01/15	BTP-6.000-11/15/14	45
BTP-4.500-07/15/15 (3Y)	BTP-6.000-11/15/14	43
BTP-3.750-04/15/16	BTP-3.000-04/15/15	42
BTP-3.750-04/15/16	BTP-3.000-06/15/15	42
BTP-3.750-08/01/15	BTP-4.250-02/01/15	42
BTP-3.000-11/01/15	BTP-4.250-02/01/15	42
BTP-4.500-07/15/15 (3Y)	BTP-4.250-02/01/15	40
BTP-4.750-09/15/16	BTP-3.750-04/15/16	39
BTP-4.500-02/01/18	BTP-4.000-02/01/17	39
BTP-4.750-06/01/17 (5Y)	BTP-4.750-09/15/16	37
BTP-5.250-08/01/17	BTP-4.750-09/15/16	36
BTP-4.750-05/01/17	BTP-4.750-09/15/16	33

Source: Citi Research

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Moody's Review of Spain's Rating

We provide an update on the issues related to Moody's current review of Spain's rating in light of recent developments. Given that Spain has not requested aid and might not for several weeks, Spain is likely to remain Baa3 in the very near-term in our view, as Moody's could keep Spain on review beyond September. Full details of Citi's views on sovereign ratings globally can be found in our latest [Sovereign Ratings Outlook](#).

Spain remains Baa3 and on review

Moody's downgraded Spain on 13th June from A3 to Baa3 (the lowest IG rating) and placed the sovereign on review for further downgrade ([International Interest Rate Strategist 14th June](#)). A review period typically lasts three months, but this review was extended on 30th August. Moody's stated⁴ the review "will likely continue through the end of September" pending information on Spain's bank recapitalization package, the ratification process of the ESM and the likelihood of additional changes to the existing crisis-management framework. Since the 30th August, the German Constitutional Court has ruled in favour of German participation in the ESM and the ECB announced its OMT programme.

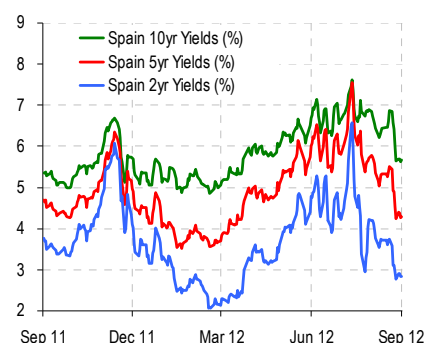
On matters related to the review, there have been some favourable developments. It now seems likely that the ESM will recapitalize the Spanish banking system directly once a single bank supervisor mechanism is established. Separately, we believe recent developments related to the ECB's announcement and the German Constitutional Court ruling have, for the time being, helped create a supportive environment for primary fixed income markets (such as the BTP auction on 13th September for example). Furthermore, there has been a general improvement in the market tone and Spanish yields have enjoyed a considerable rally (Figure 29).

One further aspect to the current review by Moody's is the *extent* and *scope* of any financial assistance Spain might seek. Specifically, in their recent report⁵, Moody's states "official support beyond banking recapitalization but short of a full package may also pressure the rating below investment grade if (1) the combined measures were unlikely to succeed in maintaining ample market access; or (2) if these measures were effectively providing the bulk of the Spanish government's funding needs through crisis-management tools such as the European Financial Stability Facility and ESM, and European Central Bank actions that provide liquidity to government debt markets".

Citi notes that Spanish authorities indicate there is no immediate rush formally to request aid ([Euro Area: Sovereign Debt Crisis Update 13th September](#)) and that should aid be sought, it is unlikely to happen before the regional Spanish elections on 21st October ([Euro Area: Sovereign Debt Crisis Update 12th September](#)). Hence, the extent of any support, the associated conditionality and the exact role of the EFSF/ESM and the ECB will remain unknown until a request is made.

Moody's have indicated the current review "will likely continue through the end of September"⁴. Given that Spain has not requested aid and might not for several weeks, Spain is likely to remain Baa3 in the very near-term in our view, probably due to the review period extending beyond September. However, the precise impact of any forthcoming assistance on Spain's Baa3 rating will likely remain uncertain, largely because we believe Spain will maintain a degree of market access in the event of receiving some form of official support.

Figure 29. Falling Spanish Yields (%)



Source: Citi Research

⁴ Moody's reiterated this in their report dated 13th June, "Moody's downgrades Spain's government bond rating to Baa3 from A3, on review for further downgrade".

⁵ Moody's Investor Service Announcement 30th August 2012: "Moody's Review Of Spanish Government's Baa3 rating Likely To Continue Through The End Of September".

European Relative Value Trades

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The richness of Feb16s in France presents two attractive opportunities. Investors can even pick up 20bps by extending 12months in Netherlands.

France: Fading the richness of Feb16s

Microfly

■ Sell 2.25% Feb16 vs 3% Oct15 and 3.25% Apr16 (Figure 30).

Steepening Bias

■ Switch from 2.25% Feb16 to 3% Oct15 with yield give up 8bps (Figure 31).

The Netherlands: 7s8s flattener

Flattening Bias

■ Switch from 4% Jul19 to 3.5% Jul20 for a 20bps yield pick (Figure 32).

Figure 30. France: 3% Oct15, 2.25% Feb16, 3.25% Apr16 microfly (bp)



Source: Citi Research

Figure 31. France: 2.25% Feb16 – 3% Oct15 yield spread (bp)



Source: Citi Research

Figure 32. Netherlands: 3.5% Jul20 – 4% Jul19 yield spread (bp)






Source: Citi Research

European Relative Value Tables

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

For example, Figure 33 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 33. Yield Spread and CAS to Fitted Relative Value Curve (6m History)

GERMANY	Richest 	Versus Fitted Yield Curve					Richest 	Versus Swap Curve (CAS)				
		Rank		ZScore	Issued	Size (€bn)		Rank		ZScore	Issued	Size (€bn)
		1	3.25 Jul42	-1.23	Jul10	15		1	2.50 Jul44 (30y)	0.98	Apr12	6
		2	2.25 Sep21	-1.11	Aug11	16		2	3.25 Jul42	0.98	Jul10	15
		3	2.50 Jul44 (30y)	-0.88	Apr12	6		3	1.50 Sep22 (10y)	1.18	Sep12	5
	Cheapest 	4	6.25 Jan30	-0.85	Jan00	9	4	5.50 Jan31	1.26	Oct00	17	
		5	3.50 Jul19	-0.49	May09	24	5	4.75 Jul34	1.36	Jan03	20	
		5	4.25 Jul18	1.63	May08	21	5	3.25 Jan20	2.52	Nov09	22	
		4	4.00 Jul16	2.19	May06	23	4	4.25 Jul17 (OE)	2.53	May07	19	
		3	4.00 Jan18	2.61	Nov07	20	3	3.75 Jan19	2.58	Nov08	24	
		2	2.00 Feb16	2.77	Jan11	16	2	4.00 Jan18	2.62	Nov07	20	
1	2.50 Oct14	3.57	Sep09	17	1	4.25 Jul18	2.70	May08	21			

Source: Citi Research

Figure 34 (overleaf) looks at bonds of all maturities. For investors with maturity restrictions we have also provided another set of summary tables (Figure 35 and Figure 36) which looks at bonds shorter than 12 years and longer than 8 years, and uses the same criteria as Figure 34 to highlight the richest and cheapest bonds in these narrower maturity spectrums.

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

Relative Value Tables – All Maturities

Figure 34. Yield Spread and CAS to Fitted Relative Value Curve by Country (6m History); All bonds on each curve

		Versus Fitted Yield Curve					Versus Swap Curve (CAS)				
		Rank		ZScore	Issued	Size (€bn)	Rank		ZScore	Issued	Size (€bn)
GERMANY	Richest	1	3.25 Jul42	-1.23	Jul10	15	1	2.50 Jul44 (30y)	0.98	Apr12	6
		2	2.25 Sep21	-1.11	Aug11	16	2	3.25 Jul42	0.98	Jul10	15
		3	2.50 Jul44 (30y)	-0.88	Apr12	6	3	1.50 Sep22 (10y)	1.18	Sep12	5
		4	6.25 Jan30	-0.85	Jan00	9	4	5.50 Jan31	1.26	Oct00	17
		5	3.50 Jul19	-0.49	May09	24	5	4.75 Jul34	1.36	Jan03	20
	Cheapest	5	4.25 Jul18	1.63	May08	21	5	3.25 Jan20	2.52	Nov09	22
		4	4.00 Jul16	2.19	May06	23	4	4.25 Jul17 (OE)	2.53	May07	19
		3	4.00 Jan18	2.61	Nov07	20	3	3.75 Jan19	2.58	Nov08	24
		2	2.00 Feb16	2.77	Jan11	16	2	4.00 Jan18	2.62	Nov07	20
		1	2.50 Oct14	3.57	Sep09	17	1	4.25 Jul18	2.70	May08	21
FRANCE	Richest	1	2.25 Feb16	-1.80	Feb10	19	1	4.00 Apr60	-1.79	Apr09	8
		2	4.00 Apr60	-1.33	Apr09	8	2	4.00 Apr55	-1.77	Apr04	15
		3	3.50 Apr26	-1.07	Apr10	28	3	4.50 Apr41 (30y)	-1.68	Apr09	15
		4	2.50 Oct20	-0.93	Oct09	30	4	4.00 Oct38	-1.66	Oct05	24
		5	2.50 Jul16	-0.90	Jul10	4	5	4.75 Apr35	-1.56	Apr03	18
	Cheapest	5	3.00 Apr22 (10y)	2.12	Feb12	25	5	3.50 Apr15	-0.74	Apr04	22
		4	3.25 Oct21 (OAT)	2.46	Oct10	6	4	2.50 Jan15	-0.55	Jan10	20
		3	0.75 Sep14 (2y)	2.48	Sep11	4	3	1.00 Jul17 (5y)	-0.32	Jul11	5
		2	4.00 Oct14	2.58	Oct03	20	2	4.00 Oct14	-0.20	Oct03	20
		1	4.25 Oct17	3.19	Oct06	21	1	0.75 Sep14 (2y)	0.30	Sep11	4
ITALY	Richest	1	4.25 Sep19	-2.69	Mar09	22	1	4.75 Jun17 (5y)	-2.67	Jun12	3
		2	4.25 Feb19	-1.81	Feb03	23	2	4.50 Jul15	-1.96	Jul12	4
		3	5.75 Feb33	-1.54	Feb02	15	3	2.50 Mar15	-1.57	Mar12	5
		4	3.75 Apr16	-1.50	Apr11	12	4	4.25 Feb15 (BTS)	-1.53	Aug04	21
		5	4.50 Mar19	-1.25	Sep08	23	5	3.00 Jun15	-1.50	Jun10	19
	Cheapest	5	4.75 Sep16	1.47	Sep11	9	5	5.00 Aug34	-1.11	Aug03	21
		4	5.00 Mar25	1.81	Mar09	20	4	4.25 Mar20	-1.08	Sep09	23
		3	4.00 Feb17	1.82	Aug06	23	3	3.75 Aug21	-1.07	Feb06	27
		2	4.75 May17	1.99	Feb12	4	2	4.50 Mar26	-1.06	Sep10	14
		1	3.75 Aug16	2.90	Feb06	27	1	5.00 Mar25	-0.97	Mar09	20
N'LANDS	Richest	1	1.25 Jan18	-1.78	Jul12	6	1	3.75 Jan42 (30y)	-0.20	May10	10
		2	2.50 Jan33	-1.66	Mar12	4	2	2.50 Jan33	-0.17	Mar12	4
		3	4.50 Jul17 (5y)	-1.49	Jul07	15	3	4.00 Jan37	0.01	Apr05	12
		4	3.50 Jul20	-0.84	Feb10	15	4	4.50 Jul17 (5y)	0.07	Jul07	15
		5	4.00 Jul19	-0.68	Feb09	13	5	3.50 Jul20	0.08	Feb10	15
	Cheapest	5	3.25 Jul21	0.38	Mar11	11	5	4.00 Jul16	0.42	Jul06	13
		4	3.75 Jan42 (30y)	0.62	May10	10	4	3.25 Jul15	0.61	Jun05	14
		3	2.75 Jan15	0.80	Jul09	13	3	1.25 Jan18	0.73	Jul12	6
		2	4.00 Jul16	0.91	Jul06	13	2	0.75 Apr15	0.74	Jan12	3
		1	2.50 Jan17	1.08	Jun11	8	1	2.75 Jan15	1.16	Jul09	13
SPAIN	Richest	1	5.75 Jul32	-2.45	Jan01	14	1	4.00 Jul15	-0.92	Jan12	16
		2	5.85 Jan22 (10y)	-2.01	Nov11	4	2	3.00 Apr15	-0.90	Mar10	18
		3	4.10 Jul18	-1.71	Feb08	16	3	3.30 Oct14	-0.90	Jul09	17
		4	4.00 Jul15	-1.49	Jan12	16	4	4.40 Jan15	-0.89	Jun04	18
		5	4.60 Jul19	-0.93	Feb09	13	5	3.25 Apr16	-0.86	Nov10	17
	Cheapest	5	4.80 Jan24	1.78	Sep08	15	5	4.20 Jan37	-0.61	Jan05	16
		4	4.90 Jul40	1.98	Jun07	13	4	4.85 Oct20	-0.60	Jul10	16
		3	4.25 Oct16 (5y)	2.00	Sep11	18	3	5.90 Jul26	-0.52	Mar11	7
		2	4.65 Jul25	2.41	Feb10	14	2	4.80 Jan24	-0.52	Sep08	15
		1	5.90 Jul26	2.88	Mar11	7	1	4.65 Jul25	-0.48	Feb10	14
BELGIUM	Richest	1	4.00 Mar18	-1.18	Jan08	10	1	4.25 Mar41 (30y)	-2.02	Apr10	6
		2	4.25 Sep21	-1.02	Jan11	14	2	4.00 Mar32	-1.93	Mar12	5
		3	5.50 Sep17	-0.55	Jun02	8	3	5.00 Mar35	-1.92	May04	14
		4	4.00 Mar32	-0.37	Mar12	5	4	4.50 Mar26	-1.78	Jun11	4
		5	4.25 Sep22 (10y)	-0.12	Jan12	8	5	4.25 Sep21	-1.71	Jan11	14
	Cheapest	5	4.00 Mar19	1.56	Jan09	10	5	3.25 Sep16	-1.61	Jan06	12
		4	3.25 Sep16	2.04	Jan06	12	4	3.00 Sep19	-1.58	Apr12	4
		3	2.75 Mar16	2.23	Mar10	10	3	3.75 Sep15	-1.58	Mar05	11
		2	3.00 Sep19	2.34	Apr12	4	2	3.50 Mar15	-1.46	Mar09	10
		1	3.75 Sep20	2.82	Jan10	18	1	4.25 Sep14 (2y)	-1.25	Jan04	13

Source: Citi Research

Relative Value Tables – Max 12Yr Maturity

Figure 35. Yield Spread and CAS to Fitted Relative Value Curve by Country (6m History); Bonds with a Maximum Maturity of 12yrs

		Versus Fitted Yield Curve					Versus Swap Curve (CAS)				
		Rank		ZScore	Issued	Size (€bn)	Rank		ZScore	Issued	Size (€bn)
GERMANY	Richest	1	2.25 Sep21	-1.11	Aug11	16	1	1.50 Sep22 (10y)	1.18	Sep12	5
		2	3.50 Jul19	-0.49	May09	24	2	0.50 Apr17	2.05	Apr12	5
		3	2.25 Apr15	-0.44	Apr10	19	3	2.25 Apr15	2.19	Apr10	19
		4	2.25 Sep20	-0.43	Aug10	16	4	2.50 Oct14	2.20	Sep09	17
		5	0.50 Apr17	-0.37	Apr12	5	5	3.25 Jul15	2.22	May05	21
	Cheapest	5	4.25 Jul18	1.63	May08	21	5	3.25 Jan20	2.52	Nov09	22
		4	4.00 Jul16	2.19	May06	23	4	4.25 Jul17 (OE)	2.53	May07	19
		3	4.00 Jan18	2.61	Nov07	20	3	3.75 Jan19	2.58	Nov08	24
		2	2.00 Feb16	2.77	Jan11	16	2	4.00 Jan18	2.62	Nov07	20
		1	2.50 Oct14	3.57	Sep09	17	1	4.25 Jul18	2.70	May08	21
FRANCE	Richest	1	2.25 Feb16	-1.80	Feb10	19	1	4.25 Oct18	-1.44	Oct07	22
		2	2.50 Oct20	-0.93	Oct09	30	2	2.50 Oct20	-1.43	Oct09	30
		3	2.50 Jul16	-0.90	Jul10	4	3	4.25 Apr19	-1.40	Apr03	28
		4	4.25 Oct18	-0.87	Oct07	22	4	3.75 Apr21	-1.40	Apr05	31
		5	4.25 Apr19	-0.57	Apr03	28	5	3.50 Apr20	-1.37	Feb10	27
	Cheapest	5	3.00 Apr22 (10y)	2.12	Feb12	25	5	3.50 Apr15	-0.74	Apr04	22
		4	3.25 Oct21 (OAT)	2.46	Oct10	6	4	2.50 Jan15	-0.55	Jan10	20
		3	0.75 Sep14 (2y)	2.48	Sep11	4	3	1.00 Jul17 (5y)	-0.32	Jul11	5
		2	4.00 Oct14	2.58	Oct03	20	2	4.00 Oct14	-0.20	Oct03	20
		1	4.25 Oct17	3.19	Oct06	21	1	0.75 Sep14 (2y)	0.30	Sep11	4
ITALY	Richest	1	4.25 Sep19	-2.69	Mar09	22	1	4.75 Jun17 (5y)	-2.67	Jun12	3
		2	4.25 Feb19	-1.81	Feb03	23	2	4.50 Jul15	-1.96	Jul12	4
		3	3.75 Apr16	-1.50	Apr11	12	3	2.50 Mar15	-1.57	Mar12	5
		4	4.50 Mar19	-1.25	Sep08	23	4	4.25 Feb15 (BTS)	-1.53	Aug04	21
		5	3.00 Jun15	-1.19	Jun10	19	5	3.00 Jun15	-1.50	Jun10	19
	Cheapest	5	3.75 Aug21	1.36	Feb06	27	5	4.75 Aug23	-1.12	Feb08	21
		4	4.75 Sep16	1.47	Sep11	9	4	4.75 Sep21	-1.12	Mar11	22
		3	4.00 Feb17	1.82	Aug06	23	3	3.75 Mar21	-1.12	Sep10	23
		2	4.75 May17	1.99	Feb12	4	2	4.25 Mar20	-1.08	Sep09	23
		1	3.75 Aug16	2.90	Feb06	27	1	3.75 Aug21	-1.07	Feb06	27
N'LANDS	Richest	1	1.25 Jan18	-1.78	Jul12	6	1	4.50 Jul17 (5y)	0.07	Jul07	15
		2	4.50 Jul17 (5y)	-1.49	Jul07	15	2	3.50 Jul20	0.08	Feb10	15
		3	3.50 Jul20	-0.84	Feb10	15	3	4.00 Jul19	0.13	Feb09	13
		4	4.00 Jul19	-0.68	Feb09	13	4	2.25 Jul22 (10y)	0.13	Feb12	9
		5	0.75 Apr15	-0.43	Jan12	3	5	3.75 Jan23	0.19	Jan06	10
	Cheapest	5	4.00 Jul18	0.34	Feb08	15	5	4.00 Jul16	0.42	Jul06	13
		4	3.25 Jul21	0.38	Mar11	11	4	3.25 Jul15	0.61	Jun05	14
		3	2.75 Jan15	0.80	Jul09	13	3	1.25 Jan18	0.73	Jul12	6
		2	4.00 Jul16	0.91	Jul06	13	2	0.75 Apr15	0.74	Jan12	3
		1	2.50 Jan17	1.08	Jun11	8	1	2.75 Jan15	1.16	Jul09	13
SPAIN	Richest	1	5.85 Jan22 (10y)	-2.01	Nov11	4	1	4.00 Jul15	-0.92	Jan12	16
		2	4.10 Jul18	-1.71	Feb08	16	2	3.00 Apr15	-0.90	Mar10	18
		3	4.00 Jul15	-1.49	Jan12	16	3	3.30 Oct14	-0.90	Jul09	17
		4	4.60 Jul19	-0.93	Feb09	13	4	4.40 Jan15	-0.89	Jun04	18
		5	3.00 Apr15	-0.91	Mar10	18	5	3.25 Apr16	-0.86	Nov04	17
	Cheapest	5	3.25 Apr16	1.04	Nov10	17	5	4.00 Apr20	-0.67	Jan10	16
		4	4.85 Oct20	1.26	Jul10	16	4	4.30 Oct19	-0.64	Jun09	15
		3	3.80 Jan17	1.33	Oct06	18	3	5.50 Apr21	-0.63	Jan11	20
		2	4.80 Jan24	1.78	Sep08	15	2	4.85 Oct20	-0.60	Jul10	16
		1	4.25 Oct16 (5y)	2.00	Sep11	18	1	4.80 Jan24	-0.52	Sep08	15
BELGIUM	Richest	1	4.00 Mar18	-1.18	Jan08	10	1	4.25 Sep21	-1.71	Jan11	14
		2	4.25 Sep21	-1.02	Jan11	14	2	4.00 Mar18	-1.70	Jan08	10
		3	5.50 Sep17	-0.55	Jun02	8	3	3.50 Jun17 (5y)	-1.70	Mar11	10
		4	4.25 Sep22 (10y)	-0.12	Jan12	8	4	4.00 Mar19	-1.69	Jan09	10
		5	4.00 Mar22	0.09	May06	14	5	5.50 Sep17	-1.68	Jun02	8
	Cheapest	5	4.00 Mar19	1.56	Jan09	10	5	3.25 Sep16	-1.61	Jan06	12
		4	3.25 Sep16	2.04	Jan06	12	4	3.00 Sep19	-1.58	Apr12	4
		3	2.75 Mar16	2.23	Mar10	10	3	3.75 Sep15	-1.58	Mar05	11
		2	3.00 Sep19	2.34	Apr12	4	2	3.50 Mar15	-1.46	Mar09	10
		1	3.75 Sep20	2.82	Jan10	18	1	4.25 Sep14 (2y)	-1.25	Jan04	13

Source: Citi Research

Relative Value Tables – Min 8yr Maturity

Figure 36. Yield Spread and CAS to Fitted Relative Value Curve by Country (6m History); Bonds with a Minimum Maturity of 8yrs

		Versus Fitted Yield Curve					Versus Swap Curve (CAS)						
		Rank		ZScore	Issued	Size (€bn)			Rank		ZScore	Issued	Size (€bn)
GERMANY	Richest	1	3.25 Jul42	-1.23	Jul10	15	Richest	1	2.50 Jul44 (30y)	0.98	Apr12	6	
		2	2.25 Sep21	-1.11	Aug11	16		2	3.25 Jul42	0.98	Jul10	15	
		3	2.50 Jul44 (30y)	-0.88	Apr12	6		3	1.50 Sep22 (10y)	1.18	Sep12	5	
		4	6.25 Jan30	-0.85	Jan00	9		4	5.50 Jan31	1.26	Oct00	17	
		5	1.50 Sep22 (10y)	-0.04	Sep12	5		5	4.75 Jul34	1.36	Jan03	20	
	Cheapest	5	2.50 Jan21	0.61	Nov10	19		5	3.25 Jul21 (RX)	2.31	Apr11	19	
		4	2.00 Jan22	0.85	Nov11	16		4	2.25 Sep21	2.33	Aug11	16	
		3	4.25 Jul39	1.00	Jan07	14		3	1.75 Jul22	2.34	Apr12	5	
		2	4.75 Jul34	1.43	Jan03	20		2	2.00 Jan22	2.37	Nov11	16	
		1	4.00 Jan37 (UB)	1.50	Jan05	23		1	2.50 Jan21	2.37	Nov10	19	
FRANCE	Richest	1	4.00 Apr60	-1.33	Apr09	8	Richest	1	4.00 Apr60	-1.79	Apr09	8	
		2	3.50 Apr26	-1.07	Apr10	28		2	4.00 Apr55	-1.77	Apr04	15	
		3	2.50 Oct20	-0.93	Oct09	30		3	4.50 Apr41 (30y)	-1.68	Apr09	15	
		4	3.75 Apr21	-0.39	Apr05	31		4	4.00 Oct38	-1.66	Oct05	24	
		5	4.00 Apr55	-0.27	Apr04	15		5	4.75 Apr35	-1.56	Apr03	18	
	Cheapest	5	4.75 Apr35	0.43	Apr03	18		5	3.75 Apr21	-1.40	Apr05	31	
		4	4.25 Oct23	1.03	Oct06	31		4	4.25 Oct23	-1.33	Oct06	31	
		3	4.00 Oct38	1.36	Oct05	24		3	3.50 Apr26	-1.33	Apr10	28	
		2	3.00 Apr22 (10y)	2.12	Feb12	25		2	3.00 Apr22 (10y)	-1.30	Feb12	25	
		1	3.25 Oct21 (OAT)	2.46	Oct10	6		1	3.25 Oct21 (OAT)	-1.28	Oct10	6	
ITALY	Richest	1	5.75 Feb33	-1.54	Feb02	15	Richest	1	5.00 Sep40 (30y)	-1.35	Sep09	20	
		2	5.50 Nov22	-0.90	May12	4		2	5.00 Aug39	-1.33	Aug07	19	
		3	5.00 Aug39	-0.73	Aug07	19		3	5.50 Sep22 (10y-IK)	-1.27	Mar12	8	
		4	5.00 Aug34	-0.61	Aug03	21		4	5.50 Nov22	-1.25	May12	4	
		5	5.50 Sep22 (10y-IK)	-0.45	Mar12	8		5	4.00 Feb37	-1.22	Aug05	25	
	Cheapest	5	5.00 Sep40 (30y)	1.13	Sep09	20		5	3.75 Mar21	-1.12	Sep10	23	
		4	4.75 Aug23	1.20	Feb08	21		4	5.00 Aug34	-1.11	Aug03	21	
		3	3.75 Aug21	1.36	Feb06	27		3	3.75 Aug21	-1.07	Feb06	27	
		2	4.50 Mar26	1.41	Sep10	14		2	4.50 Mar26	-1.06	Sep10	14	
		1	5.00 Mar25	1.81	Mar09	20		1	5.00 Mar25	-0.97	Mar09	20	
N'LANDS	Richest	1	2.50 Jan33	-1.66	Mar12	4	Richest	1	3.75 Jan42 (30y)	-0.20	May10	10	
		2	2.25 Jul22 (10y)	-0.24	Feb12	9		2	2.50 Jan33	-0.17	Mar12	4	
		3	4.00 Jan37	-0.04	Apr05	12		3	4.00 Jan37	0.01	Apr05	12	
	Cheapest	3	3.75 Jan23	0.01	Jan06	10		3	2.25 Jul22 (10y)	0.13	Feb12	9	
		2	3.25 Jul21	0.38	Mar11	11		2	3.75 Jan23	0.19	Jan06	10	
		1	3.75 Jan42 (30y)	0.62	May10	10		1	3.25 Jul21	0.24	Mar11	11	
SPAIN	Richest	1	5.75 Jul32	-2.45	Jan01	14	Richest	1	5.85 Jan22 (10y)	-0.72	Nov11	4	
		2	5.85 Jan22 (10y)	-2.01	Nov11	4		2	4.70 Jul41 (30y)	-0.70	Sep09	11	
		3	4.20 Jan37	-0.48	Jan05	16		3	4.90 Jul40	-0.66	Jun07	13	
		4	5.50 Apr21	-0.25	Jan11	20		4	5.75 Jul32	-0.65	Jan01	14	
		5	4.85 Oct20	1.26	Jul10	16		5	5.50 Apr21	-0.63	Jan11	20	
	Cheapest	5	4.70 Jul41 (30y)	1.62	Sep09	11		5	4.20 Jan37	-0.61	Jan05	16	
		4	4.80 Jan24	1.78	Sep08	15		4	4.85 Oct20	-0.60	Jul10	16	
		3	4.90 Jul40	1.98	Jun07	13		3	5.90 Jul26	-0.52	Mar11	7	
		2	4.65 Jul25	2.41	Feb10	14		2	4.80 Jan24	-0.52	Sep08	15	
		1	5.90 Jul26	2.88	Mar11	7		1	4.65 Jul25	-0.48	Feb10	14	
BELGIUM	Richest	1	4.25 Sep21	-1.02	Jan11	14	Richest	1	4.25 Mar41 (30y)	-2.02	Apr10	6	
		2	4.00 Mar32	-0.37	Mar12	5		2	4.00 Mar32	-1.93	Mar12	5	
		3	4.25 Sep22 (10y)	-0.12	Jan12	8		3	5.00 Mar35	-1.92	May04	14	
		4	4.00 Mar22	0.09	May06	14		4	4.50 Mar26	-1.78	Jun11	4	
	Cheapest	4	4.25 Mar41 (30y)	0.25	Apr10	6		4	4.25 Sep21	-1.71	Jan11	14	
		3	5.00 Mar35	0.99	May04	14		3	4.00 Mar22	-1.68	May06	14	
		2	4.50 Mar26	1.16	Jun11	4		2	3.75 Sep20	-1.66	Jan10	18	
		1	3.75 Sep20	2.82	Jan10	18		1	4.25 Sep22 (10y)	-1.62	Jan12	8	

Source: Citi Research

Current ARTS Trading Signals

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Short and long term signals have converged...

... They are both supportive of duration broadly across all assets ...

... Which is driven by a move in short term technical's as yields approach the top of their recent trading ranges.

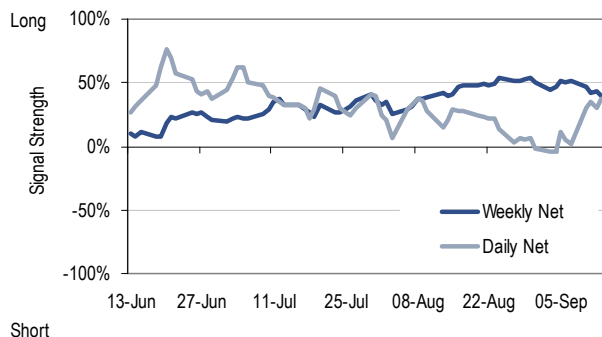
Duration risk/reward has become attractive in both the short and long term signals – hence increase duration and given the recent uptick in yields.

This week the daily and weekly algorithmic rates trading signals⁶ (D-ARTS / W-ARTS) have converged and are bullish on duration at around 40% exposure (see Figure 37).

This convergence has been mainly driven by short term dynamics. There has been a sharp reversal in the risk signal (i.e. risk aversion has increased). Meanwhile both momentum and fundamental remain supportive of duration in the shorter term. At an asset level there is broad agreement of the long duration positions with all signals supportive of a further move downwards in yields (see Figure 38).

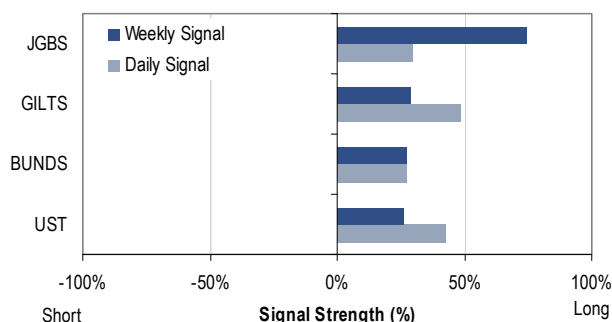
The signals suggest duration that risk/reward has improved (from last week). Hence signals are adding to the existing (longer term) duration position, doubling the overall exposure.

Figure 37. Evolution history of the daily / weekly 10y net signal



Source: Citi Investment Research and Analysis

Figure 38. Breakdown of current daily and weekly net signals

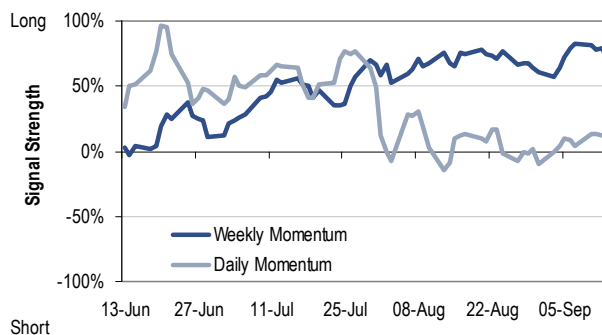


Source: Citi Investment Research and Analysis

Momentum signal has broadly increased and is being driven by mean reversion dynamics ...

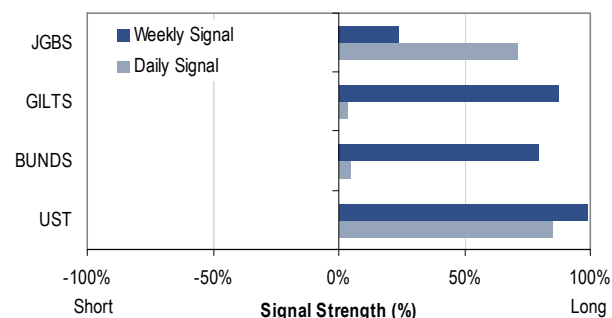
The momentum signal has not really changes from last week and still is being driven by mean reversion dynamics. This dynamics is highlighted at the asset level where mean reversion is driving strong signals in UST and JGBs but dynamics are weak in Gilts and Bunds due to high asset volatility (see Figure 39 and Figure 40).

Figure 39. Evolution history of the daily / weekly 10y momentum signal



Source: CIRA, Bloomberg

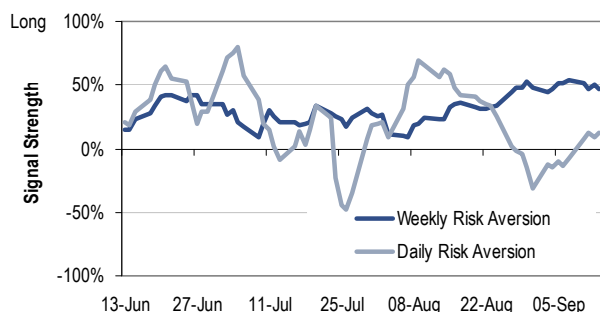
Figure 40. Breakdown of current daily and weekly momentum signals



Source: CIRA, Bloomberg

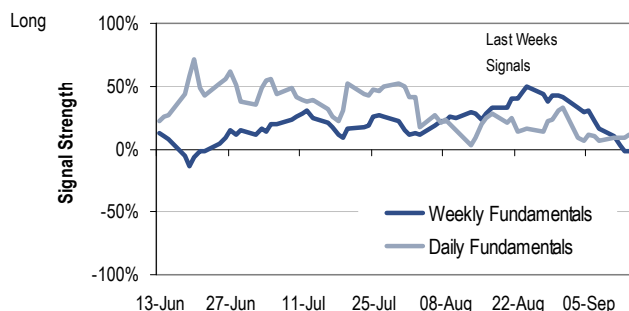
⁶ The current signals are calibrated as of market close 05th August 2012.

Figure 41. Evolution history of the daily / weekly 10y risk aversion signal



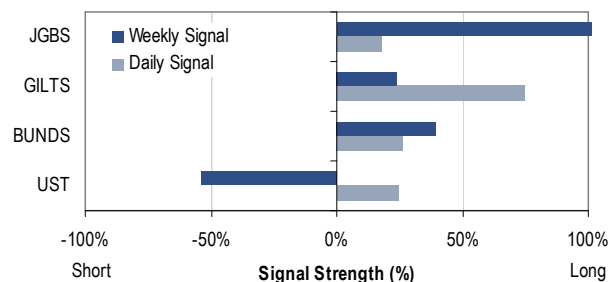
Short
Source: Citi Investment Research and Analysis

Figure 43. Evolution history of the daily / weekly 10y fundamental signal



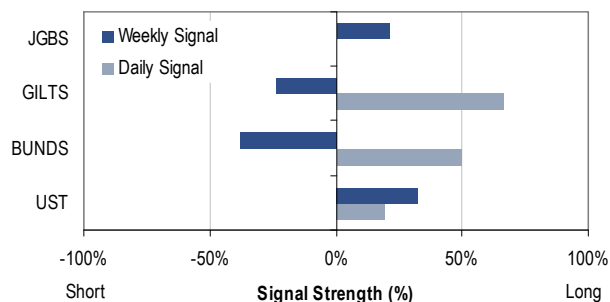
Short
Source: CIRA, Bloomberg

Figure 42. Breakdown of current daily and weekly risk aversion signals



Source: CIRA, Bloomberg

Figure 44. Breakdown of current daily and weekly fundamental signals



Source: CIRA, Bloomberg

... Meanwhile risk aversion has increase, driven by mean reversion dynamics given the recent rally in risk assets.

Meanwhile, risk aversion signal has strengthened in both short and long term models (see Figure 41). The change in the short term signals is more to do with mean reversion dynamics. The signals find that there is an increased likelihood of reversal given the recent rally in risk assets (particularly in Bunds and Gilt - see Figure 42).

... Finally fundamentals continue to weaken in the short term due to stagnating economic data.

Finally, fundamentals remain weak, but have mildly strengthened this week (i.e. long position has been reduced) in WARTS (see Figure 43). This dynamic is a result of yields becoming more fairly priced as yields move upwards. However at the asset level these dynamics are mixed (Figure 44). For instance it finds that fundamental in UST are broadly weak. In contrast Bund fundamentals are stronger in the longer term (i.e. rich) given the current low level of yields.

The signals suggest that investors should add to any existing longs to take advantage of a move to lower in yields in the short term.

In summary, momentum and risk aversion is broadly supportive of long duration but macro signals are more mixed in the shorter term. As a result the risk / reward has become attractive, particularly in the in the short term from a more technical basis. Hence we are adding to the existing longs on the back of more supportive technical dynamics.

Global Supply Monitor

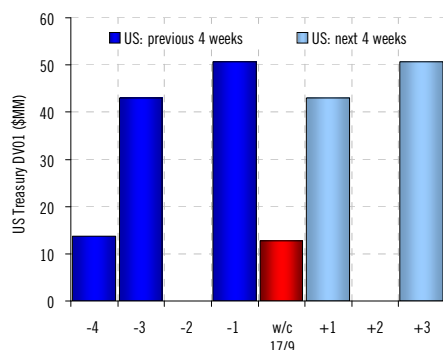
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Historical and projected DV01 of USD, EUR and GBP issuance (weekly)

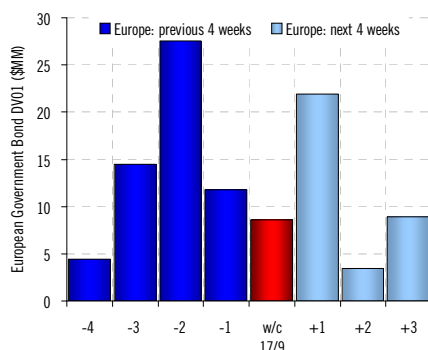
Figure 45 to Figure 47 show the \$DV01 of projected issuance over the next four weeks and the previous four weeks. The DV01 of issuance in the week commencing 17 September is shown in red. The DV01 of next week's issuance is light across all the three markets.

Figure 45. Estimated \$DV01 of US Treasury Issuance (Previous 4 and Next 4 Weeks)



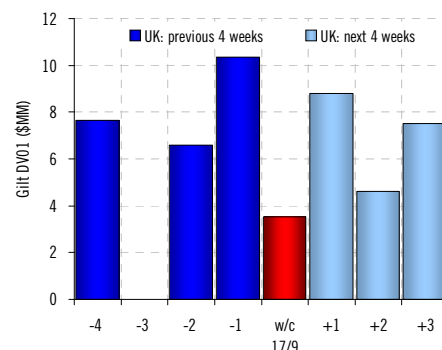
Source: US Treasury, Citi estimates

Figure 46. Estimated \$DV01 of Euro Bond Issuance (Previous 4 and Next 4 Weeks)



Source: DMOs, Citi estimates

Figure 47. Estimated \$DV01 of UK Gilt Issuance (Previous 4 and Next 4 Weeks)



Source: DMO, Citi estimates

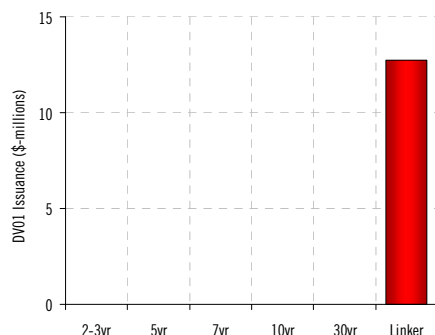
DV01 of expected USD, EUR and GBP issuance split by maturity (week beginning 17 September)

US Treasury supply comes in the form of a re-opening of 10-year TIPS at approximately \$13 million/bp (Figure 48).

The DV01 of next week's euro issuance is light at only €7million/bp (Figure 49). Approximately 41% of total issuance (in DV01 terms) is expected to come in the 5-year sector.

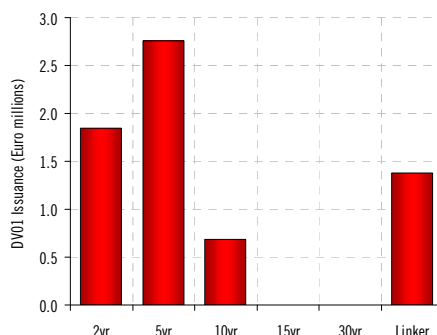
Next week's gilt issuance comes in the form of a conventional gilt (1% 2017) at only £2 million/bp (Figure 50).

Figure 48. USD DV01: Split by Maturity (17 Sep–21 Sep)



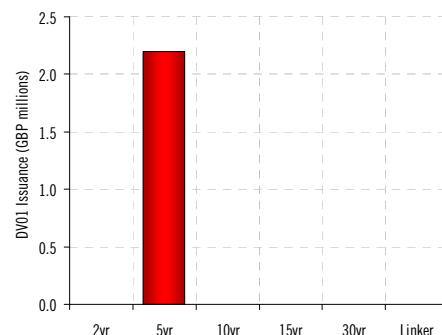
Source: US Treasury, Citi estimates

Figure 49. EUR DV01: Split by Maturity (17 Sep–21 Sep)



Source: DMOs, Citi estimates

Figure 50. GBP DV01 Split by Maturity (17 Sep–21 Sep)

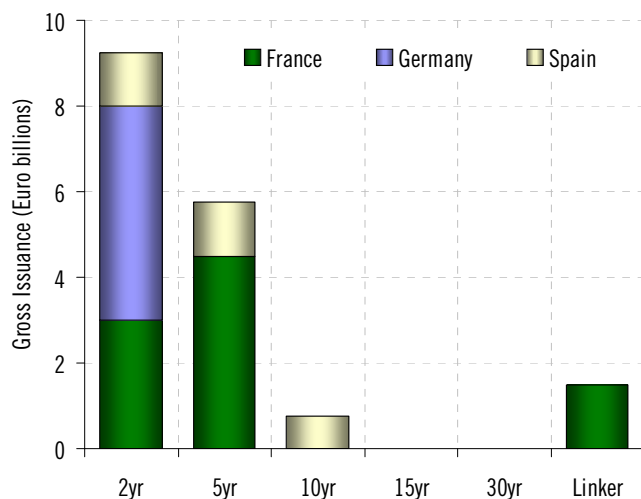


Source: DMO, Citi estimates

Expected euro gross and DV01 split by country and maturity (week beginning 17 September)

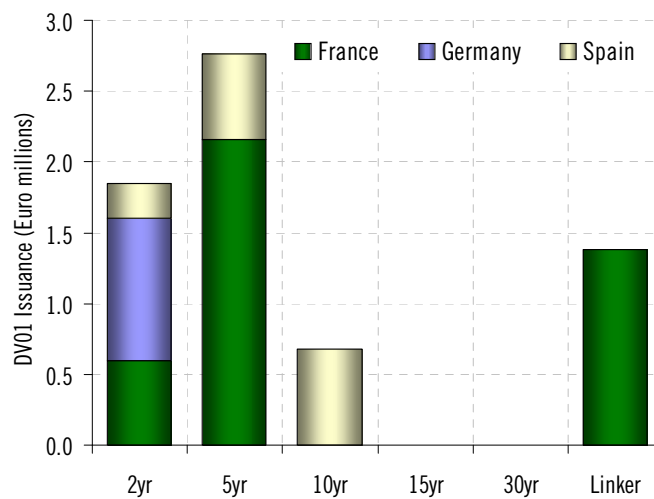
In Europe, issuance comes from Germany (€5bn), France (estimated €9bn) and Spain (estimated €3.25bn) - Figure 51. In DV01 terms, 62% of total issuance is expected to come from France (Figure 52).

Figure 51. Euro Gross Issuance next week



Source: DMOs, Citi estimates, Bloomberg

Figure 52. Euro DV01 Issuance next week



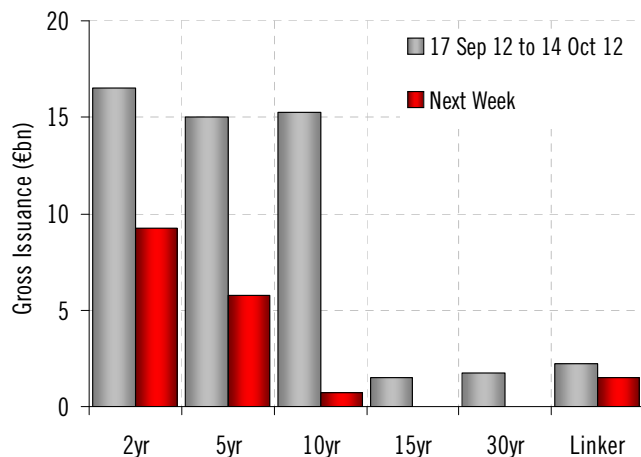
Source: DMOs, Citi estimates, Bloomberg

Expected euro issuance (gross and DV01) by maturity for the next four-weeks (17 September – 14 October)

Over the next four weeks, approximately 30% of total issuance comes from each of the 2-, 5- and 10-year sectors (Figure 53).

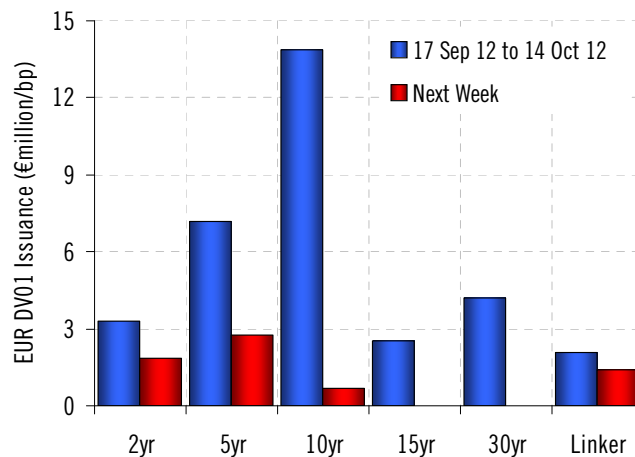
In DV01 terms, the 10yr sector accounts for 42% of total issuance at around €14million/bp (Figure 54).

Figure 53. Euro Gross Issuance over the Next Four Weeks



Source: DMOs, CITI estimates, Bloomberg

Figure 54. Euro DV01 Issuance over the Next Four Weeks



Source: DMOs, CITI estimates, Bloomberg

US coupons for the next four weeks – maturity split

US Treasury coupon payments will be light over the next four weeks (Figure 55).

Figure 55. Maturity Split of UST Coupon Payments over the Next Four Weeks (USD-Billions)*

Week Commencing	2-3yr	5yr	7yr	10yr	30yr	Linker	Total
17 Sep							
24 Sep	2.6	2.0	0.5				5.0
01 Oct							
08 Oct	1.0					1.3	2.4
Total	3.6	2.0	0.5			1.3	7.4

Source: Citi Research, Bloomberg

*This table is on a trade-date basis

Euro coupons for the next four weeks – maturity split

Next week sees a €12bn of redemption from France on 20 September. In week 2, there will be €5bn of coupon payments and €9bn of redemptions from Belgium. All things being equal this should be supportive for Belgian yields during this week (Figure 56 and Figure 58).

Figure 56. Maturity Split of Euro Coupon Payments over the Next Four Weeks (EUR-Billions)*

Week Commencing	2yr	5yr	10yr	15yr	30yr	Linker	Total
17 Sep	1.0						1.0
24 Sep	1.9	1.3	1.9				5.1
01 Oct	0.4	0.3					0.7
08 Oct	2.7						4.0
Total	5.9	3.0	1.9				10.8

Source: Citi Research, Bloomberg

*This table is on a trade-date basis

UK coupons for the next four weeks – maturity split

There are minimal coupon payments over the next four weeks (Figure 57).

Figure 57. Maturity Split of Gilt Coupon Payments over the Next Four Weeks (GBP-Billions)*

Week Commencing	2yr	5yr	10yr	15yr	30yr	Linker	Total
17 Sep						0.1	0.1
24 Sep	0.3						0.3
01 Oct							
08 Oct							
Total	0.3					0.1	0.5

Source: Citi Research, Bloomberg

*This table is on a trade-date basis

Euro coupons and redemptions split by maturity and country

Figure 58 below shows a weekly breakdown of euro coupons and redemptions, split by sector and country for the next four weeks.

Figure 58. Euro Coupons and Redemptions by Maturity and Country for the Next 4 weeks (EUR Billions)

WEEK 1	Week Beginning 17 Sep (Mon)		Coupons	Redemptions	WEEK 2	Week Beginning 24 Sep (Mon)		Coupons	Redemptions
		Austria					Austria		
		Belgium					Belgium	4.9	9.2
		Germany	0.0				Germany		
		Finland					Finland		
	Coupons	France	0.4	12.4		Coupons	France		
2yr	1.0	Greece			2yr	1.9	Greece		
5yr	0.0	Ireland			5yr	1.3	Ireland		0.0
10yr		Italy			10yr	1.9	Italy	0.2	
15yr		Netherlands			15yr		Netherlands		
30yr		Portugal	0.5		30yr		Portugal		
Linker		Spain			Linker		Spain		
	1.0		1.0	12.4		5.1		5.1	9.2
WEEK 3	Week Beginning 01 Oct (Mon)		Coupons	Redemptions	WEEK 4	Week Beginning 08 Oct (Mon)		Coupons	Redemptions
		Austria					Austria		
		Belgium					Belgium		
		Germany	0.7				Germany	1.5	16.0
		Finland					Finland		
	Coupons	France				Coupons	France		
2yr	0.4	Greece			2yr	2.7	Greece		
5yr	0.3	Ireland			5yr	1.4	Ireland		0.5
10yr		Italy			10yr		Italy	1.4	18.4
15yr		Netherlands			15yr		Netherlands		
30yr		Portugal			30yr		Portugal	1.1	
Linker		Spain			Linker		Spain		
	0.7		0.7	0.0		4.0		4.0	34.9

Source: Citi Research, Bloomberg

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

Provisional auction calendar for the next four weeks

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

Date	Country	Estimated Size (Local Ccy)	Issue Details (Estimated)	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYU2 (UST)	G U2 (Gilt)	RXU2 (Bund)
17 Sep (Mon)	US	4.5 - 5.5	Outright Treasury Coupon Purchases: 15/11/2020 - 15/8/2022		-52k		
17 Sep (Mon)	US	7 - 8	Outright Treasury Coupon Sales: 31/12/2014 - 31/5/2015		27k		
17 Sep (Mon)	UK	1.0	Gilt APF Buyback: 3-7yrs			-4k	
18 Sep (Tue)	US	4.25 - 5	Outright Treasury Coupon Purchases: 30/9/2018 - 15/8/2020		-48k		
18 Sep (Tue)	UK	0.8	Gilt APF Buyback: 15yrs+			-19k	
19 Sep (Wed)	Germany	5.0	Schatz Sep14 reopening (issue and size confirmed)				9k
19 Sep (Wed)	US	1.5 - 2	Outright Treasury Coupon Purchases: 15/2/2036 - 15/8/2042		-46k		
19 Sep (Wed)	UK	1.0	Gilt APF Buyback: 7-15yrs			-10k	
20 Sep (Thu)	France	9.0	BTAN 2yr and 5yr/Index-linked OAT (estimated tenors and size)				38k
20 Sep (Thu)	Spain	3.3	Obligaciones 5yr and 10yr (estimated tenors and size)				14k
20 Sep (Thu)	UK	4.5	1% Treasury Gilt 2017 (issue and size confirmed)			23k	
20 Sep (Thu)	US	13.0	10-Year TIPS (re-opening)		156k		
20 Sep (Thu)	US	7 - 8	Outright Treasury Coupon Sales: 15/6/2015 - 31/8/2015		27k		
21 Sep (Fri)	US	1.5 - 2	Outright Treasury Coupon Purchases: 15/11/2022 - 15/2/2031		-34k		

Weekly \$DV01 of Issuance

9.6

Total Number of Futures Contracts

30k

-10k

61k

Date	Country	Estimated Size (Local Ccy)	Issue Details (Estimated)	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYU2 (UST)	G U2 (Gilt)	RXU2 (Bund)
24 Sep (Mon)	Belgium	2.5	OLO 5yr, 10yr and 15yr (estimated tenors and size)				23k
24 Sep (Mon)	US	1.5 - 2	Outright Treasury Coupon Purchases: 15/2/2036 - 15/8/2042		-46k		
24 Sep (Mon)	UK	1.0	Gilt APF Buyback: 3-7yrs			-4k	
25 Sep (Tue)	Italy	1.8	CTZ (estimated size)				3k
25 Sep (Tue)	Italy	0.8	BTPEi (estimated size)				6k
25 Sep (Tue)	Netherlands	1.8	DSL Jan33 reopening (issue confirmed, size €1.5-2.5bn)				38k
25 Sep (Tue)	UK	3.8	Index-linked gilt syndication maturing in the 35-50 year area (week commencing			58k	
25 Sep (Tue)	US	35.0	2-Year		86k		
25 Sep (Tue)	US	4.5 - 5.5	Outright Treasury Coupon Purchases: 15/11/2020 - 15/8/2022		-52k		
25 Sep (Tue)	UK	0.8	Gilt APF Buyback: 15yrs+			-19k	
26 Sep (Wed)	Germany	5.0	Bund Sep22 reopening (issue and size confirmed)				41k
26 Sep (Wed)	US	35.0	5-Year		206k		
26 Sep (Wed)	US	4.25 - 5	Outright Treasury Coupon Purchases: 30/9/2018 - 15/8/2020		-48k		
26 Sep (Wed)	UK	1.0	Gilt APF Buyback: 7-15yrs			-10k	
27 Sep (Thu)	Italy	7.0	BTP 5yr and 10yr (estimated tenors and size)				42k
27 Sep (Thu)	US	29.0	7-Year		235k		
27 Sep (Thu)	US	7 - 8	Outright Treasury Coupon Sales : 30/9/2015 - 30/11/2015		27k		
28 Sep (Fri)	US	1.5 - 2	Outright Treasury Coupon Purchases : 15/2/2036 - 15/8/2042		-46k		

Weekly \$DV01 of Issuance

55.1

Total Number of Futures Contracts

361k

25k

154k

Date	Country	Estimated Size (Local Ccy)	Issue Details (Estimated)	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYU2 (UST)	G U2 (Gilt)	RXU2 (Bund)
01 Oct (Mon)	UK	1.0	Gilt APF Buyback: 3-7yrs			-4k	
02 Oct (Tue)	Austria	1.5	RAGB 5yr and 15yr (estimated size and tenors)				15k
02 Oct (Tue)	UK	3.2	1¼% Treasury Gilt 2022 (issue confirmed, estimated size)			31k	
02 Oct (Tue)	UK	0.8	Gilt APF Buyback: 15yrs+			-19k	
03 Oct (Wed)	UK	1.0	Gilt APF Buyback: 7-15yrs			-10k	
04 Oct (Thu)	Spain	3.0	Bono 2yr and 5yr (estimated tenors and size)				9k

Weekly \$DV01 of Issuance

3.0

Total Number of Futures Contracts

0k

-3k

24k

Date	Country	Estimated Size (Local Ccy)	Issue Details (Estimated)	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYU2 (UST)	G U2 (Gilt)	RXU2 (Bund)
08 Oct (Mon)	UK	1.0	Gilt APF Buyback: 3-7yrs			-4k	
09 Oct (Tue)	UK	1.6	4¼% Treasury Gilt 2032 (issue confirmed, estimated size)			29k	
09 Oct (Tue)	US	32.0	3-Year		78k		
09 Oct (Tue)	UK	0.8	Gilt APF Buyback: 15yrs+			-19k	
10 Oct (Wed)	US	21.0	10-Year (re-opening)		229k		
10 Oct (Wed)	UK	1.0	Gilt APF Buyback: 7-15yrs			-10k	
11 Oct (Thu)	Italy	6.0	BTP 3yr, 5yr and 10yr (estimated tenor and size)				20k
11 Oct (Thu)	France	5.8	OAT 5yr and 10yr (estimated tenors and size)				43k
11 Oct (Thu)	UK	1.3	New index-linked Gilt 2024 (issue confirmed, estimated size)			20k	
11 Oct (Thu)	US	13.0	30-year (re-opening)		314k		

Weekly \$DV01 of Issuance

62.0

Total Number of Futures Contracts

622k

16k

63k

The next release of the approximate purchase and sale amounts and tentative Outright operation schedule will be at 1400 (NY Time) on 28 September 2012

Source: DMOs, Citi estimates

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

These are calculated on a *settlement date* basis.

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

There is a large amount of issuance settling next week which results in a positive NCR (\$29bn) as \$66bn of gross supply and \$2bn of buybacks under *Operation Twist* easily outweighs \$39bn of coupon payments and redemptions (Figure 60).

Figure 60. US Weekly Cash Flow Profile for Next Four weeks, USD Billions

Settling in Week Commencing	A Gross Supply	B Coupons	A - B Net Supply	C Redemptions	D Buybacks	A - B - C - D NCR
17 Sep	66.0	1.0	65.0	38.1	-1.9	28.8
24 Sep	13.0		13.0		5.6	7.4
01 Oct	99.0	5.0	94.0	52.2	0.6	41.2
08 Oct					0.6	-0.6
Total	178.0	6.0	172.0	90.3	5.0	76.8
Average	44.5	1.5	43.0	22.6	1.2	19.2
YTD Average	41.6	3.2	38.4	25.0	-0.1	13.5

Source: US Treasury, Citi estimates, Bloomberg

Euro cash-flow profile over the next four weeks

The euro NCR is slightly positive over the next four weeks (€3bn) as €53bn of gross supply is slightly more than €12bn of coupon payments and €38bn of redemptions (Figure 61).

Figure 61. Estimated Euro Weekly Cash Flow Profile for Next Four weeks, EUR Billions

Settling in Week Commencing	A Gross Supply	B Coupons	A - B Net Supply	C Redemptions	A - B - C NCR
17 Sep	12.5	4.0	8.5	12.4	-3.9
24 Sep	24.0	5.7	18.3	9.2	9.0
01 Oct	13.5	0.2	13.3		13.3
08 Oct	3.0	2.0	1.0	16.0	-15.0
Total	53.0	11.9	41.1	37.6	3.4
Average	13.3	3.0	10.3	9.4	0.9
YTD Average	16.0	4.1	11.9	11.1	0.9

Source: DMOs, Citi estimates, Bloomberg

UK cash-flow profile over the next four weeks

The NCR is positive over the next four weeks (£2bn) as £14.4bn of gross supply easily offsets £0.5bn of coupon payments and £12bn of APF buybacks (Figure 62).

Figure 62. Estimated UK Weekly Cash Flow Profile for Next Four weeks, GBP Billions

Settling in Week Commencing	A Gross Supply	B Coupons	A - B Net Supply	C Redemptions	D Buybacks	A - B - C - D NCR
17 Sep	4.5		4.5		3.0	1.5
24 Sep	3.8	0.5	3.3		3.0	0.3
01 Oct	3.2		3.2		3.0	0.2
08 Oct	2.9		2.9		3.0	-0.1
Total	14.4	0.5	13.9		12.0	1.9
Average	3.6	0.1	3.5		3.0	0.5
YTD Average	3.2	1.0	2.2	1.4	2.8	-2.0

Source: DMO, Citi estimates, Bloomberg

JGB settlement cash-flow profile over the next four weeks

Figure 63 shows the profile of JGB gross and net supply, coupons and redemptions, and the resultant NCR, for each of the next four weeks. The NCR is strongly negative next week (-¥16.5trillion) due to large coupon payments and redemptions (¥20.3trillion).

Figure 63. Estimated JGB Weekly Cash Flow Profile for Next Four weeks (JPY-Trillions) *

Settling in week commencing	A Gross Supply	B Coupons	A - B Net Supply	C Redemptions	A - B - C Net Cash Requirement
17 Sep	3.8	2.4	1.5	17.9	-16.5
24 Sep	0.3		0.3		0.3
01 Oct	3.0		3.0		3.0
08 Oct	2.6		2.6		2.6
Total	9.7	2.4	7.3	17.9	-10.6
Average	2.4	0.6	1.8	4.5	-2.7
YTD Average	2.3	0.1	2.2	1.4	0.8

Source: Citi estimates, Bloomberg, BoJ

*This table is on a settlement-date basis

Explanation of trade-date and settlement-date:

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

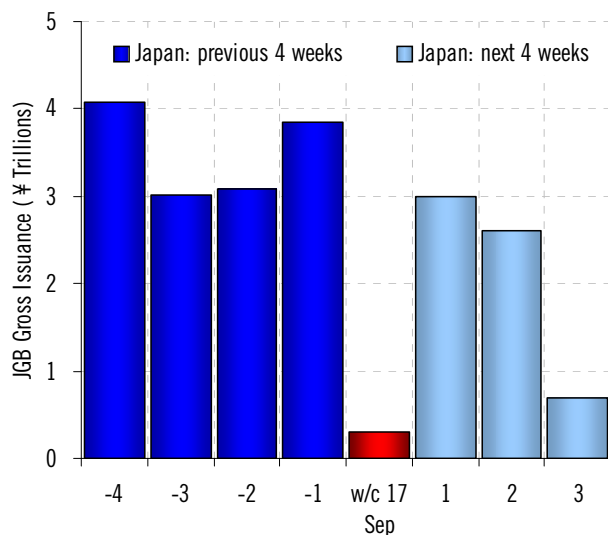
Trade date basis: In Europe if the coupon payment falls on Monday 5th March, for example, it would be allocated to the previous week (the week commencing 27 February) as that would be when you would trade to use the money you know is coming in on Monday 5th March. In other words, you don't wait for the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

Settlement date basis: The net cash requirement tables (Figure 60, Figure 61, Figure 62 and Figure 63) are on a settlement basis. In the US, conventional supply settles either during the middle of the month or at the end of the month. (If there is a Treasury auction during the last week of the month it will settle in the following week). Consequently, if you participate in the UST 3-year auction on 7 February the money would leave your account during the w/c 15 February. In addition, TIPS often settle during a different week from conventional supply.

Historical and projected DV01 of JGB issuance (weekly)

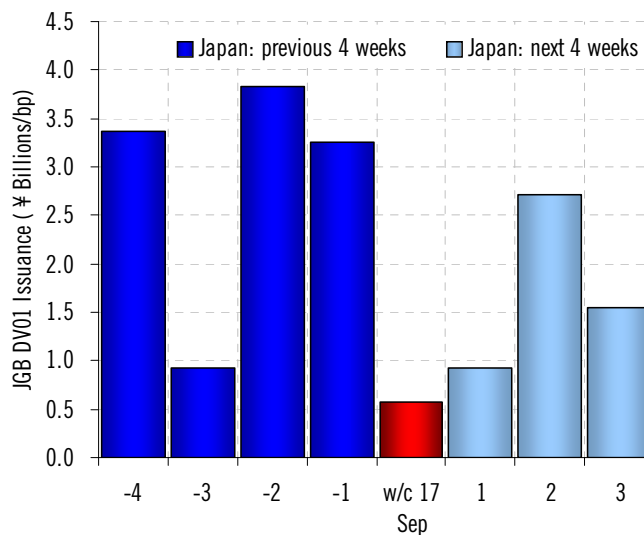
Figure 64 and Figure 65 show projected JGB gross and ¥DV01 of issuance over the next four weeks and the previous four weeks. Next week's JGB issuance comes in the form of an *Auction for Enhanced Liquidity (20-30 years)* at only ¥0.3trillion (Figure 64). In DV01 terms, this is equivalent to around ¥0.6billion/bp (Figure 65).

Figure 64. Estimated Gross JGB Issuance (Previous 4 and Next 4 weeks)



Source: Citi estimates, BoJ, MoF

Figure 65. Estimated ¥DV01 of JGB Issuance (Previous 4 and Next 4 weeks)



Source: Citi estimates, BoJ, MoF

JGB coupons for the next four weeks – maturity split

There are minimal coupon payments over the next four weeks (Figure 66).

Figure 66. Maturity Split of JGB Coupon Payments over the Next Four weeks (JPY-Billions)*

Week commencing	2yr	5yr	10yr	20yr	30yr	TOTAL
17 Sep	29		20			49
24 Sep						
01 Oct						
08 Oct	6					6
Total	34		20			54

Source: Citi estimates, Bloomberg

*This table is on a trade-date basis

JGB auction calendar for the next four weeks

Figure 67 shows our JGB issuance expectations for the next four weeks and weekly \$DV01.

Figure 67. Provisional Auction Calendar for the Next Four Weeks, Gross Issuance (Billions), DV01 (JPY Millions).

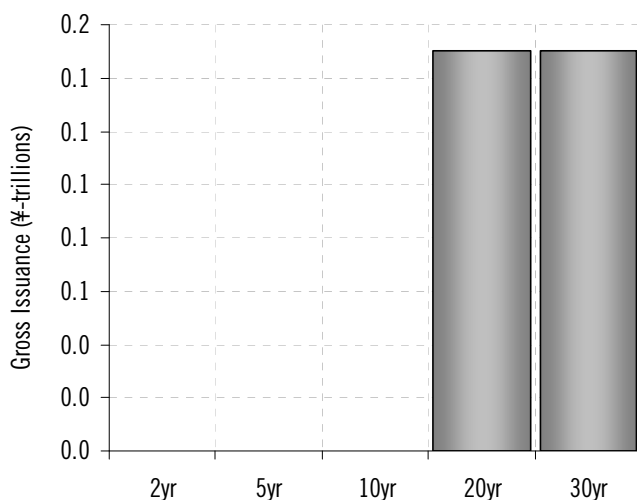
Auction Date	Country Issuing	Estimated Size (Local Ccy)	Issue Details (Estimated)	Weekly DV01	
				¥ millions	\$ millions
20 Sep (Thu)	JPY	300	AEL (20-30 years)	576	7
Weekly DV01 of Issuance				¥576	\$7
25 Sep (Tue)	JPY	300	AEL (10-20 years)	386	5
27 Sep (Thu)	JPY	2700	2year	535	7
Weekly DV01 of Issuance				¥920	\$12
02 Oct (Tue)	JPY	300	AEL (20-30 years)	576	7
04 Oct (Thu)	JPY	2300	10year	2139	27
Weekly DV01 of Issuance				¥2715	\$35
11 Oct (Thu)	JPY	700	30year	1540	20
Weekly DV01 of Issuance				¥1540	\$20

Source: Citi estimates, BoJ, MoF

Expected JGB gross and DV01 issuance by maturity (week beginning 17 September)

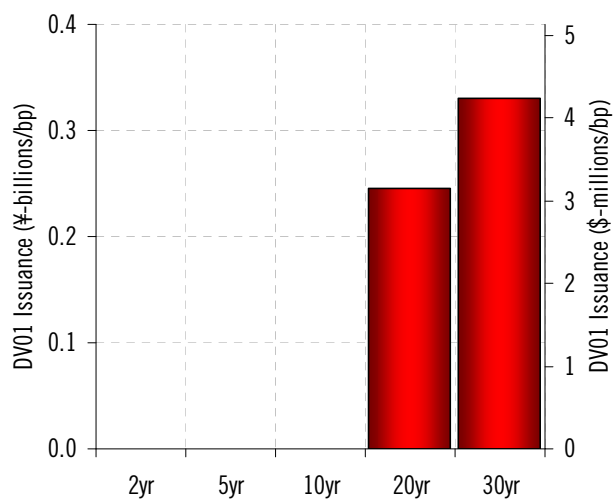
Figure 68 and Figure 69 show a split of next week's JGB issuance by maturity.

Figure 68. JGB Gross Split by Maturity (Week Beginning 17 Sep)



Source: Citi Research, Bloomberg

Figure 69. JGB DV01 Split by Maturity (Week Beginning 17 Sep)



Source: Citi Research, Bloomberg

Appendix – Global Supply Forecasts

Figure 70. UK, US and EMU-11 Gross Supply – Citi forecasts

2012 Cashflow Tables													
Gross Supply (£bn cash)													
	Auctions				Syndications			A	B	C = A - B	D	E	F = C - D - E
UK	Shorts	Mediums	Longs	Linkers	Long	Linker	Mini Tender	Gross Supply	Coupons	Net Supply	Redemptions	Buybacks	NCR
Jan-12	9.0	3.8		1.1	5.4			19	2	17		19	-2
Feb-12	4.1	3.6	2.1	1.3		4.3		15	1	15		13	2
Mar-12	4.0	3.2	2.6	2.4				12	12	1	27	15	-42
Apr-12	4.5	4.1	2.4	1.5	5.1			18		17		17	
May-12	4.9	3.8	2.7	1.4		4.7	1.7	19	1	19		3	16
Jun-12	4.8	3.5	1.9	1.4				12	8	4	26		-21
Jul-12	4.6	3.9	4.6	1.2		4.0		18	2	16		11	5
Aug-12	5.0		2.1	1.4			1.7	10	1	9		12	-3
Sep-12	4.4	3.1	2.3	1.3		3.6	0.0	15	11	4	0	12	-8
Oct-12	4.4	3.1	1.9	1.3	4.2		0.8	16		16		15	1
Nov-12	4.4	3.1	1.9	1.3		3.6		14	1	14			14
Dec-12		3.1		1.3			0.8	5	7	-2			-2
Total	54.1	38.4	24.6	17.0	14.6	20.2	4.9	174	45	128	53		-41

Gross Supply (\$bn nominal)									A	B	C	D = A - B - C	E	F = D - E
US	2yr	3yr	5yr	7yr	10yr	30yr	TIPS	Gross Supply	Coupons	Fed Purchases	Net Supply	Redemptions	NCR	
Jan-12	35	32	35	29	21	13	15	180	12	-1	172	100	72	
Feb-12	35	32	35	29	24	16	9	180	26	1	152	120	32	
Mar-12	35	32	35	29	21	13	13	178	9		169	96	73	
Apr-12	35	32	35	29	21	13	16	181	6	-1	176	116	59	
May-12	35	32	35	29	24	16	13	184	27		157	100	56	
Jun-12	35	32	35	29	21	13	7	172	4		168	92	76	
Jul-12	35	32	35	29	21	13	15	180	13		167	120	47	
Aug-12	35	32	35	29	24	16	14	185	27		158	116	42	
Sep-12	35	32	35	29	21	13	13	178	3	0	175	90	84	
Oct-12	35	32	35	29	21	13	8	173	10		163	91	73	
Nov-12	35	32	35	29	24	16	13	184	22		162	115	47	
Dec-12	35	32	35	29	21	13	14	179	7		172	92	79	
Total	420	384	420	348	264	168	150	2154	166	-3	1990	1250	740	

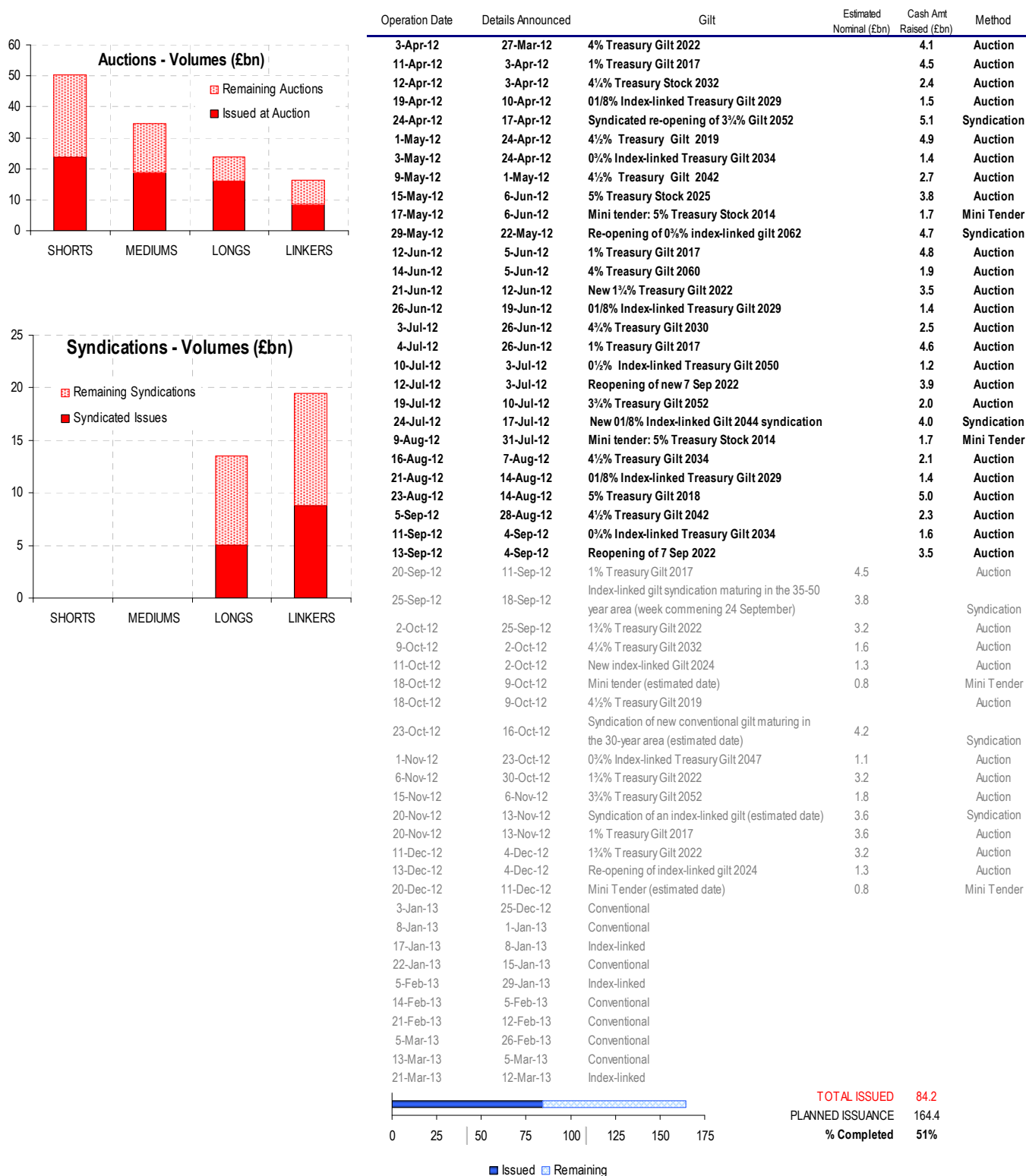
Gross issuance forecasts for 2012 to 2013 (for fixed rate government bonds and index-linked notes)

			Gross Supply (£bn)	2012	2013	Tickers used in our supply estimates
Gross Supply	2012	2013				
EMU-11 (£bn)	787	704				Schatz, Bobl, Bund, Bundeil, Boblei
- excluding GRC, IRE and PRT						OAT, BTAN, BTANI, OATi, OATei
Gross Supply	2012	2013				
US (\$bn)	2154	2035				BTP, BTPei, CCT, CTZ
Gross Supply *	11/12	12/13				SPGB
UK (£bn)	179	164				DSL
						OLO
						RAGB
						RFGB
Total	787	704				

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

Source: DMOs, Citi estimates, Bloomberg

Figure 71. UK Gilt Remit and Progress for FY2012/13



Source: Citi Research

Figure 72. 2012 Euro Government Bond Supply – Citi Forecasts (Euro in Billions)

EMU-11	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan	22.3	26.9	26.8	3.1	10.5	2.3	92	28	64	54	10
Feb	19.7	25.1	34.9		1.6	3.3	85	12	72	38	34
Mar	24.5	17.8	15.6	2.3	8.2	4.6	73	17	56	56	1
Apr	19.6	16.8	17.3	1.7	5.4	3.6	64	30	34	75	-40
May	22.0	21.1	19.3	3.5		3.6	69	5	65		65
Jun	18.4	20.8	19.1	2.7	6.3	3.1	70	5	66	29	37
Jul	20.2	26.8	22.9	2.2	4.0	2.3	78	Err: Bad cell value	Err: Bad cell value	112	Err: Bad cell value
Aug	9.7	9.0	13.6			0.8	33	9	24	12	12
Sep	17.5	22.2	23.8	6.0	2.5	3.3	75	16	59	56	3
Oct	18.0	20.5	14.8	3.0	2.0	2.3	61	27	34	70	-36
Nov	16.3	25.0	16.0	2.0		3.0	62	5	57	13	44
Dec	11.5	8.8	8.0	1.5			30	3	27	62	-35
Total	220	241	232	28	40	32	793	156	558	576	94

GERMANY	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan	4.0	4.0	5.0		3.0		16	13	3	25	-22
Feb	5.0	4.0	9.0				18	1	17		17
Mar	5.0	4.0				2.0	11	0	11	19	-8
Apr	5.0	4.0	5.0		3.0		17	3	14	16	-2
May	5.0	5.0	5.0			1.5	17		17		17
Jun	5.0	5.0	5.0			1.0	16	1	15	19	-4
Jul	5.0	4.0	5.0		3.0	1.0	18	13	5	27	-22
Aug	5.0	4.0	4.0				13		13		13
Sep	5.0	5.0	10.0			1.0	21	1	20	18	2
Oct	5.0	4.0	4.0		2.0		15	2	13	16	-3
Nov	5.0	7.0	4.0			1.5	18		18		18
Dec	4.0						4		4	17	-13
Total	58.0	50.0	56.0		11.0	8.0	183	35	148	157	-9

FRANCE	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan	4.9	4.3	4.8		3.6	1.7	19	3	16	15	2
Feb	3.4	6.7	8.5			1.8	20	1	20		20
Mar	4.0	5.5	6.1	2.3		1.6	20		20		20
Apr	5.3	4.0	4.7	1.7	1.2	2.5	19	17	2	20	-18
May	4.1	6.6	5.9	1.9		1.4	20		20		20
Jun	4.3	7.5	3.5	2.0	0.7	1.4	19		19		19
Jul	1.8	7.1	9.4			1.3	20	value	value	29	value
Aug											
Sep	3.0	6.2	3.9	3.8		1.5	18		18	12	6
Oct	4.0	6.0	4.5			1.5	16	15	1	20	-20
Nov	2.5	6.5	2.5	1.0		1.5	14		14		14
Dec		2.5	3.0	1.5			7		7	5	1
Total	37.3	62.9	56.8	14.1	5.5	16.2	193	37	136	102	64

ITALY	CTZ/3yr	5yr/CCT	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan	9.4	6.4	3.5			0.6	20	1	19		19
Feb	7.6	4.9	4.7			1.5	19	10	9	36	-28
Mar	8.7	4.8	4.4			1.0	19	7	12	27	-16
Apr	5.9	3.6	5.1			1.0	16	2	14	27	-13
May	7.0	4.4	3.9	0.6		0.8	17	5	12		12
Jun	6.4	2.9	5.9			0.6	16	1	15		15
Jul	8.0	2.5	4.1				15	1	14	17	-3
Aug	3.5	3.8	4.5			0.8	13	9	3	12	-8
Sep	5.8	6.0	3.0	1.5		0.8	17	7	10	10	-1
Oct	5.8	5.0	4.0			0.8	16	2	14	18	-4
Nov	5.3	7.0	4.0				16	5	12	13	-2
Dec	5.3	4.0	3.0				12	2	11	34	-23
Total	78.6	55.2	50.2	2.1		7.8	194	51	143	195	-52

Source: DMOs, Citi estimates, Bloomberg

Figure 73. 2012 Euro Government Bond Supply – Citi Forecasts (Euro in Billions)

SPAIN	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan		11.5	5.3				17	7	10		10
Feb	3.6	4.6	5.3				14		13	1	12
Mar	4.0	3.5					8		8		8
Apr	2.2	1.0	1.9				5	4	1	12	-11
May	2.6	2.9					5		5		5
Jun	2.6	1.6	0.6				5		5		5
Jul	2.6	2.1	1.3				6	8	-2	13	-15
Aug	1.3	1.2	1.0				4		4		4
Sep	3.8	2.6	0.8				7		7		7
Oct	2.5	2.5	1.0				6	4	2	15	-13
Nov	2.3	2.3	1.0				6		6		6
Dec	2.3	1.5	1.0				5		5		5
Total	29.7	37.3	19.2				86	23	63	41	22

NETHERLANDS	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan	4.1				1.5		6	4	2	14	-13
Feb		4.0	6.0				10		10		10
Mar	2.8				4.2		7		7		7
Apr	1.1	3.5			1.1		6		6		6
May	3.3		2.9				6		6		6
Jun			2.2		1.7		4		4		4
Jul	3.8	6.0		0.9			11	6	5	15	-11
Aug											
Sep			2.0		1.8		4		4		4
Oct	0.8	1.5		1.3			4		4		4
Nov	1.3		2.3				4		4		4
Dec											
Total	17.1	14.9	15.3	2.1	10.2		60	10	50	30	20

BELGIUM	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan			4.5				5		5		5
Feb		1.0	1.4		1.6		4		4		4
Mar			4.0		4.0		8	7	1	4	-3
Apr											
May		0.5	1.0	1.0			3		3		3
Jun		0.8	1.3	0.7			3		2		2
Jul		1.3	1.7	1.2			4		4		4
Aug											
Sep		0.8	3.5	0.8	0.7		6	5	1	9	-8
Oct		0.8	1.3	1.0			3		3		3
Nov		0.8	1.3	1.0			3		3		3
Dec										6	-6
Total		5.9	19.9	5.9	6.6		38	12	26	19	7

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

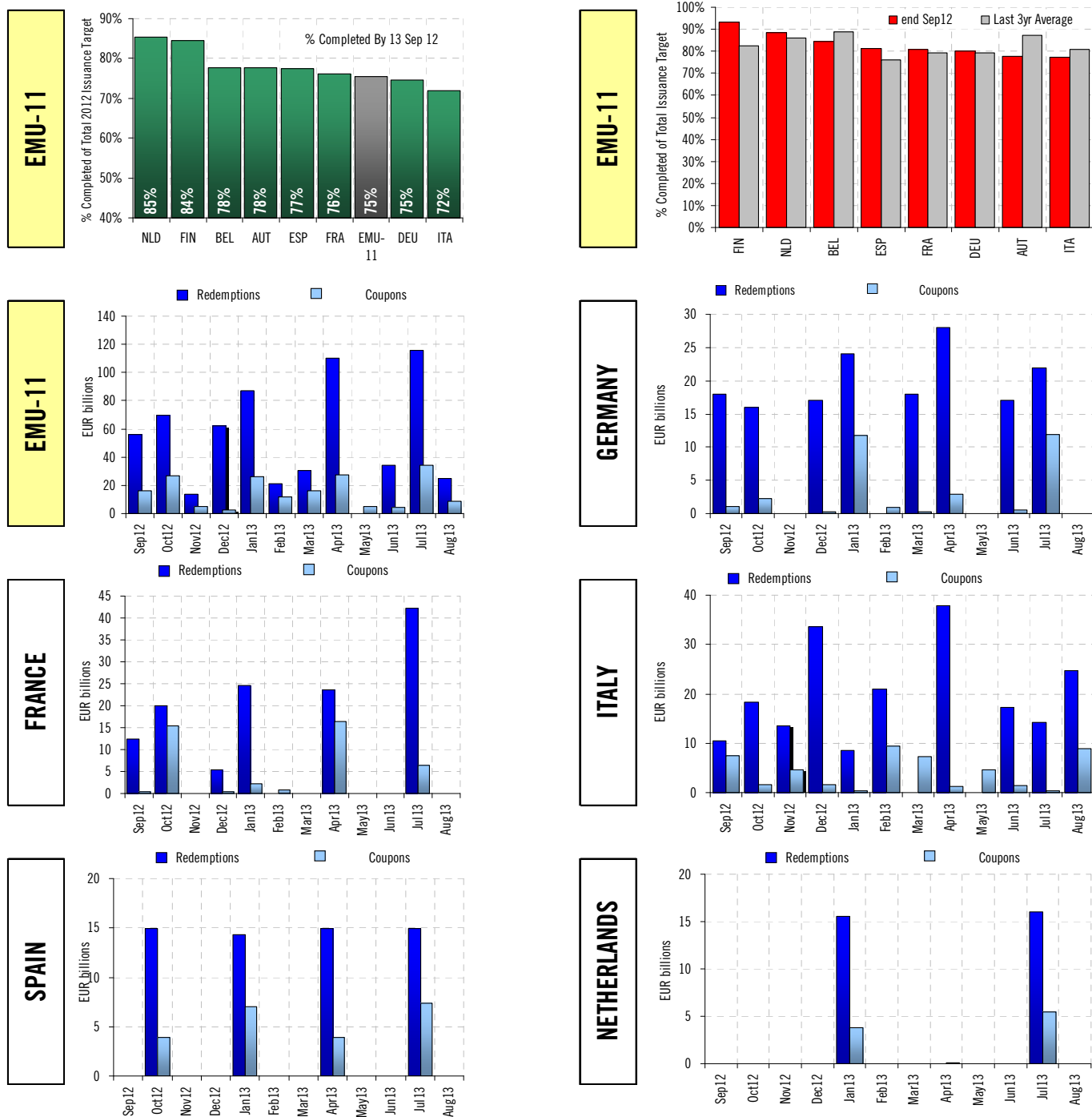
Source: DMOs, Citi estimates, Bloomberg

Figure 74. 2012 Euro Government Bond Supply – Citi Forecasts (Euro in Billions)

AUSTRIA	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan		0.7	3.7		2.0		6	1	6		6
Feb											
Mar			1.1				1	1			
Apr		0.7	0.6				1		1		1
May		0.7	0.6				1		1		1
Jun		3.0	0.7		2.4		6		6		6
Jul								2	-2	10	-13
Aug											
Sep		0.6	0.7				1	1			
Oct		0.8		0.8			2	1	1		1
Nov		0.8	1.0				2		2		2
Dec		0.8	1.0				2		2		2
Total		7.9	9.3	0.8	4.4		22	7	15	10	5
FINLAND	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan				3.0			3		3		3
Feb											
Mar											
Apr								1	-1		-1
May		1.0					1		1		1
Jun					1.5		2		2		2
Jul								1	-1		-1
Aug			4.0				4		4		4
Sep		1.0					1	1		6	-6
Oct											
Nov		0.8					1		1		1
Dec											
Total		2.8	4.0	3.0	1.5		11	2	9	6	3
PORTUGAL	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan											
Feb											
Mar											
Apr								1	-1		-1
May											
Jun								2	-2	10	-12
Jul											
Aug											
Sep								1	-1		-1
Oct								1	-1		-1
Nov											
Dec											
Total								5	-5	10	-15
IRELAND	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
Jan											
Feb											
Mar								1	-1	6	-6
Apr								1	-1		-1
May											
Jun											
Jul	-1.0	3.9	1.3		1.0		5		5		5
Aug											
Sep											
Oct								1	-1	1	-2
Nov											
Dec											
Total	-1.0	3.9	1.3	0.1	1.0		5	4	1	6	-5

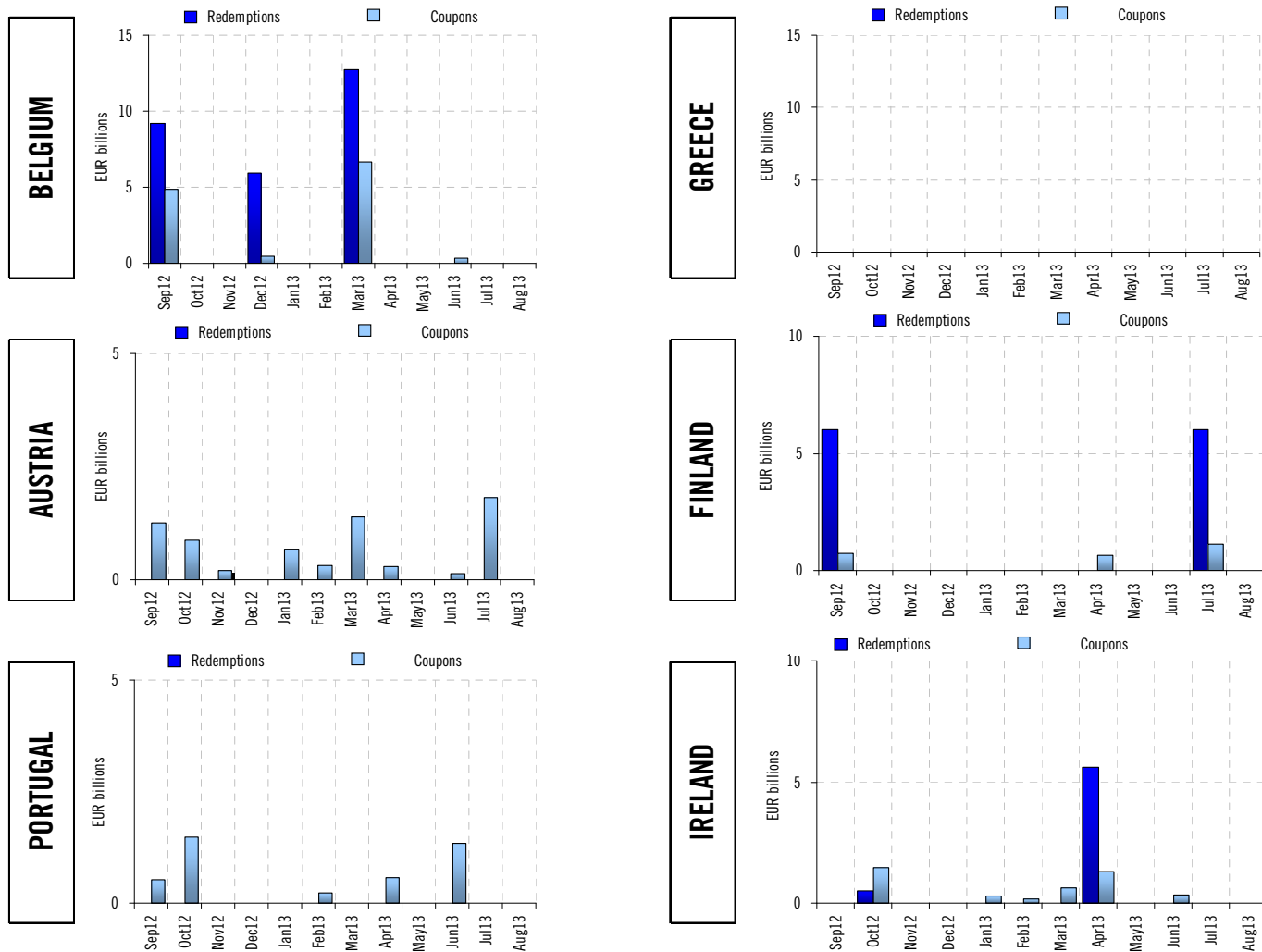
Source: DMOs, Citi estimates, Bloomberg

Figure 75. 2012 EMU Issuance Progress and Cash flow profile – Citi Forecasts (Euro in Billions)



Source: DMOs, Citi estimates, Bloomberg

Figure 76. 2012 EMU Issuance Progress and Cash flow profile – Citi Forecasts (Euro in Billions)



Size of bond market (fixed rate bonds and linkers)	Sector						Credit Rating (LT local currency)	S&P		Moody's		Fitch			
	2yr	5yr	10yr	15yr	30yr	Total		Rating	Outlook	Rating	Outlook	Rating	Outlook		
	Germany	408	300	188	63	94		1052	Germany	AAA	Stable	Aaa	-ve	AAA	Stable
	France	372	335	274	94	97		1171	France	AA+	-ve	Aaa	-ve	AAA	-ve
	Netherlands	106	78	56	13	31		284	Netherlands	AAA	-ve	Aaa	-ve	AAA	Stable
	Italy	444	293	269	133	120		1259	Italy	BBB+	-ve	Baa2	-ve	A-	-ve
	Spain	194	125	104	53	39		514	Spain	BBB+	-ve	Baa3	-ve watch	BBB	-ve
	Belgium	85	85	62	27	29		287	Belgium	AA	-ve	Aa3	-ve	AA	-ve
	Austria	48	55	40	15	14		173	Austria	AA+	-ve	Aaa	-ve	AAA	Stable
	Finland	24	23	17	9	2		73	Finland	AAA	-ve	Aaa	Stable	AAA	Stable
Ireland	17	31	28	12	0	88	Ireland	BBB+	-ve	Ba1	-ve	BBB+	-ve		
Portugal	24	40	23	0	7	94	Portugal	BB	-ve	Ba3	-ve	WD	-ve		
Greece	0	0	0	0	0	0	Greece	CCC	-ve	C		CCC			

Source: DMOs, Citi estimates, Bloomberg

EUR: Coupons & Redemptions (next 3mths)

Figure 77. EMU-11 Redemptions over the next three months (€bn)

Redemptions = €139bn											
Redemptions	DEU 34	FRA 32	NLD 0	ITA 42	ESP 15	BEL 9	AUT 0	FIN 6	PRT 0	GRC 0	IRL 1
(Fri) 14-Sep-12	18.0										
(Sat) 15-Sep-12				10.4				6.0			
(Thu) 20-Sep-12		12.4									
(Fri) 28-Sep-12						9.2					
(Sun) 30-Sep-12											0.018
(Fri) 12-Oct-12	16.0										
(Mon) 15-Oct-12				18.4							0.5
(Thu) 25-Oct-12		20.1									
(Wed) 31-Oct-12					15.0						
(Thu) 01-Nov-12				13.5							

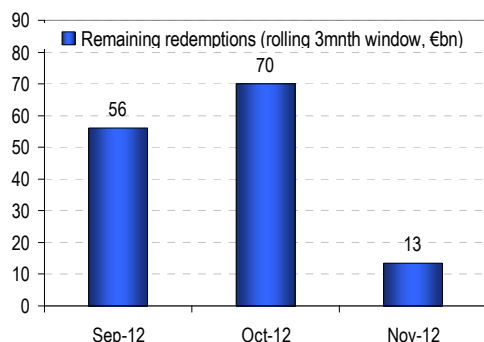
Source: DMOs, Bloomberg, Citi estimates

Figure 78. EMU-11 Coupon Payments over the next three months (€bn)

Coupons = €43bn											
Coupons	DEU 3	FRA 16	NLD 0	ITA 9	ESP 4	BEL 5	AUT 2	FIN 1	PRT 2	GRC 0	IRL 1
(Thu) 13-Sep-12	0.1										
(Fri) 14-Sep-12	0.1										
(Sat) 15-Sep-12				1.8			1.3	0.8			
(Thu) 20-Sep-12	0.0	0.1									
(Sun) 23-Sep-12									0.5		
(Tue) 25-Sep-12		0.4									
(Fri) 28-Sep-12						4.9					
(Sun) 30-Sep-12											0.0
(Mon) 01-Oct-12				0.2							
(Tue) 09-Oct-12	0.3										
(Wed) 10-Oct-12	0.4										
(Thu) 11-Oct-12	0.6										
(Fri) 12-Oct-12	0.7										
(Sun) 14-Oct-12	0.2										
(Mon) 15-Oct-12				1.4					0.9		
(Tue) 16-Oct-12									0.3		
(Thu) 18-Oct-12											1.5
(Sat) 20-Oct-12							0.9				
(Thu) 25-Oct-12		15.4							0.4		
(Wed) 31-Oct-12					3.9						
(Thu) 01-Nov-12				4.2							
(Thu) 15-Nov-12				0.4							
(Thu) 22-Nov-12							0.2				
(Sat) 01-Dec-12				0.8							

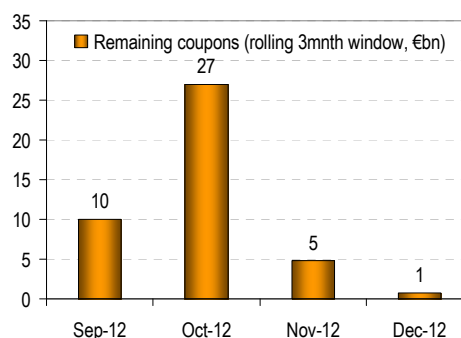
Source: DMOs, Bloomberg, Citi estimates

Figure 79. EMU-11 remaining redemptions over the next 3months (€bn)



Source: DMOs, Bloomberg, Citi estimates

Figure 80. EMU-11 remaining coupons over the next 3months (€bn)



Source: DMOs, Bloomberg, Citi estimates

Inflation Forecasts, Carry & Weekly Changes

Figure 81. Citi Inflation Forecasts

Month	EUR HICPxT			France CPIxT			UK RPI			US CPURNSA		
	Index Forecast	MoM Change	YoY Change	Index Forecast	MoM Change	YoY Change	Index Forecast	MoM Change	YoY Change	Index Forecast	MoM Change	YoY Change
Jul 12	114.65	-0.6	2.3	124.22	-0.4	1.9	242.10	0.1	3.2	229.10	-0.2	1.4
Aug 12	114.96	0.3	2.4	125.06	0.7	2.0	241.90	-0.1	2.5	229.90	0.3	1.5
Sep 12	115.42	0.4	2.1	124.87	-0.2	1.9	242.60	0.3	2.0	230.40	0.2	1.5
Oct 12	115.84	0.4	2.1	124.67	-0.2	1.6	242.80	0.1	2.0	230.40	-0.0	1.8
Nov 12	115.96	0.1	2.1	124.93	0.2	1.6	243.00	0.1	1.9	230.40	0.0	1.8
Dec 12	116.34	0.3	2.1	125.44	0.4	1.6	244.10	0.5	2.0	230.20	-0.1	2.0

Shaded = Already released

Source: Citi Research, Bloomberg

Figure 82. US TIPS Inflation- Linked Carry (based on forecasts above) – One week changes

Bond	RY (%)	Chg (bp)	Carry-adj chg	Carry: RY (bp)			Ref	BE (bp)	Chg (bp)	Carry-adj chg	Carry: BE (bp)			ZC Swap - BE Spread (bp)	Chg (bp)
				1 Oct	1 Nov	1 Dec					1 Oct	1 Nov	1 Dec		
Repo (%)				0.13	0.13	0.13									
TIPS 1/14	-1.54	-22	-22	-13	3	10	US-4.000-02/15/14	174	17	12	-13	2	9	8	-3
TIPS 4/14	-1.45	-22	-22	-11	3	10	US-1.875-04/30/14	167	19	14	-11	2	8	5	-5
TIPS 7/14	-1.78	-20	-20	-10	0	4	US-2.625-07/31/14	201	16	11	-10	0	3	10	-2
TIPS 1/15	-1.56	-11	-11	-8	2	5	US-2.250-01/31/15	182	6	3	-8	1	4	18	7
TIPS 4/15	-1.53	-9	-9	-7	1	5	US-2.500-04/30/15	180	5	2	-7	1	4	14	8
TIPS 7/15	-1.67	-14	-14	-6	1	3	US-4.250-08/15/15	198	8	6	-7	0	2	22	4
TIPS 1/16	-1.59	-12	-12	-5	1	3	US-2.625-02/29/16	196	8	6	-6	0	2	18	4
TIPS 4/16	-1.53	-15	-15	-5	1	3	US-2.000-04/30/16	192	10	8	-5	0	2	18	3
TIPS 7/16	-1.62	-17	-17	-5	1	3	US-4.875-08/15/16	208	12	10	-5	-1	1	21	-1
TIPS 1/17	-1.50	-17	-17	-4	1	3	US-3.125-01/31/17	204	13	11	-5	0	1	21	-1
TIPS 4/17	-1.50	-15	-15	-4	1	3	US-0.875-04/30/17	209	11	10	-4	0	1	13	0
TIPS 7/17	-1.54	-18	-18	-4	1	3	US-4.750-08/15/17	217	14	13	-4	-1	0	20	-3
TIPS 1/18	-1.39	-12	-12	-3	1	3	US-3.500-02/15/18	214	9	8	-4	-1	0	20	1
TIPS 7/18	-1.38	-11	-11	-3	1	3	US-4.000-08/15/18	219	8	6	-3	-1	0	25	2
TIPS 1/19	-1.20	-11	-11	-3	1	3	US-2.750-02/15/19	216	10	8	-3	-1	0	26	0
TIPS 7/19	-1.19	-11	-11	-2	1	3	US-3.625-08/15/19	225	10	8	-3	-1	0	27	-0
TIPS 1/20	-1.04	-7	-7	-2	1	3	US-3.625-02/15/20	222	7	6	-3	-1	0	28	1
TIPS 7/20	-0.99	-6	-6	-2	1	3	US-2.625-08/15/20	229	7	6	-3	-1	0	29	1
TIPS 1/21	-0.84	-7	-7	-2	2	3	US-3.625-02/15/21	224	10	9	-3	-1	0	32	-2
TIPS 7/21	-0.81	-6	-6	-2	2	3	US-2.125-08/15/21	233	9	8	-2	-1	0	29	-1
TIPS 1/22	-0.69	-4	-4	-1	2	3	US-2.000-02/15/22	232	7	7	-2	-1	-1	29	0
TIPS 7/22	-0.67	-3	-3	-1	2	3	US-1.625-08/15/22	239	8	7	-2	-1	-1	27	-0
TIPS 1/25	-0.33	-4	-4	-1	2	3	US-7.625-02/15/25	227	9	8	-2	-1	-1	41	-1
TIPS 1/26	-0.20	-5	-5	-1	2	3	US-6.000-02/15/26	229	10	10	-2	-1	-1	41	-2
TIPS 1/27	-0.13	-3	-3	-1	2	3	US-6.625-02/15/27	230	9	8	-2	-1	-1	42	-0
TIPS 1/28	-0.05	-2	-2	-1	2	3	US-6.125-11/15/27	230	9	8	-2	-1	-1	44	-0
TIPS 4/28	-0.02	-3	-3	-1	2	3	US-5.500-08/15/28	233	10	9	-2	-1	-1	40	-1
TIPS 1/29	-0.02	-1	-1	-1	2	3	US-5.250-02/15/29	237	8	8	-2	-1	-1	38	1
TIPS 4/29	0.00	-2	-2	-1	2	3	US-5.250-02/15/29	234	9	8	-2	-1	-1	40	0
TIPS 4/32	0.08	-1	-1	-1	2	3	US-5.375-02/15/31	233	8	8	-1	-1	-1	43	2
TIPS 2/40	0.39	2	2	0	1	2	US-4.625-02/15/40	235	6	5	-1	-1	-1	44	4
TIPS 2/41	0.41	1	1	0	1	2	US-4.750-02/15/41	235	7	7	-1	-1	-1	44	3
TIPS 2/42	0.47	1	1	0	1	2	US-3.125-02/15/42	239	7	7	-1	-1	-1	41	3

Source: Citi Research

Figure 83. 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 Nov	1 Dec	1 Jan					1 Nov	1 Dec	1 Jan		
Repo (%)				0.10	0.09	0.09									
BTPei14	0.97	0	1	7	35	63	BTP 8/14	136	-8	-17	-9	7	21	42	10
OATei15	-1.26	1	1	-5	6	16	FFRG 4/15	154	1	-4	-6	4	13	39	1
BUNDei16	-1.11	-6	-6	-4	6	14	BUND 1/16	130	7	3	-4	5	13	32	-5
BTANi16	-1.08	-1	-1	9	2	-5	FFRG 4/16	161	-3	-6	7	0	-9	54	4
BTPei16	2.44	-23	-23	8	25	42	BTP 8/16	90	21	17	-3	6	14	94	-18
OATi17	-0.85	-5	-5	8	3	-2	FFRG 4/17	168	-4	-7	6	-1	-8	50	5
BTPei17	2.80	-24	-24	8	22	36	BTP 8/17	103	15	11	-3	4	9	83	-12
BOBLei18	-0.81	-4	-4	-2	5	10	BUND 1/18	144	4	2	-3	2	7	30	-2
OATei18	-0.40	-3	-3	-1	6	12	FFRG 4/18	155	-6	-9	-3	1	5	40	8
OATi19	-0.32	-6	-6	7	4	1	FFRG 4/19	176	-4	-6	4	-1	-6	51	3
BTPei19	3.29	-19	-19	7	18	29	BTP 9/19	105	3	1	-2	3	7	89	-1
BUNDei20	-0.56	0	0	-1	4	9	BUND 1/20	161	-1	-3	-3	1	4	27	2
OATei20	-0.02	-3	-3	0	6	11	FFRG 4/20	174	-7	-9	-3	1	3	30	8
BTPei21	3.65	-23	-23	6	15	24	BTP 9/20	94	6	3	-3	1	3	113	23
OATei22	0.24	-2	-2	0	5	9	FFRG 4/21	171	-7	-9	-3	0	2	44	8
BUNDei23	-0.34	1	1	0	3	6	BUND 1/22	177	-2	-4	-2	0	2	31	3
OATi23	0.27	1	1	5	4	2	FFRG 10/23	209	-9	-11	2	-1	-5	36	7
BTPei23	3.84	-26	-26	5	13	21	BTP 8/23	124	-2	-3	-2	1	3	94	3
BTPei26	4.04	-14	-14	5	11	18	BTP 3/26	133	0	-1	-2	0	2	94	2
OATei27	0.56	-4	-4	1	4	7	FRTR 4/26	210	-4	-6	-2	-1	0	22	6
OATi29	0.53	-10	-10	4	3	2	FFRG 4/29	235	3	1	1	-2	-5	15	-2
OATei32	0.67	-9	-9	1	3	6	FFRG 10/32	232	2	1	-2	-1	0	6	1
BTPei35	4.08	-14	-14	3	8	12	BTP 8/34	171	1	0	-2	-2	-1	68	1
OATei40	0.75	-7	-7	0	3	4	FFRG 10/38	239	1	-0	-2	-1	-1	7	1
BTPei41	4.04	-12	-12	3	7	11	BTP 9/40	177	-3	-4	-2	-2	-1	70	4

Source: Citi Research

Figure 84. UK Gilts Inflation- Linked Carry (based on forecasts above)- One Week Changes

Bond	RY (%)	Chg (bp)	Carry-adj chg	Carry: RY (bp)			Ref	BE (bp)	Chg (bp)	Carry-adj chg	Carry: BE (bp)			ZC Swap - BE Spread (bp)	Chg (bp)
				1 Oct	1 Nov	1 Dec					1 Oct	1 Nov	1 Dec		
Repo (%)				0.42	0.41	0.40									
UKTi'16	-1.99	8	8	1	2	3	UKT 9/16	247	2	2	1	2	3	43	11
UKTi'17	-1.61	8	9	0	-6	-3	UKT 3/18	242	1	1	-1	-7	-5	41	7
UKTi'20	-1.11	6	6	1	3	4	UKT 3/20	234	2	2	0	1	2	48	1
UKTi'22	-0.73	5	5	0	-2	0	UKT 3/22	235	3	3	-1	-4	-3	60	1
UKTi'24	-0.49	7	7	1	3	4	UKT 3/25	249	2	2	0	0	1	52	-0
UKTi'27	-0.19	6	6	0	-1	1	UKT 12/27	250	3	3	0	-3	-2	57	0
UKTi'29	-0.05	3	3	0	0	1	UKT 12/30	259	3	3	0	-3	-2	48	-2
UKTi'30	-0.14	4	4	1	2	4	UKT 6/32	281	2	2	0	0	0	34	-1
UKTi'32	0.00	3	3	0	0	1	UKT 6/32	267	3	3	0	-2	-2	51	-0
UKTi'34	0.09	2	2	0	0	1	UKT 9/34	273	4	4	0	-2	-2	45	-3
UKTi'35	0.05	3	3	1	2	3	UKT 3/36	285	3	3	0	0	0	35	-1
UKTi'37	0.13	5	5	0	0	1	UKT 12/38	284	1	0	0	-2	-2	40	1
UKTi'40	0.16	4	4	0	0	1	UKT 9/39	287	1	1	0	-2	-2	39	1
UKTi'42	0.17	5	5	0	0	1	UKT 12/42	294	1	0	0	-2	-2	38	2
UKTi'44	0.22	3	3	0	0	1	UKT 12/42	288	2	2	0	-2	-2	42	0
UKTi'47	0.21	4	4	0	0	1	UKT 12/46	296	0	0	0	-2	-2	37	3
UKTi'50	0.24	5	5	0	0	1	UKT 12/49	297	-0	-1	0	-2	-2	35	3
UKTi'55	0.22	4	4	0	0	1	UKT 12/55	301	-1	-1	0	-2	-2	35	5
UKTi'62	0.22	3	3	0	0	1	UKT 1/60	299	0	0	0	-2	-2	37	4

Source: Citi Research

Summary of Recent Publications

Date	Publication	Topic	Page	Region
12-Sep-12	NOTE	Rates Strategy: Assessing the impact of a theoretical OMT on the Italian market	-	EUR
06-Sep-12	IIRS	Draghi Delivers, As Expected	8	EUR
		Fading the steepness of long-end OATs	11	EUR
		Opportunities in Belgian Principal Strips	12	EUR
		SSA Issuer Focus: European Union	13	EUR
04-Sep-12	NOTE	UK Rates Strategy: Attractive value in 30yr gilts ahead of auction	-	Global
30-Aug-12	IIRS	Overview: Exceptional times, exceptional measures?	8	EUR
		EMU-11: September Supply Outlook	11	EUR
		Inflation: risk-off threat to euro break-evens	14	EUR
		Futures calendar spread summary (U2-Z2)	17	Global
30-Aug-12	NOTE	EUREX and LIFFE Calendar Rolls: Schatz, Bobl, Bunds and Gilts	-	Global
29-Aug-12	NOTE	Euro Rates Strategy: EMU-11: September Supply Outlook	-	EUR
24-Aug-12	NOTE	Global Month-End Index-Linked Index Projections	-	Global
23-Aug-12	IIRS	Overview: Risks moving into September	10	EUR
		Falling coupon support for periphery supply	13	EUR
		Periphery front-ends remain vulnerable	14	EUR
		Update on Sovereign Ratings Forecasts	15	Global
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		Schatz Calendar Roll: DUU2-DUZ2	18	EUR
		End-August EGBI / WGBI Projections	19	Global
23-Aug-12	NOTE	Global Month-End Index Projections: Support for Germany, Belgium and Ireland	-	Global
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Figure 85. Citi Global Interest Rate Strategy Team, For informational purposes only

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