

The Morning Call

Bund & Bono Supply and EMU RV Trades

- **Supports for today's Bund auction:** We estimate the new bond to have a fair value yield spread of 3.5-4bp over the current 10yr benchmark (1.5% Feb23), in line with the grey market pricing at the time of writing. In general, we expect core rates to remain low given the lack of growth, inflationary pressures and accommodative central bank policy. For full details, see yesterday's [The Morning Call](#).
- **Tomorrow's Bono auction - limited RV, but strong macro support:** Spain will tomorrow issue €3-4bn across the 3yr benchmark (Bono 3.3% Jul16), 5yr benchmark (Bono 4.5% Jan18) and Obligacion 5.9% Jul26.
 - Switching into Bono Jul26 from Bono Jul25s offers attractive relative value. The 3yr and 5yr bonds are less attractive, in our view. However, the accommodative ECB policy, the supportive market tone, falling Spanish yields and a strong bill auction yesterday, all suggest that the issuance will be well received.
- **EMU relative value trades:** We highlight a number of relative value opportunities in the 5yr sector of the Italian, French, Austrian and Belgian yield curves.
 - **Italy 1:** Sell Nov17 vs Aug16 or Aug 17
 - **Italy 2:** Sell Feb19 vs Sep19
 - **France:** Buy Oct17 vs Feb17 and Oct18
 - **Austria:** Buy Jan18 vs Sep17 and Jun19
 - **Belgium:** Sell Mar17 vs Mar16 and Sep17

Mohit Aggarwal
+91-22-4277-5022
mohit1.aggarwal@citi.com

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

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Spain auction preview: macro trumps micro

Auction details: Spain will tomorrow issue €3-4bn across the 3yr benchmark (Bono 3.3% Jul16), 5yr benchmark (Bono 4.5% Jan18) and Obligacion 5.9% Jul26.

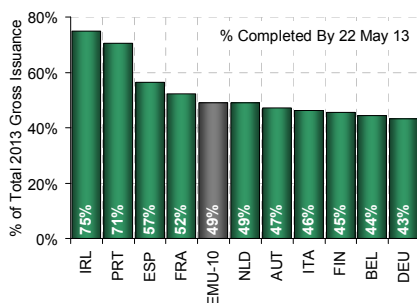
Issuance progress: Spain has been successful in front-loading supply so far this year. To date, Spain has issued around €64bn, which constitutes approximately 57% of its expected 2013 gross issuance (Figure 1). This is approximately 8ppt above the EMU-10 average and 12ppt above Spain's average completion rate (over the last 3 years) for this stage of the year.

Supportive backdrop: Recent issuance in non-core markets has been heavy, but it has all been met with strong demand. The improved tone can clearly be seen in the tumbling Bono yields (Figure 2). 2yr, 5yr and 15yr yields are all trading close to their YTD lows. Medium-term risks remain, but sentiment and momentum, not fundamentals, are still driving markets in the short term. Given, the positive near-term outlook for Bonos and Obligaciones and the likely support from domestics, we expect issuance at tomorrow's auction to be at least at the top end of the indicative range, in line with previous auctions (Figure 3).

Relative Value

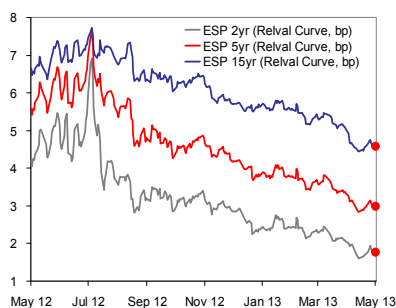
- **Bono 3.3% Jul16:** Bono Jul16 is trading rich vs surrounding issues and is the richest Spanish bond vs a fitted curve. Yield flies to surrounding issues (such as Apr16 and Oct16) are at the lower end of their trading range (Figure 4).
- **Bono 4.5% Jan18:** Bono Jan18 is trading rich vs surrounding issues and hence we see limited relative value opportunities in this bond.
- **Obligacion 5.9% Jul26:** The bond is trading special in short-dated repo markets and we expect the auction to alleviate some of the pressure. We see attractive value in switching into the auction bond vs Jul25. The switch offers a yield pick up of 9bp for a maturity extension of 1year (Figure 5).

Figure 1. 2013 EMU issuance progress



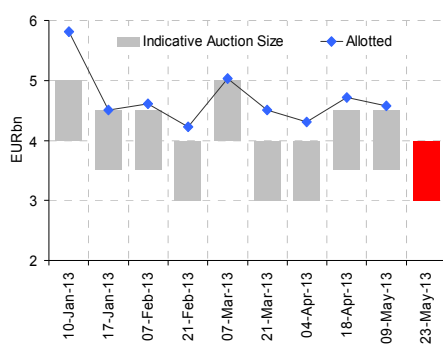
Source: DMOs, Citi Research

Figure 2. Tumbling Spanish yields (%)



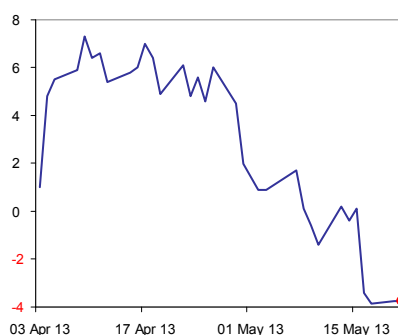
Source: Citi Research

Figure 3. Amount allotted has almost always been greater than the top of indicative range



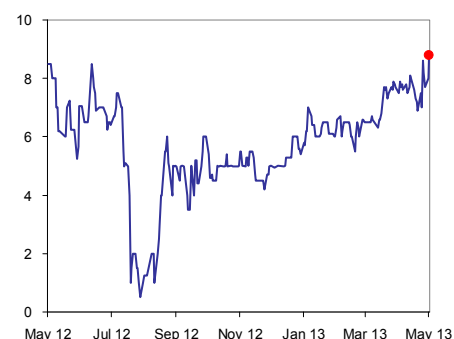
Source: DMO, Citi Research

Figure 4. Fade the richness of Bono Jul16s vs Apr16s and Oct16s



Source: Citi Research

Figure 5. Switch from Bono Jul25 to Jul26 for a yield pick up of 9bps



Source: Citi Research

Conclusion – limited RV, but strong macro support

Switching into Bono Jul26 from Jul25s offers attractive relative value at tomorrow's auction. The 3yr and 5yr bonds are less attractive, in our view. However, the accommodative ECB policy, the supportive market tone, falling Spanish yields and a strong bill auction yesterday, all suggest that the issuance will be well received and the amount raised will be at the upper end of the indicative target range.

EMU relative value trades

We highlight a number of relative value opportunities in the 5yr sector of the Italian, French, Austrian and Belgian yield curves.

Italy: sell Nov17s or buy Sep19s

Switch into Aug16s

■ Switch out of 3.5% Nov17 and into 3.75% Aug16 at 56bp (3m carry: 5.1bp) – Figure 6

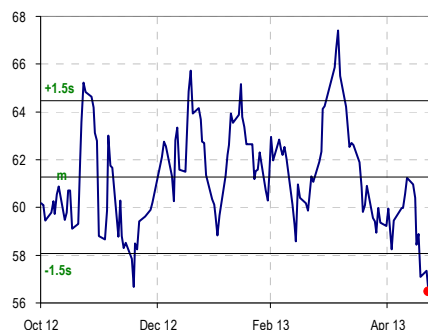
Switch into Aug17s

■ Or, Switch out of 3.5% Nov17 and into 5.25% Aug17 at 7bp (3m carry: 1.6bp) – Figure 7

Switch into Sep19s

■ Switch out of 4.25% Feb19 and into 4.25% Sep19 for 16bp (3m carry: -1.1bp) – Figure 8

Figure 6. Italy: 3.5% Nov17 – 3.75% Aug16 yield spread (bp)



Source: Citi Research

Figure 7. Italy: 3.5% Nov17 – 5.25% Aug17 yield spread (bp)



Source: Citi Research

Figure 8. Italy: 4.25% Sep19 – 4.25% Feb19 yield spread (bp)



Source: Citi Research

France: take advantage of cheapness of Oct17s

Buy Oct17s vs surrounding issues

■ Buy 4.25% Oct17 vs 1.75% Feb17 and 4.25% Oct18 (3m carry: 0.5bp) -Figure 9.

Austria: take advantage of cheapness of Jan18s

Buy Jan18s vs surrounding issues

■ Buy 4.65% Jan18 vs 4.3% Sep17 and 1.95% Jun19 (3m carry: +0.4bp) -Figure 10

Belgium: fade the richness of Mar17s

Sell Mar17s vs surrounding issues

■ Sell 4% Mar17 vs 2.75% Mar16 and 5.5% Sep17 (3m carry: -1.7bp) - Figure 11

Figure 9. France: 1.75% Feb17, 4.25% Oct17, 4.25% Oct18 microfly (bp)



Source: Citi Research

Figure 10. Austria: 4.3% Sep17, 4.65% Jan18, 1.95% Jun19 microfly (bp)



Source: Citi Research

Figure 11. Belgium: 2.75% Mar16, 4% Mar17, 5.5% Sep17 microfly (bp)



Source: Citi Research

EMU relative value table – all maturities

Figure 12. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History); All bonds on each curve

| | Versus Govt Curve (CAS) | | | | | Versus Swap Curve (CAS) | | | | |
|---------|-------------------------|------------------|--------|--------|--|-------------------------|------------------|--------|--------|--|
| | Rank | | ZScore | Issued | | Rank | | ZScore | Issued | |
| GERMANY | | Richest | | | | | Richest | | | |
| | 1 | 3.25 Jul15 | -2.58 | May05 | | 1 | 2.50 Jul44 (30y) | -0.19 | Apr12 | |
| | 2 | 1.75 Oct15 | -1.72 | Sep10 | | 2 | 3.00 Jul20 | -0.07 | Apr10 | |
| | 3 | 3.00 Jul20 | -1.58 | Apr10 | | 3 | 2.50 Jan21 | 0.00 | Nov10 | |
| | 4 | 0.75 Feb17 | -1.36 | Jan12 | | 4 | 3.25 Jul42 | 0.01 | Jul10 | |
| | 5 | 2.50 Jan21 | -1.32 | Nov10 | | 5 | 2.25 Sep20 | 0.01 | Aug10 | |
| | 5 | 1.75 Jul22 | 1.09 | Apr12 | | 5 | 3.50 Jan16 | 0.75 | Nov05 | |
| | 4 | 2.50 Jul44 (30y) | 1.15 | Apr12 | | 4 | 4.00 Jul16 | 0.83 | May06 | |
| | 3 | 1.50 Feb23 (10y) | 1.28 | Jan13 | | 3 | 2.75 Apr16 | 0.88 | Apr11 | |
| | 2 | 0.25 Apr18 (5y) | 1.29 | Apr13 | | 2 | 0.50 Feb18 | 0.99 | Jan13 | |
| | 1 | 1.50 Sep22 | 1.81 | Sep12 | | 1 | 2.00 Feb16 | 1.05 | Jan11 | |
| | | Cheapest | | | | | Cheapest | | | |
| FRANCE | | Richest | | | | | Richest | | | |
| | 1 | 4.00 Apr18 (BTA) | -1.46 | Apr07 | | 1 | 4.00 Apr55 | -2.85 | Apr04 | |
| | 2 | 4.25 Oct18 | -1.35 | Oct07 | | 2 | 4.00 Apr60 | -2.83 | Apr09 | |
| | 3 | 5.75 Oct32 | -1.33 | Oct00 | | 3 | 4.50 Apr41 (30y) | -2.70 | Apr09 | |
| | 4 | 4.25 Apr19 | -1.15 | Apr03 | | 4 | 4.00 Oct38 | -2.68 | Oct05 | |
| | 5 | 5.00 Oct16 | -0.93 | Oct00 | | 5 | 2.75 Oct27 | -2.64 | Oct11 | |
| | 5 | 2.75 Oct27 | 0.98 | Oct11 | | 5 | 3.00 Oct15 | -0.53 | Oct04 | |
| | 4 | 4.00 Apr55 | 1.12 | Apr04 | | 4 | 2.00 Jul15 | -0.44 | Jun10 | |
| | 3 | 3.50 Apr26 | 1.16 | Apr10 | | 3 | 2.50 Jul16 | -0.37 | Jul10 | |
| | 2 | 3.75 Apr17 | 1.30 | Apr06 | | 2 | 2.25 Feb16 | -0.27 | Feb10 | |
| | 1 | 1.00 Jul17 | 1.37 | Jul11 | | 1 | 0.25 Nov15 | 0.34 | Nov12 | |
| | | Cheapest | | | | | Cheapest | | | |
| ITALY | | Richest | | | | | Richest | | | |
| | 1 | 5.00 Mar22 | -1.66 | Sep11 | | 1 | 4.00 Feb37 | -2.03 | Aug05 | |
| | 2 | 4.25 Feb19 | -1.57 | Feb03 | | 2 | 5.00 Aug34 | -1.97 | Aug03 | |
| | 3 | 4.50 Feb18 (MFB) | -1.52 | Aug07 | | 3 | 5.75 Feb33 | -1.96 | Feb02 | |
| | 4 | 4.50 Aug18 | -1.50 | Feb08 | | 4 | 4.75 Sep28 | -1.83 | Jan13 | |
| | 5 | 4.50 Mar19 | -1.40 | Sep08 | | 5 | 5.00 Aug39 | -1.76 | Aug07 | |
| | 5 | 4.25 Mar20 | 1.36 | Sep09 | | 5 | 4.75 Jun17 | -1.27 | Jun12 | |
| | 4 | 4.50 Feb20 | 1.46 | Feb04 | | 4 | 3.75 Aug16 | -1.25 | Feb06 | |
| | 3 | 2.25 May16 | 1.90 | Apr13 | | 3 | 4.75 Sep16 | -1.18 | Sep11 | |
| | 2 | 3.75 Aug16 | 2.39 | Feb06 | | 2 | 3.50 Jun18 (5y) | -1.17 | Apr13 | |
| | 1 | 4.75 Sep16 | 3.06 | Sep11 | | 1 | 2.25 May16 | -0.77 | Apr13 | |
| | | Cheapest | | | | | Cheapest | | | |
| N'LANDS | | Richest | | | | | Richest | | | |
| | 1 | 3.75 Jan23 | -1.96 | Jan06 | | 1 | 3.50 Jul20 | -1.70 | Feb10 | |
| | 2 | 3.50 Jul20 | -1.49 | Feb10 | | 2 | 3.75 Jan23 | -1.67 | Jan06 | |
| | 3 | 3.25 Jul21 | -1.03 | Mar11 | | 3 | 3.25 Jul21 | -1.62 | Mar11 | |
| | 4 | 4.00 Jul18 | -0.83 | Feb08 | | 4 | 4.00 Jul18 | -1.59 | Feb08 | |
| | 5 | 4.00 Jul19 | -0.59 | Feb09 | | 5 | 4.00 Jul19 | -1.56 | Feb09 | |
| | 5 | 4.50 Jul17 | 0.91 | Jul07 | | 5 | 2.50 Jan33 | -0.81 | Mar12 | |
| | 4 | 1.25 Jan18 (5y) | 0.96 | Jul12 | | 4 | 4.50 Jul17 | -0.76 | Jul07 | |
| | 3 | 4.00 Jul16 | 0.96 | Jul06 | | 3 | 2.50 Jan17 | -0.45 | Jun11 | |
| | 2 | 2.50 Jan17 | 1.28 | Jun11 | | 2 | 4.00 Jul16 | -0.45 | Jul06 | |
| | 1 | 2.25 Jul22 | 1.42 | Feb12 | | 1 | 3.25 Jul15 | -0.11 | Jun05 | |
| | | Cheapest | | | | | Cheapest | | | |
| SPAIN | | Richest | | | | | Richest | | | |
| | 1 | 3.30 Jul16 | -1.69 | Apr13 | | 1 | 5.75 Jul32 | -1.96 | Jan01 | |
| | 2 | 5.50 Apr21 | -1.55 | Jan11 | | 2 | 4.70 Jul41 (30y) | -1.94 | Sep09 | |
| | 3 | 4.90 Jul40 | -1.46 | Jun07 | | 3 | 4.20 Jan37 | -1.93 | Jan05 | |
| | 4 | 3.25 Apr16 | -1.08 | Nov10 | | 4 | 4.90 Jul40 | -1.92 | Jun07 | |
| | 5 | 5.85 Jan22 (FBB) | -0.97 | Nov11 | | 5 | 4.65 Jul25 | -1.91 | Feb10 | |
| | 5 | 3.80 Jan17 | 1.39 | Oct06 | | 5 | 3.15 Jan16 | -1.49 | Sep05 | |
| | 4 | 4.00 Apr20 | 2.05 | Jan10 | | 4 | 3.80 Jan17 | -1.44 | Oct06 | |
| | 3 | 4.60 Jul19 | 2.48 | Feb09 | | 3 | 5.50 Jul17 | -1.43 | Mar02 | |
| | 2 | 4.30 Oct19 | 2.68 | Jun09 | | 2 | 4.40 Oct23 | -1.21 | May13 | |
| | 1 | 4.80 Jan24 | 2.88 | Sep08 | | 1 | 3.30 Jul16 | -1.04 | Apr13 | |
| | | Cheapest | | | | | Cheapest | | | |
| BELGIUM | | Richest | | | | | Richest | | | |
| | 1 | 4.00 Mar17 | -2.11 | Jan07 | | 1 | 4.25 Mar41 (30y) | -2.22 | Apr10 | |
| | 2 | 3.25 Sep16 | -1.64 | Jan06 | | 2 | 4.00 Mar32 | -2.13 | Mar12 | |
| | 3 | 4.00 Mar18 | -1.20 | Jan08 | | 3 | 5.00 Mar35 | -2.09 | May04 | |
| | 4 | 5.00 Mar35 | -0.93 | May04 | | 4 | 4.50 Mar26 | -2.03 | Jun11 | |
| | 5 | 3.50 Jun17 | -0.84 | Mar11 | | 5 | 4.25 Sep22 | -1.70 | Jan12 | |
| | 5 | 4.50 Mar26 | 0.41 | Jun11 | | 5 | 3.50 Jun17 | -1.33 | Mar11 | |
| | 4 | 4.00 Mar19 | 0.67 | Jan09 | | 4 | 4.00 Mar19 | -1.24 | Jan09 | |
| | 3 | 1.25 Jun18 (5y) | 0.73 | Feb13 | | 3 | 3.00 Sep19 | -1.20 | Apr12 | |
| | 2 | 4.00 Mar22 | 0.88 | May06 | | 2 | 5.50 Sep17 | -1.18 | Jun02 | |
| | 1 | 2.75 Mar16 | 1.10 | Mar10 | | 1 | 1.25 Jun18 (5y) | -0.78 | Feb13 | |
| | | Cheapest | | | | | Cheapest | | | |

Source: Citi Research

EMU relative value table – max 12yr maturity

Figure 13. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History); Bonds with a Maximum Maturity of 12yrs

| | Versus Govt Curve (CAS) | | | | | Versus Swap Curve (CAS) | | | | |
|---------|-------------------------|------------------|--------|--------|--|-------------------------|------------------|--------|--------|--|
| | Rank | | ZScore | Issued | | Rank | | ZScore | Issued | |
| GERMANY | | Richest | | | | | Richest | | | |
| | 1 | 3.25 Jul15 | -2.53 | May05 | | 1 | 3.00 Jul20 | -0.07 | Apr10 | |
| | 2 | 1.75 Oct15 | -1.72 | Sep10 | | 2 | 2.50 Jan21 | 0.00 | Nov10 | |
| | 3 | 3.00 Jul20 | -1.58 | | | 3 | 2.25 Sep20 | 0.01 | Aug10 | |
| | 4 | 0.75 Feb17 | -1.36 | Jan12 | | 4 | 3.25 Jul21 | 0.09 | Apr11 | |
| | 5 | 2.50 Jan21 | -1.32 | Nov10 | | 5 | 3.25 Jan20 | 0.09 | Nov09 | |
| | 5 | 2.00 Feb16 | 1.03 | Jan11 | | 5 | 3.50 Jan16 | 0.75 | Nov05 | |
| | 4 | 1.75 Jul22 | 1.09 | Apr12 | | 4 | 4.00 Jul16 | 0.83 | May06 | |
| | 3 | 1.50 Feb23 (10y) | 1.28 | Jan13 | | 3 | 2.75 Apr16 | 0.88 | Apr11 | |
| | 2 | 0.25 Apr18 (5y) | 1.29 | Apr13 | | 2 | 0.50 Feb18 | 0.99 | Jan13 | |
| | 1 | 1.50 Sep22 | 1.81 | Sep12 | | 1 | 2.00 Feb16 | 1.05 | Jan11 | |
| | | Cheapest | | | | | Cheapest | | | |
| FRANCE | | Richest | | | | | Richest | | | |
| | 1 | 4.00 Apr18 (BTA) | -1.47 | Apr07 | | 1 | 4.25 Oct23 | -2.50 | Oct06 | |
| | 2 | 4.25 Oct18 | -1.35 | Oct07 | | 2 | 2.25 Oct22 | -2.34 | Oct11 | |
| | 3 | 4.25 Apr19 | -1.16 | Apr03 | | 3 | 3.00 Apr22 (OAT) | -2.20 | Feb12 | |
| | 4 | 5.00 Oct16 | -0.93 | Oct00 | | 4 | 3.25 Oct21 | -2.06 | Oct10 | |
| | 5 | 3.50 Apr20 | -0.82 | Feb10 | | 5 | 3.75 Apr21 | -1.95 | Apr05 | |
| | 5 | 2.25 Feb16 | 0.54 | Feb10 | | 5 | 3.00 Oct15 | -0.53 | Oct04 | |
| | 4 | 2.25 Oct22 | 0.63 | Oct11 | | 4 | 2.00 Jul15 | -0.44 | Jun10 | |
| | 3 | 4.25 Oct17 | 0.82 | Oct06 | | 3 | 2.50 Jul16 | -0.37 | Jul10 | |
| | 2 | 3.75 Apr17 | 1.30 | Apr06 | | 2 | 2.25 Feb16 | -0.27 | Feb10 | |
| | 1 | 1.00 Jul17 | 1.37 | Jul11 | | 1 | 0.25 Nov15 | 0.34 | Nov12 | |
| | | Cheapest | | | | | Cheapest | | | |
| ITALY | | Richest | | | | | Richest | | | |
| | 1 | 5.00 Mar22 | -1.66 | Sep11 | | 1 | 5.00 Mar25 | -1.76 | Mar09 | |
| | 2 | 4.25 Feb19 | -1.57 | Feb03 | | 2 | 4.75 Aug23 | -1.70 | Feb08 | |
| | 3 | 4.50 Feb18 (MFB) | -1.52 | Aug07 | | 3 | 4.50 May23 (10y) | -1.64 | Mar13 | |
| | 4 | 4.50 Aug18 | -1.49 | Feb08 | | 4 | 5.50 Nov22 | -1.61 | May12 | |
| | 5 | 4.50 Mar19 | -1.41 | Sep08 | | 5 | 5.00 Mar22 | -1.60 | Sep11 | |
| | 5 | 4.25 Mar20 | 1.36 | Sep09 | | 5 | 4.75 Jun17 | -1.27 | Jun12 | |
| | 4 | 4.50 Feb20 | 1.46 | Feb04 | | 4 | 3.75 Aug16 | -1.25 | Feb06 | |
| | 3 | 2.25 May16 | 1.90 | Apr13 | | 3 | 4.75 Sep16 | -1.18 | Sep11 | |
| | 2 | 3.75 Aug16 | 2.39 | Feb06 | | 2 | 3.50 Jun18 (5y) | -1.17 | Apr13 | |
| | 1 | 4.75 Sep16 | 3.07 | Sep11 | | 1 | 2.25 May16 | -0.77 | Apr13 | |
| | | Cheapest | | | | | Cheapest | | | |
| N'LANDS | | Richest | | | | | Richest | | | |
| | 1 | 3.75 Jan23 | -2.00 | Jan06 | | 1 | 3.50 Jul20 | -1.71 | Feb10 | |
| | 2 | 3.50 Jul20 | -1.53 | Feb10 | | 2 | 3.75 Jan23 | -1.67 | Jan06 | |
| | 3 | 3.25 Jul21 | -1.09 | Mar11 | | 3 | 3.25 Jul21 | -1.63 | Mar11 | |
| | 4 | 4.00 Jul18 | -0.86 | Feb08 | | 4 | 4.00 Jul18 | -1.60 | Feb08 | |
| | 5 | 4.00 Jul19 | -0.60 | Feb09 | | 5 | 4.00 Jul19 | -1.56 | Feb09 | |
| | 5 | 1.25 Jan18 (5y) | 0.83 | Jul12 | | 5 | 1.25 Jan18 (5y) | -1.17 | Jul12 | |
| | 4 | 4.50 Jul17 | 0.86 | Jul07 | | 4 | 4.50 Jul17 | -0.77 | Jul07 | |
| | 3 | 4.00 Jul16 | 0.93 | Jul06 | | 3 | 2.50 Jan17 | -0.47 | Jun11 | |
| | 2 | 2.50 Jan17 | 1.21 | Jun11 | | 2 | 4.00 Jul16 | -0.45 | Jul06 | |
| | 1 | 2.25 Jul22 | 1.39 | Feb12 | | 1 | 3.25 Jul15 | -0.11 | Jun05 | |
| | | Cheapest | | | | | Cheapest | | | |
| SPAIN | | Richest | | | | | Richest | | | |
| | 1 | 3.30 Jul16 | -1.69 | Apr13 | | 1 | 5.85 Jan22 (FBB) | -1.91 | Nov11 | |
| | 2 | 5.50 Apr21 | -1.55 | Jan11 | | 2 | 4.80 Jan24 | -1.87 | Sep08 | |
| | 3 | 3.25 Apr16 | -1.08 | Nov10 | | 3 | 5.40 Jan23 (10y) | -1.82 | Jan13 | |
| | 4 | 5.85 Jan22 (FBB) | -0.97 | Nov11 | | 4 | 5.50 Apr21 | -1.78 | Jan11 | |
| | 5 | 4.10 Jul18 | -0.78 | Feb08 | | 5 | 4.85 Oct20 | -1.71 | Jul10 | |
| | 5 | 3.80 Jan17 | 1.39 | Oct06 | | 5 | 3.15 Jan16 | -1.49 | Sep05 | |
| | 4 | 4.00 Apr20 | 2.05 | Jan10 | | 4 | 3.80 Jan17 | -1.44 | Oct06 | |
| | 3 | 4.60 Jul19 | 2.47 | Feb09 | | 3 | 5.50 Jul17 | -1.43 | Mar02 | |
| | 2 | 4.30 Oct19 | 2.68 | Jun09 | | 2 | 4.40 Oct23 | -1.21 | May13 | |
| | 1 | 4.80 Jan24 | 2.88 | Sep08 | | 1 | 3.30 Jul16 | -1.04 | Apr13 | |
| | | Cheapest | | | | | Cheapest | | | |
| BELGIUM | | Richest | | | | | Richest | | | |
| | 1 | 4.00 Mar17 | -2.06 | Jan07 | | 1 | 4.25 Sep22 | -1.70 | Jan12 | |
| | 2 | 3.25 Sep16 | -1.58 | Jan06 | | 2 | 4.00 Mar22 | -1.62 | May06 | |
| | 3 | 4.00 Mar18 | -1.14 | Jan08 | | 3 | 2.25 Jun23 (10y) | -1.62 | Jan13 | |
| | 4 | 3.50 Jun17 | -0.77 | Mar11 | | 4 | 4.00 Mar17 | -1.59 | Jan07 | |
| | 5 | 3.75 Sep15 | -0.63 | Mar05 | | 5 | 3.25 Sep16 | -1.55 | Jan06 | |
| | 5 | 2.25 Jun23 (10y) | 0.40 | Jan13 | | 5 | 3.50 Jun17 | -1.33 | Mar11 | |
| | 4 | 4.00 Mar19 | 0.72 | Jan09 | | 4 | 4.00 Mar19 | -1.24 | Jan09 | |
| | 3 | 1.25 Jun18 (5y) | 0.78 | Feb13 | | 3 | 3.00 Sep19 | -1.20 | Apr12 | |
| | 2 | 4.00 Mar22 | 0.92 | May06 | | 2 | 5.50 Sep17 | -1.18 | Jun02 | |
| | 1 | 2.75 Mar16 | 1.14 | Mar10 | | 1 | 1.25 Jun18 (5y) | -0.79 | Feb13 | |
| | | Cheapest | | | | | Cheapest | | | |

Source: Citi Research

EMU relative value table – min 8yr maturity

Figure 14. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History); Bonds with a Minimum Maturity of 8yrs

| | Versus Govt Curve (CAS) | | | | | Versus Swap Curve (CAS) | | | | |
|---------|-------------------------|---|------------------|--------|-------|-------------------------|---|------------------|--------|-------|
| | Rank | | ZScore | Issued | | Rank | | ZScore | Issued | |
| GERMANY | Richest | 1 | 3.25 Jul42 | -1.06 | Jul10 | Richest | 1 | 2.50 Jul44 (30y) | -0.19 | Apr12 |
| | | 2 | 4.75 Jul34 | -0.90 | Jan03 | | 2 | 3.25 Jul42 | 0.01 | Jul10 |
| | | 3 | 3.25 Jul21 | -0.71 | Apr11 | | 3 | 3.25 Jul21 | 0.09 | Apr11 |
| | | 4 | 4.00 Jan37 | -0.39 | Jan05 | | 4 | 2.25 Sep21 | 0.15 | Aug11 |
| | | 5 | 2.25 Sep21 | -0.26 | Aug11 | | 5 | 2.00 Jan22 (RX) | 0.15 | Nov11 |
| | Cheapest | 5 | 4.75 Jul40 | 0.31 | Jul08 | | 5 | 4.25 Jul39 (UB) | 0.41 | Jan07 |
| | | 4 | 1.75 Jul22 | 1.09 | Apr12 | | 4 | 6.25 Jan30 | 0.46 | Jan00 |
| | | 3 | 2.50 Jul44 (30y) | 1.15 | Apr12 | | 3 | 4.00 Jan37 | 0.47 | Jan05 |
| | | 2 | 1.50 Feb23 (10y) | 1.28 | Jan13 | | 2 | 5.50 Jan31 | 0.50 | Oct00 |
| | | 1 | 1.50 Sep22 | 1.81 | Sep12 | | 1 | 1.50 Feb23 (10y) | 0.75 | Jan13 |
| FRANCE | Richest | 1 | 5.75 Oct32 | -1.27 | Oct00 | Richest | 1 | 4.00 Apr55 | -2.84 | Apr04 |
| | | 2 | 3.25 Oct21 | -0.59 | Oct10 | | 2 | 4.00 Apr60 | -2.82 | Apr09 |
| | | 3 | 1.75 May23 (10y) | -0.44 | May12 | | 3 | 4.50 Apr41 (30y) | -2.69 | Apr09 |
| | | 4 | 4.75 Apr35 | -0.34 | Apr03 | | 4 | 4.00 Oct38 | -2.67 | Oct05 |
| | | 5 | 4.00 Oct38 | 0.04 | Oct05 | | 5 | 2.75 Oct27 | -2.63 | Oct11 |
| | Cheapest | 5 | 2.25 Oct22 | 0.80 | Oct11 | | 5 | 2.25 Oct22 | -2.34 | Oct11 |
| | | 4 | 2.75 Oct27 | 1.19 | Oct11 | | 4 | 3.00 Apr22 (OAT) | -2.20 | Feb12 |
| | | 3 | 4.00 Apr55 | 1.31 | Apr04 | | 3 | 3.25 Oct21 | -2.06 | Oct10 |
| | | 2 | 3.50 Apr26 | 1.31 | Apr10 | | 2 | 3.25 May45 | -1.61 | May12 |
| | | 1 | 4.00 Apr60 | 1.59 | Apr09 | | 1 | 1.75 May23 (10y) | -0.89 | May12 |
| ITALY | Richest | 1 | 5.00 Mar22 | -1.62 | Sep11 | Richest | 1 | 4.00 Feb37 | -2.03 | Aug05 |
| | | 2 | 4.50 May23 (10y) | -1.29 | Mar13 | | 2 | 5.00 Aug34 | -1.97 | Aug03 |
| | | 3 | 5.75 Feb33 | -1.23 | Feb02 | | 3 | 5.75 Feb33 | -1.96 | Feb02 |
| | | 4 | 5.00 Mar25 | -1.00 | Mar09 | | 4 | 4.75 Sep28 | -1.83 | Jan13 |
| | | 5 | 5.50 Nov22 | -0.82 | May12 | | 5 | 5.00 Aug39 | -1.76 | Aug07 |
| | Cheapest | 5 | 5.00 Aug34 | 0.20 | Aug03 | | 5 | 5.50 Nov22 | -1.61 | May12 |
| | | 4 | 3.75 Aug21 | 0.22 | Feb06 | | 4 | 5.00 Mar22 | -1.61 | Sep11 |
| | | 3 | 4.50 Mar26 | 0.77 | Sep10 | | 3 | 5.50 Sep22 (IK) | -1.56 | Mar12 |
| | | 2 | 4.75 Sep21 | 0.80 | Mar11 | | 2 | 4.75 Sep21 | -1.50 | Mar11 |
| | | 1 | 4.75 Sep28 | 0.97 | Jan13 | | 1 | 3.75 Aug21 | -1.47 | Feb06 |
| N'LANDS | Richest | 1 | 3.75 Jan23 | -2.19 | Jan06 | Richest | 1 | 3.75 Jan23 | -1.65 | Jan06 |
| | | 2 | 3.25 Jul21 | -1.34 | Mar11 | | 2 | 3.25 Jul21 | -1.61 | Mar11 |
| | | 3 | 3.75 Jan42 (30y) | -1.27 | May10 | | 3 | 2.25 Jul22 | -1.34 | Feb12 |
| | Cheapest | 3 | 2.50 Jan33 | -0.90 | Mar12 | | 3 | 3.75 Jan42 (30y) | -1.21 | May10 |
| | | 2 | 4.00 Jan37 | -0.83 | Apr05 | | 2 | 4.00 Jan37 | -1.04 | Apr05 |
| | | 1 | 2.25 Jul22 | 1.04 | Feb12 | | 1 | 2.50 Jan33 | -0.80 | Mar12 |
| SPAIN | Richest | 1 | 4.90 Jul40 | -1.45 | Jun07 | Richest | 1 | 5.75 Jul32 | -1.96 | Jan01 |
| | | 2 | 5.85 Jan22 (FBB) | -0.95 | Nov11 | | 2 | 4.70 Jul41 (30y) | -1.94 | Sep09 |
| | | 3 | 5.40 Jan23 (10y) | -0.18 | Jan13 | | 3 | 4.20 Jan37 | -1.93 | Jan05 |
| | | 4 | 4.70 Jul41 (30y) | 0.03 | Sep09 | | 4 | 4.90 Jul40 | -1.92 | Jun07 |
| | | 5 | 4.65 Jul25 | 0.07 | Feb10 | | 5 | 4.65 Jul25 | -1.91 | Feb10 |
| | Cheapest | 5 | 5.75 Jul32 | 0.63 | Jan01 | | 5 | 5.85 Jan22 (FBB) | -1.91 | Nov11 |
| | | 4 | 4.40 Oct23 | 0.74 | May13 | | 4 | 5.90 Jul26 | -1.90 | Mar11 |
| | | 3 | 5.90 Jul26 | 1.02 | Mar11 | | 3 | 4.80 Jan24 | -1.87 | Sep08 |
| | | 2 | 4.20 Jan37 | 1.14 | Jan05 | | 2 | 5.40 Jan23 (10y) | -1.82 | Jan13 |
| | | 1 | 4.80 Jan24 | 2.89 | Sep08 | | 1 | 4.40 Oct23 | -1.21 | May13 |
| BELGIUM | Richest | 1 | 5.00 Mar35 | -0.93 | May04 | Richest | 1 | 4.25 Mar41 (30y) | -2.22 | Apr10 |
| | | 2 | 4.25 Sep22 | -0.14 | Jan12 | | 2 | 4.00 Mar32 | -2.14 | Mar12 |
| | | 3 | 4.25 Mar41 (30y) | 0.10 | Apr10 | | 3 | 5.00 Mar35 | -2.09 | May04 |
| | | 4 | 4.25 Sep21 | 0.15 | Jan11 | | 4 | 4.50 Mar26 | -2.03 | Jun11 |
| | Cheapest | 4 | 4.00 Mar32 | 0.23 | Mar12 | | 4 | 4.25 Sep22 | -1.71 | Jan12 |
| | | 3 | 2.25 Jun23 (10y) | 0.27 | Jan13 | | 3 | 2.25 Jun23 (10y) | -1.63 | Jan13 |
| | | 2 | 4.50 Mar26 | 0.42 | Jun11 | | 2 | 4.00 Mar22 | -1.63 | May06 |
| | | 1 | 4.00 Mar22 | 0.89 | May06 | | 1 | 4.25 Sep21 | -1.52 | Jan11 |

Source: Citi Research

UK relative value table

Figure 15. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History)

| | Versus Govt Curve (CAS) | | | | | Versus Swap Curve (CAS) | | | | |
|------------|---|------|--------------------|--------|--------|-------------------------|--------------------|--------|--------|--|
| ALL | <div><div>Richest</div><div></div><div>Cheapest</div></div> | Rank | | ZScore | Issued | Rank | | ZScore | Issued | |
| | | 1 | 4.75 Dec38 | -2.12 | Apr04 | 1 | 3.75 Sep19 | -0.43 | Jul09 | |
| | | 2 | 4.25 Mar36 | -1.82 | Feb03 | 2 | 4.75 Mar20 | -0.43 | Mar05 | |
| | | 3 | 4.25 Sep39 | -1.55 | Mar09 | 3 | 4.50 Mar19 | -0.43 | Sep08 | |
| | | 4 | 3.75 Sep20 | -1.36 | Jun10 | 4 | 5.00 Mar18 (5y-WX) | -0.42 | May07 | |
| | | 5 | 1.75 Jan17 | -1.11 | Aug11 | 5 | 3.75 Sep20 | -0.39 | Jun10 | |
| | | 5 | 4.25 Dec27 | 0.72 | Sep06 | 5 | 2.75 Jan15 (2y-WB) | 1.09 | Nov09 | |
| | | 4 | 4.50 Dec42 (30y) | 0.80 | Jun07 | 4 | 3.75 Jul52 | 1.16 | Sep11 | |
| | | 3 | 4.00 Mar22 (G) | 1.01 | Feb09 | 3 | 4.25 Dec55 | 1.16 | May05 | |
| | | 2 | 4.25 Dec40 | 1.07 | Jun10 | 2 | 4.00 Jan60 | 1.23 | Oct09 | |
| | | 1 | 4.25 Jun32 | 1.43 | May00 | 1 | 5.00 Sep14 | 1.31 | Jul02 | |
| 2yr - 7yr | <div><div>Richest</div><div></div><div>Cheapest</div></div> | Rank | | ZScore | Issued | Rank | | ZScore | Issued | |
| | | 1 | 1.75 Jan17 | -1.11 | Aug11 | 1 | 3.75 Sep19 | -0.43 | Jul09 | |
| | | 2 | 4.75 Mar20 | -0.89 | Mar05 | 2 | 4.75 Mar20 | -0.43 | Mar05 | |
| | | 3 | 1.25 Jul18 | -0.79 | Feb13 | 3 | 4.50 Mar19 | -0.43 | Sep08 | |
| | | 4 | 5.00 Mar18 (5y-WX) | -0.76 | May07 | 4 | 5.00 Mar18 (5y-WX) | -0.42 | May07 | |
| | | 5 | 3.75 Sep19 | -0.44 | Jul09 | 5 | 1.25 Jul18 | -0.25 | Feb13 | |
| | | 5 | 4.50 Mar19 | -0.39 | Sep08 | 5 | 1.00 Sep17 | -0.13 | Mar12 | |
| | | 4 | 2.00 Jan16 | 0.38 | Nov10 | 4 | 1.75 Jan17 | -0.12 | Aug11 | |
| | | 3 | 4.00 Sep16 | 0.53 | Mar06 | 3 | 4.00 Sep16 | 0.30 | Mar06 | |
| | | 2 | 1.00 Sep17 | 0.58 | Mar12 | 2 | 2.00 Jan16 | 0.53 | Nov10 | |
| | | 1 | 4.75 Sep15 | 0.71 | Sep03 | 1 | 4.75 Sep15 | 1.09 | Sep03 | |
| 7yr - 15yr | <div><div>Richest</div><div></div><div>Cheapest</div></div> | Rank | | ZScore | Issued | Rank | | ZScore | Issued | |
| | | 1 | 3.75 Sep20 | -1.36 | Jun10 | 1 | 3.75 Sep20 | -0.39 | Jun10 | |
| | | 2 | 1.75 Sep22 (10y) | -0.55 | Jun12 | 2 | 3.75 Sep21 | -0.04 | Mar11 | |
| | | 3 | 5.00 Mar25 | 0.50 | Sep01 | 3 | 1.75 Sep22 (10y) | -0.03 | Jun12 | |
| | | 4 | | | | 4 | | | | |
| | | 5 | | | | 5 | | | | |
| | | 5 | | | 5 | | | | | |
| | | 4 | | | 4 | | | | | |
| | | 3 | 3.75 Sep21 | 0.69 | Mar11 | 3 | 4.00 Mar22 (G) | 0.15 | Feb09 | |
| | | 2 | 4.25 Dec27 | 0.72 | Sep06 | 2 | 5.00 Mar25 | 0.41 | Sep01 | |
| | | 1 | 4.00 Mar22 (G) | 1.01 | Feb09 | 1 | 4.25 Dec27 | 0.58 | Sep06 | |
| >15yr | <div><div>Richest</div><div></div><div>Cheapest</div></div> | Rank | | ZScore | Issued | Rank | | ZScore | Issued | |
| | | 1 | 4.75 Dec38 | -2.12 | Apr04 | 1 | 4.25 Mar36 | 0.46 | Feb03 | |
| | | 2 | 4.25 Mar36 | -1.82 | Feb03 | 2 | 4.75 Dec38 | 0.55 | Apr04 | |
| | | 3 | 4.25 Sep39 | -1.55 | Mar09 | 3 | 4.25 Sep39 | 0.61 | Mar09 | |
| | | 4 | 4.25 Dec55 | -0.68 | May05 | 4 | 4.75 Dec30 | 0.63 | Oct07 | |
| | | 5 | 4.50 Sep34 | -0.53 | Jun09 | 5 | 4.50 Sep34 | 0.65 | Jun09 | |
| | | 5 | 4.00 Jan60 | 0.49 | Oct09 | 5 | 4.25 Dec46 | 0.92 | May06 | |
| | | 4 | 4.25 Dec46 | 0.60 | May06 | 4 | 4.25 Dec49 | 1.03 | Sep08 | |
| | | 3 | 4.50 Dec42 (30y) | 0.80 | Jun07 | 3 | 3.75 Jul52 | 1.16 | Sep11 | |
| | | 2 | 4.25 Dec40 | 1.07 | Jun10 | 2 | 4.25 Dec55 | 1.16 | May05 | |
| | | 1 | 4.25 Jun32 | 1.43 | May00 | 1 | 4.00 Jan60 | 1.23 | Oct09 | |

Source: Citi Research

Appendix A-1

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