

European Rates Weekly

France – Outlook and Risks

- **Domestic vs international demand for OATs:** As we approach the end of Q1, we re-assess our medium-term view on French government bonds in light of the interplay between international and domestic demand. We continue to think that OAT/Bund spreads will move more or less sideways during 2014 and that the excess performance of France's GBI will largely reflect the current implied coupon
- **EUR vol:** We analyse the performance of long-dated volatility in the context of MTN issuance. Issuance microstructure and change of investors' behavior could explain the widening pressure on the 20y20y/10y10y implied volatility spread.
- **FY2014/15 gilt issuance:** The new UK Budget will be announced next Wednesday. Despite improving fiscal trends, high redemptions in the years ahead will likely mean gilt issuance will remain high, and fall only slowly. We expect £146bn for FY2014/15 with a largely unchanged maturity split.
- **Buy Euribor Jun14 vs Eurodollar Jun14:** We see two main drivers for this trade: (A) the range bound spread is currently at attractive entry levels (the spread is in the region of -4c which is not far off the one year low of -7.5c) and (B) our economics team forecast the ECB to cut the refi-rate in 2Q14. A deposit rate of -10bp remains their base case for June. We target a spread of +5c.
- **Tracking the revisions in SSA ratings:** 2014 has been a busy year for rating agencies, and unlike previous years, not because of the number of EMU downgrades. Consequently, various agencies have seen their outlooks revised from "negative" to "stable". The impact on supranationals is more complex and we await Moody's potential decision on the EU later this week.
- **Covered bonds:** There is a time of unrest within the covered bond space as programs face several rating actions from all agencies. The positive is that many of the rating changes (should) result in upgrades or positive outlooks.
- **Technical update:** Bunds are moving in an upward channel in the short-term, however we believe a break of 143.7 is needed for a sustainable rally. In gilts, we are targeting 111.1 in the short-term from a technical perspective, but our longer-term outlook remains bearish, with a target of 106.1.
- **Relative value trades:** We highlight a number of relative value opportunities in the 2-5yr sector of the Austrian, Belgian and Spanish yield curves.
- **Supply:** Next week's EMU supply comes from Germany (€4bn), France (around €9.5bn), Spain (around €5bn) and Italy (around €4.5bn). We expect US Treasury to issue around \$13bn of 10yr TIPS next Thursday.

Note: Futures trading involves a substantial risk of loss.

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Figure 1. Strategy Summary Table

Europe	View	Strategies
Direction	Recent comments by ECB officials does little to change our fundamental view for core EMU rates. Inflation is to remain subdued and Bund yields low around 1.6% - 1.8% on average in our view.	Buy the dips in Bunds
Money Market	We continue to like decoupling strategies with USD money markets such as buying ERM4 vs EDM4. In the UK, short-sterling is closing in on levels at which we would consider re-establishing shorts (although flight-to-quality is dominating for now).	Buy ERM4 vs EDM4 (or use U4)
Yield Curve	An attractive way to capture a decline in curvature in the front-end of the euro curve is to receive the belly of EUR 1y1y/3y1y/5y2y using -1:1.5:-1 weights as this trade offers positive carry and a short duration exposure. We expect BTP 10s30s to steepen further over the coming months. In the UK, curves remain highly directional, led by 10s.	Receive belly of EUR 1y1y/3y1y/5y2y (using -1:1.5:-1 weights) Take profits on EUR 3y2y vs 5y25y (5s30s steepeners) BTP 10s30s steepener
Cross-market	Over the longer-term, we still expect Bunds to outperform USTs given the diverging policy/growth/inflation outlook. Gilts may benefit in the near-term from remaining BoE buybacks and the lack of conventional supply, but we would fade any gilt outperformance in 10s given longer-term fundamentals. However, in the long-end, the combination of seasonals, LDI demand and a lack of supply is supportive for long 30yr gilts vs Treasuries	Hold long 30yr gilts vs USTs as a tactical trade Sell 10yr gilts vs USTs (medium-term) Stay short 10yr gilts vs Bunds Long Bunds vs UST (add on corrections)
EMU Spreads	A Renzi led Italian coalition is likely to be supportive for the BTP market for now, but over the longer-term we still expect Spain to outperform. We are more comfortable with Austrian risk given Moody's recent action and growing clarity regarding its banking sector. We continue to expect Ireland to gravitate towards the soft core and welcome the recent success in the 10yr auction. We remain short DSL 37s vs Bunds.	Long Spain vs Italy Remain short France vs Belgium and Germany (in either 5s or 10s) Sell 20yr DSLs vs Bunds Range trade 10yr OAT-Bunds (50bp/70bp)
Swap Spreads	We would look to scale into 30yr Bund ASW widenings at 0bp or above as we expect this spread to remain range bound. We suggest adding to Bobl Jun14 ASW widenings at 40bp. In the UK, the 10yr sector looks very rich vs swaps vs the wings.	Hold long 5yr Germany vs swaps Scale into 30yr Bund ASW (Jul44) widenings if above 0bp
Inflation	Euro break-evens have tightened this week on a carry-adjusted basis. The lack of action from the ECB and the low level of inflation suggest that break-evens will remain subdued over the coming months. In the UK, break-evens may suffer in the near-term given support for conventionals from APF reinvestments that started this week.	Sell BTPei16 vs BTPei18 Sell BTPei18 vs OATEi18 break-even Sell BTPei19 vs BTPei17 and BTPei23 real yield Sell OATEi22 vs OATEi20 and OATEi24 real yield Buy IL gilt 2017 break-even
Volatility	Whilst black swans can, and indeed have, appeared to wreak havoc on carry trades (they showed up at least twice in 2013), we believe that long positions on receiver swaptions in the top left corner are the safest way to play the ECB at the current market juncture, given the limited downside and the current cheap gamma vol valuation.	Long 1y3y ATM Receiver Swaption
SSA	Look to the primary market for liquidity pockets to add exposure selectively. Move up in quality, especially from EMU sovereigns of lower ratings, when spread levels and liquidity permit.	Long Dutch agencies vs the Netherlands Long EU vs other supras with larger supply pipelines
For a list of outstanding trade strategies please see the Tradesheet section of this report		

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

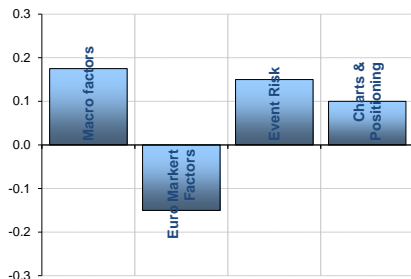
Duration Scorecard

Figure 2. Bund Weekly Cheat Sheet: 14 – 20 Mar

Bund Directional Scorecard (1w horizon)			
Recommendation		RXM4 (EOD Thurs) = 143.51	
Conviction level		CTD yield = 1.23% 10day del vol = 5.3%	
		Signal Strength (+/-2)	
Macro factors		0.2	Weight = 33%
ECB	1	Lower-for-longer theme expected to continue	7.5%
Fed, BoE and BOJ	0	Modest tapering broadly priced	5.0%
Inflation	1	February HICP likely to confirm 0.8% flash estimate	7.5%
Growth related data	0	No major data release this week	5.0%
Citi surprise	-1	Citi Economic Surprise Index slightly up from zero	2.5%
Middle East / Oil	1	Citi expects Brent at \$100 in 2Q14	5.0%
Euro Market Factors		-0.2	Weight = 25%
Supply	-1	10yr Bund and OAT supply in core. Small Austrian coupon payments	5.0%
Risk appetite	-1	GRAMI indicates low levels of risk aversion	5.0%
Flow	1	Slight improvement in demand for core	2.5%
Equity	0	Eurostoxx50 near middle of its recent range	5.0%
Sovereign credit	-1	Peripheral yields at multi year low	5.0%
FX	-1	EUR at its strongest level in 2 years	2.5%
Event Risk		0.2	Weight = 18%
Politics	2	Developments in Ukraine remain key near-term uncertainty	7.5%
3yr LTRO	0	We expect a new 1yr LTRO in 2H14	5.0%
Stability mechanisms	0	Nothing on the agenda in the near-term	5.0%
Charts & Positioning		0.1	Weight = 25%
Technicals	1	Upward channel	7.5%
T-Note	1	Long	7.5%
CFTC	0	Positioning slightly short	5.0%
ARTS	-1	Mild/moderate short	5.0%

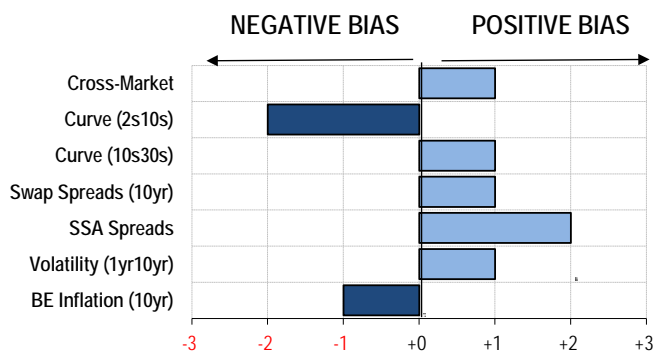
Source: Citi Research Notes: Futures trading involves a substantial risk of loss.

Figure 3. Contribution to Bund Signals



Source: Citi Research

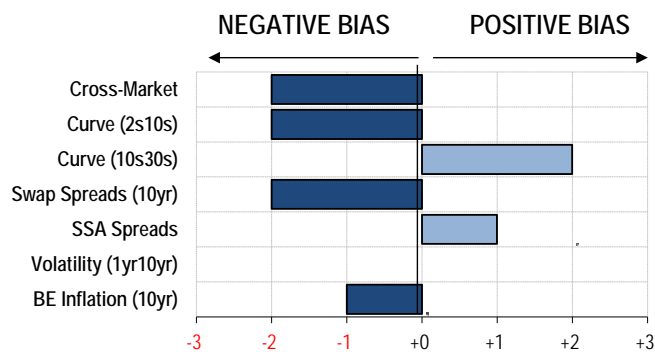
Figure 4. EURO AREA (Near-term Bias)



Source: Citi Research

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

Figure 5. UK (Near-term Bias)



Source: Citi Research

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

Tradesheet

New Trade

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

1. Buy ERM4 and sell EDM4

Buy ERM4 at 99.69

Sell EDM4 at 99.74

Open -5c. Current -4c. Target +5c. Stop -10c.

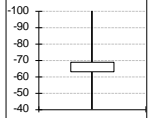
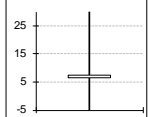
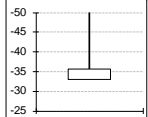
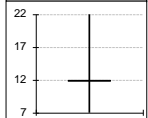
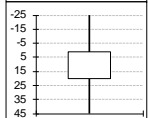
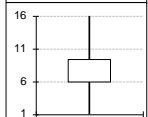
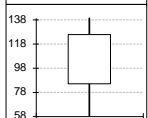
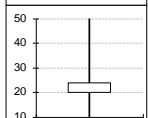
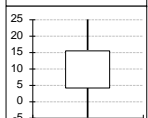
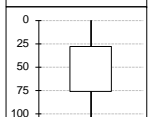
Record of Our Open Trades

Figure 6. Record of our Open Trades

Region	Trade	Levels	Rationale + Publication Date	
EUR	Buy ERM4 and sell EDM4	Open -5bp Current -4bp P&L 1bp Target 5bp Stop -10bp	Attractive entry levels and benefits from ECB policy rate view Euro Rates Strategy, 11 March 2014	
Money Markets	Buy ERM4 at 99.69 Sell EDM4 at 99.74			
UK/US	Buy 30yr gilts vs Treasuries	Open 12.8bp Current 16bp P&L 3bp Target 22bp Stop 8bp	Gilts likely to find support from coupon and redemption money, APF reinvestments and tight supply. UK Rates Strategy, 28 February 2014	
Cross Market	Buy gilt 3.25% Jan44 at 3.47% Sell UST 3.625% Feb44 at 3.6%			
EUR	Buy BNG 2.5% Nov17 vs DSL 2.25% Jan18	Open 10bp Current 9.3bp P&L 0.7bp Target 3bp Stop 14bp	Tactically good entry point for spread compression trade European Rates Weekly, 27 February 2014	
SSA	Buy BNG 2.5% Nov17 at 0.63% Sell DSL 2.25% Jan18 at 0.53%			
EUR	Buy BTPei18 vs BTPei16	Open 66.5bp Current 70.2bp P&L (carry-adj) 8.4bp Target P&L carry-adj 12bp Stop P&L carry-adj -6bp Time Stop 1 April 2014	Long exposure in BTPei real yield with positive carry to 1 April The Morning Call, 25 February 2014	
Inflation	Buy BTPei18 at 1.259% Sell BTPei16 at 0.594%			
EUR	Sell BTPei19 vs BTPei17 and BTPei23	Open -46bp Current -39bp P&L 7bp Target -26bp Stop -56bp	Fade the richness of 5yr BTPei. European Rates Weekly, 20 February 2014	
Inflation	Buy BTPei17 at 1.04% Sell BTPei19 at 1.53% Buy BTPei23 at 2.48%			
EUR	Sell BTPei18 break-even vs OATei18	Open 13.5bp Current 17bp P&L 4bp Target 28bp Stop 6bp	BTPei likely to reverse some of the richness now that Bobel18 and OATei18 auctions are over. European Rates Weekly, 20 February 2014	
Inflation	Sell BTPei18 break-even at 79.5bp Buy OATei18 break-even at 93bp			
EUR	BTP 10s30s steepener	Open 106bp Current 112bp P&L 6bp Target 144bp Stop 90bp	Macro factors, cash flow profile, expect strong demand for new 10yr BTP and +ve carry are supportive for steepeners European Rates Weekly, 20 February 2014	
Curve	Buy BTP Aug23 at 3.49% Buy BTP Sep44 at 4.54%			
EUR	Buy OATei20 and OATei24 vs OATei22	Open 2bp Current 4bp P&L 2bp Target 10bp Stop -2bp	OATei22 looks too rich on the curve; OATei24 likely to perform after auction is out of the way Euro Inflation Strategy, 19 February 2014	
Inflation	Buy OATei20 at 0.10% Sell OATei22 at 0.42% Buy OATei24 at 0.72%			
UK	Buy IL gilt 2017 break-evens	Open 2.71% Current 2.77% P&L 6bp Target 2.85% Stop 2.65%	We believe that RPI-CPI wedge to widen over the medium-term UK Rates Strategy, 18 February 2014	
Inflation	Buy IL gilt 2017 break-evens at 2.71%			
EUR	Buy 30yr Netherlands vs Austria	Open 14bp Current 12.85bp P&L -1.15bp Target 24bp Stop 8bp	Close to historically tight levels. Uncertainty surrounding the Austria banking sector should weigh on Austrian bonds European Rates Weekly, 12 February 2014	
Cross Market	Buy DSL Jan42 at 2.67% Sell RAGB Jun44 at 2.81%			

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

Figure 7. Record of our Open Trades (continued)

UK / US	Receive 15y15y GBP vs USD	Open -63bp Current -69bp	P&L 6bp Target -100bp Stop -40bp	30yr UK to benefit from LDI while 30yr US faces an increasing supply burden	European Rates Weekly, 30 January 2014	
Cross Market	Receive 15y15y GBP at 3.61% Pay 15y15y USD at 4.24%					
UK / US	Sell UKT 2.25% Sep23 vs UST 2.5% Aug23	Open 6.5bp Current 7bp	P&L 1bp Target 30bp Stop -5bp	We expect the MPC to hike three quarters ahead of the Fed	European Rates Weekly, 23 January 2014	
Cross Market	Sell UKT 2.25% Sep23 at 2.82% Buy UST 2.5% Aug23 at 2.77%					
EUR	Buy 5yr Germany vs Swaps	Open -33bp Current -36bp	P&L 3bp Target -50bp Stop -33bp	Attractive entry levels, a reduction in swapped issuance and 5yr bund supply in 2014 & a cheap option to express a change in sentiment	European Rates Weekly, 16 January 2014 Revised Stop: The Morning Call, 5 Feb	
Swap Spreads	Buy Bobl-167 (Oct18) vs swaps (YYS) at -33bp					
EUR	Long Bund Jan37 vs DSL Jan37	Open 12bp Current 12bp	P&L 0bp Target 22bp Stop 7bp	Optically attractive entry level + relative supply pressures are more favourable for Bunds than DSLs	European Rates Weekly, 9 January 2014	
Cross Market	Buy Bund 4% Jan37 at 2.72% Sell DSL 4% Jan37 at 2.84%					
EUR	Long 10yr Spain vs Italy	Open 20bp Current 1bp	P&L 19bp Target -25bp Stop 45bp	Spain has a stable rating and lower political risks compared with Italy	European Rates Weekly 5 Dec 2013	
Cross Market	Buy Bono 4.4% Oct23s at 4.26% Sell BTP 4.5% May23s at 4.06%					
EUR	Sell France vs Belgium and Germany	Open 6bp Current 9bp	P&L 3bp Target 16bp Stop 1bp	Attractive entry level, possible auction concession and non-supportive cash flow profile for OATs into year-end	Euro Rates Strategy, 8 November 2013.	
Cross Market	Sell BTAN 1.75% Feb17 at 0.51% Buy OLO 4% Mar17 at 0.66% Buy Bobl 0.5% Apr17 at 0.30%					
EUR / UK	Sell UKT Sep23 vs DBR Aug23	Open 85bp Current 126bp	P&L 41bp Target 140bp Stop 58bp Revised Stop 85bp	Entry levels are attractive for medium-term gilt-Bund wideners	European Rates Weekly, 24 October 2013. Revised Stop: UK Rates Strategy, 11 November 2013	
Cross Market	Sell UKT 2.25% Sep23 at 2.60% Buy DBR 2% Aug23 at 1.75%					
UK	Sell 30yr gilt swap spreads vs 10yr	Open 20bp Current 24bp	P&L 4bp Target 50bp Stop 10bp	Fiscal risks, supply pressures and the absence of QE to put steepening pressure on the gilt curve.	UK Rates Strategy, 30 July 2013	
Swap spread	Sell gilt 3.25% Jan44 ASW at 20bp Buy gilt 1.75% Sep22 ASW at 0bp					
Europe	Receive EUR 10y2y vs 12y3y	Open 4bp Current 15bp	P&L 11bp Target 25bp Stop -5bp	Cheapness of the sector due to legacy ASW positions. The trade offers a positive roll-down for relatively low volatility	The Morning Call, 23 January 2013	
Curve	Receive EUR 10y2y at 3.1% Pay EUR 12y3y at 3.14%					
UK	Sell GBP 2y2y ATMf straddle	Open 76bp Current 28bp	P&L 48bp Target 0bp Stop 114bp	The fundamental backdrop in the UK supports selling GBP 2y2y vol	ILRS 12 July 2012	
Volatility	Sell GBP 2y2y ATMf (1.04%) straddle at 76bps					

Source: Citi Research

France: Outlook and Risks

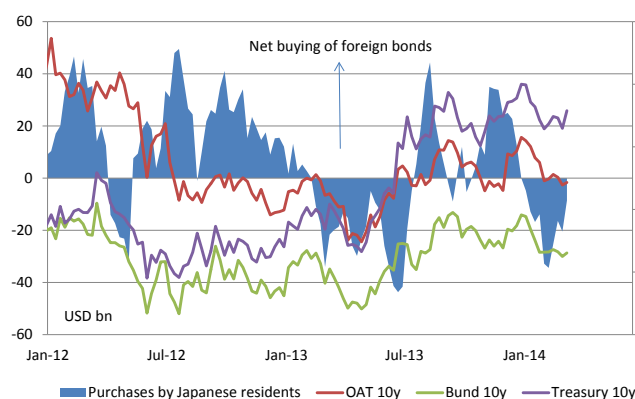
As we are approaching the end of Q1, we re-assess our medium-term view on French government bonds in light of the interplay between international and domestic demand.

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OATs' performance as a function of domestic and international demand

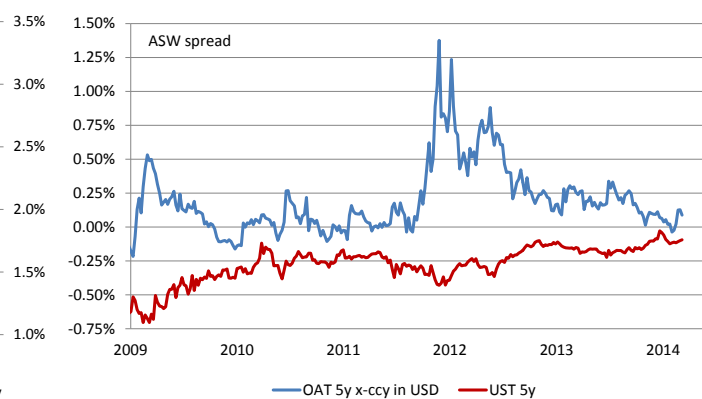
In our most recent [GEOS](#), we continue to forecast a relatively calm year for OATs and expect spreads to Bund to widen marginally towards year end¹. As such most of the projected 2014 performance is likely to result from the average 3.42% coupon implied by Citi's France GBI. Year-to-date, France >1y has returned 2.17%, i.e. a 10bp underperformance vis-à-vis Germany and a 96bp negative excess return vs the aggregate EGBI (+3.12% ytd). Looking ahead, there are two potential drivers of OAT's performance: a) International demand, mainly from Asian central and private banks; b) Domestic demand, mainly from life insurance companies.

Figure 8. Japanese buying of foreign bonds



Source: MOF, Citi Research

Figure 9. OAT's valuation in a global context



Source: Citi Research

BoJ's policy strategy and "bond market competition"

In terms of international demand, we think that the theme of "bond market competition"² still merits some attention. This is especially the case as we near the end of Japanese fiscal year. In early April 2013, Mr Kuroda's QQE-announcement produced a round of unusual volatility in EGB markets as investors wrongly interpreted BoJ's rather clear message. Ultimately, Japanese resident investors sold a total of USD 97bn in foreign bonds and notes during Apr-13 only (Figure 8). This is in complete contrast with markets' initial expectations that BoJ's policy would have forced domestic investors into foreign assets in order to boost returns. Market expectations made little sense from a policy perspective: if BoJ's strategy is to increase inflation and inflation expectations, then this strategy must imply a rotation in domestic portfolios such as to increase domestic real assets (equity and real estate) at the cost of global nominal assets (FX and bonds).

OAT's valuation has changed in international comparison

Valuation within a matrix of international bonds is also a key parameter in the assessment of OAT's 2014 performance. Figure 9 shows how OATs have lost a significant part of their valuation advantage relative to USTs. The compression in OAT ASW spreads – not only a function of significant international flows, but also of a more general compression in EGB ASW spreads resulting from a substantial decline in credit risk premia – as well as the normalization of ASW spreads in other benchmarks (UST, Gilt, Bund), make OATs technically a less profitable investment than in 2012 and 2013. Of course, this argument does not take into consideration other equally important aspects of investor preference as secondary-market liquidity, credit rating and perceived trends in interest rates.

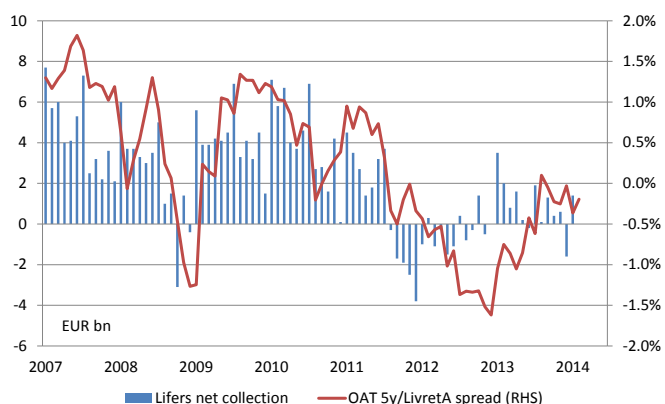
¹ OAT/Bund spreads are forecast at 65bp at the end of 2014 (current level: 58bp).

² "EGBs and Bond Market Competition" (8 Jan-14)

International demand for EGB periphery is picking up...a risk for OATs?

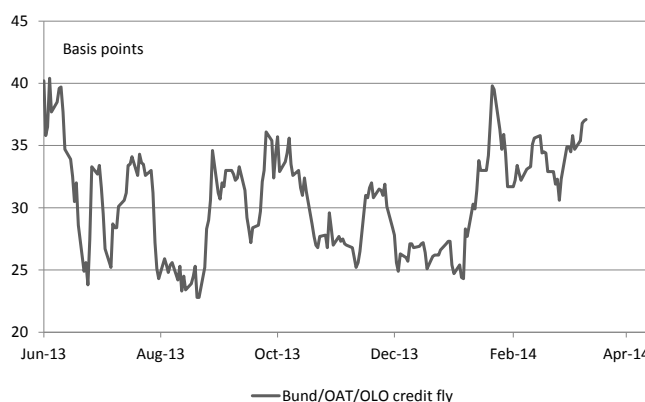
One factor that could shake the international demand equilibrium is EGB periphery. As we know, non-resident holdings of BTPs fell from around 50% in Q1 2011 to 39% on average in Q4 2013 (approximately EUR 125bn of outflows). Within a scenario of continued compression of EGB spreads and receding systemic fears, it is entirely conceivable that global investors slowly come back to peripheral EGB markets, thus partially reversing the late 2011 re-benchmarking process. Assuming a constant currency allocation³, we fear that including BTPs and Bonos back into official reserve portfolios could harm the performance of OATs just like the exclusion of BTPs and Bonos helped French bonds in 2012. The probability of this scenario still appears relatively low though.

Figure 10. New cash between life insurance and LivretA



Source: FFSA, Citi Research

Figure 11. OAT vs OLO and Bunds



Source: Citi Research

Lower French inflation implies higher attractiveness of life insurance contracts

On the domestic front, the competition between life insurance contracts and LivretA accounts remains an important driver of OAT performance. According to BIS data, Japanese banks have reduced their exposure to the French public sector by USD 8bn during the first nine months of 2013 (from USD 97bn to 91bn). Nevertheless, OAT performance was largely unaffected by the absence of this important category of demand, because of the pick-up in Lifers' net collection (EUR 10.6bn in 2013 compared to -4.5bn in 2012, Figure 10). The decline in French domestic inflation pressure (core CPI at +0.7% yoy in February) and the associated improvement in the attractiveness of life insurance contracts, proxied by real-OAT yields, has been a key supportive factor for the nominal OAT market in 2013.

Conclusions & Strategy

OAT/Bund to move sideways in 2014...shorts in OAT 10y vs Belgium and Germany are close to their targets

We continue to think that OAT/Bund spreads will move more or less sideways during the course of 2014 and that the excess performance of France's GBI will largely reflect the current implied coupon. Monthly variations in net supply will also retain their importance of drivers of short-term performance, while France's EUR 54bn in net cash requirement for 2014 might weigh somewhat on the overall performance for the year. We recommend holding to the [short OAT May-23](#) vs Bund May-23 and OLO Jun-23 (entry @31bp), currently around 37bp with a view to take profit at the 40bp top of the range (Figure 11).

³ The currency allocation of official reserves has not changed much during the financial crisis as we can see from [IMF's database](#).

EUR Vol: Vega, Flow Dynamics and Investors' Preferences

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After having dropped to 44bp last November 20y20y implied volatility is currently trading above 47bp which has roughly been the average level since last February. More generally the bottom right corner has been subject to upward pressure year-to-date thereby outperforming medium expiry implied volatilities, in contrast with the same period last year (see Figure 12 and Figure 13).

Figure 12. Implied vol changes YTD

	1	2	3	4	5	6	7	8	9	10	15	20	25	30
1M	2	-7	-11	-11	-8	-8	-7	-7	-6	-5	-5	-5	-4	-5
2M	-1	-8	-10	-12	-11	-10	-10	-9	-9	-9	-8	-8	-8	-8
3M	-6	-8	-10	-12	-13	-13	-12	-12	-11	-10	-9	-9	-9	-8
6M	-8	-11	-12	-13	-13	-13	-12	-12	-12	-11	-10	-9	-9	-9
9M	-9	-12	-14	-14	-12	-11	-11	-11	-10	-9	-9	-9	-9	-9
1Y	-9	-11	-13	-13	-12	-11	-10	-10	-9	-8	-8	-8	-8	-8
18M	-12	-14	-13	-13	-12	-11	-10	-10	-9	-8	-8	-8	-8	-8
2Y	-13	-15	-14	-13	-12	-11	-10	-9	-8	-7	-7	-6	-6	-6
3Y	-14	-15	-14	-13	-11	-10	-9	-8	-7	-7	-6	-6	-6	-5
4Y	-13	-12	-12	-10	-9	-8	-7	-7	-6	-6	-5	-5	-5	-4
5Y	-10	-10	-9	-8	-7	-7	-6	-6	-6	-5	-5	-5	-5	-4
7Y	-7	-7	-7	-6	-6	-5	-5	-5	-4	-4	-4	-4	-4	-3
10Y	-6	-5	-6	-5	-5	-4	-4	-4	-3	-3	-3	-2	-1	-1
15Y	-5	-4	-4	-4	-3	-3	-3	-2	-2	-1	-1	0	0	1
20Y	-3	-3	-3	-2	-2	-2	-1	-1	-1	0	1	1	1	2
25Y	-2	-2	-2	-2	-2	-2	-1	-1	0	0	1	1	1	2
30Y	-2	-2	-2	-2	-2	-1	-1	-1	0	0	1	1	1	2

Source: Citi Research

Figure 13. Implied vol changes (Jan 2013 – Mid March 2013)

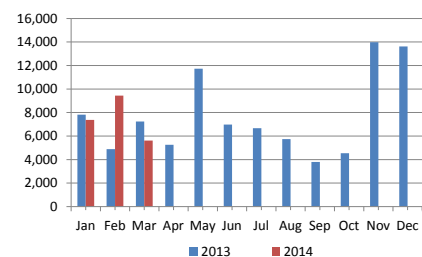
	1	2	3	4	5	6	7	8	9	10	15	20	25	30
1M	-5	1	5	5	5	6	6	7	7	7	7	6	6	6
2M	-6	1	3	2	1	1	1	1	2	2	1	1	1	1
3M	-6	-1	3	0	0	-1	-2	-2	-2	-1	-2	-3	-3	-4
6M	-2	1	3	1	0	-1	-2	-2	-3	-3	-4	-4	-4	-5
9M	1	1	2	1	1	0	-1	-2	-2	-2	-2	-3	-3	-3
1Y	3	2	3	2	0	0	-1	-1	-2	-1	-1	-1	-1	-2
18M	5	4	2	1	0	0	-1	-1	-2	-1	-1	0	0	-1
2Y	5	4	2	1	0	0	-1	-1	-1	-1	0	0	0	-1
3Y	4	2	2	0	0	-1	-1	-1	-1	-1	0	0	0	-1
4Y	3	1	1	0	-1	-1	-1	-1	-1	0	0	0	0	0
5Y	2	0	0	-1	-1	-1	-1	-1	-1	-1	0	0	0	0
7Y	2	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
10Y	1	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
15Y	0	0	0	0	0	0	-1	-1	-1	-1	-1	-1	-1	-1
20Y	0	0	0	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-1
25Y	1	0	0	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-1
30Y	0	0	0	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-1

Source: Citi Research

One explanation for such pattern has been the execution of positively rolling hedges vs. higher rates via long-dated swaption payers.

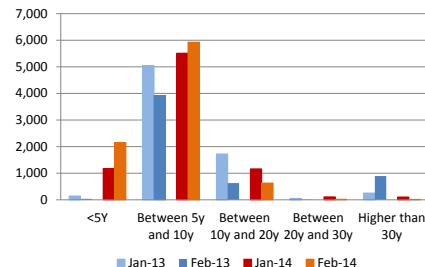
From a MTN flow standpoint, perhaps surprisingly, fixed, step-up and zero coupon callable issuance year-to-date does not appear to be significantly different if compared to the same period last year; if anything, issuance in February has been higher (Figure 14). Note however that a simple comparison in terms of amount issued can be misleading: for example, the region of the volatility surface which is affected by the vega risk embedded in a NC20y 40y note is not the same as that which underlies the vega risk of a NC1y 10y note; with enormous simplification and neglecting Bermudan swaption considerations the “pivot” points would be 20y20y and 1y9y respectively. Whilst we do not show here the combined distribution of the locked-out period and maturity of issued notes, we observe that year-to-date issuance of callables with low maturities has increased vs. last year and that of callables with high maturities has decreased (Figure 15).

Figure 14. Fixed Coupon, Step-Up and ZC callable issuance (EUR mn)



Source: Citi Research/Bloomberg/MTNI

Figure 15. Maturity distribution of callable issuance (EUR mn)

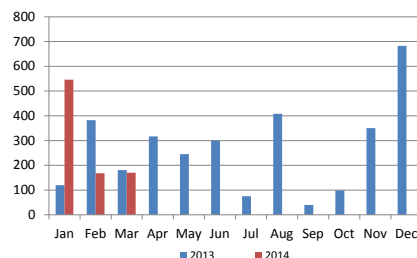


Source: Citi Research/Bloomberg/MTNI

Turning now our attention to CMS linked notes, the amount issued year-to-date is marginally higher than in 2013/Q1 (see Figure 16, and there might be yet additional CMS linked issuance before the end of the current quarter). Whereas traditionally CMS linked issuance has been associated with implied volatility demand, the strikes at which coupons are capped however often generate volatility supply in the market.

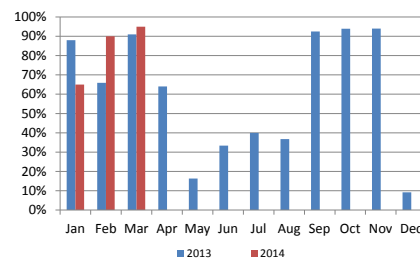
Assume for example the issuance of a 15 year note which pays CMS10Y yearly from the fifth year with a cap at 6%: in the current market environment, despite the long position in the CMS the investor would be moderately net short vega as a result of the cap on the coupon. In Figure 17 we show the proportion of CMS-linked issuance which has featured a cap clause on the coupon: if anything cap provisions have increased.

Figure 16. CMS-linked issuance (EUR mn)



Source: Citi Research/Bloomberg/MTNi

Figure 17. Capped CMS coupon issuance (in terms of total CMS-linked issuance)



Source: Citi Research/Bloomberg/MTNi

As a result of the above the 20y20y/10y10y implied volatility spread has undergone widening pressure (Figure 18).

Figure 18. Evolution of EUR 20y20y /10y10y implied volatility spread



Source: Citi Research

As far as investors' preferences are concerned, it would be reasonable to assume that the quest for yield should continue to support demand for callables. Why is demand not picking up? The following hypotheses fit the facts:

- 1) Main players in the callable market might have the need to diversify their portfolios after having significantly increased their exposure to this product last year.
- 2) Compared to early 2013, investors might deem outright levels of long dated volatility to be too low at present.
- 3) The current risk-on mode implies that a number of investors might now have elected to seek yield enhancement strategies via exposure to vanilla assets such as EUR peripheral bonds or long dated credit which were not in (perhaps had been removed from) the allowed asset allocation space in the recent past.

Gilt issuance in FY2014/15

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The new UK Budget will be announced next Wednesday. For the gilt market the initial focus will be on any changes to the DMO's issuance remit. Our key message is that despite improving fiscal trends, high redemptions in the years ahead will likely mean gross issuance of gilts looks set to remain high, and fall only slowly.

Fiscal trends are improving...

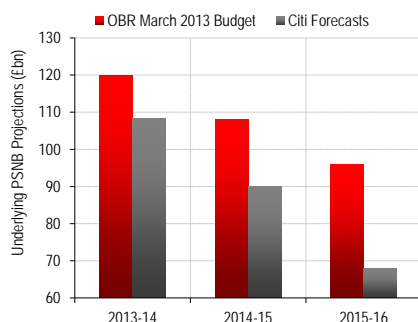
The strengthening recovery and improving fiscal trends point to lower gilt issuance over the coming years. In the last Budget report from March 2013, the OBR forecast for the underlying FY2014/15 Public Sector Net Cash Requirement was £108bn⁴ which compares to the latest Citi estimate of £90bn (*Global Economic Outlook and Strategy*). In terms of the CGNCR – the first building block in forecasting gilt issuance – the latest Autumn Statement from December 2013 indicated this was to be 5.5% of GDP for FY2014/15. In cash terms (and assuming a degree of deficit undershooting), our working assumption for the FY2014/15 CGNCR is £92bn.

...but redemptions remain relatively high

While the financing requirement may well be lower for FY2014/15, it doesn't necessarily follow that gilt issuance will be significantly reduced. There are other factors that clearly influence gross gilt supply from adjustments relating to NS&I contributions, flexibility in Treasury bill sales and one-off factors such as from privatisations and any degree of over funding. In addition, note how the CGNCR in the recent past has been reduced by various one-off factors such as the Royal Mail Pension Plan transfer. These adjustments can be important, but to our minds, it is the redemption profile that is key to understanding why gilt issuance might remain relatively elevated in the face of improving fiscal trends in the years ahead.

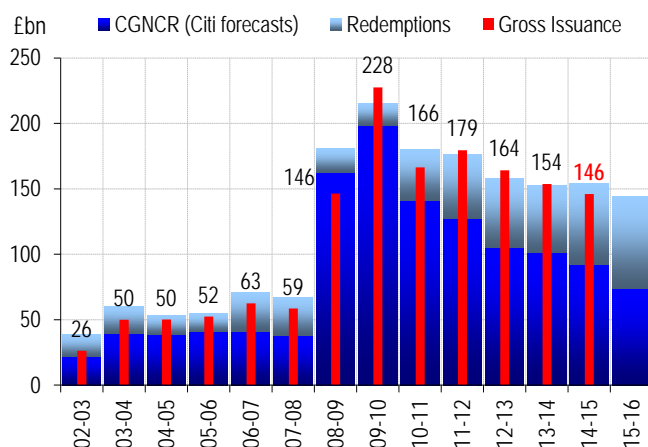
A heavy issuance programme in 'Short' gilts over recent years means that redemptions will also be rising over the next couple of years. For example, at £62bn in FY2014/15, redemptions are £11bn higher than this year and a further £7.5bn higher the year after. This increase in redemptions should slow the likely fall in gross gilt issuance.

Figure 19. PSNB Projections (£bn)



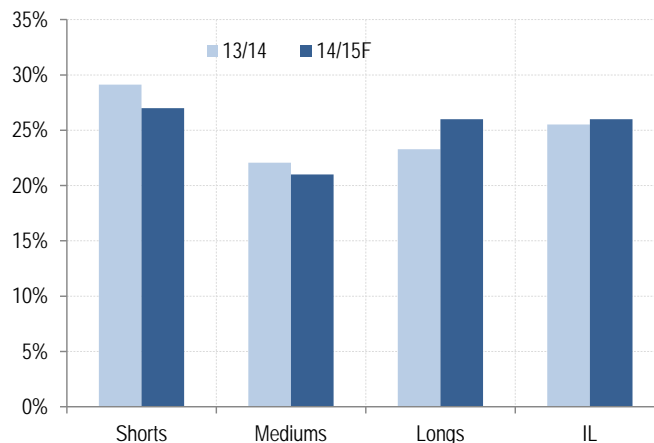
Source: Citi Research, OBR

Figure 20. Higher redemptions may prevent gross issuance from falling



Source: Citi Research, DMO

Figure 21. Maturity split likely to be kept similar to FY2013/14



Source: Citi Research, DMO, OBR

⁴ Excluding APF and Royal Mail adjustments

Gilt issuance in FY2014/15

£146bn forecast for FY2014/15: Figure 20 shows our forecasts for the CGNCR together with the redemption profile. Together, these are the primary drivers of gross issuance. As the chart implies, the fall in gross issuance may only be small over the next couple of years. For FY2014-15, our preliminary forecast for gross gilt supply is £146bn compared with £154bn in the current fiscal year.

Maturity split unlikely to change radically

Maturity split also largely unchanged: We expect a very similar maturity split in FY2014/15 to the current fiscal year, expecting only slightly more issuance in longs and linkers and slightly less issuance in mediums and shorts. Our working assumption is for gilt issuance next year (excluding mini-tenders) is 27% shorts, 21% mediums, 26% longs and 26% linkers (Figure 21).

The market impact of issuance changes may be quite limited

Conclusion - Gilt issuance likely to fall only slowly in the years ahead

We expect £146bn in FY2014/15 gilt supply which is only £8bn less than the current remit. In terms of a driver of the gilt market, the new gilt remit may not therefore provide any fresh impetus for gilts in the near-term. Other factors are likely to dominate. Looking at the years ahead, this is also likely to be true given that we only expect gilt issuance to fall gradually, largely due to the redemption profile.

Tactical RV trade: Buy ERM4 vs EDM4

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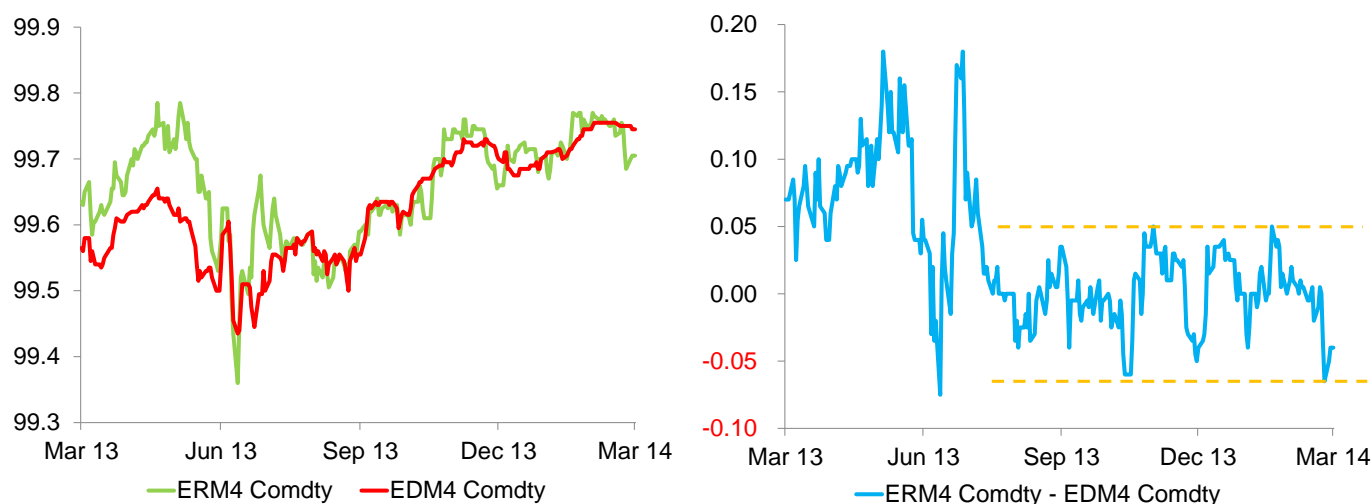
Two reasons why we like this trade

- **Attractive entry levels:** The sell-off in the 'white' and 'red' pack Euribor contracts following last Thursday's ECB meeting has taken the ERM4-EDM4 spread to attractive entry levels. The current spread is in the region of -4c which is not far off the one year low of -7.5c.
- **Policy view:** We would expect the main driver of spread moves going forward to come from the ERM4 leg rather than EDM4. As noted by our [economics](#) team this week, they expect the ECB to cut the refi-rate and deposit rate on 5 June (this meeting will feature an update of the ECB's macroeconomic forecasts which are likely to confirm a very low-medium term inflation trajectory, in their view).
- As for the US leg, Citi does not expect any changes to the Fed funds rate during this period.

Trade details

- Buy ERM4 and sell EDM4
- Current spread = -4c. Open = -5c⁵. Target +5c. Stop -10c

Figure 22. Buying ERM4 vs EDM4 looks optically attractive



Source: Citi Research, Bloomberg

The Sep14 (U4) spread also looks attractive

For those looking to capture a longer time frame we suggest having a look at buying ERU4 vs EDU4 instead. The current spread is also at attractive entry levels and we expect this to also capture a divergence in policy rates.

N.b. Futures trading involves substantial risk of loss

⁵ [Euro Rates Strategy – Tactical RV Trade](#)

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Various EMU sovereigns have had their outlooks revised to stable and two have been upgraded by Moody's so far this year

ICO moved to Baa2 positive on 28th Feb

ICO moved to Baa2 positive on 21st Feb

KfW & RENTEN moved to Aaa stable on 7th March

FMSWER moved to Aaa stable on 28th February

ERSTAA moved to Aa1 stable on 4th March

ASFING now Aaa stable as of 4th March

SSA ratings uplifted by sovereign upgrades

Tracking the impact of Moody's actions on sovereigns

2014 has already been a busy year for rating agencies, and unlike previous years, not because of the number of downgrades. To take stock, Moody's has taken the following actions at the sovereign level which has subsequently had implications for various SSA markets:

- **Ireland** upgraded from Ba1 stable to Baa3 positive on 17th January
- **Italy** outlook revised from Baa2 negative to Baa2 stable on 14th February
- **Spain** upgraded to Baa2 positive from Baa3 stable on 21st February
- **Germany** outlook revised from Aaa negative to Aaa stable on 28th February
- **Austria** outlook revised from Aaa negative to Aaa stable on 28th February
- **Netherlands** outlook revised from Aaa negative to Aaa stable on 7th March

Tracking the impact on SSAs, such moves have generally seen similar actions on the agency sector, especially for those entities which benefit from an explicit guarantee. We expect Moody's actions to be generally supportive for the credit quality of supranationals, but this is less straight forward to discern in terms of a direct implication for a given supranational rating specifically.

Spanish agencies

- **ICO – Baa2 positive:** ICO's rating is based on Spain's ownership as well as the explicit, irrevocable, direct and unconditional guarantee by Spain for ICO's liabilities. ICO's rating was changed from Baa3 stable to Baa2 positive on 28th February following the similar move by Moody's on the Spanish sovereign.
- **FROB – Baa2 positive:** FROB's bond issues are irrevocably and unconditionally guaranteed by Spain. FROB was upgraded by Moody's on 21st February.

German agencies

- **KfW and RENTEN – Aaa stable:** Given that Germany provides explicit and unconditional guarantees to the liabilities of both KfW and RENTEN, Moody's revised its outlook from negative to stable on 7th March following a similar action on the sovereign.
- **FMSWER – Aaa stable:** FMSWER had its rating outlook revised to Aaa stable on 28th February in line with Germany given the loss compensation mechanism from SoFFin and the explicit guarantee that is now in place by SoFFin.
- **ERSTAA – Aa1 stable:** Moody's revised the outlook on ERSTAA from Aa1 negative to Aa1 stable on 4th March following a similar action on the Land of Nordrhein-Westfalen. This is based on ERSTAA's ownership structure and the strong credit & legal linkages it has with the Land and its guarantors.

Austrian agencies

- **ASFING – Aaa stable:** Moody's revised the outlook on ASFING to Aaa stable on 4th March given the explicit, direct, unconditional and irrevocable guarantee from Austria and Moody's recent action to change Austria's rating outlook to Aaa stable on 28th February.

OBND now Aaa stable as of 4th March

- **OBND – Aaa stable:** Moody's revised the outlook on OBND to Aaa stable on 4th March following the similar move Moody's made to Austria's rating. OBND's rating by Moody's is related to the fact that Austria is the 100% indirect owner of this agency and has strong connections with the agency's mandate and provides guarantees.

Dutch agencies

Dutch agencies moved to Aaa stable on 11th March

- **NEDWBK – Aaa stable:** Together with other Dutch agencies, Moody's revised the outlook on NEDWBK to Aaa stable on the 11th March. This is based on the strong connection (fiscal, macroeconomic and institutional) to the Dutch state and the similar action by Moody's on the Netherlands' rating on 7th March.

Impact on supranationals is less straight forward

Factors contributing to the overall credit quality of supras can be more complex

Supranational ratings in a sense are more complex given the potential heterogeneity of credit quality amid the underlying guarantors. Supra ratings are not necessarily a linear function of the average credit quality of the guarantors. What tends to be of importance is the number of high quality guarantors, the legal underpinnings of the type of guarantee, the nature of the supra's mandate, any presence of paid-in capital, liquidity considerations and the track record and credit history. For one, EIB is rated Aaa by Moody's on such grounds (and is the only supra to have access to ECB liquidity as a further credit support), whereas other supras such as the EFSF and ESM are more connected to the underlying credit quality of the guarantors (and are both rated Aa1 by Moody's).

Moody's on the EU

A key piece of data will come this Friday when the EU features on Moody's calendar. In their latest Analysis publication (August 2013), Moody's cited various factors that contribute to its Aaa negative rating of the EU (and note S&P, in contrast, rate the EU AA+ having downgraded the sovereign in December last year). One key factor was that *"it is reasonable to assume that the EU's creditworthiness should move in line with the creditworthiness of its strongest key Member States....The EU's rating is particularly sensitive to changes in the ratings of the four countries rates Aaa or Aa1 that make large contributions to the EU budget, i.e., Germany, France, the UK and the Netherlands"*. With this in mind, we see a good chance the EU will be moved to Aaa stable on Friday but we do note the risk to this scenario given that Moody's still rates France Aa1 negative.

Conclusions – strength of sovereign relationship is key

SSA sector stands to benefit from the positive rating news seen from the rating agencies

There is now ample evidence that the tide has certainly turned in terms of the overall tone regarding EMU sovereign ratings. Following several years of downgrades and negative outlooks, the euro area has already seen two upgrades in the first quarter of 2014 (Ireland to Baa3 and Spain to Baa2). Furthermore, as detailed above, many sovereigns have had their outlooks revised from negative to stable and we think this general trend will probably continue and reflect the macro improvements to the euro area, stabilising fiscal trends and reduced system risks. With this in mind, the SSA sector stands to benefit given its often strong links to the underlying sovereign guarantors.

Covered Bond Strategy

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It is a time of unrest within the covered bond space as programs face several rating actions from all agencies. The positive is that many of the rating changes (should) result in upgrades or positive outlooks.

Covered bond ratings in the agencies' sights

During the last week, Fitch and S&P published notes which will eventually affect covered bond ratings in the future. Moreover, Moody's today announced the results of the change in its methodology. We summarize the main findings.

Moody's

27 positive rating actions...

After the RFC in September, the waiting for the rating amendments has finally come to an end and the change led to the upgrade of 15 covered bond programs. The change in methodology was seen as necessary due to the upcoming introduction of the BRRD (Bank Recovery and Resolution Regime). Moreover, nine ratings were put on review for upgrade while three ratings were confirmed which were previously on review for downgrade. As expected in October already, some Tier-2 Italian and Spanish names were able to profit from this change. However, many of the upgraded programs are found in the core segments. The table below is a selection of the covered bond programs whose ratings were affected.

Figure 23. Moody's rating actions following the methodology changes

COVERED BOND PROGRAMME	Current Rating		Old Rating	
	CB Rating	Review	CB Rating	Review
Banca Popolare di Milano	Baa1	No	Baa2	RUR DNG
Banco Popolare	A3	No	Baa1	No
Bankinter	A1	No	A2	No
Bankoa	A1	No	A2	No
DnB NOR Naeringskreditt	Aaa	No	Aa1	No
Fana Sparebank Boligkreditt	Aaa	No	Aa1	No
FHB Mortgage Bank	Ba2	No	Ba3	No
NordLB (Aircraft)	A1	No	A2	No
OTP Jelzalogbank	Baa2	No	Baa3	No
Raiffeisenbank (m)	A2	No	A3	No
SpareBank 1 Naeringskreditt	Aa1	No	Aa2	No
UniCredit Bank Austria (m)	Aaa	No	Aa1	No
UniCredit Bank Czech Republic & Slovakia	A2	No	A3	No

COVERED BOND PROGRAMME	Current Rating		Old Rating	
	CB Rating	Review	CB Rating	Review
Caixa Economica Montepio Geral	Ba1	No	Ba1	RUR DNG
Commerzbank AG (m)	Aa1	RUR UPG	Aa1	No
Commerzbank AG (ps)	Aa1	RUR UPG	Aa1	No
Deutsche Hypothekenbank AG (m)	Aa2	RUR UPG	Aa2	No
Deutsche Hypothekenbank AG (ps)	Aa2	RUR UPG	Aa2	No
Hypothekenbank Frankfurt AG (m)	Aa3	RUR UPG	Aa3	No
Hypothekenbank Frankfurt AG (ps)	Aa3	RUR UPG	Aa3	No
SEB AG (m)	Aa2	RUR UPG	Aa2	No
SEB AG (ps)	Aa1	RUR UPG	Aa1	No

Source: Moody's, Citi Research; m=mortgage, c=commercial, ps=public sector

...while many banks can potentially reduce surplus OC to maintain the current rating

Expect Moody's to act on Spanish multi-cédulas soon

BRRD will affect Fitch covered bond ratings positively as well

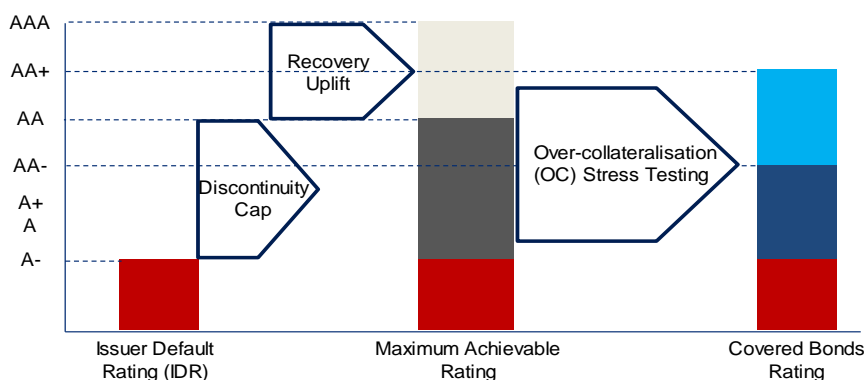
Apart from that, the change in the anchor rating makes 58 covered bond programs to benefit from a higher anchor than the senior/deposit rating which eventually leads to lower minimum collateral needs to hold the current rating. The main reason why these programs haven't been upgraded was due to the fact that they already were rated Aaa or bound by the sovereign ceiling. More on that can be found here: [European Rates Weekly](#) as of 26.09.2013 (p.22).

As a main uncertainty within Moody's covered bond rating methodology has now been resolved, we expect that the rating agency will act on the Spanish multi-cédula segment within the next few days. Both Spanish issuers that were upgraded today don't play a role within the multi-structure segment. For more details of latest rating actions on Spanish single-cédula programs and our expectation on multi-cédula rating actions, please see our [Euro SSA and Covered Bond Monthly](#) as of 04.03.2014 (p.36). We don't think that today's rating actions will have a substantial impact on spreads, and maintain our preference for Italian Tier-2 names.

Fitch

Fitch should go a similar way. They also see the necessity to amend their rating methodology due to the introduction of BRRD. Covered bonds will most probably be exempt of any potential bail-in procedures while senior unsecured bonds are potential bail-inable debt. This eventually leads to the understandable overhaul of the link between the covered bond rating and the anchor point, the Issuer Default Rating (IDR). For more details on their RFC, please see the [European Rates Weekly](#) as of 16.01.2014. The following graphs summarise the amendment in a nutshell. Compared to the RFC published in January, the threshold of senior unsecured debt which has to be available to have a covered bond program qualifying for a potential uplift has been decreased from 10% to 5% of the balance sheet.

Figure 24. The old methodology in a nutshell

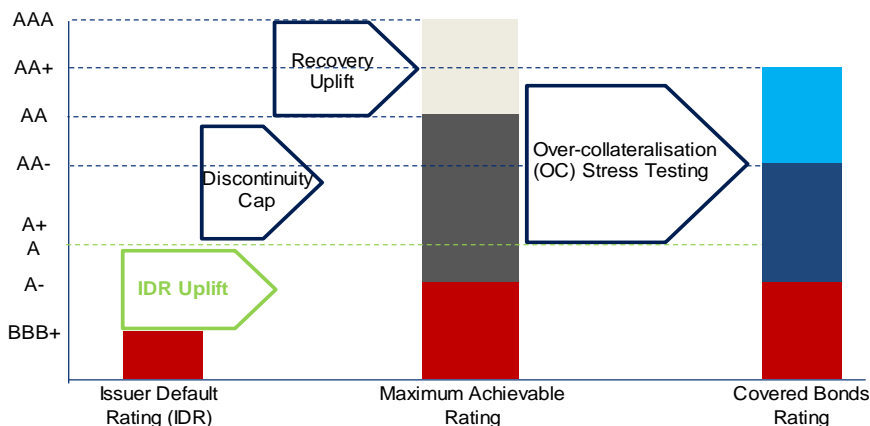


Source: Fitch, Citi Research

Some lack of clarity for a few issuers

Moreover, it is important to note that Fitch currently still sees the potential risk that covered bonds can be bailed in under certain circumstances. For covered bonds issued by non-deposit taking specialized mortgage credit institutions the BRRD text implies that potential losses on these covered bonds cannot be ruled out in case of a resolution. This would affect some Danish covered bonds. Hence, Fitch does not grant any uplift for these programs. For some covered bond programs which use an SPV structure, Fitch also doesn't grant uplift as the agency sees a lack of clarity if such covered bonds are exempt from bail-ins in case of a resolution. This does not affect covered bonds issued under European law but those issued by banks from Switzerland and New Zealand. However, further clarity on this matter is expected.

Figure 25. The new methodology in a nutshell



Source: Fitch, Citi Research

However, many covered bonds affected are already at AAA

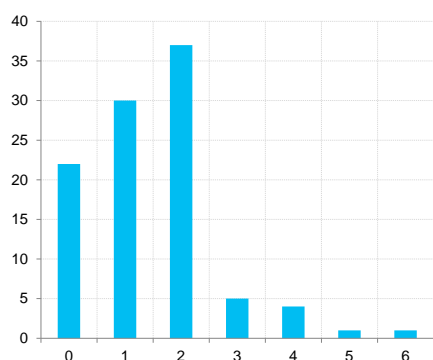
The reason why we haven't seen any rating actions so far is the fact that Fitch wants to wait until BRRD is finally passed by the European Parliament. Until then, the outlook on the programs affected will be changed to positive. All in all, basically 92 programs may benefit from an uplift of the anchor point whereas 30% can be granted a one-notch uplift and 42% a two-notch uplift while the other 28% do not fulfill the requirements to get an uplift. Moreover, the agency notes that many of the programs qualifying for an uplift are capped as they are rated AAA. Hence, there is a good chance that covered bonds from Spain (one of the countries where covered bonds play an important role) which are currently not capped by the sovereign ceiling get an upgrade as well as systemically important banks ([link](#) to the methodology).

S&P

The question of future state support for banks also concerns S&P. Until the end of April, S&P will review the ratings of European banks. The main reason for this is the change in regulations leading to resolution regimes trying to avoid government support (i.e. bail-out). And as a decision on the final set-up of the BRRD is coming closer, a review of support assumptions is deemed to be necessary. However, S&P already states it is most probable that "any resulting rating actions would likely consist mainly of outlook revisions if we were to believe that the level of support a government would provide to banks were to change significantly."⁶ The same actions were implemented on US banks in the middle of last year.

With respect to covered bonds, we think that it is quite surprising that S&P acknowledges the introduction and implication of BRRD. So far, however, the agency does not see the necessity to rethink their covered bond rating methodology with regards to the resolution regime. In their 2014 Outlook, the agency notes that the regulatory evolution will be a main driver for covered bond ratings in 2014. We understand S&P wants to wait until BRRD is finally approved and the bill is passed by the European parliament. Then, a reconsideration of the covered bond rating methodology might be on the cards. However, we note that the S&P rating criteria is currently under review as the agency thinks about introducing a sovereign cap for covered bonds. The possible implications for covered bond ratings have already been discussed in our [Euro SSA and Covered Bond Monthly](#) as of 01.11.2013.

Figure 26. Distribution of additional rating notches from government support for top 100 banks globally, Number of banks



Source: S&P, Citi Research

⁶ S&P: "Standard & Poor's To Review Government Support In European Bank Ratings", 04.03.2014

Technical update: Bunds and gilts

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Bunds in an upward channel

The recent rally seems to have taken out the key resistance at 142.8. This has also prevented the break of an upward channel on the daily chart (Figure 27). Various technical indicators like RSI and stochastic slow are bullish now. If this break is sustained at the weekly close, this move could take Bunds to the channel upper, currently at 143.69.

Over a longer horizon on the weekly chart, however, this latest rally has seen Bunds move from the bottom of the channel to its top (Figure 28). If Bunds do not manage to break the 143.3 level sustainably, we might see Bunds retracing the rally back to 134.4.

Figure 27. 10yr continuous daily Bund futures with Fibonacci levels and slow stochastic (upward channel marked)



RX1 Comdty (Generic 1st 'RX' Future) Candle Chart

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13-Mar-2014 21:16:29

Source: Bloomberg

Figure 28. Weekly range (roll-adjusted)



Source: Bloomberg

Resistances

2. Channel upper (currently at 143.69, ascending at 6c/day)
3. 144.4 (23.6% Fibonacci extension)

Supports

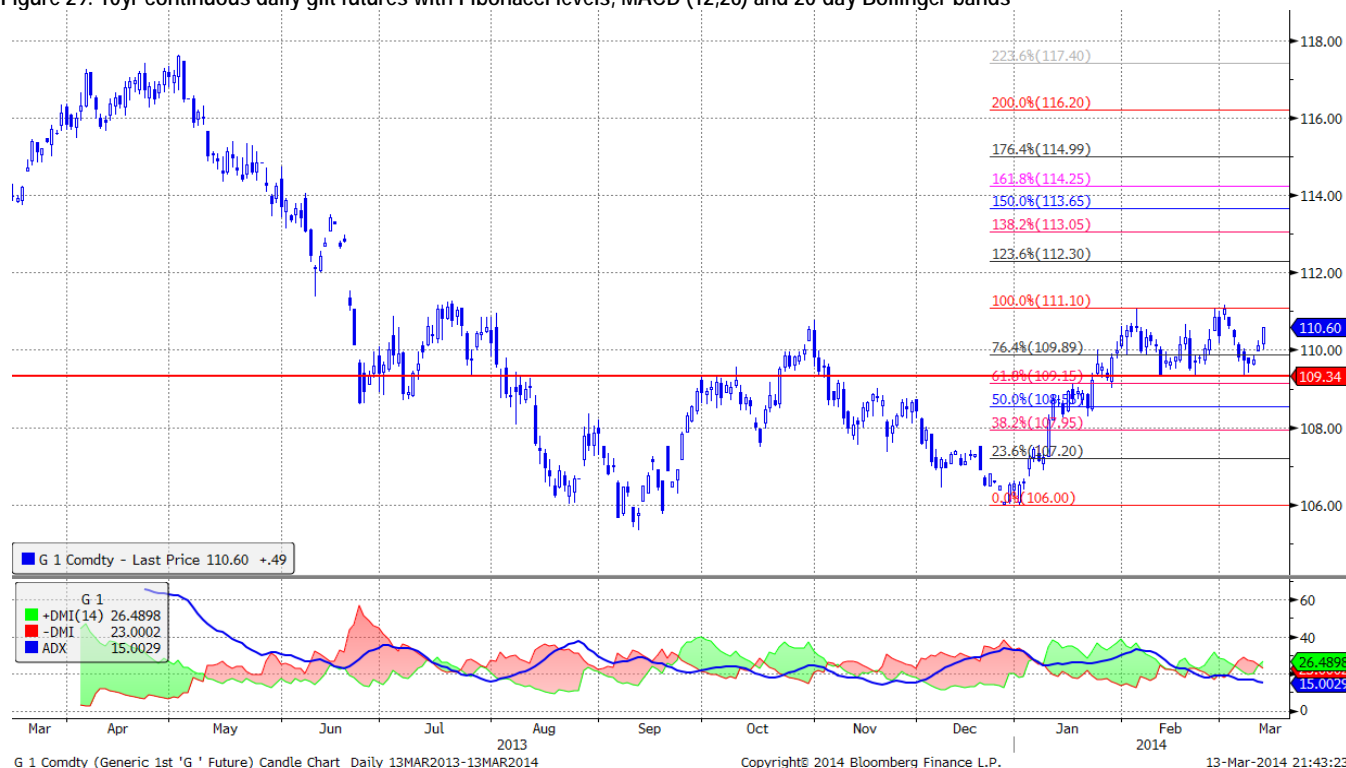
1. Channel lower (currently at 142.05, ascending at 6c/day)
2. 140.8.

Gilts – short-term target 111.1, bearish long-term

Gilts have established a trading range of 109.3-111.1 on a daily chart (Figure 29). As discussed last week ([European Rates Weekly](#)), 109.3 is a key support and these two levels are likely to contain gilts in the short-term. Furthermore, +DMI has just crossed over –DMI giving a buy signal with a target of 111.1. However, a break out from the range would give a measuring target of 1.8 points in the same direction.

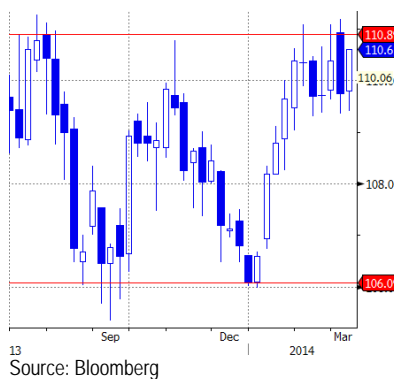
However, for a longer-term analysis, we look at the weekly chart wherein gilts failed to break through 110.9 last week and are now firmly at the top of the 106.1-110.9 range (Figure 30). Therefore, the ultimate target of a downward break of the short-term range (at 109.3) would be the 106.1 level.

Figure 29. 10yr continuous daily gilt futures with Fibonacci levels, MACD (12,26) and 20-day Bollinger bands



Source: Bloomberg

Figure 30. Weekly range (roll-adjusted)



Source: Bloomberg

Supports

3. 109.3
4. 107.9 (strong support and 61.8% Fibonacci retracement of the latest rally)
5. 106.1 (bottom of the long-term trading range and also the lowest level in a year, on a roll-adjusted basis)

Resistances

6. 112.3 (23.6% Fibonacci extension)
7. 113 (38.2% Fibonacci extension).

Relative value trades

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We highlight a number of relative value opportunities in the 2-5yr sector of the Austrian, Belgian and Spanish yield curves.

Austria: fade the richness of Jul20s

Sell Jul20s vs surrounding issues

■ Sell 3.9% Jul20 vs 4.35% Mar19 and 3.65% Apr22 (3m carry: 0.4bp) - Figure 31.

Belgium: fade the richness of Sep16s

Sell Sep16s vs surrounding issues

■ Sell 3.25% Sep16 vs 2.75% Mar16 and 4% Mar17 (3m carry: 0.5bp) - Figure 32.

Figure 31. Austria: 4.35% Mar19, 3.9% Jul20, 3.65% Apr22 microfly (bp)



Source: Citi Research

Figure 32. Belgium: 2.75% Mar16, 3.25% Sep16, 4% Mar17 microfly (bp)



Source: Citi Research

Spain: fade the richness of Jul19s or cheapness of Oct20s

Sell Jul19s vs surrounding issues

■ Sell 4.6% Jul19 vs 3.75% Oct18 and 4.85% Oct20 (3m carry: 0bp) - Figure 33.

Buy Oct20s vs surrounding issues

■ Buy 4.85% Oct20 vs 4.6% Jul19 and 5.85% Jan22 (3m carry: 1.2bp) - Figure 34.

Figure 33. Spain: 3.75% Oct18, 4.6% Jul19, 4.85% Oct20 microfly (bp)



Source: Citi Research

Figure 34. Spain: 4.6% Jul19, 4.85% Oct20, 5.85% Jan22 microfly (bp)



Source: Citi Research

Relative value tables

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

For example, Figure 35 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 35. Yield Spread and CAS to Fitted Relative Value Curve (6m History)

GERMANY

Versus Govt Curve (CAS)						Versus Swap Curve (CAS)						
	Rank		ZScore	Issued	Size (€bn)		Rank		ZScore	Issued	Size (€bn)	
<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>	Richest <td>1</td> <td>2.50 Jul44</td> <td>-3.29</td> <td>Apr12</td> <td>16</td> <td rowspan="5">Richest</td> <td>1</td> <td>2.50 Aug46 (30y)</td> <td>-1.34</td> <td>Feb14</td> <td>3</td>	1	2.50 Jul44	-3.29	Apr12	16	Richest	1	2.50 Aug46 (30y)	-1.34	Feb14	3
		2	0.75 Feb17	-2.28	Jan12	16		2	2.50 Jul44	-0.88	Apr12	16
		3	0.50 Feb18	-2.03	Jan13	17		3	4.75 Jul40	-0.56	Jul08	16
		4	3.75 Jan19 (OE)	-1.96	Nov08	24		4	4.25 Jul39 (UB)	-0.52	Jan07	14
		5	4.25 Jul18	-1.95	May08	21		5	3.25 Jul42	-0.47	Jul10	15
	Cheapest	5	5.50 Jan31	2.57	Oct00	17	5	1.25 Oct16	0.75	Sep11	16	
		4	4.75 Jul40	3.18	Jul08	16	4	1.00 Feb19 (5y)	0.82	Jan14	13	
		3	4.75 Jul34	3.22	Jan03	20	3	4.00 Jul16	0.87	May06	23	
		2	4.25 Jul39 (UB)	3.28	Jan07	14	2	2.75 Apr16	1.24	Apr11	18	
		1	4.00 Jan37	3.37	Jan05	23	1	0.25 Mar16 (2y-DU)	1.85	Feb14	9	

Source: Citi Research

Figure 36 (overleaf) looks at bonds of all maturities. For investors with maturity restrictions we have also provided another set of summary tables (Figure 37 and Figure 38) which looks at bonds shorter than 12 years and longer than 8 years, and uses the same criteria as Figure 36 to highlight the richest and cheapest bonds in these narrower maturity spectrums.

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

EMU relative value table – all maturities

Figure 36. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History); All bonds on each curve

		Versus Govt Curve (CAS)					Versus Swap Curve (CAS)				
		Rank		ZScore	Issued	Size (€bn)	Rank		ZScore	Issued	Size (€bn)
GERMANY	Richest	1	2.50 Jul44	-3.29	Apr12	16	1	2.50 Aug46 (30y)	-1.34	Feb14	3
		2	0.75 Feb17	-2.28	Jan12	16	2	2.50 Jul44	-0.88	Apr12	16
		3	0.50 Feb18	-2.03	Jan13	17	3	4.75 Jul40	-0.56	Jul08	16
		4	3.75 Jan19 (OE)	-1.96	Nov08	24	4	4.25 Jul39 (UB)	-0.52	Jan07	14
		5	4.25 Jul18	-1.95	May08	21	5	3.25 Jul42	-0.47	Jul10	15
	Cheapest	5	5.50 Jan31	2.57	Oct00	17	5	1.25 Oct16	0.75	Sep11	16
		4	4.75 Jul40	3.18	Jul08	16	4	1.00 Feb19 (5y)	0.82	Jan14	13
		3	4.75 Jul34	3.22	Jan03	20	3	4.00 Jul16	0.87	May06	23
		2	4.25 Jul39 (UB)	3.28	Jan07	14	2	2.75 Apr16	1.24	Apr11	18
		1	4.00 Jan37	3.37	Jan05	23	1	0.25 Mar16 (2y-DU)	1.85	Feb14	9
FRANCE	Richest	1	4.25 Oct17	-1.87	Oct06	30	1	1.75 Feb17	-1.16	Feb11	20
		2	4.25 Oct23 (OAT)	-1.62	Oct06	33	2	3.75 Apr17	-1.09	Apr06	35
		3	3.75 Apr17	-1.44	Apr06	35	3	4.25 Oct23 (OAT)	-0.84	Oct06	33
		4	1.00 May19 (5y)	-1.39	Jan14	9	4	1.00 Jul17	-0.76	Jul11	18
		5	2.25 May24 (10y)	-1.30	Nov13	18	5	4.25 Oct17	-0.74	Oct06	30
	Cheapest	5	3.25 Apr16 (2y)	1.38	Apr05	35	5	3.50 Apr20	0.75	Feb10	36
		4	3.25 Oct21	1.63	Oct10	36	4	3.50 Apr26	0.83	Apr10	30
		3	3.75 Apr21	1.64	Apr05	34	3	3.25 Oct21	0.88	Oct10	36
		2	5.75 Oct32	1.94	Oct00	26	2	3.75 Apr21	0.96	Apr05	34
		1	3.50 Apr26	2.26	Apr10	30	1	2.50 Oct20	0.98	Oct09	35
ITALY	Richest	1	5.75 Feb33	-2.51	Feb02	15	1	5.00 Aug34	-1.99	Aug03	21
		2	4.75 May17	-2.15	Feb12	14	2	4.00 Feb37	-1.93	Aug05	25
		3	5.00 Aug34	-1.95	Aug03	21	3	5.75 Feb33	-1.90	Feb02	15
		4	4.75 Jun17	-1.71	Jun12	15	4	3.75 May21	-1.89	Oct13	11
		5	4.50 Feb20	-1.37	Feb04	23	5	5.00 Aug39	-1.86	Aug07	19
	Cheapest	5	4.75 Aug23	1.64	Feb08	25	5	3.50 Jun18	-1.60	Apr13	20
		4	4.00 Sep20	1.69	Mar10	25	4	4.50 Aug18	-1.56	Feb08	25
		3	3.50 Jun18	1.90	Apr13	20	3	1.50 Dec16	-1.50	Jan14	9
		2	4.50 Aug18	2.21	Feb08	25	2	2.50 May19	-1.10	Feb14	8
		1	4.50 Mar26	2.28	Sep10	21	1	3.75 Sep24	-0.20	Mar14	4
N'LANDS	Richest	1	4.50 Jul17	-1.70	Jul07	15	1	3.75 Jan42	-1.44	May10	14
		2	3.75 Jan42	-1.33	May10	14	2	4.00 Jan37	-1.16	Apr05	14
		3	1.25 Jan18	-0.93	Jul12	15	3	2.75 Jan47 (30y)	-1.11	Feb14	4
		4	2.50 Jan17	-0.87	Jun11	16	4	4.50 Jul17	-0.88	Jul07	15
		5	1.75 Jul23 (10y)	-0.79	Mar13	16	5	2.50 Jan17	-0.78	Jun11	16
	Cheapest	5	1.25 Jan19 (5y)	0.89	Jun13	10	5	1.25 Jan19 (5y)	0.21	Jun13	10
		4	4.00 Jan37	1.06	Apr05	14	4	2.25 Jul22	0.34	Feb12	15
		3	2.50 Jan33	1.14	Mar12	10	3	4.00 Jul19	0.41	Feb09	14
		2	2.25 Jul22	1.22	Feb12	15	2	3.50 Jul20	0.51	Feb10	15
		1	3.25 Jul21	1.49	Mar11	16	1	3.25 Jul21	0.53	Mar11	16
SPAIN	Richest	1	4.90 Jul40	-2.42	Jun07	13	1	3.25 Apr16	-2.10	Nov10	21
		2	4.25 Oct16	-1.57	Sep11	21	2	4.90 Jul40	-2.07	Jun07	13
		3	4.00 Apr20	-1.50	Jan10	20	3	3.30 Jul16	-2.06	Apr13	17
		4	3.80 Apr24 (10y)	-1.33	Jan14	13	4	4.20 Jan37	-2.06	Jan05	16
		5	4.20 Jan37	-1.29	Jan05	16	5	4.70 Jul41 (30y)	-2.04	Sep09	12
	Cheapest	5	5.50 Jul17	1.40	Mar02	20	5	3.75 Oct18	-1.72	Jul13	19
		4	4.10 Jul18	1.43	Feb08	19	4	4.30 Oct19	-1.70	Jun09	21
		3	4.50 Jan18	1.51	Nov12	19	3	2.75 Apr19 (5y)	-1.69	Jan14	9
		2	5.40 Jan23	1.66	Jan13	17	2	2.10 Apr17	-1.53	Nov13	13
		1	4.40 Oct23	1.95	May13	18	1	3.80 Apr24 (10y)	-1.38	Jan14	13
BELGIUM	Richest	1	4.25 Mar41	-5.90	Apr10	14	1	3.00 Sep19	-1.62	Apr12	9
		2	4.00 Mar32	-4.89	Mar12	8	2	4.00 Mar17	-1.59	Jan07	11
		3	4.00 Mar17	-2.98	Jan07	11	3	5.50 Sep17	-1.54	Jun02	8
		4	3.25 Sep16	-2.82	Jan06	13	4	3.25 Sep16	-1.49	Jan06	13
		5	4.00 Mar22	-2.72	May06	14	5	4.00 Mar18	-1.48	Jan08	12
	Cheapest	5	3.75 Sep20	0.67	Jan10	18	5	4.00 Mar32	-0.76	Mar12	8
		4	5.00 Mar35	0.70	May04	18	4	4.25 Mar41	-0.74	Apr10	14
		3	4.00 Mar18	0.90	Jan08	12	3	2.60 Jun24 (10y)	-0.68	Jan14	6
		2	1.25 Jun18	1.95	Feb13	12	2	5.00 Mar35	-0.64	May04	18
		1	4.50 Mar26	2.75	Jun11	8	1	3.00 Jun34		Mar14	5

Source: Citi Research

EMU relative value table – max 12yr maturity

Figure 37. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History); Bonds with a Maximum Maturity of 12yrs

		Versus Govt Curve (CAS)					Versus Swap Curve (CAS)				
		Rank		ZScore	Issued	Size (€bn)	Rank		ZScore	Issued	Size (€bn)
GERMANY	Richest	1	0.75 Feb17	-2.28	Jan12	16	1	1.75 Feb24 (10y)	0.02	Jan14	10
		2	0.50 Feb18	-2.03	Jan13	17	2	2.00 Aug23	0.07	Sep13	18
		3	3.75 Jan19 (OE)	-1.96	Nov08	24	3	1.50 May23	0.15	May13	18
		4	4.25 Jul18	-1.95	May08	21	4	4.00 Jan18	0.21	Nov07	20
		5	1.50 May23	-1.78	May13	18	5	4.25 Jul18	0.28	May08	21
	Cheapest	5	0.25 Mar16 (2y-DU)	1.12	Feb14	9	5	1.25 Oct16	0.75	Sep11	16
		4	3.25 Jul21	1.24	Apr11	19	4	1.00 Feb19 (5y)	0.82	Jan14	13
		3	1.50 Sep22	1.28	Sep12	18	3	4.00 Jul16	0.87	May06	23
		2	2.25 Sep21	1.47	Aug11	16	2	2.75 Apr16	1.24	Apr11	18
		1	2.75 Apr16	2.18	Apr11	18	1	0.25 Mar16 (2y-DU)	1.85	Feb14	9
FRANCE	Richest	1	4.25 Oct17	-1.87	Oct06	30	1	1.75 Feb17	-1.16	Feb11	20
		2	4.25 Oct23 (OAT)	-1.62	Oct06	33	2	3.75 Apr17	-1.09	Apr06	35
		3	3.75 Apr17	-1.44	Apr06	35	3	4.25 Oct23 (OAT)	-0.84	Oct06	33
		4	1.00 May19 (5y)	-1.39	Jan14	9	4	1.00 Jul17	-0.76	Jul11	18
		5	2.25 May24 (10y)	-1.30	Nov13	18	5	4.25 Oct17	-0.74	Oct06	30
	Cheapest	5	2.50 Jul16	0.66	Jul10	29	5	3.00 Apr22	0.72	Feb12	33
		4	2.50 Oct20	1.22	Oct09	35	4	3.50 Apr20	0.75	Feb10	36
		3	3.25 Apr16 (2y)	1.38	Apr05	35	3	3.25 Oct21	0.88	Oct10	36
		2	3.25 Oct21	1.63	Oct10	36	2	3.75 Apr21	0.96	Apr05	34
		1	3.75 Apr21	1.64	Apr05	34	1	2.50 Oct20	0.98	Oct09	35
ITALY	Richest	1	4.75 May17	-2.15	Feb12	14	1	3.75 May21	-1.89	Oct13	11
		2	4.75 Jun17	-1.71	Jun12	15	2	5.00 Mar25	-1.84	Mar09	22
		3	4.50 Feb20	-1.37	Feb04	23	3	4.50 Mar24 (10y)	-1.81	Aug13	23
		4	4.50 Mar19	-1.26	Sep08	24	4	4.50 May23 (1K)	-1.81	Mar13	18
		5	3.75 Apr16	-0.88	Apr11	16	5	3.75 Mar21	-1.80	Sep10	24
	Cheapest	5	4.75 Aug23	1.64	Feb08	25	5	3.50 Jun18	-1.60	Apr13	20
		4	4.00 Sep20	1.69	Mar10	25	4	4.50 Aug18	-1.56	Feb08	25
		3	3.50 Jun18	1.90	Apr13	20	3	1.50 Dec16	-1.50	Jan14	9
		2	4.50 Aug18	2.21	Feb08	25	2	2.50 May19	-1.10	Feb14	8
		1	4.50 Mar26	2.28	Sep10	21	1	3.75 Sep24	-0.20	Mar14	4
N'LANDS	Richest	1	4.50 Jul17	-1.70	Jul07	15	1	4.50 Jul17	-0.88	Jul07	15
		2	1.25 Jan18	-0.93	Jul12	15	2	2.50 Jan17	-0.78	Jun11	16
		3	2.50 Jan17	-0.87	Jun11	16	3	1.25 Jan18	-0.69	Jul12	15
		4	1.75 Jul23 (10y)	-0.79	Mar13	16	4	4.00 Jul16	-0.45	Jul06	14
		5	3.75 Jan23	-0.63	Jan06	11	5	0.00 Apr16	-0.35	Jan13	15
	Cheapest	5	0.00 Apr16	0.57	Jan13	15	5	1.25 Jan19 (5y)	0.21	Jun13	10
		4	4.00 Jul19	0.85	Feb09	14	4	2.25 Jul22	0.34	Feb12	15
		3	1.25 Jan19 (5y)	0.89	Jun13	10	3	4.00 Jul19	0.41	Feb09	14
		2	2.25 Jul22	1.22	Feb12	15	2	3.50 Jul20	0.51	Feb10	15
		1	3.25 Jul21	1.49	Mar11	16	1	3.25 Jul21	0.53	Mar11	16
SPAIN	Richest	1	4.25 Oct16	-1.57	Sep11	21	1	3.25 Apr16	-2.10	Nov10	21
		2	4.00 Apr20	-1.50	Jan10	20	2	3.30 Jul16	-2.06	Apr13	17
		3	3.80 Apr24 (10y)	-1.33	Jan14	13	3	4.65 Jul25	-1.99	Feb10	14
		4	3.25 Apr16	-1.29	Nov10	21	4	4.25 Oct16	-1.98	Sep11	21
		5	4.60 Jul19	-1.11	Feb09	18	5	4.80 Jan24	-1.92	Sep08	15
	Cheapest	5	5.50 Jul17	1.40	Mar02	20	5	3.75 Oct18	-1.72	Jul13	19
		4	4.10 Jul18	1.43	Feb08	19	4	4.30 Oct19	-1.70	Jun09	21
		3	4.50 Jan18	1.51	Nov12	19	3	2.75 Apr19 (5y)	-1.69	Jan14	9
		2	5.40 Jan23	1.66	Jan13	17	2	2.10 Apr17	-1.53	Nov13	13
		1	4.40 Oct23	1.95	May13	18	1	3.80 Apr24 (10y)	-1.38	Jan14	13
BELGIUM	Richest	1	4.00 Mar17	-2.92	Jan07	11	1	3.00 Sep19	-1.60	Apr12	9
		2	3.25 Sep16	-2.78	Jan06	13	2	4.00 Mar17	-1.58	Jan07	11
		3	4.00 Mar22	-2.43	May06	14	3	5.50 Sep17	-1.53	Jun02	8
		4	3.00 Sep19	-2.33	Apr12	9	4	3.25 Sep16	-1.48	Jan06	13
		5	5.50 Sep17	-2.15	Jun02	8	5	4.00 Mar18	-1.45	Jan08	12
	Cheapest	5	4.00 Mar19 (5y)	0.70	Jan09	11	5	4.25 Sep21	-1.24	Jan11	15
		4	3.75 Sep20	0.78	Jan10	18	4	4.00 Mar19 (5y)	-1.23	Jan09	11
		3	4.25 Sep21	0.82	Jan11	15	3	3.75 Sep20	-1.05	Jan10	18
		2	4.00 Mar18	0.98	Jan08	12	2	2.75 Mar16 (2y)	-0.91	Mar10	10
		1	1.25 Jun18	2.14	Feb13	12	1	2.60 Jun24 (10y)	-0.65	Jan14	6

Source: Citi Research

EMU relative value table – min 8yr maturity

Figure 38. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History); Bonds with a Minimum Maturity of 8yrs

		Versus Govt Curve (CAS)					Versus Swap Curve (CAS)				
		Rank		ZScore	Issued	Size (€bn)	Rank		ZScore	Issued	Size (€bn)
GERMANY	Richest	1	2.50 Jul44	-3.29	Apr12	16	1	2.50 Aug46 (30y)	-1.34	Feb14	3
		2	1.50 May23	-1.78	May13	18	2	2.50 Jul44	-0.88	Apr12	16
		3	1.75 Feb24 (10y)	-1.68	Jan14	10	3	4.75 Jul40	-0.56	Jul08	16
		4	2.00 Aug23	-1.22	Sep13	18	4	4.25 Jul39 (UB)	-0.52	Jan07	14
		5	2.50 Aug46 (30y)	-0.52	Feb14	3	5	3.25 Jul42	-0.47	Jul10	15
	Cheapest	5	5.50 Jan31	2.57	Oct10	17	5	6.25 Jan30	0.27	Jan00	9
		4	4.75 Jul40	3.18	Jul08	16	4	5.50 Jan31	0.33	Oct10	17
		3	4.75 Jul34	3.22	Jan03	20	3	1.50 Feb23 (RX)	0.35	Jan13	18
		2	4.25 Jul39 (UB)	3.28	Jan07	14	2	1.75 Jul22	0.42	Apr12	24
		1	4.00 Jan37	3.37	Jan05	23	1	1.50 Sep22	0.51	Sep12	18
FRANCE	Richest	1	4.25 Oct23 (OAT)	-1.62	Oct06	33	1	4.25 Oct23 (OAT)	-0.84	Oct06	33
		2	2.25 May24 (10y)	-1.30	Nov13	18	2	3.25 May45 (30y)	-0.50	May12	9
		3	1.75 May23	-0.83	May12	26	3	4.00 Apr55	-0.50	Apr04	15
		4	4.00 Apr55	-0.79	Apr04	15	4	4.50 Apr41	-0.35	Apr09	24
		5	4.50 Apr41	-0.23	Apr09	24	5	4.00 Oct38	-0.27	Oct05	24
	Cheapest	5	3.00 Apr22	0.38	Feb12	33	5	2.75 Oct27	0.34	Oct11	25
		4	4.75 Apr35	1.08	Apr03	21	4	5.75 Oct32	0.35	Oct00	26
		3	2.75 Oct27	1.09	Oct11	25	3	2.25 Oct22	0.51	Oct11	25
		2	5.75 Oct32	1.94	Oct00	26	2	3.00 Apr22	0.72	Feb12	33
		1	3.50 Apr26	2.26	Apr10	30	1	3.50 Apr26	0.83	Apr10	30
ITALY	Richest	1	5.75 Feb33	-2.51	Feb02	15	1	5.00 Aug34	-1.99	Aug03	21
		2	5.00 Aug34	-1.95	Aug03	21	2	4.00 Feb37	-1.93	Aug05	25
		3	4.00 Feb37	-1.36	Aug05	25	3	5.75 Feb33	-1.90	Feb02	15
		4	5.00 Aug39	-0.88	Aug07	19	4	5.00 Aug39	-1.86	Aug07	19
		5	5.00 Sep40	-0.36	Sep09	21	5	5.00 Mar25	-1.84	Mar09	22
	Cheapest	5	5.00 Mar25	1.19	Mar09	22	5	4.75 Sep44 (30y)	-1.68	Mar13	11
		4	4.50 May23 (IK)	1.54	Mar13	18	4	5.50 Sep22	-1.67	Mar12	20
		3	4.75 Sep28	1.62	Jan13	16	3	4.75 Sep28	-1.65	Jan13	16
		2	4.75 Aug23	1.64	Feb08	25	2	5.50 Nov22	-1.62	May12	21
		1	4.50 Mar26	2.27	Sep10	21	1	3.75 Sep24	-0.20	Mar14	4
N'LANDS	Richest	1	3.75 Jan42	-1.34	May10	14	1	3.75 Jan42	-1.44	May10	14
		2	1.75 Jul23 (10y)	-0.79	Mar13	16	2	4.00 Jan37	-1.16	Apr05	14
		3	3.75 Jan23	-0.62	Jan06	11	3	2.75 Jan47 (30y)	-1.11	Feb14	4
	Cheapest	3	4.00 Jan37	1.05	Apr05	14	3	1.75 Jul23 (10y)	-0.14	Mar13	16
		2	2.50 Jan33	1.14	Mar12	10	2	3.75 Jan23	-0.03	Jan06	11
		1	2.25 Jul22	1.23	Feb12	15	1	2.25 Jul22	0.34	Feb12	15
SPAIN	Richest	1	4.90 Jul40	-2.42	Jun07	13	1	4.90 Jul40	-2.07	Jun07	13
		2	3.80 Apr24 (10y)	-1.34	Jan14	13	2	4.20 Jan37	-2.06	Jan05	16
		3	4.20 Jan37	-1.29	Jan05	16	3	4.70 Jul41 (30y)	-2.04	Sep09	12
		4	4.70 Jul41 (30y)	-0.66	Sep09	12	4	4.65 Jul25	-1.99	Feb10	14
		5	5.15 Oct44	-0.26	Oct13	5	5	5.75 Jul32	-1.94	Jan01	15
	Cheapest	5	5.90 Jul26	0.02	Mar11	12	5	5.90 Jul26	-1.88	Mar11	12
		4	5.15 Oct28	1.26	Jul13	8	4	5.15 Oct44	-1.88	Oct13	5
		3	4.80 Jan24	1.34	Sep08	15	3	5.40 Jan23	-1.87	Jan13	17
		2	5.40 Jan23	1.65	Jan13	17	2	5.15 Oct28	-1.83	Jul13	8
		1	4.40 Oct23	1.94	May13	18	1	3.80 Apr24 (10y)	-1.39	Jan14	13
BELGIUM	Richest	1	4.25 Mar41	-5.14	Apr10	14	1	4.25 Sep22	-1.38	Jan12	15
		2	4.00 Mar32	-4.38	Mar12	8	2	4.00 Mar22	-1.38	May06	14
		3	4.00 Mar22	-2.45	May06	14	3	2.25 Jun23	-1.29	Jan13	14
		4	4.25 Sep22	-2.00	Jan12	15	4	3.75 Jun45 (30y)	-0.86	Sep13	4
		5	2.25 Jun23	-0.37	Jan13	14	5	4.50 Mar26	-0.86	Jun11	8
	Cheapest	5	3.00 Jun34	0.29	Mar14	5	5	4.00 Mar32	-0.75	Mar12	8
		4	3.75 Jun45 (30y)	0.61	Sep13	4	4	4.25 Mar41	-0.73	Apr10	14
		3	2.60 Jun24 (10y)	0.84	Jan14	6	3	2.60 Jun24 (10y)	-0.65	Jan14	6
		2	5.00 Mar35	2.99	May04	18	2	5.00 Mar35	-0.63	May04	18
		1	4.50 Mar26		Jun11	8	1	3.00 Jun34		Mar14	5

Source: Citi Research

UK relative value table

Figure 39. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History)

		Versus Govt Curve (CAS)					Versus Swap Curve (CAS)				
		Rank		ZScore	Issued	Size (€bn)	Rank		ZScore	Issued	Size (€bn)
ALL	Richest	1	4.00 Jan60	-3.31	Oct09	19	1	1.75 Jan17	-2.19	Aug11	27
		2	4.00 Mar22	-2.69	Feb09	37	2	1.00 Sep17	-1.93	Mar12	31
		3	3.75 Sep21	-2.61	Mar11	28	3	4.00 Sep16	-1.90	Mar06	35
		4	1.75 Jan17	-2.43	Aug11	27	4	1.75 Jul19	-1.51	Nov13	13
		5	1.75 Sep22	-1.91	Jun12	28	5	2.25 Sep23 (10y)	-1.37	Jun13	24
	Cheapest	5	3.75 Sep19	2.21	Jul09	28	5	4.75 Dec38	0.73	Apr04	25
		4	4.25 Dec46	2.29	May06	21	4	4.25 Dec40	0.75	Jun10	24
		3	5.00 Mar18 (WX)	2.29	May07	34	3	4.50 Dec42	0.77	Jun07	26
		2	4.50 Dec42	2.50	Jun07	26	2	2.75 Jan15	1.09	Nov09	29
		1	3.50 Jul68	5.09	Jun13	10	1	2.25 Mar14	3.48	Mar09	35
2yr - 7yr	Richest	1	1.75 Jan17	-2.44	Aug11	27	1	1.75 Jan17	-2.20	Aug11	27
		2	4.00 Sep16	-1.62	Mar06	35	2	1.00 Sep17	-1.93	Mar12	31
		3	3.75 Sep20	0.04	Jun10	24	3	4.00 Sep16	-1.90	Mar06	35
		4	1.75 Jul19	0.14	Nov13	13	4	1.75 Jul19	-1.51	Nov13	13
		5	4.75 Mar20	0.23	Mar05	33	5	5.00 Mar18 (WX)	-1.27	May07	34
	Cheapest	5	1.00 Sep17	0.40	Mar12	31	5	1.25 Jul18 (5y)	-1.07	Feb13	34
		4	1.25 Jul18 (5y)	1.43	Feb13	34	4	4.50 Mar19	-0.30	Sep08	35
		3	4.50 Mar19	1.95	Sep08	35	3	4.75 Mar20	0.05	Mar05	33
		2	3.75 Sep19	2.20	Jul09	28	2	3.75 Sep20	0.15	Jun10	24
		1	5.00 Mar18 (WX)	2.28	May07	34	1	3.75 Sep19	0.23	Jul09	28
7yr - 15yr	Richest	1	4.00 Mar22	-2.71	Feb09	37	1	2.25 Sep23 (10y)	-1.38	Jun13	24
		2	3.75 Sep21	-2.63	Mar11	28	2	5.00 Mar25 (G)	-1.23	Sep01	34
		3	1.75 Sep22	-1.94	Jun12	28	3	4.25 Dec27	-1.14	Sep06	29
		4					4				
		5					5				
	Cheapest	5					5				
		4					4				
		3	5.00 Mar25 (G)	-0.07	Sep01	34	3	1.75 Sep22	-1.12	Jun12	28
		2	4.25 Dec27	1.05	Sep06	29	2	4.00 Mar22	-0.89	Feb09	37
		1	2.25 Sep23 (10y)	1.32	Jun13	24	1	3.75 Sep21	-0.60	Mar11	28
>15yr	Richest	1	4.00 Jan60	-3.35	Oct09	19	1	4.75 Dec30	-0.39	Oct07	29
		2	4.50 Sep34	-1.54	Jun09	26	2	3.50 Jul68	-0.19	Jun13	10
		3	3.25 Jan44 (30y)	-1.32	Oct12	24	3	4.25 Jun32	-0.10	May00	35
		4	4.25 Dec55	-0.75	May05	23	4	4.50 Sep34	0.05	Jun09	26
		5	4.25 Sep39	0.13	Mar09	19	5	4.00 Jan60	0.12	Oct09	19
	Cheapest	5	4.75 Dec30	1.60	Oct07	29	5	4.25 Mar36	0.57	Feb03	26
		4	4.25 Dec40	1.85	Jun10	24	4	4.25 Sep39	0.66	Mar09	19
		3	4.25 Dec46	2.24	May06	21	3	4.75 Dec38	0.72	Apr04	25
		2	4.50 Dec42	2.47	Jun07	26	2	4.25 Dec40	0.75	Jun10	24
		1	3.50 Jul68	4.76	Jun13	10	1	4.50 Dec42	0.77	Jun07	26

Source: Citi Research

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

Mohit Aggarwal
Nishay Patel

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

Figure 40. Provisional Auction Calendar for the Next Four Weeks, Gross Issuance (Billions), DV01 (USD Millions)

Date	Country	Nominal Size (Local Ccy, bn)	Issue Details	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYM4 (UST)	G M4 (Gilt)	RXM4 (Bund)
17 Mar (Mon)	US	2.25 - 2.75	Outright Treasury Coupon Purchases: 31/12/2019 - 28/2/2021		-16k		
17 Mar (Mon)	UK	1.4	Gilt APF Buyback: 3-7yrs			-7k	
18 Mar (Tue)	US	1 - 1.25	Outright Treasury Coupon Purchases: 15/2/2036 - 15/2/2044		-25k		
18 Mar (Tue)	UK	1.4	Gilt APF Buyback: 15yrs+			-26k	
19 Mar (Wed)	Germany	4.0	Bund Feb24 re-opening (issue and size confirmed)				31k
20 Mar (Thu)	France	9.7	OAT 2yr and 5yr, index-linked OAT (estimated tenors and size including the post auction facility)				34k
20 Mar (Thu)	Spain	5.0	Bono 5yr, 10yr and 30yr (estimated tenors and size)				43k
20 Mar (Thu)	US	13.0	10-Year TIPS (re-opening)		153k		
20 Mar (Thu)	US	2.25 - 2.75	Outright Treasury Coupon Purchases: 15/5/2021 - 15/2/2024		-23k		
21 Mar (Fri)	Italy	3.5	CTZ (estimated size)				6k
21 Mar (Fri)	Italy	1.0	BTPei (estimated size)				8k
21 Mar (Fri)	US	1 - 1.25	Outright Treasury Coupon Purchases: 15/2/2036 - 15/2/2044		-25k		
Weekly \$DV01 of Issuance				17.7			
Total Number of Futures Contracts					63k	-33k	121k

Date	Country	Nominal Size (Local Ccy, bn)	Issue Details	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYM4 (UST)	G M4 (Gilt)	RXM4 (Bund)
24 Mar (Mon)	US	0.5 - 0.75	Outright Treasury Coupon Purchases: 15/11/2024 - 15/2/2031		-10k		
24 Mar (Mon)	UK	1.4	Gilt APF Buyback: 7-15yrs			-12k	
25 Mar (Tue)	Netherlands	5.0	New DSL Jul24 via DDA (issue confirmed, min €5bn)				38k
25 Mar (Tue)	US	32.0	2-Year		104k		
25 Mar (Tue)	US	1 - 1.25	Outright Treasury Coupon Purchases: 15/2/2036 - 15/2/2044		-25k		
26 Mar (Wed)	US	35.0	5-year		190k		
26 Mar (Wed)	US	13.0	2-Year FRN (re-opening)		42k		
26 Mar (Wed)	US	2.25 - 2.75	Outright Treasury Coupon Purchases: 15/5/2021 - 15/2/2024		-23k		
27 Mar (Thu)	UK	1.1	0.25% Index-linked Treasury Gilt 2052 (issue confirmed, estimated size)			42k	
27 Mar (Thu)	US	29.0	7-year		225k		
27 Mar (Thu)	US	3.75 - 4.5	Outright Treasury Coupon Purchases: 31/12/2018 - 30/11/2019		-23k		
28 Mar (Fri)	Italy	5.8	BTP 5yr and 10yr (estimated tenor and size)				33k
28 Mar (Fri)	Italy	1.8	CCTeu (estimated size)				7k
28 Mar (Fri)	US	1 - 1.25	Outright Treasury Coupon Purchases : 15/2/2036 - 15/2/2044		-25k		
Weekly \$DV01 of Issuance				47.6			
Total Number of Futures Contracts					454k	30k	78k

Date	Country	Nominal Size (Local Ccy, bn)	Issue Details	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYM4 (UST)	G M4 (Gilt)	RXM4 (Bund)
02 Apr (Wed)	Germany	3.0	Bobl Feb19 re-opening (issue and size confirmed)				12k
03 Apr (Thu)	France	8.0	OAT 10yr and 15yr (estimated tenors and size)				74k
03 Apr (Thu)	Spain	5.0	Bono 2yr and 5yr (estimated tenors and size)				11k
Weekly \$DV01 of Issuance				16.1			
Total Number of Futures Contracts					0k	0k	97k

Date	Country	Nominal Size (Local Ccy, bn)	Issue Details	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYM4 (UST)	G M4 (Gilt)	RXM4 (Bund)
08 Apr (Tue)	Austria	3.5	We believe that the auction will be replaced by a new 10yr syndication				27k
08 Apr (Tue)	Germany	1.0	Boblei/Bundei (estimated size)				8k
08 Apr (Tue)	Netherlands	2.5	DSL 5yr (estimated tenor and size)				10k
08 Apr (Tue)	US	28.0	3-year		91k		
09 Apr (Wed)	Germany	4.0	Schatz Mar16 re-opening (issue and size confirmed)				7k
09 Apr (Wed)	US	21.0	10-Year (re-opening)		231k		
10 Apr (Thu)	US	13.0	30-year (re-opening)		295k		
11 Apr (Fri)	Italy	7.0	BTP 3yr, 7yr and 30yr (estimated tenor and size)				44k
Weekly \$DV01 of Issuance				63.5			
Total Number of Futures Contracts					616k	0k	95k

The next release of the tentative outright Treasury operation schedule will be at 3 p.m. on March 31, 2014. Therefore we have only included Fed buybacks up to March 31 in this calendar. The UK auction calendar for FY 2014-15 has not been released yet. Therefore we have only included UK auctions up to March 31 in this calendar.

Source: DMOs, Citi Research

EMU: Coupons & Redemptions (Next 3mths)

Figure 41. EMU-10 Bond Redemptions over the next three months (€bn)

Redemptions = €141bn											
Redemptions	DEU 49	FRA 21	NLD 0	ITA 47	ESP 15	BEL 9	AUT 0	FIN 0	PRT 0	GRC 0	IRL 0
(Fri) 14-Mar-14	15.0										
(Fri) 28-Mar-14						8.7					
(Tue) 01-Apr-14				14.8							
(Fri) 11-Apr-14	19.0										
(Fri) 25-Apr-14		20.7									
(Wed) 30-Apr-14					15.4						
(Fri) 30-May-14				12.8							
(Sun) 01-Jun-14				19.4							
(Fri) 13-Jun-14	15.0										

Source: DMOs, Bloomberg, Citi Research

This table is on a calendar-date basis

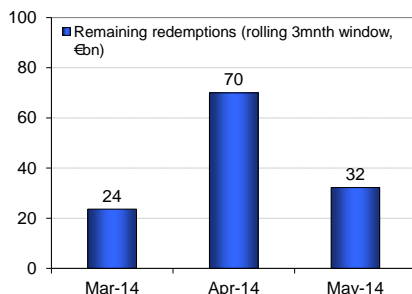
Figure 42. EMU-10 Coupon Payments over the next three months (€bn)

Coupons = €48bn											
Coupons	DEU 2	FRA 18	NLD 0	ITA 11	ESP 5	BEL 6	AUT 2	FIN 1	PRT 1	GRC 0	IRL 1
(Fri) 14-Mar-14	0.0										
(Sat) 15-Mar-14				1.9			1.4				
(Tue) 18-Mar-14											0.1
(Thu) 20-Mar-14											0.2
(Fri) 28-Mar-14						6.5					
(Mon) 31-Mar-14					0.3						
(Tue) 01-Apr-14				0.2							
(Mon) 07-Apr-14	0.1										
(Tue) 08-Apr-14	0.5										
(Thu) 10-Apr-14	0.4										
(Fri) 11-Apr-14	0.4										
(Sun) 13-Apr-14	0.0										
(Tue) 15-Apr-14	0.7		0.1	0.8				0.8	0.6		
(Fri) 18-Apr-14											1.0
(Sun) 20-Apr-14							0.3				
(Fri) 25-Apr-14		16.8									
(Wed) 30-Apr-14					4.7						
(Thu) 01-May-14				5.6							
(Mon) 12-May-14				0.2							
(Thu) 15-May-14	0.3			0.8							
(Tue) 20-May-14											0.0
(Fri) 23-May-14							0.1				
(Sun) 25-May-14		1.4									
(Sun) 01-Jun-14				1.6							

Source: DMOs, Bloomberg, Citi Research

This table is on a calendar-date basis

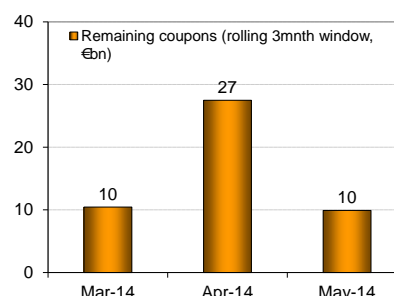
Figure 43. EMU-10 remaining redemptions over the next 3 months (€bn)



Source: DMOs, Bloomberg, Citi Research

This chart is on a calendar-date basis

Figure 44. EMU-10 remaining coupons over the next 3 months (€bn)



Source: DMOs, Bloomberg, Citi Research

This chart is on a calendar-date basis

ESP and ITA Bill Issuance Projections

This page contains our projections for Spanish and Italian bill supply in 2014. Please note that this is the only page in this document (other than page 1) which refers to bills.

Auction calendar for the next four weeks

Figure 45. Provisional Bill Auction Calendar for the Next Four Weeks, Gross Issuance (Billions), DV01 (EUR Million/bp)

Week	Date	Country	Issue Details	Total Size (€bn)
Week 1	18 Mar (Tue)	Spain	3month (20 June 2014) and 9month (21 December 2014) - tenors confirmed, estimated issue and size	3.4
Total Size in Week 1				3.4
Week 2	27 Mar (Thu)	Italy	6 month (30 September 2014; issue confirmed, estimated size)	8.5
Total Size in Week 2				8.5
Week 4	10 Apr (Thu)	Italy	12 month (14 April 2015; issue confirmed, estimated size)	9
	10 Apr (Thu)	Spain	6month (17 October 2014) and 12month (new bill) - tenors confirmed, estimated issue and size	5.5
Total Size in Week 4				14.5

Italy announces issue size 3 business days before the auction

Spain announces issue details 1 business day before the auction

Source: DMOs, Citi Research

This table is on a calendar-date basis

2014 projections for bill supply

Figure 46. 2014 Italy and Spain Bill Supply – Citi Forecast (Euro Billion)

SPAIN	3m	6m	9m	12m	18m	Gross Supply	Redemptions	NCR
Jan	1.0	1.0	2.2	3.1		7	8	-1
Feb	0.9	0.9	2.2	3.6		8	11	-4
Mar	0.9	1.0	2.5	3.5		8	10	-2
Apr	0.9	1.5	3.0	4.0		9	12	-3
May	0.9	1.5	3.0	4.0		9	8	1
Jun	0.9	1.5	3.0	4.0		9	14	-4
Jul	0.8	1.5	3.0	4.0		9	8	2
Aug	0.8	1.5	3.0	4.0		9	8	2
Sep	0.8	1.5	3.0	4.0		9	7	2
Oct	0.8	1.5	3.0	3.8		9	9	
Nov	0.8	1.5	3.0	3.8		9	8	1
Dec	0.8	1.5	3.0	3.8		9	8	1
Total	10.0	16.5	33.9	45.5		106	110	-5

ITALY	3m*	6m	9m	12m	Flexible BOT	Gross Supply	Redemptions	NCR
Jan		8.1		9.3		17	20	-2
Feb		8.6		8.0		17	19	-3
Mar		9.0		7.5		17	16	
Apr	3.0	9.0		9.0		21	17	4
May		9.0		6.5	3.0	19	14	5
Jun		9.0		6.5		16	16	
Jul		9.0		6.5		16	18	-3
Aug		9.0		8.0		17	17	
Sep		8.5		8.0	3.0	20	19	1
Oct		8.5		8.0		17	19	-2
Nov		7.0		7.0		14	16	-2
Dec		7.0		6.0		13	15	-2
Total	3.0	101.8		90.3	6.0	201	206	-5

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

Source: DMOs, Bloomberg, Citi Research

This table is on a calendar-date basis

Inflation Forecasts, Carry & Weekly Changes

Figure 47. Citi Inflation Forecasts

Month	EUR HICPxT			France CPIxT			UK RPI			US CPURNSA		
	Index	MoM	YoY	Index	MoM	YoY	Index	MoM	YoY	Index	MoM	YoY
	Forecast	Change	Change	Forecast	Change	Change	Forecast	Change	Change	Forecast	Change	Change
Jan 14	115.93	-1.2	0.7	125.04	-0.6	0.5	252.60	-0.3	2.8	233.92	0.4	1.6
Feb 14	116.47	0.5	0.8	125.71	0.5	0.8	253.60	0.4	2.4	234.90	0.4	1.2
Mar 14	117.77	1.1	0.7	126.88	0.9	0.9	254.20	0.2	2.2	236.40	0.6	1.6
Apr 14	118.12	0.3	1.1	126.78	-0.1	1.0	255.30	0.4	2.3	236.90	0.2	1.9
May 14	118.14	0.0	1.0	127.04	0.2	1.2	256.00	0.3	2.4	237.40	0.2	1.9
Jun 14	118.17	0.0	0.9	127.17	0.1	1.1	256.20	0.1	2.6	237.60	0.1	1.8

Source: Citi Research, Bloomberg

Shaded = Already released

Figure 48. 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 Apr	1 May	1 Jun					1 Apr	1 May	1 Jun		
Repo (%)				0.08	0.08	0.08									
TIPS 4/15	-1.75	-0	-4	12	41	100	US-2.500-04/30/15	189	-2	3	12	40	98	7	-8
TIPS 7/15	-2.11	-6	-9	8	29	71	US-4.250-08/15/15	232	6	8	8	27	68	11	-13
TIPS 1/16	-1.63	-2	-5	7	24	56	US-2.625-02/29/16	199	3	6	7	22	52	12	-9
TIPS 4/16	-1.46	-2	-5	7	22	50	US-2.000-04/30/16	190	4	6	6	20	46	8	-10
TIPS 7/16	-1.69	-2	-4	6	18	43	US-4.875-08/15/16	223	3	5	5	16	38	3	-8
TIPS 1/17	-1.26	-2	-4	5	17	38	US-3.125-01/31/17	199	5	7	4	14	33	13	-9
TIPS 4/17	-1.07	-3	-5	5	16	35	US-0.875-04/30/17	193	5	7	4	13	30	12	-8
TIPS 7/17	-1.22	-0	-2	5	15	33	US-4.750-08/15/17	219	3	5	3	11	26	6	-7
TIPS 1/18	-0.87	-0	-2	5	14	30	US-3.500-02/15/18	206	2	4	3	10	23	12	-6
TIPS 4/18	-0.70	0	-1	4	13	28	US-0.625-04/30/18	199	1	3	3	9	22	15	-5
TIPS 7/18	-0.84	1	-0	4	12	27	US-4.000-08/15/18	220	0	1	2	8	19	10	-4
TIPS 1/19	-0.54	1	-0	4	12	26	US-2.750-02/15/19	211	-0	1	2	8	18	14	-3
TIPS 7/19	-0.47	-2	-3	4	11	24	US-3.625-08/15/19	219	3	3	2	7	16	15	-6
TIPS 1/20	-0.21	0	-1	4	11	22	US-3.625-02/15/20	208	0	1	2	6	15	23	-4
TIPS 7/20	-0.18	0	-1	3	10	21	US-2.625-08/15/20	223	0	1	2	6	13	18	-4
TIPS 1/21	0.04	-2	-3	3	10	20	US-3.625-02/15/21	210	2	2	2	5	12	28	-6
TIPS 7/21	0.08	0	-1	3	9	18	US-2.125-08/15/21	223	-1	-0	1	5	11	22	-4
TIPS 1/22	0.28	-2	-3	3	9	17	US-2.000-02/15/22	214	1	1	1	4	10	29	-6
TIPS 7/22	0.29	2	1	3	8	16	US-1.625-08/15/22	224	-3	-3	1	4	9	26	-2
TIPS 1/23	0.43	-2	-3	3	8	16	US-2.000-02/15/23	217	0	1	1	4	9	31	-5
TIPS 7/23	0.42	1	0	3	8	15	US-2.500-08/15/23	225	-2	-2	1	3	8	29	-3
TIPS 1/24	0.53	0	-1	3	7	15	US-2.750-02/15/24	220	-1	-1	1	3	8	32	-4
TIPS 7/24	0.61	-4	-5	3	7	15	US-7.625-02/15/25	212	2	2	1	3	7	43	-8
TIPS 1/26	0.73	-2	-3	2	7	14	US-6.000-02/15/26	216	0	0	1	3	7	42	-5
TIPS 7/26	0.81	-2	-2	2	7	13	US-6.625-02/15/27	216	-1	-0	1	2	6	44	-4
TIPS 1/28	0.90	-1	-2	2	6	12	US-6.125-11/15/27	215	-1	-1	1	2	5	47	-4
TIPS 4/28	0.88	-3	-4	2	6	13	US-5.500-08/15/28	226	1	1	1	3	6	35	-6
TIPS 7/28	0.94	-1	-2	2	6	12	US-5.250-02/15/29	225	-1	-1	1	2	5	39	-4
TIPS 1/29	0.92	-3	-4	2	6	12	US-5.250-02/15/29	226	1	1	1	2	6	37	-6
TIPS 4/32	1.04	-1	-2	2	5	10	US-5.375-02/15/31	225	-1	-1	1	2	4	42	-4
TIPS 7/40	1.29	1	0	1	4	8	US-4.625-02/15/40	226	-3	-3	0	1	3	47	-2
TIPS 2/41	1.31	2	1	1	4	7	US-4.750-02/15/41	226	-4	-4	0	1	3	48	-0
TIPS 2/42	1.36	2	1	1	3	6	US-3.125-02/15/42	229	-4	-4	0	1	2	45	-1
TIPS 2/43	1.37	-0	-1	1	3	6	US-3.125-02/15/43	230	-2	-1	0	1	2	44	-3
TIPS 2/44	1.36	-0	-1	1	3	6	US-3.625-02/15/44	231	-2	-2	0	1	2	44	-3

Source: Citi Research, Bloomberg

Summary of Recent Publications

Date	Publication	Topic	Page	Region
13-Mar-14	NOTE	Covered Bond Strategy: Moody's methodology change ups 15 covered bonds	-	EUR
13-Mar-14	NOTE	Euro SSA Strategy: ESM vs EIB And Why We Wouldn't Fade Recent Moves	-	EUR
11-Mar-14	NOTE	Euro Rates Strategy: Tactical RV trade: Buy ERM4 vs EDM4 (or ERU4 vs EDU4)	-	EUR
10-Mar-14	NOTE	SSA Strategy: Weekly chart-pack and market monitor: 28th February – 7th March	-	EUR
10-Mar-14	NOTE	Covered Bond Strategy: Amendment in the Spanish securitization law	-	EUR
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3-Mar-14	NOTE	Euro Rates Strategy: EMU Supply: NCR Most Supportive for Belgium	-	EUR
3-Mar-14	NOTE	European Flow Monitor: Net demand for Ireland shoots up to a 26-week high	-	EUR
3-Mar-14	NOTE	European SSA Strategy: Weekly chart-pack and market monitor	-	EUR
3-Mar-14	NOTE	Euro Interest Rate Strategy: Does Geopolitical Risk Matter?	-	EUR
3-Mar-14	NOTE	Euro Rates Strategy - Moody's revises Germany's and Austria's outlook to stable	-	EUR
28-Feb-14	NOTE	UK Rates Strategy: The cash-flows are coming: buy 30yr gilts vs Treasuries	-	UK
27-Feb-14	European Weekly	European Rates Strategy Yield Outlook	9	EUR
		Bund: Assessing Medium-Term Risks	10	EUR
		EUR Vol: 2s20s bear conditional flattener	12	EUR
		UK Rates – The cash-flows are coming	13	UK
		Relative value and SSA-EMU spread analysis	16	EUR
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		Sovereign Ratings Outlook	24	EUR
		EUREX Calendar Rolls (H4/M4)	26	EUR

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Appendix A-1

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