5 July 2013 | 36 pages

Western Europe

European Rates Weekly

Guidance Day

- **ECB forward guidance and implications:** In an unprecedented move, the ECB abandoned its policy of “never pre-committing” and introduced forward guidance into its lexicon. We remain long ERZ3 1x2 call spreads, expect Bunds to outperform USTs over the medium-term and forecast Bunds to average 1.5% into 2014. Futures trading involves substantial risk of loss.

- **The MPC’s guidance on guidance:** The MPC broke the usual protocol and published a statement alongside today’s decision to leave policy unchanged. The statement strongly hinted at forward guidance from August. This opens the door to front-end carry trades and should also be supportive for 5yr real yields. Moreover, the MPC’s action points to wider Treasury-gilt spreads over the coming quarters.

- **Portuguese politics – should markets be concerned?** We think the immediate spill over effects from the Portuguese political situation will be limited. Portugal is fully funded until mid-2014; it has issued €5.5bn this year and had accumulated €15bn in cash buffers at the end of 2012.

- **2H13 supply & swap spread seasonals:** The net cash requirement for both EMU core and non-core issuers moves from being non-supportive for bonds in 1H13 to supportive in 2H13. We highlight a number of seasonal trends for DSL and Bund swap spreads in July and August.

- **The ESM and the new bank resolution regime:** Last week, ECOFIN announced the principles regarding the new banking resolution regime. This included use of the ESM, earmarking €60bn out of its total €500bn lending capacity for bank recapitalisation purposes. Use of the ESM in this way will be in the last resort and is a long way off.

- **Covered bonds:** Austria’s covered bond market will probably see further primary market activity in the coming days. We present the key issuer, the cover pool and try to rank the bank within the established order of Austrian covered bond issuers.

- **Supply:** Within Europe, next week’s bond supply of around €14bn comes from Germany (€6bn), the Netherlands (€1.5-2.5bn) and Italy (around €6.3bn). The US Treasury will issue $66bn across the 3-, 10- and 30-year sectors. The UK DMO will issue £3.9bn of a conventional gilt (3.25% 2044) and the linker ’29 next week.

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Figure 1. Strategy Summary Table

Europe	View	Strategies
Direction	On various metrics, core markets look to have overshot. Bunds are also relatively cheap to our fair value analysis. We are also constructive in the near-term.	Long Bunds
Money Market	The introduction of forward guidance is strongly supportive for front-end carry trades such as receiving EUR 3y1y and EONIA 1y1y. We expect these to perform further from here.	Buy ERZ3 1x2 call spread
Yield Curve	We continue to hold our EUR 30s50s recommendation. EUR 2s5s10s to be led by 5s10s which has scope to steepen further from here. Start scaling into EUR 10s30s steepeners given that positioning is much cleaner than a few weeks ago and 10s30s being too flat relative to 1s2s. The likelihood of forward guidance in the UK should support 5s on the curve.	EUR 10s30s steepeners EUR 30s50s flatteners
Cross-market	Forward guidance from the ECB and probably the MPC reinforces our views that European yields will outperform vs US yields over the medium-term. Gilt-Bunds has already widened quickly towards our medium-term target. Some correction is probably due in the near-term.	Prefer Bunds and gilts to UST over the medium term
EMU Spreads	The political uncertainty in Portugal is likely to be contained. EMU spreads have tightened following the ECB meeting and this could continue in the near-term.	Prefer 2yr Spain vs Italy
Swap Spreads	We believe Bunds are too tight in ASW given the deterioration in euro area credit deterioration. Seasonal support and large cash flows in EMU core during July are supportive for 10yr DSL ASW wideners. In the UK, long-end swap spreads look good value, especially in the 20yr sector.	Long RXU3 ASW spreads Buy gilt 2032 swap spread. Buy Schatz vs swaps Buy 10yr DSL vs swaps
Inflation	Euro linkers have retraced some of the recent weakness, but they still look cheap on all the usual metrics. We like buying cash break-evens vs inflation swaps. In the UK, 5yr real yields should benefit from any forward guidance. We favour 5s10s or 5s30s gilt break-even flatteners.	Look to buy Boblei18 break-even vs inflation swap at next week's auction IL gilt 5s10s or 5s30s break-even flatteners Sell 5yr, 5yr euro HICPxT as a long-term fundamental trade
Volatility	Selling 3m5y bpv at above 90 still looks attractive. With high realised volatility keeping gamma elevated and the scope for carry trades to perform for here we prefer long delta and short vol positions in the front-end rather than long front-end receivers	Sell EUR 3m5y bpv above 90 Sell EUR 3m5y payers or 3m5y ATMF straddles and buy EUR 3m5y ATMF-15bp receiver
SSA	Agency spreads are softer, but remain at historically rich levels. We think the current (weak) tone can continue in the near term, especially as liquidity thins over the summer months. Absolute yield levels will likely be governed by the moves in Bunds rather than USTs.	Maintain front-end KfW vs France over the medium term Prefer EU vs EIB in the sub 5yr sectors
For a list of outstanding trade recommendations please see the Tradesheet section of this report		

Source: Citi Research

Duration Scorecard

Figure 2. Bund Weekly Cheat Sheet: 5th- 11th July

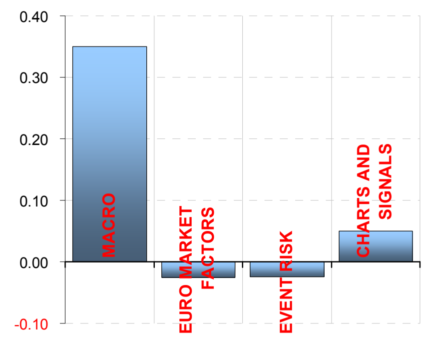
Bund Directional Scorecard (1wk horizon)

RECOMMENDATION	Long	RXU3 (EOD Thurs) = 142.44		Change co
Conviction level	18%	CTD yield = 1.23%	10day del vol = 5.57%	

	SIGNAL STRENGTH (+/-2)		
MACRO	**0.4**		**Weight = 40%**
ECB	2	Forward guidance supportive for yields	15.0%
Fed and BOJ	0	FOMC minutes likely to shed light on QE tapering	7.5%
Inflation	0	Inflation likely to be up in June, but subdued over medium term	2.5%
Growth related data	1	Non-farm payrolls expected to fall by 15k from the previous month	7.5%
Citi surprise	0	Citi Economic Surprise Index for Europe at zero	5.0%
Middle East / Oil	-1	Oil rallying on geo-political concerns	2.5%
EURO MARKET FACTORS	**0.0**		**Weight = 28%**
Supply	1	Schatz supply. Large cash flows in core EMU markets	7.5%
Risk appetite	-1	Risk sentiments improving post ECB	5.0%
Positioning	0	Positioning more balanced following recent wash out	5.0%
Equity	0	Equities rebounding	2.5%
Sovereign credit	-1	Peripheral spreads reversing the recent widening	5.0%
FX	0	EUR effective exchange rate unchanged on a weekly basis	2.5%
EVENT RISK	**0.0**		**Weight = 8%**
Politics	-1	Portugal crisis likely to be contained	2.5%
3yr LTRO	0	Excess liquidity is still high (€267bn)	2.5%
Stability mechanisms	0	Unlikely to see ESM activation in the short-term	2.5%
CHARTS AND SIGNALS	**0.1**		**Weight = 25%**
Technicals	1	Bunds rallying from 1yr highs	7.5%
T-Note	1	RSI remains oversold	7.5%
CFTC	-1	Positioning is largely neutral	5.0%
ARTS	-1	Mild short	5.0%

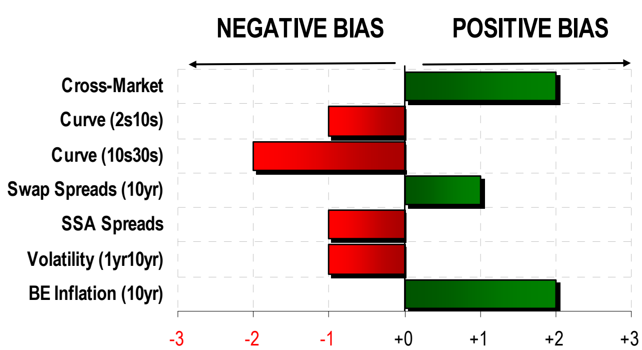
Source: Citi Research

Figure 3. Contribution to Bund Signals



Source: Citi Research

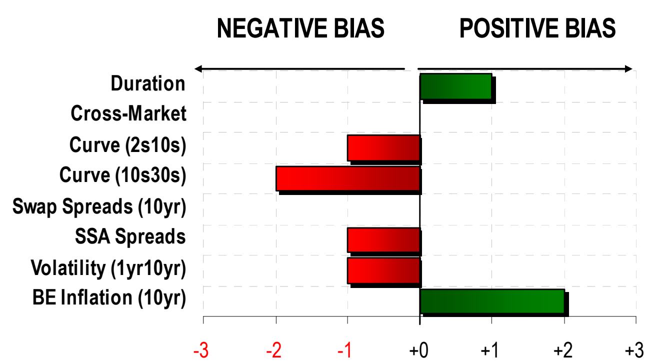
Figure 4. EURO AREA (Near-term Bias)



Source: Citi Research

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

Figure 5. UK (Near-term Bias)



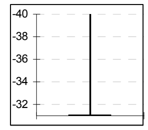
Source: Citi Research

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

Tradesheet

Record of Our Closed Trades

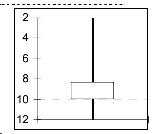
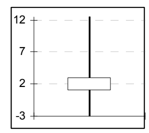
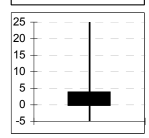
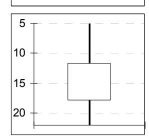
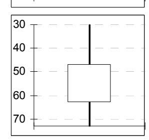
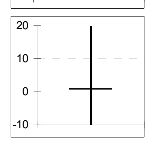
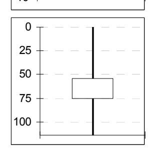
Figure 6. Record of our Closed Trades

Region	Trade	Levels		Rationale	
Europe	**Buy RXU3 ASW**	Open	-31bp		
		Current	-31bp	Hit Revised Stop on 28 June 2013	
Swap Spread	Buy RXU3 ASW at -31bp	**P&L**	**0bp**		
		Target	-40bp		
		Original Stop	-27bp	*Bund: Buy RXU3 ASW @-31 11 June 2013*	
		Revised Stop	-31bp	*Revised Stop: The Morning Call, 25 June 2013*	

Source: Citi Research

Record of Our Open Trades

Figure 7. Record of our Open Trades

Region	Trade	Levels		Rationale + Publication Date	
Europe	**Buy 10yr DSL ASW**	Open	10bp		
		Current	8.3bp	Supportive cash flows and seasonals in July	
Swap Spread	Buy DSL 1.75% Jul23 ASW at 10bp	**P&L**	**2bp**		
		Target	2bp		
		Stop	14bp	*European Rates Weekly 27 June 2013*	
		Time stop	1 August 2013		
Europe	**Buy ERZ3 1x2 call spread**	Open	1c		
		Current	3c	Dec Euribor has cheapened 30/35c since May ECB rate cut. Howevre, a cut to the deposit rate would be required for a signifcant rally.	
Money Market	Buy ERZ3 99.750/.875 1x2 call spread at 1c	**P&L**	**2c**		
		Target	12.5c		
		Stop	-3c	*Euribor, 24 June 2013*	
Europe	**Receive EUR 10y2y vs 12y3y**	Open	4bp		
		Current	-1bp	Cheapness of the sector due to legacy ASW positions. The trade offers a positive roll-down for relatively low volatility	
Curve	Receive EUR 10y2y at 3.1%	**P&L**	**-5bp**		
	Pay EUR 12y3y at 3.14%	Target	25bp		
		Stop	-5bp	*The Morning Call, 23 January 2013*	
Europe	**Receive EUR 30s50s**	Open	18bp		
		Current	12bp	Long-end of EUR swap curve is pricing in more than required de-hedging by Dutch pension funds. CVA activity should support the trade.	
Curve	Receive EUR 50yr at 2.54%	**P&L**	**6bp**		
	Pay EUR 30yr at 2.36%	Target	5bp		
		Stop	22bp	*European Rates Weekly 11 October 2012*	
Europe	**Sell EUR 1y3yF ATMF straddle and buy ATMF-25 receiver**	Open	63bp	Fwd levels in front-end EUR swaps are too high in an environment where additional policy measures by the ECB are likely to be undertaken	
		Current	47bp		
Volatility	Sell EUR 1y3yF ATMF (=1.36%) straddle for 98bp	**P&L**	**16bp**		
	Buy EUR 1y3yF ATMF-25 receiver for 35bp	Target	30bp		
		Stop	73bp	*IIRS 9 August 2012*	
Europe	**Long KfW 1.375% Feb17s vs OAT 5% Oct16s**	Open	1bp		
		Current	0bp	Spread compression looking overdone and we look for KfW to outperform should the EMU crisis intensify	
Cross Market	Buy KfW 1.375% Feb17 at 0.62%	**P&L**	**-1bp**		
	Sell OAT 5% Oct16s at 0.63%	Target	20bp		
		Stop	-10bp	*IIRS 2 August 2012*	
UK	**Sell GBP 2y2y ATMF straddle**	Open	76bp		
		Current	55bp	The fundamental backdrop in the UK supports selling GBP 2y2y vol	
Volatility	Sell GBP 2y2y ATMF (1.04%) straddle at 76bps	**P&L**	**21bp**		
		Target	0bp		
		Stop	114bp	*IIRS 12 July 2012*	

Source: Citi Research

ECB: rates on hold for an extended period

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A historic event. In an unprecedented move, the ECB abandoned its policy of "never pre-committing" and introduced forward guidance into its lexicon. Explicitly, Draghi stated that the Governing Council expects the key ECB interest rates to remain at present or lower levels for an extended period of time. The decision on forward guidance was unanimous. Bond markets sharply bull steepened and today's event clearly points to our long held mantra of "lower for longer" core EMU rates. We remain long ERZ3 1x2 call spreads, strongly see core EMU rates outperforming USTs over the medium and we are convinced Bunds will trade in a range averaging 1.4%-1.5%.

Forward guidance

Were you listening carefully…

Our baseline scenario for today's ECB meeting included the possibility of some elements of forward guidance (*ECB expectations*) and Draghi delivered this explicitly. For the first time in its history, the ECB committed to keep rates at present or lower levels for an extended period of time. Little was given to determine the specific period in question, Draghi merely stated that "*an extended period of time is an extended period of time*". While the ECB's core objective remains price stability over the medium term, Draghi did however clarify the data sets on which forward guidance will be assessed:

- Medium term outlook for inflation
- The real economy
- Monetary dynamics

Unprecedented step to give fwd guidance:

Understanding the ECB's thinking is critical to the broader outlook for interest rate markets. Draghi detailed the assessment for inflation was broadly balanced (although the outlook is "subdued"); but that risks to growth remained to the downside and that credit conditions remained fragile (negative net lending). Risks to growth include weaker than expected domestic / global demand and slower than expected implementation of structural reforms (see *ECB - Unanimous Governing Council Enacts Forward Guidance* from our economics team for further details). Interestingly, Draghi spoke of the real economy without specifying key details (perhaps unsurprisingly given the rising unemployment rate). Furthermore, he also acknowledged the recent tightening in implied monetary conditions. ECB forward guidance is an important step in the right direction in addressing the impaired transmission mechanism in our view. We remain committed to the "lower-for-longer" scenario for core EMU rates.

Much more dovish than the market expected

Draghi virtually did everything *but* cut rates at today's dovish meeting. On the ECB interest rate outlook alone he stated the following:

- There had been an extensive discussion about a possible interest rate cut
- The current refi rate level of 50bp is not a lower bound
- ECB's remains open to cuts in other key rates
- Liquidity will remain ample and exit is very distant

This is significant and a very welcome reminder that the ECB (credibly) remains an effective backstop, assuring markets that rates will indeed stay lower for longer. Markets quickly moved to reflect the ECB's new communication strategy in a sharp bull steepening dynamic (Schatz rallied 7bp and Bobls 9bp compared with the 4bp rally in Bunds).

On ABS and OMT

Draghi also clarified that the ECB is acting in an advisory capacity with the EIB regarding the ABS market and shoring up SME financing. We await further specifics from European institutions on exactly how this will work in practice. On OMT, Draghi re-iterated that this remains an effective backstop as ever and will publish specific details if and when it becomes formally activated.

Strategy recommendations

Bunds to continue to outperform US Treasuries

Cross market: Just as markets were getting swept away with the notion that US Treasuries might encourage core EMU yields to settle sharply out of established ranges, today's meeting firmly underlines the fact the Europe and the US are in distinctly different stages in their business and monetary cycles. We continue to advocate a widening of the Bund-UST cross market spread, forecasting Bunds trading in a range average around 1.5% well into 2014, but for US Treasury yields to move convincingly higher to over 3% by Q3 2014 (*Global Economic Outlook and Strategy*).

Long core EMU markets

Long core rates: We remain long ERZ3 1x2 call spread (*Euribor - Upside risk via options*) and we remain long RUX3 ASW (*Bunds - Buy RXU3 ASW @-31*) - today's ECB meeting will likely bring some shine back to carry trades. We continue to target Bunds trading in a range, with core rates staying lower for longer given the economic growth and inflationary backdrop.

Conclusion and the real significance – lower for long reloaded

Draghi delivered at this press conference and we welcome forward guidance as a policy to help anchor rates (especially in the front-end). The significance of this unprecedented ECB step can scarcely be over emphasized: by committing to keep rates lower for an extend period, EMU markets now have more certainty in the future path of monetary policy and a clearer way of forming interest rate expectations. It looks like loose (and likely loosening) monetary policy is here to stay for the foreseeable future.

UK Rates – Guidance on Guidance

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Today's MPC statement opens the door to forward guidance in August

The MPC left policy rates on hold in July, but broke with the usual protocol and published a statement alongside the decision (pre-Carney, no change usually meant no statement). The statement was unequivocally bullish for gilts on two fronts. First, it suggested that the recent rise in gilt yields would weigh on the economic outlook and that *"the implied rise in the expected future path of Bank Rate was not warranted by the recent developments in the domestic economy."* Second, it stated that the analysis on forward guidance due to be published in the August Inflation Report would *"have an important bearing on the Committee's policy discussions in August".* This appears to be forward guidance on the introduction of forward guidance. It now seems likely that forward guidance will be announced at the 1 August MPC meeting with the justification to follow in detail in the 7 August quarterly Inflation Report (see also *UK: MPC Set the Stage for Guidance*).

Carney's QE vote will be the next important signal

The MPC minutes on the 17 July will reveal how Governor Carney voted on QE

The next major signal to the market will likely come in the minutes for today's meeting, released on 17 July. The recent improvement in activity (including this week's BCC survey and the PMIs) reduces the need for imminent QE. However, Governor Carney's vote may still be used as a signal that the policy bias is towards further stimulus (in addition to forward guidance). This may well be needed if the MPC hope to lower long-dated gilt yields as well as the front-end.

'Carney trades' given the green light – buy 5yr real yields

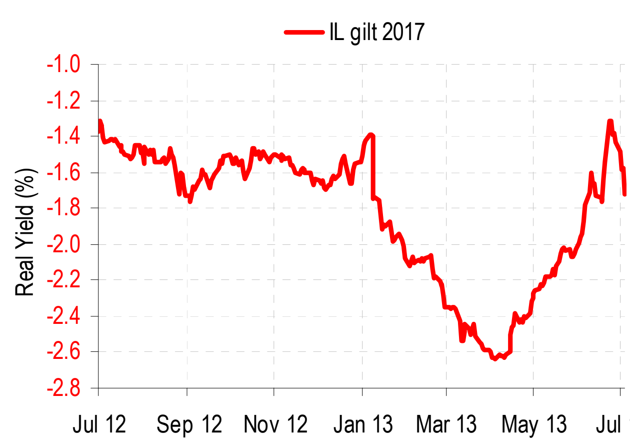
Forward guidance is supportive for front-end real yields

While the introduction of forward guidance has been widely anticipated, the statement released today is likely to be welcomed by the market in that it helps to reduce the uncertainty. Unsurprisingly, yields fell sharply after the release of the statement, led by the 5yr sector. The clarity provided opens the door to 'Carney trades' such as receiving 2s5s10s and GBP 1yr, 3yr forwards (Figure 8). Moreover, we expect forward guidance to boost 5yr break-even inflation spreads. Guidance is inflationary in so far that it is likely to signal that policy rates will be kept lower for longer than implied by the usual reaction function. Further, it is also likely to result in a weaker currency which in turn is inflationary. As such, the best outright long is arguably 5yr real yields (see *'Carney trades': implications of forward guidance for UK rates*, 31 May 2013), especially after the backup over the last couple of months (Figure 9).

Figure 8. Forward guidance should support front-end carry trades

Source: Citi Research, Bloomberg.

Figure 9. Forward guidance is likely to push real yields lower



Source: Citi Research, Bloomberg.

Back to reality?

The statement today should help to put the focus back on domestic fundamentals

We agree with the MPC's assessment that the back-up in yields has overshot fundamentals, as we have been arguing for several weeks. The primary cause of higher yields was talk of tapering from the Fed. Poor liquidity has helped to exaggerate the sell-off in sterling, especially given the extra uncertainty created by the arrival of Governor Carney. The statement today should reduce that uncertainty and help to put the focus back on domestic fundamentals.

In the long-end, we prefer cross-market to outright risk

In last week's *European Rates Weekly* we suggested that 10yr gilt yields had overshot fundamentals by around 50bp. We expect guidance to help cap long-dated gilt yields which may, over the coming months, gravitate back towards 'fair value', especially if Carney voted for more QE. However, the risk-reward of outright longs in this sector is not attractive. For a start, guidance is likely to be most supportive for the 2-5yr sector of the curve, and should result in a steeper 2s10s curve. Secondly, long-end gilt yields are likely to retain some sensitivity to developments in the US, beginning with payrolls tomorrow. So rather than outright longs, we prefer to buy gilts vs Treasuries.

Fighting the Fed – wider gilt-Treasury spreads likely

Central banks in Europe hope to insulate yields from Fed tapering

The MPC statement today was quickly followed by forward guidance from the ECB. This highlights the new battle ground for central banks in Europe, namely to fight the market's reaction to QE tapering. Higher EMU and gilt yields are not desirable and threaten to choke off recovery. Both the MPC and the ECB are hoping to prevent any further rise in yields through forward guidance to ensure that the market continues to believe that the exit from stimulus is a distant prospect. Gilts in particular remain vulnerable to higher Treasury yields, but today's action from the MPC reveals their intent to encourage a de-coupling. This reinforces our long-end held core strategy of positioning for wider Treasury-gilt spreads. For 10yr Treasury-gilt we target a spread of +45-55bp in the coming quarters vs 11bp currently.

Strategy summary – buy 5yr real yields, buy gilts vs UST

Governor Carney has not waited long to signal his intent with regard to forward guidance. Moreover, by releasing a statement following today's meeting, the MPC appear to be changing their communication strategy.

Guidance should help the front-end to re-price

The statement gives the green light to front-end carry trades, in our view, such as 2s5s10s and front-end forwards. However, our favourite 'Carney trade' is to be long 5yr area real yields (IL gilt 2017).

Buy gilts vs Treasuries

For the long-end, forward guidance alone may not be enough to force yields lower. Near-term direction is likely to be dictated by payrolls. We prefer cross-market risk and believe that today's action from the MPC (and the ECB) should encourage a significantly wider Treasury-gilt spread.

Portugal – should markets be concerned?

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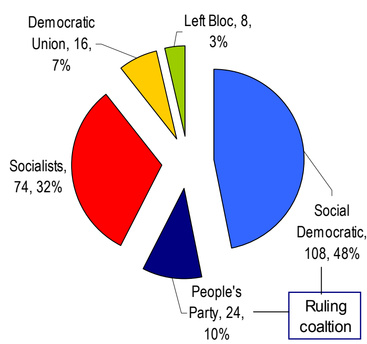
We think immediate spill over effects from the Portuguese political situation will be limited for now. First, there is no immediate funding pressure for the sovereign: Portugal remains fully funded until mid 2014, it has already issued €5.5bn this year and had accumulated €15bn in cash buffers at the end of 2012 according to the most recent IMF report. Portugal is also not in benchmark indices. On the other hand, risks have certainly increased regarding fresh elections, its eventual return to market next year and whether or not further official assistance is needed. In the immediate term however, we do not expect significant contagion within the broader EMU market.

Why one resignation matters…

Market jitters clearly returned to the EMU environment following the resignation of Paulo Portas this week (foreign minister). This holds political significance because Portas is leader of the junior coalition party (CDS-PP). The resignation reflects sustained erosion of political capital (coalition support falling in the polls) given persistent austerity measures – and Portugal has just agreed to spending cuts with the Troika amounting to 3% of GDP over the next couple of years. To date, Portugal has had a constructive relationship with the Troika, and as Draghi mentioned in his press conference, has delivered “outstanding” results.

Figure 10. Portugal’s 2011 Election Results



Source: Citi Research

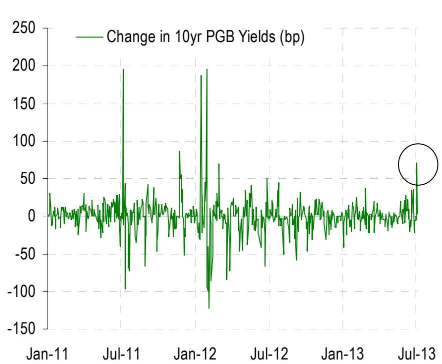
The political configuration of Portugal’s unicameral Parliament is shown in Figure 10. The very latest information suggests that the CDS-PP itself may not necessarily withdraw from government, but the schism means that the risks of break-up and early elections are, and will, remain high over the near-term (*Euro Area - Portugal Political Crisis*). This is what the opposition Socialist party is calling for, arguing that the current government has lost credibility and democratic legitimacy.

A painful reminder that the EMU crisis remains capricious

The full impact of the unfolding political events is unclear at this stage and this uncertainty is likely to weigh on PGBs in the near term. Following the resignation, the epicentre of market volatility was 10yr Portuguese government bonds. The news was enough to provoke an increase of over 100bp (intra day) in 10yr PGBs on 3rd July, making it one of the sharpest daily increases on record (Figure 11) with positioning and poor liquidity likely exacerbating the moves.

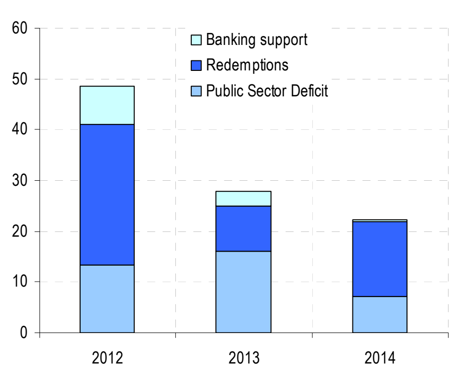
In our view, the event clearly serves as a painful reminder of just how capricious the EMU debt crisis can be, making it virtually impossible to forecast from where the next source of volatility will emanate, especially given the increasing importance of politics as a market driver.

Figure 11. Spike in PGBs



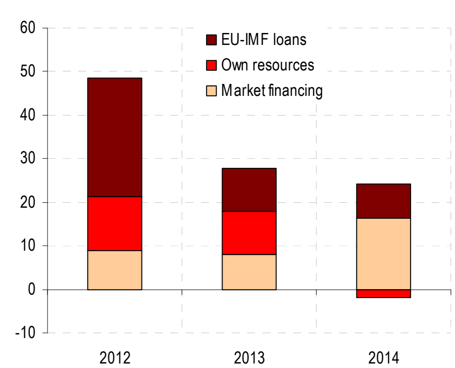
Source: Bloomberg

Figure 12. Portugal: Financing Needs (€bn)



Source: EC June Report

Figure 13. Portugal: Financing Sources (€bn)



Source: EC June Report

Lack of immediate funding pressures for Portugal is supportive

Portugal currently has Troika support for funding

According the latest European Commission report (June 2013), Portugal has a funding need of €27.9bn in 2013 and €22.2bn in 2014. The breakdown is shown in Figure 12. This is to be met by a combination of own resources, Troika loans and market financing (mostly bills, but with the expectation to issue bonds as the programme comes to an end). This is shown in Figure 13.

Portugal has also successfully accessed the market this year in 2 syndications

The key point is that Portugal remains fully funded by the Troika programme until June 2014. Furthermore, the IMF has indicated that Portugal had accumulated around €15bn in cash buffers in 2012. On top of that, Portugal has already successfully syndicated €5.5bn this year: €2.5bn in 5yr bonds in January and €3bn in 10yr bonds in May. We therefore conclude that there is no imminent funding crisis pertaining to Portugal.

Strategy views – limited contagion albeit there are wider implications

We conclude the ongoing political uncertainty is likely to weigh on PGBs

Unless the Portugal's domestic political situation morphs into something that could threaten the integrity of the euro area (unlikely in our view, especially given the credible OMT backstop), we believe contagion into the wider EMU market will be limited. There are however other implications that we draw from the unfolding political situation:

- Although fresh elections are not necessarily inevitable, risks of them happening have certainly increased.
- The breakdown of political consensus reduces the likelihood of a smooth path to complete and independent market access next year and increases the likelihood of a second bailout later in 2014
- Portugal is therefore unlikely to qualify for OMT support any time soon.

Wider contagion probably limited for now

The credible ECB OMT backstop remains a key pillar of support for non-core markets such as Italy and Spain. As detailed, we see no immediate funding crisis for the Portuguese sovereign, although longer-term concerns remain and the political outlook has become much more critical. We can therefore expect continued volatility in PGBs until the current situation is resolved, but wider significant contagion across EMU more broadly will perhaps be more limited for the time being.

EMU 2H13 Supply & Impact on Spreads

(1) 2H13 Supply Outlook

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2H13 Gross Issuance (€338bn) is much lower than 1H13

- We forecast €338bn of gross issuance from EMU-10 sovereigns in 2H13, €162bn lower than issuance in 1H13 (Figure 14).

- 55% of total issuance in 2H13 comes from core issuers (€186bn) while 45% of total issuance comes from non-core issuers (€151bn). On a maturity basis, core issuance is higher than the non-core issuance in all the sectors except the 15yr sector (Figure 15).

Figure 14. 1H13 and 2H13 EMU-10 gross supply by sector (€bn)

EMU-10	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply
H1	125.2	141.8	151.0	34.8	23.1	24.5	500
H2	92.3	108.2	94.9	14.8	14.6	13.0	338

Source: Citi Research

Figure 15. 2H13 Core vs Non-core supply split (€bn)

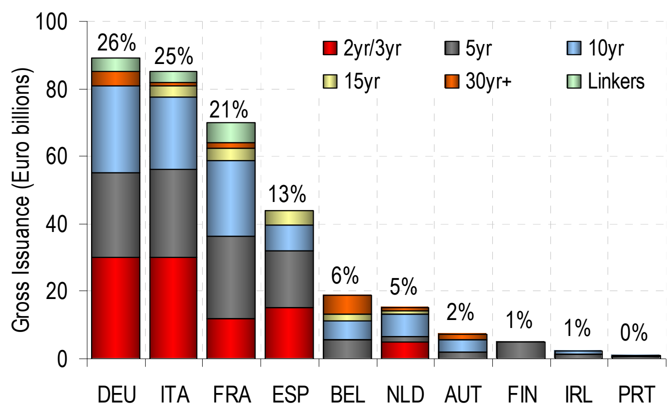
EMU-10	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply
Core	47.0	58.0	58.7	4.8	8.1	10.0	186
Non-core	45.3	50.2	36.2	10.0	6.5	3.0	151

Source: Citi Research

72% of supply in 2H13 comes from Germany, Italy and France

- Around 72% of total issuance in 2H13 comes from Germany (26%), Italy (25%) and France (21%) - Figure 16

Figure 16. 2H13 gross supply by country (€bn)



Source: DMOs, Citi Research

NCR for both the core and non-core issuers flips from being non-supportive for bonds in1H13 to supportive in 2H13

2H13 Net Cash Requirement (NCR) is supportive for core & non-core

- The EMU-10 NCR[1] flips from being non-supportive for both core and non-core issuers in 1H13 to being supportive for bonds in 2H13 (Figure 17 and Figure 18)

Figure 17. 1H13 and 2H13 EMU-10 gross supply, coupons and redemptions (€bn)

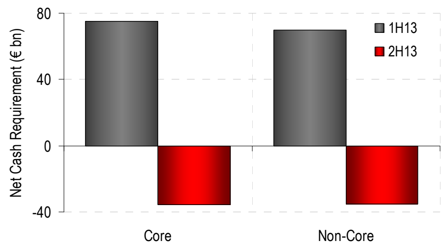
EMU-10	2yr/3yr	5yr	10yr	15yr	30yr	Linkers	Gross Supply	Coupons	Net Supply	Redemptions	NCR
H1	125.2	141.8	151.0	34.8	23.1	24.5	500	98	402	257	145
H2	92.3	108.2	94.9	14.8	14.6	13.0	338	98	240	310	-71

Source: DMOs, Bloomberg, Citi Research

[1] NCR = Gross Supply – Coupons –Redemptions

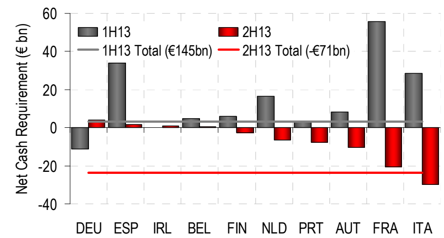
- On a country level, the NCR profile changes from being non-supportive in 1H13 to supportive in 2H13 for Italy, France, Austria, Portugal, the Netherlands and Finland (Figure 19).
- The NCR profile is supportive for bonds in July, October & December (Figure 20).

Figure 18. Core vs Non-core NCR (€bn)



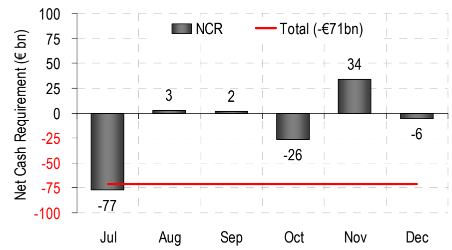
Source: DMOs, Bloomberg, Citi Research

Figure 19. 2H13 NCR by country (€bn)



Source: DMOs, Bloomberg, Citi Research

Figure 20. 2H13 EMU-10 monthly NCR (€bn)



Source: DMOs, Bloomberg, Citi Research

(2) Seasonal trends in core swap spreads

As mentioned above, the net cash requirement (gross supply less coupons and redemptions) is strongly supportive for both core and non-core markets in 2H13. This imbalance has tended to coincide with strong seasonal trends for core issuers such as Germany and the Netherlands during various months in 2013. In this section we highlight the strongest seasonal trends for both issuers over the next two months.

Netherlands

A breakdown of our supply forecasts by country, tenor and month along with coupons and redemptions in 2013 can be found on p16 of our latest *Weekly Supply Monitor*

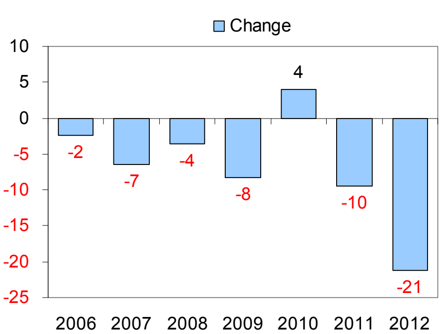
As we have highlighted previously, seasonality is very strong in the Netherlands for July (*European Rates Weekly, 27 June 2013*). There are three observations for both July and August that are worth noting:

– 10yr DSL swap spreads have widened in 6 of the last 7 years during July

– 30yr DSL swap spreads have widened in each of the last 7 years during July

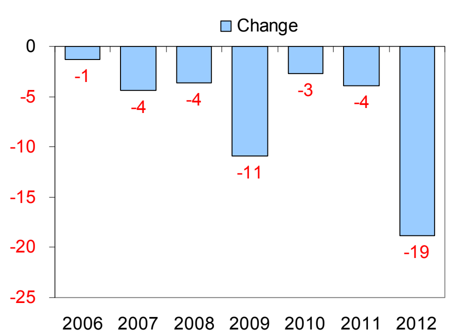
– 30yr DSL swap spreads have not widened by more than 1bp in each of the last 7 years during August

Figure 21. Changes in 10yr DSL YYS in July



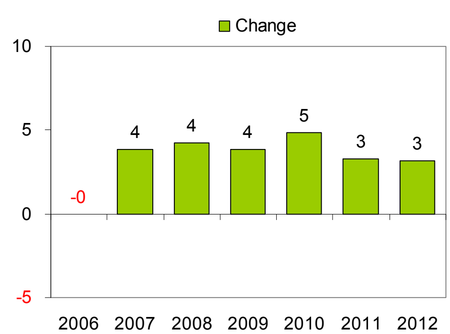
Source: Citi Research

Figure 22. Changes in 30yr DSL YYS in July



Source: Citi Research

Figure 23. Changes in 30yr DSL YYS in August



Source: Citi Research

We believe the trends highlighted in the three figures above have been influenced by the seasonal cash flow support for the Netherlands in July (large coupons and redemptions outweighing gross supply resulting in wider swap spreads) and August

(despite there being no supply or cash flows in August, anticipation of a large pick-up in long-end issuance for EMU markets in September may have contributed to wider spreads during August).

Trading strategy: continue to run long DSL ASW

All things being equal, large coupons and redemptions vs gross supply has been supportive for DSL swap spread wideners in July. Meanwhile, for August (flat net requirement) long-end swap spreads have consistently tightened.

In addition to seasonal support we maintain our recommendation to buy 10yr DSL in ASW (target is 2bp, see last week's *European Rates Weekly* for further details).

Germany

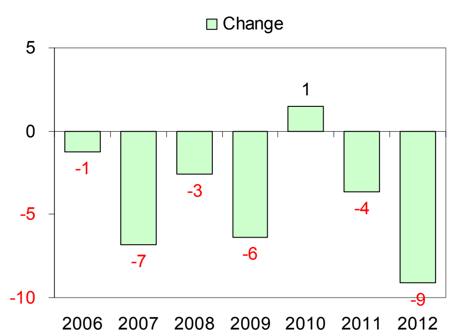
A breakdown of our supply forecasts by country, tenor and month along with coupons and redemptions in 2013 can be found on p16 of our latest *Weekly Supply Monitor*

Germany (like the Netherlands) has large coupon payments and redemptions in July. There are no coupons or redemptions in August but there is gross supply (i.e. the net cash requirement is non-supportive for bonds as gross supply outweighs coupons and redemptions).

Germany has also displayed three interesting observations:

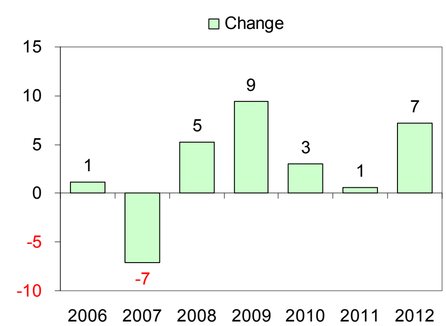
- During the course of July 30yr German swap spreads have widened in six of the last seven years; the adverse move in 2010 was only 1bp.
- In the second half of July, 2yr Schatz spreads have tightened in six of the last seven years. All things being equal, this maybe due to the absence of cash flows in Germany during the second half of July (as July coupons and redemptions in Germany are paid in the first week)
- In August, 30yr swap spreads have tightened in all but 1 year. The adverse move in 2012 was only 2bp.

Figure 24. 30yr Germany YYS in July



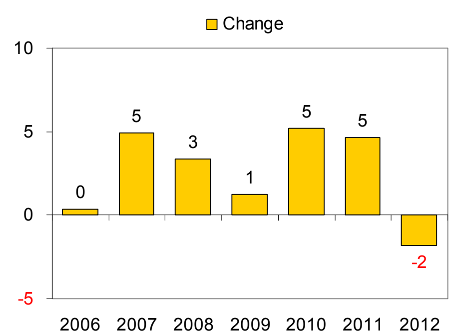
Source: Citi Research

Figure 25. 2yr Germany YYS in 15-31 July



Source: Citi Research

Figure 26. 30yr Germany YYS in August



Source: Citi Research

Trading Strategy: 30yr Bunds spreads have scope to widen further

The seasonal trend for 30yr YYS in July is clearly strong, in both consistency and the magnitude of the moves. This should be supportive for investors who are currently long 30yr Bunds vs swaps along with other factors such as (1) large DSL coupons (€5.7bn) and redemptions (€16bn) on 15 July 2013 and (2) the strong seasonal support seen in 30yr DSL YYS during the course of July.

SSA Strategy

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The ESM and the banking resolution regime

Last week, ECOFIN announced the principles regarding the new banking resolution regime. This included use of the ESM which is to earmark €60bn out of its total €500bn lending capacity for bank recapitalisation purposes. However, the use of the ESM in this way is strictly conditional and can only be considered after bail-in of shareholders/bondholders and after national governments have provided support.

In short, the regime in its current guise has the following characteristics (a much fuller treatment of the regime can be found in the latest *Euro Economics Weekly - Small steps towards banking union: the ECB should be pleased*):

- Insured depositors exempt from bail-ins are deposits held under €100,000. Secured liabilities such as covered bonds are also deemed exempt.
- 8% minimum loss to be imposed on shareholders and unsecured creditors before national authorities can provide resources.
- National governments will provide up to 20% of the total required capital injection.
- Only after all these conditions are met and only under strict conditionality, can use of ESM funds (€60bn max) be considered.

Many details have yet to be worked out. These include the notion of applying such principles retroactively, confirming who has the final say on resolution and the degree of national discretion in applying the rules.

ESM seen as a last resort

What's clear for SSA investors is that use of the ESM for bank recapitalisation is unlikely to be widespread and can't exceed €60bn under these initial guidelines. This represents just 12% of the ESM's total lending capacity (€500bn). Its core purpose of lending at the sovereign level is preserved for those sovereigns requesting financial assistance. The strict conditionality is welcome, as is the clear indication that the involvement of private creditors is here to stay in the mainstream thinking of European policy makers. In our view, the minimum threshold of 8% losses imposed on private creditors before taxpayers' money can be tapped is a step in the right direction and reduces (very slightly) the symbiosis between banks and their sovereigns.

S&P states there is no immediate rating impact

S&P indicated in their recent note[2] that "*the agreement on bank resolution that the EU member states reached on June 27 2013 has no immediate implications for Standard & Poor's counterparty credit ratings or senior unsecured issue ratings on banks in the region*". The focus in S&P's interpretation is that the discretion for sovereigns to continue to bail-out banks in distress and the lack of inter-sovereign support means that the regime is unlikely to reduce the degree of dependence between banks and sovereigns significantly. Furthermore, establishment of the single resolution mechanism (SRM) will take time and will likely evolve. We agree that the extent to which the agreed ECOFIN guidelines relieve the link between banks and their sovereigns is limited, but that said, it is still a step in the right direction.

More immediate focus likely to be on ESM issuance in coming months

[2] S&P Ratings Direct: "*Under The New EU Resolution Accord, Governments Still Have Leeway To Bail Out Banks"* 2nd July 2013

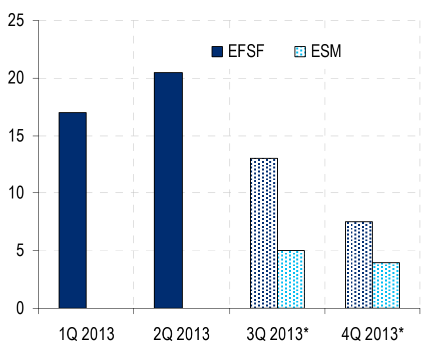
This week marks the first time that the ESM (inaugurated in October 2012) is the sole, permanent financial stability mechanism for the euro area. The EFSF is now no longer able to provide support to new requests for aid, but this does not mean it's goodbye completely (*The EFSF – au revoir, not adieu*). The EFSF will continue to roll bonds and provide financial assistance in terms of its existing commitments to Ireland, Portugal and Greece. Loans that it makes to these sovereigns have just had their maturities extended from an average of 12.5yrs to 19.5yrs. Hence, the EFSF will continue to be an important SSA issuer for many years ahead. A full breakdown of EFSF and ESM commitment history is provided in Figure 27 below. It is conceivable that the ESM may well be involved in providing precautionary support to Portugal and Ireland to assist in their return to complete and independent market access next year.

Figure 27. EFSF and ESM Commitment History Details

Date	Sovereign	EFSF/ESM Commitments	EFSF/ESM	Details
Nov-10	Ireland	**17.7**	EFSF	EFSF commitments to the total €85bn Troika programme
May-11	Portugal	**26**	EFSF	EFSF commitments to the total €78bn Troika programme
Mar-12	Greece PSI	35.5		PSI bonds
	2nd Greek Bailout	48		Bank recaps
		24.4		Funds carried over from 1st Greek bailout
		36.7		2nd Greek bailout funds
		144.6	EFSF	
Dec-12	Spain	**100**	Now ESM	Up to €100bn available for Spanish bank recap package Originally EFSF but later transferred to ESM
Mar-13	Cyrpus	**9**	ESM	ESM commitments of €9bn, IMF contributions of €1bn
Total Agreed Commitments **EFSF**		**192**		Portugal, Ireland, Greece, Includes €3.7bn cash buffer
Total Agreed Commitments **ESM**		**109**		Spain and Cyprus, remaining lending capacity €391bn

Source: Citi Research, EFSF, ESM

Figure 28. EFSF and ESM Supply in 2013, historical in H1 and provisional in H2 (€bn)



Source: Citi Research, ESM, EFSF

Conclusion – ESM is now the permanent EMU stability mechanism

The ESM is now the permanent stability mechanism for euro area sovereign financial assistance. It is currently involved in aid to Spain and Cyprus but has yet to sell a bond (although it has been issuing bills for several months and has provided cashless securities to Spain). The ESM has indicated it will look to sell €9bn across 2H 2013 in terms of its long-term funding programme. Market conditions have been favourable for its predecessor, the EFSF, which managed to raise over €20bn in Q2 (Figure 28). ESM issuance is certainly highly topical for investors in coming months and marks a further degree of evolution within the broader SSA universe.

In this context, many investors are focused on how this entity might compare with other SSA issuers. In general, the specific credit positives of €80bn paid-in capital, preferred creditor status and the wider support it enjoys from its shareholders are likely to mean the ESM secures its place as a core issuer within the European SSA market. Full details of its characteristics together with a peer comparison analysis table can be found in our earlier *Euro SSA Strategy - The EFSF and ESM in 2013*.

Covered Bond Strategy

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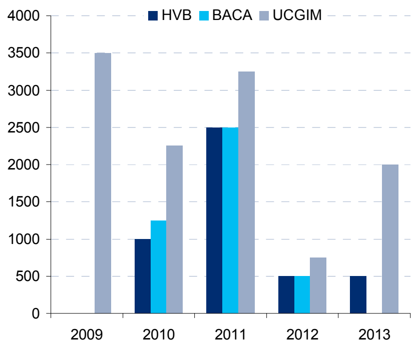
Austria's covered bond market will probably see further primary market activity in the coming days. We present the issuer, the cover pool and try to rank it within the established order of Austrian covered bond issuers.

Unicredit Bank Austria back to the fore?

Year to date, Austrian covered bond issuers have entered primary market quite rarely. It was only Vorarlberger Landes- und Hypothekenbank (VORHYP) and Raiffeisenlandesbank Steiermark (RFLBST) which issued mortgage covered bonds so far. This totalled in €1.1bn, or 2% of total primary market activity. Currently, Unicredit Bank Austria (BACA) is ready to re-enter the benchmark market. Some months ago, the issuer announced its plan to come to the market with a mortgage backed covered bond in 1H13, while preferring a public sector covered bond in the second half of the year. Although the first half has passed without any issue we still expect to see the mortgage pfandbrief very soon before it is followed by a public sector pfandbrief.

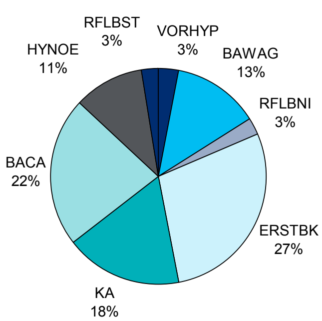
Figure 29. Issuance activity of Unicredit Group, EURmn



Source: Bloomberg, Citi Research

Unicredit SpA as a pan-European financial institution is active in various covered bond markets. Mortgage and public sector pfandbrief programs are actively managed under the German and Austrian subsidiary while in Italy UCGIM only issues mortgage backed covered bonds. Although refinancing levels had been more attractive by using predominantly the German affiliate followed by the Austrian one, the group followed a different strategy with the Italian leg being the most active one. The main reason for this is that Unicredit Group sees its affiliates as independent regional liquidity centres which is a reflection of the new self-funding principle as part of the group's strategy. Hence, BACA is the responsible issuance platform for Austria and Central Eastern Europe. This also helps to ensure that business growth of BACA can profit from relatively attractive own funding.

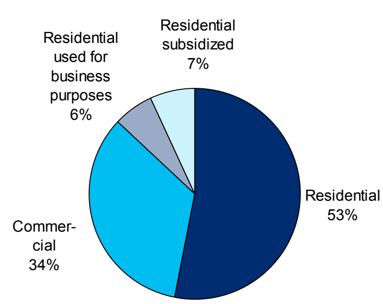
Figure 30. Market share in the Austrian covered bond segment, %



Source: Bloomberg, Citi Research

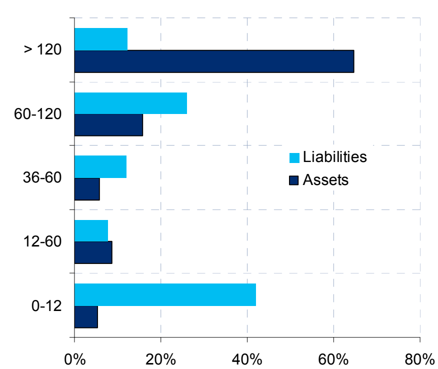
The Austrian affiliate made their inaugural covered bond deal in the pfandbrief spectrum in 2010 backed by public sector loans. Last year, the first mortgage backed deal followed four transactions that have also been public sector backed bonds. Within the Austrian covered bond segment the issuer takes a market share of 22%. Over the last year, the issuer underwent some changes to its mortgage cover pool. On the one hand, non-domestic risk has been excluded, i.e. the pool is 100% Austria. The non-domestic assets (mainly CEE) will probably be used in a collateralized structure. Moreover, the issuer decided to report its assets on a whole-loan basis, not only the collateral volume which should mirror all risks in a better way, according to the issuer.

Figure 31. Asset breakdown



Source: BACA, Citi Research

Figure 32. Maturity breakdown, months



Source: BACA, Citi Research

Figure 33. Key Figures

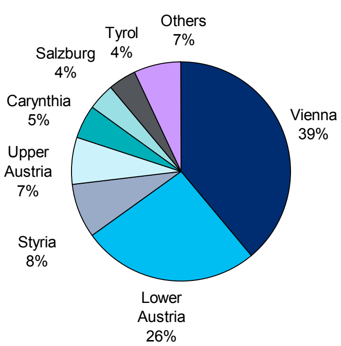
Parameters of the cover pool	
Outstanding liabilities (EURmn)	2892
Outstanding assets (EURmn)	5528
Current OC	91.1%
Assets in CHF	32.6%
Contracted Weighted Average Life (in years)	12.9
Average Seasoning (in years)	6.6
Total Number of Loans	23126
Total Number of Debtors	22420
Total Number of Mortgages	23126
Average Volume of Loans (in EUR)	235187
WA LTV	73.4%
Stake of 10 Biggest Loans	16.6%
Stake of 10 Biggest Debtors	17.3%
Stake of Bullet Loans	58.5%
Stake of Fixed Interest Loans	5.0%
Average maturity of bonds (years)	4.8
WA Life (assets, years incl. Amortization)	10.2
Moody's Key Figures	
Covered Bond Rating	Aaa
Issuer Rating	A3 (neg)
Collateral Score	26.4%
TPI	Probable
TPI Leeway	0 notches
Cover Pool Loss Scenario	
Market Risk	20.0%
Collateral Risk	17.7%
Cover Pool Losses	37.7%
Current OC	94.4%
Committed OC	2.0%
OC to maintain rating	57.5%

Source: Moody's, Citi Research

One latent weakness in some cover pools of Austrian covered bond programs is the high share of non-EUR denominated assets (mainly CHF) which are not hedged. This is also the case for BACA mortgage covered bonds as well. Although the property that is registered for the cover pool does not bear currency risk in the moment of liquidation after an issuer event of default the borrower's cash flow is at risk while the issuer and the program is going concern. Another risk which is displayed in the numbers above is the large maturity mismatch over the next twelve months within the cover pool (volume of maturing assets: EUR296mn vs volume of maturing liabilities: EUR1218mn). However, as the issuer has a short-dated covered bond (EUR1bn) that has been transferred to the ECB and was not sold to the public, this mismatch will not materialize. The unhedged CHF positions will probably be the main reason why Moody's Cover Pool Loss assumption of 37.7% (Market risk: 20% and Collateral Risk: 17.7%) is relatively high – the average of Austrian mortgage cover pools is 22% (Market Risk: 16% and Collateral Risk: 6%). Collateral risk measures losses resulting directly from cover pool assets' credit quality while market risk measures those losses which stem from refinancing risk and risks related to interest-rate and currency mismatches, according to Moody's methodology. These risks are also reflected in the minimum OC of 57.5% the issuer has to provide to be consistent with the Aaa rating.

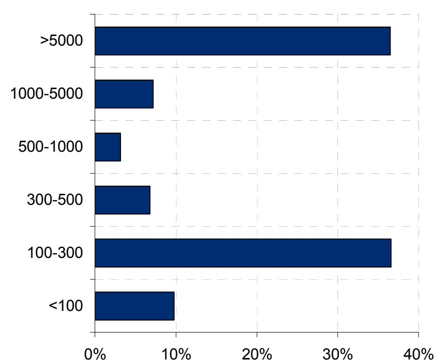
As stated above, the cover pool is comprised exclusively of Austrian assets. The main concentration is on its capital Vienna and Lower Austria, which is the state that surrounds Vienna and is the most populous state of Austria. Unfortunately, we could not find any further information on LTV distribution of the securitizing loans. However, the WA LTV is 73.4%. One should note that this is the loan-to-value which not only reflects the loan amounts that are eligible following the Austrian covered bond law (i.e. LTV cap of 60%) but the weighted average of the whole loans. Therefore, this value seems to be higher than usually.

Figure 34. Breakdown by geography, %



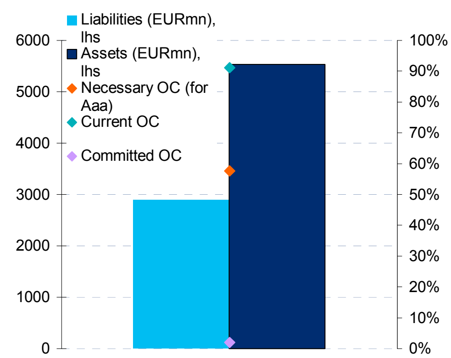
Source: BACA, Citi Research

Figure 35. Breakdown by size of loans, EURmn



Source: BACA, Citi Research

Figure 36. Overcollateralization ratios



Source: BACA, Citi Research

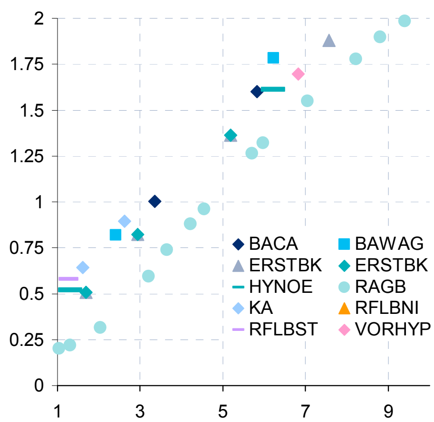
BACA trades 35bps softer than RAGB on average

In the secondary markets, the market does not differentiate between the mortgage pfandbrief and the public sector pfandbriefe issued by BACA. Moreover, the issuer's bonds trade in line with its peers while ERSTBK are trading on tightest levels. Unlike in other countries, all Austrian covered bonds trade softer than the underlying government debt. We think that fundamental and technical reasons justify this yield order. The average spread of BACA pfandbriefe to RAGB is 35bp.

Although supply pressure is given, switching from ERSTBK to BACA seems attractive

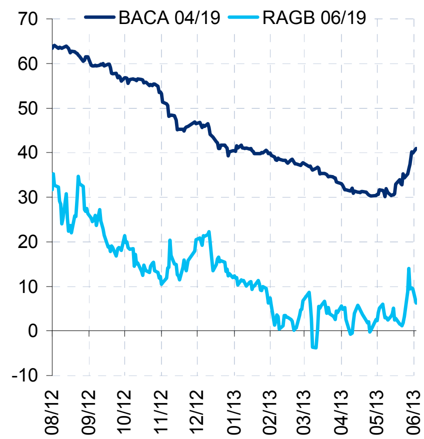
Apart from this, we think that currently BACA looks attractive versus ERSTBK in the belly of the curve on swap spread levels (see right figure below). Differentials between the two have tended to stay in single digits over the last six months. Over the last few days the spread has moved from under 5bp to more than 12bp. We think that the spread divergence reflects the supply expectation of market participants given the fact that the issuer managed expectations quite actively. Moreover, new issue premiums might be coming back to the primary market for certain covered bond issuers. A potential new issuance can have the effect that the whole curve of the issuer comes under pressure. However, we think that the latest spread movement is overdone and would recommend switching from ERSTBK 09/18 to BACA 04/19 although new issuance of the latter should be expected.

Figure 37. The Austrian yield universe, %



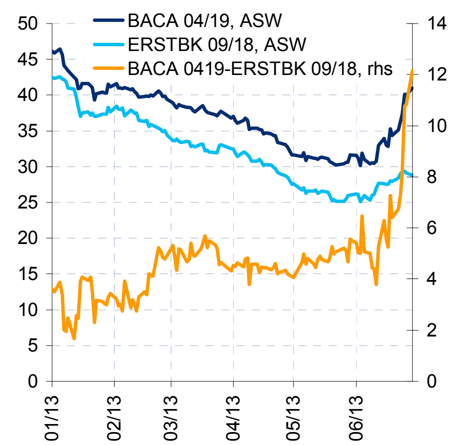
Source: Citi Research

Figure 38. BACA vs RAGB, ASW-Spread, bp



Source: Citi Research

Figure 39. BACA looks attractive vs ERSTBK



Source: Citi Research

Conclusion

The new mortgage pfandbrief should be expected soon

Although the Austrian covered bond market has not decoupled from the general trend of lower issuance activity in 2013, new issuers have entered the market and longer active ones have come back to the market on a steady basis. BACA issuance of a new mortgage pfandbrief is expected very soon after having changed the cover pool composition to 100% domestic assets. Apart from that, we think that at current levels BACA covered bonds look attractive relative to ERSTBK pfandbriefe in the belly of the curve although supply pressure has risen for the former.

Relative Value Tables

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

GERMANY

Versus Govt Curve (CAS)

	Rank		ZScore	Issued	Size (€bn)
Richest	1	**1.75 Oct15**	-2.79	Sep10	16
	2	**4.00 Jul16**	-2.54	May06	23
	3	**6.25 Jan30**	-2.46	Jan00	9
	4	**5.50 Jan31**	-2.45	Oct00	17
	5	**2.25 Sep21**	-1.93	Aug11	16
	5	**4.25 Jul39 (UB)**	1.02	Jan07	14
	4	**0.50 Feb18**	1.15	Jan13	17
	3	**3.50 Jul19**	1.17	May09	24
	2	**4.75 Jul40**	1.29	Jul08	16
Cheapest	1	**1.50 Feb23**	1.38	Jan13	18

Versus Swap Curve (CAS)

	Rank		ZScore	Issued	Size (€bn)
Richest	1	**6.25 Jan30**	-1.65	Jan00	9
	2	**5.50 Jan31**	-1.61	Oct00	17
	3	**0.25 Apr18 (5y)**	-1.50	Apr13	13
	4	**3.25 Jul21**	-1.39	Apr11	19
	5	**2.00 Jan22**	-1.37	Nov11	20
	5	**4.00 Jan37**	-0.18	Jan05	23
	4	**3.25 Jul42**	-0.02	Jul10	15
	3	**4.25 Jul39 (UB)**	-0.01	Jan07	14
	2	**4.75 Jul40**	0.04	Jul08	16
Cheapest	1	**2.50 Jul44 (30y)**	0.14	Apr12	12

Source: Citi Research

Figure 41 (overleaf) looks at bonds of all maturities. For investors with maturity restrictions we have also provided another set of summary tables (Figure 42 and Figure 44) which looks at bonds shorter than 12 years and longer than 8 years, and uses the same criteria as Figure 41 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 41. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History); All bonds on each curve

GERMANY

	Versus Govt Curve (CAS)						Versus Swap Curve (CAS)				
	Rank		ZScore	Issued	Size (€bn)		Rank		ZScore	Issued	Size (€bn)
Richest	1	1.75 Oct15	-2.79	Sep10	16	Richest	1	6.25 Jan30	-1.65	Jan00	9
	2	4.00 Jul16	-2.54	May06	23		2	5.50 Jan31	-1.61	Oct00	17
	3	6.25 Jan30	-2.46	Jan00	9		3	0.25 Apr18 (5y)	-1.50	Apr13	13
	4	5.50 Jan31	-2.45	Oct00	17		4	3.25 Jul21	-1.39	Apr11	19
	5	2.25 Sep21	-1.93	Aug11	16		5	2.00 Jan22	-1.37	Nov11	20
	5	4.25 Jul39 (UB)	1.02	Jan07	14		5	4.00 Jan37	-0.18	Jan05	23
	4	0.50 Feb18	1.15	Jan13	17		4	3.25 Jul42	-0.02	Jul10	15
	3	3.50 Jul19	1.17	May09	24		3	4.25 Jul39 (UB)	-0.01	Jan07	14
	2	4.75 Jul40	1.29	Jul08	16		2	4.75 Jul40	0.04	Jul08	16
Cheapest	1	1.50 Feb23	1.38	Jan13	18	Cheapest	1	2.50 Jul44 (30y)	0.14	Apr12	12

FRANCE

	Rank		ZScore	Issued	Size (€bn)		Rank		ZScore	Issued	Size (€bn)
Richest	1	3.00 Oct15	-2.49	Oct04	33	Richest	1	3.00 Oct15	-1.51	Oct04	33
	2	1.75 May23 (10y)	-1.53	May12	8		2	2.00 Jul15	-1.04	Jun10	31
	3	5.00 Oct16	-1.51	Oct00	29		3	1.00 Nov18 (5y)	-0.43	Nov12	4
	4	3.25 Apr16	-0.96	Apr05	29		4	4.25 Oct23	-0.41	Oct06	33
	5	2.00 Jul15	-0.89	Jun10	31		5	2.25 Oct22	-0.40	Oct11	24
	5	4.25 Oct18	1.07	Oct07	28		5	1.00 May18	0.38	May12	21
	4	1.00 Nov18 (5y)	1.25	Nov12	4		4	3.25 May45	0.58	May12	5
	3	3.00 Apr22 (OAT)	1.71	Feb12	33		3	4.00 Apr60	0.68	Apr09	9
	2	1.00 May18	2.05	May12	21		2	4.00 Apr55	0.72	Apr04	15
Cheapest	1	4.00 Apr55	2.61	Apr04	15	Cheapest	1	1.75 May23 (10y)	0.82	May12	8

ITALY

	Rank		ZScore	Issued	Size (€bn)		Rank		ZScore	Issued	Size (€bn)
Richest	1	2.25 May16	-2.81	Apr13	11	Richest	1	4.00 Feb37	-0.72	Aug05	25
	2	4.75 Aug23	-2.59	Feb08	25		2	5.00 Aug34	-0.60	Aug03	21
	3	5.00 Aug39	-2.31	Aug07	19		3	3.75 Aug21	-0.51	Feb06	28
	4	4.50 Mar26	-2.22	Sep10	21		4	4.75 Aug23	-0.46	Feb08	25
	5	2.75 Dec15	-2.04	Dec12	16		5	5.75 Feb33	-0.43	Feb02	15
	5	4.75 Sep44	1.96	Mar13	6		5	4.00 Feb17	0.26	Aug06	26
	4	4.75 May17	1.97	Feb12	14		4	4.75 Jun17	0.28	Jun12	15
	3	4.50 Mar19 (MFB)	2.35	Sep08	24		3	4.75 Sep16	0.30	Sep11	16
	2	5.25 Aug17	2.70	Feb02	24		2	2.25 May16	0.61	Apr13	11
Cheapest	1	4.75 Jun17	2.72	Jun12	15	Cheapest	1	4.75 Sep44	1.25	Mar13	6

N'LANDS

	Rank		ZScore	Issued	Size (€bn)		Rank		ZScore	Issued	Size (€bn)
Richest	1	4.00 Jul16	-2.28	Jul06	13	Richest	1	1.25 Jan19	-1.13	Jun13	6
	2	3.75 Jan23	-2.26	Jan06	11		2	3.25 Jul15	-1.10	Jun05	15
	3	2.25 Jul22	-2.21	Feb12	17		3	3.75 Jan23	-0.37	Jan06	11
	4	4.50 Jul17	-2.00	Jul07	15		4	4.00 Jan37	-0.23	Apr05	13
	5	3.50 Jul20	-0.99	Feb10	15		5	2.25 Jul22	-0.05	Feb12	17
	5	2.50 Jan17	0.07	Jun11	15		5	0.00 Apr16	0.37	Jan13	10
	4	3.25 Jul21	0.08	Mar11	15		4	4.00 Jul18	0.42	Feb08	15
	3	0.00 Apr16	0.22	Jan13	10		3	2.50 Jan17	0.58	Jun11	15
	2	3.75 Jan42 (30y)	0.40	May10	14		2	1.25 Jan18 (5y)	0.61	Jul12	15
Cheapest	1	1.75 Jul23 (10y)	0.85	Mar13	9	Cheapest	1	1.75 Jul23 (10y)	0.88	Mar13	9

SPAIN

	Rank		ZScore	Issued	Size (€bn)		Rank		ZScore	Issued	Size (€bn)
Richest	1	3.30 Jul16	-1.98	Apr13	9	Richest	1	4.80 Jan24	-0.90	Sep08	15
	2	4.85 Oct20	-1.59	Jul10	18		2	4.65 Jul25	-0.86	Feb10	14
	3	4.90 Jul40	-1.45	Jun07	13		3	5.85 Jan22 (FBB)	-0.82	Nov11	19
	4	4.40 Oct23 (10y)	-1.41	May13	10		4	5.50 Apr21	-0.82	Jan11	24
	5	5.50 Apr21	-0.82	Jan11	24		5	4.85 Oct20	-0.82	Jul10	18
	5	5.50 Jul17	1.45	Mar02	20		5	3.15 Jan16	-0.28	Sep05	21
	4	4.30 Oct19	1.47	Jun09	18		4	4.00 Jul15	-0.28	Jan12	19
	3	5.90 Jul26	1.65	Mar11	10		3	3.75 Oct15	-0.27	Sep12	14
	2	3.75 Oct15	1.82	Sep12	14		2	3.30 Jul16	0.15	Apr13	9
Cheapest	1	3.15 Jan16	2.07	Sep05	21	Cheapest	1	4.40 Oct23 (10y)	0.37	May13	10

BELGIUM

	Rank		ZScore	Issued	Size (€bn)		Rank		ZScore	Issued	Size (€bn)
Richest	1	5.00 Mar35	-3.52	May04	18	Richest	1	3.75 Sep15	0.63	Mar05	11
	2	3.75 Sep20	-2.73	Jan10	18		2	2.75 Mar16	1.10	Mar10	10
	3	4.00 Mar17	-1.49	Jan07	11		3	5.00 Mar35	1.29	May04	18
	4	3.50 Jun17	-1.49	Mar11	13		4	3.75 Sep20	1.30	Jan10	18
	5	4.50 Mar26	-1.31	Jun11	8		5	4.25 Sep21	1.35	Jan11	15
	5	1.25 Jun18 (5y)	0.90	Feb13	10		5	3.50 Jun17	1.78	Mar11	13
	4	4.00 Mar19	0.97	Jan09	11		4	4.00 Mar32	1.80	Mar12	7
	3	2.25 Jun23 (10y)	1.15	Jan13	9		3	4.00 Mar19	1.92	Jan09	11
	2	3.75 Sep15	1.29	Mar05	11		2	4.00 Mar18	1.99	Jan08	11
Cheapest	1	4.00 Mar32	1.67	Mar12	7	Cheapest	1	1.25 Jun18 (5y)	2.18	Feb13	10

Source: Citi Research

EMU relative value table – max 12yr maturity

Figure 42. 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)

GERMANY

	Rank	Bond	ZScore	Issued	Size (€bn)		Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	1.75 Oct15	-2.79	Sep10	16	Richest	1	0.25 Apr18 (5y)	-1.50	Apr13	13
	2	4.00 Jul16	-2.54	May06	23		2	3.25 Jul21	-1.39	Apr11	19
	3	2.25 Sep21	-1.93	Aug11	16		3	2.00 Jan22	-1.37	Nov11	20
	4	3.25 Jul21	-1.81	Apr11	19		4	2.25 Sep21	-1.34	Aug11	16
	5	2.00 Jan22	-1.75	Nov11	20		5	1.50 May23 (10y)	-1.27	May13	10
	5	4.25 Jul18 (OE)	0.58	May08	21		5	0.50 Feb18	-0.63	Jan13	17
	4	3.75 Jan19	0.92	Nov08	24		4	2.75 Apr16	-0.62	Apr11	18
	3	0.50 Feb18	1.15	Jan13	17		3	3.50 Jan16	-0.61	Nov05	23
	2	3.50 Jul19	1.17	May09	24		2	2.00 Feb16	-0.59	Jan11	16
Cheapest	1	1.50 Feb23	1.38	Jan13	18	Cheapest	1	0.50 Apr17	-0.59	Apr12	18

FRANCE

	Rank	Bond	ZScore	Issued	Size (€bn)		Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	3.00 Oct15	-2.49	Oct04	33	Richest	1	3.00 Oct15	-1.51	Oct04	33
	2	1.75 May23 (10y)	-1.53	May12	8		2	2.00 Jul15	-1.04	Jun10	31
	3	5.00 Oct16	-1.51	Oct00	29		3	1.00 Nov18 (5y)	-0.43	Nov12	4
	4	3.25 Apr16	-0.96	Apr05	29		4	4.25 Oct23	-0.41	Oct06	33
	5	2.00 Jul15	-0.89	Jun10	31		5	2.25 Oct22	-0.40	Oct11	24
	5	2.25 Oct22	0.71	Oct11	24		5	4.25 Oct18	0.14	Oct07	28
	4	4.25 Oct18	1.07	Oct07	28		4	3.75 Apr17	0.22	Apr06	33
	3	1.00 Nov18 (5y)	1.25	Nov12	4		3	1.75 Feb17	0.23	Feb11	20
	2	3.00 Apr22 (OAT)	1.71	Feb12	33		2	1.00 May18	0.38	May12	21
Cheapest	1	1.00 May18	2.05	May12	21	Cheapest	1	1.75 May23 (10y)	0.82	May12	8

ITALY

	Rank	Bond	ZScore	Issued	Size (€bn)		Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	2.25 May16	-2.81	Apr13	11	Richest	1	3.75 Aug21	-0.51	Feb06	28
	2	4.75 Aug23	-2.59	Feb08	25		2	4.75 Aug23	-0.46	Feb08	25
	3	2.75 Dec15	-2.04	Dec12	16		3	3.75 Mar21	-0.38	Sep10	24
	4	3.75 Apr16	-2.01	Apr11	16		4	4.00 Sep20	-0.30	Mar10	25
	5	4.50 May23 (10y)	-1.39	Mar13	18		5	4.50 May23 (10y)	-0.29	Mar13	18
	5	4.00 Feb17	1.92	Aug06	26		5	5.25 Aug17	0.24	Feb02	24
	4	4.75 May17	1.97	Feb12	14		4	4.00 Feb17	0.26	Aug06	26
	3	4.50 Mar19 (MFB)	2.35	Sep08	24		3	4.75 Jun17	0.28	Jun12	15
	2	5.25 Aug17	2.70	Feb02	24		2	4.75 Sep16	0.30	Sep11	16
Cheapest	1	4.75 Jun17	2.72	Jun12	15	Cheapest	1	2.25 May16	0.61	Apr13	11

N'LANDS

	Rank	Bond	ZScore	Issued	Size (€bn)		Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	4.00 Jul16	-2.28	Jul06	13	Richest	1	1.25 Jan19	-1.13	Jun13	6
	2	3.75 Jan23	-2.26	Jan06	11		2	3.25 Jul15	-1.10	Jun05	15
	3	2.25 Jul22	-2.21	Feb12	17		3	3.75 Jan23	-0.37	Jan06	11
	4	4.50 Jul17	-2.00	Jul07	15		4	2.25 Jul22	-0.05	Feb12	17
	5	3.50 Jul20	-0.99	Feb10	15		5	4.00 Jul16	0.05	Jul06	13
	5	4.00 Jul19	-0.21	Feb09	14		5	0.00 Apr16	0.37	Jan13	10
	4	2.50 Jan17	0.07	Jun11	15		4	4.00 Jul18	0.42	Feb08	15
	3	3.25 Jul21	0.08	Mar11	15		3	2.50 Jan17	0.58	Jun11	15
	2	0.00 Apr16	0.22	Jan13	10		2	1.25 Jan18 (5y)	0.61	Jul12	15
Cheapest	1	1.75 Jul23 (10y)	0.85	Mar13	9	Cheapest	1	1.75 Jul23 (10y)	0.88	Mar13	9

SPAIN

	Rank	Bond	ZScore	Issued	Size (€bn)		Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	3.30 Jul16	-1.98	Apr13	9	Richest	1	4.80 Jan24	-0.90	Sep08	15
	2	4.85 Oct20	-1.59	Jul10	18		2	5.85 Jan22 (FBB)	-0.82	Nov11	19
	3	4.40 Oct23 (10y)	-1.41	May13	10		3	5.50 Apr21	-0.82	Jan11	24
	4	5.50 Apr21	-0.82	Jan11	24		4	4.85 Oct20	-0.82	Jul10	18
	5	4.10 Jul18	-0.67	Feb08	19		5	5.40 Jan23	-0.73	Jan13	16
	5	3.80 Jan17	1.39	Oct06	21		5	3.15 Jan16	-0.28	Sep05	21
	4	5.50 Jul17	1.45	Mar02	20		4	4.00 Jul15	-0.28	Jan12	19
	3	4.30 Oct19	1.47	Jun09	18		3	3.75 Oct15	-0.27	Sep12	14
	2	3.75 Oct15	1.82	Sep12	14		2	3.30 Jul16	0.15	Apr13	9
Cheapest	1	3.15 Jan16	2.07	Sep05	21	Cheapest	1	4.40 Oct23 (10y)	0.37	May13	10

BELGIUM

	Rank	Bond	ZScore	Issued	Size (€bn)		Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	3.75 Sep20	-2.73	Jan10	18	Richest	1	3.75 Sep15	0.63	Mar05	11
	2	4.00 Mar17	-1.49	Jan07	11		2	2.75 Mar16	1.10	Mar10	10
	3	3.50 Jun17	-1.49	Mar11	13		3	3.75 Sep20	1.30	Jan10	18
	4	4.25 Sep21	-0.70	Jan11	15		4	4.25 Sep21	1.35	Jan11	15
	5	4.25 Sep22	-0.57	Jan12	15		5	4.25 Sep22	1.43	Jan12	15
	5	4.00 Mar18	0.84	Jan08	11		5	5.50 Sep17	1.75	Jun02	8
	4	1.25 Jun18 (5y)	0.90	Feb13	10		4	3.50 Jun17	1.78	Mar11	13
	3	4.00 Mar19	0.97	Jan09	11		3	4.00 Mar19	1.92	Jan09	11
	2	2.25 Jun23 (10y)	1.15	Jan13	9		2	4.00 Mar18	1.99	Jan08	11
Cheapest	1	3.75 Sep15	1.29	Mar05	11	Cheapest	1	1.25 Jun18 (5y)	2.18	Feb13	10

Source: Citi Research

EMU relative value table – min 8yr maturity

Figure 43. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History); Bonds with a Minimum Maturity of 8yrs

GERMANY

Versus Govt Curve (CAS)

	Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	6.25 Jan30	-2.46	Jan00	9
	2	5.50 Jan31	-2.45	Oct00	17
	3	2.25 Sep21	-1.93	Aug11	16
	4	3.25 Jul21	-1.81	Apr11	19
	5	2.00 Jan22	-1.75	Nov11	20
	5	1.50 Sep22	0.54	Sep12	18
	4	4.00 Jan37	0.82	Jan05	23
	3	4.25 Jul39 (UB)	1.02	Jan07	14
	2	4.75 Jul40	1.29	Jul08	16
Cheapest	1	1.50 Feb23	1.38	Jan13	18

Versus Swap Curve (CAS)

	Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	6.25 Jan30	-1.65	Jan00	9
	2	5.50 Jan31	-1.61	Oct00	17
	3	3.25 Jul21	-1.39	Apr11	19
	4	2.00 Jan22	-1.37	Nov11	20
	5	2.25 Sep21	-1.34	Aug11	16
	5	4.00 Jan37	-0.18	Jan05	23
	4	3.25 Jul42	-0.02	Jul10	15
	3	4.25 Jul39 (UB)	-0.01	Jan07	14
	2	4.75 Jul40	0.04	Jul08	16
Cheapest	1	2.50 Jul44 (30y)	0.14	Apr12	12

FRANCE

Versus Govt Curve (CAS)

	Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	1.75 May23 (10y)	-1.53	May12	8
	2	3.50 Apr26	-0.22	Apr10	30
	3	4.00 Apr60	-0.14	Apr09	9
	4	3.25 May45	0.05	May12	5
	5	4.00 Oct38	0.05	Oct05	24
	5	2.25 Oct22	0.71	Oct11	24
	4	4.50 Apr41 (30y)	0.88	Apr09	24
	3	2.75 Oct27	0.95	Oct11	13
	2	3.00 Apr22 (OAT)	1.71	Feb12	33
Cheapest	1	4.00 Apr55	2.61	Apr04	15

Versus Swap Curve (CAS)

	Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	4.25 Oct23	-0.41	Oct06	33
	2	2.25 Oct22	-0.40	Oct11	24
	3	3.50 Apr26	-0.33	Apr10	30
	4	3.25 Oct21	-0.33	Oct10	33
	5	3.00 Apr22 (OAT)	-0.31	Feb12	33
	5	4.75 Apr35	0.34	Apr03	21
	4	3.25 May45	0.58	May12	5
	3	4.00 Apr60	0.68	Apr09	9
	2	4.00 Apr55	0.72	Apr04	15
Cheapest	1	1.75 May23 (10y)	0.82	May12	8

ITALY

Versus Govt Curve (CAS)

	Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	4.75 Aug23	-2.59	Feb08	25
	2	5.00 Aug39	-2.31	Aug07	19
	3	4.50 Mar26	-2.22	Sep10	21
	4	4.00 Feb37	-1.70	Aug05	25
	5	5.00 Sep40 (30y)	-1.52	Sep09	21
	5	5.00 Mar22	-0.28	Sep11	18
	4	4.75 Sep28	0.89	Jan13	11
	3	5.50 Nov22 (IK)	1.76	May12	21
	2	5.50 Sep22	1.77	Mar12	20
Cheapest	1	4.75 Sep44	1.96	Mar13	6

Versus Swap Curve (CAS)

	Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	4.00 Feb37	-0.72	Aug05	25
	2	5.00 Aug34	-0.60	Aug03	21
	3	3.75 Aug21	-0.51	Feb06	28
	4	4.75 Aug23	-0.46	Feb08	25
	5	5.75 Feb33	-0.43	Feb02	15
	5	4.75 Sep21	-0.13	Mar11	25
	4	5.00 Mar22	-0.07	Sep11	18
	3	5.50 Sep22	0.11	Mar12	20
	2	5.50 Nov22 (IK)	0.14	May12	21
Cheapest	1	4.75 Sep44	1.25	Mar13	6

N'LANDS

Versus Govt Curve (CAS)

	Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	3.75 Jan23	-2.26	Jan06	11
	2	2.25 Jul22	-2.21	Feb12	17
	3	4.00 Jan37	-0.67	Apr05	13
	3	3.25 Jul21	0.08	Mar11	15
	2	3.75 Jan42 (30y)	0.40	May10	14
Cheapest	1	1.75 Jul23 (10y)	0.85	Mar13	9

Versus Swap Curve (CAS)

	Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	3.75 Jan23	-0.37	Jan06	11
	2	4.00 Jan37	-0.23	Apr05	13
	3	2.25 Jul22	-0.05	Feb12	17
	3	3.75 Jan42 (30y)	0.19	May10	14
	2	3.25 Jul21	0.19	Mar11	15
Cheapest	1	1.75 Jul23 (10y)	0.88	Mar13	9

SPAIN

Versus Govt Curve (CAS)

	Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	4.90 Jul40	-1.45	Jun07	13
	2	4.40 Oct23 (10y)	-1.41	May13	10
	3	4.20 Jan37	-0.45	Jan05	16
	4	5.85 Jan22 (FBB)	0.18	Nov11	19
	5	5.75 Jul32	0.40	Jan01	15
	5	5.40 Jan23	0.77	Jan13	16
	4	4.65 Jul25	0.91	Feb10	14
	3	4.80 Jan24	0.92	Sep08	15
	2	4.70 Jul41 (30y)	0.99	Sep09	12
Cheapest	1	5.90 Jul26	1.65	Mar11	10

Versus Swap Curve (CAS)

	Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	4.80 Jan24	-0.90	Sep08	15
	2	4.65 Jul25	-0.86	Feb10	14
	3	5.85 Jan22 (FBB)	-0.82	Nov11	19
	4	5.90 Jul26	-0.80	Mar11	10
	5	4.20 Jan37	-0.74	Jan05	16
	5	5.40 Jan23	-0.73	Jan13	16
	4	4.90 Jul40	-0.72	Jun07	13
	3	5.75 Jul32	-0.69	Jan01	15
	2	4.70 Jul41 (30y)	-0.67	Sep09	12
Cheapest	1	4.40 Oct23 (10y)	0.37	May13	10

BELGIUM

Versus Govt Curve (CAS)

	Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	5.00 Mar35	-3.52	May04	18
	2	4.50 Mar26	-1.31	Jun11	8
	3	4.25 Sep21	-0.70	Jan11	15
	4	4.25 Sep22	-0.57	Jan12	15
	4	4.00 Mar22	0.20	May06	14
	3	4.25 Mar41 (30y)	0.65	Apr10	12
	2	2.25 Jun23 (10y)	1.15	Jan13	9
Cheapest	1	4.00 Mar32	1.67	Mar12	7

Versus Swap Curve (CAS)

	Rank	Bond	ZScore	Issued	Size (€bn)
Richest	1	5.00 Mar35	1.29	May04	18
	2	4.25 Sep21	1.35	Jun11	15
	3	4.25 Sep22	1.43	Jan12	15
	4	4.25 Mar41 (30y)	1.52	Apr10	12
	4	4.50 Mar26	1.53	Jun11	8
	3	4.00 Mar22	1.54	May06	14
	2	2.25 Jun23 (10y)	1.65	Jan13	9
Cheapest	1	4.00 Mar32	1.80	Mar12	7

Source: Citi Research

UK relative value table

Figure 44. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History)

ALL

Versus Govt Curve (CAS)

	Rank		ZScore	Issued	Size (€bn)
Richest	1	4.00 Jan60	-2.97	Oct09	19
	2	4.75 Dec38	-2.56	Apr04	25
	3	4.25 Dec27	-2.43	Sep06	29
	4	4.25 Sep39	-2.27	Mar09	19
	5	1.75 Sep22 (10y)	-1.85	Jun12	28
	5	5.00 Sep14	0.96	Jul02	41
	4	4.50 Mar19	1.33	Sep08	35
	3	3.25 Jan44 (30y)	1.36	Oct12	13
	2	4.25 Dec55	1.70	May05	23
Cheapest	1	4.25 Jun32	2.87	May00	35

Versus Swap Curve (CAS)

	Rank		ZScore	Issued	Size (€bn)
Richest	1	4.75 Sep15 (WB)	-2.07	Sep03	38
	2	2.75 Jan15 (2y)	-1.45	Nov09	29
	3	4.00 Sep16	-1.05	Mar06	35
	4	1.00 Sep17	-0.97	Mar12	31
	5	1.75 Jan17	-0.93	Aug11	27
	5	3.25 Jan44 (30y)	1.22	Oct12	13
	4	4.25 Dec55	1.27	May05	23
	3	4.75 Dec30	1.29	Oct07	29
	2	4.25 Jun32	1.45	May00	35
Cheapest	1	4.00 Jan60	1.53	Oct09	19

2yr - 7yr

Versus Govt Curve (CAS)

	Rank		ZScore	Issued	Size (€bn)
Richest	1	4.75 Sep15 (WB)	-1.43	Sep03	38
	2	1.25 Jul18 (5y)	-0.59	Feb13	19
	3	1.75 Jan17	-0.56	Aug11	27
	4	3.75 Sep19	-0.55	Jul09	28
	5	4.75 Mar20	-0.47	Mar05	33
	5	4.00 Sep16	-0.43	Mar06	35
	4	5.00 Mar18 (WX)	-0.35	May07	34
	3	2.00 Jan16	0.47	Nov10	32
	2	1.00 Sep17	0.71	Mar12	31
Cheapest	1	4.50 Mar19	1.33	Sep08	35

Versus Swap Curve (CAS)

	Rank		ZScore	Issued	Size (€bn)
Richest	1	4.75 Sep15 (WB)	-2.07	Sep03	38
	2	4.00 Sep16	-1.05	Mar06	35
	3	1.00 Sep17	-0.97	Mar12	31
	4	1.75 Jan17	-0.93	Aug11	27
	5	5.00 Mar18 (WX)	-0.89	May07	34
	5	2.00 Jan16	-0.84	Nov10	32
	4	1.25 Jul18 (5y)	-0.73	Feb13	19
	3	3.75 Sep19	-0.72	Jul09	28
	2	4.75 Mar20	-0.65	Mar05	33
Cheapest	1	4.50 Mar19	-0.51	Sep08	35

7yr - 15yr

Versus Govt Curve (CAS)

	Rank		ZScore	Issued	Size (€bn)
Richest	1	4.25 Dec27	-2.43	Sep06	29
	2	1.75 Sep22 (10y)	-1.85	Jun12	28
	3	5.00 Mar25 (G)	-1.70	Sep01	33
	4				
	5				
	5				
	4				
	3	4.00 Mar22	-0.50	Feb09	37
	2	3.75 Sep20	-0.29	Jun10	24
Cheapest	1	3.75 Sep21	-0.24	Mar11	28

Versus Swap Curve (CAS)

	Rank		ZScore	Issued	Size (€bn)
Richest	1	3.75 Sep20	-0.55	Jun10	24
	2	3.75 Sep21	-0.35	Mar11	28
	3	4.00 Mar22	-0.24	Feb09	37
	4				
	5				
	5				
	4				
	3	5.00 Mar25 (G)	0.65	Sep01	33
	2	2.25 Sep23	0.72	Jun13	4
Cheapest	1	4.25 Dec27	0.89	Sep06	29

>15yr

Versus Govt Curve (CAS)

	Rank		ZScore	Issued	Size (€bn)
Richest	1	4.00 Jan60	-2.97	Oct09	19
	2	4.75 Dec38	-2.56	Apr04	25
	3	4.25 Sep39	-2.27	Mar09	19
	4	4.50 Dec42	-1.63	Jun07	26
	5	4.25 Mar36	-1.62	Feb03	23
	5	4.75 Dec30	0.68	Oct07	29
	4	4.50 Sep34	0.90	Jun09	23
	3	3.25 Jan44 (30y)	1.36	Oct12	13
	2	4.25 Dec55	1.70	May05	23
Cheapest	1	4.25 Jun32	2.87	May00	35

Versus Swap Curve (CAS)

	Rank		ZScore	Issued	Size (€bn)
Richest	1	3.50 Jul68	-0.42	Jun13	5
	2	4.75 Dec38	0.57	Apr04	25
	3	4.25 Sep39	0.62	Mar09	19
	4	4.25 Mar36	0.63	Feb03	23
	5	4.25 Dec40	0.88	Jun10	24
	5	3.25 Jan44 (30y)	1.22	Oct12	13
	4	4.25 Dec55	1.27	May05	23
	3	4.75 Dec30	1.29	Oct07	29
	2	4.25 Jun32	1.45	May00	35
Cheapest	1	4.00 Jan60	1.53	Oct09	19

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* published today. For further details (upcoming coupon payments, redemptions and longer term supply forecasts) please see the original note.

Figure 45. 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 TYU3 (UST)	G U3 (Gilt)	RXU3 (Bund)
08 Jul (Mon)	US	1.25 - 1.75	Outright Treasury Coupon Purchases: 15/2/2036 - 15/5/2043		-36k		
09 Jul (Tue)	Germany	1.0	Boblei '18 reopening (issue and size confirmed)				4k
09 Jul (Tue)	Netherlands	2.0	DSL Jul23 re-opening (issue confirmed, size €1.5-2.5bn)				15k
09 Jul (Tue)	UK	1.4	01/8% Index-linked Treasury Gilt 2029 (issue and size confirmed)			12k	
09 Jul (Tue)	US	32.0	3-Year		82k		
09 Jul (Tue)	US	2.75 - 3.5	Outright Treasury Coupon Purchases: 15/8/2020 - 15/5/2023		-27k		
10 Jul (Wed)	Germany	5.0	Schatz Jun15 reopening (issue and size confirmed)				8k
10 Jul (Wed)	US	21.0	10-Year (re-opening)		239k		
10 Jul (Wed)	US	3 - 3.75	Outright Treasury Coupon Purchases: 30/4/2019 - 30/6/2020		-22k		
11 Jul (Thu)	Italy	5.0	BTP 3yr and 15yr (estimated tenors and size)				27k
11 Jul (Thu)	Italy	1.3	CCTeu (estimated size)				5k
11 Jul (Thu)	UK	2.5	3¼% Treasury Gilt 2044 (issue and size confirmed)			45k	
11 Jul (Thu)	US	13.0	30-year (re-opening)		309k		
11 Jul (Thu)	US	1 - 1.5	Outright TIPS Purchases: 15/7/2017 - 15/2/2043		-24k		
12 Jul (Fri)	US	1.25 - 1.75	Outright Treasury Coupon Purchases: 15/2/2036 - 15/5/2043		-36k		
			Weekly $DV01 of Issuance	**56.2**			
			Total Number of Futures Contracts		**484k**	**56k**	**61k**

Date	Country	Nominal Size (Local Ccy, bn)	Issue Details	DV01 $million/bp	Approx. Number 10yr Futures TYU3 (UST)	G U3 (Gilt)	RXU3 (Bund)
15 Jul (Mon)	US	0.75 - 1	Outright Treasury Coupon Purchases: 15/8/2023 - 15/2/2031		-15k		
16 Jul (Tue)	US	1.25 - 1.75	Outright Treasury Coupon Purchases: 15/2/2036 - 15/5/2043		-36k		
17 Jul (Wed)	Germany	4.0	Bund 1.5% May23 reopening (issue and size confirmed)				31k
18 Jul (Thu)	Spain	3.8	Obligaciones 2yr, 5yr and 10yr (estiamted tenors and size)				17k
18 Jul (Thu)	France	9.0	BTAN, OAT 2yr and 5yr / OATi (estimated tenors and size)				35k
18 Jul (Thu)	US	15.0	10-Year TIPS		188k		
19 Jul (Fri)	US	2.75 - 3.5	Outright Treasury Coupon Purchases: 15/8/2020 - 15/5/2023		-27k		
			Weekly $DV01 of Issuance	**21.2**			
			Total Number of Futures Contracts		**109k**	**0k**	**83k**

Date	Country	Nominal Size (Local Ccy, bn)	Issue Details	DV01 $million/bp	Approx. Number 10yr Futures TYU3 (UST)	G U3 (Gilt)	RXU3 (Bund)
22 Jul (Mon)	US	1.25 - 1.75	Outright Treasury Coupon Purchases: 15/2/2036 - 15/5/2043		-36k		
23 Jul (Tue)	Netherlands	2.0	DSL Jul21 and Jan42 re-opening (issue confirmed, size €1.5-2.5bn)				28k
23 Jul (Tue)	UK	4.2	Syndicated re-opening of index-linked gilt in the 25-40 year maturity area (to be held in second half of July)			58k	
23 Jul (Tue)	US	35.0	2-Year		89k		
23 Jul (Tue)	US	3 - 3.75	Outright Treasury Coupon Purchases: 30/4/2019 - 30/6/2020		-22k		
24 Jul (Wed)	US	35.0	5-Year		215k		
24 Jul (Wed)	US	1.25 - 1.75	Outright Treasury Coupon Purchases: 15/2/2036 - 15/5/2043		-36k		
25 Jul (Thu)	US	29.0	7-Year		245k		
25 Jul (Thu)	US	4.25 - 5.25	Outright Treasury Coupon Purchases: 31/7/2017 - 31/3/2018		-19k		
26 Jul (Fri)	Italy	3.0	CTZ (estimated size)				5k
26 Jul (Fri)	Italy	1.0	BTPei (estimated size)				8k
26 Jul (Fri)	US	1.25 - 1.75	Outright Treasury Coupon Purchases: 15/2/2036 - 15/5/2043		-36k		
			Weekly $DV01 of Issuance	**46.8**			
			Total Number of Futures Contracts		**400k**	**58k**	**41k**

Date	Country	Nominal Size (Local Ccy, bn)	Issue Details	DV01 $million/bp	Approx. Number 10yr Futures TYU3 (UST)	G U3 (Gilt)	RXU3 (Bund)
29 Jul (Mon)	Belgium	3.3	OLO 5yr, 10yr and 15yr (estimated size and tenors)				28k
29 Jul (Mon)	US	2.75 - 3.5	Outright Treasury Coupon Purchases: 15/8/2020 - 15/5/2023		-27k		
30 Jul (Tue)	Italy	6.0	BTP 5yr and 10yr (estimated tenor and size)				35k
30 Jul (Tue)	UK	1.5	Mini tender (estimated date and size)			3k	
30 Jul (Tue)	US	1.25 - 1.75	Outright Treasury Coupon Purchases : 15/2/2036 - 15/5/2043		-36k		
31 Jul (Wed)	Germany	2.0	Bund 2.5% Jul44 reopening (issue and size confirmed)				41k
			Weekly $DV01 of Issuance	**11.5**			
			Total Number of Futures Contracts		**-63k**	**3k**	**104k**

The next release of the tentative outright Treasury operation schedule will be at 3 p.m. on July31, 2013. Therefore we have only provided details of Fed buybacks up to 31 July.

Source: DMOs, Citi estimates

EUR: Coupons & Redemptions (next 3 mths)

Figure 46. EMU-10 Redemptions over the next three months (€bn)

	Redemptions = €177bn										
Redemptions	DEU 39	FRA 46	NLD 16	ITA 35	ESP 15	BEL 14	AUT 0	FIN 6	PRT 6	GRC 0	IRL 0
(Thu) 04-Jul-13	22.0							6.0			
(Fri) 12-Jul-13		17.7									
(Mon) 15-Jul-13			16.0								
(Thu) 25-Jul-13		17.9									
(Tue) 30-Jul-13					14.9						
(Thu) 01-Aug-13				24.7							
(Fri) 13-Sep-13	17.0										
(Mon) 23-Sep-13									5.8		
(Wed) 25-Sep-13		10.7									
(Sat) 28-Sep-13						13.5					
(Mon) 30-Sep-13				10.6							

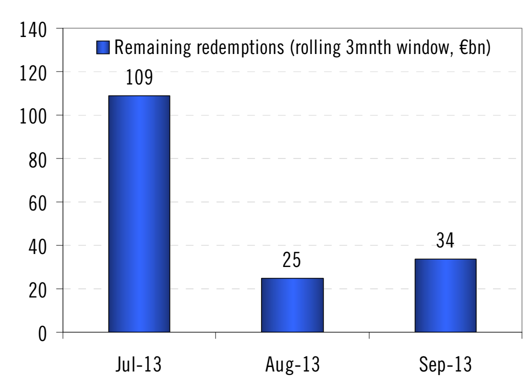
Source: DMOs, Bloomberg, Citi Research

Figure 47. EMU-10 Coupon Payments over the next three months (€bn)

	Coupons = €62bn										
Coupons	DEU 13	FRA 7	NLD 6	ITA 18	ESP 8	BEL 5	AUT 3	FIN 2	PRT 0	GRC 0	IRL 0
(Thu) 04-Jul-13	12.1							1.2			
(Fri) 12-Jul-13		2.2									
(Mon) 15-Jul-13			5.7	0.4			1.8				
(Sat) 20-Jul-13											0.002
(Thu) 25-Jul-13		4.0									
(Tue) 30-Jul-13					8.5						
(Thu) 01-Aug-13				8.9							
(Sun) 18-Aug-13											0.001
(Sun) 01-Sep-13				6.5							
(Wed) 04-Sep-13	1.0										
(Fri) 13-Sep-13	0.1										
(Sun) 15-Sep-13				1.9			1.3	0.5			
(Fri) 20-Sep-13	0.0										0.02
(Mon) 23-Sep-13									0.3		
(Wed) 25-Sep-13		0.3									
(Sat) 28-Sep-13						4.6					
(Tue) 01-Oct-13				0.2							

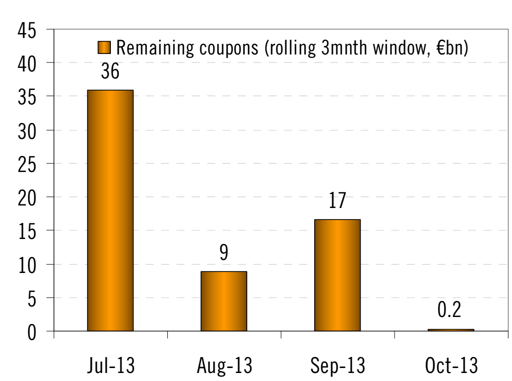
Source: DMOs, Bloomberg, Citi Research

Figure 48. EMU-10 remaining redemptions over the next 3months (€bn)



Source: DMOs, Bloomberg, Citi Research

Figure 49. EMU-10 remaining coupons over the next 3months (€bn)



Source: DMOs, Bloomberg, Citi Research

ESP and ITA Bill Issuance Projections

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

Auction calendar for the next four weeks

Figure 50. 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	10 Jul (Wed)	Italy	12 month (14 July 2014; issue confirmed, estimated size)	8
			Total Size in Week 1	**8.0**
Week 2	16 Jul (Tue)	Spain	6month (24 January 2014) , 12month (new bond) - tenors confirmed, estimated size	4.75
			Total Size in Week 2	**4.8**
Week 3	23 Jul (Tue)	Spain	3month (18 October 2013), 9month (16 April 2014) -tenors confirmed, estimated size	3.5
			Total Size in Week 3	**3.5**
Week 4	29 Jul (Mon)	Italy	6 month (31 Jan 2014; issue confirmed, estimated size)	9
			Total Size in Week 4	**9.0**

Italy announces issue size 3 business days before the auction
Spain announces issue details 1 business day before the auction

Source: DMOs, Citi Research

2013 projections for bill supply

Figure 51. 2013 Italy and Spain Bill Supply – Citi Forecast (Euro Billion)

SPAIN	3m	6m	9m	12m	18m	Gross Supply	Redemptions	NCR
Jan	1.3	1.8		3.2	2.5	9	5	3
Feb	1.0	2.9	3.7	3.6		11	9	2
Mar	1.8	2.3	2.6	4.0		11	12	-2
Apr	0.9	1.3	2.2	4.6		9	8	1
May	0.9	1.2	2.6	3.3		8	6	2
Jun	1.1	1.1	2.6	4.0		9	10	-1
Jul	1.0	1.3	2.5	3.5		8	5	3
Aug	1.0	1.3	2.5	3.5		8	11	-3
Sep	1.0	1.3	2.5	3.5		8	6	2
Oct	1.0	1.3	2.5	3.5		8	4	4
Nov	1.0	1.3	2.5	3.5		8	9	-1
Dec	1.0	1.3	2.5	3.5		8	8	
Total	**12.9**	**18.1**	**28.6**	**43.8**	**2.5**	**106**	**94**	**12**

ITALY	3m*	6m	9m	12m	Flexible BOT	Gross Supply	Redemptions	NCR
Jan		9.8		9.8		20	21	-2
Feb		10.1		9.7		20	19	
Mar		9.4		7.8		17	19	-2
Apr	3.0	9.2		8.9		21	18	3
May		9.2		7.0	3.0	19	16	4
Jun		9.2		7.0		16	16	
Jul		9.0		8.0		17	20	-3
Aug		9.0		8.0		17	18	-1
Sep	3.0	9.0		8.0		20	20	
Oct		9.0		8.0		17	17	
Nov		8.5		7.5		16	16	
Dec		10.0		7.5		18	23	-5
Total	**6.0**	**111.4**		**97.1**	**3.0**	**217**	**224**	**-6**

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

Source: DMOs, Bloomberg, Citi estimates

Inflation Forecasts, Carry & Weekly Changes

Figure 52. Citi Inflation Forecasts

	EUR HICPxT			France CPIxT			UK RPI			US CPURNSA		
Month	Index Forecast	MoM Change	YoY Change	Index Forecast	MoM Change	YoY Change	Index Forecast	MoM Change	YoY Change	Index Forecast	MoM Change	YoY Change
May 13	116.95	0.1	1.4	125.57	0.1	0.7	250.00	0.2	3.1	232.95	0.2	1.4
Jun 13	117.04	0.1	1.5	125.84	0.2	0.8	250.50	0.2	3.6	232.90	-0.0	1.5
Jul 13	116.43	-0.5	1.6	125.42	-0.3	1.0	250.20	-0.1	3.3	232.50	-0.2	1.5
Aug 13	116.65	0.2	1.3	125.87	0.4	0.6	251.20	0.4	3.4	232.70	0.1	1.0
Sep 13	117.16	0.4	1.0	125.56	-0.2	0.7	252.20	0.4	3.3	232.80	0.0	0.6
Oct 13	117.37	0.2	1.0	125.83	0.2	0.8	253.10	0.4	3.1	233.00	0.1	0.7

Source: Citi Research, Bloomberg *Shaded = Already released*

Figure 53. US TIPS Inflation- Linked Carry (based on forecasts above) – One week changes

l	RY	Chg	Carry-adj	Carry: RY (bp)				BE	Chg	Carry-adj	Carry: BE (bp)			ZC Swap - BE	Chg
Bond	(%)	(bp)	chg	1 Aug	1 Sep	1 Oct	Ref	(bp)	(bp)	chg	1 Aug	1 Sep	1 Oct	Spread (bp)	(bp)
Repo (%)				*0.12*	*0.12*	*0.12*									
TIPS 7/14	-1.31	-28	-28	5	-10	-48	US-2.625-07/31/14	149	26	25	5	-12	-50	18	-7
TIPS 1/15	-1.10	-21	-21	5	-4	-26	US-2.250-01/31/15	138	22	21	4	-6	-29	15	-9
TIPS 4/15	-1.04	-21	-21	4	-3	-20	US-2.500-04/30/15	139	22	21	3	-5	-24	8	-8
TIPS 7/15	-1.33	-21	-21	2	-5	-22	US-4.250-08/15/15	173	22	21	1	-8	-26	12	-8
TIPS 1/16	-1.01	-17	-17	3	-2	-14	US-2.625-02/29/16	156	18	17	2	-5	-18	22	-7
TIPS 4/16	-0.90	-19	-19	3	-1	-11	US-2.000-04/30/16	154	20	20	1	-4	-16	19	-10
TIPS 7/16	-1.04	-17	-17	2	-2	-12	US-4.875-08/15/16	178	19	18	1	-5	-17	21	-9
TIPS 1/17	-0.76	-2	-2	3	0	-8	US-3.125-01/31/17	168	6	5	1	-4	-14	25	6
TIPS 4/17	-0.65	-12	-12	3	0	-6	US-0.875-04/30/17	168	14	14	1	-4	-12	20	-7
TIPS 7/17	-0.76	-14	-14	2	0	-7	US-4.750-08/15/17	185	16	16	0	-4	-13	21	-10
TIPS 1/18	-0.53	1	1	2	1	-5	US-3.500-02/15/18	182	1	0	0	-4	-12	23	8
TIPS 4/18	-0.47	-7	-7	2	1	-4	US-0.625-04/30/18	185	10	10	0	-3	-11	17	-5
TIPS 7/18	-0.50	-8	-8	2	1	-4	US-4.000-08/15/18	191	12	11	0	-4	-11	26	-7
TIPS 1/19	-0.29	-8	-8	2	1	-3	US-2.750-02/15/19	187	11	11	0	-3	-10	28	-8
TIPS 7/19	-0.30	-1	-1	2	1	-2	US-3.625-08/15/19	199	5	5	0	-3	-10	26	-2
TIPS 1/20	-0.06	-0	-0	2	2	-1	US-3.625-02/15/20	187	5	5	0	-3	-8	37	-3
TIPS 7/20	-0.04	-5	-5	2	2	-1	US-2.625-08/15/20	201	9	8	0	-3	-8	32	-7
TIPS 1/21	0.14	1	1	2	2	0	US-3.625-02/15/21	192	2	2	0	-3	-8	39	1
TIPS 7/21	0.16	-5	-5	2	2	0	US-2.125-08/15/21	205	8	8	0	-3	-7	33	-8
TIPS 1/22	0.32	-5	-5	2	2	0	US-2.000-02/15/22	198	8	8	0	-3	-7	37	-6
TIPS 7/22	0.32	-5	-5	2	2	0	US-1.625-08/15/22	208	7	7	0	-3	-7	33	-7
TIPS 1/23	0.43	-0	-0	2	2	0	US-2.000-02/15/23	203	3	2	0	-2	-6	36	-3
TIPS 1/25	0.60	-3	-3	2	2	1	US-7.625-02/15/25	202	5	5	0	-3	-6	47	-4
TIPS 1/26	0.67	-4	-4	2	2	1	US-6.000-02/15/26	212	6	5	0	-3	-6	42	-4
TIPS 1/27	0.75	-6	-6	2	2	1	US-6.625-02/15/27	212	8	7	0	-3	-6	45	-8
TIPS 1/28	0.84	-6	-6	2	2	1	US-6.125-11/15/27	212	7	7	0	-2	-6	48	-8
TIPS 4/28	0.80	-6	-6	2	2	1	US-5.500-08/15/28	223	7	7	0	-2	-5	35	-8
TIPS 1/29	0.86	-6	-6	2	2	1	US-5.250-02/15/29	221	7	7	0	-2	-5	42	-6
TIPS 4/29	0.85	-5	-5	2	2	1	US-5.250-02/15/29	222	6	6	0	-2	-5	39	-7
TIPS 4/32	0.98	-5	-5	1	2	1	US-5.375-02/15/31	217	6	5	0	-2	-5	52	-6
TIPS 2/40	1.17	-3	-3	1	1	1	US-4.625-02/15/40	220	-1	-2	0	-2	-4	52	-2
TIPS 2/41	1.19	-3	-3	1	1	1	US-4.750-02/15/41	220	-2	-2	0	-2	-4	52	-3
TIPS 2/42	1.24	-3	-3	1	1	1	US-3.125-02/15/42	223	-2	-2	0	-2	-3	49	-3
TIPS 2/43	1.27	-4	-4	1	1	1	US-3.125-02/15/43	221	-1	-1	0	-2	-3	50	-5

Source: Citi Research, Bloomberg

Figure 54. EUR Inflation- Linked Carry (based on forecasts above)- One week changes

Bond	RY (%)	Chg (bp)	Carry-adj chg	Carry: RY (bp) 1 Aug	1 Sep	1 Oct	Ref	BE (bp)	Chg (bp)	Carry-adj chg	Carry: BE (bp) 1 Aug	1 Sep	1 Oct	ZC Swap - BE Spread (bp)	Chg (bp)
Repo (%)				*0.09*	*0.10*	*0.10*									
BTPei14	0.59	-32	-32	10	23	-27	*BTP 8/14*	62	3	4	2	4	-59	52	-10
OATei15	-0.91	-20	-20	1	0	-33	*FFRG 4/15*	111	10	11	0	-1	-35	24	-11
BUNDei16	-0.55	-17	-17	1	2	-21	*BUND 1/16*	69	6	6	1	2	-21	31	-3
BTANi16	-0.70	-22	-22	0	5	-9	*FFRG 4/16*	115	9	9	-1	3	-13	35	-0
BTPei16	1.67	-39	-39	6	13	0	*BTP 8/16*	75	11	11	1	1	-20	60	-3
OATi17	-0.53	-28	-28	0	4	-6	*FFRG 4/17*	126	9	9	-1	1	-10	34	2
BTPei17	2.01	-42	-42	5	11	2	*BTP 8/17*	100	16	16	0	-1	-18	45	-10
BOBLei18	-0.46	-21	-21	1	2	-11	*BUND 1/18*	94	6	6	0	0	-13	38	1
OATei18	-0.25	-28	-28	1	2	-9	*FFRG 4/18*	122	11	11	0	-1	-14	36	-5
BTPei18	2.29	-42	-42	4	10	3	*BTP 8/18*	95	15	15	0	-1	-14	58	-8
OATi19	-0.17	-22	-22	0	4	-2	*FFRG 4/19*	140	6	6	-1	0	-8	43	6
BTPei19	2.36	-42	-42	4	9	3	*BTP 9/19*	119	16	16	0	38	-13	42	-9
BUNDei20	-0.33	-22	-22	1	1	-8	*BUND 1/20*	122	8	8	0	-1	-11	31	-1
OATei20	0.05	-22	-22	1	2	-6	*FFRG 4/20*	144	10	10	0	-1	-11	28	-2
OATI21	0.23	-21	-21	1	3	-1	*FFRG 4/21*	152	10	9	-1	0	-6	49	3
BTPei21	2.84	-33	-33	3	8	4	*BTP 9/21*	114	12	12	0	33	-10	64	-5
OATei22	0.37	-19	-19	1	2	-4	*FFRG 4/21*	138	8	8	0	-1	-9	49	-1
BUNDei23	0.00	-18	-18	1	1	-4	*BUND 1/22*	133	7	7	0	-1	-8	48	1
OATi23	0.43	-21	-21	1	3	0	*FFRG 10/23*	187	11	11	-1	-1	-6	29	1
BTPei23	3.13	-29	-29	3	7	4	*BTP 8/23*	116	12	12	0	-1	-9	77	-5
OATei24	0.60	-22	-22	1	2	-2	*FFRG 10/23*	169	13	12	-1	-2	-9	31	-5
BTPei26	3.26	-33	-33	3	6	3	*BTP 3/26*	125	19	19	0	23	-8	83	-11
OATei27	0.77	-19	-19	1	2	-2	*FFRG 4/26*	184	9	9	-1	-2	-7	27	-1
OATi29	0.69	-18	-18	1	3	0	*FFRG 4/29*	212	9	9	-1	-1	-5	21	0
OATei32	0.87	-22	-22	1	2	-1	*FFRG 10/32*	208	11	11	-1	-2	-7	10	-3
BTPei35	3.20	-17	-17	2	4	2	*BTP 8/34*	171	8	7	-1	-2	-7	50	0
OATei40	0.97	-22	-22	1	1	-1	*FFRG 4/41*	220	10	9	-1	-1	-5	8	-2
BTPei41	3.41	-11	-11	2	3	2	*BTP 9/40*	163	5	5	-1	16	-6	67	3

Source: Citi Research

Figure 55. UK Gilts Inflation- Linked Carry (based on forecasts above)- One Week Changes

Bond	RY (%)	Chg (bp)	Carry-adj chg	Carry: RY (bp) 1 Aug	1 Sep	1 Oct	Ref	BE (bp)	Chg (bp)	Carry-adj chg	Carry: BE (bp) 1 Aug	1 Sep	1 Oct	ZC Swap - BE Spread (bp)	Chg (bp)
Repo (%)				*0.42*	*0.41*	*0.41*									
UKTi Jul16	-1.98	-28	-29	1	3	5	*UKT 9/16*	263	16	16	1	2	3	43	2
UKTi Nov17	-1.73	-32	-33	0	1	-6	*UKT 3/18*	286	18	18	-1	-2	-11	22	-2
UKTi Apr20	-1.06	-21	-21	2	4	6	*UKT 3/20*	277	13	13	0	0	0	40	1
UKTi Nov22	-0.69	-20	-21	1	2	0	*UKT 3/22*	287	12	12	-1	-2	-6	43	-7
UKTi Mar24	-0.44	-20	-20	1	2	0	*UKT 3/25*	302	13	13	-1	-2	-5	29	-8
UKTi Jul24	-0.43	-16	-17	2	3	5	*UKT 3/25*	301	9	9	0	0	-1	41	-2
UKTi Nov27	-0.26	-10	-11	1	2	1	*UKT 12/27*	315	5	5	-1	-2	-5	38	-2
UKTi Mar29	-0.13	-8	-9	1	2	1	*UKT 12/30*	323	5	5	-1	-2	-4	30	-3
UKTi Jul30	-0.15	-5	-5	1	3	4	*UKT 6/32*	334	2	2	0	0	-1	27	-0
UKTi Nov32	-0.13	-4	-5	1	2	1	*UKT 6/32*	332	1	1	-1	-2	-4	33	0
UKTi Mar34	-0.05	-4	-5	1	2	1	*UKT 9/34*	333	1	1	-1	-2	-4	31	-0
UKTi Jan35	-0.06	-2	-3	1	2	3	*UKT 3/36*	339	-0	-0	0	-1	-1	28	1
UKTi Nov37	-0.03	-0	-0	1	1	1	*UKT 12/38*	340	-2	-2	-1	-2	-4	30	2
UKTi Mar40	0.02	1	1	1	1	1	*UKT 9/39*	340	-3	-3	-1	-2	-4	31	3
UKTi Nov42	0.01	3	3	1	1	1	*UKT 12/42*	346	-4	-4	-1	-2	-4	29	4
UKTi Mar44	0.07	3	3	0	1	1	*UKT 1/44*	348	-4	-4	-1	-2	-3	26	-5
UKTi Nov47	0.04	4	4	0	1	1	*UKT 12/46*	348	-5	-5	-1	-2	-3	27	5
UKTi Mar50	0.05	4	4	0	1	1	*UKT 12/49*	348	-5	-5	-1	-2	-3	26	5
UKTi Mar52	0.08	5	5	0	1	0	*UKT 7/52*	348	-6	-6	-1	-2	-3	27	6
UKTi Nov55	0.04	7	7	0	1	0	*UKT 12/55*	350	-8	-8	-1	-1	-3	27	7
UKTi Mar62	0.02	6	6	0	1	0	*UKT 1/60*	351	-7	-7	-1	-2	-3	27	7

Source: Citi Research

Summary of Recent Publications

Date	Publication	Topic	Page	Region
03-Jul-13	NOTE	Euro Rates Strategy: Portugal's Politics And Impact On Bono Supply	-	EUR
01-Jul-13	NOTE	European Flow Monitor: Rebound in demand for Italy	-	EUR
27-Jun-13	European Weekly	Bund Yields At 1.75% Are Too High	8	EUR
		UK Rates: Carney at the helm, buy gilts	10	UK
		EMU Trade Idea: Buy 10yr DSL ASW	13	EUR
		SSA Strategy – Deutschland bonds	15	EUR
		Covered Bond Strategy	17	EUR
		EMU-10: July Supply Outlook	20	EUR
27-Jun-13	NOTE	Weekly Supply Monitor: Euro, UK and US Supply Outlook	-	Global
26-Jun-13	NOTE	UK Rates Strategy: The Gilt 'Scorecard': Turning Bullish	-	UK
26-Jun-13	NOTE	European Rates Strategy: The Month-end RV Pack	-	EUR
26-Jun-13	NOTE	EMU July Supply Outlook: Sizeable cash flows in the core	-	EUR
24-Jun-13	NOTE	Flow Monitor: Selling in both core and non-core (especially ESP, ITA & FRA)	-	EUR
24-Jun-13	NOTE	European Rates Strategy: EGB Spreads Post-FOMC	-	EUR
21-Jun-13	NOTE	Euro Inflation-Linked Index Projection: Changes supportive for German real yields	-	EUR
21-Jun-13	NOTE	European Month-end Index Projections: EGBI changes very supportive for Finland	-	EUR
20-Jun-13	European Weekly	Monthly Forecast Update: Carry Trades at Risk?	8	Global
		UK Rates: Pain, Pain, Go Away…	10	UK
		SSA Strategy	14	EUR
		Covered Bond Strategy	16	EUR
20-Jun-13	NOTE	Weekly Supply Monitor: Euro, UK and US Supply Outlook	-	EUR
17-Jun-13	NOTE	European Flow Monitor: Strong Demand in Germany and Spain	-	EUR
13-Jun-13	European Weekly	Outlook for Swap Spreads: Bunds Are Too Tight in ASW	8	EUR
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		Euro inflation: tactical long in Bundei23	12	EUR
		SSA Strategy: Deutschland bonds – opportunities to diversify	15	EUR
		Covered Bond Strategy: Sareb's strategy change could affect Spanish cover pools	17	EUR
		Bund Technical Analysis	19	EUR
13-Jun-13	NOTE	Weekly Supply Monitor: Euro, UK and US Supply Outlook	-	Global
11-Jun-13	NOTE	Bunds: Buy RXU3 ASW @-31	-	EUR
10-Jun-13	NOTE	European Flow Monitor: Slowing Demand in Non-Core	-	EUR

Notes

Appendix A-1

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