

European Flow Monitor

Net selling of EGBs: a pause before QE?

- **EGBs:** Last week saw broad-based net selling across core and non-core, but led by Germany and Italy. Only Belgium and Finland saw net buying, but it was very small. This suggests that there has been at least a pause in demand ahead of QE.
- **Euro inflation-linked bonds:** Last week saw net buying of linkers across EMU, led by Germany, providing support to euro break-evens. Net buying was concentrated in the 10yr sector last week.
- **Gilts:** Last week saw net selling of gilts for a second consecutive week, led by the 10yr sector. On a 4-wk average basis, net demand for the 10yr sector continues to weaken, but the opposite is true in the 5yr sector.
- **Index-linked gilts:** Net buying in index-linked gilts was concentrated in the 10-30yr sector last week. The ultra-long end saw net selling after strong net buying in the previous week.

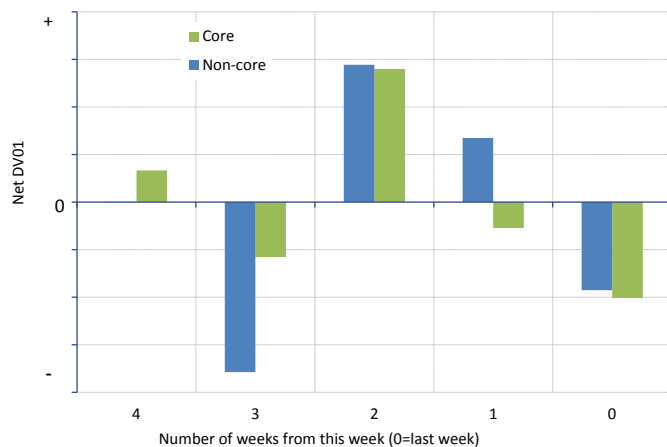
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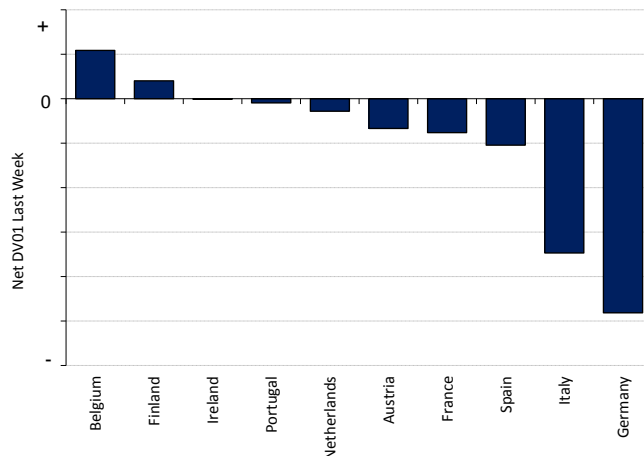
European Government Bonds

Figure 1. Net selling of EGBs across the board.



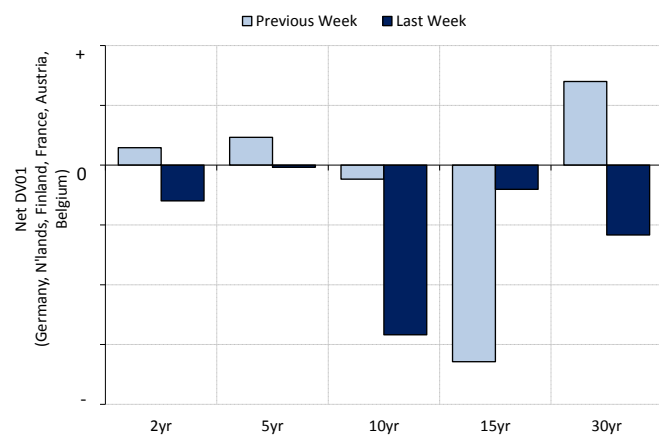
Source: Citi Research

Figure 2. Strong net selling in Germany and Italy.



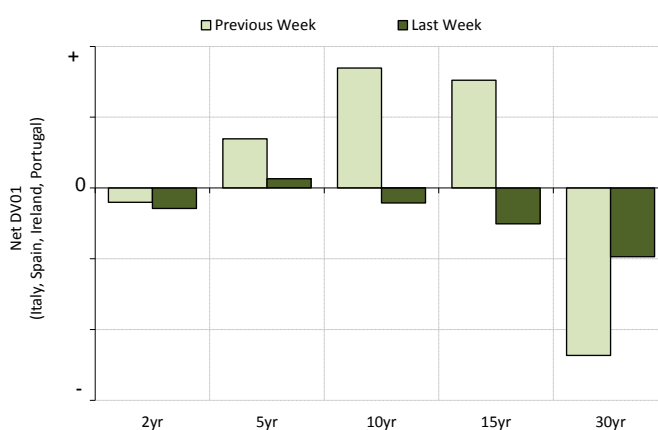
Source: Citi Research

Figure 3. Core¹ saw net selling in the 10yr and 30yr sectors.



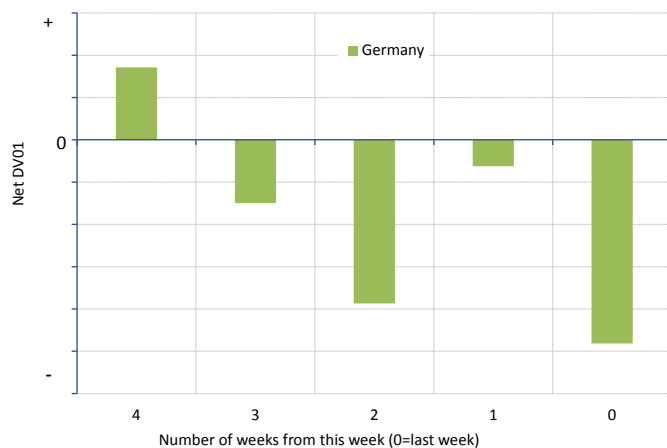
Source: Citi Research

Figure 4. Non-core saw net selling in long-end of the curve.



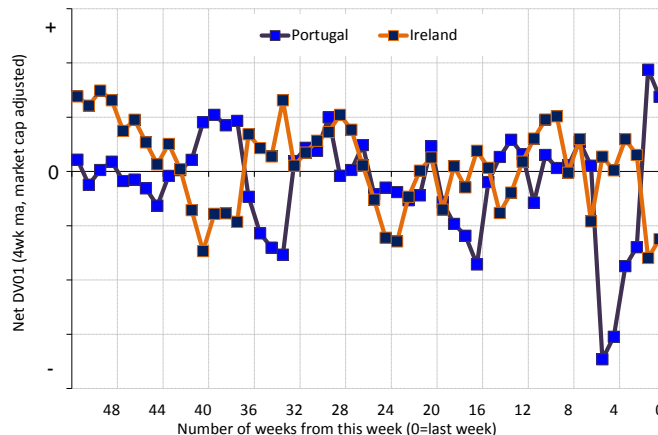
Source: Citi Research

Figure 5. Net selling of Germany has continued, again suggesting a reduced appetite at such low yields.



Source: Citi Research

Figure 6. Net demand remains very strong for Portugal, in contrast to Ireland.

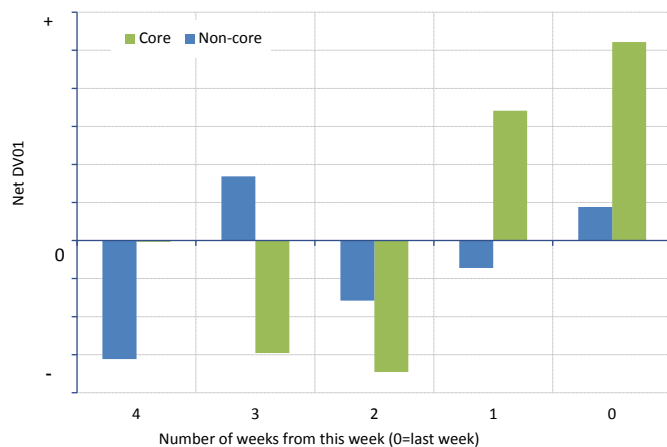


Source: Citi Research

¹ Core: Germany, N'lnds, Finland, France, Austria, Belgium. Non-core: Italy, Spain, Ireland, Portugal

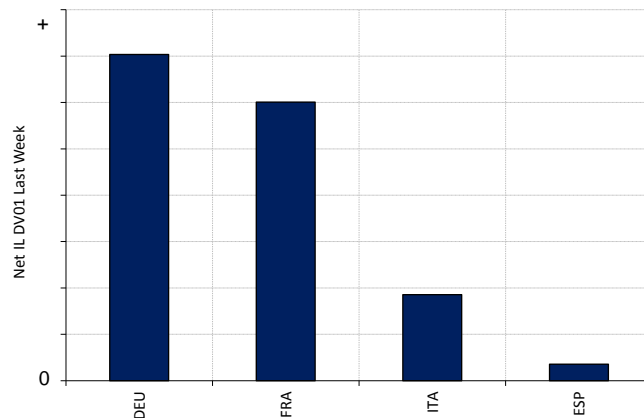
Euro inflation-linked bonds

Figure 7. Last week saw net buying of IL, largely concentrated in core.



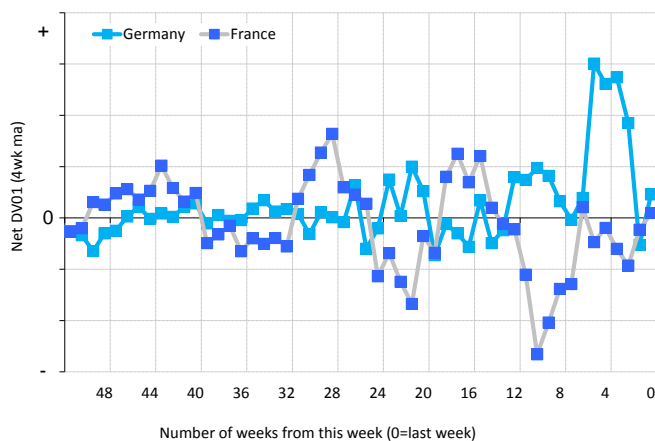
Source: Citi Research

Figure 8. France and Germany enjoyed strong net demand last week.



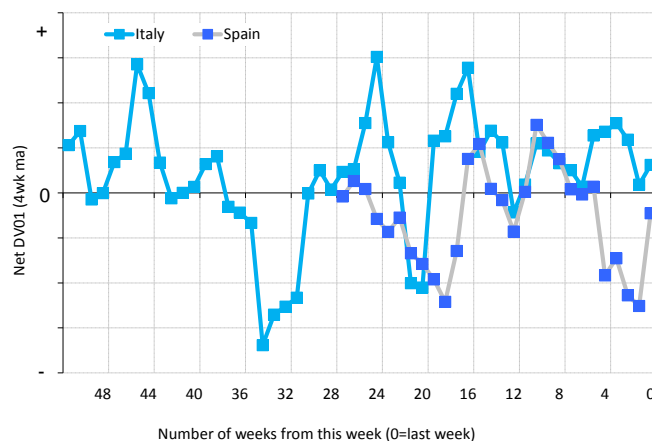
Source: Citi Research

Figure 9. Within the core, Germany continues to lead net demand.



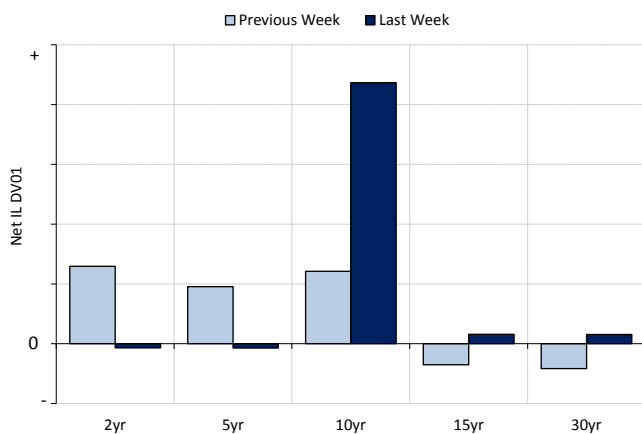
Source: Citi Research

Figure 10. Net demand for Spain remains soft.



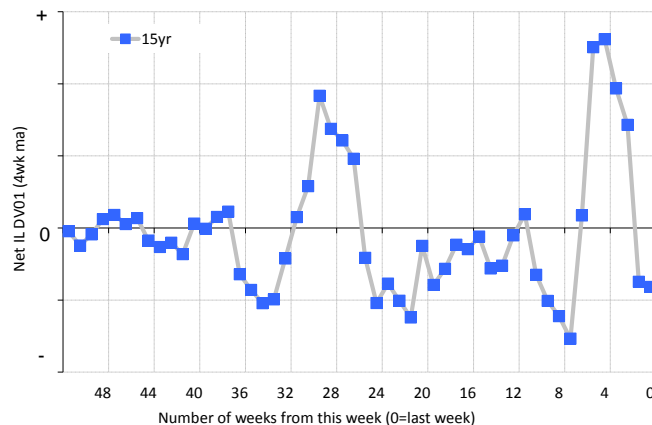
Source: Citi Research

Figure 11. Net buying was concentrated in the 10yr sector last week.



Source: Citi Research

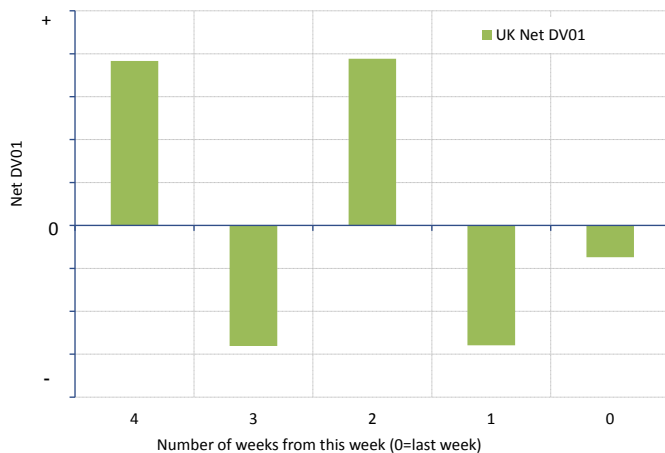
Figure 12. On the curve, net demand for the 15yr sector remains weak on a 4-week basis.



Source: Citi Research

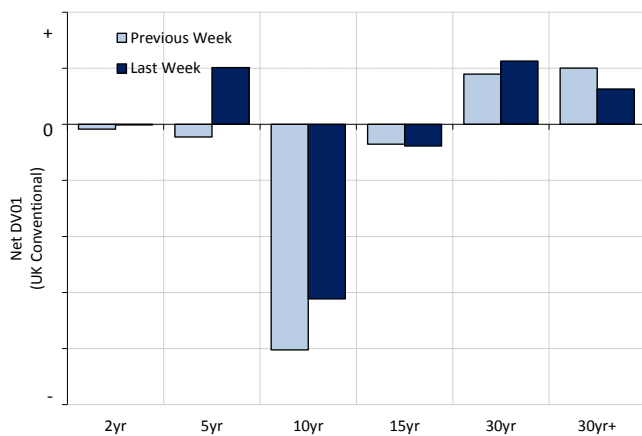
Gilts

Figure 13. Net selling of conventional gilts over the last two weeks...



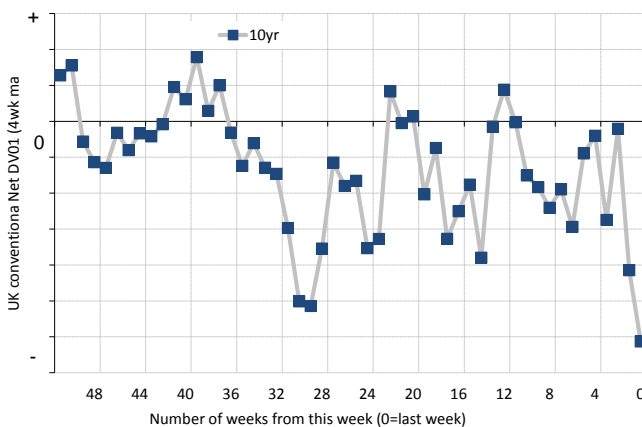
Source: Citi Research

Figure 15. Net selling was concentrated in the 10yr sector again last week.



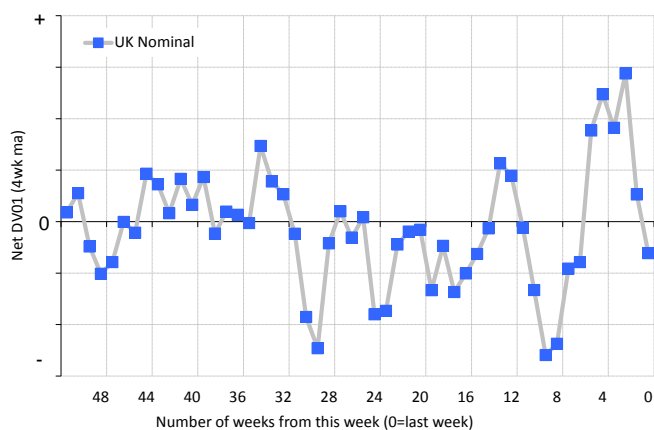
Source: Citi Research

Figure 17. In contrast, net demand for the 10yr sector has weakened further.



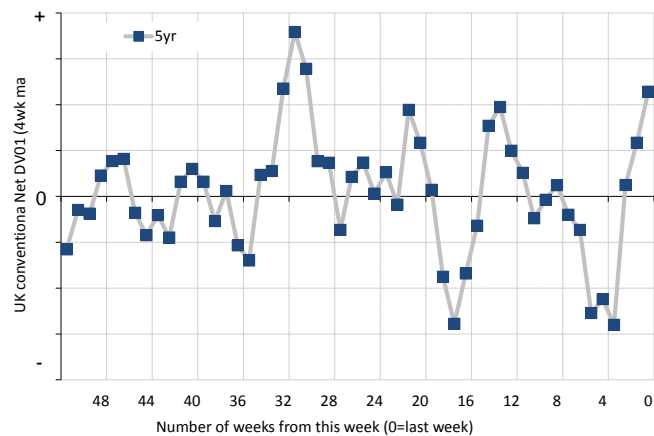
Source: Citi Research

Figure 14. ...has brought the 4-week average into the negative territory.



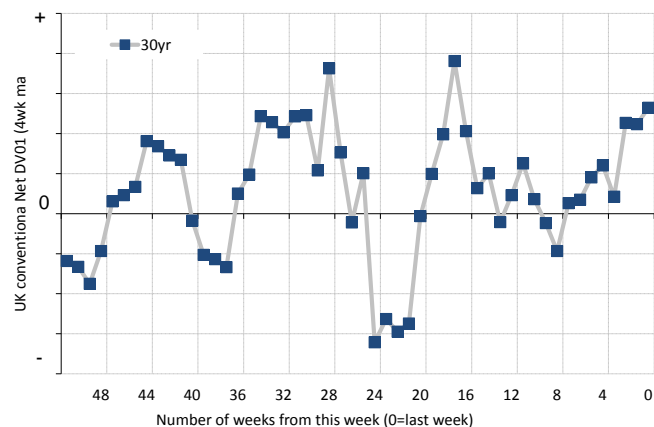
Source: Citi Research

Figure 16. On the curve, net demand for the 5yr sector remains strong (4-week average).



Source: Citi Research

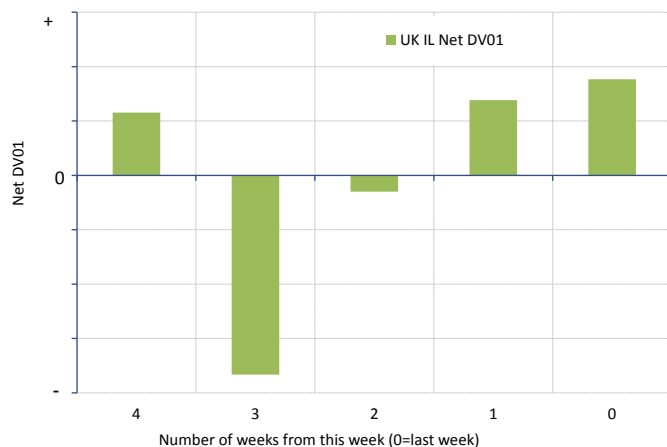
Figure 18. 30yr gilts are also enjoying robust net demand.



Source: Citi Research

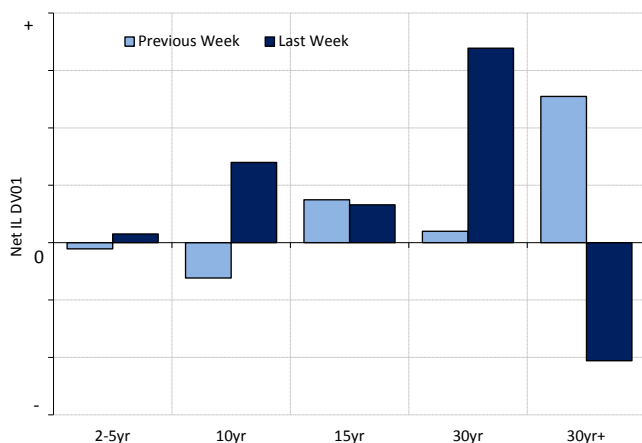
Index-linked gilts

Figure 19. Net buying of index-linked gilts last week.



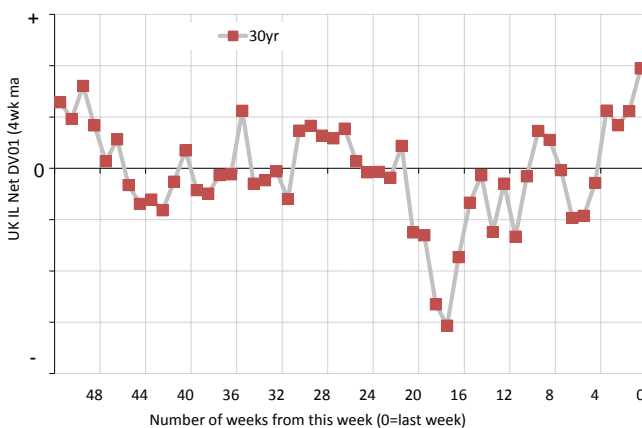
Source: Citi Research

Figure 21. On the curve, net buying shifted to the 10-30yr sector last week from 30yr+ in the previous week.



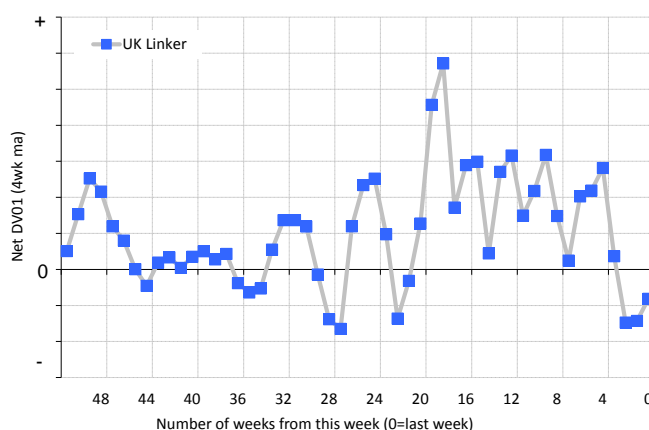
Source: Citi Research

Figure 23. Net demand for the 30yr sector is also strong (4-week average).



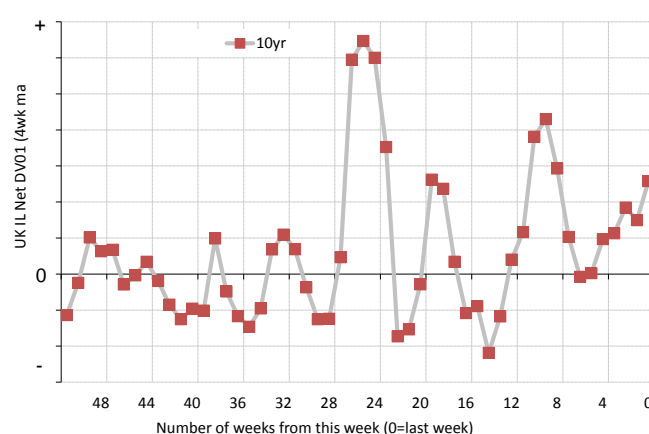
Source: Citi Research

Figure 20. Net 4-week demand for index-linked gilts has turned.



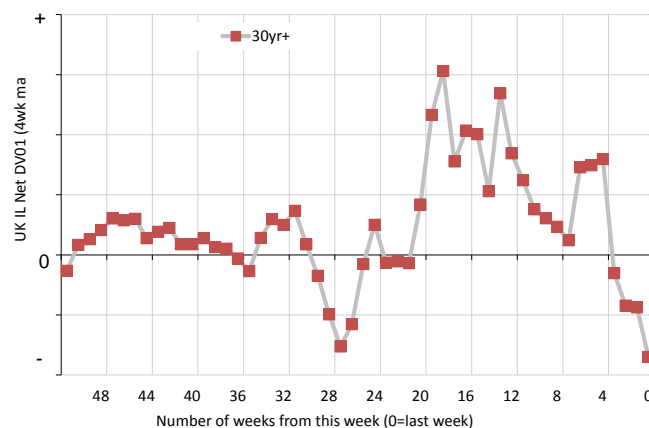
Source: Citi Research

Figure 22. Net demand for the 15yr sector continues to improve (4-week average).



Source: Citi Research

Figure 24. Net demand for the 30yr+ sector remains weak on a 4-week average basis.



Source: Citi Research

Appendix A-1

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