

European Rates Weekly

ECB on hold, but it is just a matter of time

- **ECB holds firm:** In line with our economists' expectations, the ECB did not cut rates. Looking at their historical reaction function, the ECB rarely cuts when composite PMIs are in expansion mode. We reiterate our trading strategy with the recommendation to lighten up on "ECB carry trades", while maintaining RV exposure to EGB periphery.
- **EUR volatility:** We identify an optimal option strategy that is short delta, long vega and has positive roll-down. We recommend buying EUR 15y20y ATMF payer vs 5y5y ATMF payer (equal notional).
- **EUR butterfly trade with short duration exposure & positive carry:** For those looking to get positive carry with an embedded short we suggest receiving the belly of EUR 1y1y/3y1y/5y2y using weights such as -1:+1.5:-1 (carry of +31bp per year).
- **Spanish and Italy yields have never been lower:** In the five-year sector, Spanish and Italian yields are trading at record lows and supply continues to be digested relatively well. However, a softer trading environment can be expected over February given the much less supportive net cash flow profile.
- **Negative carry to hurt euro break-evens:** Euro break-even inflation spreads have started the year poorly, but we believe the risks are still skewed to the downside. In particular, break-evens may fall further ahead of the negative carry in March. Moreover, lower realised inflation is likely to trump any further action from the ECB.
- **Long Dutch agencies:** We see good relative value in the Dutch agency sector. Specifically, we like buying 4yr BNG vs DSLs and buying 10yr NEDWBK vs OATs.
- **Covered Bonds:** Moody's recently gave a positive assessment on Spanish public sector covered bonds. We use this as an opportunity to drill deeper into this small segment and chase for RV opportunities.
- **Relative value trades:** We highlight a number of relative value opportunities in the 2-10yr sector of the French, Finnish, Spanish, Belgian and gilt yield curves.
- **Supply:** Within Europe, next week's bond supply comes from Germany (€6bn), Netherlands (upto €3bn) and Italy (around €7bn). The US Treasury will issue \$70bn across the 3-, 10- and 30-year sectors next week. The UK DMO will issue £3.05bn of conventional gilt 3.75% 2052 and linker '24 next week.

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Figure 1. Strategy Summary Table

Europe	View	Strategies
Direction	Citi now expects a refi cut of 15bp at the March meeting. Slightly higher Bund yields on the back of today's ECB reflect positioning and do not change our "lower for longer" theme. Inflation is likely to remain subdued and Bund yields low around 1.7%-1.8% on average.	Buy the dips in Bund yields
Money Market	Lighten up on front-end longs and look to add once positioning becomes cleaner. We continue to like decoupling strategies with USD money markets. diverge from inflation expectations. In the UK, we expect the first hike in Q4 of this year (vs consensus Q1) -the rally in short-sterling is overdone, in our view.	Eonia 1yr/1yr1yr flattener Short-sterling H6 vs H5 flatteners
Yield Curve	We suggest lightening up on carry trades involving front-end longs. An attractive way to capture a decline in curvature in the front-end of the euro curve is to receive the belly of EUR 1y1y/3y1y/5y2y using -1:1.5:-1 weights as this trade offers positive carry and a short duration exposure. We would look to scale into EUR 2s10s 2yF steepeners if we move below 125bp. In the UK, our 10s30s flatteners has crept over its stop, but we still think this is the right trade for the medium-term.	Stop out of buy gilt 3.25% 2044 vs 2.25% Sep23 Receive belly of EUR 1y1y/3y1y/5y2y (using -1:1.5:-1 weights) Look to scale into EUR 2s10s 2yF steepeners if below 125bp Lighten up on receive EUR 3y2y vs 5y25y (5s30s steepeners) Lighten up on receive EUR 5y5yF vs 15y15yF (or receive EUR 5s15s30s) Hold BTP 2s10s steepener
Cross-market	Over the longer-term, we still expect Bunds to outperform USTs given the diverging policy/growth/inflation outlook. We also still like 10yr gilt-Bund wideners given our forecast that the ECB will cut rates in 2014, but the MPC will hike. The MPC are likely to hike well before the Fed, suggesting 2yr/10yr Gilt-USTs will widen. However, in the 30yr sector, we expect the opposite given relative demand/supply pressures.	Receive 15y15y GBP vs USD Sell 10yr gilts vs USTs Stay short 10yr gilts vs Bunds Long Bunds vs UST (add on corrections)
EMU Spreads	Softer spreads may emerge in the near term as the supply profile turns less supportive with fewer offsetting coupon and redemption money. It is now clearer that the recent EM turbulence has done little to upset EMU periphery significantly. On a cross market basis, we continue to expect Spain to outperform Italy, for Ireland to eventually gravitate towards the soft core and remain short DSL 37s vs Bunds.	Stopped out of long Ireland vs France Long Spain vs Italy Sell France vs Belgium and Germany (in either 5s or 10s) Sell 20yr DSLs vs Bunds Range trade 10yr OAT-Bunds
Swap Spreads	We suggest tightening stops on swap spread wideners following recent moves. We think uncertainty surrounding the outcome of the US debt ceiling will be supportive for wideners in the coming weeks. In the UK, the lack of supply in longs this quarter may help 30yr swap spreads to richen. Supply trends are also supportive over the longer-term.	Tighten stop on long 5yr Germany vs swaps
Inflation	Euro break-evens have reached multi-year lows, but we think the risks are still skewed to the downside. In particular, front-end break-evens are likely to fall further (we expect by around 10bp in 5s) ahead of the negative carry in March. In the UK, LDI demand appears to be picking up but our 30s50s break-even steepener is struggling to perform.	Buy IL68 vs IL44 break-even inflation
Volatility	Whilst black swans can, and indeed have, appeared to wreak havoc on carry trades (they showed up at least twice in 2013), we believe that long positions on receiver swaptions in the top left corner are the safest way to play the ECB at the current market juncture, given the limited downside and the current cheap gamma vol valuation.	Long 1y3y ATM Receiver Swaption
SSA	Look to the primary market for liquidity pockets to add exposure selectively. Move up in quality, especially from EMU sovereigns of lower ratings, when spread levels and liquidity permit.	Long Dutch agencies vs the Netherlands Long 3yr KfW vs the Netherlands Long 2yr KfW vs France Long EU vs other supras with larger supply pipelines
For a list of outstanding trade strategies please see the Tradesheet section of this report		

Duration Scorecard

Figure 2. Bund Weekly Cheat Sheet: 7 - 13 Feb

Bund Directional Scorecard (1wk horizon)

RECOMMENDATION	Short
Conviction level	4%

RXH4 (EOD Thurs) = 143.38

CTD yield = 1.38% 10day del vol = 4.34%

SIGNAL STRENGTH (+/-2)

MACRO	0.2	Weight = 38%
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ECB	1	We expect a 10bp cut to the refi-rate in March	7.5%
Fed, BoE and BOJ	0	Dovish forward guidance but modest tapering broadly priced	7.5%
Inflation	2	Headline inflation projected to fall to 0.5% by March	7.5%
Growth related data	-1	No growth related data over the next week	7.5%
Citi surprise	1	Citi Economic Surprise Index falling slowly	2.5%
Middle East / Oil	0	Brent prices largely range bound	5.0%

EURO MARKET FACTORS	-0.1	Weight = 25%
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Supply	-1	Around €8bn of core supply with minimal cash flows	5.0%
Risk appetite	0	EM disturbances waning	2.5%
Flow	1	Demand for core improving	5.0%
Equity	-1	Eurostoxx50 starting to recover from the YTD sell-off	2.5%
Sovereign credit	-1	Peripheral yields at multi year low	5.0%
FX	-1	EUR effective exchange rate range-bound. At 6m avg	5.0%

EVENT RISK	0.0	Weight = 15%
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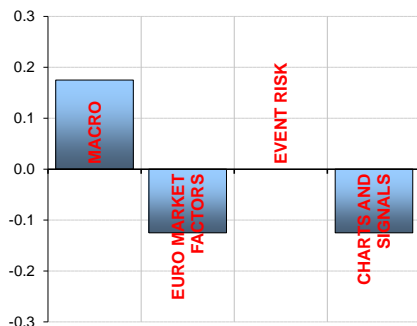
Politics	0	No political event likely to impact the market in near-term	5.0%
3yr LTRO	0	We expect a new 1yr LTRO in 1H14	5.0%
Stability mechanisms	0	Nothing on the agenda in the near-term	5.0%

CHARTS AND SIGNALS	-0.1	Weight = 23%
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Technicals	-1	Continue to expect 10yr Bunds to average 1.75% in 1Q14	5.0%
T-Note	0	Neutral	5.0%
CFTC	-1	Positioning slightly short	7.5%
ARTS	0	Neutral	5.0%

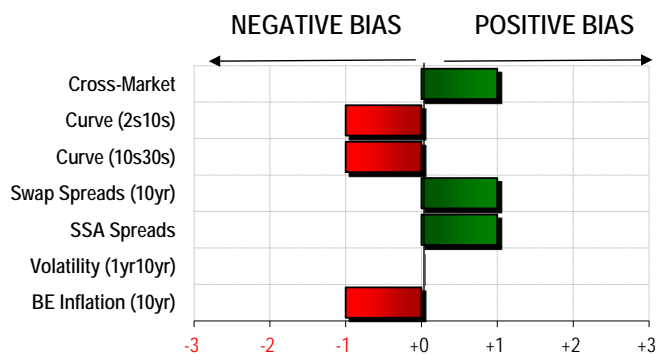
Source: Citi Research Note: Futures trading involves a substantial risk of loss.

Figure 3. Contribution to Bund Signals



Source: Citi Research

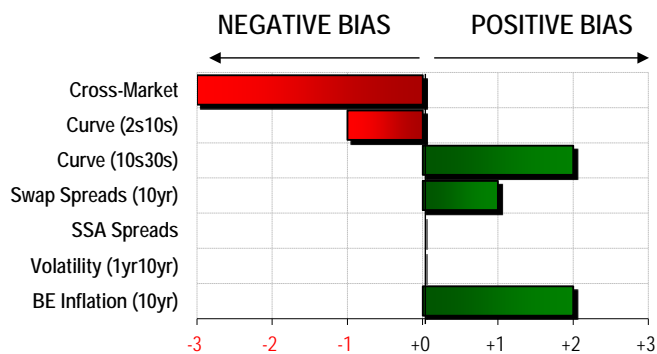
Figure 4. EURO AREA (Near-term Bias)



Source: Citi Research

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

Figure 5. UK (Near-term Bias)



Source: Citi Research

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

Tradesheet

Record of Our Closed Trades

Figure 6. Record of our Closed Trades

Region	Trade	Levels	Rationale	
EUR	Tactical Bund 2s10s steepener	Open 158bp	Hit Stop 31 January 2014	
		Current 150bp		
		P&L -8bp		
		Target 175bp		
		Stop 150bp		
UK	Gilt 10s30s flatteners	Open 73.5bp	Hit Stop 31 January 2014	
		Current 79bp		
		P&L -6bp		
		Target 63bp		
		Stop 79bp		

Source: Citi Research

Record of Our Open Trades

Figure 7. Record of our Open Trades

Region	Trade	Levels	Rationale + Publication Date	
UK / US	Receive 15y15y GBP vs USD	Open -63bp	30yr UK to benefit from LDI while 30yr US faces an increasing supply burden	
		Current -71bp		
		P&L 8bp		
		Target -100bp		
		Stop -40bp		
UK / US	Sell UKT 2.25% Sep23 vs UST 2.5% Aug23	Open 6.5bp	We expect the MPC to hike three quarters ahead of the Fed	
		Current 8bp		
		P&L 1bp		
		Target 30bp		
		Stop -5bp		
EUR	Buy 5yr Germany vs Swaps	Open -33bp	Attractive entry levels, a reduction in swapped issuance and 5yr bund supply in 2014 & a cheap option to express a change in sentiment	
		Current -36bp		
		P&L 3bp		
		Target -50bp		
		Stop -33bp		
UK	Buy IL gilt 2068 break-even vs IL gilt 2044	Open 0.5bp	A pick-up in LDI activity, extensions in the 15yr+ IL gilt index and infrequent 50yr supply should steepen the 30s50s	
		Current -0.9bp		
		P&L -1.4bp		
		Target 3.5bp		
		Stop -1bp		
EUR	Long Bund Jan37 vs DSL Jan37	Open 12bp	Optically attractive entry level + relative supply pressures are more favourable for Bunds than DSLs	
		Current 15bp		
		P&L 3bp		
		Target 22bp		
		Stop 7bp		
EUR	Receive EUR 3y2y vs 5y25y	Open 117bp	Current level of the 5yr point does not reflect our expectations of Euro Area fundamentals and ECB policy; large amount of net 30yr issuance from core	
		Current 132bp		
		P&L 15bp		
		Target 150bp		
		Stop 100bp		
EUR	Long 10yr Spain vs Italy	Open 20bp	Spain has a stable rating and lower political risks compared with Italy	
		Current 2bp		
		P&L 18bp		
		Target -25bp		
		Stop 45bp		
EUR	Sell France vs Belgium and Germany	Open 6bp	Attractive entry level, possible auction concession and non-supportive cash flow profile for OATs into year-end	
		Current 7bp		
		P&L 1bp		
		Target 16bp		
		Stop 1bp		

Source: Citi Research

Figure 8. Record of our Open Trades (continued)

EUR / UK	Sell UKT Sep23 vs DBR Aug23		Open	85bp		Entry levels are attractive for medium-term gilt-Bund wideners	
			Current	113bp			
			P&L	28bp			
<i>Cross Market</i>	Sell UKT 2.25% Sep23 at 2.60%		Target	140bp		European Rates Weekly, 24 October 2013.	
	Buy DBR 2% Aug23 at 1.75%		Stop	58bp		Revised Stop: UK Rates Strategy, 11 November 2013	
			Revised Stop	85bp			
EUR	BTP 2s10s steepener		Open	220bp		Redemptions to support 2s in 2014. Political uncertainty & long-end issuance to weigh on 10s.	
			Current	250bp			
			P&L	30bp			
<i>Curve</i>	Buy BTP 3.75% Apr16 at 1.98%		Revised Target	260bp		European Rates Weekly, 11 October 2013.	
	Sell BTP 4.5% May23 at 4.18%		Revised Stop	240bp		Revised Levels: The Morning Call, 14 November 2013	
UK	Sell 30yr gilt swap spreads vs 10yr		Open	20bp		Fiscal risks, supply pressures and the absence of QE to put steepening pressure on the gilt curve.	
			Current	26bp			
			P&L	6bp			
<i>Swap spread</i>	Sell gilt 3.25% Jan44 ASW at 20bp		Target	50bp		UK Rates Strategy, 30 July 2013	
	Buy gilt 1.75% Sep22 ASW at 0bp		Stop	10bp			
Europe	Receive EUR 10y2y vs 12y3y		Open	4bp		Cheapness of the sector due to legacy ASW positions. The trade offers a positive roll-down for relatively low volatility	
			Current	12bp			
			P&L	8bp			
<i>Curve</i>	Receive EUR 10y2y at 3.1%		Target	25bp		The Morning Call, 23 January 2013	
	Pay EUR 12y3y at 3.14%		Stop	-5bp			
UK	Sell GBP 2y2y ATMf straddle		Open	76bp		The fundamental backdrop in the UK supports selling GBP 2y2y vol	
			Current	32bp			
			P&L	44bp			
<i>Volatility</i>	Sell GBP 2y2y ATMf (1.04%) straddle at 76bps		Target	0bp		IRS 12 July 2012	
			Stop	114bp			

Source: Citi Research

ECB: Market Update

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Citi economists now expect a rate cut at the March meeting

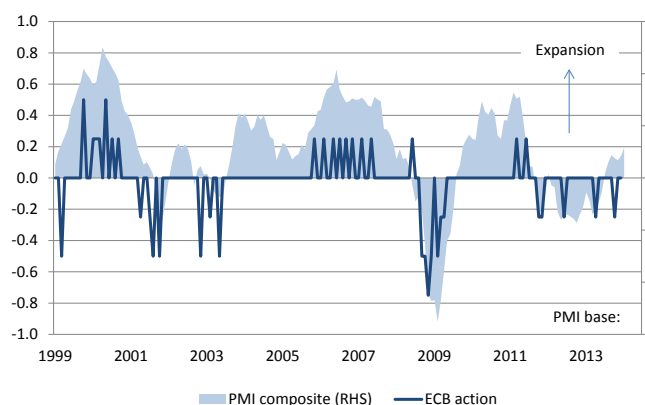
Eonia volatility is not relevant (for now)

No rate cut and hawkish tone to balance market positioning in the coming weeks.

In line with our economists' expectations, the ECB did not cut rates. Looking at their historical reaction function, the ECB rarely cuts when composite PMIs are in expansion mode (Figure 9). In terms of the consensus, only a couple of houses were calling for a rate cut, while views around additional liquidity measures were more uniformly distributed. The overall tone sounded hawkish to us, especially relative to market pricing and given the recent low HICP print. Interestingly, Mr Draghi has emphasized the importance of the March meeting, perhaps hinting at a low inflation forecast for 2016. Our economists now expect a 15bp cut in the refi rate at the March meeting (*ECB: No Change, But Action Likely in March*).

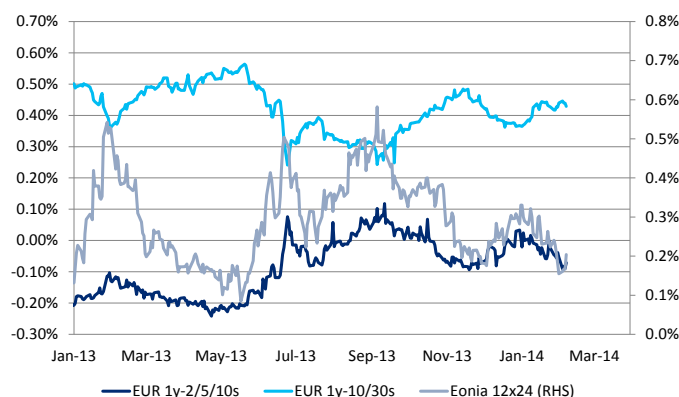
In terms of markets, Mr Draghi seems to be rather at ease with the recent volatility of Eonia fixings, as long as longer-term rates stay where the ECB wants them to be under "forward guidance". Therefore, we think they might not have a direct incentive to act unless the money market curve deviates too much from a theoretical curve implied by liquidity and inflation expectations.

Figure 9. ECB cut is unusual with expanding PMIs



Source: Citi Research

Figure 10. Typical ECB-carry trades



Source: Citi Research

No discussion about additional liquidity measures

Wait for a cleaner market before jumping again on ECB-carry trades

There was no discussion about SMP-sterilization or QE. We think the Governing Council prefers to wait for the German Constitutional Court to clear before embarking on another round of non-standard measures. Of course, this is conditional on inflation continuing to surprise on the downside and/or liquidity issues appearing again in Eurozone's periphery. EGB spreads have compressed across the board, despite an apparent disappoint of QE expectations. This may be related to Mr Draghi re-affirming the possibility of asset purchases.

Conclusion and Trade Ideas

Gauged by a variety of indicators¹, we think that going into the ECB the market was long at the front-end of the curve, long periphery and short Bunds. We reiterate our [trading strategy](#) with the recommendation to lighten up on "ECB carry trades" (Figure 10), while maintaining RV exposure to EGB periphery (e.g. 10y Bonos are 5bp tighter vs BTPs post-ECB after very good auction). Market positioning needs to become more balanced before we can start re-building longs on the basis of our long-term "Japan scenario".

¹ For example, Citi's EGB flow report and Liffe options open interest.

Bearish strategies in derivatives space

EUR Volatility

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With a tentative stabilization currently taking place in emerging markets, a hawkish stroke from the ECB at the February press conference, it is perhaps not unduly premature to think about EUR bearish trades to play a correction on the intermediate sectors of the curve.

Admittedly, positioning is not clean yet as we believe that, like on the US curve, investors are still net short in the belly of the curve. At the same, given the historically low yield environment, bearish structures suit investors with portfolios whose predominant exposure is to fixed income.

Ideally, the optimal option bearish strategy should possess all the following properties:

- 1) Long delta (i.e. short the fixed income market)
- 2) Long vega (given current volatility directionality)
- 3) Positive rolldown

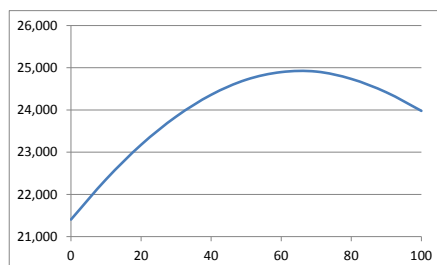
Figure 11. Trade construction

Buy	15y20y	ATMF	payer
Sell	5y5y	ATMF	payer

Source: Citi Research

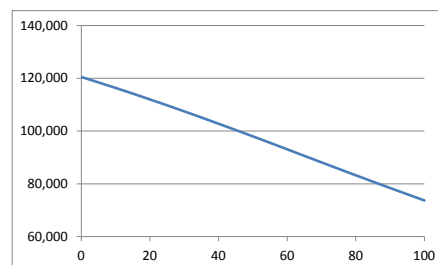
All conditions are met for the trade as constructed in Figure 11 which is currently available in market for around 600 cents (spot premium). Indeed, assuming EUR 100mn notional, the strategy is outright short delta by EUR 21k at inception whilst vega is around EUR 120k. Figure 12 and Figure 13 display the values of delta and vega for instantaneous parallel upward shifts in the curve. Note that the strategy is still long long delta and vega for a 100bp move. Moreover, one year expected rolldown PnL of the strategy is worth 12% of the upfront spot premium (Figure 14 and Figure 15 plot the evolution of 1y rolldown for long positions on 15y20y and 5y5y ATMF payers).

Figure 12. Delta for instantaneous upward shifts in the curve



Source: Citi Research

Figure 13. Vega for instantaneous upward shifts in the curve



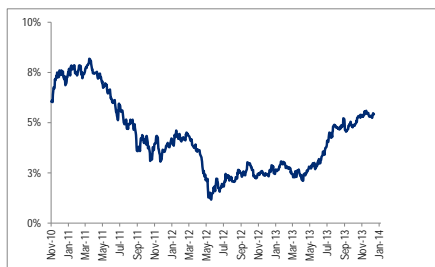
Source: Citi Research

Finally, we like the trade from an RV standpoint as well given the relative valuation of the 15y20y/5y5y implied volatility spread (Figure 16).

Trading strategy

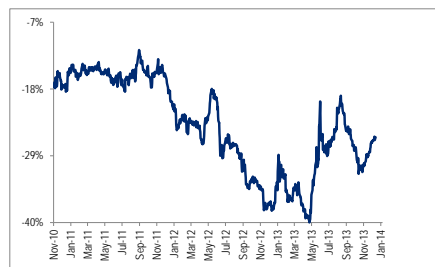
Buy EUR 15y20y ATMF payer and sell EUR 5y5y ATMF payer (equal notional)

Figure 14. Evolution of 1y expected rolldown PnL return for 15y20y ATMf payer swaption



Source: Citi Research

Figure 15. Evolution of 1y expected rolldown PnL return for 5y5y ATMf payer swaption



Source: Citi Research

Figure 16. Evolution of 15y20y/5y5y bpvol spread



Source: Citi Research

EUR swaps: bearish duration with positive carry

As highlighted in the first section of this report, we maintain our recommendation to lighten up on carry trades involving long positions in the front-end of the euro curve. We suggest waiting for market positioning to clean up before adding to longs. In this section we provide a front-end RV trade that has an embedded short position but still offers positive carry.

Short duration exposure with positive carry in the front-end

We acknowledge that a number of investors would like bearish exposure in the front-end of the euro curve but are concerned about the large negative carry incurred on outright shorts. One way to express a bearish duration view which has positive carry is to change the weights on a conventional butterfly. Instead of weighting the EUR 1y1y/3y1/5y2y butterfly using -1:2:-1 (i.e. DV01 neutral) a reduction in the weight of the belly (to +1.5) will still offer positive carry but with an embedded short (due to the negative DV01).

Illustration: two types of butterfly trades where we receive the belly vs the wings.

- **Trade 1:** The first trade which uses risk weights -1:2:-1 the net PV01 of the trade is flat (as expected) and the total carry is approximately +58bp a year. Thus, any parallel shifts in the yield curve are unlikely to be associated with a PnL change (due to flat PV01).

Figure 17. A comparison of a -1:2:-1 weighted butterfly trade to a -1:1.5:-1 butterfly

Wing 1						Belly						Wing 2						Butterfly			
Tenor	Start	Notional (€mn)	Rate (%)	PV01 (per €1mn notional)	Risk Weight	Tenor	Start	Notional (€mn)	Rate (%)	PV01 (per €1mn notional)	Risk Weight	Tenor	Start	Notional (€mn)	Rate (%)	PV01 (per €1mn notional)	Risk Weight	Rate (%)	Trade PV01	1yr Total Carry (bp)	
-1:+2:-1 fly	1y	1y	-49	0.55	99	-1	1y	3y	100	1.49	98	2	2y	5y	-26	2.52	184	-1	-10	0	58
-1:+1.5:-1 fly	1y	1y	-66	0.55	99	-1	1y	3y	100	1.49	98	1.5	2y	5y	-35	2.52	184	-1	-84	-3259	31

Source: Citi Research

Trading strategy: if looking to get positive carry with an embedded short consider receiving the belly of EUR 1y1y/3y1y/5y2y using weights such as -1:+1.5:-1

- **Trade 2:** Amending the weight on the butterfly to -1:1.5:-1 also results in a positive carry structure (roughly 31bp per year) but offers an embedded short position (negative PV01) - Figure 17.
- The example in Figure 17 shows that based on a €100mn notional for the belly the net PV01 on this trade would be around -€3,200. Shifting the yield curve higher by 25bp shows that holders of this position would profit from this position (Figure 18). A decrease in curvature would also be beneficial to this trade (i.e. if the level of the butterfly becomes more negative).

Figure 18. Estimated portfolio PV for a -1:1.5:-1 weighted EUR 1y1y/3y1y/5y2y butterfly

	Wing 1	Belly	Wing 2
Ccy	EUR	EUR	EUR
Notional (€mn)	-65,634,379	100,000,000	-35,324,645
Start	10-Feb-2015	10-Feb-2017	11-Feb-2019
Maturity	1y	1y	2y
Rate (%)	0.55	1.48	2.52
Yield Shift (bp)	25	25	25
Swaprate	0.80	1.74	2.78
PV01	-6519	9778	-6519
ButterflyPV	€2.770	ButterflyPV01	-3.259

Source: Citi Research

Figure 19. EUR 1y1y/3y1y/5y2y butterfly using -1:+1.5:-1 weights



Source: Citi Research

EGB spread outlook – a softer tone?

Spain and Italy: A pause at 200bp over Germany

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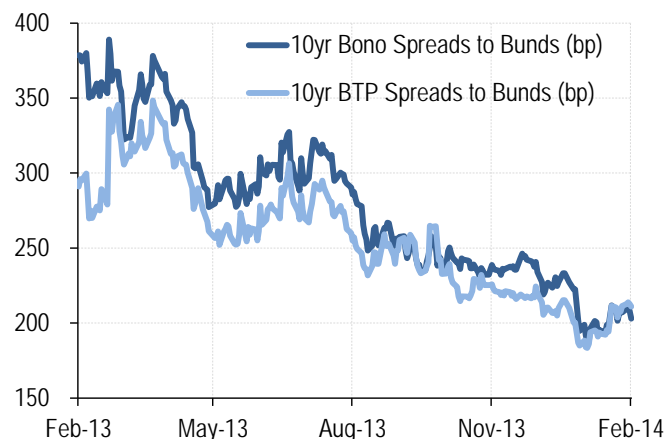
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Pause in the rally is understandable given the extent of the move over January

Following today's ECB meeting, spread changes today are largely being governed by the underlying washout in core markets. Even in the face of the recent EM turbulence, Spanish and Italian yields have remained stable over recent weeks and the extent to which there has not been noticeable contagion is encouraging.

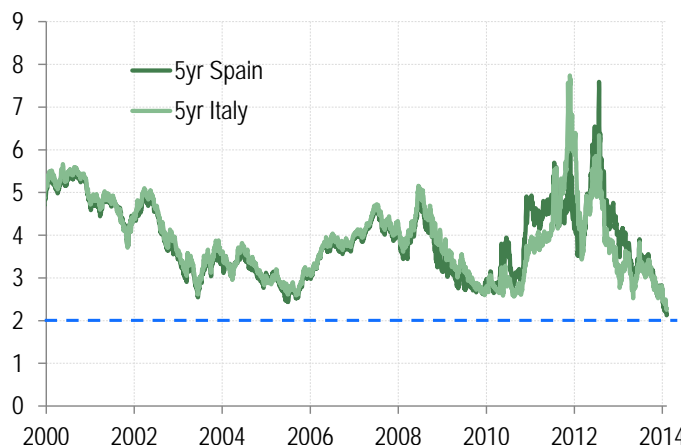
However, the pace of the rally has slowed and spreads have oscillated about 200bp in the 10yr sector over recent weeks (Figure 20). We think it's important to put this in the context of the extent of rally seen over the last few months and the rather heavy supply pipeline in January (not least including the €10bn 10yr Spanish syndication). Supply has been digested well and the lack of secondary market underperformance is testament to a supportive technical backdrop. The most recent evidence suggests there is little sign of this dynamic abating – only today, Spain sold 3yr and 5yr bonds at record low yields and issuance of €5.59bn was above the €5.5bn as expected.

Figure 20. 10yr Spanish and Italy spreads to Germany (bp)



Source: Citi Research

Figure 21. 5yr Spanish and Italian Yields (%)



Source: Citi Research, Bloomberg

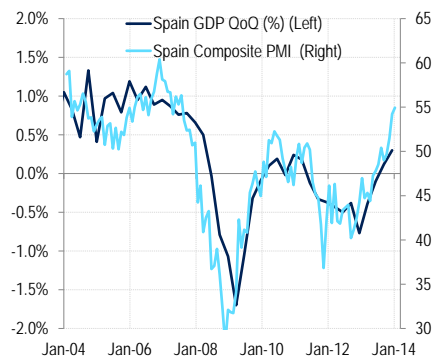
5yr Bono and BTP yields have never been lower

This point should not be under estimated. Put into a broader context, at 2.14% and 2.28%, 5yr Spanish and Italian yields have *never* been lower since data began in 1999 (Figure 21). We continue to believe that as systemic fears are reduced, domestic macro data is growing in importance in assessing the relative credit quality of EMU sovereigns. In this light, Spanish PMIs have been pointing to economic expansion and the recent Q4 GDP reading of 0.3% QoQ provided further evidence of the underlying recovery. Given their relative fundamentals and political situations, we continue to see scope for Spain to outperform Italy over the course of 2014.

Supply around the corner

However, away from fundamentals and ECB monetary policy, it is the technical consideration of supply that we have firmly on the agenda for the near-term outlook ([European Rates Weekly](#)). Note that digestion of supply in January was aided by considerable coupon and redemption money: €22bn from Spain and €23bn from Italy. This situation swings to a much less supportive stance in February: Spain has no coupons and redemptions but €22bn in gross issuance in total. Italy's net cash requirement is flat with €20bn of issuance offset by coupons and redemptions at the very end of the month. All things being equal, supply is therefore a factor in prompting a softer tone – at least relative to January - over the coming weeks.

Figure 22. Spanish GDP and PMI



Source: Citi Research, Bloomberg

Spain likely to remain Baa3/BBB- for a long time

There are also potential rating decision in February for Spain and Italy

Another signpost for Italy and Spain is that both sovereigns feature in Moody's rating calendar: Italy is the first on 14th February and Spain follows the week after on 21st February. We do not expect any change in Spain's rating which now carries a Stable outlook from Fitch (BBB), Moody's (Baa3) and S&P (BBB-). However, Italy carries a Negative outlook by Moody's, meaning that risks are more skewed to the downside regarding this rating agency's baseline scenario. The implementation of Italian's structural reform agenda and how it improves competitiveness will likely determine much of Moody's ongoing assessment.

We remain constructive on Ireland and look to Portugal exiting its own Troika programme later in the year

Ireland, Portugal and Greece

Elsewhere, we remain constructive on Ireland and continue to expect the sovereign to tighten gradually as its investor base expands and the hunt for yield intensifies. It is also on Positive outlook by both Moody's (Baa3) and S&P (BBB+). Ireland has set the precedent to emerge from Troika support with positive tailwinds and hence it is unsurprising that attention is now increasingly focused on Portugal. Our economists expect Portugal to be the sovereign that can also benefit from a similar degree of export growth that Spain has enjoyed and that risks to forecasts of Portugal's GDP performance are probably skewed to the upside. The emergence of Portugal from Troika support and the extent to which it can access debt markets will be crucial to the spread outlook for H2 2014.

Attention is growing on Greece again...a sovereign to watch out for?

For Greece, reports that some form of debt relief (interest rate cuts and maturity extensions on support loans) were quickly met with German officials stating that nothing new had been agreed ([Europe - Sovereign Debt Update](#)). Greece has indeed rallied considerably, with 10yr yields now under 8% (from a peak of over 35% at the height of the crisis). Going forward, the outlook for Greece will very much depend on the management of its very large debt burden – which is not something we think will change imminently. Perhaps once the European elections are out of the way in May and the Troika has assessed Greece's structural reforms with more clarity, this topic will return with more force and shape the market outlook more firmly.

Our broader assessment of the EMU bond market remains one of cautious optimism

Conclusion – peripheral markets continue to normalise

Our base case for February is for a softer spread environment for Spain and Italy largely predicated on a less supportive supply profile. We also note Moody's rating calendar for both sovereigns in coming weeks. Our broader assessment of the EMU bond market is still one of cautious optimism. Draghi remains somewhat pragmatic in the face of low inflation, a lack of bank lending, high unemployment and ongoing structural adjustments in various core and non-core sovereigns. Indeed, our economists now expect a 15bp cut in the refi rate in March ([ECB: No Change, But Action Likely in March](#)). From the strategy side therefore, we maintain our lower-for-longer theme in core markets (10yr German to average 1.7%-1.8% in the quarters ahead) and our preference for relative value in the wider periphery space (strategically preferring Spain to Italy).

Euro inflation: further downside for breaks

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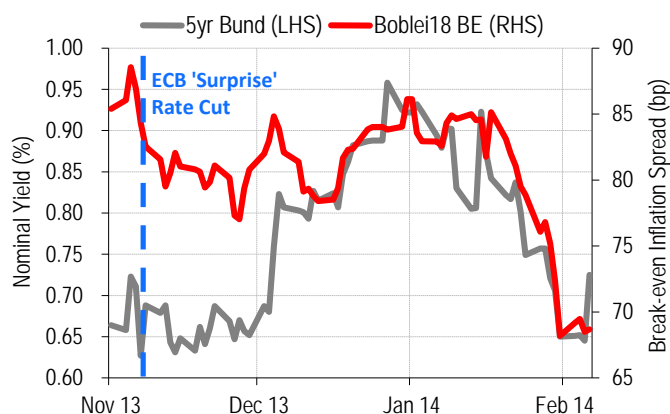
In this article, we consider the outlook for euro break-even inflation spreads. We think the best hope for break-evens in the near term is that EM concerns fade and flight-to-quality reverses. The ECB meeting failed to provide any solace and front end break-evens may come under further pressure this month ahead of the negative carry in March. The fundamental backdrop of low inflation and ongoing supply presents a further challenge. Our medium-term strategy remains to sell the rallies in euro break-evens, but we are reluctant to buy the dips.

EM concerns add to the woes for euro break-evens

Break-evens have come under pressure from the downside inflation surprise and EM stress prompting flight-to-quality

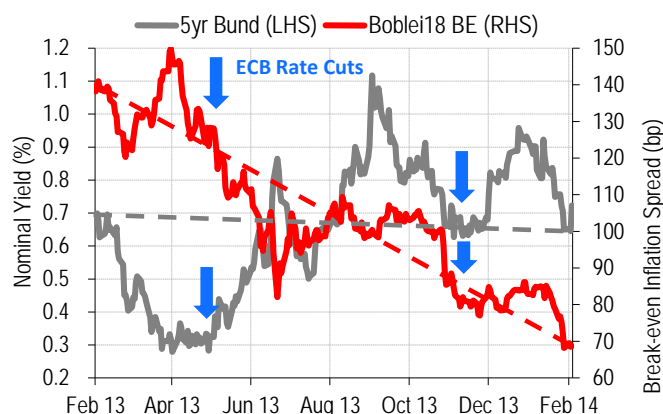
Euro break-even inflation spreads have had a poor start to the year. In the 5yr sector, break-evens have fallen by around 16bp with nearly all of this occurring in the last two weeks. The recent fall in break-evens can be associated with the broader risk-off environment, prompted by EM concerns, and the sharp rally in nominal yields (Figure 23). This was then reinforced by the downside surprise in January inflation. The near-term performance of break-evens is, therefore, likely to be somewhat dependent on market direction and risk appetite.

Figure 23. Break-evens have been directional recently....



Source: Citi Research, Bloomberg.

Figure 24. ...but not over the last year as a whole



Source: Citi Research, Bloomberg.

Lower inflation prints and higher net issuance

Structural demand for euro inflation is muted

While the latest fall in break-evens may be directional, bigger picture trends also continue to play a part. In particular, there is a lack of structural demand for euro inflation owing to the subdued inflation outlook.

The headline rate could fall to as low as 0.5% in the coming months

The fall in the flash estimate for headline inflation in January to 0.7% YoY (median 0.9%) cemented these concerns. Moreover, the headline rate is likely to fall even further in the months ahead. Our economists forecast a low of 0.5% YoY in March (driven by base effects related to the timing of Easter). At the same time, net issuance pressures are set to be much higher in 2014 than 2013 (see [Supply in 2014: Themes & Trades](#)).

Break-evens have failed to widen in the nominal sell-offs over the last year

The influence of this poor fundamental backdrop can clearly be seen over the last year. As Figure 24 shows, 5yr break-evens have trended lower over the last year (amounting to -70bp) despite 5yr nominal yields being unchanged over the same period. Any directionality has been short-lived, especially in the nominal sell-offs.

What about the ECB? And the euro?

A rate cut is unlikely to prompt a rebound in break-evens

The fall in headline inflation increases the pressure on the ECB, but they opted to leave policy unchanged at today's meeting. Even if there is a rate cut in the coming months, the precedent from November suggests that this would bring little relief to euro break-evens (Figure 23). If anything, it could increase the focus on deflation risks. The same was also true after the rate cut in May. Even though heavy positioning ahead of the meeting meant that nominal yields sold-off after the rate cut (see [Markets and the Feb ECB Meeting](#)), break-evens still narrowed (Figure 24).

It would probably take full-blown QE to raise inflation expectations.

Indeed, as we argued following the November meeting (see [Low\(er\)-for-Longer: Themes & Trades](#)), the path of realized inflation is likely to be far more important for break-evens than ECB action. The market is still not convinced that the ECB can turn themselves from inflation fighters into credible inflation generators. Rate cuts are unlikely to be enough, in our view. It would probably take full-blown QE to have any impact on inflation expectations.

Euro strength, reinforced by EM stress, is also dampening the inflation outlook

It is also worth noting that rate cuts alone are unlikely to materially weaken the euro. The strength of the euro continues to dampen the inflation outlook. The impact of the surprise rate cut in November was quickly reversed (in little more than a week). Moreover, the recent stress in EM markets is also helping to support the euro. If EM outflows gather pace, the euro area could be one of the main beneficiaries.

Don't forget the negative carry

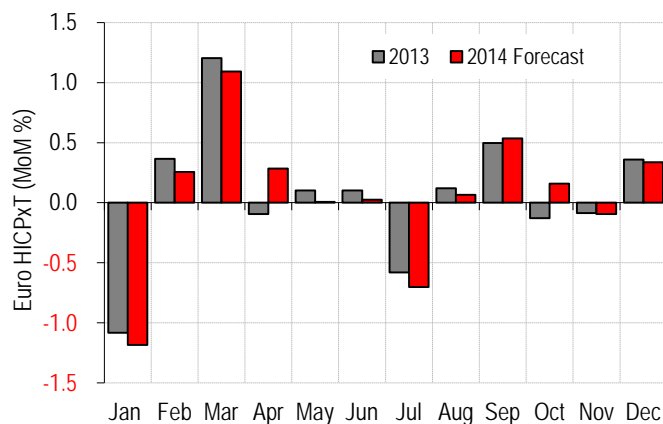
The negative carry in March is fast approaching

To make matters worse for euro break-evens, the March negative carry period will soon be here. The flash estimate for the headline rate points to a month-on-month change in HICP ex tobacco of around -1.2% in January. The resulting negative carry will accrue over the month of March. This is usual given the seasonality of the underlying inflation index. As Figure 25 shows, the forecast MoM change for this January is similar to the outcome of last January. The forecast monthly profile for the rest of the year also looks fairly similar. The seasonality in the inflation index drives seasonality in break-evens, especially in the front end. So it is reasonable to conclude that the seasonal peaks/troughs in 2014 could be similar to 2013.

Break-even usually fall in February ahead of the negative carry

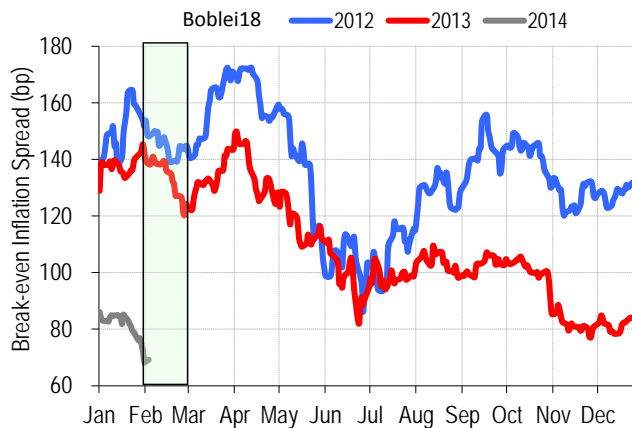
Figure 26 shows the seasonal pattern for Boblei18 break-evens. In January, break-evens tend to widen, but this year there has been a sharp fall. This begs the question as to what will happen in February. Break-evens normally fall during this month as the market sets up for the March negative carry. The risk, therefore, is that even though breaks-even have already fallen sharply, there is more to come.

Figure 25. Seasonality in monthly inflation prints: 2013 vs 2014F



Source: Eurostat, Citi Research forecasts

Figure 26. Seasonality in Boblei18 break-even inflation spread



Source: Citi Research, Bloomberg.

Not at the lows, yet

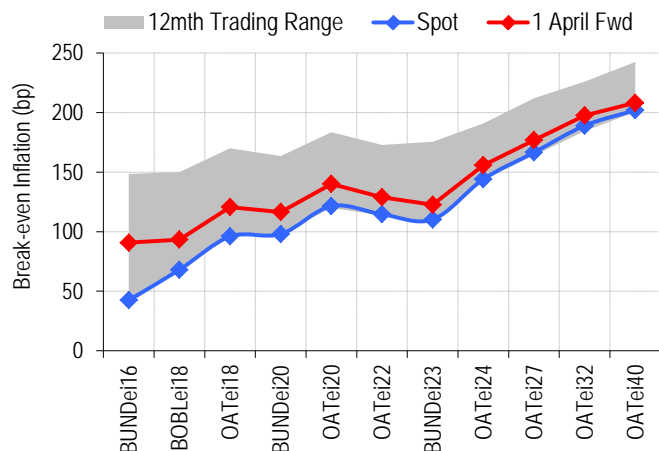
The implied break-even forwards (at 1 April) are comfortably inside the historic trading range

Judging by the implied forwards, there is indeed further downside potential for break-evens. Figure 27 compares spot break-evens with the 1 April implied forwards (incorporating the negative carry) and the one-year trading range. While spot break-evens are at multi-year lows, the implied forwards are comfortably inside the historic range. Given our forecast that headline inflation dips to 0.5% YoY in the coming months, we think there is scope for the implied forwards to be dragged lower.

Break-evens need to fall further before they offer tactical value, in our view

Taking the example of Boblei18 - which incidentally will be tapped next Tuesday - the implied forward for 1 April is currently around 95bp. As detailed in our [2014 Outlook](#), we believe that a trading range at lower levels than the past is likely to form in 2014. For Boblei18 break-even, we suggested that 95bp could be close to the top of the range. Our view hasn't changed, and we believe break-evens are likely to fall further from here before they attract tactical interest.

Figure 27. OATeI/BundeI break-evens – spot vs forward vs 1yr range



Source: Citi Research.

Figure 28. Boblei18 break-evens and implied 1 April forward



Source: Citi Research, Bloomberg.

Strategy summary – breaks unlikely to bounce

There is a long list of potentially negative drivers for break-evens

Euro break-evens have had a poor start to the year and have reached multi-year lows, but the risks are still skewed to the downside, in our view. There is a long list of potentially negative drivers for euro break-evens:

- **Negatives:** The EM crisis; lack of structural demand; higher net issuance; the potential for further downside inflation surprises (Citi forecast the headline rate to dip to 0.5% by March); the strength of the euro; upcoming negative carry and the inability of the ECB to raise inflation expectations.
- **Positives:** We think the best hope for euro break-evens is that EM concerns fade and flight-to-quality reverses.

Sell the rallies

Against this backdrop, our medium-term strategy remains to sell the rallies in euro break-evens, but we are reluctant to buy the dips. As for the near term, we see scope for 5yr break-evens to narrow by a further 10bp in the coming weeks.

SSA Strategy - value in Dutch agencies?

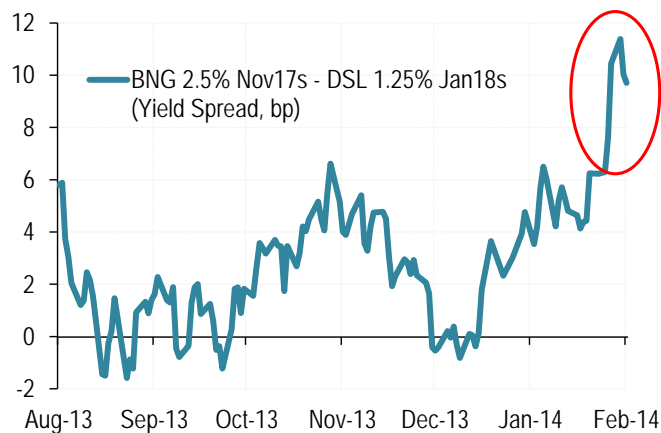
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Good fundamentals, but where's the value? We continue to like Dutch agencies for their strong connection to the Netherlands, good asset quality and public policy mandate. In their recent analysis, S&P noted² NEDWBK's strong capital base and low cost base and together with BNG, there is high "*likelihood of extraordinary government support*". Both agencies are rated Aaa/AA+ by Moody's and S&P.

Strong rally in governments: Yet some spreads have widened to governments. In our view, this does not reflect deteriorations in fundamental credit quality, but is rather due to the flight to quality moves in core EMU sovereign bonds as yields have marched firmly lower. As the hunt for yield remains a strong fundamental driver in the SSA space, we highlight the following differentials:

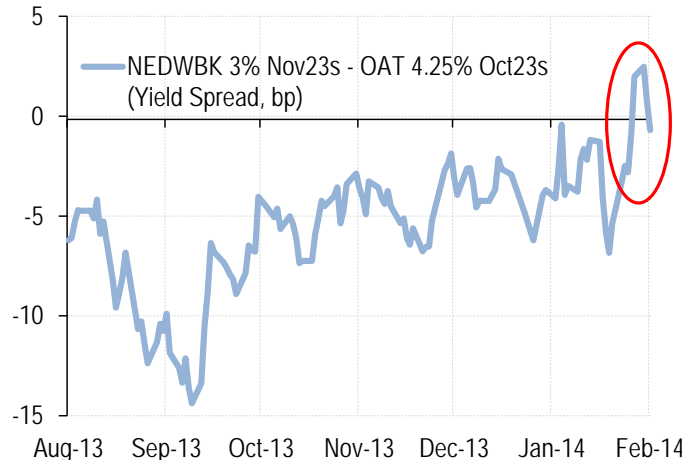
- **4yr BNG vs the Netherlands:** 4yr BNG vs the Netherlands looks attractive in our view and is among one of the widest spreads we could find between an agency and its own underlying government. Differentials in this sector are now around 8bp-9bp which is near the highest in ten months (Figure 29).
- **10yr NEDWBK vs France:** For those looking at longer dated sectors, NEDWBK is historically attractive in the 9yr-10yr sector – again due to the strong performance of OATs. As an example, some spreads are still near flat between NEDWBK (Aaa/AA+) and France (Aa1/AA) and also note there is OAT supply in the 10yr, 15yr and 20yr sectors tomorrow.

Figure 29. 4yr BNG vs the Netherlands (Yield spread, bp)



Source: Citi Research

Figure 30. 10yr NEDWBK vs 10yr France (Yield spread, bp)



Source: Citi Research

Further details on Dutch agencies can be found in our primer, [Euro SSA and Covered Bond Monthly - The Dutch and Austrian markets in focus](#).

² S&P Ratings Direct: Nederlandse Waterschapsbank NV (23rd Jan 2014)

Covered Bond Strategy

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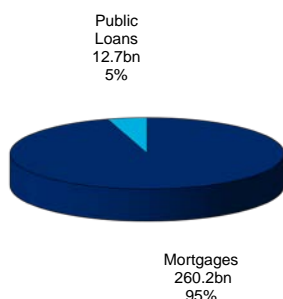
CT market volume at around 5%

Moody's recently gave a positive assessment on Spanish public sector covered bonds. We use this as an opportunity to drill deeper into this small segment and chase for RV opportunities.

Cédulas Territoriales – switch for the good?

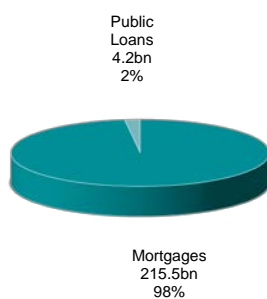
Market volume: Before the financial crisis started, Spanish banks also made use of funding via publicly placed covered bonds which were backed by loans to the public sector. The first cédulas territoriales (CT) have been issued in 2003 and even in the multi-cédula segment some multi-issuer bonds have eventually been backed by public sector loans. However, as this segment has been used in a less frequent manner its outstanding volume and relative importance have decreased over time. Looking at all Spanish benchmark covered bonds (i.e. publicly placed and retained) the amount of CT is currently at 5% (€12.7bn). By observing publicly outstanding benchmark bonds only, the share decreases even further to a slim 1.9% (€4.2bn). Hence, total publicly placed volume among overall CT stands at 35%. As if this wasn't enough, the segment will shrink substantially during the next four months.

Figure 31. Volume of Spanish EUR benchmark covered bonds (incl. retained), EURbn, %



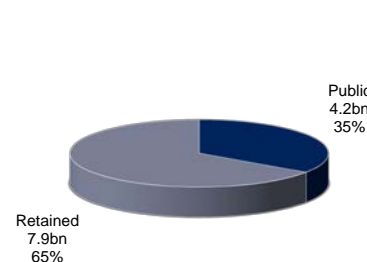
Source: Bloomberg, Citi Research

Figure 32. Volume of Spanish EUR benchmark covered bonds (excl. retained), EURbn, %



Source: Bloomberg, Citi Research

Figure 33. Volume of Cédulas Territoriales, EURbn, %



Source: Bloomberg, Citi Research

Only the biggest currently have benchmark CT outstanding

The following table summarizes the CT universe. On the one hand it can be seen that currently the market segment is solely composed of covered bonds issued by Spain's biggest banks. On the other hand it's also obvious that even the strongest banks preferred to retain such covered bonds during the last years. Hence, at current stages, the market has been shrinking to only three publicly trading bonds.

Figure 34. Overview of Cédulas Territoriales

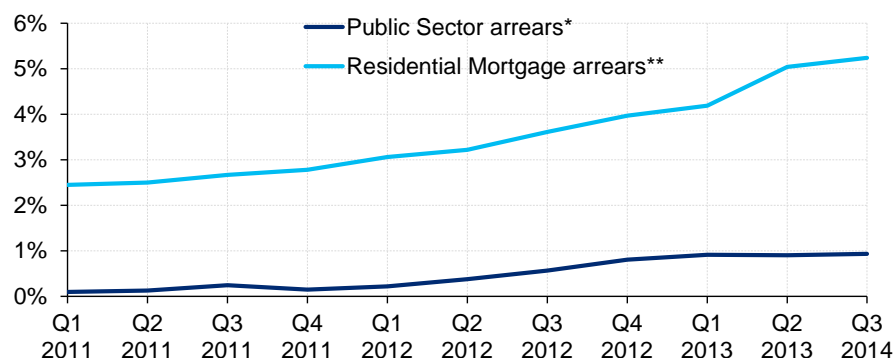
Issuer Name	Ticker	Maturity	Announce	ISIN	Volume (EURmn)	Moody's Rating
Banco Bilbao Vizcaya Argentaria SA	BBVASM	30/05/2014	25/05/2007	ES0413211204	1641.5	A3
Banco Bilbao Vizcaya Argentaria SA	BBVASM	04/03/2019	25/02/2011	ES0413211444	830	A3
Banco Bilbao Vizcaya Argentaria SA	BBVASM	04/03/2016	25/02/2011	ES0413211436	765	A3
Bankia SA	BKIASM	21/02/2014	13/02/2007	ES0414950677	1525	Baa3u
CaixaBank SA	CABKSM	07/06/2018	28/05/2013	ES0440609230	1300	A3
CaixaBank SA	CABKSM	24/05/2019	24/05/2012	ES0440609065	500	A3
CaixaBank SA	CABKSM	20/03/2014	20/10/2011	ES0440609016	1500	A3
CaixaBank SA	CABKSM	19/06/2015	20/10/2011	ES0440609008	2500	A3
Banco Santander SA	SANTAN	21/06/2016	31/05/2011	ES0413900251	1000	A3
Banco Espanol de Credito SA	SANTAN	20/10/2016	20/10/2012	ES0413440233	500	A3

Source: Bloomberg, Citi Research; light blue = non-retained covered bonds

Several financial backstops for Spanish sub-sovereigns implemented

Credit positive development: Moody's recently reported that in January 33 municipalities made use of extraordinary financial support provided by the Spanish state. This leads to a total of 101 supported municipalities – 40 of these are located in Andalusia. But this is only one piece of the overall puzzle of fiscal support for sub-sovereign bodies in Spain. According to Moody's, approximately 4000 regional and local governments took up financial support to improve overall liquidity by making use of the Fund for Financing Payments to Suppliers (FFFP). Apart from that, nine regions have so far received help by the State of Spain within the Regional Liquidity Fund (FLA).

Figure 35. Public Sector vs Residential mortgage arrears



Source: Moody's; * Moody's Performance Overview, ** Bank of Spain

...which led to stable and high OC levels for CT

The consequence is twofold. Firstly, the amount of loans in arrears increased on a much lower scale than mortgage loans in arrears. The current share of loans in arrears within Spanish public sector cover pools is less than 1%. Secondly, loans provided by the FFFP are eligible for public sector cover pools. Hence, OC levels remained stable which is also in stark contrast to Spanish mortgage covered bond programs. Note that for CT legal OC stands at 42.9% which is substantially higher than for mortgage covered bonds.

Figure 36. Borrower type in Spanish public sector covered bonds, %

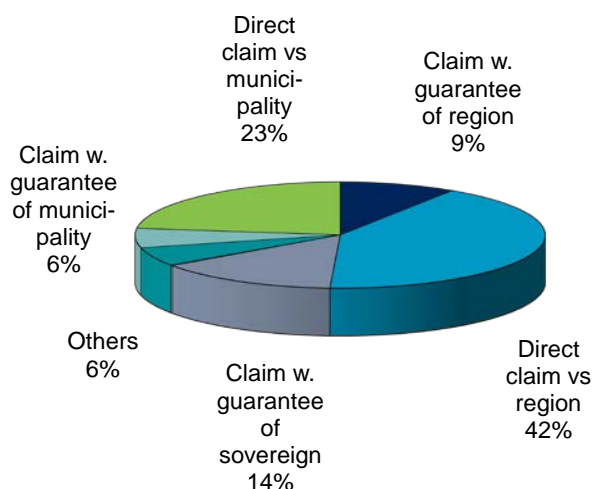
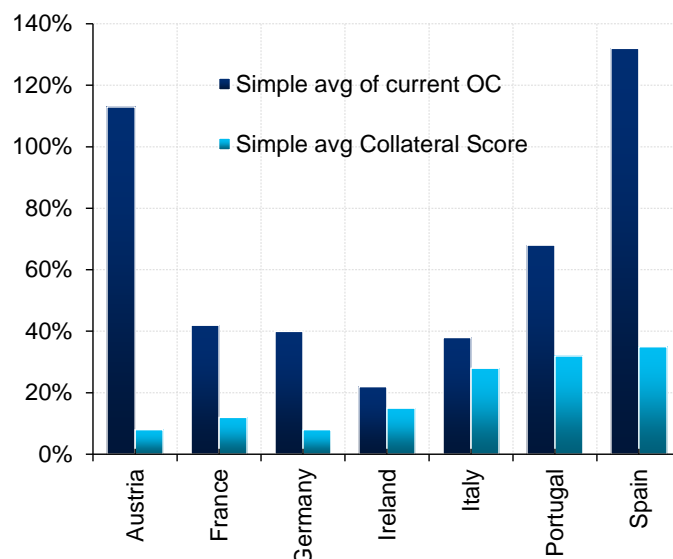


Figure 37. Current OC vs Collateral Score for public sector CBs, %



Source: Moody's, Citi Research

Source: Moody's, Citi Research

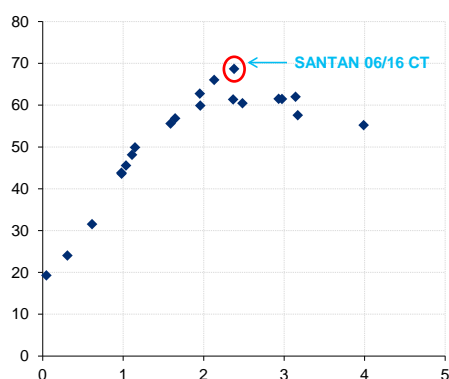
...and below Spanish average loans in arrears

The newly introduced safety cushion for sub-sovereign bodies is clearly positive for Spanish public sector covered bonds as Spanish regions and municipalities cannot rely on an equally legally strong support mechanism like German regions. Hence, this extraordinary help decreases default probabilities for several public sector cover assets. Given the high share of regions and municipalities as guarantors or direct counterparties within Spanish public sector cover pools, the latest steps can only be welcomed (Figure 36). That said, a comparison of Moody's collateral scores underlines the below-average quality of Spanish public sector collateral (Figure 37).

Only three benchmark bonds are publicly trading

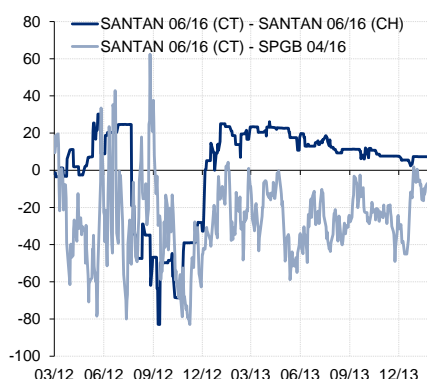
Implications: As mentioned above, credit implications are positive for Spanish public sector covered bonds. For secondary markets, implications should be muted given the low amount of outstanding CTs. However, we examine secondary market levels of the "last tradable" CT, issued by SANTAN and maturing in June 2016.

Figure 38. SANTAN covered bonds, mid-ass, bp



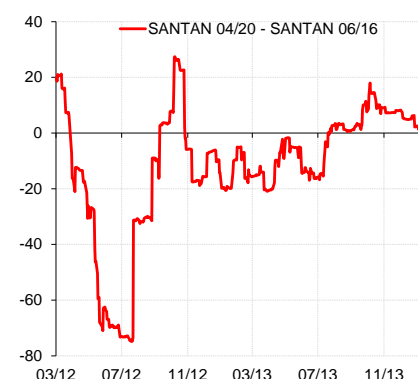
Source: Citi Research

Figure 39. Spread differential to covered and sovereign debt, mid-ass, bp



Source: Citi Research

Figure 40. Reducing duration, mid-ass, bp



Source: Citi Research

SANTAN public sector covered bond is trading cheapest against swaps

On the SANTAN curve, the CT is trading cheapest against swaps which we think makes it relatively interesting, especially as we expect that Spanish covered bonds continue to be well sought while being supported by decreasing rating pressure and expected net negative supply. Note that both covered bond programs are rated equally. During 2012, the CT outperformed the CH with the same maturity during times of elevated financial distress which has eventually been mitigated by the announcement of the OMT program in September 2012. In our opinion this can be traced back to the fact that the mortgage covered bond we refer to has been issued by Banesto. At this time, both banks haven't been merged (officially announced in December 2012) which is why the more sensitive reaction on financial distress by a higher-beta banks led to a reverse spread widening.

Prefer 06/16 CT to 07/20 CH at same levels against swap

Recommendation: For most non-core covered bond markets we've tended to prefer mortgage backed covered bonds over public-sector backed covered bonds during the crisis. We continue to be in favour of mortgage covered bonds in some segments (e.g. France). In the case of Spain, we think that the risk for public sector covered bonds has decreased substantially, due mainly to the politically implemented backstops to support sub-sovereigns leading to above-average credit quality in public sector cover pools. Hence, from a credit perspective it might make sense to prefer *cédulas territoriales*. As the market has become extremely small, options are rather rare. However, we think it would make sense to decrease duration in SANTAN by **switching from SANTAN 04/20 to SANTAN 06/16** which are currently trading at same levels versus swap.

Relative value trades

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Switch into Oct20s

We highlight a number of relative value opportunities in the 2-10yr sector of the French, Finnish, Spanish, Belgian and gilt yield curves.

France: 6s8s steepener

■ Switch from 3% Apr22 to 2.5% Oct20 at 36bp (3m carry: -0.3bp) - Figure 41

Finland: fade the richness of Sep22s

■ Sell 1.625% Sep22 vs 3.5% Apr21 and 4% Jul25 (3m carry: -0.9bp) - Figure 42.

Spain: fade the richness of Jul19s

■ Sell 4.6% Jul19 vs 3.75% Oct18 and 4.85% Oct20 (3m carry: -0.7bp) - Figure 43.

Sell Sep22s vs surrounding issues

Sell Jul19s vs surrounding issues

Figure 41. France: 3% Apr22 – 2.5% Oct20 yield spread (bp)



Source: Citi Research

Figure 42. Finland: 3.5% Apr21, 1.625% Sep22, 4% Jul25 microfly (bp)



Source: Citi Research

Figure 43. Spain: 3.75% Oct18, 4.6% Jul19, 4.85% Oct20 microfly (bp)



Source: Citi Research

Belgium: fade the richness of Sep16s

Sell Sep16s vs surrounding issues

■ Sell 3.25% Sep16 vs 2.75% Mar16 and 4% Mar17 (3m carry: 0.1bp) - Figure 44

Or, Sell 3.25% Sep16 vs 2.75% Mar16 and 3.5% Jun17 (3m carry: 1bp)-Figure 45

UK: take advantage of cheapness of Sep21s

Buy Sep21s vs surrounding issues

■ Buy 3.75% Sep21 vs 3.75% Sep20 and 2.25% Sep23 (3m carry: 0.7bp) -Figure 46

Figure 44. Belgium: 2.75% Mar16, 3.25% Sep16, 4% Mar17 microfly (bp)



Source: Citi Research

Figure 45. Belgium: 2.75% Mar16, 3.25% Sep16, 3.5% Jun17 microfly (bp)



Source: Citi Research

Figure 46. UK: 3.75% Sep20, 3.75% Sep21, 2.25% Sep23 microfly (bp)



Source: Citi Research

Relative value tables

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

For example, Figure 47 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 47. Yield Spread and CAS to Fitted Relative Value Curve (6m History)

Versus Govt Curve (CAS)						Versus Swap Curve (CAS)					
	Rank		ZScore	Issued	Size (€bn)		Rank		ZScore	Issued	Size (€bn)
GERMANY		Richest						Richest			
	1	0.50 Apr17	-1.83	Apr12	18		1	1.00 Feb19 (5y)	-0.27	Jan14	9
	2	0.50 Feb18	-1.80	Jan13	17		2	2.00 Aug23	-0.08	Sep13	18
	3	4.00 Jan18	-1.51	Nov07	20		3	2.50 Jul44 (30y)	0.04	Apr12	16
	4	0.25 Apr18	-1.51	Apr13	17		4	4.00 Jan37	0.06	Jan05	23
	5	0.50 Oct17	-1.47	Sep12	16		5	4.75 Jul40	0.08	Jul08	16
	5	1.00 Feb19 (5y)	1.12	Jan14	9		5	3.25 Jan20	0.55	Nov09	22
	4	4.75 Jul34	1.20	Jan03	20		4	3.00 Jul20	0.57	Apr10	22
	3	2.00 Feb16	1.23	Jan11	16		3	2.75 Apr16	0.58	Apr11	18
	2	6.25 Jan30	1.36	Jan00	9		2	2.00 Feb16	0.64	Jan11	16
	Cheapest						Cheapest				
	1	5.50 Jan31	1.69	Oct00	17		1	1.75 Feb24 (10y)	1.42	Jan14	5

Source: Citi Research

Figure 48 (overleaf) looks at bonds of all maturities. For investors with maturity restrictions we have also provided another set of summary tables (Figure 49 and Figure 50) which looks at bonds shorter than 12 years and longer than 8 years, and uses the same criteria as Figure 48 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 48. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History); All bonds on each curve

		Versus Govt Curve (CAS)					Versus Swap Curve (CAS)				
		Rank		ZScore	Issued	Size (€bn)	Rank		ZScore	Issued	Size (€bn)
GERMANY	Richest	1	0.50 Apr17	-1.83	Apr12	18	1	1.00 Feb19 (5y)	-0.27	Jan14	9
		2	0.50 Feb18	-1.80	Jan13	17	2	2.00 Aug23	-0.08	Sep13	18
		3	4.00 Jan18	-1.51	Nov07	20	3	2.50 Jul44 (30y)	0.04	Apr12	16
		4	0.25 Apr18	-1.51	Apr13	17	4	4.00 Jan37	0.06	Jan05	23
		5	0.50 Oct17	-1.47	Sep12	16	5	4.75 Jul40	0.08	Jul08	16
	Cheapest	5	1.00 Feb19 (5y)	1.12	Jan14	9	5	3.25 Jan20	0.55	Nov09	22
		4	4.75 Jul34	1.20	Jan03	20	4	3.00 Jul20	0.57	Apr10	22
		3	2.00 Feb16	1.23	Jan11	16	3	2.75 Apr16	0.58	Apr11	18
		2	6.25 Jan30	1.36	Jan00	9	2	2.00 Feb16	0.64	Jan11	16
		1	5.50 Jan31	1.69	Oct00	17	1	1.75 Feb24 (10y)	1.42	Jan14	5
FRANCE	Richest	1	4.25 Oct23 (OAT)	-2.18	Oct06	33	1	1.75 Feb17	-1.61	Feb11	20
		2	1.75 May23	-2.16	May12	26	2	5.00 Oct16	-1.47	Oct00	29
		3	1.75 Feb17	-1.97	Feb11	20	3	3.75 Apr17	-1.17	Apr06	35
		4	2.25 Oct22	-1.81	Oct11	24	4	2.50 Jul16	-1.02	Jul10	26
		5	3.75 Apr17	-1.71	Apr06	35	5	4.25 Oct23 (OAT)	-0.93	Oct06	33
	Cheapest	5	2.25 Feb16	0.82	Feb10	29	5	1.00 Nov18 (5y)	0.85	Nov12	21
		4	3.25 Oct21	0.89	Oct10	36	4	3.75 Oct19	0.88	Oct08	32
		3	3.75 Apr21	0.93	Apr05	34	3	3.75 Apr21	0.89	Apr05	34
		2	2.25 May24 (10y)	1.32	Nov13	10	2	2.50 Oct20	0.98	Oct09	35
		1	2.75 Oct27	1.60	Oct11	18	1	3.50 Apr20	1.09	Feb10	36
ITALY	Richest	1	4.50 Mar24 (10y)	-1.81	Aug13	23	1	4.50 Mar19	-1.66	Sep08	24
		2	4.50 Mar19	-1.81	Sep08	24	2	4.00 Feb17	-1.65	Aug06	26
		3	5.50 Nov22 (IK)	-1.23	May12	21	3	1.50 Dec16	-1.64	Jan14	5
		4	5.50 Sep22	-1.10	Mar12	20	4	3.75 Apr16 (BTS)	-1.59	Apr11	16
		5	5.75 Feb33	-0.89	Feb02	15	5	4.75 Jun17	-1.58	Jun12	15
	Cheapest	5	4.50 Mar26	2.32	Sep10	21	5	5.00 Mar25	-1.10	Mar09	22
		4	4.50 Feb18	2.44	Aug07	25	4	4.50 May23	-1.07	Mar13	18
		3	3.50 Nov17	3.05	Nov12	17	3	3.75 May21	-0.99	Oct13	8
		2	3.50 Jun18	3.21	Apr13	17	2	4.50 Mar26	-0.82	Sep10	21
		1	4.50 Aug18	3.73	Feb08	25	1	4.75 Aug23	-0.73	Feb08	25
N'LANDS	Richest	1	1.75 Jul23 (10y)	-1.54	Mar13	16	1	2.50 Jan17	-1.73	Jun11	16
		2	0.50 Apr17	-1.51	Jan14	4	2	0.50 Apr17	-1.08	Jan14	4
		3	2.50 Jan17	-1.41	Jun11	16	3	4.50 Jul17	-1.00	Jul07	15
		4	3.75 Jan23	-0.70	Jan06	11	4	1.25 Jan18	-0.70	Jul12	15
		5	3.75 Jan42 (30y)	-0.64	May10	14	5	4.00 Jul16	-0.69	Jul06	14
	Cheapest	5	3.25 Jul21	0.93	Mar11	16	5	3.25 Jul21	0.22	Mar11	16
		4	2.25 Jul22	0.96	Feb12	15	4	4.00 Jul19	0.29	Feb09	14
		3	4.00 Jul19	1.07	Feb09	14	3	4.00 Jan37	0.33	Apr05	14
		2	4.00 Jul16	1.08	Jul06	14	2	2.50 Jan33	0.38	Mar12	10
		1	3.50 Jul20	1.15	Feb10	15	1	3.50 Jul20	0.48	Feb10	15
SPAIN	Richest	1	4.00 Apr20	-1.62	Jan10	20	1	4.60 Jul19	-1.86	Feb09	18
		2	4.30 Oct19	-1.22	Jun09	19	2	5.50 Apr21	-1.84	Jan11	24
		3	4.60 Jul19	-1.17	Feb09	18	3	4.00 Apr20	-1.81	Jan10	20
		4	3.80 Jan17	-1.14	Oct06	21	4	3.30 Jul16	-1.81	Apr13	17
		5	3.80 Apr24 (10y)	-0.64	Jan14	10	5	4.30 Oct19	-1.80	Jun09	19
	Cheapest	5	5.40 Jan23	1.82	Jan13	17	5	4.90 Jul40	-1.50	Jun07	13
		4	4.50 Jan18	2.02	Nov12	19	4	4.70 Jul41 (30y)	-1.45	Sep09	12
		3	5.50 Jul17	2.21	Mar02	20	3	5.15 Oct44	-1.09	Oct13	4
		2	4.10 Jul18	2.23	Feb08	19	2	2.10 Apr17	-1.06	Nov13	8
		1	4.40 Oct23	2.38	May13	18	1	2.75 Apr19	-0.67	Jan14	4
BELGIUM	Richest	1	4.50 Mar26	-3.41	Jun11	8	1	3.25 Sep16	-1.68	Jan06	13
		2	4.25 Sep22	-3.33	Jan12	15	2	4.00 Mar17	-1.46	Jan07	11
		3	4.00 Mar32	-2.33	Mar12	8	3	3.50 Jun17	-1.37	Mar11	13
		4	2.25 Jun23	-2.13	Jan13	14	4	4.25 Sep22	-1.27	Jan12	15
		5	3.25 Sep16	-2.09	Jan06	13	5	5.50 Sep17	-1.26	Jun02	8
	Cheapest	5	2.60 Jun24 (10y)	1.06	Jan14	5	5	3.75 Sep20	-0.98	Jan10	18
		4	2.75 Mar16	1.15	Mar10	10	4	4.00 Mar18	-0.91	Jan08	12
		3	4.00 Mar18	1.63	Jan08	12	3	3.75 Jun45 (30y)	-0.83	Sep13	4
		2	5.00 Mar35	1.88	May04	18	2	4.00 Mar19	-0.81	Jan09	11
		1	4.25 Sep21	2.11	Jan11	15	1	2.60 Jun24 (10y)	1.08	Jan14	5

Source: Citi Research

EMU relative value table – max 12yr maturity

Figure 49. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History); Bonds with a Maximum Maturity of 12yrs

		Versus Govt Curve (CAS)					Versus Swap Curve (CAS)				
		Rank		ZScore	Issued	Size (€bn)	Rank		ZScore	Issued	Size (€bn)
GERMANY	Richest	1	0.50 Apr17	-1.83	Apr12	18	1	1.00 Feb19 (5y)	-0.27	Jan14	9
		2	0.50 Feb18	-1.80	Jan13	17	2	2.00 Aug23	-0.08	Sep13	18
		3	4.00 Jan18	-1.51	Nov07	20	3	1.00 Oct18	0.18	Sep13	17
		4	0.25 Apr18	-1.51	Apr13	17	4	4.00 Jan18	0.18	Nov07	20
		5	0.50 Oct17	-1.47	Sep12	16	5	1.50 May23	0.25	May13	18
	Cheapest	5	4.00 Jul16	0.59	May06	23	5	3.25 Jan20	0.55	Nov09	22
		4	1.75 Feb24 (10y)	0.85	Jan14	5	4	3.00 Jul20	0.57	Apr10	22
		3	2.75 Apr16	0.98	Apr11	18	3	2.75 Apr16	0.58	Apr11	18
		2	1.00 Feb19 (5y)	1.12	Jan14	9	2	2.00 Feb16	0.64	Jan11	16
		1	2.00 Feb16	1.23	Jan11	16	1	1.75 Feb24 (10y)	1.42	Jan14	5
FRANCE	Richest	1	4.25 Oct23 (OAT)	-2.18	Oct06	33	1	1.75 Feb17	-1.61	Feb11	20
		2	1.75 May23	-2.16	May12	26	2	5.00 Oct16	-1.47	Oct00	29
		3	1.75 Feb17	-1.97	Feb11	20	3	3.75 Apr17	-1.17	Apr06	35
		4	2.25 Oct22	-1.81	Oct11	24	4	2.50 Jul16	-1.02	Jul10	26
		5	3.75 Apr17	-1.71	Apr06	35	5	4.25 Oct23 (OAT)	-0.93	Oct06	33
	Cheapest	5	2.50 Oct20	0.46	Oct09	35	5	1.00 Nov18 (5y)	0.85	Nov12	21
		4	2.25 Feb16	0.82	Feb10	29	4	3.75 Oct19	0.88	Oct08	32
		3	3.25 Oct21	0.89	Oct10	36	3	3.75 Apr21	0.89	Apr05	34
		2	3.75 Apr21	0.93	Apr05	34	2	2.50 Oct20	0.98	Oct09	35
		1	2.25 May24 (10y)	1.32	Nov13	10	1	3.50 Apr20	1.09	Feb10	36
ITALY	Richest	1	4.50 Mar24 (10y)	-1.93	Aug13	23	1	4.50 Mar19	-1.67	Sep08	24
		2	4.50 Mar19	-1.84	Sep08	24	2	4.00 Feb17	-1.65	Aug06	26
		3	5.50 Nov22 (IK)	-1.28	May12	21	3	1.50 Dec16	-1.65	Jan14	5
		4	5.50 Sep22	-1.16	Mar12	20	4	3.75 Apr16 (BTS)	-1.60	Apr11	16
		5	1.50 Dec16	-0.88	Jan14	5	5	4.75 Jun17	-1.59	Jun12	15
	Cheapest	5	4.75 Aug23	2.26	Feb08	25	5	4.50 Mar24 (10y)	-1.16	Aug13	23
		4	4.50 Feb18	2.41	Aug07	25	4	5.00 Mar25	-1.10	Mar09	22
		3	3.50 Nov17	2.98	Nov12	17	3	4.50 May23	-1.08	Mar13	18
		2	3.50 Jun18	3.15	Apr13	17	2	3.75 May21	-1.00	Oct13	8
		1	4.50 Aug18	3.67	Feb08	25	1	4.75 Aug23	-0.74	Feb08	25
N'LANDS	Richest	1	1.75 Jul23 (10y)	-1.54	Mar13	16	1	2.50 Jan17	-1.73	Jun11	16
		2	0.50 Apr17	-1.51	Jan14	4	2	0.50 Apr17	-1.08	Jan14	4
		3	2.50 Jan17	-1.41	Jun11	16	3	4.50 Jul17	-1.00	Jul07	15
		4	3.75 Jan23	-0.70	Jan06	11	4	1.25 Jan18	-0.70	Jul12	15
		5	1.25 Jan19 (5y)	-0.44	Jun13	8	5	4.00 Jul16	-0.69	Jul06	14
	Cheapest	5	3.25 Jul21	0.93	Mar11	16	5	1.25 Jan19 (5y)	-0.16	Jun13	8
		4	2.25 Jul22	0.96	Feb12	15	4	2.25 Jul22	-0.08	Feb12	15
		3	4.00 Jul19	1.08	Feb09	14	3	3.25 Jul21	0.22	Mar11	16
		2	4.00 Jul16	1.08	Jul06	14	2	4.00 Jul19	0.29	Feb09	14
		1	3.50 Jul20	1.15	Feb10	15	1	3.50 Jul20	0.48	Feb10	15
SPAIN	Richest	1	4.00 Apr20	-1.63	Jan10	20	1	4.60 Jul19	-1.86	Feb09	18
		2	4.30 Oct19	-1.22	Jun09	19	2	5.50 Apr21	-1.84	Jan11	24
		3	4.60 Jul19	-1.18	Feb09	18	3	4.00 Apr20	-1.81	Jan10	20
		4	3.80 Jan17	-1.14	Oct06	21	4	3.30 Jul16	-1.81	Apr13	17
		5	3.80 Apr24 (10y)	-0.64	Jan14	10	5	4.30 Oct19	-1.80	Jun09	19
	Cheapest	5	5.40 Jan23	1.82	Jan13	17	5	5.50 Jul17	-1.63	Mar02	20
		4	4.50 Jan18	2.02	Nov12	19	4	4.10 Jul18	-1.63	Feb08	19
		3	5.50 Jul17	2.21	Mar02	20	3	4.65 Jul25	-1.58	Feb10	14
		2	4.10 Jul18	2.23	Feb08	19	2	2.10 Apr17	-1.06	Nov13	8
		1	4.40 Oct23	2.38	May13	18	1	2.75 Apr19	-0.67	Jan14	4
BELGIUM	Richest	1	4.25 Sep22	-3.33	Jan12	15	1	3.25 Sep16	-1.68	Jan06	13
		2	2.25 Jun23	-2.13	Jan13	14	2	4.00 Mar17	-1.46	Jan07	11
		3	3.25 Sep16	-2.09	Jan06	13	3	3.50 Jun17	-1.37	Mar11	13
		4	4.00 Mar22	-1.87	May06	14	4	4.25 Sep22	-1.27	Jan12	15
		5	4.00 Mar17	-1.52	Jan07	11	5	5.50 Sep17	-1.26	Jun02	8
	Cheapest	5	1.25 Jun18 (5y)	0.72	Feb13	12	5	3.00 Sep19	-1.01	Apr12	9
		4	2.60 Jun24 (10y)	1.06	Jan14	5	4	3.75 Sep20	-0.98	Jan10	18
		3	2.75 Mar16	1.15	Mar10	10	3	4.00 Mar18	-0.91	Jan08	12
		2	4.00 Mar18	1.63	Jan08	12	2	4.00 Mar19	-0.81	Jan09	11
		1	4.25 Sep21	2.11	Jan11	15	1	2.60 Jun24 (10y)	1.08	Jan14	5

Source: Citi Research

EMU relative value table – min 8yr maturity

Figure 50. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History); Bonds with a Minimum Maturity of 8yrs

		Versus Govt Curve (CAS)					Versus Swap Curve (CAS)				
		GERMANY					FRANCE				
		Rank		ZScore	Issued	Size (€bn)	Rank		ZScore	Issued	Size (€bn)
GERMANY	Richest	1	2.50 Jul44 (30y)	-1.13	Apr12	16	1	2.00 Aug23	-0.08	Sep13	18
		2	2.00 Aug23	-1.09	Sep13	18	2	2.50 Jul44 (30y)	0.04	Apr12	16
		3	1.50 May23	-0.96	May13	18	3	4.00 Jan37	0.06	Jan05	23
		4	1.75 Jul22	-0.82	Apr12	24	4	4.75 Jul40	0.08	Jul08	16
		5	1.50 Feb23 (RX)	-0.75	Jan13	18	5	4.25 Jul39 (UB)	0.09	Jan07	14
		5	4.00 Jan37	0.74	Jan05	23	5	1.75 Jul22	0.31	Apr12	24
		4	1.75 Feb24 (10y)	0.85	Jan14	5	4	6.25 Jan30	0.34	Jan00	9
		3	4.75 Jul34	1.20	Jan03	20	3	5.50 Jan31	0.41	Oct00	17
		2	6.25 Jan30	1.36	Jan00	9	2	1.50 Sep22	0.42	Sep12	18
	Cheapest	1	5.50 Jan31	1.69	Oct00	17	1	1.75 Feb24 (10y)	1.42	Jan14	5
FRANCE	Richest	1	1.75 May23	-2.21	May12	26	1	4.25 Oct23 (OAT)	-0.95	Oct06	33
		2	4.25 Oct23 (OAT)	-2.20	Oct06	33	2	2.25 Oct22	-0.50	Oct11	24
		3	2.25 Oct22	-1.86	Oct11	24	3	4.50 Apr41	-0.47	Apr09	24
		4	3.00 Apr22	-1.55	Feb12	33	4	3.25 May45 (30y)	-0.41	May12	9
		5	4.50 Apr41	-0.82	Apr09	24	5	1.75 May23	-0.40	May12	26
		5	5.75 Oct32	-0.18	Oct00	25	5	5.75 Oct32	-0.07	Oct00	25
		4	3.50 Apr26	0.02	Apr10	30	4	4.00 Apr60	0.06	Apr09	11
		3	3.25 May45 (30y)	0.67	May12	9	3	3.50 Apr26	0.22	Apr10	30
		2	2.25 May24 (10y)	1.23	Nov13	10	2	2.75 Oct27	0.29	Oct11	18
	Cheapest	1	2.75 Oct27	1.47	Oct11	18	1	2.25 May24 (10y)	0.81	Nov13	10
ITALY	Richest	1	4.50 Mar24 (10y)	-1.93	Aug13	23	1	5.75 Feb33	-1.44	Feb02	15
		2	5.50 Nov22 (IK)	-1.28	May12	21	2	5.00 Aug34	-1.38	Aug03	21
		3	5.50 Sep22	-1.16	Mar12	20	3	4.00 Feb37	-1.38	Aug05	25
		4	5.75 Feb33	-0.92	Feb02	15	4	5.00 Sep40	-1.35	Sep09	21
		5	4.75 Sep44 (30y)	-0.65	Mar13	9	5	5.00 Aug39	-1.34	Aug07	19
		5	4.00 Feb37	0.92	Aug05	25	5	4.75 Sep28	-1.12	Jan13	16
		4	5.00 Aug39	1.03	Aug07	19	4	5.00 Mar25	-1.10	Mar09	22
		3	4.50 May23	1.37	Mar13	18	3	4.50 May23	-1.08	Mar13	18
		2	4.75 Aug23	2.26	Feb08	25	2	4.50 Mar26	-0.83	Sep10	21
	Cheapest	1	4.50 Mar26	2.27	Sep10	21	1	4.75 Aug23	-0.74	Feb08	25
N'LANDS	Richest	1	1.75 Jul23 (10y)	-1.54	Mar13	16	1	1.75 Jul23 (10y)	-0.66	Mar13	16
		2	3.75 Jan23	-0.70	Jan06	11	2	3.75 Jan23	-0.37	Jan06	11
		3	3.75 Jan42 (30y)	-0.67	May10	14	3	2.25 Jul22	-0.08	Feb12	15
		3	4.00 Jan37	-0.45	Apr05	14	3	3.75 Jan42 (30y)	-0.06	May10	14
		2	2.50 Jan33	0.85	Mar12	10	2	4.00 Jan37	0.32	Apr05	14
		1	2.25 Jul22	0.96	Feb12	15	1	2.50 Jan33	0.38	Mar12	10
	Cheapest	1	2.25 Jul22	0.96	Feb12	15	1	2.50 Jan33	0.38	Mar12	10
SPAIN	Richest	1	3.80 Apr24 (10y)	-0.65	Jan14	10	1	3.80 Apr24 (10y)	-1.71	Jan14	10
		2	4.70 Jul41 (30y)	-0.44	Sep09	12	2	5.40 Jan23	-1.69	Jan13	17
		3	5.15 Oct44	-0.39	Oct13	4	3	4.80 Jan24	-1.66	Sep08	15
		4	5.90 Jul26	-0.20	Mar11	12	4	4.40 Oct23	-1.63	May13	18
		5	4.90 Jul40	-0.19	Jun07	13	5	5.15 Oct28	-1.58	Jul13	8
		5	5.15 Oct28	0.52	Jul13	8	5	5.90 Jul26	-1.54	Mar11	12
		4	4.65 Jul25	0.79	Feb10	14	4	5.75 Jul32	-1.54	Jan01	15
		3	4.80 Jan24	0.90	Sep08	15	3	4.90 Jul40	-1.50	Jun07	13
		2	5.40 Jan23	1.81	Jan13	17	2	4.70 Jul41 (30y)	-1.45	Sep09	12
	Cheapest	1	4.40 Oct23	2.37	May13	18	1	5.15 Oct44	-1.09	Oct13	4
BELGIUM	Richest	1	4.50 Mar26	-3.41	Jun11	8	1	4.25 Sep22	-1.27	Jan12	15
		2	4.25 Sep22	-3.32	Jan12	15	2	2.25 Jun23	-1.23	Jan13	14
		3	4.00 Mar32	-2.32	Mar12	8	3	4.00 Mar22	-1.18	May06	14
		4	2.25 Jun23	-2.13	Jan13	14	4	4.00 Mar32	-1.16	Mar12	8
		4	4.25 Mar41	-0.52	Apr10	12	4	4.25 Mar41	-1.05	Apr10	12
		3	3.75 Jun45 (30y)	-0.14	Sep13	4	3	5.00 Mar35	-1.03	May04	18
		2	2.60 Jun24 (10y)	1.06	Jan14	5	2	3.75 Jun45 (30y)	-0.83	Sep13	4
		1	5.00 Mar35	1.89	May04	18	1	2.60 Jun24 (10y)	1.08	Jan14	5
	Cheapest	1	5.00 Mar35	1.89	May04	18	1	2.60 Jun24 (10y)	1.08	Jan14	5

Source: Citi Research

UK relative value table

Figure 51. Coupon Adjusted Spread to Fitted Curve and Swap Curve by Country (6m History)

		Versus Govt Curve (CAS)					Versus Swap Curve (CAS)				
		Rank		ZScore	Issued	Size (£bn)	Rank		ZScore	Issued	Size (£bn)
ALL	Richest	1	4.00 Jan60	-3.06	Oct09	19	1	1.75 Jul19	-1.53	Nov13	13
		2	3.25 Jan44 (30y)	-2.99	Oct12	24	2	1.75 Jan17	-1.23	Aug11	27
		3	4.50 Sep34	-2.19	Jun09	26	3	2.25 Sep23 (10y)	-1.12	Jun13	24
		4	1.75 Jan17	-1.37	Aug11	27	4	1.25 Jul18 (5y)	-1.01	Feb13	34
		5	2.25 Mar14	-1.29	Mar09	35	5	1.00 Sep17	-0.95	Mar12	31
	Cheapest	5	5.00 Mar18 (WX)	1.95	May07	34	5	4.25 Dec40	1.22	Jun10	24
		4	4.25 Dec46	2.10	May06	21	4	4.75 Dec38	1.26	Apr04	25
		3	3.50 Jul68	3.12	Jun13	10	3	2.75 Jan15	1.73	Nov09	29
		2	4.50 Dec42	3.15	Jun07	26	2	4.75 Sep15 (2y-WB)	1.84	Sep03	38
		1	4.25 Dec40	3.47	Jun10	24	1	2.25 Mar14	2.93	Mar09	35
2yr - 7yr	Richest	1	1.75 Jan17	-1.40	Aug11	27	1	1.75 Jul19	-1.54	Nov13	13
		2	1.75 Jul19	-1.08	Nov13	13	2	1.75 Jan17	-1.23	Aug11	27
		3	1.25 Jul18 (5y)	-0.09	Feb13	34	3	1.25 Jul18 (5y)	-1.01	Feb13	34
		4	4.50 Mar19	-0.03	Sep08	35	4	1.00 Sep17	-0.95	Mar12	31
		5	4.00 Sep16	0.06	Mar06	35	5	5.00 Mar18 (WX)	-0.78	May07	34
	Cheapest	5	3.75 Sep19	0.37	Jul09	28	5	4.00 Sep16	-0.63	Mar06	35
		4	3.75 Sep20	1.24	Jun10	24	4	4.50 Mar19	-0.30	Sep08	35
		3	4.75 Mar20	1.73	Mar05	33	3	3.75 Sep19	0.18	Jul09	28
		2	1.00 Sep17	1.91	Mar12	31	2	4.75 Mar20	0.92	Mar05	33
		1	5.00 Mar18 (WX)	1.92	May07	34	1	3.75 Sep20	0.93	Jun10	24
7yr - 15yr	Richest	1	1.75 Sep22	-1.13	Jun12	28	1	2.25 Sep23 (10y)	-1.13	Jun13	24
		2	4.00 Mar22	-1.11	Feb09	37	2	5.00 Mar25 (G)	-0.93	Sep01	34
		3	2.25 Sep23 (10y)	-0.57	Jun13	24	3	4.25 Dec27	-0.75	Sep06	29
		4					4				
		5					5				
	Cheapest	5					5				
		4					4				
		3	5.00 Mar25 (G)	-0.07	Sep01	34	3	1.75 Sep22	-0.36	Jun12	28
		2	3.75 Sep21	-0.01	Mar11	28	2	4.00 Mar22	0.03	Feb09	37
		1	4.25 Dec27	0.77	Sep06	29	1	3.75 Sep21	0.53	Mar11	28
>15yr	Richest	1	4.00 Jan60	-3.16	Oct09	19	1	3.50 Jul68	-0.56	Jun13	10
		2	3.25 Jan44 (30y)	-3.15	Oct12	24	2	4.00 Jan60	-0.23	Oct09	19
		3	4.50 Sep34	-2.23	Jun09	26	3	4.75 Dec30	0.07	Oct07	29
		4	4.25 Dec55	-0.22	May05	23	4	4.25 Dec49	0.11	Sep08	19
		5	4.25 Dec49	0.09	Sep08	19	5	4.25 Dec55	0.16	May05	23
	Cheapest	5	4.75 Dec30	1.84	Oct07	29	5	4.25 Mar36	0.99	Feb03	26
		4	4.25 Dec46	2.01	May06	21	4	4.50 Dec42	1.10	Jun07	26
		3	3.50 Jul68	2.14	Jun13	10	3	4.25 Sep39	1.14	Mar09	19
		2	4.50 Dec42	3.09	Jun07	26	2	4.25 Dec40	1.21	Jun10	24
		1	4.25 Dec40	3.36	Jun10	24	1	4.75 Dec38	1.25	Apr04	25

Source: Citi Research

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

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Nishay Patel

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

Figure 52. 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		
					TYH4 (UST)	G H4 (Gilt)	RXH4 (Bund)
10 Feb (Mon)	US	2.25 - 2.75	Outright Treasury Coupon Purchases: 15/2/2021 - 15/11/2023		-22k		
11 Feb (Tue)	Germany	1.0	Boblei '18 (Issue and size confirmed)				8k
11 Feb (Tue)	Netherlands	2.5	DSL 1.25% Jan19 re-opening (Issue confirmed, size upto €3bn)				10k
11 Feb (Tue)	UK	1.3	01/8% Index-linked Treasury Gilt 2024 (Issue and size confirmed)			14k	
11 Feb (Tue)	US	30.0	3-year		96k		
12 Feb (Wed)	Germany	5.0	New Schatz Mar16 (Issue and size confirmed)				8k
12 Feb (Wed)	US	24.0	10-year		261k		
12 Feb (Wed)	US	1 - 1.25	Outright Treasury Coupon Purchases: 15/2/2036 - 15/11/2043		-26k		
13 Feb (Thu)	Italy	7.3	BTP 3yr, 7yr and 30yr (estimated tenor and size)				49k
13 Feb (Thu)	UK	1.8	3¾% Treasury Gilt 2052 (Issue and size confirmed)			39k	
13 Feb (Thu)	US	16.0	30-year		358k		
14 Feb (Fri)	US	1 - 1.25	Outright Treasury Coupon Purchases: 15/2/2036 - 15/11/2043		-26k		
Weekly \$DV01 of Issuance				70.7			
Total Number of Futures Contracts					642k	53k	75k

Date	Country	Nominal Size (Local Ccy, bn)	Issue Details	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYH4 (UST)	G H4 (Gilt)	RXH4 (Bund)
17 Feb (Mon)	Belgium	4.0	We believe the auction will be cancelled and a 5yr syndication will be conducted in February. Should the auction be conducted, we would expect it to be around €3bn.				16k
17 Feb (Mon)	UK	1.6	Mini-tender (estimated issue)			4k	
18 Feb (Tue)	Netherlands	4.0	New DSL Jan47 (Issue confirmed, min €3bn)				80k
18 Feb (Tue)	US	3.75 - 4.5	Outright Treasury Coupon Purchases: 30/11/2018 - 15/11/2019		-23k		
19 Feb (Wed)	Germany	5.0	Bund Feb24 re-opening (Issue and size confirmed)				38k
19 Feb (Wed)	US	1 - 1.25	Outright Treasury Coupon Purchases: 15/2/2036 - 15/2/2044		-26k		
20 Feb (Thu)	France	9.7	OAT 2yr and 5yr, index-linked OAT (estimated tenors and size)				39k
20 Feb (Thu)	Spain	5.8	Bono/Obligaciones 2yr, 5yr and 10yr (estimated tenors and size)				31k
20 Feb (Thu)	UK	3.4	2¼% Treasury Gilt 2023 (Issue confirmed, estimated size)			29k	
20 Feb (Thu)	US	9.0	30-year TIPS		105k		
20 Feb (Thu)	US	2.25 - 2.75	Outright Treasury Coupon Purchases: 15/5/2021 - 15/2/2024		-24k		
21 Feb (Fri)	US	1 - 1.25	Outright Treasury Coupon Purchases: 15/2/2036 - 15/2/2044		-26k		
Weekly \$DV01 of Issuance				38.9			
Total Number of Futures Contracts					7k	33k	204k

Date	Country	Nominal Size (Local Ccy, bn)	Issue Details	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYH4 (UST)	G H4 (Gilt)	RXH4 (Bund)
24 Feb (Mon)	US	2.5 - 3	Outright Treasury Coupon Purchases: 30/11/2019 - 15/2/2021		-18k		
25 Feb (Tue)	Italy	3.5	CTZ (estimated size)				6k
25 Feb (Tue)	Italy	1.2	BTPEi (estimated size)				9k
25 Feb (Tue)	US	32.0	2-Year		102k		
25 Feb (Tue)	US	2.25 - 2.75	Outright Treasury Coupon Purchases: 15/5/2021 - 15/2/2024		-24k		
26 Feb (Wed)	Germany	3.0	New Bund Aug46 (Issue and size confirmed)				60k
26 Feb (Wed)	US	35.0	5-year		188k		
26 Feb (Wed)	US	12.0	2-Year FRN (re-opening)		38k		
26 Feb (Wed)	US	1 - 1.25	Outright Treasury Coupon Purchases: 15/2/2036 - 15/2/2044		-26k		
27 Feb (Thu)	Italy	6.5	BTP 5yr and 10yr (estimated tenor and size)				33k
27 Feb (Thu)	Italy	1.8	CCTeu (estimated size)				7k
27 Feb (Thu)	US	29.0	7-year		223k		
27 Feb (Thu)	US	3.5 - 4.25	Outright Treasury Coupon Purchases: 28/2/2018 - 15/11/2018		-17k		
28 Feb (Fri)	US	1 - 1.25	Outright Treasury Coupon Purchases: 15/2/2036 - 15/2/2044		-26k		
Weekly \$DV01 of Issuance				53.2			
Total Number of Futures Contracts					442k	0k	115k

Date	Country	Nominal Size (Local Ccy, bn)	Issue Details	DV01 \$million/bp	Approx. Number 10yr Futures		
					TYH4 (UST)	G H4 (Gilt)	RXH4 (Bund)
04 Mar (Tue)	Austria	1.7	RAGB 10yr and 30yr (estimated tenors and size)				22k
04 Mar (Tue)	UK	4.4	1.75% Treasury Gilt 2019 (Issue confirmed, estimated size)			24k	
05 Mar (Wed)	Germany	4.0	Bobl Feb19 re-opening (Issue and size confirmed)				16k
06 Mar (Thu)	France	8.5	OAT 5yr, 10yr and 30yr (estimated tenors and size)				98k
06 Mar (Thu)	Spain	5.0	Bono 2yr, 5yr and 15yr (Issue confirmed, estimated size)				22k
Weekly \$DV01 of Issuance				29.4			
Total Number of Futures Contracts					0k	24k	158k

The next release of the tentative outright Treasury operation schedule will be at 3 p.m. on February 28, 2013. Therefore we have only included Fed buybacks up to February 28 in this calendar. Additional issues expected in Mar: 15yr Italy (€5bn), 10yr Netherlands (€5bn). These are not included in the table above as the timing of these supply events has not been announced.

Source: DMOs, Citi Research

EUR: Coupons & Redemptions (next 3 mths)

Figure 53. EMU-10 Redemptions over the next three months (€bn)

Redemptions = €107bn											
Redemptions	DEU 34	FRA 21	NLD 0	ITA 28	ESP 15	BEL 9	AUT 0	FIN 0	PRT 0	GRC 0	IRL 0
(Sat) 01-Mar-14				13.4							
(Fri) 14-Mar-14	15.0										
(Fri) 28-Mar-14						8.7					
(Tue) 01-Apr-14				14.8							
(Fri) 11-Apr-14	19.0										
(Fri) 25-Apr-14		21.0									
(Wed) 30-Apr-14					15.4						

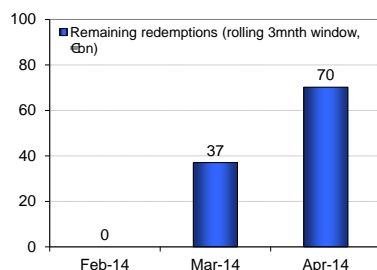
Source: DMOs, Bloomberg, Citi Research

Figure 54. EMU-10 Coupon Payments over the next three months (€bn)

Coupons = €53bn											
Coupons	DEU 3	FRA 18	NLD 0	ITA 15	ESP 4	BEL 6	AUT 2	FIN 1	PRT 1	GRC 0	IRL 2
(Sat) 15-Feb-14	0.3								0.4		
(Tue) 18-Feb-14											0.2
(Thu) 20-Feb-14							0.3				
(Sun) 23-Feb-14	0.1										
(Mon) 24-Feb-14	0.1										
(Tue) 25-Feb-14		1.0									
(Wed) 26-Feb-14	0.3										
(Thu) 27-Feb-14	0.4										
(Sat) 01-Mar-14				7.0							
(Thu) 13-Mar-14	0.0										0.6
(Fri) 14-Mar-14	0.0										
(Sat) 15-Mar-14				1.9			1.4				
(Thu) 20-Mar-14											0.2
(Fri) 28-Mar-14						6.4					
(Mon) 31-Mar-14					0.3						
(Tue) 01-Apr-14				0.2							
(Mon) 07-Apr-14	0.1										
(Tue) 08-Apr-14	0.5										
(Thu) 10-Apr-14	0.4										
(Fri) 11-Apr-14	0.4										
(Sun) 13-Apr-14	0.0										
(Tue) 15-Apr-14	0.6		0.1	0.8				0.7	0.6		
(Fri) 18-Apr-14											1.0
(Sun) 20-Apr-14							0.3				
(Fri) 25-Apr-14		16.7									
(Wed) 30-Apr-14					4.0						
(Thu) 01-May-14				5.4							

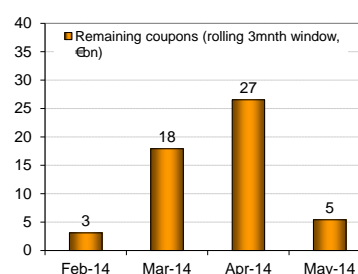
Source: DMOs, Bloomberg, Citi Research

Figure 55. EMU-10 remaining redemptions over the next 3months (€bn)



Source: DMOs, Bloomberg, Citi Research

Figure 56. 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 57. 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	12 Feb (Wed)	Italy	12 month (13 February 2015; issue confirmed, estimated size)	9
Total Size in Week 1				9.0
Week 2	18 Feb (Tue)	Spain	6month (22 August 2014) and 12month (new bill) - tenors confirmed, estimated issue and size	5.3
Total Size in Week 2				5.3
Week 3	25 Feb (Tue)	Spain	3month (16 May 2014) and 9month (21 November 2014) - tenors confirmed, estimated issue and size	3.4
	26 Feb (Wed)	Italy	6 month (29 August 2014; issue confirmed, estimated size)	9
Total Size in Week 3				12.4

Italy announces issue size 3 business days before the auction

Spain announces issue details 1 business day before the auction

Source: DMOs, Citi Research

2014 projections for bill supply

Figure 58. 2014 Italy and Spain Bill Supply – Citi Forecast (Euro Billion)

SPAIN	3m	6m	9m	12m	18m	Gross Supply	Redemptions	NCR
Jan	1.0	1.0	2.2	3.1		7	8	-1
Feb	0.9	1.3	2.5	4.0		9	11	-3
Mar	0.9	1.3	2.5	4.0		9	10	-1
Apr	0.9	1.5	3.0	4.0		9	12	-3
May	0.9	1.5	3.0	4.0		9	8	1
Jun	0.9	1.5	3.0	4.0		9	14	-4
Jul	0.8	1.5	3.0	4.0		9	8	2
Aug	0.8	1.5	3.0	4.0		9	8	1
Sep	0.8	1.5	3.0	4.0		9	8	2
Oct	0.8	1.5	3.0	3.8		9	9	
Nov	0.8	1.5	3.0	3.8		9	8	1
Dec	0.8	1.5	3.0	3.8		9	8	1
Total	10.0	17.0	34.2	46.3		108	111	-4

ITALY	3m*	6m	9m	12m	Flexible BOT	Gross Supply	Redemptions	NCR
Jan		8.1		9.3		17	20	-2
Feb		9.0		9.0		18	19	-1
Mar		9.0		9.0		18	16	2
Apr	3.0	9.0		9.0		21	17	4
May		9.0		6.5	3.0	19	14	5
Jun		9.0		6.5		16	16	
Jul		9.0		6.5		16	18	-3
Aug		9.0		8.0		17	18	-1
Sep		8.5		8.0	3.0	20	19	1
Oct		8.5		8.0		17	19	-2
Nov		7.0		7.0		14	16	-2
Dec		7.0		6.0		13	15	-2
Total	3.0	102.1		92.8	6.0	204	206	-2

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

Source: DMOs, Bloomberg, Citi estimates

Inflation Forecasts, Carry & Weekly Changes

Figure 59. Citi Inflation Forecasts

Month	EUR HICPxT			France CPIxT			UK RPI			US CPURNSA		
	Index	MoM	YoY	Index	MoM	YoY	Index	MoM	YoY	Index	MoM	YoY
	Forecast	Change	Change	Forecast	Change	Change	Forecast	Change	Change	Forecast	Change	Change
Dec 13	117.28	0.4	0.8	125.82	0.4	0.6	253.40	0.5	2.7	233.05	-0.0	1.5
Jan 14	115.89	-1.2	0.7	125.37	-0.4	0.8	252.10	-0.5	2.6	234.15	0.5	1.7
Feb 14	116.19	0.3	0.6	125.55	0.1	0.7	253.60	0.6	2.4	234.95	0.3	1.2
Mar 14	117.46	1.1	0.4	126.53	0.8	0.7	254.20	0.2	2.2	236.55	0.7	1.6
Apr 14	117.79	0.3	0.8	126.47	-0.0	0.8	255.30	0.4	2.3	237.66	0.5	2.2
May 14	117.80	0.0	0.7	126.74	0.2	0.9	256.00	0.3	2.4	238.26	0.3	2.3

Source: Citi Research, Bloomberg

Shaded = Already released

Figure 60. US TIPS Inflation-linked Carry (based on forecasts above) – One week changes

Bond	RY (%)	Chg (bp)	Carry-adj chg	Carry: RY (bp)			Ref	BE (bp)	Chg (bp)	Carry-adj chg	Carry: BE (bp)			ZC Swap - BE Spread (bp)	Chg (bp)
				1 Mar	1 Apr	1 May					1 Mar	1 Apr	1 May		
Repo (%)				0.08	0.08	0.08									
TIPS 4/15	-1.49	-7	-4	-9	22	46	US-2.500-04/30/15	163	3	-0	-9	22	45	9	-2
TIPS 7/15	-1.89	-10	-7	-9	13	29	US-4.250-08/15/15	207	5	1	-10	12	27	13	-3
TIPS 1/16	-1.44	-7	-5	-5	14	27	US-2.625-02/29/16	179	4	2	-6	12	24	18	-3
TIPS 4/16	-1.27	-3	-2	-4	13	25	US-2.000-04/30/16	169	2	0	-5	11	21	17	-1
TIPS 7/16	-1.52	-4	-3	-4	10	20	US-4.875-08/15/16	203	0	-2	-6	7	16	12	1
TIPS 1/17	-1.15	-4	-3	-3	10	20	US-3.125-01/31/17	189	3	1	-4	7	14	16	-2
TIPS 4/17	-0.95	-3	-2	-2	10	19	US-0.875-04/30/17	182	4	3	-4	6	13	17	-3
TIPS 7/17	-1.13	-3	-2	-2	9	17	US-4.750-08/15/17	207	2	0	-4	5	11	14	-0
TIPS 1/18	-0.79	-2	-1	-2	9	17	US-3.500-02/15/18	196	2	0	-3	5	10	19	-0
TIPS 4/18	-0.61	0	1	-1	9	16	US-0.625-04/30/18	190	2	1	-3	5	9	21	-0
TIPS 7/18	-0.75	-1	-0	-1	8	15	US-4.000-08/15/18	209	1	-0	-3	4	8	19	0
TIPS 1/19	-0.48	-1	-1	-1	8	15	US-2.750-02/15/19	203	2	1	-3	4	8	21	-1
TIPS 7/19	-0.45	-4	-4	-1	8	14	US-3.625-08/15/19	213	2	1	-3	3	6	21	-2
TIPS 1/20	-0.19	-2	-2	0	8	14	US-3.625-02/15/20	202	0	-1	-2	3	6	29	-0
TIPS 7/20	-0.15	-2	-2	0	7	13	US-2.625-08/15/20	216	0	-1	-2	2	5	24	-1
TIPS 1/21	0.08	-2	-2	0	7	12	US-3.625-02/15/21	203	-1	-1	-2	2	5	35	-0
TIPS 7/21	0.11	-1	-1	0	7	12	US-2.125-08/15/21	218	-0	-1	-2	2	4	27	-1
TIPS 1/22	0.30	-1	-1	0	6	11	US-2.000-02/15/22	210	-1	-2	-2	2	4	33	-1
TIPS 7/22	0.31	-1	-1	0	6	11	US-1.625-08/15/22	221	-0	-1	-2	1	3	29	-2
TIPS 1/23	0.45	-2	-2	0	6	10	US-2.000-02/15/23	215	1	1	-2	1	3	33	-3
TIPS 7/23	0.44	-0	-0	0	6	10	US-2.500-08/15/23	222	0	-0	-2	1	3	32	-3
TIPS 1/24	0.56	0	0	0	6	10	US-2.750-11/15/23	213	-0	-1	-2	1	3	39	-2
TIPS 1/25	0.63	-2	-2	0	6	10	US-7.625-02/15/25	211	2	1	-2	1	2	44	-4
TIPS 1/26	0.76	-0	-0	0	5	9	US-6.000-02/15/26	215	0	-0	-2	1	2	43	-3
TIPS 1/27	0.85	4	4	0	5	9	US-6.625-02/15/27	215	-4	-4	-2	1	2	46	2
TIPS 1/28	0.94	4	4	0	5	8	US-6.125-11/15/27	214	-3	-4	-1	0	1	49	1
TIPS 4/28	0.91	2	2	0	5	9	US-5.500-08/15/28	224	-0	-1	-1	1	2	38	-2
TIPS 1/29	0.97	2	2	0	5	8	US-5.250-02/15/29	222	-0	-1	-1	1	1	43	-2
TIPS 4/29	0.96	2	2	0	5	8	US-5.250-02/15/29	223	-0	-1	-1	1	2	40	-1
TIPS 4/32	1.08	2	2	0	4	7	US-5.375-02/15/31	221	-0	-1	-1	0	1	46	-1
TIPS 2/40	1.33	5	5	0	3	5	US-4.625-02/15/40	223	-2	-2	-1	0	0	49	-0
TIPS 2/41	1.35	7	7	0	3	5	US-4.750-02/15/41	223	-3	-4	-1	0	0	50	1
TIPS 2/42	1.40	7	7	0	3	4	US-3.125-02/15/42	226	-3	-3	-1	0	0	46	1
TIPS 2/43	1.41	6	6	0	3	4	US-3.125-02/15/43	227	-2	-2	-1	0	0	45	-0

Source: Citi Research, Bloomberg

Figure 61. EUR Inflation-linked Carry (based on forecasts above) – One week changes

Bond	RY (%)	Chg (bp)	Carry-adj chg	Carry: RY (bp)			Ref	BE (bp)	Chg (bp)	Carry-adj chg	Carry: BE (bp)			ZC Swap - BE Spread (bp)	Chg (bp)
				1 Mar	1 Apr	1 May					1 Mar	1 Apr	####		
<i>Repo (%)</i>				<i>0.17</i>	<i>0.17</i>	<i>0.16</i>									
OATei15	-0.75	14	9	13	-82	-73	FFRG 4/15	92	-13	-9	13	-83	-74	24	7
BUNDei16	-0.33	8	4	10	-51	-42	BUND 1/16	43	-6	-2	10	-51	-41	13	-5
BTANi16	-0.65	20	18	8	-10	-7	FFRG 4/16	90	-20	-17	8	-11	-8	40	7
BTPei16	0.78	-6	-10	11	-37	-25	BTP 8/16	49	-8	-5	8	-44	-36	50	-2
OATi17	-0.48	17	15	6	-7	-4	FFRG 4/17	95	-16	-14	5	-8	-6	37	4
BTPei17	1.15	-7	-10	8	-25	-15	BTP 8/17	66	-7	-5	6	-32	-27	42	-3
BOBLEi18	-0.31	4	2	5	-26	-21	BUND 1/18	68	-4	-2	5	-26	-22	26	-6
OATei18	-0.20	3	1	5	-23	-19	FFRG 4/18	95	-3	-2	4	-26	-22	31	-3
BTPei18	1.35	-11	-14	7	-19	-11	BTP 8/18	80	0	2	4	-26	-22	38	-9
OATi19	-0.10	9	8	4	-3	-1	FFRG 4/19	113	-10	-9	3	-6	-5	36	-0
BTPei19	1.65	-8	-10	6	-15	-8	BTP 9/19	87	-1	0	43	-22	-18	42	-6
BUNDei20	-0.13	4	2	4	-17	-14	BUND 1/20	96	-5	-3	3	-19	-16	24	-2
OATei20	0.10	1	-0	4	-16	-12	FFRG 4/20	120	-3	-2	3	-19	-17	24	-2
OATi21	0.28	4	2	3	-2	1	FFRG 4/21	127	-5	-4	2	-5	-4	41	-2
BTPei21	2.18	-9	-11	5	-10	-4	BTP 9/21	101	-1	-0	36	-17	-15	46	-4
OATei22	0.42	1	-0	3	-12	-8	FFRG 4/21	113	-2	-1	2	-15	-13	48	-1
BUNDei23	0.18	-0	-1	3	-11	-8	BUND 1/22	109	-1	-1	2	-13	-11	44	-3
OATi23	0.53	3	2	3	-1	1	FFRG 10/23	158	-6	-5	2	-4	-4	26	1
BTPei23	2.52	-8	-9	4	-8	-3	BTP 8/23	111	2	2	2	-14	-13	55	-6
OATei24	0.66	-3	-4	2	-9	-6	FFRG 10/23	144	-0	0	1	-12	-11	32	-3
BTPei26	2.73	-9	-10	4	-6	-2	BTP 3/26	119	5	5	24	-12	-10	65	-8
OATei27	0.84	-3	-4	2	-7	-5	FFRG 4/26	167	-0	0	1	-11	-10	24	-1
OATi29	0.81	-1	-2	2	0	1	FFRG 4/29	193	-1	-1	1	-4	-4	16	-0
OATi32	1.00	-1	-1	2	-6	-4	FFRG 10/32	189	-1	-0	1	-9	-8	13	1
BTPei35	2.72	-5	-6	2	-4	-1	BTP 8/34	168	-2	-2	1	-8	-8	35	1
OATei40	1.12	0	-0	1	-4	-2	FFRG 4/41	202	-1	-1	0	-6	-6	7	-0
BTPei41	3.08	-4	-5	2	-3	0	BTP 9/40	147	-2	-2	16	-7	-7	61	1

Source: Citi Research

Figure 62. UK Gilts Inflation-linked Carry (based on forecasts above) – One week changes

Bond	RY (%)	Chg (bp)	Carry-adj chg	Carry: RY (bp)			Ref	BE (bp)	Chg (bp)	Carry-adj chg	Carry: BE (bp)			ZC Swap - BE Spread (bp)	Chg (bp)
				1 Mar	1 Apr	1 May					1 Mar	1 Apr	1 May		
Repo (%)				0.43	0.43	0.43									
UKTi Jul16	-1.79	2	2	2	5	8	UKT 9/16	256	-7	-7	1	3	4	33	-2
UKTi Nov17	-1.50	2	0	8	-11	1	UKT 3/18	291	-8	-7	6	-15	-5	7	-14
UKTi Nov19	-0.92	2	0	6	-5	3	UKT 9/19	283	-7	-6	4	-10	-4	30	6
UKTi Apr20	-0.72	3	2	2	5	7	UKT 3/20	275	-7	-7	0	0	0	32	5
UKTi Nov22	-0.39	4	3	4	-3	4	UKT 3/22	283	-4	-4	3	-7	-3	39	3
UKTi Mar24	-0.12	5	4	4	-2	4	UKT 3/25	296	-5	-5	2	-6	-3	26	3
UKTi Jul24	-0.11	6	5	2	4	6	UKT 3/25	295	-6	-6	0	0	0	35	4
UKTi Nov27	-0.02	3	3	3	-1	3	UKT 12/27	311	-5	-5	1	-5	-3	31	4
UKTi Mar29	0.07	3	2	3	-1	3	UKT 12/30	318	-4	-4	1	-5	-3	24	4
UKTi Jul30	0.05	2	2	1	3	5	UKT 6/32	326	-4	-4	0	0	-1	25	-3
UKTi Nov32	0.04	1	0	2	-1	2	UKT 6/32	327	-2	-2	1	-4	-3	27	0
UKTi Mar34	0.08	1	0	2	-1	2	UKT 9/34	330	-2	-2	1	-4	-3	26	2
UKTi Jan35	0.08	1	1	1	2	3	UKT 3/36	334	-2	-2	0	-1	-1	23	1
UKTi Nov37	0.06	1	1	2	-1	2	UKT 12/38	339	-2	-2	1	-4	-3	22	1
UKTi Mar40	0.08	1	0	2	-1	2	UKT 9/39	339	-1	-1	0	-3	-3	21	3
UKTi Nov42	0.06	1	0	1	-1	2	UKT 12/42	343	-1	-1	0	-3	-3	21	1
UKTi Mar44	0.09	0	0	1	-1	1	UKT 1/44	344	-1	-1	0	-3	-2	19	1
UKTi Nov47	0.06	0	0	1	-1	1	UKT 12/46	343	-1	-1	0	-3	-2	20	1
UKTi Mar50	0.06	1	1	1	0	1	UKT 12/49	341	-1	-1	0	-3	-2	21	1
UKTi Mar52	0.07	1	1	1	0	1	UKT 7/52	342	-1	-1	0	-3	-2	20	1
UKTi Nov55	0.04	1	1	1	0	1	UKT 12/55	341	-1	-1	0	-3	-2	21	1
UKTi Mar62	0.03	0	0	1	0	1	UKT 1/60	341	-1	-1	0	-2	-2	20	-0
UKTi Mar68	0.04	1	1	1	0	1	UKT 7/68	343	-1	-1	0	-2	-2	18	-0

Source: Citi Research

Summary of Recent Publications

Date	Publication	Topic	Page	Region
5-Feb-14	NOTE	Inflation Strategy: Further downside for breaks ahead of the ECB & negative carry	-	EUR
5-Feb-14	NOTE	Covered Bond Strategy: Cédulas Territoriales – switch for the good?	-	EUR
5-Feb-14	NOTE	Euro SSA Strategy: Relative Value Insights – Trade ideas in Dutch agencies	-	EUR
4-Feb-14	NOTE	European Rates Strategy: Markets and the Feb ECB Meeting	-	EUR
4-Feb-14	NOTE	Covered Bond Strategy: Spread Wrap-Up And Cover Pool Insight: The Nordics	-	EUR
3-Feb-14	NOTE	Flow Monitor: Strong demand for 5-10yrs in both core & non-core markets	-	EUR
3-Feb-14	NOTE	European SSA Strategy: Weekly Chart-Pack And Market Monitor: 24-31 January	-	EUR
3-Feb-14	NOTE	Euro Rates Strategy: EMU Supply: non-supportive NCR & heavy long-end issuance	-	EUR
31-Jan-14	NOTE	Euro SSA and Covered Bond Monthly	-	EUR
31-Jan-14	NOTE	Euro Rates Strategy: EUR RV Trade: Receive EUR 3y1y vs 1y1y and 5y2y (butterfly)	-	EUR
31-Jan-14	NOTE	UK Rates Strategy: Is it time for gilts to de-couple from Treasuries?	-	UK
31-Jan-14	NOTE	SSA Strategy: Relative Value Insights – The EU Has Lagged France in the Rally	-	EUR
30-Jan-14	European Weekly	Bunds: What if T-Notes Sell Off?	8	EUR
		Vol: EUR 10s30s Floor vs USD 10s30s Cap	10	EUR
		UK Rates – time to de-couple from the US?	12	UK
		Analysing the impact of USTs on Bund 2s10s	15	Global
		SSA Strategy – uncorrelated to UST rises?	17	EUR
		Covered Bond Strategy	19	EUR
30-Jan-14	NOTE	Weekly Supply Monitor: Euro, UK and US Supply Outlook	-	Global
30-Jan-14	NOTE	European Rates Strategy: The Month-End RV Pack	-	EUR
27-Jan-14	NOTE	European Flow Monitor: Demand for non-core markets is now positive	-	EUR
27-Jan-14	NOTE	European SSA Strategy: Weekly chart-pack and market monitor: 18th-24th January*	-	EUR
23-Jan-14	European Weekly	ECB, Liquidity and the Carry Trade	9	EUR
		Where is the value in USD-EUR widenings?	13	Global
		UK Strategy: Beware the front-end!	17	UK
		EMU: Tactical Bund 2s10s steepeners	21	EUR
		SSA Relative Value Insights	22	EUR
		Covered Bond Strategy	23	EUR
		Expected Ratings Issues	27	EUR

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Notes

Notes

Appendix A-1

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