

DANMARKS NATIONALBANK

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STRATEGY ANNOUNCEMENT

Central government borrowing strategy 2019



Unchanged targets for sales

The target for sales of domestic government bonds and T-bills in 2019 is kr. 65 billion and kr. 30 billion, respectively. This is unchanged from 2018.



Focus on 2- and 10-year bonds

On 23 January, a new 10-year bond with maturity in 2029 will be opened. A new 2-year bond with maturity in 2022 will also be opened in the 1st half of the year.



New financing of social housing supports the government bond market

Financing of social housing contributes significantly to the borrowing requirement. This enables a build-up of larger and more liquid government bonds.

Target for sales of government bonds is kr. 65 billion in 2019

The strategy in 2019 is to issue government bonds for kr. 65 billion at market value via auctions and tap sales. This is the same as in 2018. Issuance will be evenly distributed over the year, and the target is average sales of around kr. 2.5 billion per auction. The remainder of the borrowing requirement will be covered via T-bills and by drawing on the central government's account, cf. Table 1. The balance on the central government's account is expected to be around kr. 70 billion at the end of 2019. The substantial withdrawal from the account reflects that the target range for the balance has been reduced to kr. 50-75 billion. This corresponds to the refinancing requirement in government bonds in the coming years.

The government buys bonds for financing of social housing

In 2019 the government will buy bonds for financing of social housing of around kr. 50 billion. This comprises expected new lending and refinancing of adjustable rate loans. This saves money for the central government and enables a build-up of larger and more liquid government bonds.¹ The government will offer a price whereby the yield corresponds to the yield on government bonds.

Broad list of on-the-run issues with focus on 2- and 10-year bonds

The central government continues to offer a broad list of on-the-run issues in 2019, cf. Table 2. The focus will continue to be on sale in the 2- and 10-year nominal maturity segments. The aim is to build up these series via auctions and switch operations.

The central government may also issue in the 10-year inflation-linked bond (0.1 per cent 2030i) and in the 5-year and 20-year bonds in 2019. Following the opening of the new 2-year bond the 5-year on-the-run issue will be 1.75 per cent 2025.

New 10-year bond to be opened on 23 January

The new 10-year bond maturing 15 November 2029 will be opened on 23 January. The bond will be build up to at least kr. 80 billion over a 2-year period.

Borrowing requirement and financing 2019

Table 1

	Kr. billion
Net financing requirement	9
Social housing	50
Redemption bonds, etc.	54
Redemption T-bills	30
Borrowing requirement	144
<i>Strategy for financing</i>	
Sale of government bonds	65
Sale of T-bills	30
Government account	48
Financing	144

Note: Details may not add because of rounding.

On-the-run issues in the 1st half of 2019

Table 2

Maturity segment	On-the-run issues
Maturity < 1 year	T-bills
2-year nominal	0.25% 2020/X% 2022
5-year nominal	1.5% 2023/1.75% 2025
10-year nominal	0.5% 2027/X% 2029
20-year nominal	4.5% 2039
10-year inflation-linked	0.1% 2030i

New 2-year bond to be opened during the 1st half of 2019

The new 2-year bond maturing 15 November 2022 will be opened in the 1st half of the year. This contributes to smoothing the redemption profile, cf. Chart 1. The aim is to build up the bond to at least kr. 50 billion over a 2-year period.

¹ Cf. Jens Bindslev Agerholm, New financing of social housing supports the government bond market, *Danmarks Nationalbank Analysis*, No. 24, December 2018.

Switch operations continue

Switch operations make it possible to increase the outstanding volume faster and to promote the liquidity in the government bond market.

The central government normally offers two switch operations per month for sizes of kr. 1-2 billion. Calendar dates will be announced in line with auctions in T-bills and government bonds. Papers will be announced no later than one trading day before the switch takes place.

Buy-backs

Buy-back may take place in government bonds via auctions or tap. Buy-back auctions of 4 per cent 2019 will be held at the end of each month.

Unchanged target for T-bills

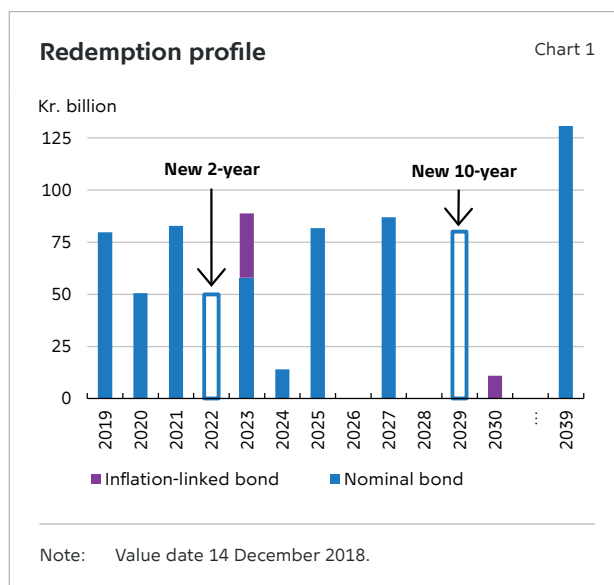
In 2019, the target is an outstanding volume of kr. 30 billion in T-bills by year-end. Two monthly T-bill auctions will be held in 2019. New 6-month T-bills will be opened at the auctions with the first banking day as value date in March, June, September and December, respectively.

No foreign bonds in 2019

No foreign bonds will be issued in 2019. The central government may issue in the Commercial Paper programmes.

Robust debt profile maintained in 2019

The robust central government debt profile will be maintained. The target band for the average duration in 2019 is set at 11.0 years \pm 0.5 year, calculated without discounting.



ABOUT ANALYSIS



As a consequence of Danmarks Nationalbank's role in society we conduct analyses of economic and financial conditions.

Analyses are published continuously and include e.g. assessments of the current cyclical position and the financial stability.

The analysis consists of a Danish and an English version. In case of doubt regarding the correctness of the translation the Danish version is considered to be binding.

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BANKING AND MARKETS