

MNI EGB Supply - W/C February 27, 2023

2 March 2023 - By Tim Davis

Spain and France both look to hold auctions today while the EU, the Netherlands and Germany have already held auctions.

We pencil in gross nominal issuance of E32.7bln this week, down from last week's E42.8bln.

- The **EU** kicked off issuance on Monday by selling E1.770bln of the 0.80% Jul-25 EU-bond (ISIN: EU000A3K4DJ5) and up to E1.795bln of the 0% Oct-28 EU-bond (ISIN: EU000A3KWCF4) on offer.
 - It was a decent EU-bond auction with the lowest accepted price above the pre-auction mid-price for both bonds. In fact the lowest price had not been seen as the market mid-price since around 9:05GMT / 10:05CET - ahead of the auction window opening. The price of both bonds also moved a little higher on the publication of the results. The bid-to-cover improvements can largely be ignored due to the smaller auction sizes for each issue today.
- On Tuesday, the **Netherlands** sold E2.485bln of the 15-year 0% Jan-38 DSL (ISIN: NL0015000B11), the top of the target range.
- Also Tuesday, **Germany** came to the market to sell E6bln (E4.902bln allotted) of the 2.50% Mar-25 Schatz (ISIN: DE000BU22007).
 - It was a decent Schatz auction despite the lowest accepted price being a little below the pre-auction mid-price. The bid volume was the highest since August 2020 at E9.462bln, leading to the highest coverage ratios since at least January 2022. After the auction the price moved higher and the price moved to its highest level since 8:30GMT / 9:30CET (2 hours ahead of the auction cutoff).
- **Germany** kicked off March issuance on Wednesday with a 15-year Bund auction: E1.75bln (E1.5bln initial target, E1.551bln allotted) of the 1.00% May-38 Bund (ISIN: DE0001102598) and E750mln (E1.0bln initial target, E540mln allotted) of the 4.25% Jul-39 Bund (ISIN: DE0001135325).
 - Overall, it was a poor auction. The results for the on-the-run 1.00% May-38 Bund are ok - the LAP was below the pre-auction bid-price but there was a strong volume of bids, and the size of the auction was increased from E1.50bln to E1.75bln due to the very weak demand for the 4.25% Jul-39 Bund. For the latter, even the average price was below the pre-auction mid-price, and there were only E627mln of bids - so it was technically uncovered even with the reduction in the auction size from E1.00bln to E750mln.
- Also Wednesday, **Portugal** held a reverse auction. It bought back E322mln of the 4.95% Oct-23 OT (ISIN: PTOTEAOE0021) and E792mln of the 5.65% Feb-24 OT (ISIN: PTOTEQOE0015).
- On Thursday, **Spain** will look come to the market to sell E5-6bln of 3/6/10-year Bonos/Oblis and E250-750mln of a 10-year Obli-Ei: the 2.80% May-26 Bono (ISIN: ES0000012L29), the 0.80% Jul-29 Obli (ISIN: ES0000012K53), the 3.15% Apr-33 Obli (ISIN: ES0000012L52) and the 0.70% Nov-33 Obli-Ei (ISIN: ES0000012C12).
- Later on Thursday, **France** will look to sell E10.5-12.0bln of LT OATs: the 2.00% Nov-32 OAT (ISIN: FR001400BKZ3), the 1.25% May-34 OAT (ISIN: FR0013313582), the 1.25% May-38 OAT (ISIN: FR0014009O62) and the 4.00% Apr-60 OAT (ISIN: FR0010870956).

NET NOMINAL FLOWS: This week sees E28.8bln of redemptions: largely from E15.5bln of a formerly 5-year BTP, E10.0bln of a formerly 3-year OAT and E3.0bln of a formerly 10-year SlovGB. Coupons for the week sum to E9.4bln (E7.3bln Italian, E1.5bln French). With estimated gross nominal issuance of E32.7bln this week and the Portugal buyback, **we look for net flows of negative E5.9bln**, compared to last week's positive E41.8bln.

For a calendar of all announced EGB/EU/ESM/EFSS auctions [see the MNI EZ/UK Bond Supply Calendar here.](#)

