Nykredit markets

End-September issuance

Expected end-of quarter issuance of DKK 6-8bn dominated by FRNs

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- We expect a relatively small end-of-quarter issuance in the region of DKK 6-8bn, primarily on 28 September
- More specifically, we expect DKK 4-5bn in FRNs, DKK 2-3bn in bullets and less than DKK 1bn in callables
- We do not expect the end-of-quarter issuance to weigh on either FRN or bullet spreads

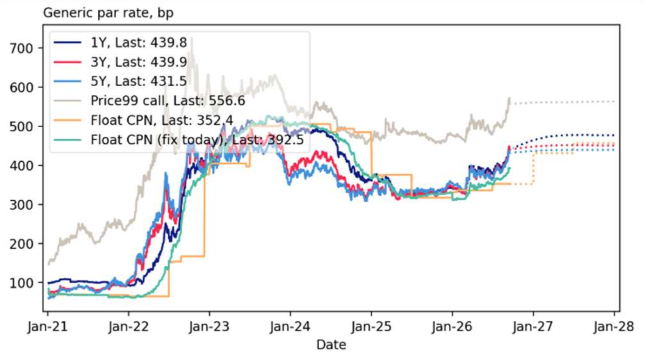
Autumn is upon us, and with the end of Q3 approaching, end-of quarter issuance is drawing near. Compared with recent quarter-ends, issuance is expected to be more modest this time around, reflecting lower maturities, good refinancing percentages at the August auctions and lower prepayments in callable bonds ahead of 1 October. Overall, we expect end-of-quarter issuance to amount to DKK 6-8bn, the bulk of which is to be issued on 28 September. The end-of-quarter issuance is expected to be dominated by FRNs, followed by bullets, while we only expect limited supply in callables.

We expect heavy FRN bias in the end-of-quarter issuance

Expected end-of-quarter issuance	
FRNs	DKK 4-5 billion
Bullets	DKK 2-3 billion
Callables	<DKK 1 billion
Total	**DKK 6-8 billion**

Source: Nykredit Markets

Unchanged cost difference between loan types



Source: Nykredit Markets

Outstanding refinancing and prepayments

For the upcoming payment date, around DKK 44bn of bullets will mature, of which DKK 34bn has already been refinanced at the August refinancing auctions. Assuming a refinancing percentage of around 85%, this leaves an outstanding refinancing need of about DKK 3.5bn.

On the FRN side, the refinancing percentage has been around 90%, and we therefore do not expect any significant refinancing to be outstanding in the segment ahead of 1 October. On the other hand, about DKK 7bn will stem from prepayment in callables.

Taken together, this implies that around DKK 10.5bn from outstanding refinancing and prepayments could potentially contribute to the end-of-quarter issuance, in addition to the ordinary end-of-month issuance related to housing sales with a 1 October date of possession.

Expected end-of-quarter issuance

Some of the missing issuance will most likely have been absorbed by the tap issuance, driven by prepayments under fixed-price agreements and refinancing outside the auctions. Against this backdrop, we expect a total end-of quarter issuance of DKK 6-8bn.

The relative financing costs between loan products have not changed significantly since June and therefore once again point towards an overweight in FRNs, as was also the case at the last end-of-quarter issuance. In addition, we believe that the rise in interest rates over the last few weeks may shift borrower preferences towards shorter interest rate periods on an expectation that interest rates will fall again.

Specifically, we expect the end-of-quarter issuance to be concentrated on 28 September, with FRNs accounting for the largest share of DKK 4-5bn, followed by DKK 2-3bn in bullets and only a limited supply of callables. We do not expect the relatively limited end-of-quarter issuance to weigh on either FRN or bullet spreads.

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As at 13.12.2024
Note: Distribution of our recommendations, which therefore add up to 100%.

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