1 September 2026

NGB auction preview

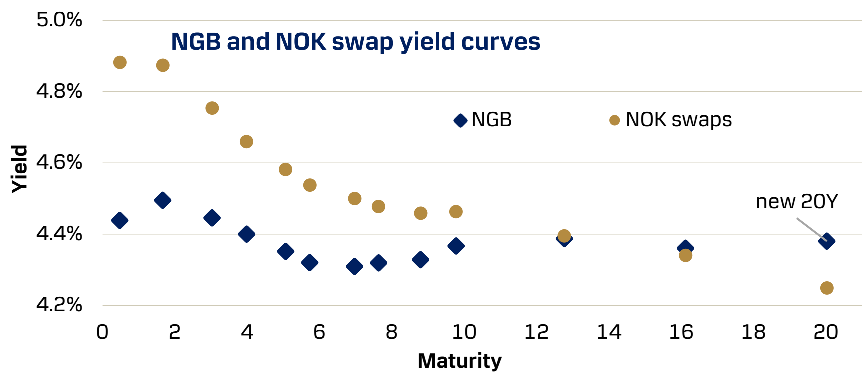
Norges Bank to tap in the 2Y and 10Y benchmarks

Tomorrow, the Debt Office at Norges Bank will sell NOK3bn in the 2Y and 10Y benchmarks – NGB 2% 2028 and NGB 4.125% 2036. This is the fourth auction in Q3, where it has already sold NOK8bn. Hence, it will have sold NOK11bn after the auction on Wednesday. There is one auction left in September, but it might be cancelled due to the syndicated deal. The NOK11bn is in line with the announced target of NOK10-15bn for the auctions, if it also does the syndicated deal in September. In this case the Debt Office will have fulfilled 85% of this year's issuance target.

There has been solid demand for both bonds at the previous auctions and in general strong demand for NGBs at the auctions despite the bonds looking expensive in terms of the spread to German government bonds as well as US Treasuries (see charts on page 2). However, there will be no surprises in the issuance target from Norway as the funding need is not dependent on a government budget deficit, but depends on the lending to State Banks etc. Hence, we expect an issuance target of NOK100bn in 2027 like previous years.

Our view on the NGBs is largely driven by the shape of the NGB curve relative to the NOK swap curve (versus 6M NIBOR). The shape of the curve is very different from peers such as Germany, Finland, Sweden and Denmark. The NGB curve is downward sloping between 5Y and 10Y, while the NOK swap curve is upward sloping from 2Y to 10Y as shown below.

Take advantage of roll-down on the NGB curve in the 10Y segment and upward sloping NOK swap curve



Note: Past performance is not a reliable indicator of current or future results. Source: Danske Bank

Furthermore, investors buying NGBs versus swaps receive the 6M fixing @4.82% relative to a funding rate at NOWA+25bp. Hence, a leveraged investor can sustain an additional rate from Norges Bank and still have positive carry being long 10Y NGBs versus swaps and a flat carry being long 2Y NGBs versus swaps.

Today's key points

- Tomorrow, the Debt Office at Norges Bank will sell NOK3bn in the 2Y and 10Y benchmarks – NGB 2% 2028 and NGB 4.125% 2036.
- There has been a solid demand for NGBs at recent tap auctions, and we have seen a solid spread tightening to both Bunds and Treasuries. Hence, we are trading in the lower end of the spread for e.g. Bunds.
- Given the significant government bond supply from both Europe and the US, we favour countries with a modest issuance need such as Norway relative to Germany and the US. Furthermore, given the shape of the NGB curve relative to the NOK swap curve, we prefer buying NGBs versus swaps, even though the bonds have also performed versus swaps.

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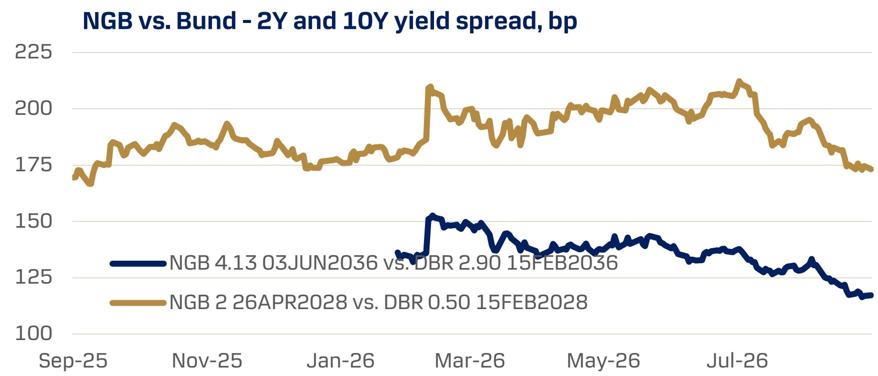
NGBs versus Bunds and Treasuries

The change in policy expectations combined with the solid supply has supported a solid tightening of the NGB-German government bond yield spreads as shown below. Hence, we are in the lower end of the recent trading range for both 2Y and 10Y NGB-Bund spreads as shown below.

NGBs have performed versus Bunds



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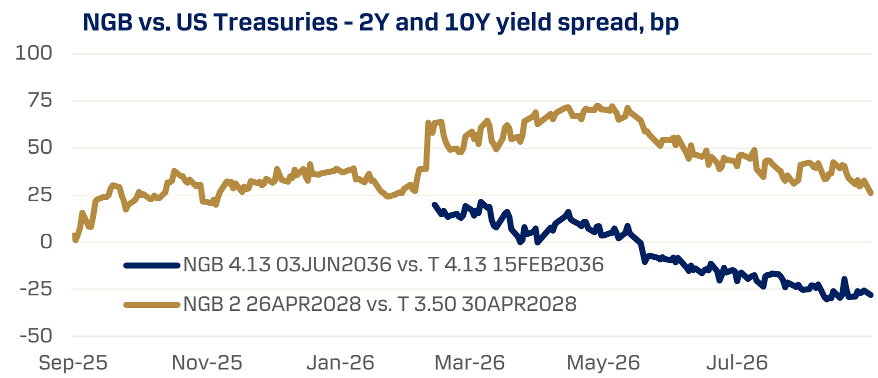
The risk of a more hawkish ECB combined with the solid supply of EGBs including German government bonds can lead to a further tightening of the spread between NGBs and Bunds.

We see the same picture in NGBs versus Treasuries, where the spreads have also tightened significantly as shown below on the back of the change in Fed expectations and increased supply of Treasuries.

NGBs versus US Treasuries



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Report completed: 01 September 2026 at 12:42 CET
Report disseminated: 01 September 2026 at 13:10 CET