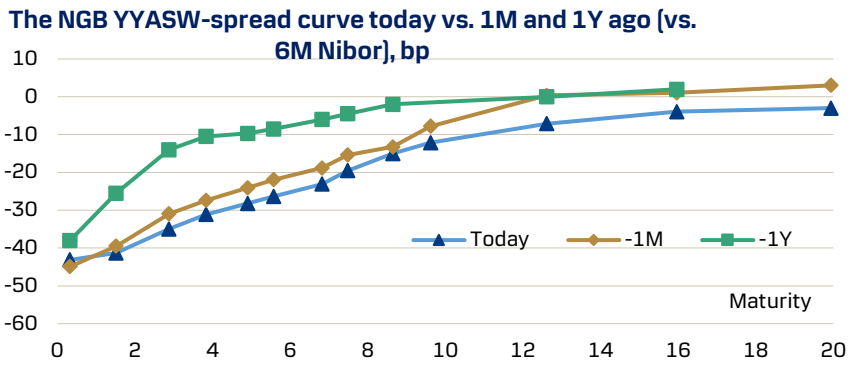
21 October 2026

NGB auction preview

Norges Bank to sell NOK2bn in the 2Y and 10Y segments

Tomorrow, the Debt Office at Norges Bank will sell NOK2bn in the 2Y and 10Y benchmarks – NGB 2% 04/28 and NGB 4.125% 06/36. This is the third auction in October (of four scheduled). Norges Bank chooses to sell in the 2Y and 10Y segments as it did last week, but the bid-to-cover has been solid in both the 2Y and the new 10Y benchmark given the current level for the outright yield and despite the richening of the ASW-spreads, as shown below.

Solid performance in NGBs versus swaps



Source: Danske Bank

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

Hence, our long position in both the 10Y benchmark and the new 20Y has continued to perform. We still like buying the 10Y versus swaps despite the ASW-spreads given the high fixing (6M Nibor above 5%), especially as we look towards a slowdown in the issuance of NGBs during November and December as Norges Bank is well ahead with funding for 2026, as shown on the chart on page 2.

If we look at the spread to European peers such as Bunds, there has been limited safe haven impact on the back of the French crisis. The 2Y and 10Y spreads versus Bunds have widened, as shown below, and NGBs are looking cheap. The widening is driven more by the international side as the market has been repricing the ECB and taken out hikes.

Given the increase in German supply in 2027 relative to 2026 and a stable supply of NGBs, we expect to see the spread grind tighter. On top of this we have the political noise, where the EUR weakens, while NOK is strengthening on the back of energy prices, etc. The risk is that NGB investors who have not hedged the currency risk may begin to sell NGBs (in the front end).

If we look at the FX-forward and the hedge cost, then the 2Y segment looks most attractive when we use a 3mth EURNOK FX forward. Here the cost has declined. However, it is expensive to hedge a long position in the 10Y segment.

Key points

- Tomorrow, the Debt Office at Norges Bank will sell NOK2bn in the 2Y and 10Y benchmarks – NGB 2% 04/28 and NGB 4.125% 06/36.
- Norges Bank has chosen to sell in the 2Y and 10Y segments as they did last week, but the bid-to-cover has been solid in both the 2Y and the new 10Y benchmark given the current level for the outright yield and despite the richening of the ASW-spreads.
- Supply is expected to decline in coming months as Norges Bank is well ahead on funding and this should be positive for NGBs relative to EU peers.
- The spread to Bunds has widened, but this is more a reflection of a repricing of the ECB. Hence, we like buying NGBs versus Bunds given the political uncertainty in Europe. We also like NGBs versus swap given the high fixing and the roll-down on the ASW-spread curve.

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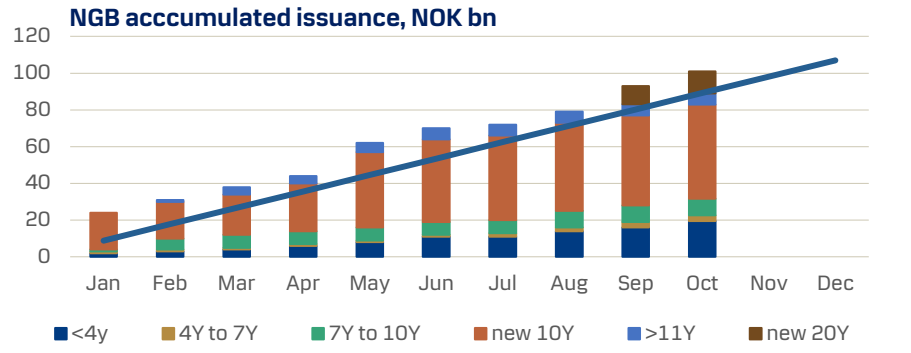
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NGB issuance in 2026

Norges Bank is ahead of the curve in terms of issuance in 2026, as shown below. Hence, we expect that the auction size at the rest of the auctions will be limited to NOK2bn per auction.

Norges Bank is "ahead of the curve" in terms of NGB issuance



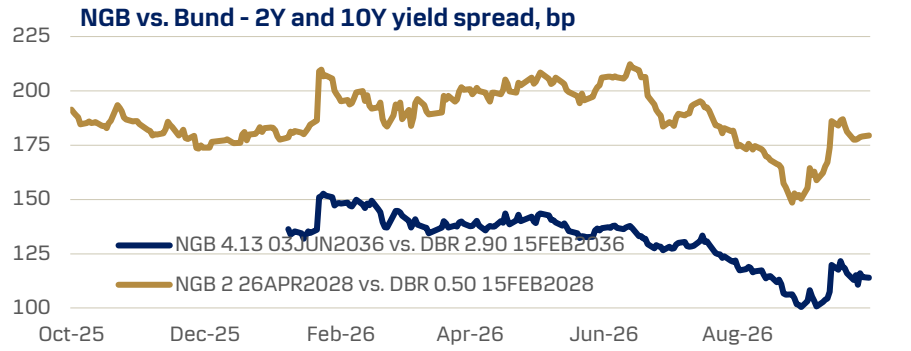
Source: Danske Bank

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

NGBs versus Bunds

There was a solid tightening of the yield spreads as the market was pricing in more ECB hikes, but as the market is now pricing fewer hikes, the spreads have widened again.

NGBs have cheapened against matching Bunds



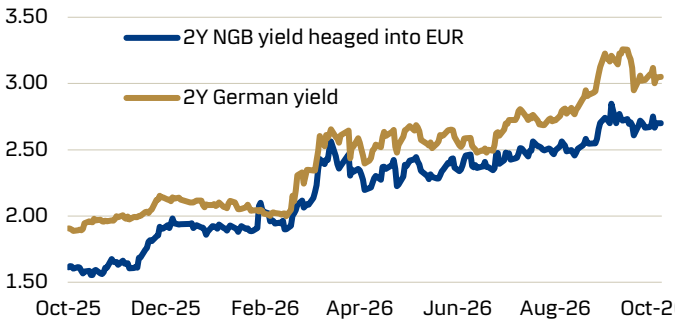
Source: Danske Bank

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However, if we hedge the FX risk with a 3mth FX forward, there is a give-up of 35bp in the 2Y segment, but almost 200bp in 10Y segment, when we hedge with a 3mth FX forward. Hence, the break-even tightening is some 20bp on a 12mth horizon.

It has become better to be an NGB holder even with hedge costs in the 2Y segment

NGBs hedged into EUR via 3mth FX fwd.

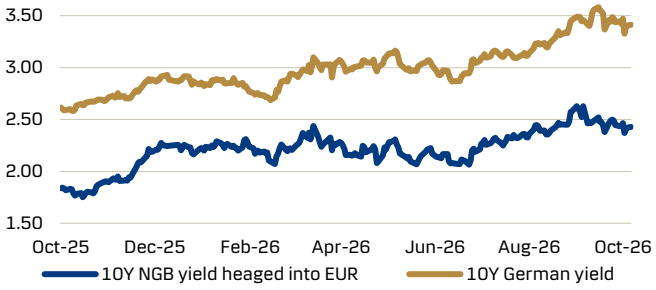


Source: Danske Bank

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

But it is still costly in the 10Y segment

NGBs hedged into EUR via 3mth FX fwd.



Source: Danske Bank

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

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