



LÁNAMÁL RÍKISINS

Kalkofnsvegi 1 150 Reykjavík
sími: 569 9600 bréfasími: 569 9604
netfang: lanamal@lanamal.is
veffang: <http://www.lanamal.is>

To newspapers, newsrooms
and financial institutions

Press release
30 June 2020

Quarterly Government Debt Management *Prospect*

Third quarter 2020

- *In Q3, benchmark Treasury bonds will be offered for sale in the amount of **40-60 b.kr.** market value.¹*
- *The bonds that could conceivably be offered are all benchmark Treasury issues, plus RIKS 33 0321,² and market conditions will determine how much, if any, will be sold in each series.*
- *Issuance of a new nominal bond maturing in 2023, originally to be issued next year, will be expedited, and market making is planned.*

Introduction

In the Government Debt Management *Prospect* for 2020, it was announced that Treasury bonds would be issued in the amount of 40 b.kr. market value during the year. In the press release issued on 17 March 2020, it was announced that in view of recent developments in connection with COVID-19, issuance in Q2 would be expanded to as much as 40 b.kr. Issuance in the first six months of the year totalled 52 b.kr. market value, including 40 b.kr. market value in the past three months.

Planned Treasury bond issuance

Total Treasury bond issuance in the third quarter of the year is estimated at **40-60 b.kr.** Because of the economic uncertainty prevailing at present, it is not possible to publish estimated maximum issuance figures for individual series during the quarter. It is important that the

¹The sale price or market value refers to the clean price plus accrued indexation; i.e., with indexation but without accrued interest.

² Note that this series is not part of the benchmark system and will not be subject to market making.



LÁNAMÁL RÍKISINS

Treasury have the flexibility to distribute issuance across bond series based on market conditions at the time in question. Because of the Treasury's significant need for credit financing, issuance of the new two-year bond originally planned for next year will be expedited. The terms of the new series will be announced at a later time, but the targeted maturity will be in 2023.

The most recent *Medium-Term Debt Management Strategy* for 2020-2024, published on 31 December 2019, contains targets and criteria pertinent to the Government's debt management strategy. Because of current conditions, it will probably be necessary to relax certain criteria laid down in the strategy in order to achieve the main objective of debt management, which is to ensure that the Treasury's borrowing needs and financial obligations are met at the lowest possible cost that is consistent with a prudent degree of risk. This means, for instance, that the Treasury could need to deviate from certain criteria, including those on maximum series size and loan portfolio composition. Attempts will be made to maintain predictability insofar as is possible, but because of the unprecedented conditions currently prevailing, the Treasury needs to have the flexibility to respond to uncertainty and changes in financial market conditions.

Planned Treasury bill issuance

The Treasury's liquidity position is sound. Because of the measures proposed by the Government in response to COVID-19, it is unclear how much of the Treasury's liquidity needs will be short-term and how much will be long-term. Issuance of bills has been increased, and there is the possibility that additional Treasury bill auctions will be added to those already on the Government Debt Management issuance calendar.

Further information on issuance of individual series of Treasury bonds and bills will be published two business days prior to each auction.

Further information can be obtained from Björgvin Sighvatsson, Head of Government Debt Management, at tel +354 569 9600.