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To newspapers, newsrooms
and financial institutions

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Quarterly Government Debt Management *Prospect*

Fourth quarter 2020

- *In Q4, benchmark Treasury bonds will be offered for sale in the amount of **50-70** b.kr. market value.¹*
- *The bonds that could conceivably be offered are all benchmark Treasury issues, plus RIKS 33 0321, and market conditions will determine how much, if any, will be sold in each series.*
- *Market making with RIKS 21 0414 will be discontinued in October, but the aim is to begin market making with RIKS 33 0321 instead.*

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. Because of the economic repercussions of the spread of COVID-19 during the year, the Treasury has been forced to abandon these plans. Issuance in the first nine months of the year totalled 112 b.kr. market value, including 60 b.kr. market value in the past three months.

Planned Treasury bond issuance

Total Treasury bond issuance in the fourth quarter of the year is estimated at **50-70** 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 Treasury have the flexibility to distribute issuance across bond series based on market conditions at the time in question. Attempts will be made to offer both short and long Treasury series in the auctions.

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



Medium-Term Debt Management Strategy

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 the economic repercussions of the pandemic it will be necessary to relax certain criteria specified in the Strategy so as to achieve key debt management objectives. This means, for instance, that the Treasury may 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.

Buybacks – switch auctions

There is the possibility that buybacks or switch auctions will be held when market making with RIKS 21 0414 is discontinued in mid-October. Terms, participation, and market conditions will determine whether this will be done, and if so, which benchmark issues will be offered in switch auctions and how much will be sold in this manner. Issuance in connection with switch auctions will be added to planned issuance during the year, thereby reducing the estimated need for bond issues next year.

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. Flexibility in Treasury bill issuance is therefore important, and it is possible 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.