

# Strategy

## Sweden – introduction of SHYP1588

Starting on 17 September (depending on market conditions) Stadshypotek is set to introduce a new benchmark loan (SE0011063015) that matures on 1 March 2024 and will fit between SHYP1587 (June 2023) and SHYP1594 (September 2028). The coupon rate is set at 1.5%. Stadshypotek targets an initial volume reaching benchmark size within the first trading days.

Amid the ongoing hunt for yield, longer dated covered bonds continue to be in good demand. Moreover, in our view, the heavy supply we saw in the spring is likely to abate in coming months. Lending growth has recently started decelerating more sharply and mortgage institutions refinancing needs will be significantly less in 2019.

### Pricing

Although there are no other covered bonds at that exact same point on the curve, there are outstanding covered bonds reasonably close to SHYP1588 such as SWH193 and SEB578 (December 2023). Covered bond ASW curves tend to flatten out beyond 2024, although this will probably not affect SHYP1588. As usual, we expect market pricing to focus primarily on matched-maturity swap spreads, a rather odd but well-known market inefficiency.

Based on the market pricing at 14:30 CEST on 13 September, we think a reasonable pricing for SHYP1588 is between **18.5bp and 19.5bp above SHYP1587**. In the charts below, we assume a spread of 19bp above SHYP1587. In matched ASW terms, this means a spread around 24bp.

### Today's key points

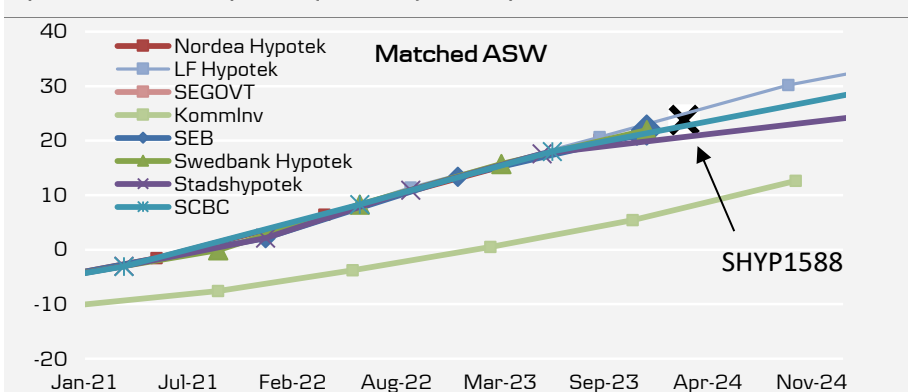
- Starting on 17 September, Stadshypotek is set to introduce a new loan that matures on 1 March 2024, within the benchmark programme.
- The coupon rate is set at 1.5% and the ISIN code is SE0011063015.

### Pricing vs bonds with similar maturity

Spread to SHYP1588 bond given pricing	
SHYP1588	0.820%
SHYP1587	-19.0
SHYP1594	75.5
NDH5533	-11.0
SWH193	-5.0
LFH518	37.0
SEB576	-5.0
SEB578	-7.0
KI2311	-23.0
SGB1057	-80.6

Source: Danske Bank

Spreads to SEK swap curve [matched] - 13 September, 14:30 CEST

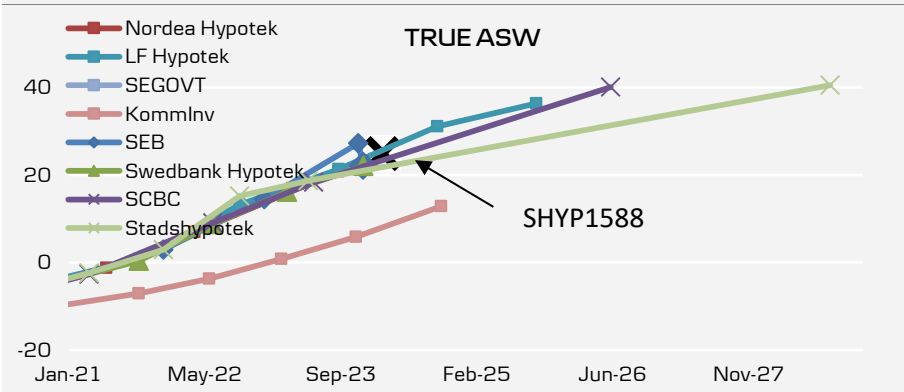


Source: Danske Bank

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The spread in true ASW terms would be relatively close to matched levels, around 25bp.

Spreads to SEK swap curve (true) - 13 September, 14:30 CEST



Source: Danske Bank

ASW levels given mid-pricing - 13 September, 14:30 CET

ASW spreads - Pricing SHYP1588 19bp above SHYP1587			
Bond	Maturity	TRUE	MATCHED
SHYP1588	2024-03-01	24.8	23.8
SHYP1587	2023-06-01	18.7	17.6
SHYP1594	2028-09-01	40.5	39.1
NDH5533	2023-09-20	20.8	20.2
SWH193	2023-12-20	22.1	21.9
LFH518	2025-09-17	36.3	36.8
SEB576	2023-12-20	22.1	21.9
SEB578	2023-12-01	27.2	20.9
KI2311	2023-11-23	5.8	5.4
SGB1057	2023-11-13	-51.4	-51.7

Source: Danske Bank

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