

# Weekly Credit Update

22 August 2017

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# What's on our minds – general credit market view

General market view

Latest EUR trade idea

Latest local currency trade idea

Running trade ideas and performance

Recent Nordic HY/unrated issuance

Selected Investment grade issuance

Fund flow update

EUR spreads and returns

EUR/USD relative value

Swaps and government spreads

Macroeconomic climate

Basis spreads (cash vs. CDS)

Coverage overview

Although the North Korean situation cooled down somewhat, risk sentiment was still muted last week as the summer lull continued to keep European markets in a wait-and-see mode. The debacle surrounding the Trump administration as well as the Barcelona terror attack on Thursday were also likely to have had a dampening effect on sentiment. Over last week, the ITRX main and X-over widened by some 1bp and 3bp, respectively.

Going into this week, one of the more important events will take place on Friday, when Mario Draghi is set to present his speech at the Jackson Hole summit. Given the strong market reaction following Draghi's comments in late June, the ECB president is likely to use more neutral, or even dovish, wording considering the recent strengthening of the EUR.

With a somewhat cooled down primary market in Europe, the US stole the headlines last week with a USD16bn jumbo print by Amazon. The online retail giant printed multiple tranches with the longest being a 40Y at c.150bp above treasuries.

From this week, we have updated the format of our weekly credit update to align better with other products across the group. The new format is more concise and focused on our most recent and ongoing trade ideas in the EUR and local currency space. We hope the new format will be well received and any questions and or/comments are most welcome.

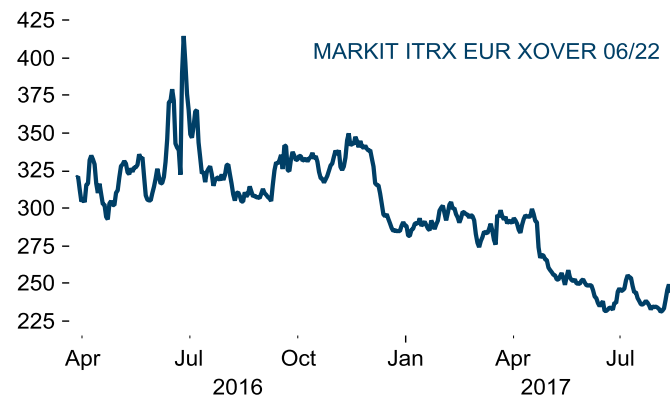
Also, from this week we have initiated coverage on Swedish retail bank *Länsförsäkringar Bank AB* (see our *Initiation of coverage*, 21 August 2017).

## iTraxx Main



Source: Bloomberg, Danske Bank DCM Research

## iTraxx Cross Over



Source: Bloomberg, Danske Bank DCM Research

# Latest EUR trade idea

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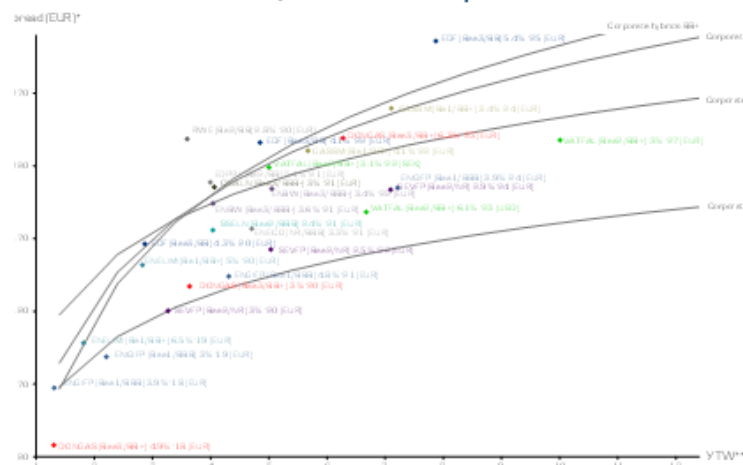
## Switch to DONGAS 3% call 20's from DONGAS 4.875% call 18's (published 11 August, 2017)

### Key arguments for the trade

- We repeat our recommendation to go long the DONGAS call 20s vs. shorting the DONGAS call 18s. This is a continuation of the trade recommendation sent out Aug 9, 2016. Until now, this trade has provided a total return of 1.9%. The strengthening of DONG's credit story in the short to medium term has spurred the performance.
- The DONGAS call 20s has tightened to a level that is tighter than the 'BBB' fair-value curve in the past year. We see this as justified given the strong track record of the business. The limited duration of the call 18s (July) will cap further performance relative to the call 20s.
- We also continue to prefer the DONGAS call 20s over the DONGAS 6.25% call 23s.

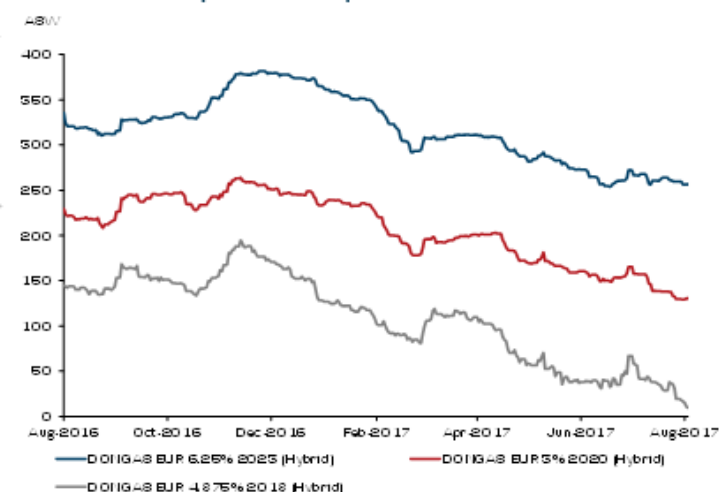
- The call 20s trade at a lower cash price (105) than the call 23s (119). Exposure to hybrids trading significantly above par can be a problem in the case of par-call events (i.e. a change of rating methodology, changes to accounting rules or changes to tax rules) - affecting the hybrids.
- We see very limited risk in the short term, due to high hedge levels on GBP and energy exposure (fossils and power). DONG's E&P risk is leaving the balance sheet following the divestment to Ineos. The bulk of earnings now comes from subsidized wind, regulated distribution and contracted supply.
- Growth after 2020 is more uncertain given political risk and the risk of high competition for future wind tenders. This is coupled with our fear that shareholder focus will also slowly rise on management's agenda.
- See [Credit Update: DONG Energy - Q2 2017 comment](#)

Chart 1. Relative value, indicative mid spreads



Source: Bloomberg, Danske Bank UCM Research

Chart 2. Credit spread development



Source: Bloomberg, Danske Bank DCM Research

# Latest local currency trade idea

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## Buy Elekt FRN March 2022s in SEK

- Leading health care equipment company at an attractive spread (published 16 June 2017)

### Key arguments for the trade

- Elekt is a leading player in the global radiation therapy market with some 47% of revenues stemming from software and services, with an adjusted leverage of 2.2x (ex. non-recurring items). We believe the company's bonds should trade in line with the SEK 'BBB-' curve and we see the greatest tightening potential in the longer dated '22s, around 20bp, we estimate.
- While Elekt's operational performance has been characterised by uncertainty following a profit warning in spring 2015, the subsequent transformational programme is now coming to an end and as of Q4 16/17 all one-off costs have been taken, according to the company.
- Boosted by FFO growth of 8% in fiscal year 2016/17, in combination with a working capital release of SEK1.1bn, the adj. net debt fell y/y to SEK3.1bn from SEK3.9bn. Consequently, adj. leverage (note: also adjusted for one-offs) improved y/y from 3.2x to 2.2x and importantly the equivalent ratio not adjusted for one-offs improved sharply y/y from c. 6x to 3.4x.
- In conjunction with the Q4 16/17 report, Elekt communicated a confident message regarding reaching its >20% EBITA margin target in 2017/18, which would add further support to debt metrics, we estimate.

### Key risks

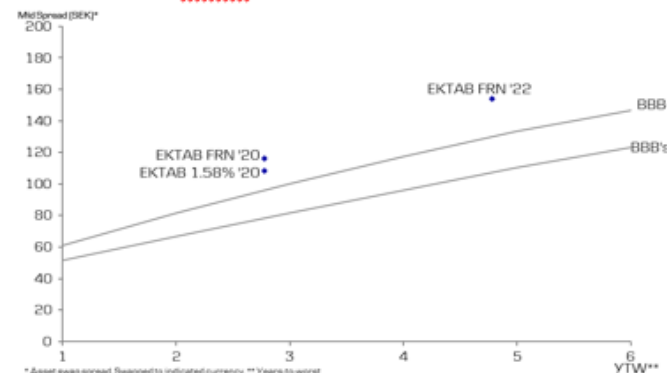
- Apart from general sector risks reflecting that consolidation among health care service providers and lower government health care spending can result in price pressure, we see the below key risks for Elekt in the short- and medium term.
- Prolonged backlog headwinds in the US (down 11% y/y in 16/17) could translate into topline headwinds and a slower than expected roll-out of product 'Unity' (launch expected during H2 17) could cause higher costs and affect expected revenue growth negatively.
- A reversal of the SEK1.1bn 2016/17 working capital release could dampen the cash conversion in the coming year.
- Elekt's subsidiary and some former employees are suspected of interfering with public procurement processes in Italy. Elekt has provided few details regarding a possible outcome.

See [Trade Idea - Buy Elekt FRN March 2022s in SEK](#), 16 June 2017

### Additional research

- [Q4 2016/17 - Positive leverage trend intact](#), 7 June 2017
- [Initiation of Coverage](#), 19 April 2017

### Relative value, Elekt vs. SEK 'BBB-' & 'BBB's



Source: Bloomberg, Danske Bank Markets

### Elekt adj. net debt / adj. EBITDA



Source: Company data, Danske Bank Markets

# Trade recommendations – open trades (EUR) 1 of 2

General market view	Open date	Type	Trade	FX	Idea	HPR*	Z-spread ch. (bp)	Benchmark ch. (bp)	Benchmark*
Latest EUR trade idea	11-Aug-17	Switch	<i>Buy DONGAS 3% call 2020 and fund by selling DONGAS 4.875% call 2018</i>	EUR	The increasingly low short- to medium-term risk in DONG Energy justifies taking on further duration. However, we see longer-term risks, which is why we prefer the medium term.	-0.2%	10.12	0.00	IBOXX EURO Utilities
Latest local currency trade idea	24-Apr-17	Outright	<i>Buy ELENIA 2.875% '20 (EUR)</i>	EUR	The Elenia 2.875% 2020 is attractive compared with Nordic utilities. Being 'BBB' rated, Elenia trades wider than the 'BBB-' fair value curve.	1.3%	-23.63	-24.48	IBOXX EURO Utilities
Running trade ideas and performance [1]	3-Apr-17	Switch	<i>Switch to SANDSS 3.8% '22 (EUR) from SANDSS FRN '21 (SEK)</i>	EUR	Switching to SANDSS 3.8% '22 (EUR) from SANDSS FRN '21 (SEK), we estimate, based on indicative mid-prices, that it is possible to receive a spread pickup around 40bp.	-1.0%	15.85	-10.23	IBOXX EURO Industrials
Recent Nordic HY/unrated issuance	10-Mar-17	Switch	<i>Switch to NDASS 2% 21s from NDASS 4% 20s</i>	EUR	NDASS '20s have clearly outperformed NDASS '21s. Now is a good opportunity to take profit on the '20s and pick up the '21s to maintain Nordea exposure.	-0.1%	-11.24		
Selected Investment grade issuance	23-Feb-17	Outright	<i>Buy SCA Hygiene</i>	EUR	SCHHYG 2025s trade on the 'BBB-' fair value curve.	0.2%	-3.29	1.87	IBOXX EURO Consumer Goods
Fund flow update	9-Feb-17	Outright	<i>Buy Vestas 2022's</i>	EUR	Vestas's bonds are trading just tighter than the 'BB+' fair value curve, which leaves them with substantial performance potential compared with the 'BBB' fair value curve.	2.5%	-37.94	-12.29	IBOXX EURO Industrials
EUR spreads and returns	4-Jan-17	Outright	<i>Buy TDC EUR3015 Hybrid</i>	EUR	The TDC 3015 hybrids trade attractively relative to other 'BB'-rated EUR hybrids.	7.9%	-152.33	-56.47	IBOXX EURO Non Financials Subordinated
EUR/USD relative value	11-Nov-16	Outright	<i>Buy Sandvik EUR2022 and EUR2026</i>	EUR	Donald Trump could be the trigger for mining bonds. Combined with the very attractive valuation of the Sandvik EUR 2022 and EUR 2026 bonds, we have become positive on the name.	3.4%	-31.19	-27.68	
Swaps and government spreads	11-Nov-16	Outright	<i>Buy Metso EUR 2022</i>	EUR	Trump could be the trigger for mining bonds. Combined with the very attractive valuation of the Metso EUR 2022 bond, we recommend buying the bond.	0.7%	-4.79	-27.68	IBOXX EURO Non Financials BBB
Macroeconomic climate	31-Oct-16	Outright	<i>Buy Outokumpu 2021</i>	EUR	Outokumpu 2021 trades attractively compared with the fair value 'B+' EUR industrials curve and we expect further deleveraging.	5.2%	-88.02	-25.58	IBOXX EURO Basic Materials
Basis spreads (cash vs. CDS)									
Coverage overview									

Source: Bloomberg, Danske Bank DCM Research

- \* HPR is  $P(t)/P(0)-1+C^*(T)$ , where  $P(t)$  is the BID price today,  $P(0)$  is the ASK price at initiation of the trade and  $C^*(T)$  is the coupon returns without reinvestment
- Source: Bloomberg pricing (pricing sources used [in order of priority] are DBCR, BGN, BVAL, CBBT and TRACE), Danske Bank DCM Research

# Trade recommendations – open trades (EUR) 2 of 2

<div>General market view</div> <div>Latest EUR trade idea</div> <div>Latest local currency trade idea</div> <div>Running trade ideas and performance (2)</div> <div>Recent Nordic HY/unrated issuance</div> <div>Selected Investment grade issuance</div> <div>Fund flow update</div> <div>EUR spreads and returns</div> <div>EUR/USD relative value</div> <div>Swaps and government spreads</div> <div>Macroeconomic climate</div> <div>Basis spreads (cash vs. CDS)</div> <div>Coverage overview</div>	Open date	Type	Trade	FX	Idea	HPR*	Z-spread ch. (bp)	Benchmark ch. (bp)	Benchmark*
	25-Oct-16	Outright	<i>Buy TVO</i>	EUR	TVO's EUR curve trades attractively compared with the fair value 'BB+' industrials curve and its SEK curve offers a pickup compared with the EUR curve.	3.0%	-46.71	-19.43	IBOXX EURO Utilities
	3-Oct-16	Outright	<i>Buy Caruna 1.5% 2023 outright</i>	EUR	Being 'BBB+' rated, Caruna trades between the 'BBB-' and the 'BBB' curve.	0.0%	-22.30	-20.29	IBOXX EURO Utilities
	8-Sep-16	Switch	<i>Buy Kemira 2022s, fund by selling Kemira 2019s</i>	EUR	The spread differential between the Kemira 2019s and 2022s has widened significantly since the end of 2015. A flattening of the Kemira curve indicates potential for at least 20bp tightening, in our view.	0.3%	-6.67	-9.79	IBOXX EURO Industrials
	30-Aug-16	Outright	<i>Buy Carlsberg EUR 2024 (revisited)</i>	EUR	We recommended buying the Carlsberg EUR2024. The fundamental case has improved further following the H1 16 report from Carlsberg.	-0.1%	-19.85	-19.92	IBOXX EURO Food & Beverage
	30-Aug-16	Switch	<i>Buy Carlsberg EUR 2024 and fund it by selling Carlsberg EUR 2019 (revisited)</i>	EUR	We recommended buying the Carlsberg EUR2024 and fund it by selling the Carlsberg EUR2019. The fundamental case has improved further following Carlsberg's H1 16 report.	-0.6%	-18.52	-19.92	IBOXX EURO Food & Beverage
	17-Aug-16		<i>Switch to Volvo hybrids (call 20s or 23s) from the EUR Volvo senior curve</i>	EUR	VLVY EUR senior curve prices in an upgrade, the hybrids do not.	9.3%	-149.52	-80.65	IBOXX EURO Non Financials Subordinated
	3-Jun-16	Switch	<i>Buy Maersk EUR 2021 and fund by selling Maersk EUR 2019</i>	EUR	The pickup is c.40bp for around 1.5 years of maturity extension.	2.3%	-50.99	-32.01	IBOXX EURO Industrials
	3-Jun-16	Outright	<i>Buy Maersk EUR 2021</i>	EUR	Maersk EUR 2021 is trading wider than the 'BBB-' industrial curve vs Maersk's 'BBB+' /NO rating.	2.3%	-50.99	-32.01	IBOXX EURO Industrials
	27-May-16	Outright	<i>Buy Carlsberg EUR 2024</i>	EUR	Carlsberg 2024 is trading significantly wider than the consumer goods 'BBB' curve.	3.6%	-54.56	-40.17	IBOXX EURO Food & Beverage

Source: Bloomberg, Danske Bank DCM Research

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Source: Bloomberg pricing (pricing sources used [in order of priority] are DBCR, BGN, BVAL, CBBT and TRACE), Danske Bank DCM Research

# Trade recommendations – open trades (local currency)

General market view	Open date	Type	Trade	FX	Idea	HPR*	Z-Spread Δ (bp)	Benchmark Δ (bp)	Benchmark*
Latest EUR trade idea	16-Jun-17	Outright	Buy Elekta FRN March 2022s in SEK	SEK	Elekta's transformational programme is coming to an end and debt metrics have improved recently. We do not believe this is reflected in spreads at current levels and see tightening potential around 20bp to the SEK 'BBB-' curve.	-0.4%	11.90	-9.88	IBOXX EURO Industrials
Latest local currency trade idea	17-May-17	Switch	Switch from Jefast 2021 to Jefast 2019 in SEK	SEK	We argue that Jefast's 2019 bond is trading too wide relative to the 2021 bond given its shorter maturity and its secured status.	-1.9%	-19.25	-9.44	IBOXX EURO Industrials
Running trade ideas and performance (3)	17-May-17	Outright	Buy Victoria Park 2018s in SEK	SEK	We consider Victoria Park's shorter dated bonds in particular attractively priced compared with sector peers, with good tightening potential as the 2018 bond comes closer to maturity.	0.5%	71.16	-9.44	IBOXX EURO Industrials
Recent Nordic HY/unrated issuance	17-May-17	Outright	Buy Castellum 2022s in SEK	SEK	We believe Castellum's longer dated bonds trade wide relative to the company's credit quality and versus peers in the SEK market.	0.1%	1.50	-9.44	IBOXX EURO Industrials
Selected Investment grade issuance	9-May-17	Switch	Switch to DSV 3.5% '22 (DKK) from DNFSDC 1.375% '22 (EUR)	DKK	The DSV 3.5% '22 (DKK) is attractively priced vs the DNFSDC 1.375% '22 (EUR) even allowing for the lower liquidity and DSV's unrated status.	0.2%	-14.80	-7.27	IBOXX EURO Industrials
Fund flow update	3-Apr-17	Switch	Switch to VLVY FRN '18 (SEK) from VLVY FRN '18 (EUR)	SEK	Switching to VLVY FRN '18 (SEK) from VLVY FRN '18 (EUR), we estimate, based on indicative mid-prices, that it is possible to receive a spread pickup around 22bp.	-0.1%	-1.75	-10.23	IBOXX EURO Industrials
EUR spreads and returns	3-Apr-17	Switch	Switch to MAERSK 3.8% '18 (SEK) from MAERSK FRN '19 (EUR)	SEK	Switching to MAERSK 3.8% '18 (SEK) from MAERSK FRN '19 (EUR), we estimate, based on indicative mid-prices, that it is possible to receive a spread pickup around 30bp.	-0.2%	-2.85	-10.23	IBOXX EURO Industrials
EUR/USD relative value	3-Apr-17	Switch	Switch to SWEMAT 4.3% '18 (SEK) from SWEMAT 3.9% '17 (EUR)	SEK	Switching to SWEMAT 4.3% '18 (SEK) from SWEMAT 3.9% '17 (EUR), we estimate, based on indicative mid-prices, that it is possible to receive a spread pickup around 38bps.	0.1%	4.43	-10.23	IBOXX EURO Industrials
Swaps and government spreads	3-Apr-17	Switch	Switch to TVOYFH 3.9% '18 (SEK) from TVOYFH 4.6% '19 (EUR)	SEK	Switching to TVOYFH 3.9% '18 (SEK) from TVOYFH 4.6% '19 (EUR), we estimate, based on indicative mid-prices, that it is possible to receive a spread pickup around 55bp.	0.0%	-20.63	-10.23	IBOXX EURO Industrials
Macroeconomic climate	31-Mar-17	Outright	Buy Teekay Offshore Partners	NOK	Our Overweight recommendation on the company's bonds rests on a promising outlook for its fleet, an improved balance sheet since 2016's financing initiatives and the company's new sustainable strategy. We prefer the NOK-denominated bonds maturing in 2018.	5.3%	-156.67	0.00	IBOXX EURO Energy
Basis spreads (cash vs. CDS)	7-Feb-17	Outright	Buy Kungsleden 2019s in SEK	SEK	Considering Kungsleden's aim to strengthen its balance sheet, we think a repricing corresponding to around one credit notch is justified.	2.3%	-86.93	-21.39	IBOXX EURO Non Financials BBB
Coverage overview	20-Jan-17	Outright	Buy SAS SEK2019 Conv	SEK	The SAS SEK 2019 convertible is attractively priced and backed by SAS AB's significant cash position.	12.3 %	-457.07	-19.67	IBOXX EURO Industrials

Source: Bloomberg, Danske Bank DCM Research

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Source: Bloomberg pricing (pricing sources used [in order of priority] are DBCR, BGN, BVAL, CBBT and TRACE), Danske Bank DCM Research



## Recent Nordic high yield/unrated issuance\*

	Selected new issues (High yield/unrated)							
	Date	Issuer	Coupon	CCY	Volume	Maturity	S&P / Mdy / Fitch	ASW/DM
General market view	30/06/2017	Stendorren Fastigheter	STIB3M +400bps	SEK	360 m	Jul/20	/ /	-
Latest EUR trade idea	29/06/2017	Hemfosa Fastigheter Ab	STIB3M +275bps	SEK	250m	Sep/20	/ /	275
Latest local currency trade idea	28/06/2017	M2 Asset Management	STIB3M +450bps	SEK	600 m	Jul/20	/ /	275
Running trade ideas and performance	27/06/2017	Aker Bp Asa	6%	USD	400 m	Jul/22	BB+ / Ba3 /	276
Recent Nordic HY/unrated issuance	27/06/2017	Chr Bygga Bostader	STIB3M +900bps	SEK	210 m	Jul/21	/ /	277
	20/06/2017	Sollentuna Stinsen Ja Ab	STIB3M +275bps	SEK	300 m	Jun/20	/ /	275
	16/06/2017	Intrum Justitia Ab	STIB3M +275bps	SEK	3 000 m	Jul/22	BB+ / Ba2 / BB	275
	16/06/2017	Intrum Justitia Ab	3.125%	EUR	900 m	Jul/24	BB+ / Ba2 / BB	295*
Selected Investment grade issuance	16/06/2017	Intrum Justitia Ab	EUR003M +262.5bps	EUR	300 m	Jul/22	BB+ / Ba2 / BB	-
	16/06/2017	Energi Danmark A/S	CIB003M +240bps	DKK	750 m	Jun/20	/ /	263
Fund flow update	15/06/2017	Humlegarden Fastigheter	STIB3M +135bps	SEK	1 050 m	Jun/22	/ /	240
	14/06/2017	Posten Norge	NIBOR3M +67bps	NOK	1 000 m	Sep/21	/ /	135
EUR spreads and returns	14/06/2017	Vostok New Ventures Ltd	5.5%	SEK	600 m	Jun/20	/ /	-
	13/06/2017	Rodamco Sverige Ab	STIB3M +80bps	SEK	400 m	Jun/22	A / / A+	-
EUR/USD relative value	13/06/2017	Rodamco Sverige Ab	0.875%	SEK	600 m	Jun/22	A / / A+	80
	12/06/2017	Intrum Justitia Ab	2.75%	EUR	1 500 m	Jul/22	BB+ / Ba2 / BB	269*
Swaps and government spreads	12/06/2017	Nibe Industrier Ab	STIB3M +110bps	SEK	350 m	Jun/21	/ /	-
	12/06/2017	Nibe Industrier Ab	1%	SEK	650 m	Jun/21	/ /	110
Macroeconomic climate	09/06/2017	Cidron Danube	9.25%	SEK	595 m	Jun/22	/ /	111
	09/06/2017	Caverion Corp (Hybrid)	4.625%	EUR	100 m	PERP	/ /	471
Basis spreads (cash vs. CDS)	08/06/2017	Catella Ab	STIB3M +400bps	SEK	500 m	Jun/22	/ /	971
	08/06/2017	Ship Finance Intl Ltd	NIBOR3M +475bps	NOK	500 m	Jun/20	/ /	400
Coverage overview	07/06/2017	Collector Bank (Tier 2)	STIB3M +450bps	SEK	500 m	Jun/27	/ /	475
	02/06/2017	Ixat Intressenter Ab (secured)	STIB3M +550bps	SEK	1 550 m	Jun/20	/ /	450
	01/06/2017	Ahlstrom Munksjo Oyj	1.875%	EUR	250 m	Jun/22	/ /	175
	31/05/2017	Neste Oyj	1.5%	EUR	400 m	Jun/24	/ /	110
	29/05/2017	Konecranes Oyj	1.75%	EUR	250 m	Jun/22	/ /	165

\* Excluding increases in existing bond issues (taps)

Source: Bloomberg, Danske Bank DCM Research



## Selected new investment grade issues\*

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### Selected new issues (Investment Grade)

Date	Issuer	Coupon	CCY	Volume	Maturity	S&P / Mdy / Fitch	ASW/DM
18/08/2017	Rikshem Ab	0.485%	SEK	500 m	Aug/20	A- / /	46
16/08/2017	Commerzbank Ag	0.625%	EUR	750 m	Aug/27	A- / Aaae / BBB+	-11
17/08/2017	Hemso Fastighets Ab	0.529%	SEK	400 m	Aug/20	A- / /	48
17/08/2017	Hemso Fastighets Ab	0.182%	SEK	400 m	Aug/19	A- / /	36
17/08/2017	Lg Electronics Inc	EUR003M +75bps	EUR	100 m	Feb/23	BBB / Baa3 / BBB-	75
15/08/2017	Eiendoms kreditt As	NIBOR3M +27bps	NOK	150 m	Sep/19	BBB / /	27
15/08/2017	Standard Chartered Bank	EUR003M +50bps	EUR	550 m	Aug/19	A / A1 / A+	50

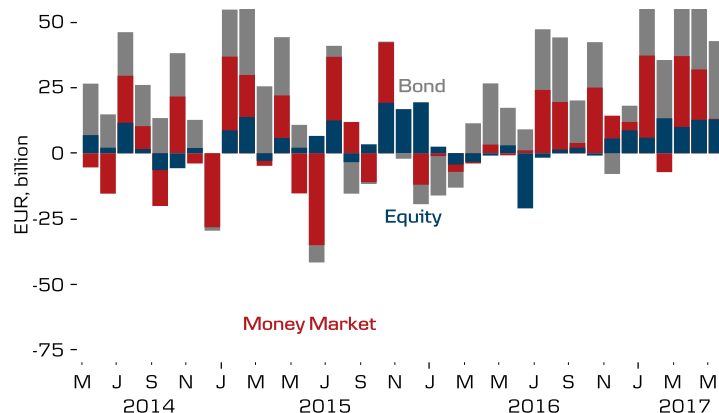
\* Excluding increases in existing bond issues

Source: Bloomberg, Danske Bank DCM Research

# Fund flow update

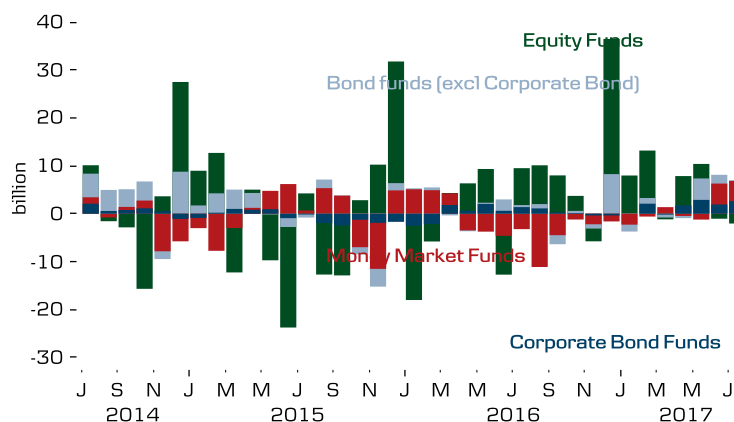
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## Europe, net sales



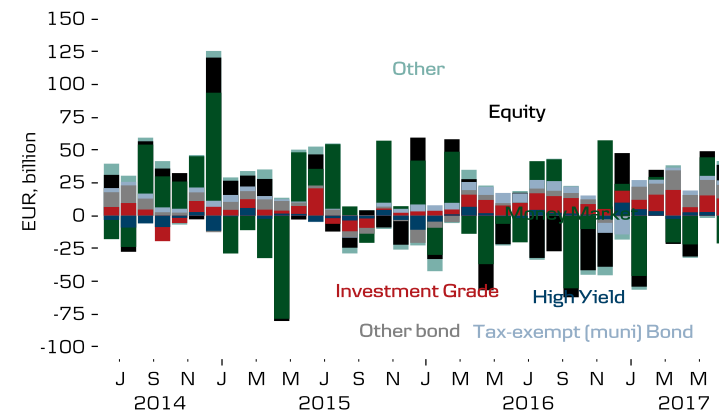
Source: Bloomberg, Danske Bank DCM Research

## Sweden, net sales



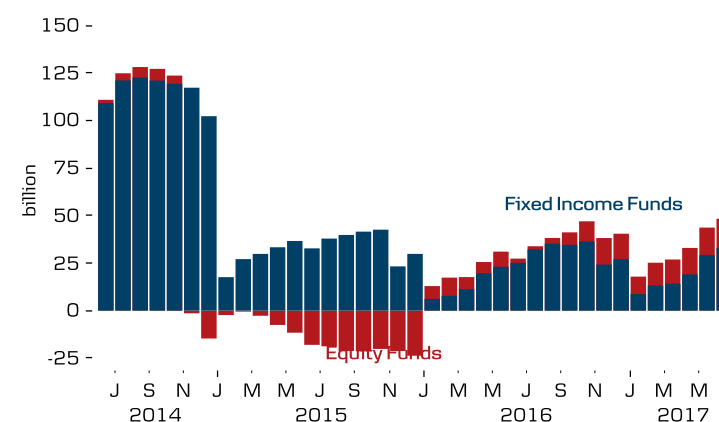
Source: Bloomberg, Danske Bank DCM Research

## US, net sales



Source: Bloomberg, Danske Bank DCM Research

## Norway, net sales



Source: Bloomberg, Danske Bank DCM Research

# Euro spreads and returns

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EUR spreads and returns

EUR/USD relative value

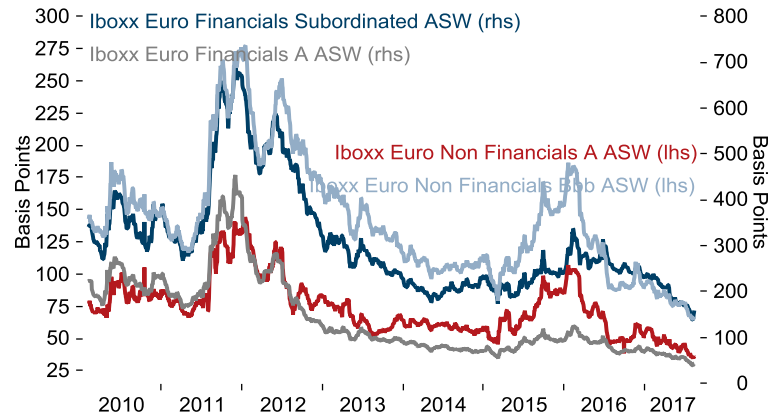
Swaps and government spreads

Macroeconomic climate

Basis spreads (cash vs. CDS)

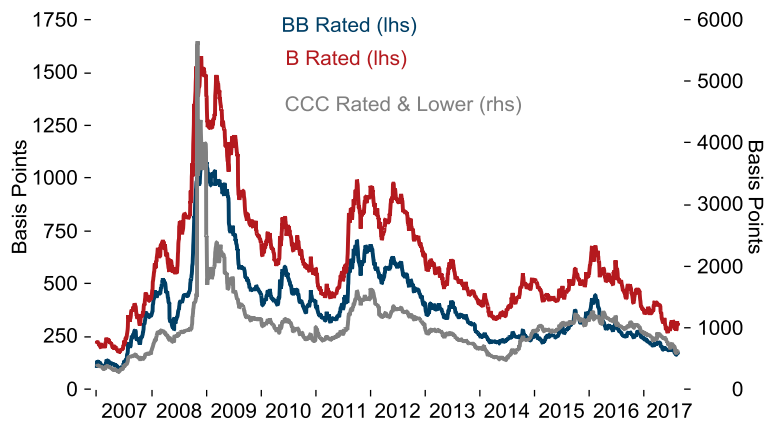
Coverage overview

## Euro IG ASW, iBoxx indices



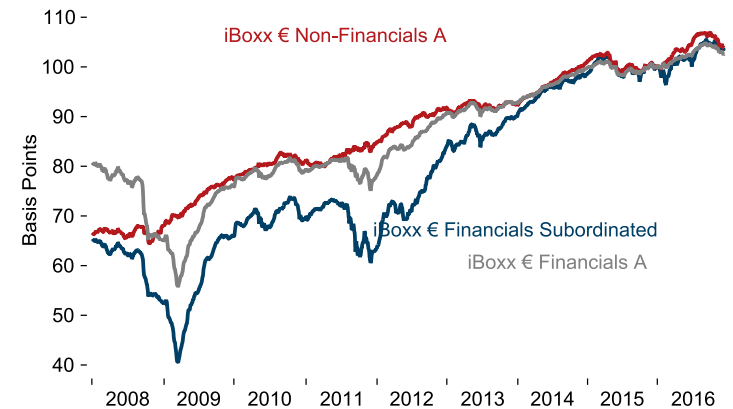
Source: Bloomberg, Danske Bank DCM Research

## Euro HY ASW, Merrill Lynch indices



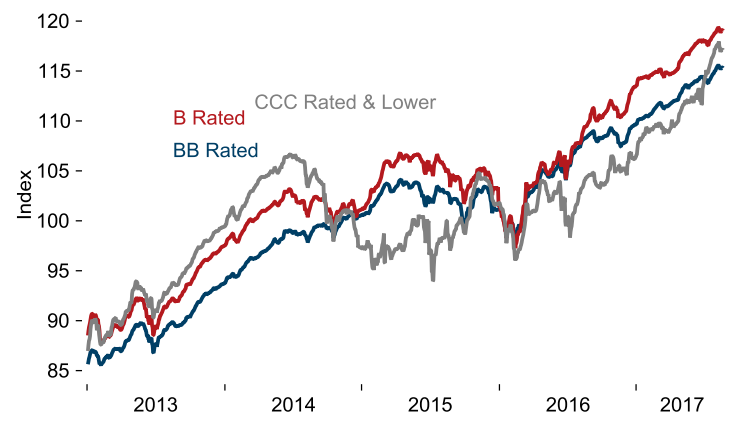
Source: Bloomberg, Danske Bank DCM Research

## IG total return, iBoxx indices



Source: Bloomberg, Danske Bank DCM Research

## EURO HY total return, Merrill Lynch indices



Source: Bloomberg, Danske Bank DCM Research

# EUR/USD relative value

General market view

Latest EUR trade idea

Latest local currency trade idea

Running trade ideas and performance

Recent Nordic HY/unrated issuance

Selected Investment grade issuance

Fund flow update

EUR spreads and returns

EUR/USD relative value

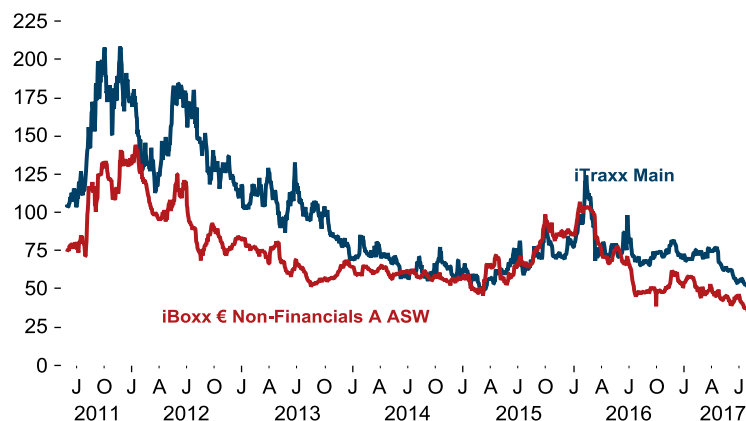
Swaps and government spreads

Macroeconomic climate

Basis spreads (cash vs. CDS)

Coverage overview

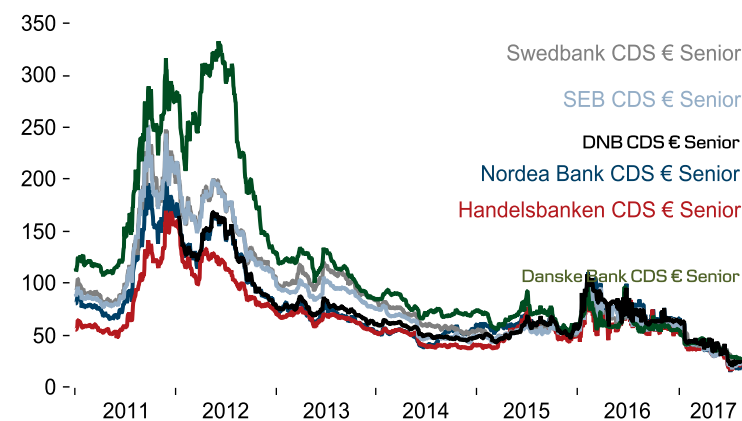
## iTraxx vs iBoxx



## EURO vs US CDS indices – IG (Markit)



## Nordic Bank CDS spreads



## EUR vs US HY bonds indices



# Swaps and government spreads

General market view

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Latest local currency trade idea

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Selected Investment grade issuance

Fund flow update

EUR spreads and returns

EUR/USD relative value

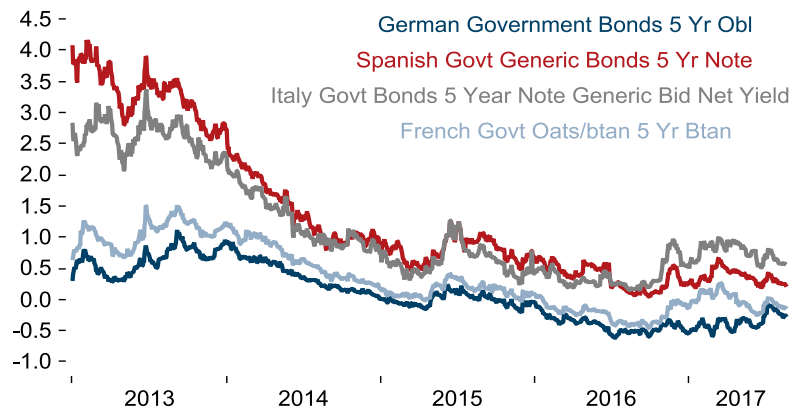
Swaps and government spreads

Macroeconomic climate

Basis spreads (cash vs. CDS)

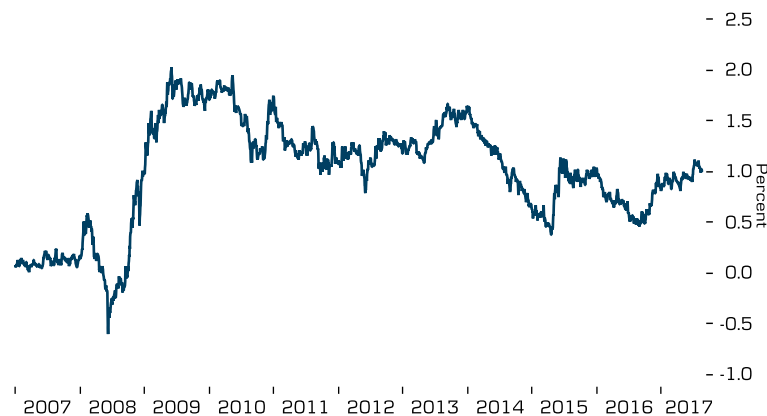
Coverage overview

## EU government bond yields



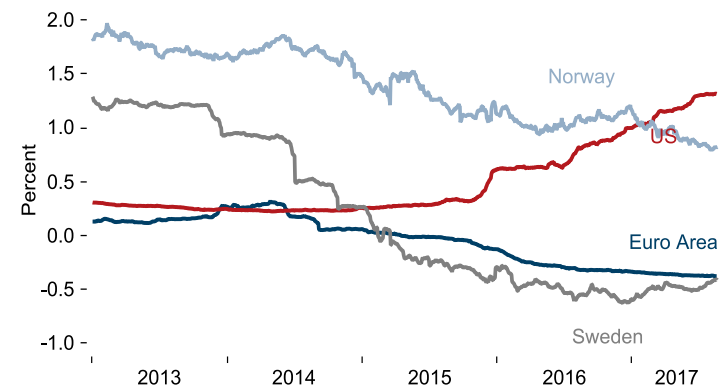
Source: Bloomberg, Danske Bank DCM Research

## EUR 10Y vs 2Y swap



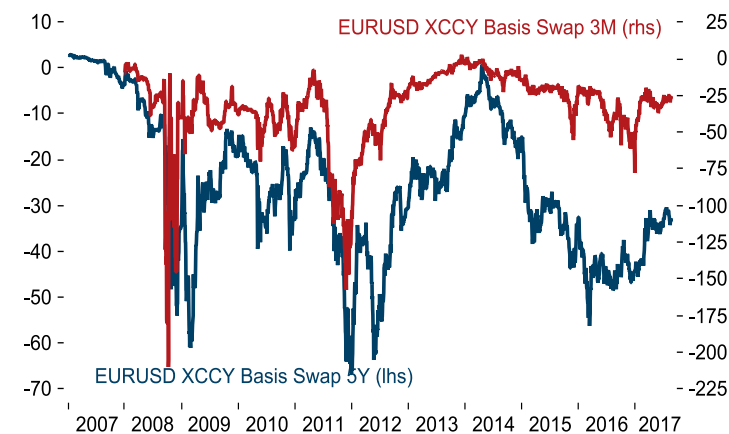
Source: Bloomberg, Danske Bank DCM Research

## 3M Libor



Source: Bloomberg, Danske Bank DCM Research

## EUR/USD basis swaps



Source: Bloomberg, Danske Bank DCM Research

# Macroeconomic environment

General market view

Latest EUR trade idea

Latest local currency trade idea

Running trade ideas and performance

Recent Nordic HY/unrated issuance

Selected Investment grade issuance

Fund flow update

EUR spreads and returns

EUR/USD relative value

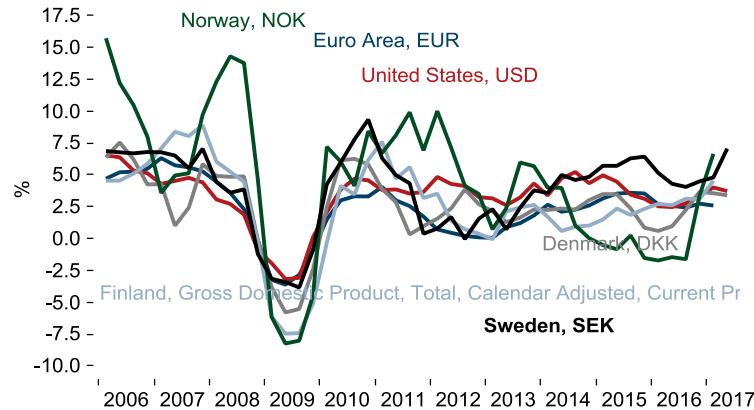
Swaps and government spreads

Macroeconomic climate

Basis spreads (cash vs. CDS)

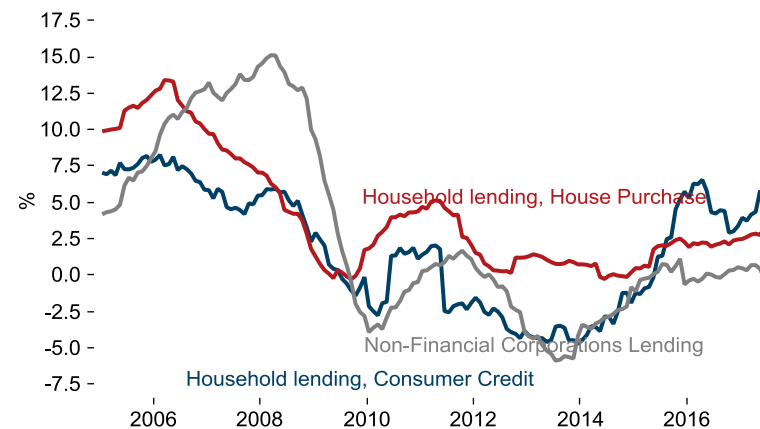
Coverage overview

## GDP y/y, calendar adjusted



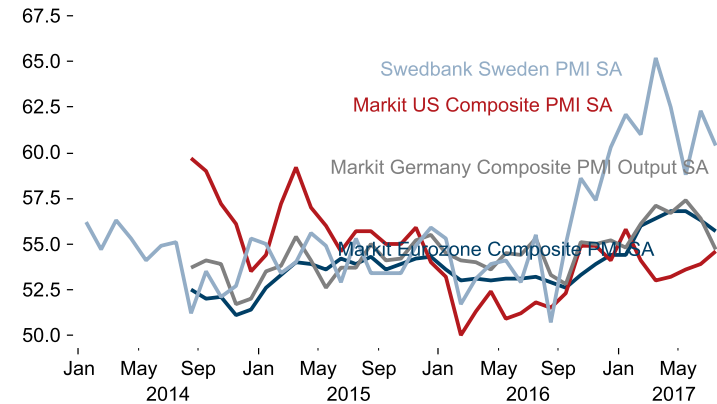
Source: Bloomberg, Danske Bank DCM Research

## Euro area y/y change in bank lending



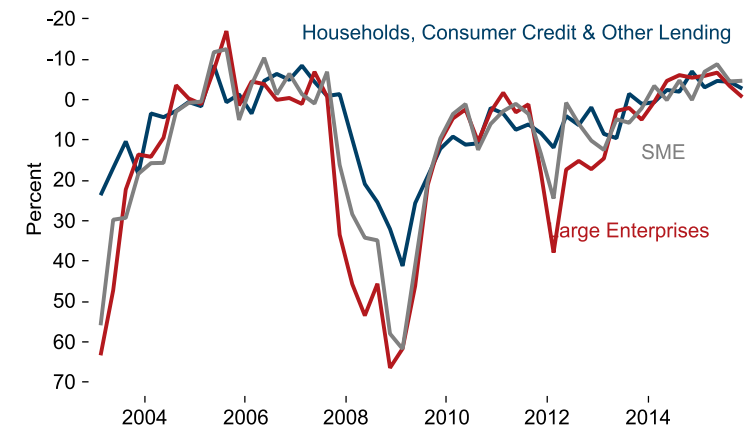
Source: Bloomberg, Danske Bank DCM Research

## Quarterly PMIs



Source: Bloomberg, Danske Bank DCM Research

## Euro area lending standards



Source: Bloomberg, Danske Bank DCM Research

# Basis spreads - Cash vs CDS

General market view

Latest EUR trade idea

Latest local currency trade idea

Running trade ideas and performance

Recent Nordic HY/unrated issuance

Selected Investment grade issuance

Fund flow update

EUR spreads and returns

EUR/USD relative value

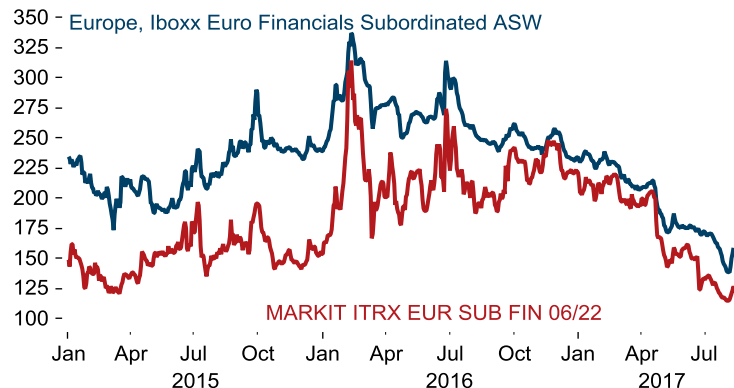
Swaps and government spreads

Macroeconomic climate

Basis spreads (cash vs. CDS)

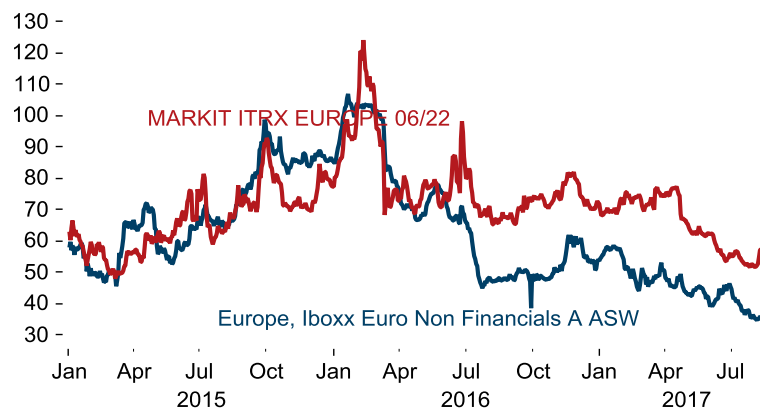
Coverage overview

## Sub financials cash vs CDS



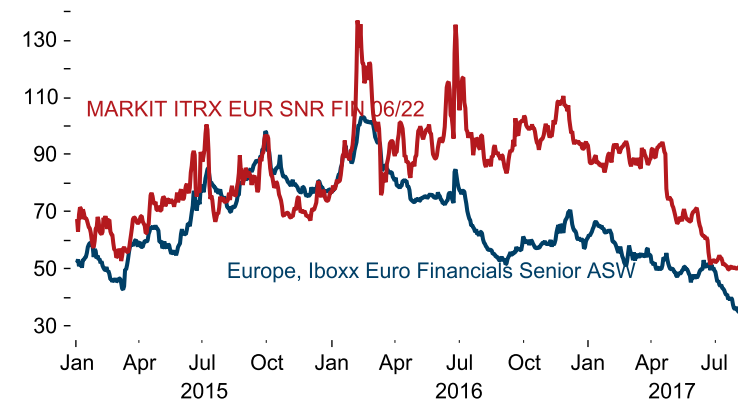
Source: Bloomberg, Danske Bank DCM Research

## iTraxx main vs iBoxx non-financials A



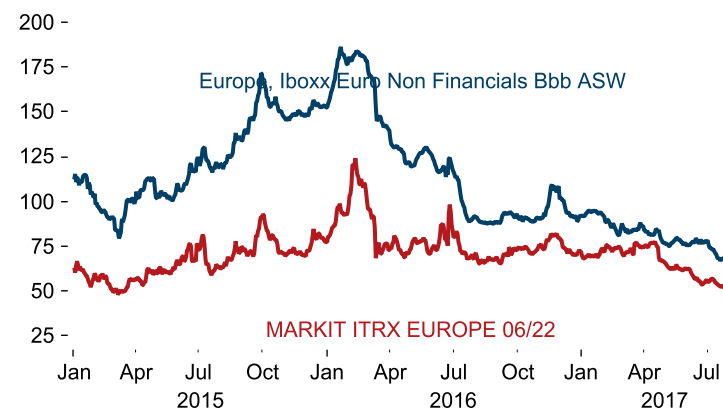
Source: Bloomberg, Danske Bank DCM Research

## Senior financials cash vs CDS



Source: Bloomberg, Danske Bank DCM Research

## iTraxx main vs iBoxx non-financials BBB



Source: Bloomberg, Danske Bank DCM Research



# Coverage overview 1 of 5

General market view	Ratings from S&P/Moody's/Fitch									
	S&P		Moody's		Fitch		Sector	Analyst(s)	Recomm.	
Latest EUR trade idea	Company	Rating	Outlook	Rating	Outlook	Rating	Outlook			
Latest local currency trade idea	A. P. Møller - Maersk	BBB	NO	Baa2	NO	NR	NR	Transportation	Brian Børsting	Marketweight
Running trade ideas and performance	Akelius Residential Ab	BBB-	PO	NR	NR	NR	NR	Real estate	Louis Landeman	Marketweight
	Aktia Bank Plc	A-	S	A3	PO			Financials	Katrine Jensen	Marketweight
Recent Nordic HY/unrated issuance	Ambu	NR	NR	NR	NR	NR	NR	Healthcare	Jakob Magnussen	Overweight
	Arla Foods Amba							Consumer goods	Gabriel Bergin	Marketweight
Selected Investment grade issuance	Atlas Copco	A	S	A2	S	A	S	Machinery & heavy industrials	Brian Børsting	Underweight
	Avinor As	AA-	NO	A1	S	NR	NR	Transportation	Brian Børsting	Marketweight
Fund flow update	Balder	BBB	S	Baa3	S	NR	NR	Real estate	Louis Landeman	Marketweight
	Beerenberg Holdco li As	NR	NR	NR	NR	NR	NR	Energy	Haseeb Syed	Marketweight
EUR spreads and returns	Billerudkorsnäs							Materials	Mads Rosendal	Marketweight
	Bw Offshore	NR	NR	NR	NR	NR	NR	Energy	Bendik Engebretsen	Overweight
EUR/USD relative value	Cabonline		NR		NR		NR	Services & IT	August Moberg	Marketweight
	Carlsberg	NR	NR	Baa2	S	BBB	S	Consumer goods	Brian Børsting	Marketweight
Swaps and government spreads	Caruna	BBB+	S					Utilities	Jakob Magnussen	Overweight
	Castellum	NR	NR	NR	NR	NR	NR	Real estate	Louis Landeman	Overweight
Macroeconomic climate	Citycon	BBB	S	Baa1	S	NR	NR	Real estate	Louis Landeman	Underweight
	Color Group As	NR	NR	NR	NR	NR	NR	Transportation	Brian Børsting	Overweight
Basis spreads (cash vs. CDS)	Com Hem	BB	PO	NR	NR	NR	NR	TMT	Mads Rosendal	Overweight
	Corem	NR	NR	NR	NR	NR	NR	Real estate	Louis Landeman	Marketweight
Coverage overview [1]	Crayon Group	NR	NR	NR	NR	NR	NR	Services & IT	Haseeb Syed	Marketweight
	Danfoss A/S	BBB	S	NR	NR	NR	NR	Machinery & heavy industrials	Brian Børsting	Marketweight
	Dfds	NR	NR	NR	NR	NR	NR	Transportation	Brian Børsting	Overweight
	Dlg Finance As							Consumer goods	Mads Rosendal	Marketweight
	Dir Kredit A/S	A-	S	WR		NR		Financials	Katrine Jensen	Overweight
	Dna Ltd							TMT	Mads Rosendal	Overweight
	Dnb	A+	S	Aa2	NO	NR	NR	Financials	Katrine Jensen	Underweight
	Dong Energy A/S	BBB+	S	Baa1	S	BBB+	S	Utilities	Jakob Magnussen	Marketweight
	Dsv	NR	NR	NR	NR	NR	NR	Transportation	Brian Børsting	Overweight
	Eg Holding	NR	NR	NR	NR	NR	NR	Services & IT	Jakob Magnussen	Overweight
	Eika Forsikring As							Financials	Katrine Jensen	Marketweight
	Electrolux	A-	S		NR		NR	Consumer goods	August Moberg	Marketweight
	Elekta		NR		NR		NR	Healthcare	August Moberg	Overweight

Source: Standard & Poor's, Moody's, Fitch, Danske Bank DCM Research

## Coverage overview 2 of 5

General market view
Latest EUR trade idea
Latest local currency trade idea
Running trade ideas and performance
Recent Nordic HY/unrated issuance
Selected Investment grade issuance
Fund flow update
EUR spreads and returns
EUR/USD relative value
Swaps and government spreads
Macroeconomic climate
Basis spreads (cash vs. CDS)
Coverage overview (2)

### Ratings from S&P/Moody's/Fitch

Company	S&P		Moody's		Fitch		Sector	Analyst(s)	Recomm.
	Rating	Outlook	Rating	Outlook	Rating	Outlook			
Elenia Oy	BBB	S					Utilities	Jakob Magnussen	Overweight
Elisa	BBB+	S	Baa2	S			TMT	Mads Rosendal	Overweight
Ellevio	BBB	S	NR	NR	NR	NR	Utilities	Jakob Magnussen	Overweight
Entra							Real estate	Haseeb Syed	Marketweight
Essity	BBB+	S	Baa1	NO				Mads Rosendal	Overweight
Fastpartner	NR	NR	NR	NR	NR	NR	Real estate	Louis Landeman	Overweight
Felleskjøpet Agri Sa							Consumer goods	Brian Børsting	Marketweight
Fingrid Oyj	AA-	S	A1 (unsr	PO	A+	S	Utilities	Jakob Magnussen	Overweight
Finnair	NR	NR	NR	NR	NR	NR	Transportation	Brian Børsting	Marketweight
Fortum	BBB+	S	Baa1 (ur	S	BBB+	S	Utilities	Jakob Magnussen	Underweight
Fortum Värme	BBB+	S	NR	NR	NR	NR	Utilities	Jakob Magnussen	Marketweight
G4S	BBB-	NO	NR	NR	NR	NR	Services & IT	Brian Børsting	Marketweight
Getinge		NR		NR		NR	Healthcare	August Moberg	Marketweight
Heimstaden Ab	NR	NR	NR	NR	NR	NR	Real estate	Louis Landeman	Marketweight
Hemfosa Fastigheter Ab	NR	NR	NR	NR	NR	NR	Real estate	Louis Landeman	Marketweight
Hexagon		NR		NR		NR	Machinery & heavy industrials	August Moberg	Marketweight
Hkscan	NR	NR	NR	NR	NR	NR	Consumer goods	Mads Rosendal	Marketweight
Hoist Finance	NR	NR	Baa3	S	NR	NR	Financials	Jesper Damkjaer	Marketweight
Husqvarna	BBB	NR		NR		NR	Consumer goods	August Moberg	Marketweight
Ica Gruppen	NR	NR	NR	NR	NR	NR	Consumer goods	August Moberg	Marketweight
If P&C Insurance Holding Ltd	A-	S	NR	NR	NR	NR	Financials	Katrine Jensen	Marketweight
Ikano Bank Ab							Financials	Katrine Jensen	Marketweight
Investor	AA-	S	Aa3	S	NR	NR	Financials	Gabriel Bergin	Marketweight
Iss	BBB	S	Baa2	S	NR	NR	Services & IT	Brian Børsting	Marketweight
Jefast	NR	NR	NR	NR	NR	NR	Real estate	Louis Landeman	Marketweight
Jernhusen Ab	NR	NR	NR	NR	NR	NR	Real estate	Louis Landeman	Marketweight
Jyske Bank	A-	S	Baa1 (ur	S	NR	NR	Financials	Katrine Jensen	Overweight
Kemira							Materials	Mads Rosendal	Marketweight
Kesko	NR	NR	NR	NR	NR	NR	Consumer goods	Gabriel Bergin	Overweight
Klövern	NR	S	NR	S	NR	NR	Real estate	Louis Landeman	Underweight
Kungsleden	NR	NR	NR	NR	NR	NR	Real estate	Louis Landeman	Marketweight
Länsförsäkringar Bank Ab	A	S	A1	S	NR	NR	Financials	Katrine Jensen	Marketweight
Lantmännen	NR	NR	NR	NR	NR	NR	Consumer goods	August Moberg	Marketweight

Source: Standard & Poor's, Moody's, Fitch, Danske Bank DCM Research

## Coverage overview 3 of 5

General market view	Ratings from S&P/Moody's/Fitch									
	Company	S&P Rating	S&P Outlook	Moody's Rating	Moody's Outlook	Fitch Rating	Fitch Outlook	Sector	Analyst(s)	Recomm.
Latest EUR trade idea	Link Mobility	NR	NR	NR	NR	NR	NR	Services & IT	Haseeb Syed	Marketweight
Latest local currency trade idea	Loomis	NR	NR	NR	NR	NR	NR	Services & IT	Brian Børsting	Marketweight
Running trade ideas and performance	Luossavaara-Kiirunavaara Ab	NR	NR	NR	NR	NR	NR	Materials	Louis Landeman	Overweight
Recent Nordic HY/unrated issuance	Metsä Board	BB+	PO	Ba2	S			Materials	Mads Rosendal	Marketweight
Selected Investment grade issuance	Metso	BBB	S	NR	NR	NR	NR	Machinery & heavy industrials	Brian Børsting	Overweight
Fund flow update	Ncc		NR		NR		NR	Construction	August Moberg	Marketweight
EUR spreads and returns	Neste	NR	NR	NR	NR	NR	NR	Energy	Jakob Magnussen	Marketweight
EUR/USD relative value	Nibe		NR		NR		NR	Machinery & heavy industrials	August Moberg	Marketweight
Swaps and government spreads	Nokia	BB+	S	Ba1	S	BB+	PO	TMT	Mads Rosendal	Marketweight
Macroeconomic climate	Nordax Bank	NR	NR	NR	NR	NR	NR	Financials	Jesper Damkjaer	Overweight
Basis spreads (cash vs. CDS)	Nordax Group Ab									
Coverage overview (3)	Nordea	AA-	S	Aa3	S	AA-	S	Financials	Katrine Jensen	Marketweight
	Norgesgruppen	NR	NR	NR	NR	NR	NR	Consumer goods	Haseeb Syed	Marketweight
	Norwegian Air Shuttle	NR	NR	NR	NR	NR	NR	Transportation	Brian Børsting	Marketweight
	Norwegian Property Asa	NR	NR	NR	NR	NR	NR	Real estate	Haseeb Syed	Marketweight
	Nykredit Bank A/S	A	S	Baa1	ur S	A	S	Financials	Katrine Jensen	Marketweight
	Nynas Group	NR	NR	NR	NR	NR	NR	Materials	Jakob Magnussen	Overweight
	Obos Bbl							Real estate	Haseeb Syed	Marketweight
	Obos Forretningsbygg	NR	NR	NR	NR	NR	NR	Real estate	Haseeb Syed	Marketweight
	Olav Thon Eiendomsselskap							Real estate	Haseeb Syed	Overweight
	Op Corporate Bank Plc	AA-	S	Aa3	S	NR	NR	Financials	Katrine Jensen	Overweight
	Orkla	NR	NR	NR	NR	NR	NR	Consumer goods	Haseeb Syed	Marketweight
	Outokumpu			B2	PO			Materials	Mads Rosendal	Marketweight
	Postnord Ab	NR	NR	NR	NR	NR	NR	Transportation	Gabriel Bergin	Underweight
	Ramirent	NR	NR	NR	NR	NR	NR	Construction	Jakob Magnussen	Marketweight
	Saab		NR		NR		NR	Machinery & heavy industrials	August Moberg	Overweight
	Sandvik	BBB	PO	NR	NR	NR	NR	Machinery & heavy industrials	Brian Børsting	Overweight
	Sas Group	B	S	B2	S	NR	NR	Transportation	Brian Børsting	Overweight
	Sbab Bank Ab	A	NO	A2	PO	NR	NR	Financials	Katrine Jensen	Marketweight
	Schibsted	NR	NR	NR	NR	NR	NR	TMT	Haseeb Syed	Underweight
	Seb	A+	S	Aa3	S	AA-	S	Financials	Katrine Jensen	Marketweight
	Securitas	BBB	S	NR	NR	NR	NR	Services & IT	Brian Børsting	Marketweight

Source: Standard & Poor's, Moody's, Fitch, Danske Bank DCM Research

# Coverage overview 4 of 5

General market view	Ratings from S&P/Moody's/Fitch									
	Company	S&P Rating	S&P Outlook	Moody's Rating	Moody's Outlook	Fitch Rating	Fitch Outlook	Sector	Analyst(s)	Recomm.
Latest EUR trade idea	Skf	BBB-	S	Baa2	S	NR	NR	Machinery & heavy industrials	Brian Borsting	Underweight
	Spar Nord			WR				Financials	Katrine Jensen	Marketweight
Latest local currency trade idea	Sparebank 1 Nord Norge	NR	NR	A1	S	A	S	Financials	Katrine Jensen	Marketweight
	Sparebank 1 Smn	NR	NR	A1	NO	A-	S	Financials	Katrine Jensen	Marketweight
Running trade ideas and performance	Sparebank 1 Sr-Bank	NR	NR	A1	NO	A-	S	Financials	Katrine Jensen	Underweight
	Srv Group Oyj		NR		NR		NR	Construction	August Moberg	Marketweight
Recent Nordic HY/unrated issuance	Ssab	B+	PO					Machinery & heavy industrials	Mads Rosendal	Overweight
	St1 Nordic Oy	NR	NR	NR	NR	NR	NR	Energy	Jakob Magnussen	Marketweight
Selected Investment grade issuance	Statkraft Sf	A-	S	Baa1	S	BBB+	S	Utilities	Jakob Magnussen	Overweight
	Statnett Sf	A+	S	A2	S	NR	NR	Utilities	Jakob Magnussen	Marketweight
Fund flow update	Statoil	A+	S	Aa3	S	NR	NR	Energy	Jakob Magnussen	Underweight
	Steen & Strom As							Real estate	Haseeb Syed	Overweight
EUR spreads and returns	Stena Ab	BB-	NO	B1	S	NR	NR	Transportation	Brian Borsting	Underweight
	Stockmann	NR	NR	NR	NR	NR	NR	Consumer goods	Mads Rosendal	Marketweight
EUR/USD relative value	Stora Enso	BB	PO	Ba2	PO	NR	NR	Materials	Mads Rosendal	Marketweight
	Storebrand Livsforsikring	BBB+	S	Baa1	S			Financials	Katrine Jensen	Marketweight
Swaps and government spreads	Svenska Cellulosa Ab	BBB+	S	Baa1	NO			Consumer goods	Mads Rosendal	Overweight
	Svenska Handelsbanken	AA-	S	Aa2	S	AA	S	Financials	Katrine Jensen	Marketweight
Macroeconomic climate	Swedavia Ab	NR	NR	NR	NR	NR	NR	Transportation	Louis Landeman	Marketweight
	Swedbank	AA-	NO	Aa3	S	AA-	S	Financials	Katrine Jensen	Marketweight
Basis spreads (cash vs. CDS)	Swedish Match	BBB	S	Baa2	S		NR	Consumer goods	August Moberg	Overweight
	Sydbank	NR	NR	Baa1	S	NR	NR	Financials	Katrine Jensen	Overweight
Coverage overview (4)	Tallink Group As	NR	NR	NR	NR	NR	NR	Transportation	Brian Borsting	Marketweight
	Tdc	BBB-	S	Baa3	S	BBB-	S	TMT	Mads Rosendal	Marketweight
	Technopolis	NR	NR	NR	NR	NR	NR	Real estate	Louis Landeman	Marketweight
	Teekay Offshore Partners Lp	NR	NR	NR	NR	NR	NR	Energy	Bendik Engebretsen	Marketweight
	Tele2							TMT	Mads Rosendal	Overweight
	Telefonaktiebolaget Lm Ericsson	BBB-	NO	Ba1	S	BBB	NO	TMT	Mads Rosendal	Underweight
	Telenor	A	S	A3	S	NR	NR	TMT	Mads Rosendal	Marketweight
	Telia	A-	NO	Baa1	S	A-	S	TMT	Mads Rosendal	Marketweight
	Teollisuuden Voima Oyj	BB+	S	NR	NR	BBB-	S	Utilities	Jakob Magnussen	Overweight
	Thon Holding As							Real estate	Haseeb Syed	Overweight

Source: Standard & Poor's, Moody's, Fitch, Danske Bank DCM Research

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Basis spreads (cash vs. CDS)

Coverage overview (5)

### Ratings from S&P/Moody's/Fitch

Company	S&P		Moody's		Fitch		Sector	Analyst(s)	Recomm.
	Rating	Outlook	Rating	Outlook	Rating	Outlook			
Topdanmark							Financials	Katrine Jensen	Marketweight
Tryg Forsikring A/S	NR	NR		S			Financials	Katrine Jensen	Marketweight
Upm-Kymmene	BBB-	PO	Baa3	S	WR	NR	Materials	Mads Rosendal	Overweight
Vasakronan Ab	NR	NR	NR	NR	NR	NR	Real estate	Louis Landeman	Marketweight
Vattenfall	BBB+	S	A3	S	BBB+	S	Utilities	Jakob Magnussen	Marketweight
Vestas Wind Systems	NR	NR	NR	NR	NR	NR	Machinery & heavy industrials	Jakob Magnussen	Overweight
Victoria Park	NR	NR	NR	NR	NR	NR	Real estate	Louis Landeman	Overweight
Volvo	BBB+	S	Baa2	S	BBB	S	Machinery & heavy industrials	August Moberg	Marketweight
Wihlborgs	NR	NR	NR	NR	NR	NR	Real estate	Louis Landeman	Underweight
Yit		NR		NR		NR	Construction	August Moberg	Overweight

Source: Standard & Poor's, Moody's, Fitch, Danske Bank DCM Research

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