



Treasury bill auctions

On 25 January, Treasury bills were auctioned in series RIKV 18 0416. The auction was structured in the conventional manner, with the lowest accepted price (highest flat yield) determining the sale price. A total of 12 valid bids were submitted in the nominal amount of 3,445 m.kr., and 11 bids totalling 3,345 m.kr. were accepted. The accepted price in the auction was 99.11, which is equivalent to a flat rate of 4.20%. According to information from primary dealers, mutual funds bought 32% of the securities sold in the auction, and a diversified group of domestic investors bought the remainder.

Treasury bond auction

The auction scheduled for 12 January was cancelled. Instead, it was decided to hold a buyback with an auction format for RIKH 18 1009, which matures on 9 October 2018. The buyback was structured so that all accepted offers were accepted at the prices submitted. A total of three valid bids were submitted in the nominal amount of 32,600 m.kr., and two bids totalling 20,000 m.kr. were accepted. The accepted price was 99.990.

An auction of the nominal Treasury bond series RIKB 22 1026 was held on 26 January. The terms were conventional, with the lowest accepted price (highest accepted yield) determining the sale price for the auction. A total of 31 valid bids with a combined nominal value of 3,680 m.kr. were submitted, and 17 bids were accepted in the amount of 2,230 m.kr. The accepted price in the auction was 109.940, which is equivalent to a yield of 4.84%.

As before, primary dealers were offered the opportunity to purchase up to 10% of the sold volume at the accepted auction price, but on this occasion they did not exercise that option in connection with RIKB 22 1026. According to information from primary dealers, mutual funds bought roughly 51% of the securities sold in the auction, and a diversified group of domestic investors bought the remainder.

Change in Treasury bill issuance arrangements

According to the authorities' current debt management strategy, the objective is to keep the Treasury's average cash position close to 40 b.kr. In order to achieve this goal more effectively, the Treasury began, in March 2017, to take and grant króna-denominated loans to the banks for maturities of less than one month. In the Government Debt Management Prospect for 2018, it is stated that in order to further enhance the efficacy of Treasury liquidity management, Treasury bill issuance arrangements would be changed during the year and made more flexible, so as to address intrayear fluctuations in the revenues and expenditures on the Treasury account more effectively. Treasury bill maturities could therefore be variable for up to one year at a time, whereas bills were previously issued at mid-month, with maturities three to six months later.

The first Treasury bill auction conducted on the basis of the current liquidity position took place during the month with an auction of the previously issued RIKV 18 0416, which matures in only two-and-a-half months. It is hoped that the new arrangements will enable the Treasury to maintain a better balance on its account, which should also stabilise the money market, other things being equal.

Contents

Benchmark issues, attributes
Central government debt
Investors
Securities lending facility, redemption profile and turnover
Auction of Treasury bills
Yield curves
Yield for Treasury bonds
Auctions of Nominal T-Bonds and T-Bills
Auctions of Treasury Bonds
Exchange rate development
State Guarantees

Treasury bond issuance in Q1/2018

Bond series	Maximum	Actual
RIKB 22 1026	8	2.5
RIKB 28 1115	12	0.0

Treasury bond issuance as of 31 January 2018

Regular auctions

Bond series	Sales
Amounts in b.kr.	Actual
RIKB 22 1026	2.5
RIKB 28 1115	0.0
Total	2.5

The information in this publication is from the Central Bank of Iceland and from data vendors that are considered reliable.

The information is as of the last month-end unless otherwise specified.

Government Debt Management cannot be held liable for possible errors, typographical or otherwise, that may appear in Market Information. Comments on the contents of this publication may be submitted to lanamal@sedlabanki.is.



Balance of Treasury guarantees

At the end of December 2017, the balance of Treasury guarantees was 970 b.kr. Further information on Treasury guarantees can be found on page 11.

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Benchmark issues, attributes

Domestic marketable debt

Issues	ISIN	Date of issue (d.m.y)	Maturity date	Interest, %	Type of bond	Duration*	Years to maturity
<i>T - bills</i>							
RIKV 18 0215	IS0000029106	15.8.2017	15.2.2018	0.00	Bullet	0.04	0.04
RIKV 18 0315	IS0000029189	15.9.2017	15.3.2018	0.00	Bullet	0.12	0.12
RIKV 18 0416	IS0000029312	15.10.2017	16.4.2018	0.00	Bullet	0.21	0.21
RIKV 18 0515	IS0000029395	15.11.2017	15.5.2018	0.00	Bullet	0.29	0.28
RIKV 18 0615	IS0000029486	15.12.2017	15.6.2018	0.00	Bullet	0.38	0.37
<i>Nominal T-bonds</i>							
RIKB 19 0226	IS0000017077	26.2.2008	26.2.2019	8.75	Bullet	0.99	1.07
RIKB 20 0205	IS0000024453	5.2.2014	5.2.2020	6.25	Bullet	1.85	2.01
RIKB 22 1026	IS0000020717	26.10.2011	26.10.2022	7.25	Bullet	4.16	4.73
RIKB 25 0612	IS0000019321	12.6.2009	12.6.2025	8.00	Bullet	5.68	7.36
RIKB 28 1115	IS0000028249	15.11.2016	15.11.2028	5.00	Bullet	8.51	10.79
RIKB 31 0124	IS0000020386	24.1.2011	24.1.2031	6.50	Bullet	9.13	12.98
RIKH 18 1009	IS0000019453	2.9.2009	9.10.2018	fl. rate	Bullet	0.08**	0.69
<i>Inflation-linked T-bonds</i>							
RIKS 21 0414	IS0000020014	14.4.2010	14.4.2021	3.80	Bullet	2.99	3.20
RIKS 30 0701	IS0000020576	1.7.2011	1.7.2030	3.25	Bullet	10.40	12.41
RIKS 33 0321	IS0000021251	21.3.2012	21.3.2033	3.00	Bullet	12.31	15.13
Average of benchmark series						6.1	7.8

* Macaulay.

** If coupon for this bond were fixed at current rates until maturity duration would be: 0.69.

Foreign marketable debt

Issues	ISIN	Date of issue	Maturity date	Interest, %	Type of bond	Duration*	Years to maturity
	US451029AE22						
USD 5.875% 11 May 2022	USX34650AA31	11.5.2012	11.5.2022	5.875	Bullet	3.79	4.27
EUR 2.5% 15 Jul 2020	XS1086879167	15.7.2014	15.7.2020	2.500	Bullet	2.39	2.45
EUR 0.5% 20 Dec 2022	XS1738511978	13.12.2017	20.12.2022	0.500	Bullet	4.84	4.88
Average of benchmark series						3.8	3.9

* Macaulay.

Interest rate swaps

Maturity	Treasury pays	Treasury receives, %	Nominal amount (m. EUR)
15.7.2020	6M Euribor	0.791 p.a.	250



Government debt

Domestic central government debt 31 January 2018 in m.kr.

Issues	Nominal amount, beg. of month	Inflation compensation	Issue/buybacks nominal	Inc. inflation compensation, end of month	Years to maturity	Market value	% of domestic debt
<i>T-bills</i>							
RIKV 18 0115	3,605		-3,605	0	0.00	0	0.0
RIKV 18 0215	1,300			1,300	0.04	1,298	0.2
RIKV 18 0315	2,700			2,700	0.12	2,686	0.3
RIKV 18 0416	3,900		3,345	7,245	0.21	7,181	0.9
RIKV 18 0515	2,390			2,390	0.28	2,360	0.3
RIKV 18 0615	1,910			1,910	0.37	1,879	0.2
Total	15,805			15,545	0.21	15,405	2.0
<i>Nominal T-bonds</i>							
RIKB 19 0226	83,175			83,175	1.07	86,801	10.7
RIKB 20 0205	74,724			74,724	2.01	76,801	9.6
RIKB 22 1026	68,223		2,230	70,453	4.73	77,146	9.1
RIKB 25 0612	96,703			96,703	7.36	113,887	12.5
RIKB 28 1115	42,600			42,600	10.79	41,812	5.5
RIKB 31 0124	95,420			95,420	12.98	106,775	12.3
RIKH 18 1009 *	69,985		-20,000	49,985	0.69	49,868	6.4
Total	530,831			513,061	5.88	553,092	66.1
<i>Inflation-linked T-bonds</i>							
RIKS 21 0414	60,934	14,383		75,317	3.20	79,765	9.7
RIKS 30 0701	73,727	13,582		87,309	12.41	100,292	11.2
RIKS 33 0321	34,172	5,047		39,219	15.13	44,817	5.1
Total	168,833	33,012		201,845	9.50	224,873	26.0
Other central government debt**				45,687	6.46		5.9
Total domestic debt				776,139	6.74		100.0

* Capital contribution from the state to financial institutions.

** Mostly government indexed debt due to the National Power Company, (Landsvirkjun) and assumed gov. Guarantees.

Foreign central government debt

Issues	Issued nominal amount (millions)	Remaining nominal amount	Nominal amount ISK (m.kr.)	Years to maturity
<i>Foreign bonds</i>				
USD 5,875% 11 May 2022	1,000	92	9,282	4.27
EUR 2,5% 15 Jul 2020	750	352	44,247	2.45
EUR 0,5% 20 Dec 2022	500	500	62,775	4.88
Total			116,303	3.91
Total foreign debt			116,303	3.91



Central government debt, total in m.kr.

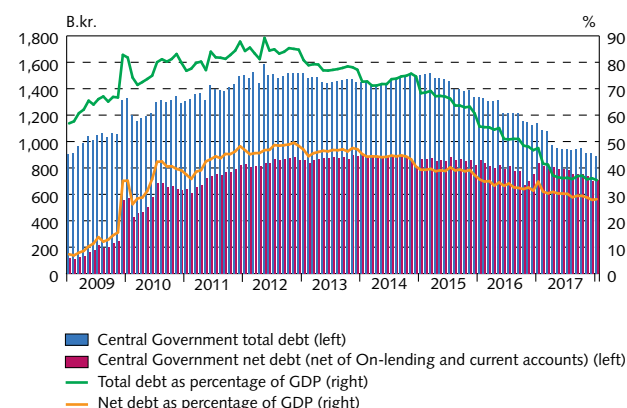
	Nominal inc./ inflation compensation	Weighted time to maturity
Nominal debt	528,606	5.71
Inflation-linked debt	247,532	8.94
Foreign currency debt	116,303	3.91
Total	892,442	6.38
Total debt as percentage of GDP*		35.4

* GDP is from the latest edition of *Monetary Bulletin* published by Central bank of Iceland.

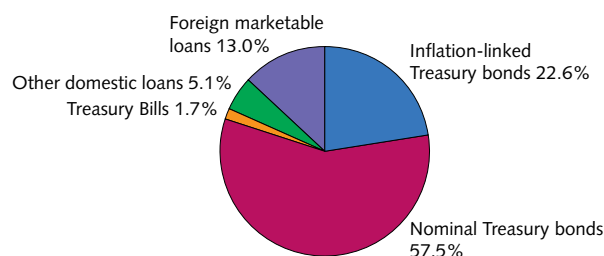
Net debt in m.kr.

On-lending and cash at the Central bank	Nominal incl./ inflation compensation end of month
Nominal on - lending	10,840
Inflation-linked on - lending	42,009
Foreign currency on - lending	-
Cash ISK	46,447
Cash FX	81,456
Total	180,752
Net debt	
Nominal debt	471,324
Inflation-linked debt	205,524
Foreign currency debt	34,847
Net central government debt	711,690
Total net debt as percentage of GDP	28.2

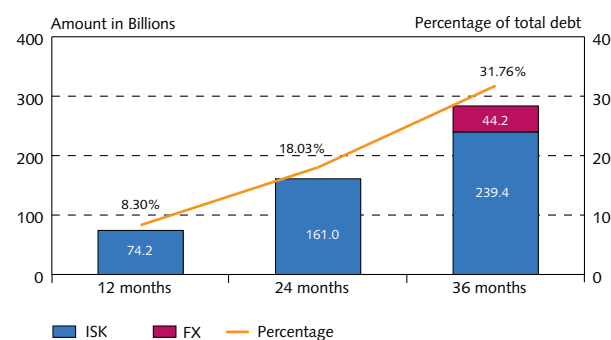
Changes in central government debt



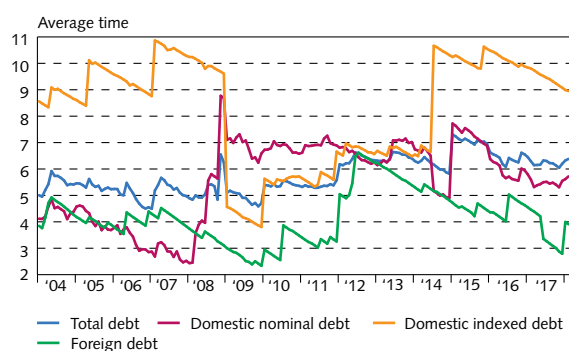
Total market value of benchmark issues



Percentage of debt maturing after;



Average Time to Maturity





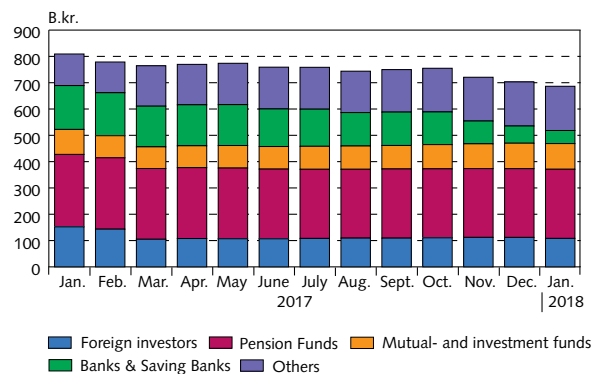
Investors

Owners of T-bonds and bills 31 January 2018*

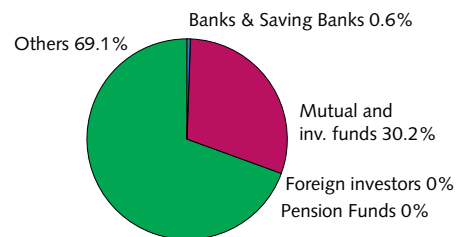
Nominal value in m.kr.	RIKB 19	RIKB 20	RIKB 22	RIKB 25	RIKB 28	RIKB 31	RIKH 18	RIKS 21	RIKS 30	RIKS 33	Total	Total bills
Domestic investors												
Banks & Saving Banks	1,474	3,979	2,081	2,739	2,925	2,609	32,549	753	606	0	49,716	100
Miscellaneous credit undertakings	4,796	1,500	0	0	0	0	132	11,782	11,900	12,590	42,700	9,097
Mutual and inv. funds	12,606	17,811	12,989	7,010	9,970	5,504	460	15,267	14,485	1,499	97,600	4,696
Pension Funds	9,490	24,576	25,794	48,780	17,342	51,828	12,065	22,525	45,424	4,964	262,788	0
Firms	2,170	9,345	6,299	5,126	4,558	5,547	0	4,264	449	1,421	39,178	677
Households	2,689	1,240	1,395	779	313	214	0	4,497	376	2,078	13,582	742
Others	23,904	11,781	10,327	11,540	2,133	2,770	4,705	2,411	906	2,198	72,674	233
Foreign investors	26,247	4,837	12,828	21,488	5,566	27,533	75	125	100	9,423	108,222	0
Total:	83,375	75,069	71,713	97,462	42,807	96,005	49,985	61,624	74,247	34,172	686,461	15,545

* Included securities lending from the issuer to the primary dealers.

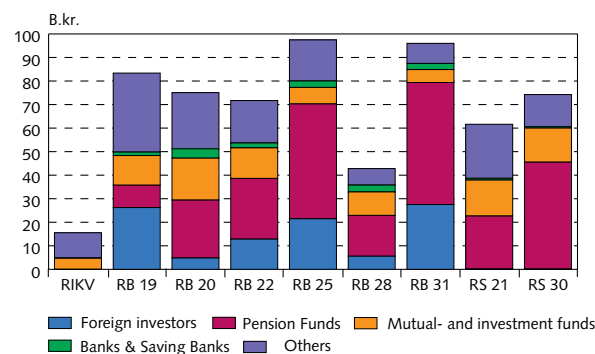
Owners of T-bonds 31 January 2018*



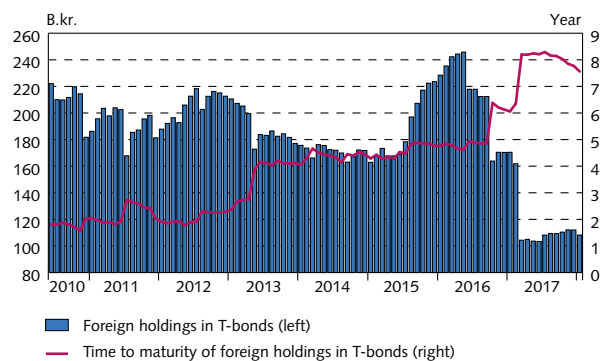
Owners of T-bills 31 January 2018*



Owners of marketable T-bonds and bills 31 January 2018*



Time to maturity of non-residents' holdings in T-bond and -bills 31 January 2018*



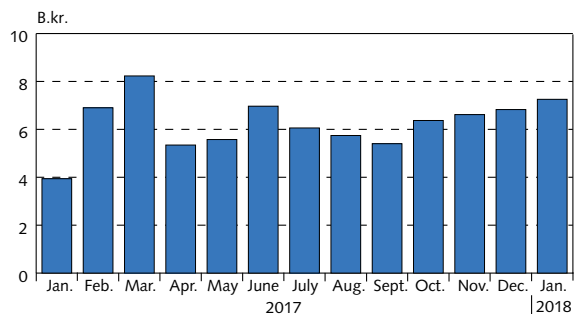
* Information on this page is based on the most recent data from the Icelandic Securities Depository and banks.



Market Information

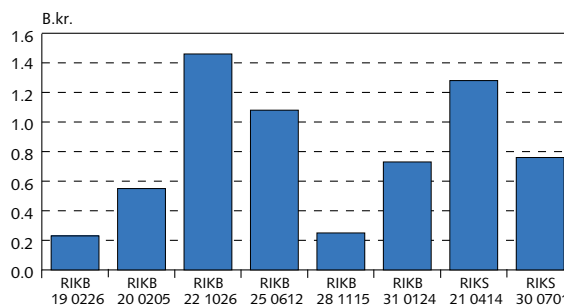
Securities lending facility, redemption profile and turnover

Average amount in the security lending facility* of GDM at market value

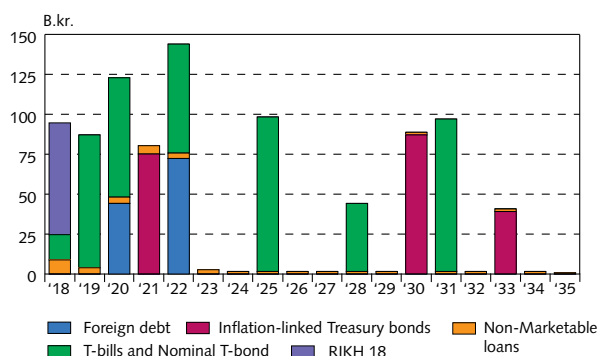


* Calculated at market price.

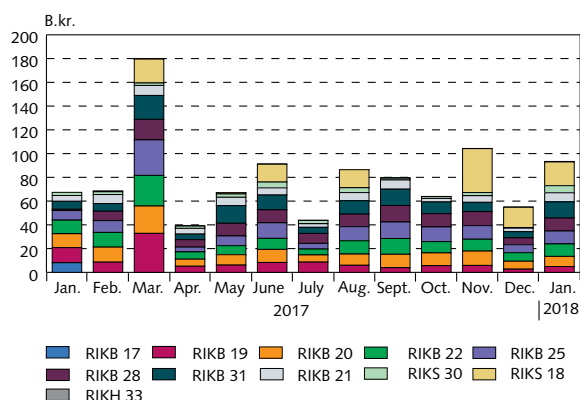
Outstanding amount in the securities lending facility* by series at the end of last month



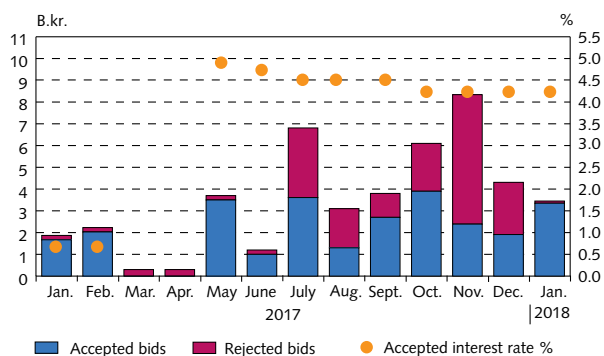
Redemption profile of government debt



Monthly trading volume in T-Bonds on NASDAQ Iceland Exchange

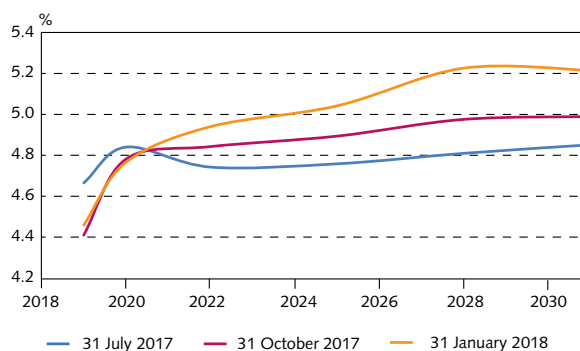


Auction of Treasury bills



Yield curves

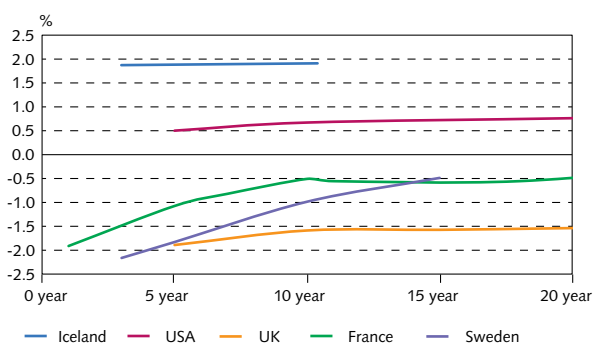
Nominal yield curves



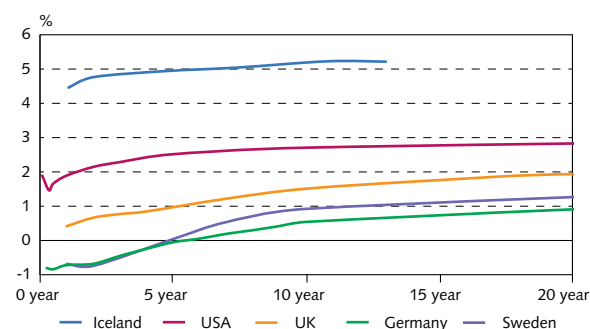


Market Information

Yield curve inflation-linked T-bonds

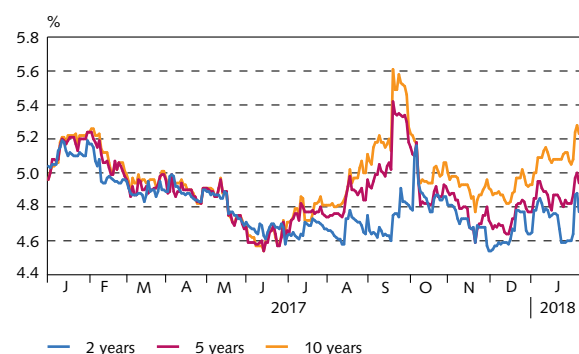


Yield curve Treasury bills and nominal T-bonds

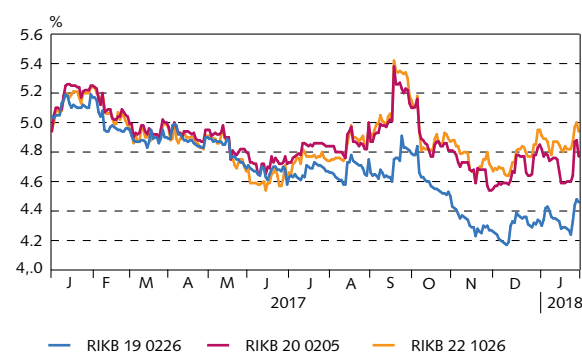


Yield for Treasury bonds

Generic Yield



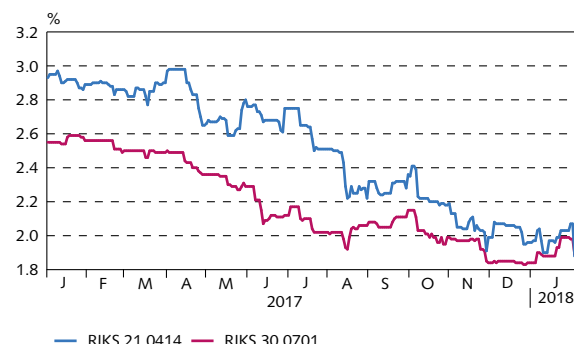
Yield for short and medium term nominal T-bonds



Yield for long term nominal T-bonds



Yield for inflation linked T-bonds





Auctions of Treasury bonds and bills

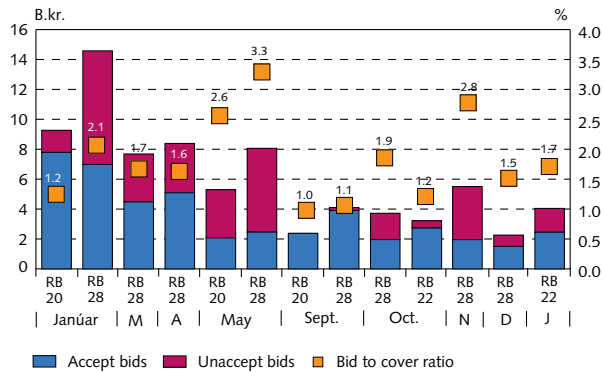
Auction in 2018, in m.kr.

<i>Date</i>		<i>Offers</i>		<i>No. of bids</i>	<i>No. of acc. bids</i>	<i>Yield %</i>	<i>Acc. bids</i>		<i>Non comp. auction nominal v.</i>	<i>Total value</i>
		<i>Market value</i>	<i>Nominal value</i>				<i>Market value</i>	<i>Nominal value</i>		
Nominal T-Bonds										
26.01.18	RIKB 22 1026	4,046	3,680	31	17	4.84	2,452	2,230	0	2,452
Total		4,046	3,680				2,452	2,230	0	2,452
									Total value	2,452
T-Bills										
25.01.18	RIKV 18 0416	3,414	3,445	12	11	4.20	3,315	3,345		
Total		3,414	3,445				3,315	3,345		



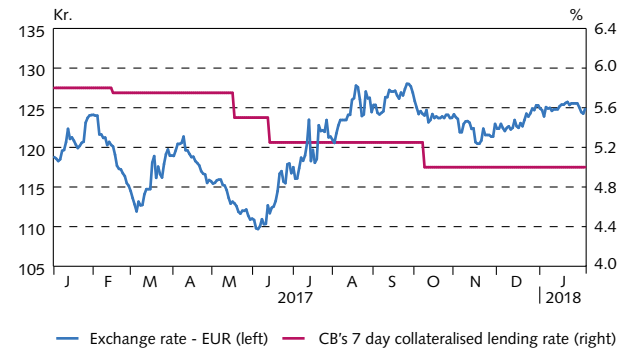
Auctions of Treasury bonds

Latest auction results of Treasury bonds at market value



Exchange rate development

Euro exchange rate versus 7 days collateralised lending rate



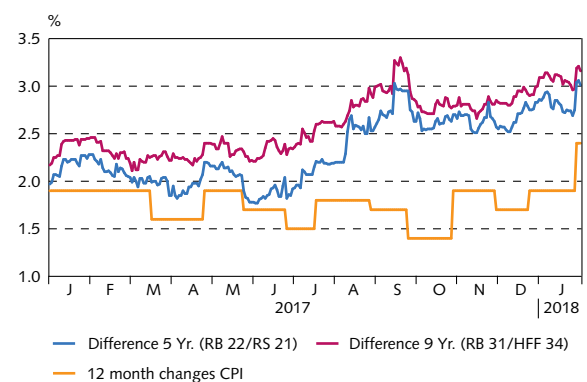
Next planned auction date:

22 February 2018 - Auction of Treasury bills
23 February 2018 - Auction of Treasury bonds

Primary dealers

Primary dealers in government securities	Telephone	Bloomberg
Íslandsbanki	+354 440 4000	ISLA
Arion banki	+354 444 6000	ARIO
Kvika banki hf.	+354 540 3200	KVIK
Landsbankinn	+354 410 4000	LAIS

Inflation premium nominal T-bonds



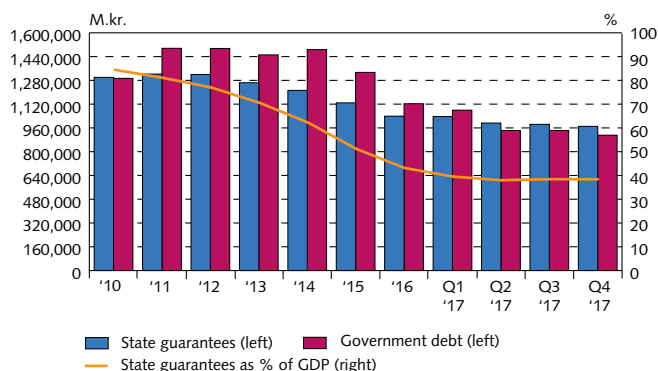


State guarantees

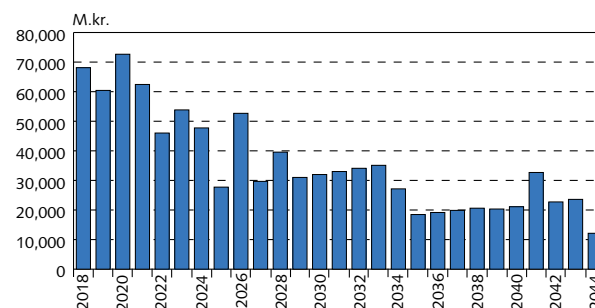
State guarantees 2012–2017

M.kr.	Q4 2017	Outstanding end of year				
		2016	2015	2014	2013	2012
Lending agencies	804,037	830,231	855,054	892,205	935,645	956,735
Housing Financing Fund	794,068	821,180	844,130	881,045	923,492	942,169
Regional Development Fund	9,970	9,051	10,923	11,160	12,153	14,565
Co-operative and Limited Partnerships	163,766	207,073	271,548	317,940	324,844	358,920
National Power Company sf.	152,567	195,048	257,155	302,586	309,531	342,231
RARIK ohf. (Iceland State Electricity)	1,242	1,483	1,786	2,075	2,343	2,638
Farice ehf.	5,547	5,652	7,214	7,588	6,446	6,828
Isavia ohf.	1,213	1,401	1,749	2,130	2,507	2,917
RUV ohf. (National Broadcasting Service)	2,573	2,886	3,011	2,760	3,224	3,479
Other	624	603	633	801	793	828
Industries/Municipalities	2,450	1,872	2,229	2,440	3,760	3,964
NIB - Nordic Investment Bank	2,450	1,862	2,209	2,411	2,956	3,110
Other	0	10	20	29	804	854
State Guarantees total	970,253	1,039,177	1,128,831	1,212,585	1,264,249	1,319,619

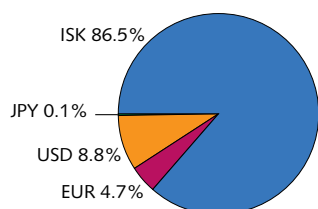
State guarantees - government debt and GDP 2010-2017



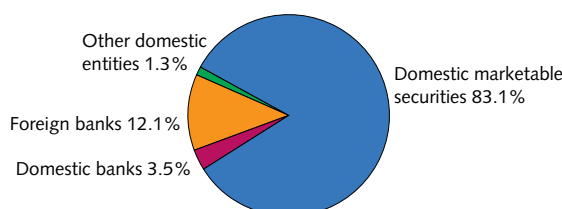
State guarantees - Maturity profile



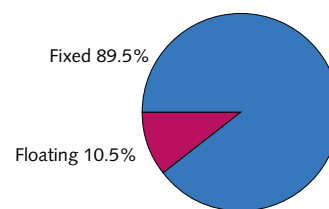
Currency ratio



Type of lenders



Interest rate type



Notes:

- Guarantees shown include accrued interest and indexation at the end of each period. Guarantees in foreign currency are shown at ask exchange rate. Numbers for 2017 are preliminary.
- Numbers for the Housing Financing Fund are at nominal value and include accrued interest and indexation on securities issued. Included in the position of HFF-bonds are bonds reserved for security lending contracts with Primary Dealers.
- The Treasury redeemed the contingent liabilities of Kaupthing bank hf as of the end of 2012, amounting to 1.5 b. ISK.