

Fixed Income

CZGB Auction Alert

CZK15.0bn auction

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Issuance activity: Tomorrow, MinFin is scheduled to auction CZK5.0bn of 2028 bonds, CZK5.0bn of 2032 bonds and CZK5.0bn of 2035 bonds. In March, MinFin plans to offer CZK24.0bn of CZGB in primary auctions, i.e. CZK1.0bn less mom, while the total indicative issuance in Q1 remains at CZK85.0bn. However, with CZK54.5bn of CZGBs already sold in primary auctions, the indicative quarterly amount may easily be exceeded. A further CZK9.7bn and EUR250mn have been tapped on the secondary market so far this year. We estimate that total CZGB gross issuance for the year is more likely to be in the upper half of MinFin's range of CZK350-450bn. Gross issuance is thus likely to be slightly higher yoy, as total issuance, including primary auctions and secondary market taps and switches, reached CZK376.0bn in 2024.

Bonds on offer in the 26 February auction

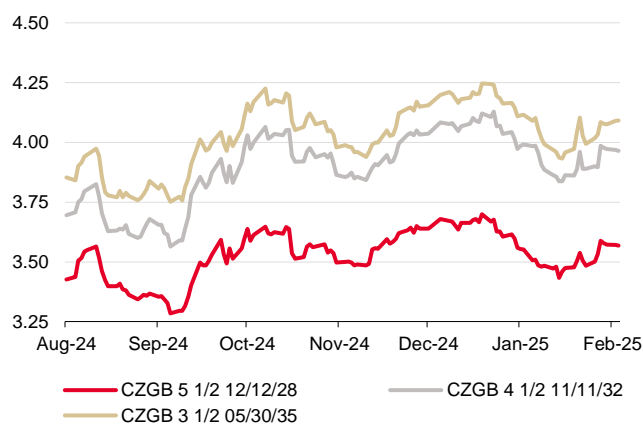
ISIN	Coupon	Maturity	Indicated volume	Mod. Duration	Indicative price, KB IB
CZ0001006696	5.50%	12.12.2028	Max. CZK5.0bn	3.4	106.60-106.80
CZ0001007033	4.50%	11.11.2032	Max. CZK5.0bn	6.4	103.10-103.40
CZ0001006431	3.50%	30.05.2035	Max. CZK5.0bn	8.2	94.90-95.20

Source: Finance Ministry, Bloomberg, Economic & Strategy Research, Komerční banka

Market situation: European bonds suffered losses last week on the increasing likelihood of higher public deficits linked to future additional defence spending. However, last week's move was largely reversed on risk-off sentiment and concerns that global growth could be hit by the US administration's policies. On the Czech data front, January PPI rose 0.2% mom vs. 0.7% BBG consensus, confirming subdued inflationary pressures in the goods-producing sector and supporting further CNB rate cuts in our view. On Friday 14 February, Fitch affirmed the Czech Republic's sovereign rating at AA-/AA- with a stable outlook. The Czech Republic remains the best-rated sovereign in CEE.

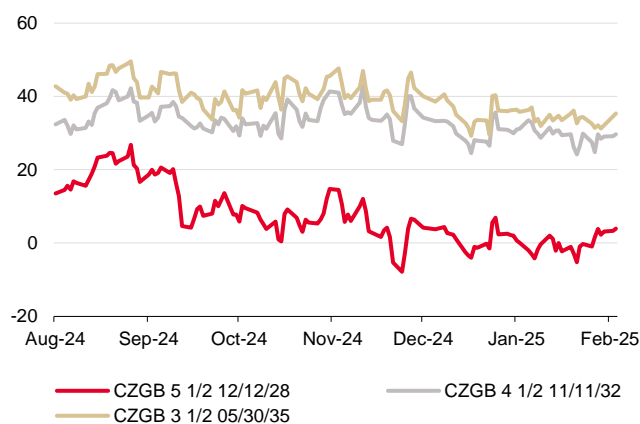
Rates outlook: We still see room for further rate cuts by the CNB, but the risks to our forecast are skewed towards higher rates for longer. Our baseline forecast is for a 25bp cut at each of the next three meetings, bringing the repo rate to 3% in June.

Yield of bonds on tap (%)



Source: Bloomberg, Economic & Strategy Research, Komerční banka

ASW of bonds on tap (bp)



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Government bond overview

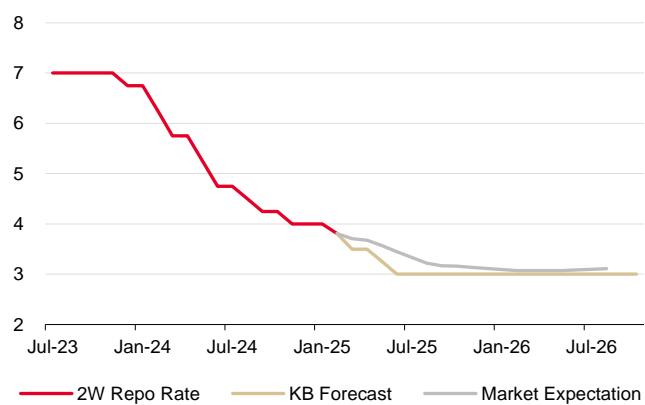
Government bond overview									Rich-cheap analysis										
Bond	Dur.	Issued last 90D	Issuance limit	Yield	Δ1W	Δ1M	FX hedged	ASW	Δ1W	Δ1M	Min	90D	Max	Z-Score	Rank	Spline spread	Rank	Carry Roll 90D	Rank
2.40 Sep-25	0.5	0.0	85%	3.46	-1	-4	2.25	-28	3	3	-69		-18	0.9	2	-9.8	1	-28.2	24
6.00 Feb-26	1.0	0.0	71%	3.33	-1	3	2.16	-30	10	8	-81		-20	1.1	1	6.3	23	-16.5	23
1.00 Jun-26	1.3	0.0	100%	3.39	-4	-10	2.20	-26	-3	-11	-27		4	-2.0	23	2.3	15	-8.8	21
0.25 Feb-27	1.9	0.0	112%	3.51	-1	-5	2.34	-7	0	-3	-14		11	-1.4	15	-5.1	4	-3.1	22
2.50 Aug-28	3.2	0.0	94%	3.55	0	-2	2.45	-2	1	2	-9		13	-0.7	8	1.8	14	0.3	18
5.50 Dec-28	3.4	2.2	74%	3.56	2	3	2.48	-2	1	4	-13		8	0.3	3	3.3	19	-0.3	20
5.75 Mar-29	3.5	0.0	123%	3.54	2	-7	2.46	-4	0	-5	-9		13	-1.1	12	7.2	24	-0.3	19
2.75 Jul-29	4.0	0.0	100%	3.61	2	-10	2.50	-2	2	-9	-6		18	-1.6	18	3.3	17	0.4	17
0.05 Nov-29	4.6	5.6	62%	3.63	4	-8	2.50	-3	4	-6	-5		18	-1.9	22	3.3	18	0.7	16
0.95 May-30	4.9	0.0	100%	3.70	2	-1	2.56	3	3	1	0		51	-1.1	13	-0.1	13	1.2	14
5.00 Sep-30	4.8	5.4	101%	3.73	5	-2	2.64	10	4	0	-2		21	-0.1	4	-0.4	12	1.3	13
1.20 Mar-31	5.6	0.0	100%	3.77	3	-5	2.59	7	2	-3	4		23	-1.7	20	-1.0	9	1.6	11
6.20 Jun-31	5.1	11.3	100%	3.75	4	-4	2.65	10	3	-3	0		21	-0.2	5	3.9	20	1.4	12
1.75 Jun-32	6.6	0.0	100%	3.90	5	0	2.68	12	3	1	7		24	-1.0	10	-3.4	6	2.1	9
4.50 Nov-32	6.4	12.6	89%	3.97	6	-2	2.82	25	2	-1	18		38	-0.4	6	-8.0	2	2.3	4
3.00 Mar-33	6.9	9.6	45%	3.97	3	-4	2.78	21	1	-2	18		35	-1.1	14	-6.0	3	2.3	5
2.00 Oct-33	7.6	0.0	100%	3.99	3	-6	2.76	18	2	-3	17		35	-1.8	21	-3.3	7	2.3	7
4.90 Apr-34	7.1	15.0	108%	4.03	4	-5	2.88	28	3	-2	23		44	-0.6	7	-3.6	5	2.4	2
3.50 May-35	8.2	0.0	86%	4.08	4	-3	2.88	26	3	0	22		41	-1.0	11	-0.6	11	2.4	3
3.60 Jun-36	8.8	15.2	32%	4.11	3	-5	2.93	27	3	-2	24		44	-1.5	16	2.4	16	2.3	6
4.20 Dec-36	9.1	0.0	100%	4.11	1	-9	2.95	27	0	-7	25		46	-1.6	19	6.0	22	2.5	1
1.95 Jul-37	10.4	2.3	60%	4.21	4	-4	2.94	26	2	-1	21		41	-1.5	17	-0.7	10	2.3	8
1.50 Apr-40	12.5	5.4	64%	4.28	3	-3	2.97	24	0	-3	21		43	-2.1	24	4.8	21	1.7	10
4.00 Apr-44	12.8	2.8	5%	4.41	3	-4	3.18	46	1	-7	36		63	-0.9	9	-2.4	8	0.9	15

Source: Economic & Strategy Research, Komerční banka, Bloomberg, MinFin

Note: Bonds included in the sample are non-callable bullet bonds issued by the Czech Government with a maturity greater than 3 months and less than 20 years, bonds excluded are zero-coupon bonds, inflation linked bonds and floating bonds; * insufficient time series; issuance in CZKbn, the issuance limit includes a possible extension according to the issuance terms; FX-hedged vs EUR using xccy; ● actual ASW; ◆ average ASW over the last 90D; Z-score means the number of std. deviations from the average; spline spread = actual yield - estimated yield indicates richness/cheapness vs fair value; estimated yield is derived from the estimated curve using on-the-run bonds for each maturity bucket and cubic spline interpolation; CarryRoll - the carry is calculated as the bond's forward yield at horizon data minus today's yield, the roll is calculated as the bond's spline fitted yield at maturity minus the spline-fitted yield at maturity, less the horizon period; ranks sort bonds from the cheapest to the richest according to a given method.

Market-implied policy rates

	Spot rate	+/- bp since last week	
2W Repo Rate	3.75%	0.0	
3M PRIBOR	3.74%	0.0	
Next CNB meeting	Wednesday, 26 March, 2025		
Forward dates	Implied policy rate	Rate change priced in (bp)	+/- bp since last week
1M	3.72%	-3.5	0.5
2M	3.68%	-7.2	0.3
3M	3.62%	-13.5	1.5
6M	3.37%	-38.0	1.7
9M	3.14%	-61.5	1.2
12M	3.07%	-68.0	1.5
15M	3.08%	-67.5	2.5
18M	3.11%	-64.0	3.0
21M	3.15%	-60.5	3.2



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Source: Bloomberg, Economic & Strategy Research, Komerční banka

Issuance calendar of T-bills and T-bonds

Date	ISIN/Issue number	Coupon	Maturity	Indicated volume
12.03.2025	CZ0001007033	4.50%	11.11.2032	Max. CZK5.0bn
12.03.2025	CZ0001007256	3.00%	03.03.2033	Max. CZK5.0bn
12.03.2025	CZ0001006316	1.95%	30.07.2037	Max. CZK2.0bn
12.03.2025	T-BILL 925/1		12.09.2025	Max. EUR500mil
13.03.2025	T-BILL 926/1		12.12.2025	Max. CZK5.0bn
19.03.2025	CZ0001007041	VAR%	18.08.2043	Max. CZK1.0bn
26.03.2025	CZ0001006969	6.20%	16.06.2031	Max. CZK4.0bn
26.03.2025	CZ0001007355	3.60%	03.06.2036	Max. CZK5.0bn
26.03.2025	CZ0001005920	1.50%	24.04.2040	Max. CZK2.0bn
27.03.2025	T-BILL 924/3		01.08.2025	Max. CZK5.0bn

Source: Finance Ministry, Economic & Strategy Research, Komerční banka

Date	ISIN/Issue number	Coupon	Maturity	Indicated volume
12.02.2025	CZ0001007256	3.00%	03.03.2033	Max. CZK5.0bn
12.02.2025	CZ0001007355	3.60%	03.06.2036	Max. CZK4.0bn
12.02.2025	CZ0001007397	4.00%	04.04.2044	Max. CZK1.0bn
13.02.2025	T-BILL 922/3		16.05.2025	Max. CZK5.0bn
26.02.2025	CZ0001006696	5.50%	12.12.2028	Max. CZK5.0bn
26.02.2025	CZ0001007033	4.50%	11.11.2032	Max. CZK5.0bn
26.02.2025	CZ0001006431	3.50%	30.05.2035	Max. CZK5.0bn
27.02.2025	T-BILL 924/2		01.08.2025	Max. CZK5.0bn

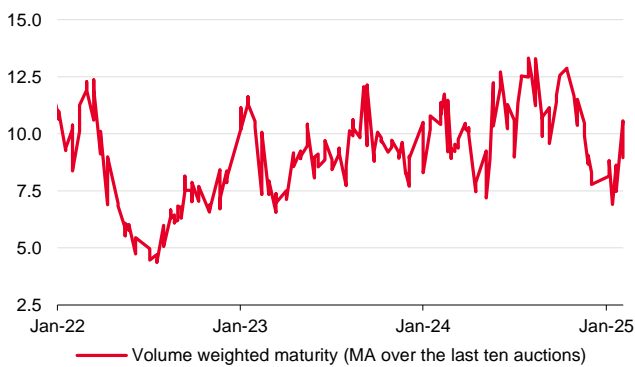
Source: Finance Ministry, Economic & Strategy Research, Komerční banka

Sovereign rating overview

	Local currency	Outlook	Foreign currency	Outlook	Next rating review
S&P	AA	STABLE	AA-	STABLE	28 March 2025
Moody's	Aa3	STABLE	Aa3	STABLE	18 July 2025
Fitch	AA-	STABLE	AA-	STABLE	8 August 2025

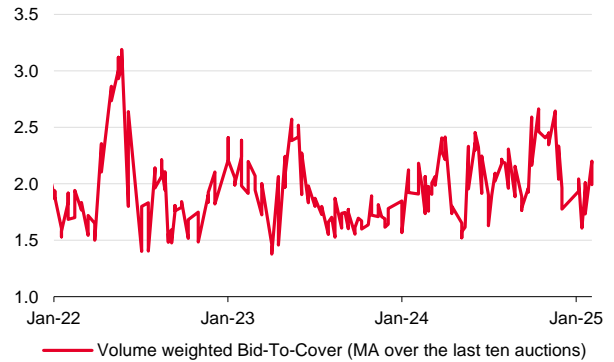
Source: Bloomberg, Economic & Strategy Research, Komerční banka

Average maturity of newly issued bonds (years)



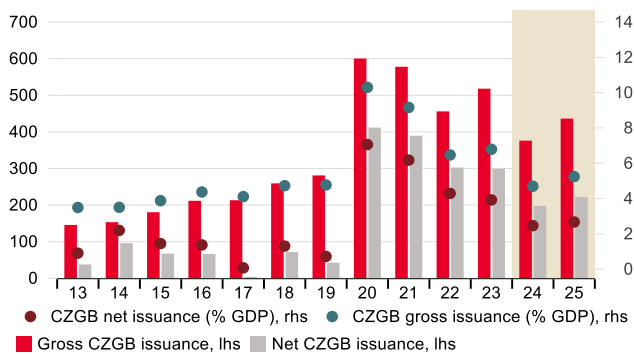
Source: Bloomberg, Economic & Strategy Research, Komerční banka

Primary market demand (b/c)



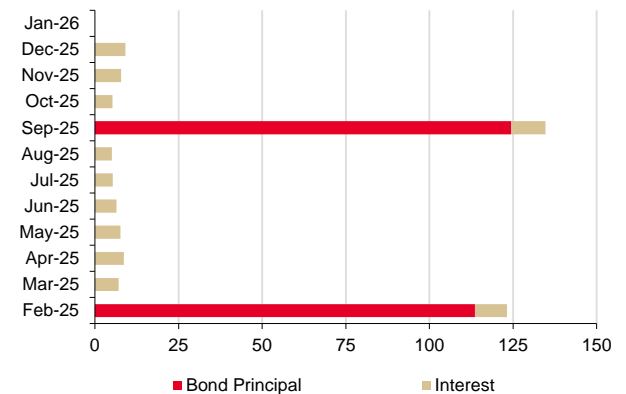
Source: Bloomberg, Economic & Strategy Research, Komerční banka

CZGB issuance on the primary market (CZKbn)



Source: Finance Ministry, Economic & Strategy Research, KB forecast as of 29/01/2025.

Maturity of bonds and interest in the next 12 months (CZKbn)



Source: Bloomberg, Economic & Strategy Research, Komerční banka

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