# Outlook 2020 Event

## The Hague
## 13 December 2019

Dutch State Treasury Agency
Ministry of Finance

# Today's programme

› Welcome

*Emile Spijkerman, DSTA (Head of Policy and Risk)*

› Opening

*Wopke Hoekstra (Minister of Finance)*

› Keynote speech

*Jan Lambregts (Rabobank)*

› Looking back on 2019, PD awards

*Martin Heerma, DSTA (Head of Front Office)*

› Economy & budget, policy framework, funding plan

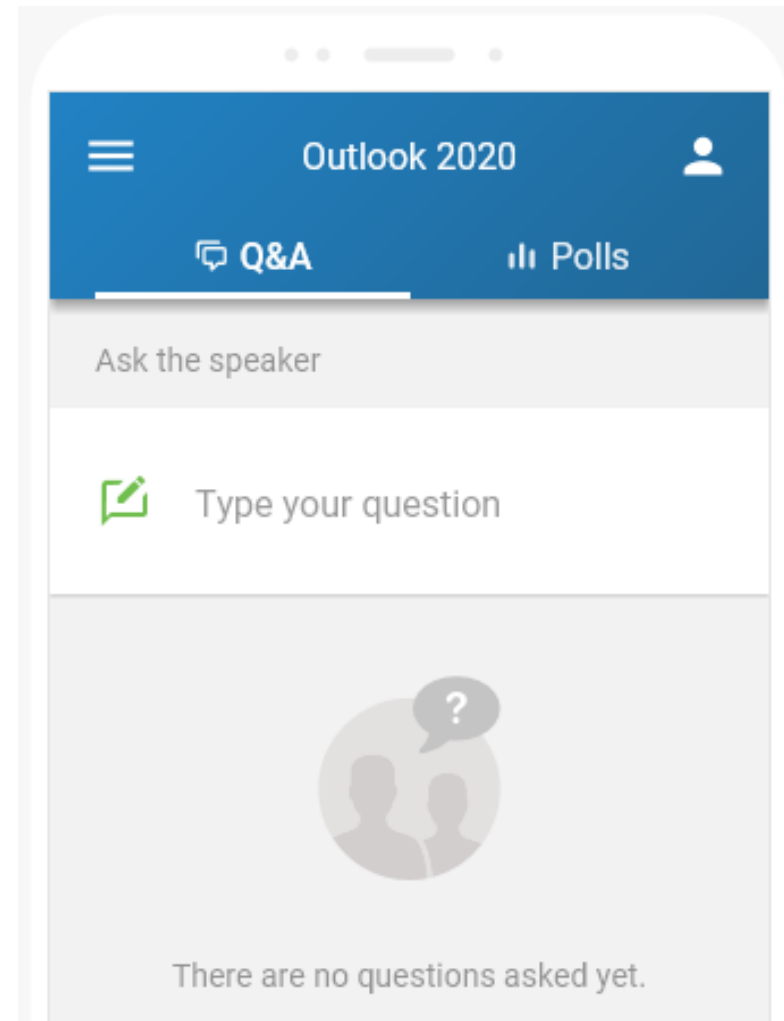*Elvira Eurlings, DSTA (Agent)*

› Closing remarks

*Christiaan Rebergen (Treasurer General)*

# Join our polls and Q&A's during this Event

› On your mobile device, go to slido.com

› Enter event code *DSTA*

› Choose: Join event

› All your answers and questions are by default anonymous

Opening by Wopke Hoekstra
Minister of Finance

# Live poll

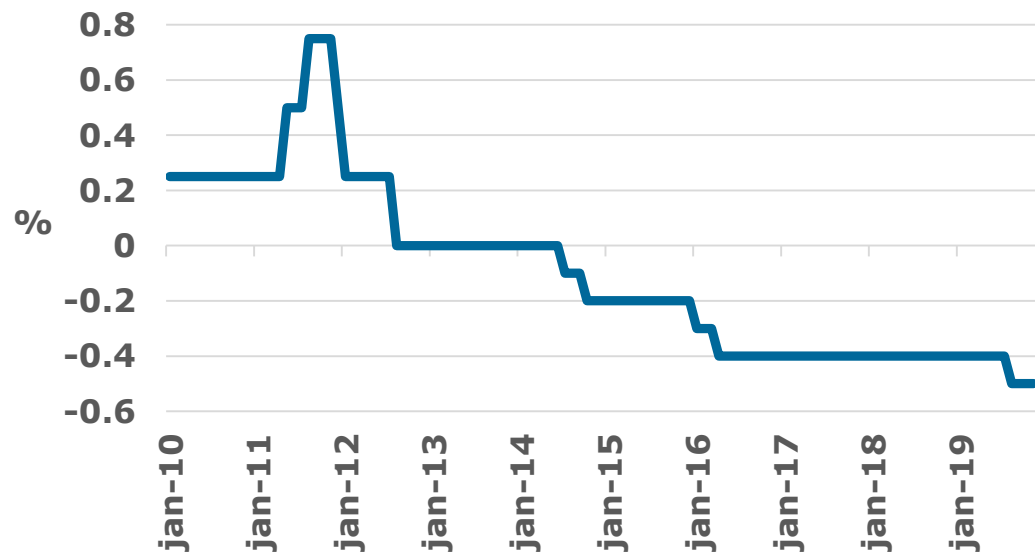# Question 1 - Yield on the 10-year DSL in 12m time?

Options:

-0.4% or lower

-0.4% to -0%

0 to 0.4%

0.4% or higher



Vote on slido.com now

# Question 2 – First time that the ECB raises rates?



Options:

before Q4 2021

between Q4/21 – Q2/22

after Q2 2022

ECB will ease rates

Vote on slido.com now

# Question 3 – The 10-30 DSL spread in 12m time?



Options:

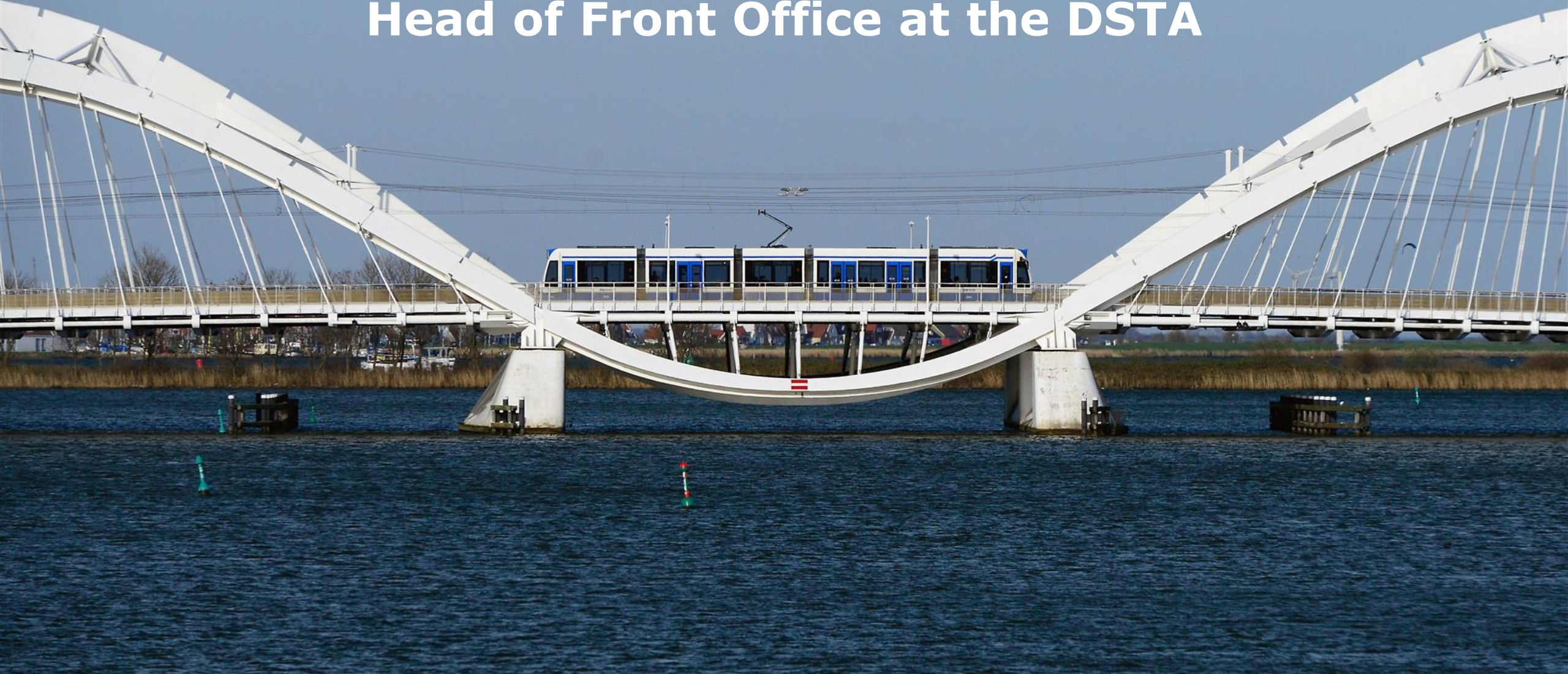below 20 bp

20-50 bp

50-75 bp

above 75 bp

Vote on slido.com now

Keynote speech by Jan Lambregts
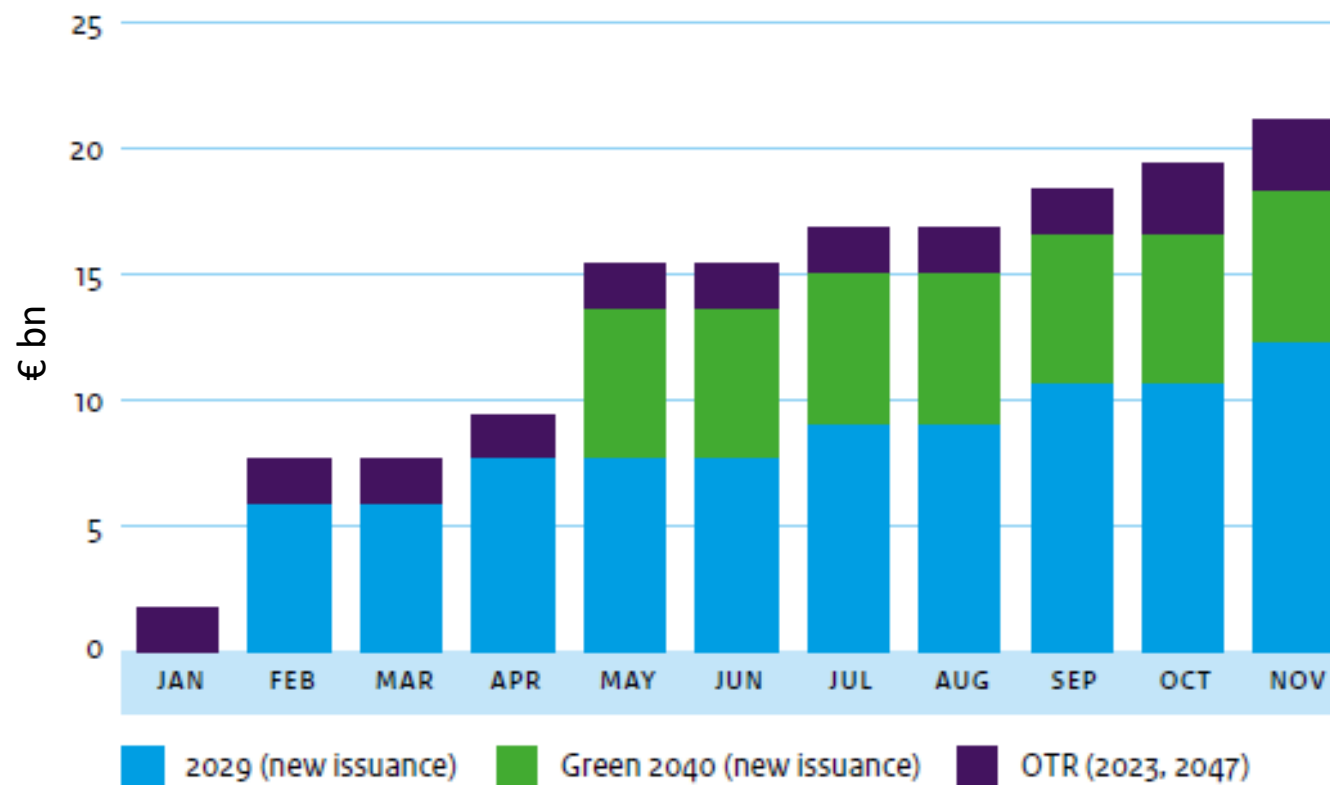Global Head of RaboResearch Global Economics & Markets

Looking back on 2019 & PD awards
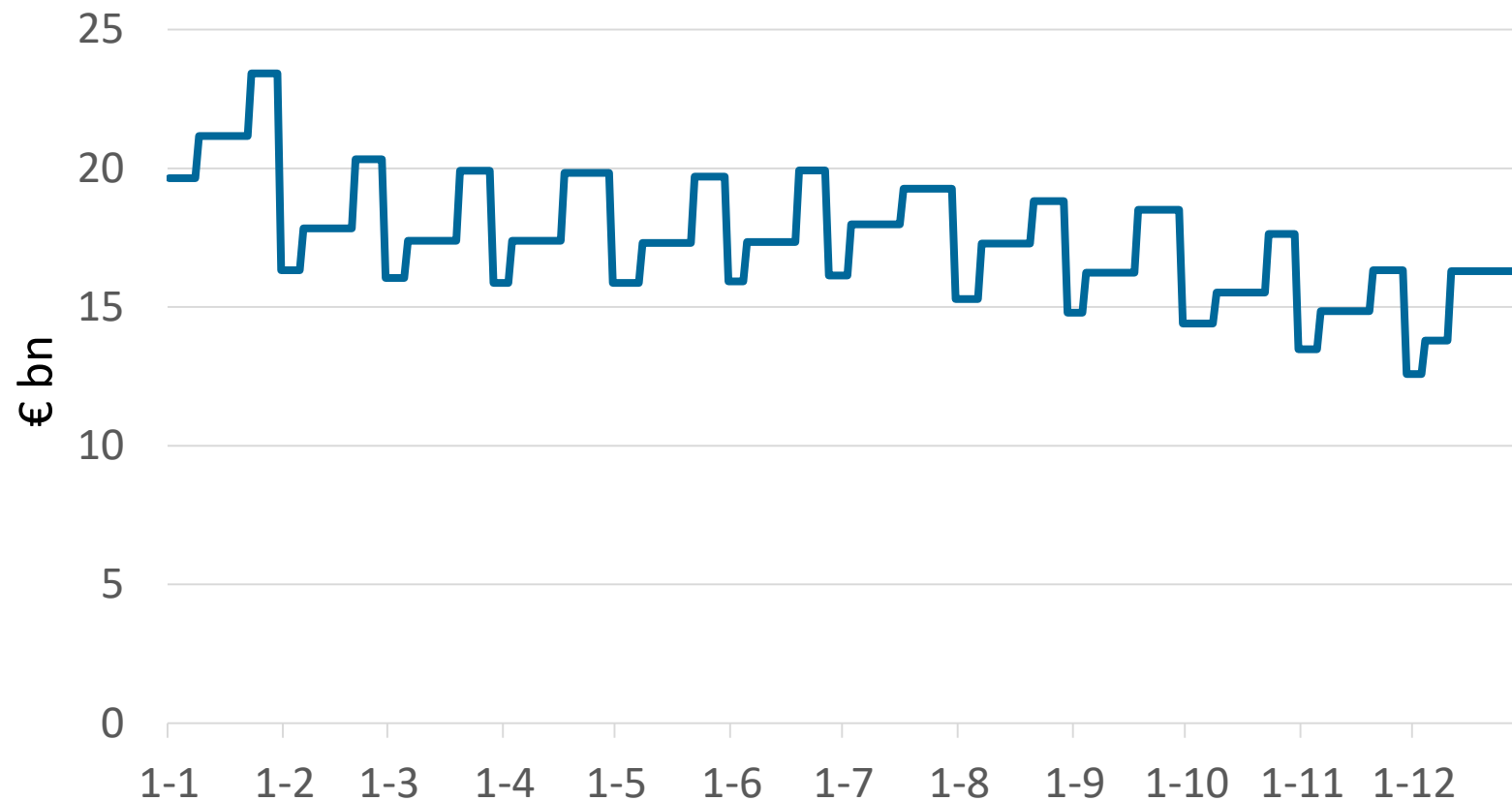by Martin Heerma
Head of Front Office at the DSTA

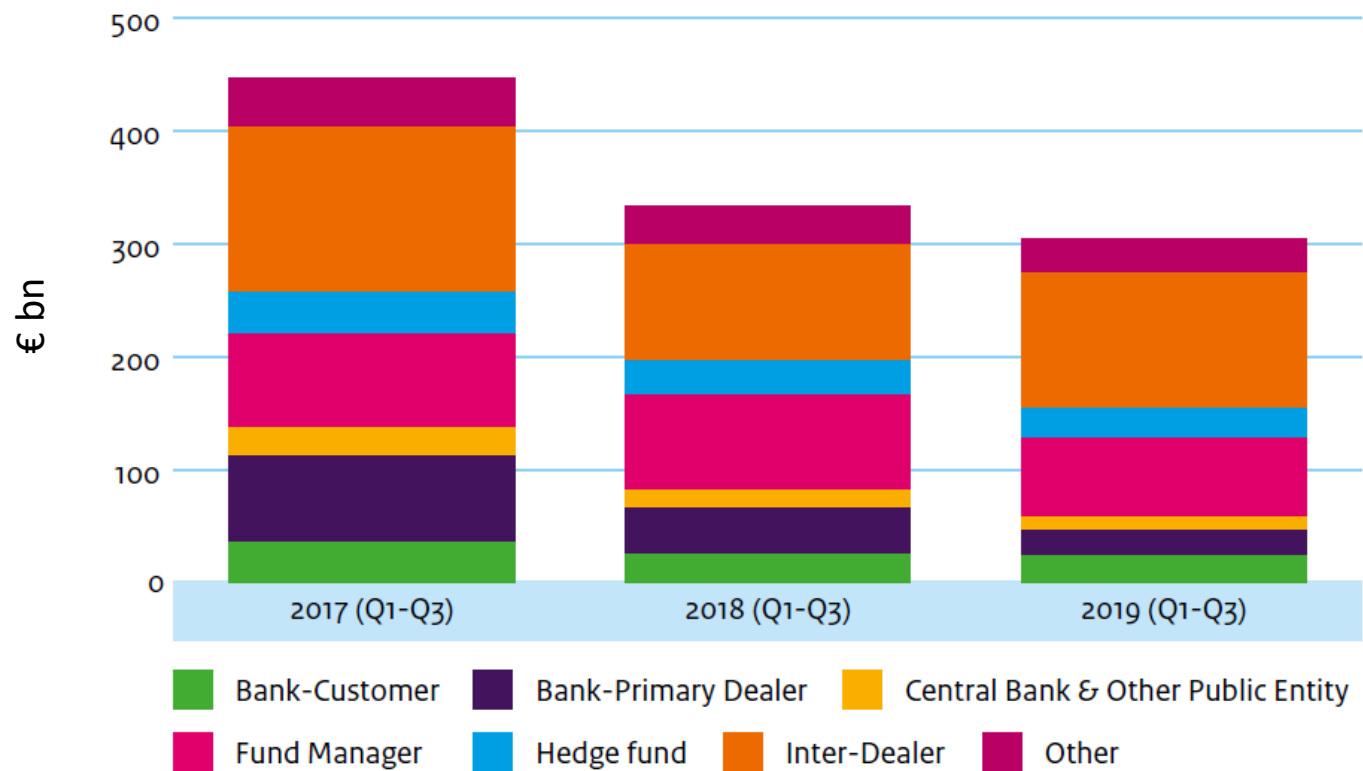# Looking back on DSL issuance in 2019

# Looking back on DTC issuance in 2019

# Turnover by investor type 2017-19



Source: DSTA Secondary Market Trade Reports, 1 November 2019.

# DSL turnover data will be available on our website



Total trading volume 2014 to 2019 (YTD)
In € billions
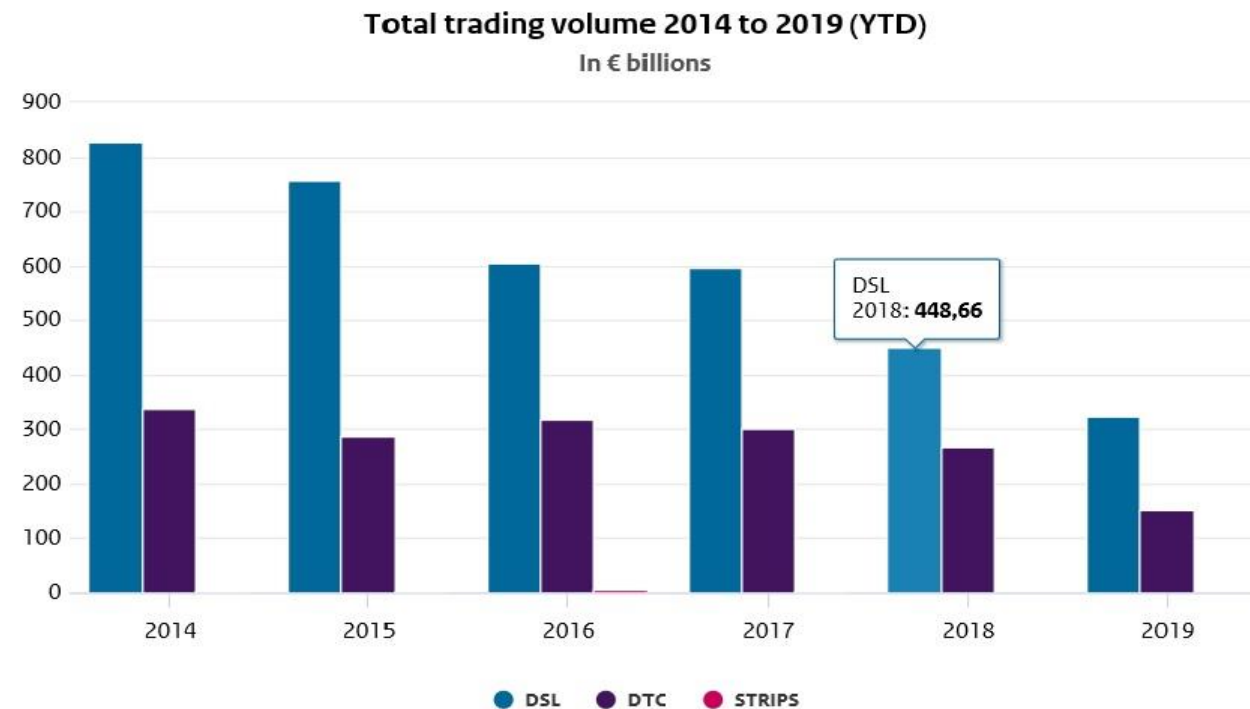
# DSTA Commercial Paper Awards

› The best dealer in the ECP market is………



› The best dealer in the USCP market is………

# DSTA Dutch Treasury Certificate Award

› The best dealer in the DTC market is………..

**Nordea**

# DSTA Dutch State Loan Award

› The best dealer in the DSL market is.........

# Primary Dealers for 2020

**Outlook 2020 by Elvira Eurlings**
**Agent of the DSTA**

# Outline of the Outlook

› Economic & Budgetary Outlook

› New Policy Framework

› Funding Plan 2020

# **Economic and Budgetary Outlook**

# Economic Outlook: key figures Netherlands

| % change y-o-y | 2018 | 2019 | 2020 |
|---|---|---|---|
| GDP | 2.6 | 1.8 | 1.5 |
| Household consumption | 2.3 | 1.5 | 1.9 |
| Government consumption | 1.6 | 2.2 | 2.9 |
| Investment (incl. inventories) | 2.2 | 4.8 | 2.3 |
| Exports | 3.7 | 2.3 | 1.9 |
| Imports | 3.3 | 3.1 | 2.9 |
| Employment (in hours) | 2.2 | 2.1 | 0.8 |
| **%** | **2018** | **2019** | **2020** |
| Unemployment (% labour force) | 3.8 | 3.4 | 3.5 |
| Inflation (HICP) | 1.6 | 2.6 | 1.3 |

Source: CPB, 17 September 2019.

# Budgetary Projections (% GDP)

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| EMU-balance | 1.5 | 1.3 | 0.2 |
| EMU-debt | 52.4 | 49.1 | 47.7 |
| Structural EMU-balance | 1.0 | 0.5 | -0.4 |

Source: Ministry of Finance.

# Strong fundamentals to address challenges

› Strong public finances leave ample scope to deal with setbacks

› Low unemployment

› Strong competitive position

– *Position 4 on the World Economic Forum ranking; highest ranking Eurozone country*

› Households have a strong net asset position

– *Pension assets are the highest in the world. The Pension Agreement should increase the future sustainability of the pension system*

New Policy Framework

# Evaluation Policy Framework 2016-2019

› Periodic review

  – *In-house analyses, feedback from market participants*

  – *External assessment by SEO Amsterdam Economics*

› Conclusions

  – *DSTA's policies contributed to funding public debt at lowest possible cost at acceptable risk to the budget*

  – *Policy has therefore been <u>effective</u> and <u>efficient</u>*

# Evaluation Policy Framework 2016-2019

› Funding policy

  – *Funding was in line with international guidelines of IMF and World Bank*

  – *Focus on consistency, transparency, liquidity has kept uncertainty premium low*

› Interest rate risk framework

  – *Annual targets – for average maturity and refixing amount – were met*

| | | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Average maturity (in years) | Target | 5.5 | 6.0 | 6.3 | 6.4 |
| | Realisation | 5.6 | 6.0 | 6.3 | 6.6* |
| 12-month refixing (% of debt) | Ceiling | 18% | 18% | 18% | 18% |
| | Realisation | 15.3% | 15.4% | 13.7% | 13.3%* |

\* Forecast

# Recommendations for new Policy Framework

› *KEEP* funding principles: liquidity, consistency, transparency

› *ADD* flexibility: deal with changes in investor demand and funding

› *NEW* internal evaluation: every 2 years, allowing for adjustments

# Policy Framework 2020-2025

The two risk indicators will be maintained

› The **average maturity** will be increased further, towards 8 years

  - *Lock in low rates*

  - *Contribute to budget stabilization*

  - *Follow market appetite*

› The 12-month **refixing amount** will be capped at 30% of debt

  – *Healthy budget and lower debt levels -> higher capacity to bear risk*

  – *The rise in the refixing amount follows from the composition of the swap portfolio: mainly payer swaps are set to expire in the years ahead*

Average maturity debt portfolio 2020+
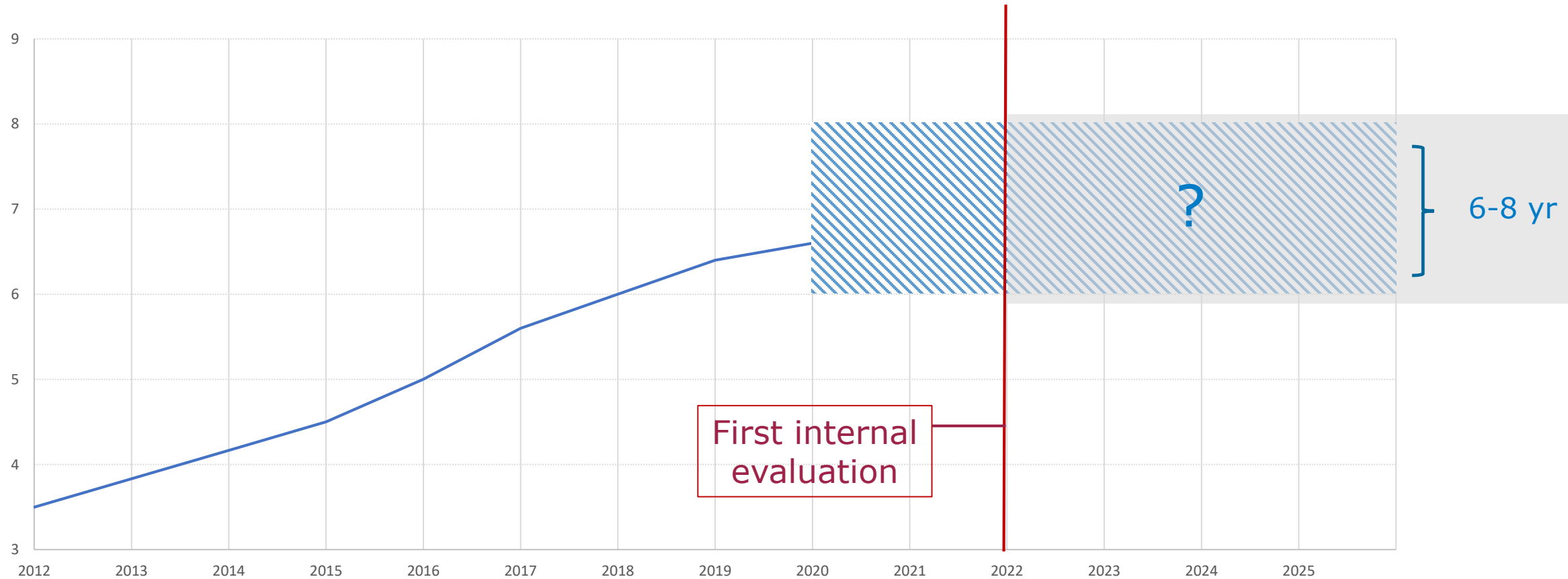
# Funding Plan 2020
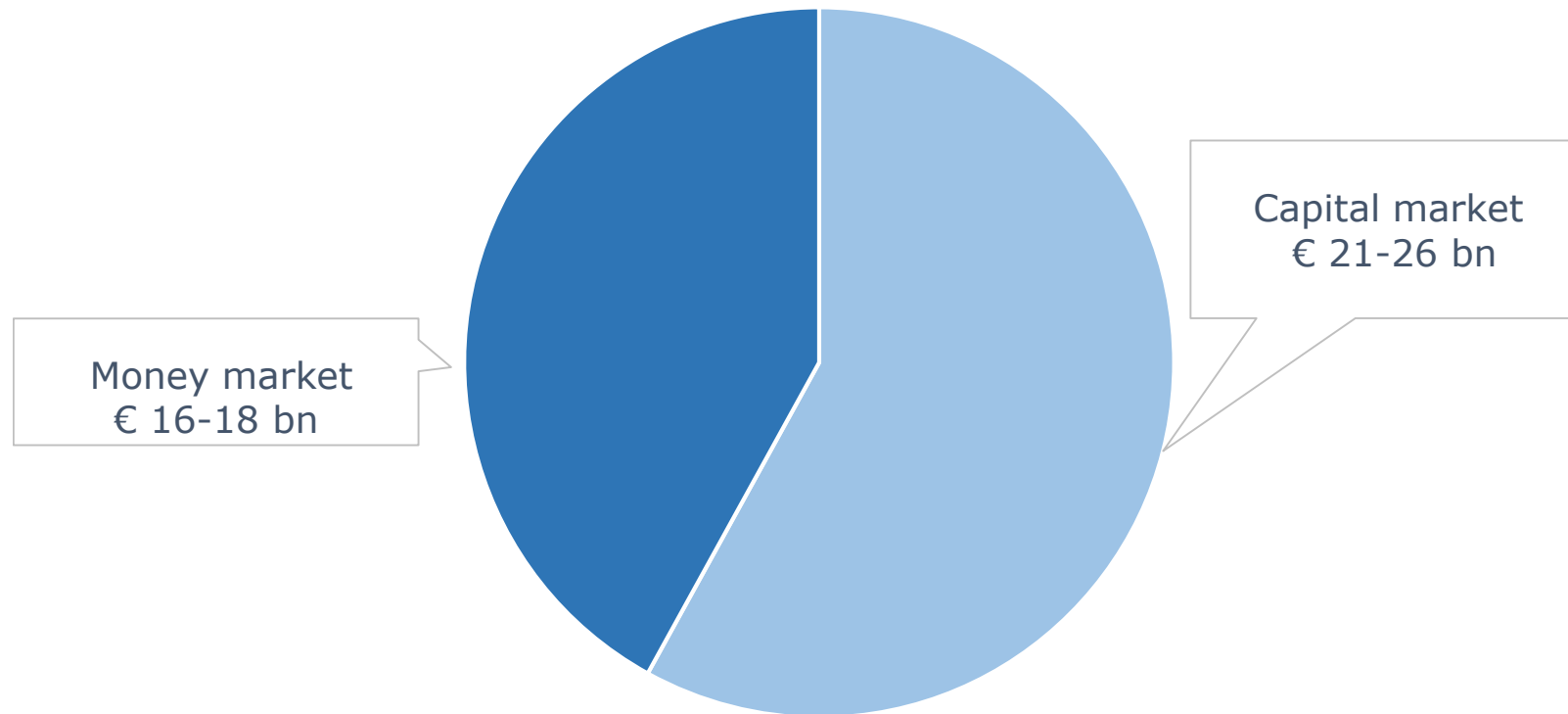
# Borrowing Requirement 2020

| Borrowing Requirement | (€ bn) |
|---|---:|
| Capital market redemptions 2020 | 29.9 |
| Money market ultimo 2019 | 13.6 |
| Cash surplus | -1.5 |
| **Total funding need 2020** | **42.0** |

Update on 8 January 2020

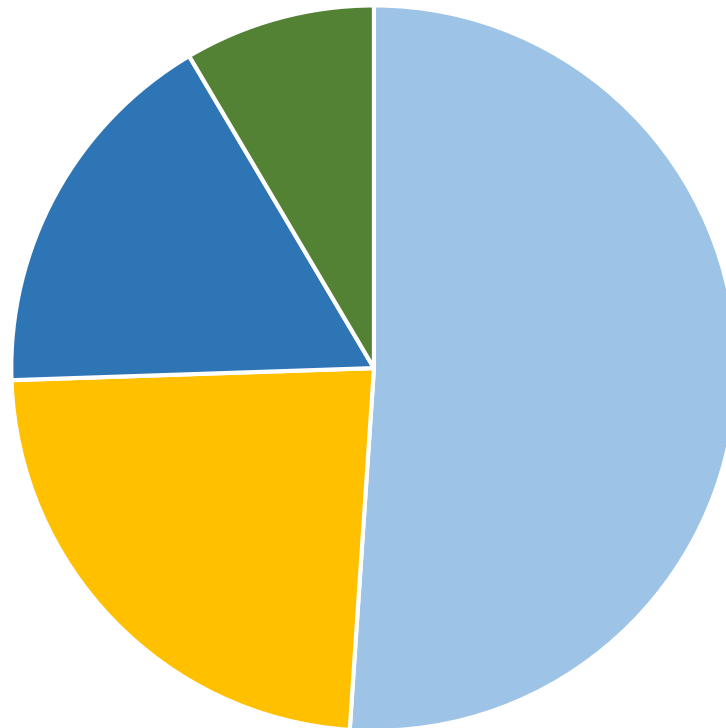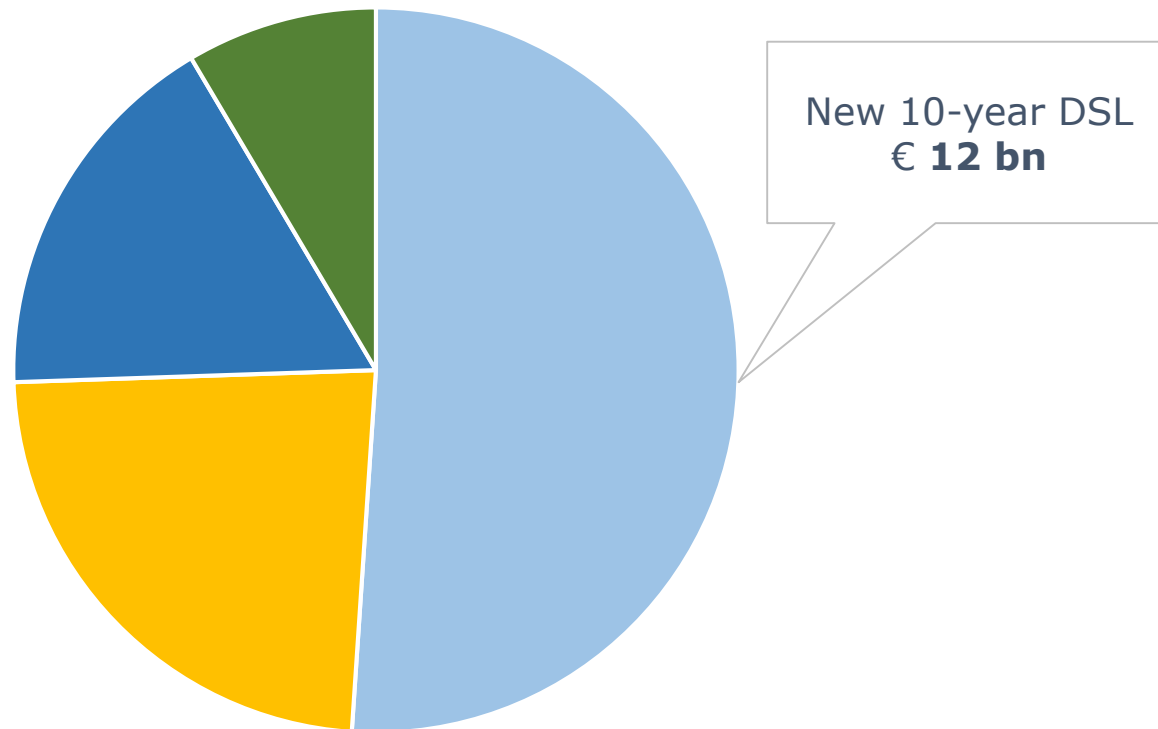# Funding Need 2020: € 42 bn



Capital market
€ 21-26 bn

Money market
€ 16-18 bn

# Capital Market Issuance in 2020: € 21 – 26 bn

# Capital Market Issuance in 2020: € 21 – 26 bn



New 10-year DSL
**€ 12 bn**

# Capital Market Issuance in 2020: € 21 – 26 bn



Reopening 20-year green bond
€ **2 bn**

New 10-year DSL
€ **12 bn**

# Capital Market Issuance in 2020: € 21 – 26 bn



Reopening 20-year green bond
€ **2 bn**

New 30-year DSL
€ **4 bn**

New 10-year DSL
€ **12 bn**

# Capital Market Issuance in 2020: € 21 – 26 bn



Reopening 20-year green bond
€ **2 bn**

New 10-year DSL
€ **12 bn**

New 30-year DSL
€ **4 bn**

To be determined
€ **3 - 8 bn**
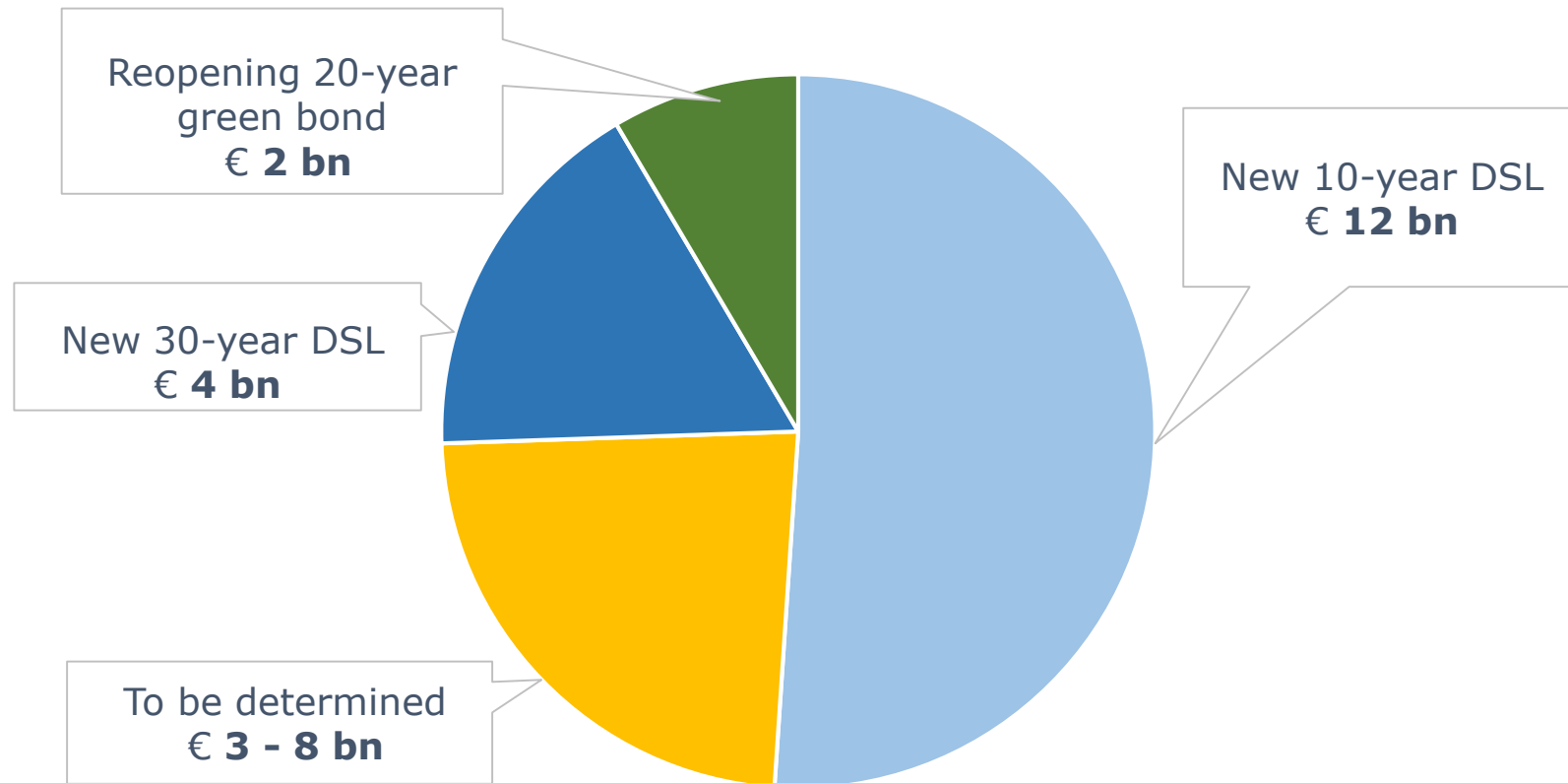
# Capital Market Issuance in 2020: € 21 – 26 bn

Several options for the € 3 – 8 bn 'to be determined'

1. *Reopening off-the run DSLs*

and/or

2. *Issue more than the indicated volume in:*

- The new 10-year DSL
- The 20-year green DSL
- The new 30-year DSL

# DSL Issuance Calendar Q1 2020

| Auction date | Details | Target volume (€ bn) |
|---|---|---|
| 14 January | Reopening Green bond: DSL 15 January 2040 | 0.75-1.25 |
| February/March* | New 10-year bond: DSL 15 July 2030 | To be announced |
| February/March** | Possibly: Reopening an off-the-run DSL | |

\*   Auction date, target volume and other details will be announced at a later stage.
\*\*  Depending on the timing of the launch of the 10-year DSL. Such a possible tap auction
    will be announced on the Wednesday prior to the auction date (t-6).

Advisors for the 10-year DDA: Jefferies, Nordea and Rabobank

Advisors for the 30-year DDA: ABN AMRO, Citigroup and Nomura

# DTC Issuance Calendar Q1 2020

| Auction date | Settlement date | Shorter-dated programme | Longer-dated programme |
|---|---|---|---|
| 6 January | 8 January | | 29 June 2020 |
| 20 January | 22 January | 31 March 2020 | 29 June 2020 |
| 3 February | 5 February | | 30 July 2020 |
| 17 February | 19 February | 30 April 2020 | 30 July 2020 |
| 2 March | 4 March | | 28 August 2020 |
| 16 March | 18 March | 29 May 2020 | 28 August 2020 |

Note: shaded fields indicate new programmes; announcement of all auction details is on the Wednesday prior to the auction date (t-5).

New programmes have expiration dates one day earlier than before

Closing by Christiaan Rebergen
Treasurer General