

# OFZ Auction **Deep Dive**

## Review of primary auctions held on 9 September 2020



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### RFLB Float 09/30

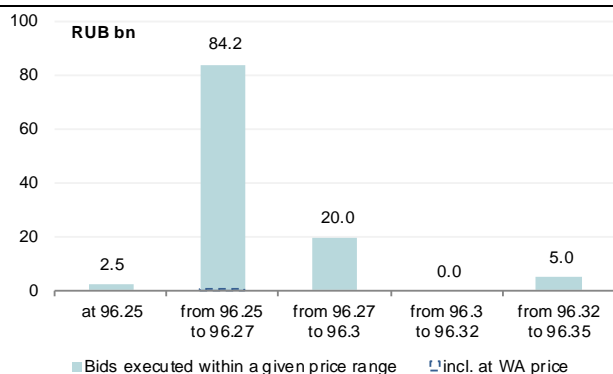
#### Key figures

Series	Type	Amount outstanding (pre-auction)	Maximum eligible amount	Demand in auction	Placed in auction	Bid /Cover	Cut-off price	Price discount
29013	RUONIA	-	RUB 450bn	RUB 207bn	RUB 112bn	1.9x	96.25%	-

Source: SG Cross Asset Research/EM, Ministry of Finance

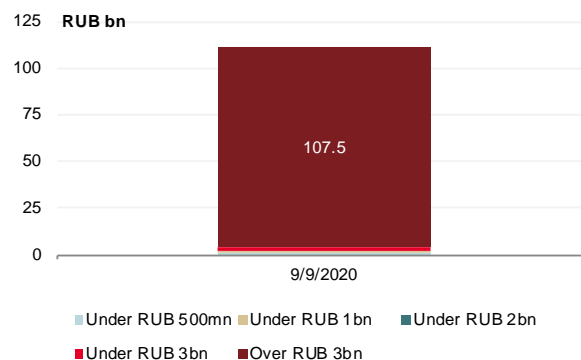
- A very successful maiden auction in the long RUONIA-floater – as a matter of fact, the most successful first auction any OFZ benchmark has ever posted.
- However, we note that the demand structure wasn't granular at all, with only 18 orders executed, the 4 largest ones totalling RUB 82.5bn (combined).
- The secondary market appreciated the strong auction outcome nonetheless: the paper finished the day at 96.65% of par vs. 96.25% auction cut-off.

#### Price distribution of bids executed at auction



Source: SG Cross Asset Research/EM, Ministry of Finance, Bloomberg

#### Split by the size of bids



## RFLB Float 04/24

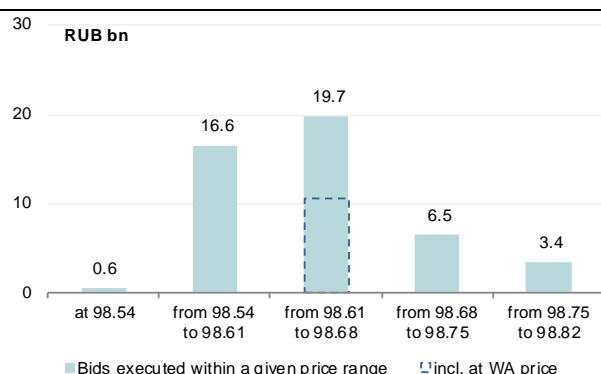
### Key figures

Series	Type	Amount outstanding (pre-auction)	Maximum eligible amount	Demand in auction	Placed in auction	Bid /Cover	Cut-off price	Price discount
24021	RUONIA	RUB 253bn	RUB 300bn	RUB 101bn	RUB 47bn	2.2x	98.54%	20bp

Source: SG Cross Asset Research/EM, Ministry of Finance

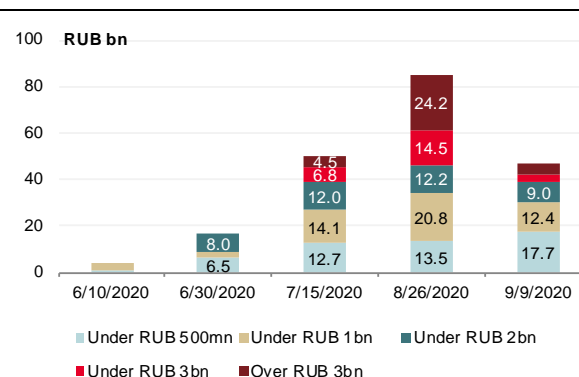
- A much greater number of bidders got what they wanted on the second auction of the day, with a total of 126 satisfied orders.
- The Finance Ministry even didn't have to resort to massive price concessions as investors rushed to grab a slice of the last auction in the shortest 'new-style' RUONIA-floater on the run.

### Price distribution of bids executed at auction



Source: SG Cross Asset Research/EM, Ministry of Finance, Bloomberg

### Split by the size of bids



## Key thoughts

- So, the Finance Ministry has now raised RUB 374bn in new debt over the last 2 auction days which is quite an amazing achievement.
- It can be interpreted as an outcome of the Ministry's efforts to build curves in securities of various structures over the years, with demand for protective RUONIA-floaters gearing up while sustainable demand for the fixed-rate papers is nowhere to be seen.
- But presence of large anchor bids at reasonable prices has been another massive factor of support. And with no visibility on where these bids came from, one can only guess how long this appetite will last.
- Hopefully, over the coming weeks, the market sentiment will be supported further by greater clarity on borrowing needs this year and over 2021-23 as discussions of the new federal budget law kick in.

## Latest OFZ market research

- OFZ Auction Deep Dive ([link](#)),
- EM Trade Idea Monitor (SG, [link](#)).
- Global Economic Outlook (SG, [link](#)).

## Annex 1. Primary OFZ issuance

Key stats for OFZ benchmarks

Type of bond	Series	Coupon	YTM	Maturity	Maximum eligible amount, RUB bn	Amount outstanding, RUB bn	% of maximum placed	Potential extra supply, RUB bn *
Fixed-rate series	26205	7.6	4.02	4/14/2021	150	150	100%	
	26217	7.5	4.17	8/18/2021	290	290	100%	
	25083	7	4.36	12/15/2021	350	350	100%	
	26209	7.6	4.46	7/20/2022	404	294	73%	
	26220	7.4	4.58	12/7/2022	350	350	100%	
	26211	7	4.65	1/25/2023	150	150	100%	
	26215	7	4.82	8/16/2023	261	250	96%	
	25084	5.3	4.90	10/4/2023	400	151	38%	249
	26223	6.5	4.96	2/28/2024	350	339	97%	
	26227	7.4	5.11	7/17/2024	400	400	100%	
	26222	7.1	5.16	10/16/2024	350	350	100%	
	26234	4.5	5.35	7/16/2025	500	170	34%	330
	26229	7.15	5.44	11/12/2025	450	450	100%	
	26219	7.75	5.57	9/16/2026	350	350	100%	
	26226	7.95	5.59	10/7/2026	350	350	100%	
	26207	8.15	5.66	2/3/2027	350	350	100%	
	26232	6	5.87	10/6/2027	450	407	90%	43
	26212	7.05	5.92	1/19/2028	359	350	98%	
	26224	6.9	6.11	5/23/2029	350	350	100%	
	26228	7.65	6.23	4/10/2030	450	444	99%	6
	26218	8.5	6.31	9/17/2031	250	250	100%	
	26221	7.7	6.41	3/23/2033	350	350	100%	
	26225	7.25	6.46	5/10/2034	350	350	100%	
	26233	6.1	6.45	7/18/2035	450	60	13%	390
	26230	7.7	6.50	3/16/2039	300	292	97%	8
Floaters	24020	Ruonia	-	7/27/2022	100	100	100%	
	29012	Ruonia	-	11/16/2022	250	212	85%	
	24021	Ruonia	-	4/24/2024	300	300	100%	
	29006	Ruonia	-	1/29/2025	400	390	98%	
	29014	Ruonia	-	3/25/2026	450	335	74%	115
	29013	Ruonia	-	9/18/2030	450	112	25%	338
	52001	2.5	2.18	8/16/2023	186	186	100%	
	52002	2.5	2.52	2/2/2028	275	275	100%	
	52003	2.5	-	7/17/2030	250	0	0%	250
Total					11,426	9,508		1,729

\* including time limitations on placement of specific bond series

Source: SG Cross Asset Research/EM, Ministry of Finance, Bloomberg

### Quarterly borrowing plan execution

Tenor	Indicative 3Q20 target, RUB bn	Execution quarter-to-date, RUB bn	% of target	Potential extra supply, RUB bn
Under 5 years	100	191	191%	-91
5 to 10 years	700	475	68%	225
Over 10 years	200	112	56%	88
Total	1,000	777	78%	223

Source: SG Cross Asset Research/EM, Ministry of Finance, Bloomberg

## Annex 2. OFZ Auctions in Russia - step by step procedure

- The Ministry of Finance runs Russian Federal Loan Bonds (RFLB) auctions on a weekly basis.
- RFLB series and amounts (since recently, the amount is not designated for most auctions) are announced every Tuesday until 4:00 pm Moscow time.
- Every Wednesday bids for the 1<sup>st</sup> auction are accepted till 12:30pm, for the 2<sup>nd</sup>, till 3:00pm (or 2:15pm, if there are 3 auctions on a given day), for the 3<sup>rd</sup>, till 4:00pm Moscow time.
- At 2:00pm and 4:30pm, if there are 2 auctions on a given day (or 1:15pm, 3:00pm and 4:45pm, if there are 3 auctions on a given day), the cut-off price is announced. Results are published promptly after the auction on the Ministry of Finance official website.
- The Ministry of Finance conducts Dutch auctions offering. The issuer sets the cut-off price, then the Bank of Russia, the Issuer's agent, executes bids with prices more or equal to the cut-off price. After the end of the auction, all unsatisfied bids are dropped by the Moscow Exchange.
- Investors can place competitive and non-competitive bids on the Moscow Exchange via market participants who have access to Exchange. Maximum share of non-competitive bids is 90% of all bids from one participant.
- Competitive bids are executed exclusively at the price specified in the bid, with a limit of 4 decimal places.
- Non-competitive bids are satisfied at the weighted average price of the auction if there is at least one satisfied competitive bid and may be satisfied in full or in part, depending on the decision made by the Ministry of Finance.
- The minimum accepted price for RFLBs is set by the Ministry of Finance, depending on the auction demand and market environment.

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