


OFZ Auction Deep Dive

Review of primary auctions held on 23 September 2020



Yury Tulinov, CFA
 (7) 495 662 13 00 (ext. 14836)
 yury.tulinov@rosbank.ru

RFLB Float 10/28

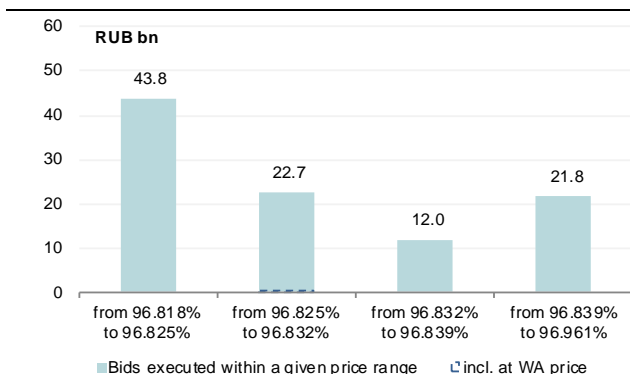
Key figures

Series	Type	Amount outstanding (pre-auction)	Maximum eligible amount	Demand in auction	Placed in auction	Bid /Cover	Cut-off price	Price discount
29015	RUONIA	-	RUB 450bn	RUB 142bn	RUB 100bn	1.4x	96.82%	-

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

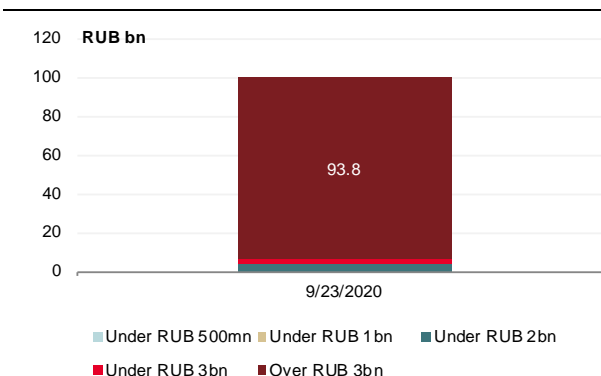
- A convincing maiden auction in the new RUONIA-floater series, thanks to arrival of a few large orders worth RUB 10-15bn each.
- Interestingly, we didn't see much divergence in prices the buyers indicated. 78% of the overall placement volume settled in a very narrow 96.82-96.84% price range.

Price distribution of bids executed at auction



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

Split by the size of bids



RFLB 4.5 07/25

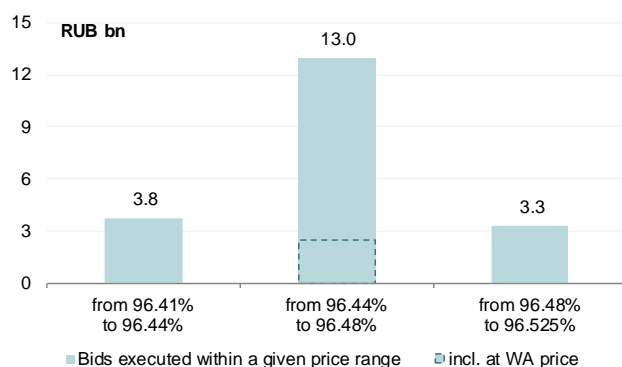
Key figures

Series	Type	Amount outstanding (pre-auction)	Maximum eligible amount	Demand in auction	Placed in auction	Bid /Cover	Cut-off yield	Yield premium
26234	Fixed	RUB 170bn	RUB 500bn	RUB 31bn	RUB 20bn	1.5x	5.42%	3bp

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

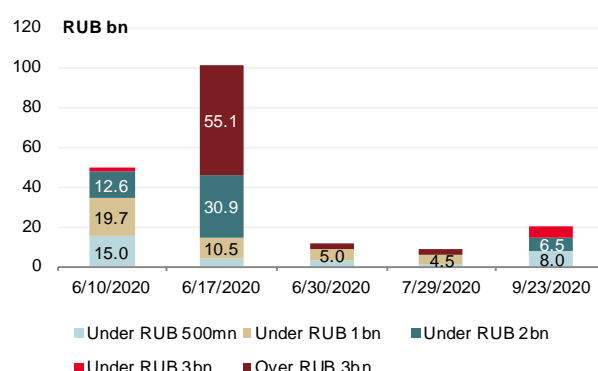
- To compare, auction in the short fixed-rate note was dominated by small orders worth no more than RUB 0.5bn each.
- However, the overall bid/cover failed to impress (at 1.5x). So, the Finance Ministry was forced to pay a 3bp yield premium over the secondary market to allot the full RUB 20bn volume.

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

- It's nice the Finance Ministry finds ways to keep printing over RUB 100bn in new debt on a weekly basis. Since the start of September, the combined volume is at RUB 658bn which is the largest feat in history.
- However, in essence, we hardly learned anything new yesterday. RUONIA-floaters are the real deal – but they are supported by 'jumbo' orders, with little clarity on how long these will keep coming.
- We still await publication of the draft federal budget for 2021-23 to get a clearer sense of what can be realistically expected from the MinFin borrowing-wise.

Latest OFZ market research

- QE à la Russe ([link](#)),
- OFZ Auction Deep Dive ([link](#)),
- EM Trade Idea Monitor (SG, [link](#)),
- EM Outlook (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	4.06	4/14/2021	150	150	100%	
	26217	7.5	4.29	8/18/2021	290	290	100%	
	25083	7	4.40	12/15/2021	350	350	100%	
	26209	7.6	4.55	7/20/2022	404	294	73%	
	26220	7.4	4.65	12/7/2022	350	350	100%	
	26211	7	4.71	1/25/2023	150	150	100%	
	26215	7	4.87	8/16/2023	261	250	96%	
	25084	5.3	4.98	10/4/2023	400	151	38%	249
	26223	6.5	5.09	2/28/2024	350	339	97%	
	26227	7.4	5.19	7/17/2024	400	400	100%	
	26222	7.1	5.23	10/16/2024	350	350	100%	
	26234	4.5	5.40	7/16/2025	500	190	38%	310
	26229	7.15	5.51	11/12/2025	450	450	100%	
	26219	7.75	5.66	9/16/2026	350	350	100%	
	26226	7.95	5.69	10/7/2026	350	350	100%	
	26207	8.15	5.80	2/3/2027	350	350	100%	
	26232	6	5.98	10/6/2027	450	430	96%	20
	26212	7.05	6.01	1/19/2028	359	350	98%	
	26224	6.9	6.18	5/23/2029	350	350	100%	
	26228	7.65	6.27	4/10/2030	450	444	99%	6
	26218	8.5	6.37	9/17/2031	250	250	100%	
	26221	7.7	6.46	3/23/2033	350	350	100%	
	26225	7.25	6.52	5/10/2034	350	350	100%	
	26233	6.1	6.50	7/18/2035	450	60	13%	390
	26230	7.7	6.55	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	450	100%	
	29016	Ruonia	-	12/23/2026	450	0	0%	450
	29015	Ruonia	-	10/18/2028	450	100	22%	
	29013	Ruonia	-	9/18/2030	450	112	25%	338
	52001	2.5	2.15	8/16/2023	186	186	100%	
	52002	2.5	2.54	2/2/2028	275	275	100%	
	52003	2.5	2.75	7/17/2030	250	26	10%	224
Total					12,325	9,792		1,995

* 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	211	211%	-111
5 to 10 years	700	739	106%	-39
Over 10 years	200	112	56%	88
Total	1,000	1,062	106%	-62

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 1st auction are accepted till 12:30pm, for the 2nd, till 3:00pm (or 2:15pm, if there are 3 auctions on a given day), for the 3rd, 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.

Team

Research	Financial Institutions Sales	Corporate Sales	Debt Capital Markets	Brokerage
Yury Tulinov, CFA Yury.Tulinov@rosbank.ru +7 (495) 662-13-00, ext. 14-836	Pavel Malyavkin PMalyavkin@rosbank.ru +7 (495) 725-57-13	Vladimir Matsko Vladimir.Matsko@soggen.com +7 (495) 725-57-44	Tatyana Ambrozhevich TAmbrozhevich@rosbank.ru +7 (495) 956-67-14	Timur Mukhametshin Timur.Mukhametshin@rosbank.ru +7 (495) 234-36-52
Evgeny Koshelev, CFA Evgeny.Koshelev@rosbank.ru +7 (495) 662-13-00, ext. 14-838	Vera Khlynova Vera.Khlynova@rosbank.ru +7 (495) 662-13-00, ext. 19-138	Alexandre Koutcherov Alexandre.Koutcherov@rosbank.ru +7 (495) 725-57-44	Nikita Reuk Nikita.Reuk@rosbank.ru +7 (495) 662-13-00, ext. 13-120	Aleksandr Ten Aleksandr.Ten@rosbank.ru +7 (495) 234-36-52
Anna Zaigrina Anna.Zaigrina@rosbank.ru +7 (495) 662-13-00, ext. 14-837	Valentina Shonoeva Valentina.Shonoeva@rosbank.ru +7 (495) 662-13-00, ext. 19-105	Evgeny Kurochkin EVKurochkin@rosbank.ru +7 (495) 725-57-44		Sergey Tsoy Sergey.Tsoy@rosbank.ru +7 (495) 234-36-52
Ekaterina Korchagina Ekaterina.Korchagina@rosbank.ru +7 (495) 662-13-00, ext. 15-354		Andrey Galkin AAGalkin@rosbank.ru +7 (495) 725-57-44		
		Maksim Ardatov Maksim.Ardatov@rosbank.ru +7 (495) 662-13-00, ext. 19-107		

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