

Auction of RFGB 0.5%15SEP2027

The Republic of Finland will hold a tap auction on 24 April

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RFGB 0.5%15SEP2027:

This is the first auction in 2018 in the RFGB 0.5%15SEP2027, and we expect one further auction in the bond after Tuesday 24 April, enabling the outstanding amount to reach EUR 6bn (or close to).

EUR 11bn in benchmark bonds is expected in 2018 (incl. non-EUR) with EUR 3bn having been issued YTD.

We currently find the RFGB 0.5%15SEP2027 rich on the yield curve and vs swaps. In RV terms we prefer the 4-5-year segment.

Bond name	TTM	DUR	Yield	ASW 6m	ASW 3m	G-spread	Yield 3m horizon (R=-40bp)			3m z-scores		Amt (EURbn)	ISIN		
							3m Roll	3m Carry	C&R per risk	ASW 6m	Yield				
4.375% 04 Jul 19	1.21	1.2	<div></div>	-0.58	-35.2	-29.4	-1.2	2.9	-4.6	<div></div>	-2.1	1.6	0.2	5.0	FI0001006306
3.375% Apr.20	1.99	1.9	<div></div>	-0.48	-35.1	-29.0	7.9	7.9	-2.1	<div></div>	3.3	0.1	-0.6	6.5	FI4000010848
0.375% Sep.20	2.4	2.4	<div></div>	-0.40	-33.3	-26.9	10.4	10.1	-0.1	<div></div>	4.6	0.8	-0.7	6.0	FI4000106117
3.5% Apr.21	3.0	2.9	<div></div>	-0.31	-36.0	-29.3	11.9	12.9	2.2	<div></div>	5.3	-0.5	-1.0	6.0	FI4000020961
0% Apr.22	4.0	4.0	<div></div>	-0.11	-32.7	-25.3	14.7	16.7	7.3	<div></div>	6.1	0.9	-0.7	5.0	FI4000242862
1.625% 15 Sep 22	4.4	4.2	<div></div>	-0.07	-37.1	-29.5	10.2	18.0	8.1	<div></div>	6.0	0.0	-0.8	5.0	FI4000047089
1.5% Apr.23	5.0	4.8	<div></div>	0.05	-33.7	-25.8	12.5	19.5	11.4	<div></div>	6.2	0.3	-0.7	5.0	FI4000062625
0% Sep.23	5.4	5.4	<div></div>	0.12	-33.2	-25.3	13.1	20.3	12.9	<div></div>	6.2	-0.6	-0.9	5.0	FI4000219787
2% Apr.24	6.0	5.7	<div></div>	0.21	-33.0	-24.9	14.8	21.3	15.2	<div></div>	6.2	-0.2	-0.8	5.0	FI4000079041
4% Jul.25	7.2	6.3	0.37 <div></div>		-32.1	-23.8	15.8	22.4	19.2	<div></div>	5.9	0.2	-0.7	6.0	FI4000006176
0.875% Sep.25	7.4	7.2	0.41 <div></div>		-30.1	-21.7	17.5	22.5	20.2	<div></div>	5.9	0.5	-0.7	4.0	FI4000167317
0.5% Apr.26	8.0	7.8	0.48 <div></div>		-29.8	-21.4	17.6	22.6	22.0	<div></div>	5.8	0.3	-0.7	5.0	FI4000197959
0.5% Sep.27	9.4	9.2	0.66 <div></div>		-26.4	-17.9	18.4	22.1	26.5	<div></div>	5.4	0.2	-0.7	4.0	FI4000278551
2.75% Jul.28	10.2	9.0	0.69 <div></div>		-29.6	-21.1	14.8	21.5	27.4	<div></div>	5.1	0.8	-0.6	5.0	FI4000037635
0.75% Apr.31	13.0	12.4	0.94 <div></div>		-25.6	-25.6	26.5	17.8	33.5	<div></div>	4.4	1.2	-0.6	4.5	FI4000148630
1.125% Apr.34	16.0	14.7	1.09 <div></div>		-24.2	-24.2	28.3	12.7	37.3	<div></div>	3.6	1.1	-0.6	3.0	FI4000306758
2.625% Jul.42	24.2	18.8	1.17 <div></div>		-31.7	-25.9	12.1	5.5	39.3	<div></div>	2.3	1.2	-0.6	4.5	FI4000046545
1.375% Apr.47	29.0	24.1	1.31 <div></div>		-17.4	-12.4	15.7	14.2	42.8	<div></div>	2.4	-6.4	17.1	2.0	FI4000242870

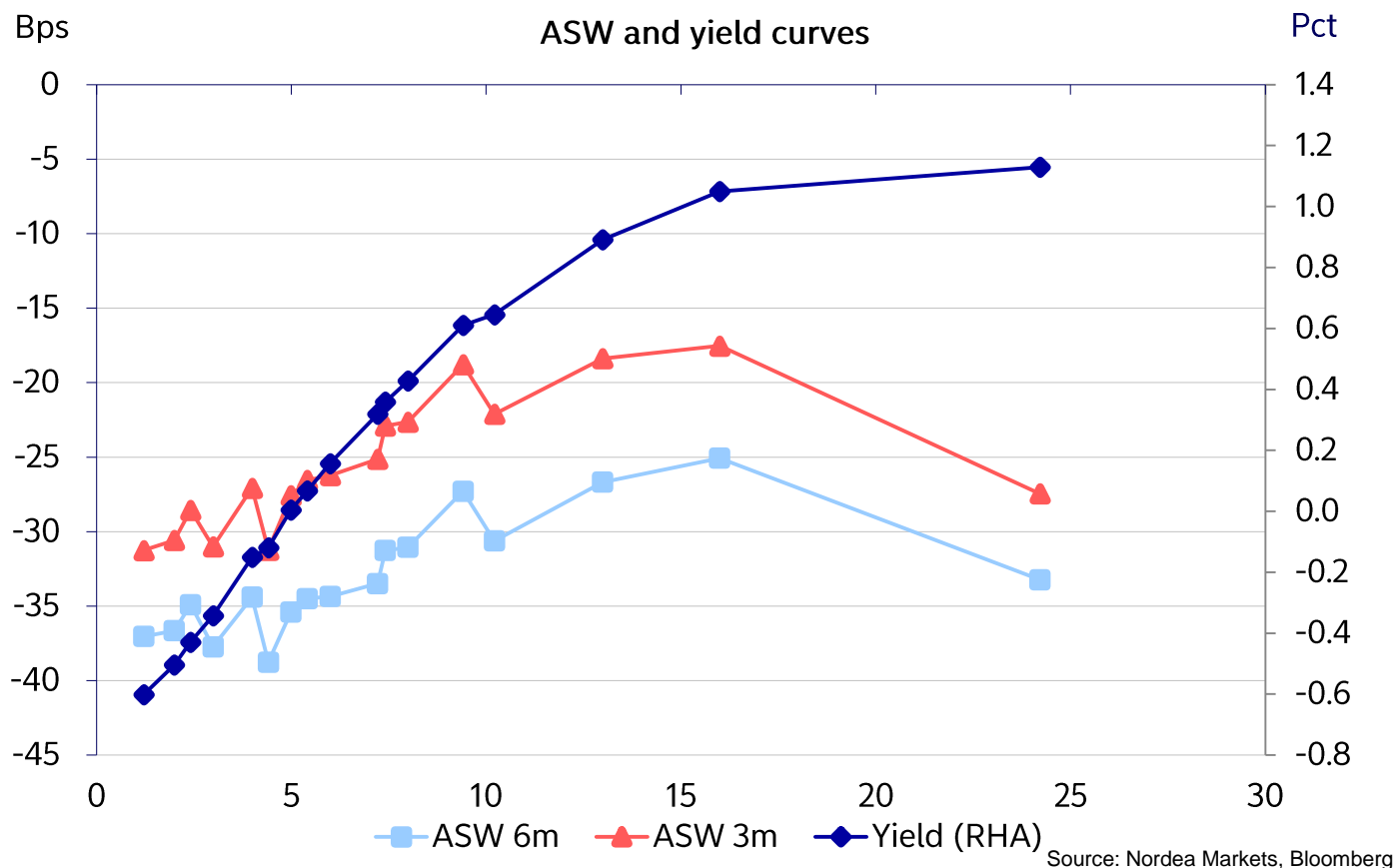
Source: Nordea Markets, Bloomberg



Timing and auction details

- The auction will take place on **Tuesday 24 April 2018**.
- ISIN: **FI4000278551**
- Maturity date: 15 September 2027
- Current outstanding: EUR 3,995,000,000
- **Target amount: up to EUR 1bn.**
- Outstanding amount in the series will after the auction will be very close to EUR 5bn, which leaves room for one further tap in the bond before it closes.
- The supply target is EUR 18.095bn in 2018, which includes non-euro supply (chiefly USD) and possible private placements. Expectations are that EUR 11bn will be in benchmark bonds (incl. non-EUR). YTD EUR 3bn has been issued.
- Time: 12:30-1:00pm (Finnish time)
- Results: not earlier than 1:02pm
- Settlement date: 23 November 2017

RFGB ASW and yield curves



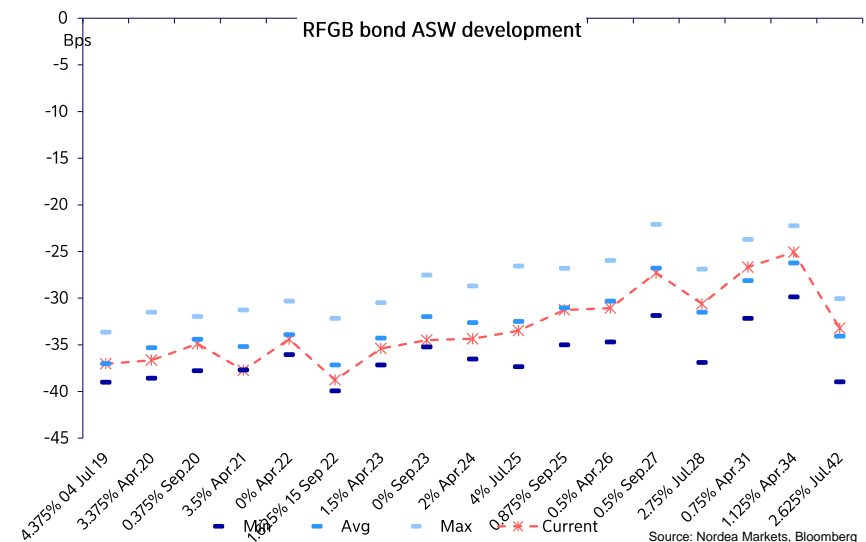
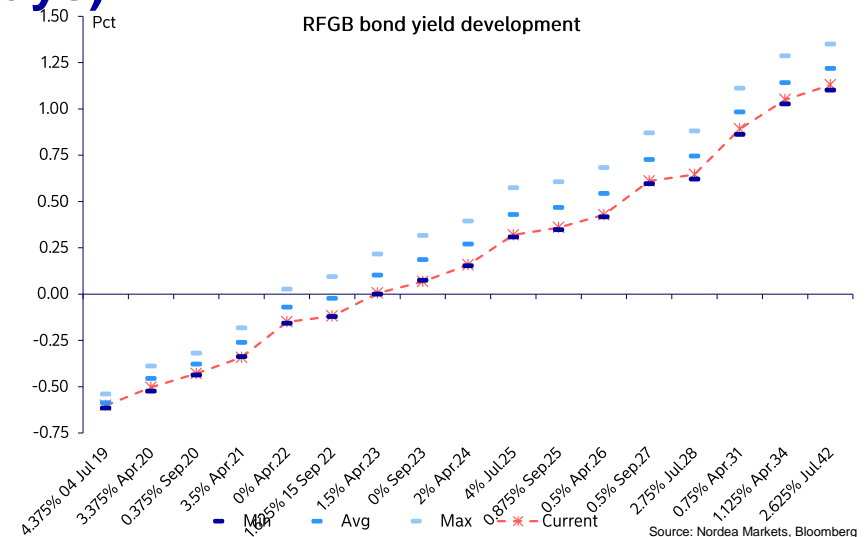
On the yield curve we find the RFGB 0.5%15SEP2027 rich.

It is a little more evident that there is value vs swaps, as there is a small new issue premium evident when comparing with surrounding bonds. But with one more auction to go after 24 April, we find the current level neutral.

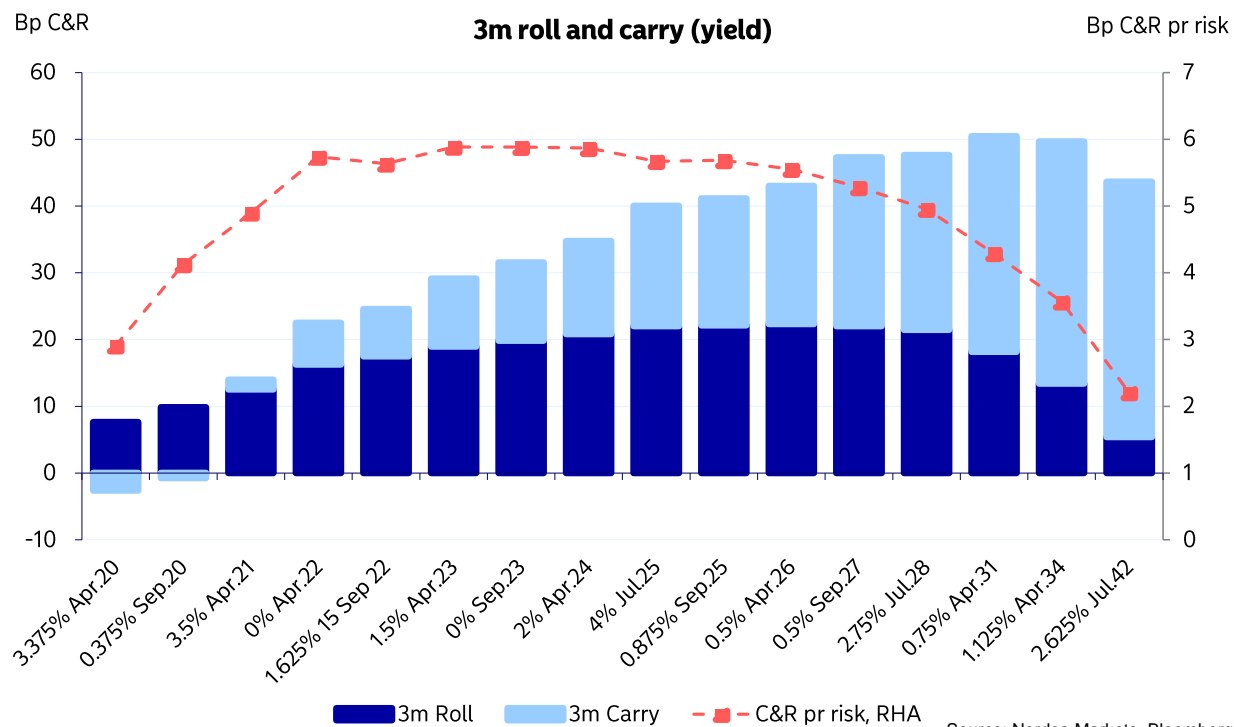
RFGB curve movement (past 90 days)

Overview

- We have lately seen outright yield levels moving towards the 90D lower bound, which is also reflected in negative z-scores.
- ASW spreads have not moved as tight as yields, and seen across the past 90D they lie very close to the average observed.



Value measured by roll and carry



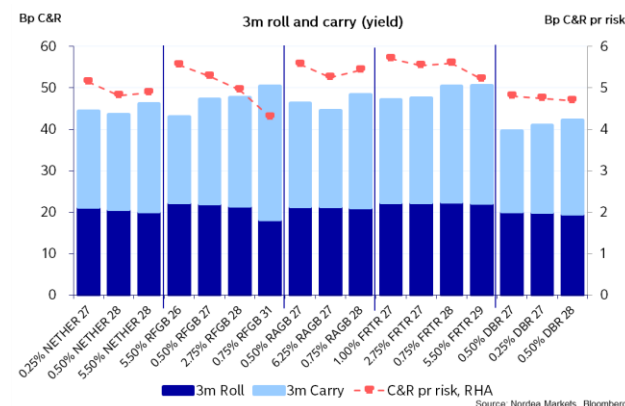
Outright the RFGB 10-year looks rich relative to shorter dated options.

Relative to peers the RFGB 2027 generally looks rich.

(Repo=-40bp in calc.)

In the calculation the horizon is 3 months:
 $\text{Carry} = (\text{yield} - \text{repo}) / 4$
 $\text{Roll} = (\text{yield at } T - \text{yield at } T - 3 \text{ months}) * (\text{duration at } T - 3 \text{ months})$
 Risk adjusted roll and carry:
 $(\text{Roll} + \text{carry}) / \text{duration at time } T$

now
 = now – one year => meaning the rate one year from today.
 po=-40bp (ECB repo level)
 assume unchanged curves, and calculations are done on a generic curve.



Thank you!

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