



# Bond Market Insight

## Raised insufficient proceeds

### Government bond auction results

After having withdrawn the 2-year bonds from Tuesday's auction, the MoF decided to offer this bond yesterday with a purchasing date today. In contrast to other auctions held earlier this year, yesterday's auction was quite specific. While the MoF sold this bond at the same 16.52% rate as was offered last week, demand was a paltry UAH5.98m (par value).

On only a few rare occasions earlier this year did the MoF accepted demand of less than UAH10.0m: three times for "military" bonds at a fixed interest rate and only once last month for UAH6.16m for routinely scheduled 2-year bonds.

Yesterday's auction proceeds are still insufficient to cover the remaining amount of repayments. The bid received was most likely planned for Tuesday's auction, but the MoF withdrew the bond from the schedule.

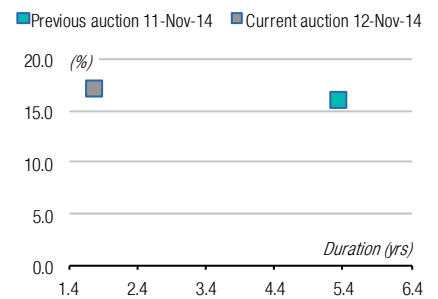
**Table 1. Details of last government bond auction**

| ISIN         | Coupon rate (%) | Payment freq <sup>1</sup> | Maturity | Qty of bonds sold | Price (UAH) | Proceeds <sup>2</sup> (UAHm) | Volume <sup>2</sup> (UAHm) | YTM <sup>3</sup> (%) | Outstanding (m) |
|--------------|-----------------|---------------------------|----------|-------------------|-------------|------------------------------|----------------------------|----------------------|-----------------|
| UA4000187512 | 16.52           | ПГ                        | 2-Ноя-16 | 5,979             | 1,003.49    | 6.00                         | 5.98                       | 17.25                | 941.98          |
| <b>Total</b> |                 |                           |          | <b>5,979</b>      |             | <b>6.00</b>                  | <b>5.98</b>                |                      | <b>941.98</b>   |

Note: Note: [1] payment frequency abbreviations: Q - quarterly, SA - semi-annually; [2] proceeds and volumes for the USD-denominated bonds are calculated based on the previous day last price of USD/UAH exchange rate 1; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

### THURSDAY, 13 NOVEMBER 2014

#### Term structure of yields



Sources: Ministry of Finance of Ukraine, ICU.

#### Auction results

| Auction | Last 12-Ноя-14 | Previous 11-Ноя-14 | Change |
|---------|----------------|--------------------|--------|
|---------|----------------|--------------------|--------|

#### Breakdown by yields (%)

|         |       |
|---------|-------|
| 3-month |       |
| 6-month |       |
| 9-month |       |
| 1-year  |       |
| 2-year  | 17.25 |
| 3-year  |       |
| 5-year  |       |

#### Breakdown by proceeds (UAHm)

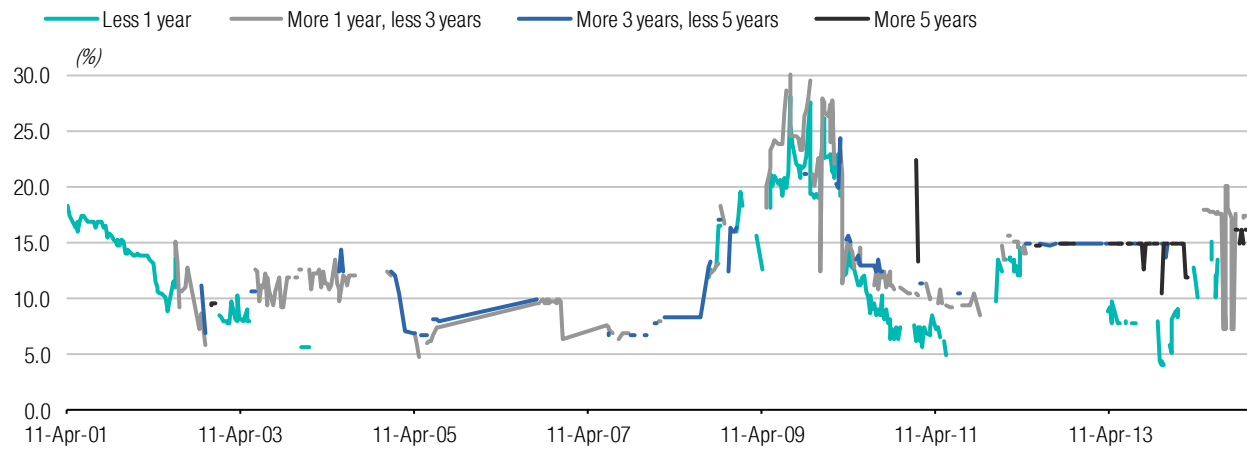
|              |             |                 |                |
|--------------|-------------|-----------------|----------------|
| 3-month      |             |                 |                |
| 6-month      |             |                 |                |
| 9-month      |             |                 |                |
| 1-year       |             |                 |                |
| 2-year       | 6.00        |                 |                |
| 3-year       |             |                 |                |
| 5-year       |             |                 |                |
| <b>Total</b> | <b>6.00</b> | <b>1,512.36</b> | <b>-99.60%</b> |

Notes: yields on coupon bearing bonds are effective yields to maturity; [1] only bonds that were placed via the auctions; [2] WA life – weighted average life or years to maturity.

Sources: Ministry of Finance of Ukraine, ICU.

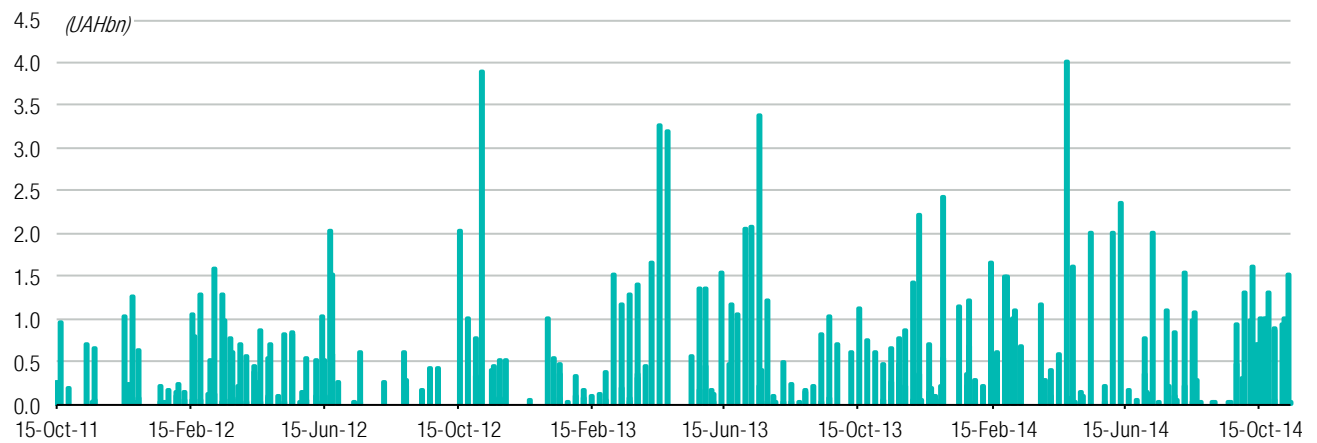
## Appendix: Auctions history and schedule for 2014

**Chart 1. History of yields at government bond auctions: breakdown by tenor of bonds sold (last 3-year period)**



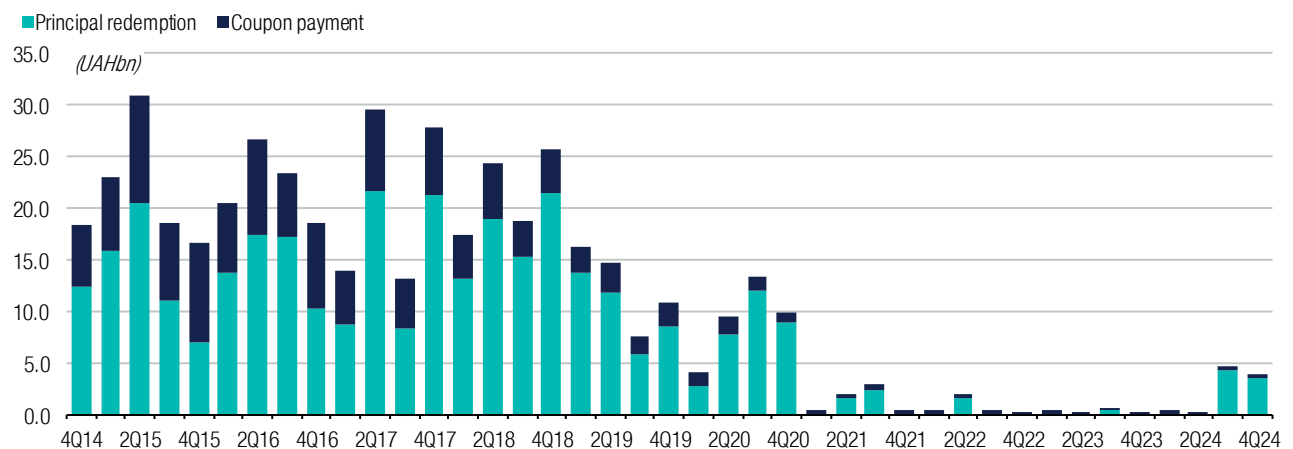
Sources: Ministry of Finance of Ukraine, ICU.

**Chart 2. History of proceeds at government bond auctions: breakdown by tenor of bonds sold (last 3-year period)**



Sources: Ministry of Finance of Ukraine, ICU.

**Chart 3. Schedule of redemptions of the local-currency government bonds\***



Note: the chart depicts data on bonds, which were placed via the auctions, i.e. it does not contain data on recapitalisation bonds.

Sources: Ministry of Finance of Ukraine, ICU.

**Table 2. Schedule of government bond auctions in 2014**

Action dates, tenors of bonds to be offered and volume (in hryvnia) of government's refinancing needs for the next 7-day period as of auction date

| Month            | Auction details               | 1st Tuesday             | 2nd Tuesday             | 3rd Tuesday             | 4th Tuesday             | 5th Tuesday           |
|------------------|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| <b>January</b>   | Auction date                  | 7 января 2014           | 14 января 2014          | 21 января 2014          | 28 января 2014          |                       |
|                  | Short-term bonds              | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Medium-term bonds             | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Next 7 days refinancing needs | 0.00                    | 0.00                    | 0.00                    | 0.00                    |                       |
| <b>February</b>  | Auction date                  | 4 февраля 2014          | 11 февраля 2014         | 18 февраля 2014         | 25 февраля 2014         |                       |
|                  | Short-term bonds              | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Medium-term bonds             | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Next 7 days refinancing needs | 0.00                    | 0.00                    | 0.00                    | 0.00                    |                       |
| <b>March</b>     | Auction date                  | 4 марта 2014            | 11 марта 2014           | 18 марта 2014           | 25 марта 2014           |                       |
|                  | Short-term bonds              | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Medium-term bonds             | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Next 7 days refinancing needs | 0.00                    | 0.00                    | 0.00                    | 0.00                    |                       |
| <b>April</b>     | Auction date                  | 1 апреля 2014           | 8 апреля 2014           | 15 апреля 2014          | 22 апреля 2014          | 29 апреля 2014        |
|                  | Short-term bonds              | N/A                     | N/A                     | N/A                     | N/A                     | N/A                   |
|                  | Medium-term bonds             | N/A                     | N/A                     | N/A                     | N/A                     | N/A                   |
|                  | Next 7 days refinancing needs | 0.00                    | 0.00                    | 0.00                    | 0.00                    | 0.00                  |
| <b>May</b>       | Auction date                  | 6 мая 2014              | 13 мая 2014             | 20 мая 2014             | 27 мая 2014             |                       |
|                  | Short-term bonds              | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Medium-term bonds             | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Next 7 days refinancing needs | 0.00                    | 0.00                    | 0.00                    | 0.00                    |                       |
| <b>June</b>      | Auction date                  | 3 июня 2014             | 10 июня 2014            | 17 июня 2014            | 24 июня 2014            |                       |
|                  | Short-term bonds              | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Medium-term bonds             | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Next 7 days refinancing needs | 0.00                    | 0.00                    | 0.00                    | 0.00                    |                       |
| <b>July</b>      | Auction date                  | 1 июля 2014             | 8 июля 2014             | 15 июля 2014            | 22 июля 2014            | 29 июля 2014          |
|                  | Short-term bonds              | N/A                     | N/A                     | N/A                     | N/A                     | N/A                   |
|                  | Medium-term bonds             | N/A                     | N/A                     | N/A                     | N/A                     | N/A                   |
|                  | Next 7 days refinancing needs | 0.00                    | 0.00                    | 0.00                    | 0.00                    | 0.00                  |
| <b>August</b>    | Auction date                  | 5 августа 2014          | 12 августа 2014         | 19 августа 2014         | 26 августа 2014         |                       |
|                  | Short-term bonds              | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Medium-term bonds             | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Next 7 days refinancing needs | 0.00                    | 0.00                    | 0.00                    | 0.00                    |                       |
| <b>September</b> | Auction date                  | 2 сентября 2014         | 9 сентября 2014         | 16 сентября 2014        | 23 сентября 2014        | 30 сентября 2014      |
|                  | Short-term bonds              | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Medium-term bonds             | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Next 7 days refinancing needs | 0.00                    | 0.00                    | 0.00                    | 0.00                    | 0.00                  |
| <b>October</b>   | Auction date                  | 7 октября 2014          | 14 октября 2014         | 21 октября 2014         | 28 октября 2014         |                       |
|                  | Short-term bonds              | N/A                     | N/A                     | N/A                     | N/A                     | N/A                   |
|                  | Medium-term bonds             | N/A                     | N/A                     | N/A                     | N/A                     | N/A                   |
|                  | Next 7 days refinancing needs | 0.00                    | 0.00                    | 0.00                    | 0.00                    |                       |
| <b>November</b>  | Auction date                  | 4 ноября 2014           | 11 ноября 2014          | 18 ноября 2014          | 25 ноября 2014          |                       |
|                  | Short-term bonds              | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Medium-term bonds             | N/A                     | N/A                     | N/A                     | N/A                     |                       |
|                  | Next 7 days refinancing needs | 0.00                    | <b>2,152,816,298.50</b> | <b>2,764,219,118.68</b> | <b>2,435,751,314.07</b> |                       |
| <b>December</b>  | Auction date                  | 2 декабря 2014          | 9 декабря 2014          | 16 декабря 2014         | 23 декабря 2014         | 30 декабря 2014       |
|                  | Short-term bonds              | N/A                     | N/A                     | N/A                     | N/A                     | N/A                   |
|                  | Medium-term bonds             | N/A                     | N/A                     | N/A                     | N/A                     | N/A                   |
|                  | Next 7 days refinancing needs | <b>1,125,868,943.25</b> | <b>4,460,179,710.00</b> | <b>2,547,405,765.00</b> | <b>2,291,212,083.44</b> | <b>514,467,890.00</b> |

Notes: 1) highlighted data in the rows of "Next 7 days refinancing needs" indicates critical volume of refinancing needs (i.e. above UAH0.5bn) for the government in the next 7-day period; 2) the volume of refinancing needs include principal redemptions and coupon payments.

Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

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**Buy:** Forecasted 12-month total return greater than 20%

**Hold:** Forecasted 12-month total return 0% to 20%

**Sell:** Forecasted 12-month total return less than 0%

Note: total return is share price appreciation to a target price in relative terms plus forecasted dividend yield.

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