

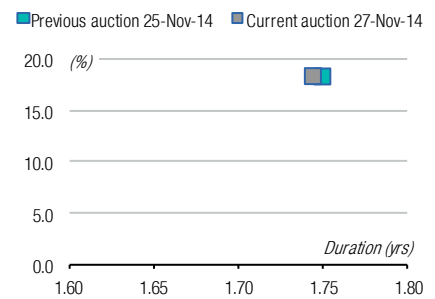


Bond Market Insight

Unscheduled primary auction

FRIDAY, 28 NOVEMBER 2014

Term structure of yields



Sources: Ministry of Finance of Ukraine, ICU.

Auction results

Auction	Last 27-Ноя-14	Previous 25-Ноя-14	Change
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Breakdown by yields (%)

3-month			
6-month			
9-month			
1-year			
2-year	18.43	18.40	36p
3-year			
5-year			

Breakdown by proceeds (UAHm)

3-month			
6-month			
9-month			
1-year			
2-year	602.23	8.60	70.04x
3-year			
5-year			
Total	602.23	8.60	70.04x

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.

Government bond auction results

At yesterday's unscheduled primary auction, the MoF offered the same 2-year bond as was offered at the last several auctions. This auction was anticipated as this week's earlier auction raised insufficient funds.

Demand was significantly larger yesterday at UAH600.0m (par value), attracting one bid at the usual interest rate of 17.60%. Providing the state budget with UAH602.23m in proceeds, demand most likely was supported by domestic QE, as state budget funds used for local-currency repayments made this Wednesday amounted to UAh608.34m.

As there were also recent repayments in FX, we could see another auction offering FX denominated bonds.

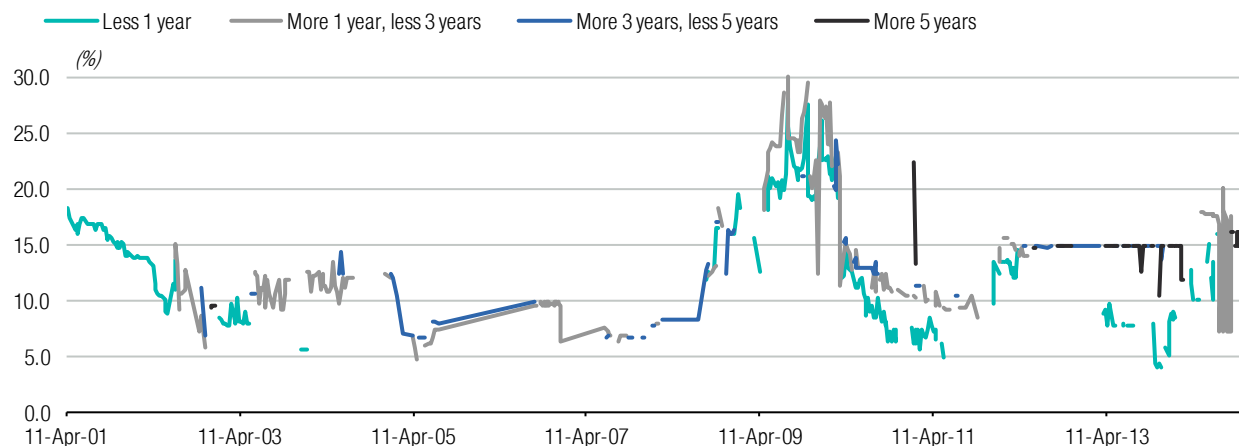
Table 1. Details of last government bond auction

ISIN	Coupon rate (%)	Payment freq ¹	Maturity	Qty of bonds sold	Price (UAH)	Pro-ceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Out-standing (m)
UA4000188080	17.60	ПГ	16-Ноя-16	600,000	1,003.71	602.23	600.00	18.43	808.57
Total				600,000		602.23	600.00		808.57

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.

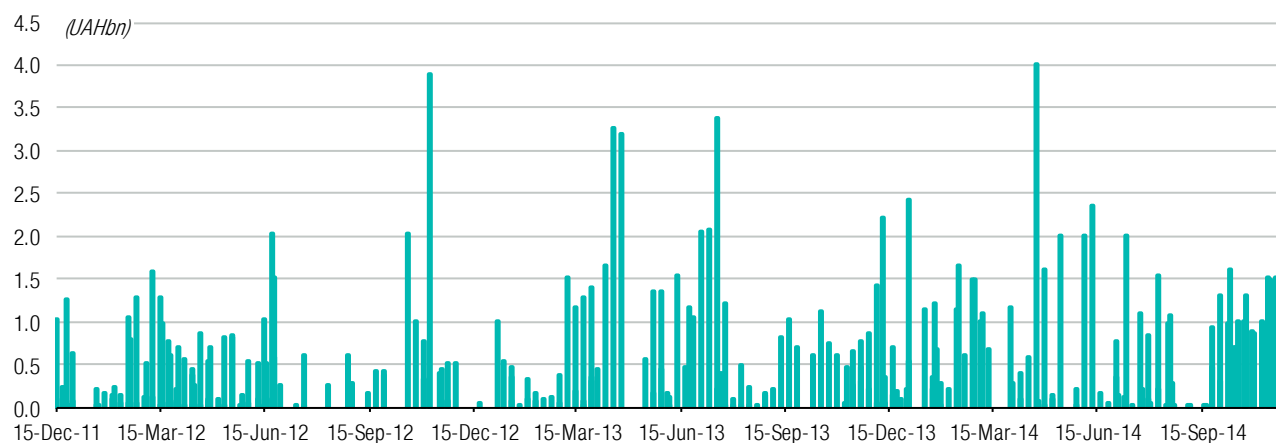
Appendix: Auctions history and schedule for 2014

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



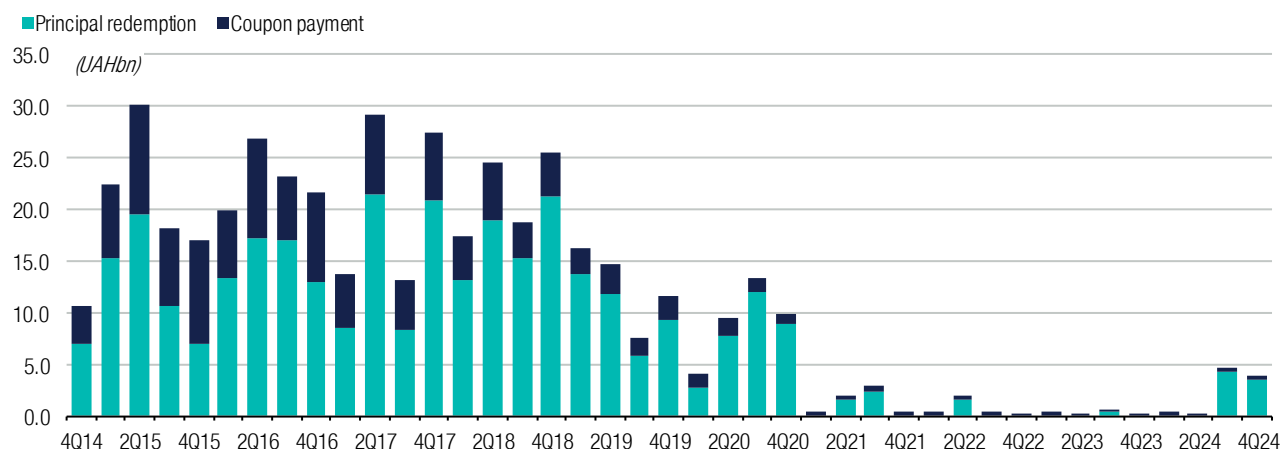
Sources: Ministry of Finance of Ukraine, ICU.

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
January	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	
February	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	
March	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	
April	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
May	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	
June	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	
July	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
August	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	
September	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
October	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	
November	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	0.00	0.00	0.00	
December	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	1,118,702,248.09	4,266,773,355.00	2,540,950,211.27	2,189,322,835.46	514,467,890.00

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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