



# Bond Market Insight

## Unscheduled FX financing

### Government bond auction results

Following Tuesday's successful auction that raised significant funds, the MoF held an additional auction yesterday also offered a USD-denominated bond. UAH1.50bn of bonds at the standard 17.60% was sold, providing the state budget with a total of UAH4.5bn this week.

FX-denominated bonds are rarely offered not often and demand was minimal at best. Although the MoF anticipated no demand for FX-denominated bonds, following the US\$233.87m repayment made on Wednesday, the MoF scheduled an immediate refinancing because of upcoming FX repayments. While scheduled domestic payments amount to US\$107.20m through the end of this year and US\$153.45 in the first week of 2015, external debt will require an additional US\$235.05m.

As a first step in refinancing upcoming FX repayments, possibly from a bank that received a recent FX redemption, the MoF has FX-denominated bonds offering scheduled for next week's auction.

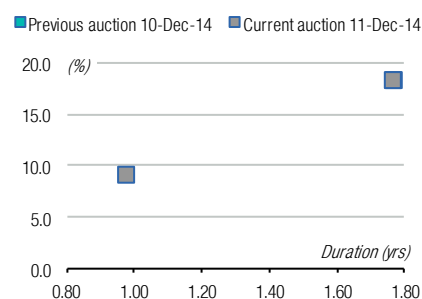
**Table 1. Details of last government bond auction**

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)
UA4000188361	9.00	ПГ	9-Дек-15	130,000	1,000.48	2,044.87	2,043.89	9.20	2,043.89
UA4000188296	17.60	ПГ	7-Дек-16	1,500,000	1,000.46	1,500.69	1,500.00	18.43	3,000.00
<b>Total</b>				<b>1,630,000</b>		<b>3,545.56</b>	<b>3,543.89</b>		<b>5,043.89</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.

**FRIDAY, 12 DECEMBER 2014**

### Term structure of yields



Sources: Ministry of Finance of Ukraine, ICU.

### Auction results

Auction	Last 11-Дек-14	Previous 10-Дек-14	Change
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### Breakdown by yields (%)

3-month			
6-month			
9-month			
1-year	9.20		
2-year	18.43	18.43	0бп
3-year			
5-year			

### Breakdown by proceeds (UAHm)

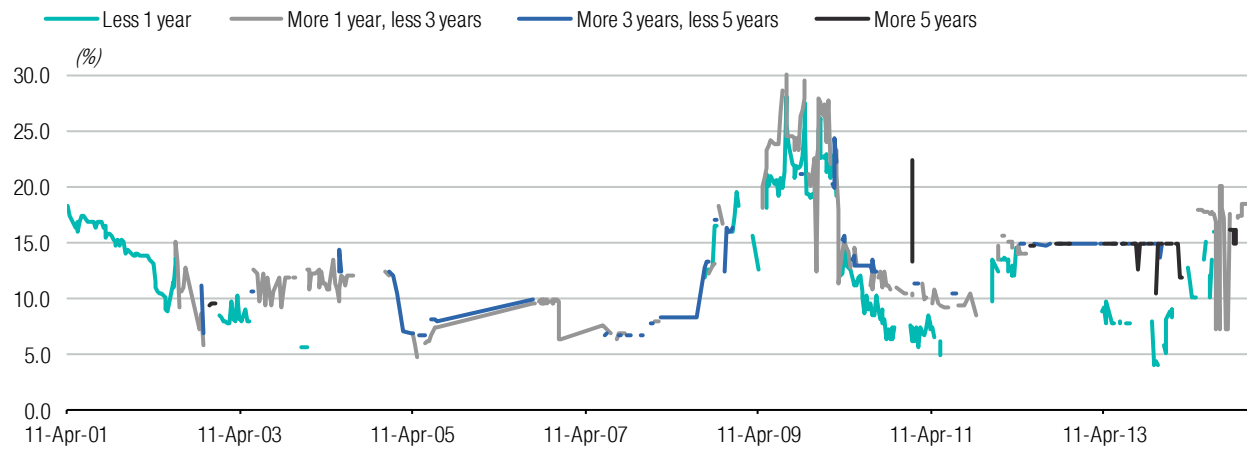
3-month			
6-month			
9-month			
1-year	2,044.87		
2-year	1,500.69	1,500.00	0.05%
3-year			
5-year			
<b>Total</b>	<b>3,545.56</b>	<b>1,500.00</b>	<b>2.36x</b>

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.

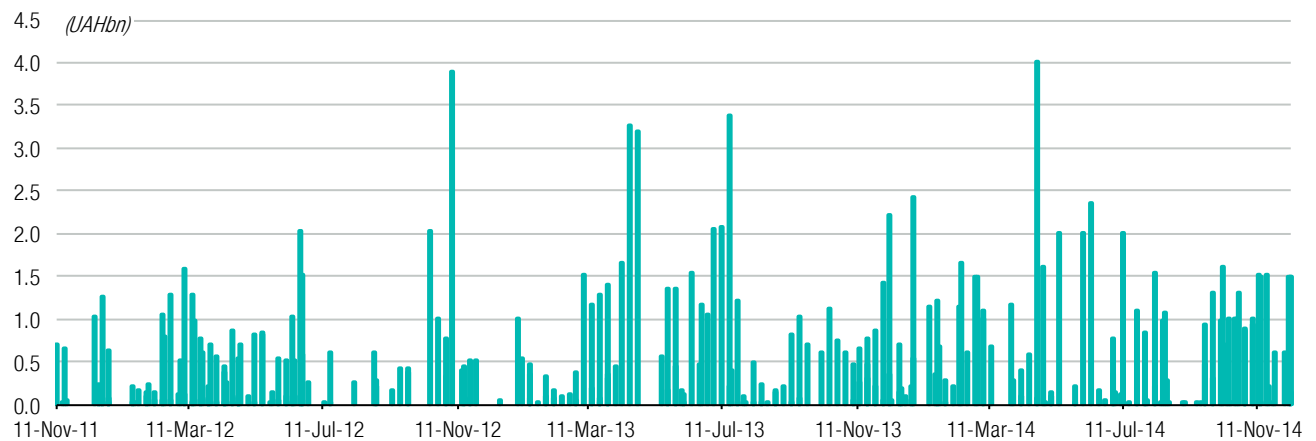
## Appendix: Auctions history and schedule for 2014

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



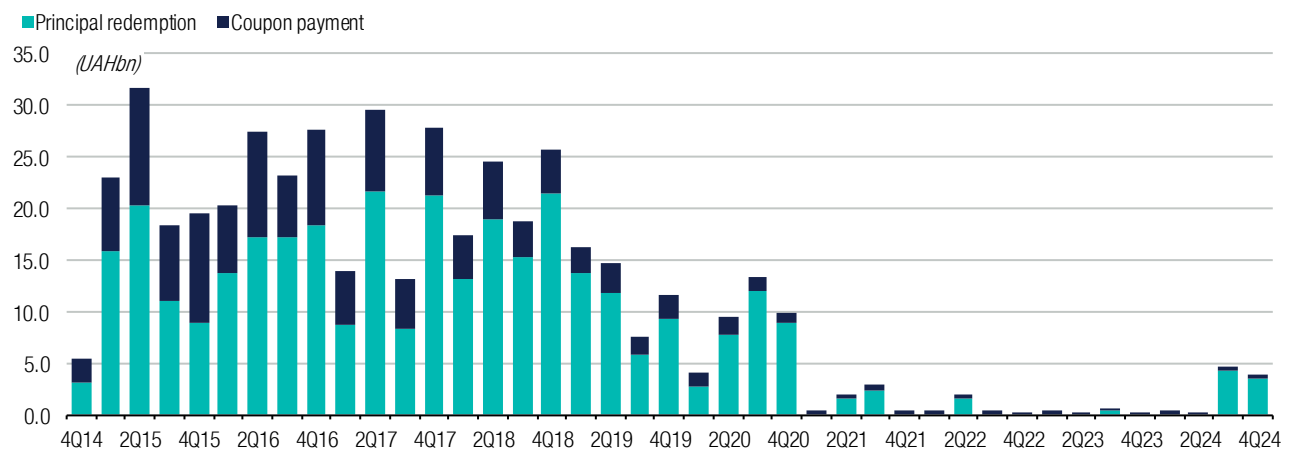
Sources: Ministry of Finance of Ukraine, ICU.

**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	0.00	0.00	0.00	
<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	0.00	0.00	<b>2,546,408,159.48</b>	<b>2,275,466,683.33</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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**Hold:**        Forecasted 12-month total return is in line with or modestly deviates from relevant benchmark

**Sell:**        Forecasted 12-month total return significantly less than that of relevant benchmark



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