



Focus
Ukraine

Scope
Bonds

Analyst
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Bond Market Insight

MoF rejects high rates

Government bond auction results

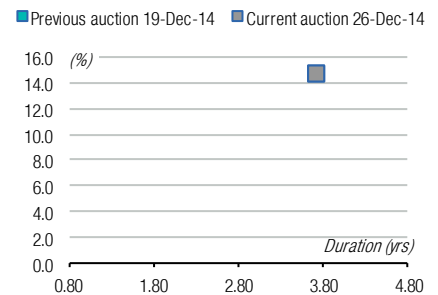
Following the holiday break, the MoF yesterday held the second primary auction this year, offering a similar set of bonds as it replaced only the 3-month with a 6-month maturity and continued with the 2-year and 5-year maturities. The MoF rejected the two bids at 19% and 20% for a total of UAH307.49m at yesterday's auction.

With only UAH1.09bn in debt repayments (UAH0.70bn in local currency) scheduled for today, the MoF need not use domestic QE. However, yesterday's demand was insufficient to cover today's debt repayments.

Even at short-term maturities, market rates are too high for the MoF to accept.

WEDNESDAY, 14 JANUARY 2015

Term structure of yields



Sources: Ministry of Finance of Ukraine, ICU.

Auction results

Auction	Last 26-Дек-14	Previous 19-Дек-14	Change
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Breakdown by yields (%)

3-month			
6-month			
9-month			
1-year			
2-year			
3-year			
5-year	14.80	14.80	0бп

Breakdown by proceeds (UAHm)

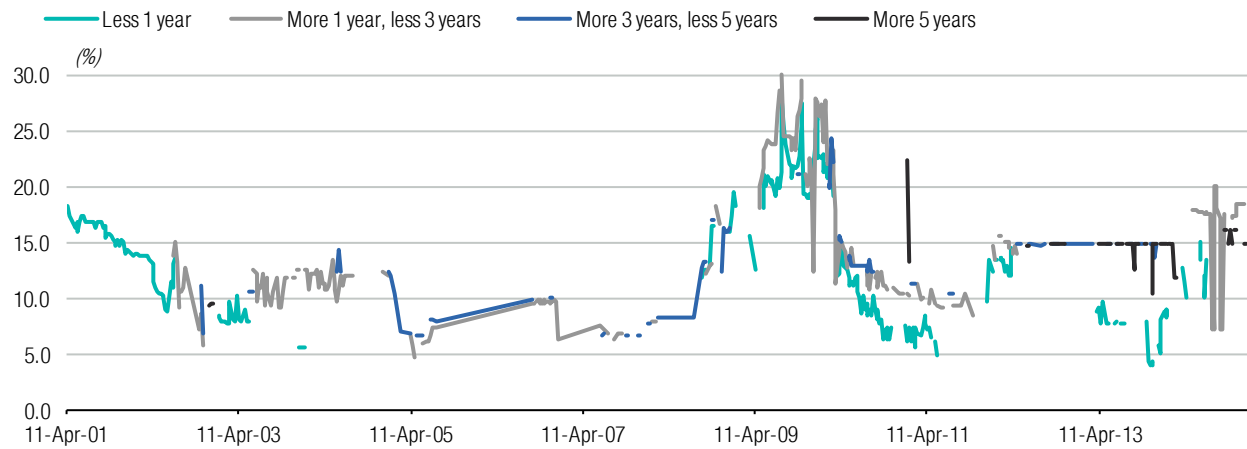
3-month			
6-month			
9-month			
1-year			
2-year			
3-year			
5-year	903.07	501.71	80.00%
Total	903.07	501.71	80.00%

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.

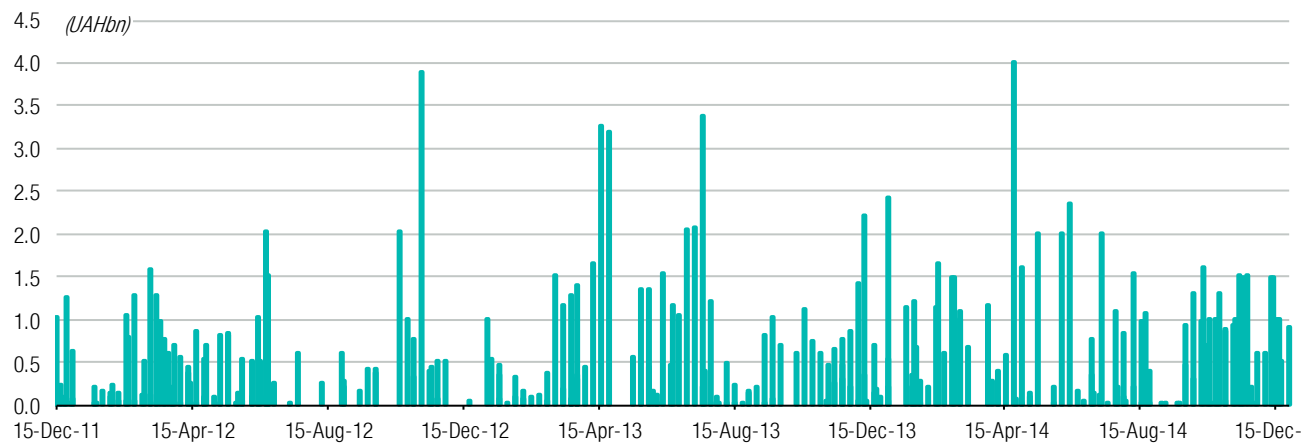
Appendix: Auctions history and schedule for 2014

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



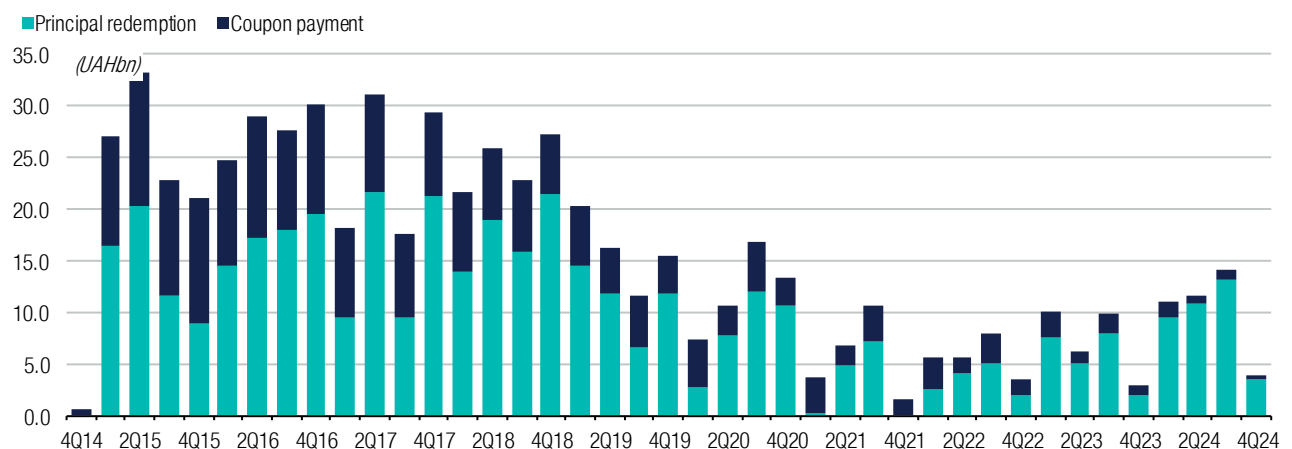
Sources: Ministry of Finance of Ukraine, ICU.

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 1. 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	6 января 2015	13 января 2015	20 января 2015	27 января 2015	
	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	3,759,749,553.44	1,106,278,998.33	1,281,000,314.50	1,537,417,461.25	
February	Auction date	3 февраля 2015	10 февраля 2015	17 февраля 2015	24 февраля 2015	
	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	2,636,860,569.25	4,247,791,223.88	3,076,740,841.50	2,060,861,130.91	
March	Auction date	3 марта 2015	10 марта 2015	17 марта 2015	24 марта 2015	31 марта 2015
	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	1,632,385,000.00	307,858,019.50	4,837,363,891.68	568,778,847.00	470,580,000.00
April	Auction date	7 апреля 2015	14 апреля 2015	21 апреля 2015	28 апреля 2015	
	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	1,576,593,150.00	1,984,719,358.50	6,508,438,560.15	961,898,697.00	
May	Auction date	5 мая 2015	12 мая 2015	19 мая 2015	26 мая 2015	
	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	5,936,610,884.71	1,578,590,636.00	1,201,732,597.50	3,431,656,132.49	
June	Auction date	2 июня 2015	9 июня 2015	16 июня 2015	23 июня 2015	30 июня 2015
	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	3,999,763,666.40	1,034,841,460.00	3,957,310,922.80	652,860,000.00	514,467,890.00
July	Auction date	7 июля 2015	14 июля 2015	21 июля 2015	28 июля 2015	
	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	1,465,078,185.85	3,063,220,289.10	4,466,527,264.50	1,367,276,836.25	
August	Auction date	4 августа 2015	11 августа 2015	18 августа 2015	25 августа 2015	
	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	1,093,273,793.25	875,973,922.38	2,273,641,506.75	1,239,005,731.25	
September	Auction date	1 сентября 2015	8 сентября 2015	15 сентября 2015	22 сентября 2015	29 сентября 2015
	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	1,916,000,000.00	832,858,019.50	995,342,452.50	2,253,044,847.00	470,580,000.00
October	Auction date	6 октября 2015	13 октября 2015	20 октября 2015	27 октября 2015	
	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	1,087,078,150.00	1,139,719,358.50	1,343,141,378.00	1,290,898,697.00	
November	Auction date	3 ноября 2015	10 ноября 2015	17 ноября 2015	24 ноября 2015	
	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	792,691,089.15	1,216,740,636.00	2,933,857,597.50	920,819,130.25	
December	Auction date	1 декабря 2015	8 декабря 2015	15 декабря 2015	22 декабря 2015	29 декабря 2015
	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	1,040,532,893.65	3,091,441,460.00	5,125,439,672.80	652,860,000.00	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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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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