



Bond Market Insight

Successful re-opening

Government bond auction results

At yesterday's scheduled primary auction, the MoF offered the same 3-month bonds as were sold on Monday, raising an additional UAH2.95bn of proceeds. For the month of January 2015, the MoF has repaid UAH7.61bn of scheduled repayments after having planned for UAH7.67bn of financing. As of yesterday, the MoF has raised UAH9.94bn, or UAH2.33bn more than scheduled to repay (including today's repayments) and UAH2.27bn more than was planned for the month.

Demand for yesterday's auction came from three bids at 17% for a total of UAH3.07bn. These bids appear to have been supported by the NBU under domestic QE. We expect to see the NBU's portfolio increase by a similar volume shortly.

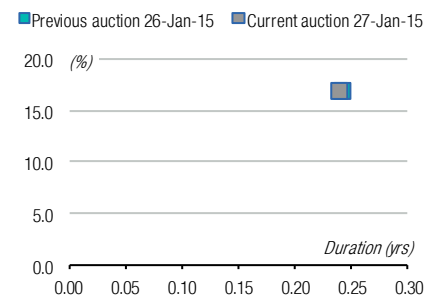
Table 1. Details of last government bond auction

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)
UA4000188940	0.00		24-Apr-15	3,072,931	961.06	2,953.27	3,072.93	17.00	4,572.93
Total				3,072,931		2,953.27	3,072.93		4,572.93

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.

WEDNESDAY, 28 JANUARY 2015

Term structure of yields



Sources: Ministry of Finance of Ukraine, ICU.

Auction results

Auction	Last 27-Янв-15	Previous 26-Янв-15	Change
3-month	17.00	17.00	0бп

Breakdown by yields (%)

3-month	17.00	17.00	0бп
6-month			
9-month			
1-year			
2-year			
3-year			
5-year			

Breakdown by proceeds (UAHm)

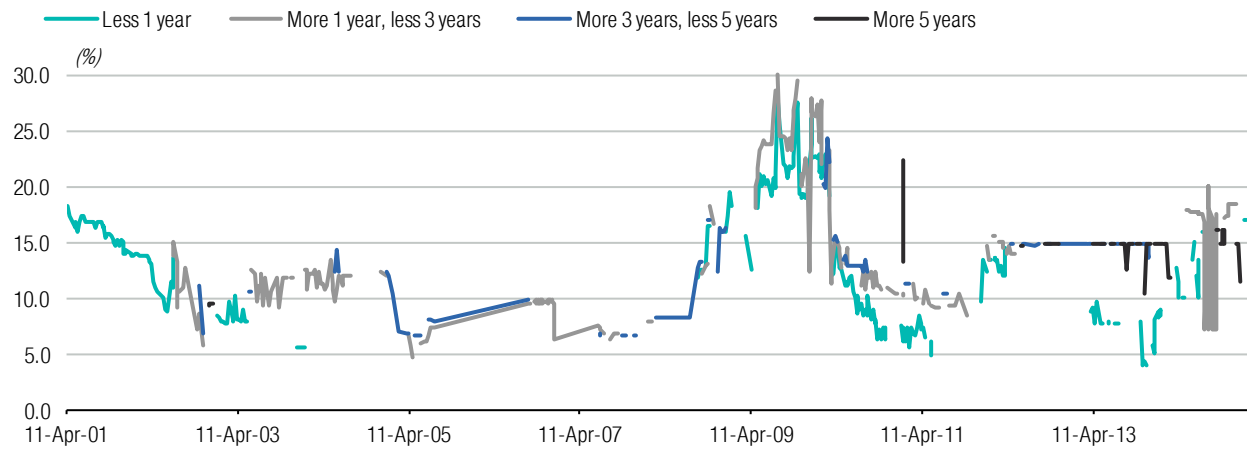
3-month	2,953.27	1,440.95	2.05x
6-month			
9-month			
1-year			
2-year			
3-year			
5-year			
Total	2,953.27	1,440.95	2.05x

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.

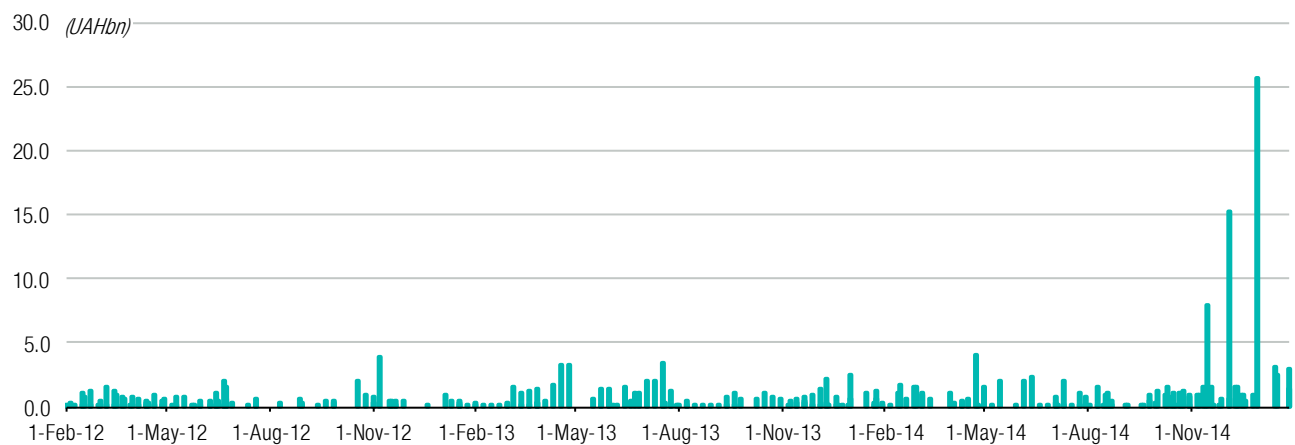
Appendix: Auctions history and schedule for 2015

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



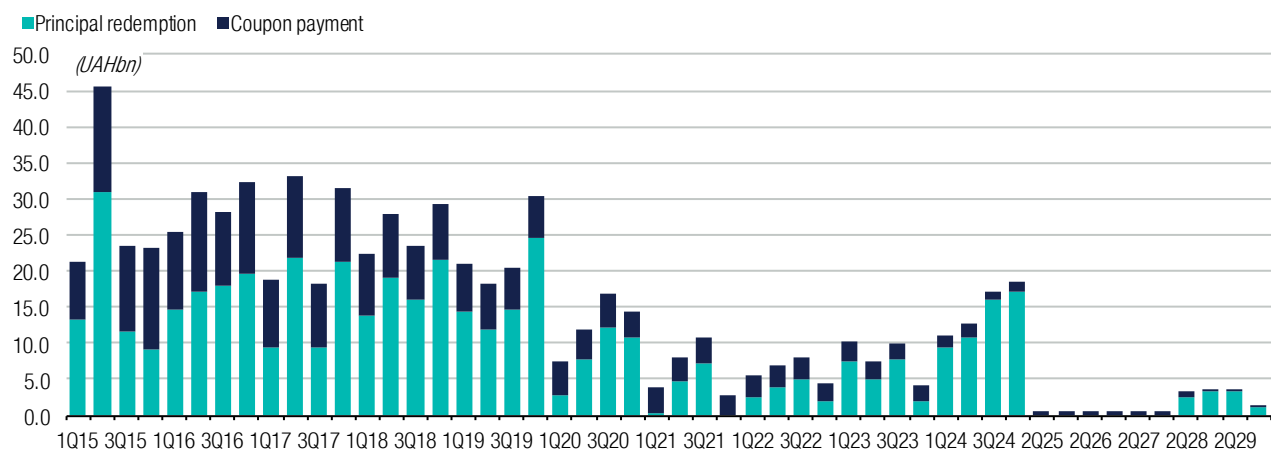
Sources: Ministry of Finance of Ukraine, ICU.

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 2015

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	0.00	0.00	0.00	1,539,137,010.81	
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	2,636,908,165.36	4,345,830,761.43	3,083,475,489.00	2,067,517,117.73	
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	307,899,977.50	4,988,143,608.10	570,529,997.80	6,268,800,820.90
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	11,300,611,456.81	1,025,187,467.24	
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	6,025,746,900.69	1,984,840,636.00	1,503,436,422.47	3,453,565,942.17	
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	4,273,017,615.50	1,035,599,035.00	4,091,259,298.51	1,097,867,000.60	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	1,465,380,615.94	3,077,294,814.33	4,493,463,264.50	1,368,996,385.81	
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	1,093,321,389.36	1,162,253,146.85	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	832,899,977.50	1,281,799,327.50	2,254,795,997.80	562,928,473.50
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	1,628,141,378.00	1,354,187,467.24	
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	879,682,389.15	1,622,990,636.00	3,307,416,656.88	922,175,628.18	
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	1,291,376,603.56	3,109,034,035.00	5,244,690,642.26	1,112,612,833.75	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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Sell: Forecasted 12-month total return significantly less than that of relevant benchmark



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