



# Bond Market Insight

## USD-denominated bonds sold

### Government bond auction results

Yesterday, the MoF sold USD-denominated bonds for the first time in nearly two months, selling zero-coupon 48-days USD-denominated bond for redemption on March 24, 2015. The auction received one bid for US\$60.68m (par value) at 8.75%, providing US\$60.00m in proceeds.

The 2-year and 5-year local currency bond offerings apparently received no domestic QE support. Only the 2-year bond received one bid for UAH23.71m at 16.70%, which was fulfilled.

The USD-denominated bond offering was meant to replenish FX reserves prior to next week's scheduled US\$218.50m repayment of principal on domestic USD-denominated bonds. The bonds most likely were purchased by a local bank which should receive part of the principal repayments next week which, under a pre-arranged agreement, will be refinanced.

As local currency proceeds were low, we anticipate additional unscheduled primary auctions this week. They should receive domestic QE support, particularly since UAH2.63bn is due for repayment today and UAH0.56bn is scheduled next week.

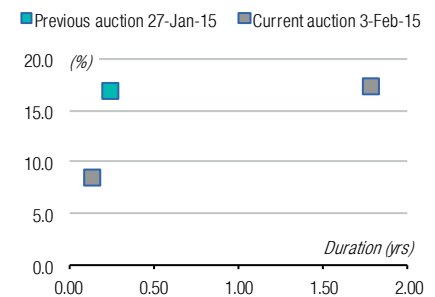
**Table 1. Details of last government bond auction**

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)
UA4000189013	8.75		24-Mar-15	60,675	988.86	977.48	988.49	8.57	988.49
UA4000189021	16.70	ПГ	1-Фев-17	23,710	1,000.00	386.27	386.27	17.45	386.27
<b>Total</b>				<b>84,385</b>		<b>1,363.75</b>	<b>1,374.76</b>		<b>1,374.76</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 16.2915; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

### WEDNESDAY, 4 FEBRUARY 2015

#### Term structure of yields



Sources: Ministry of Finance of Ukraine, ICU.

#### Auction results

Auction	Last 3-Фев-15	Previous 27-Янв-15	Change
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#### Breakdown by yields (%)

3-month	8.57	17.00	-8436п
6-month			
9-month			
1-year			
2-year	17.45		
3-year			
5-year			

#### Breakdown by proceeds (UAHm)

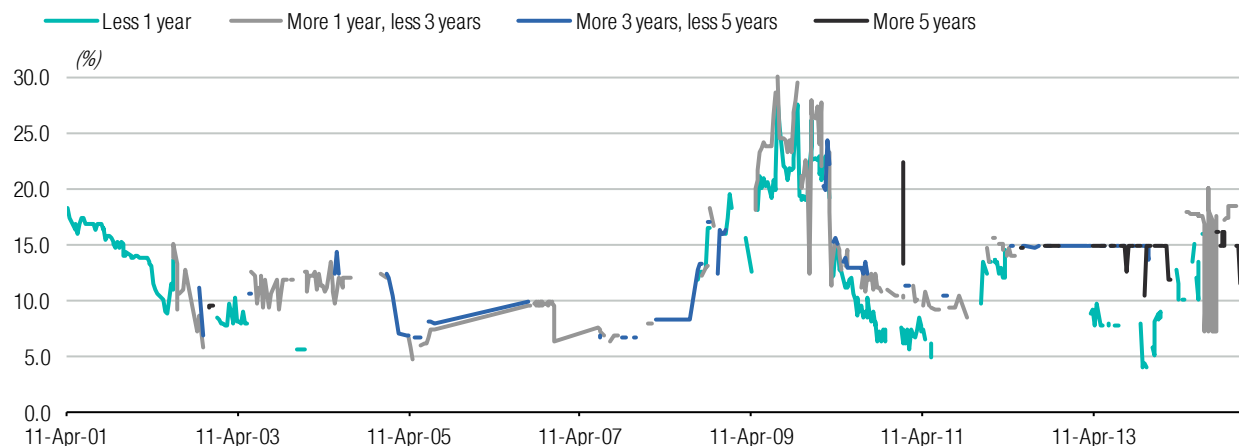
3-month	977.48	2,953.27	-66.90%
6-month			
9-month			
1-year			
2-year	386.27		
3-year			
5-year			
<b>Total</b>	<b>1,363.75</b>	<b>2,953.27</b>	<b>-53.82%</b>

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.

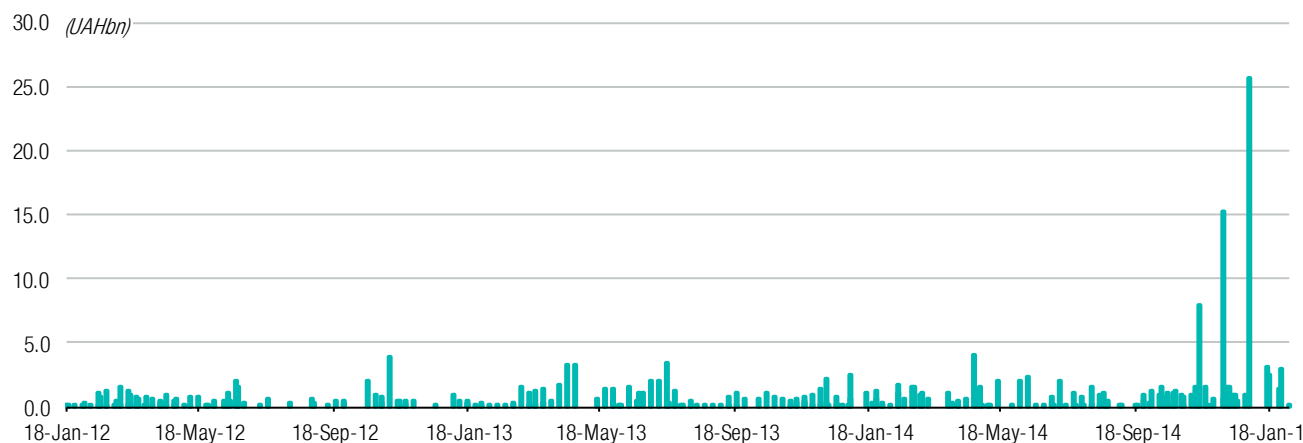
## Appendix: Auctions history and schedule for 2015

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



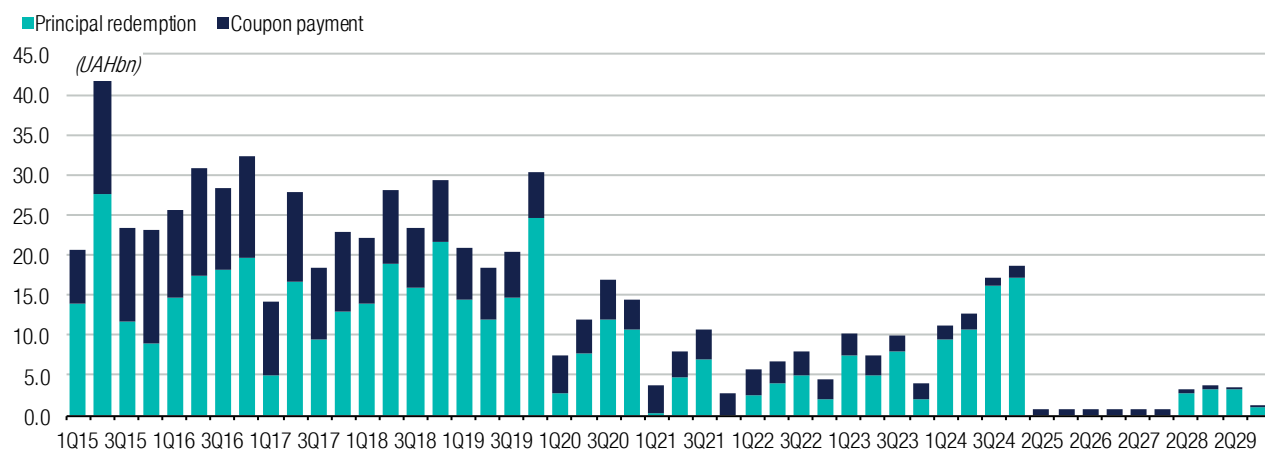
Sources: Ministry of Finance of Ukraine, ICU.

**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
<b>January</b>	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	0.00	
<b>February</b>	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	<b>2,637,033,863.18</b>	<b>4,426,958,806.57</b>	<b>3,101,261,199.00</b>	<b>2,085,095,090.64</b>	
<b>March</b>	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	<b>1,632,385,000.00</b>	308,010,785.50	<b>5,063,726,179.67</b>	<b>1,362,034,108.60</b>	<b>6,268,800,820.90</b>
<b>April</b>	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	<b>1,576,593,150.00</b>	<b>1,984,719,358.50</b>	<b>11,412,274,844.12</b>	<b>1,029,971,556.29</b>	
<b>May</b>	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	<b>5,376,946,138.27</b>	<b>1,984,840,636.00</b>	<b>1,428,367,486.97</b>	<b>3,511,428,142.23</b>	
<b>June</b>	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	<b>4,335,390,171.59</b>	<b>1,037,599,735.00</b>	<b>1,238,618,665.84</b>	<b>1,012,361,499.05</b>	<b>514,467,890.00</b>
<b>July</b>	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	<b>1,466,179,311.63</b>	<b>3,114,464,602.96</b>	<b>4,564,599,264.50</b>	<b>1,373,537,590.06</b>	
<b>August</b>	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	<b>1,125,700,754.51</b>	<b>1,165,631,484.83</b>	<b>2,273,641,506.75</b>	<b>1,239,005,731.25</b>	
<b>September</b>	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	<b>1,916,000,000.00</b>	<b>833,010,785.50</b>	<b>1,285,646,827.50</b>	<b>2,057,813,346.10</b>	<b>562,928,473.50</b>
<b>October</b>	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	<b>1,087,078,150.00</b>	<b>1,139,719,358.50</b>	<b>1,628,141,378.00</b>	<b>1,358,971,556.29</b>	
<b>November</b>	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	<b>879,682,389.15</b>	<b>1,622,990,636.00</b>	<b>3,232,347,721.38</b>	<b>925,758,039.71</b>	
<b>December</b>	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	<b>1,292,038,247.87</b>	<b>3,155,494,735.00</b>	<b>5,246,013,665.84</b>	<b>1,027,107,332.20</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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