



Bond Market Insight

FX-denominated repayments refinancing

Government bond auction results

The MoF last week repaid the largest domestic debt repayment denominated in FX since the year beginning and scheduled for 1Q15. This repayment was mostly refinanced at the beginning of the month via short-term FX-denominated bonds that mature on March 24, 2015. However, as the MoF has no other sources for FX financing now and anticipates the debut tranche of the IMF loan at the beginning of the March, this situation caused needs in new FX financing from domestic sources to cover the nearest FX domestic debt repayments. As the MoF is scheduled to repay about US\$50m in domestic principal and interest repayments today, and the volume of needed FX is similar next week, yesterday's FX proceeds should cover these two repayments.

Although two domestic bonds with 2-year and 5-year maturities attracted no demand at yesterday's auction, the 28-day USD-denominated bond with redemption on 17 March received and accepted a sole bid for US\$100.0m (par value) at 8.75%, the same as was seen at the auction two weeks ago, providing budget proceeds of US\$99.36m.

Actually, proceeds will cover the MoF's needs in FX through the end of the month and until mid-March when the MoF expects to receive new IMF funds. With about US\$240m in repayments scheduled for 17 and 18 March, we anticipate new offerings of FX-denominated bonds until mid-March only if the IMF tranche is not received prior to these repayments.

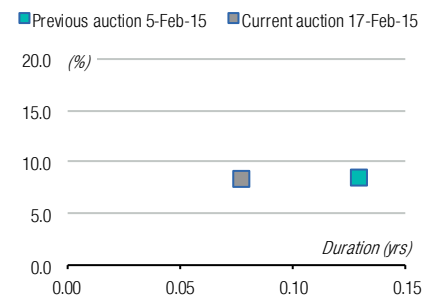
Table 1. Details of last government bond auction

ISIN	Coupon rate (%)	Payment freq ¹	Maturity	Qty of bonds sold	Price (UAH)	Proceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Outstanding (m)
UA4000189294	0.00		17-Mar-15	100,000	993.57	2,623.02	2,640.00	8.44	2,640.00
Total				100,000		2,623.02	2,640.00		2,640.00

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 26.4; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

WEDNESDAY, 18 FEBRUARY 2015

Term structure of yields



Sources: Ministry of Finance of Ukraine, ICU.

Auction results

Auction	Last 17-Feb-15	Previous 5-Feb-15	Change
3-month	8.44	8.57	-136bp
6-month			
9-month			
1-year			
2-year			
3-year			
5-year			

Breakdown by yields (%)

3-month	8.44	8.57	-136bp
6-month			
9-month			
1-year			
2-year			
3-year			
5-year			

Breakdown by proceeds (UAHm)

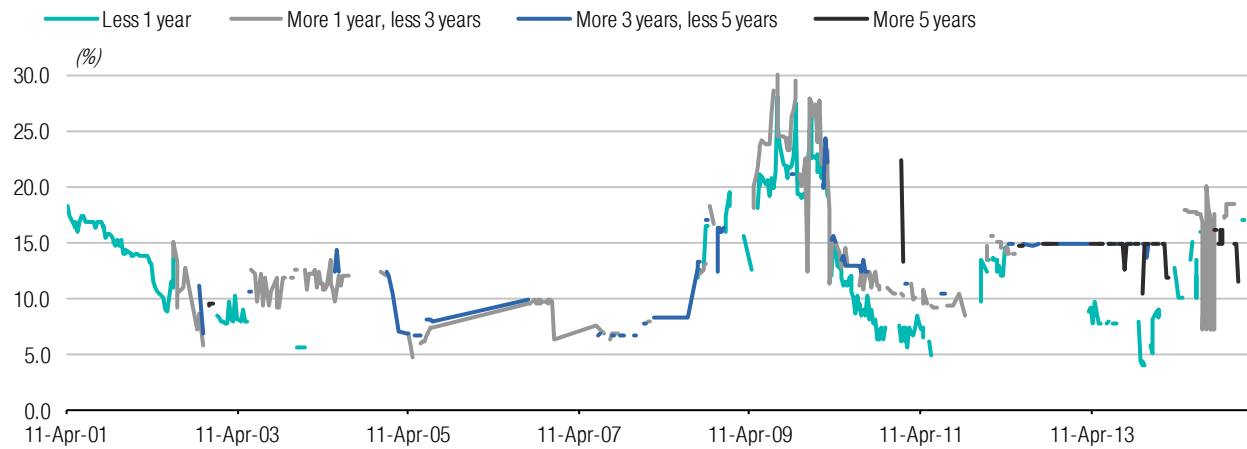
3-month	2,623.02	2,239.79	17.11%
6-month			
9-month			
1-year			
2-year			
3-year			
5-year			
Total	2,623.02	2,239.79	17.11%

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.

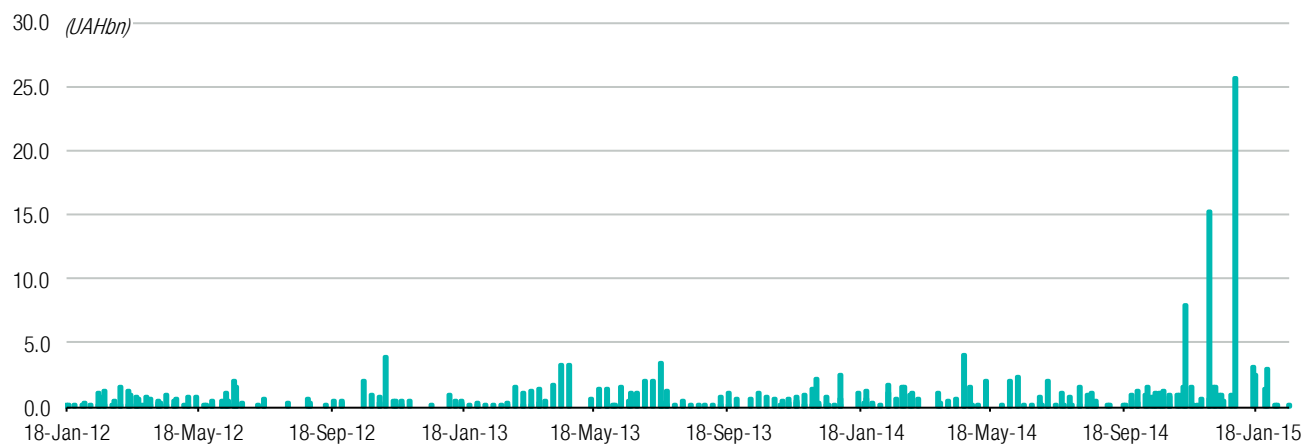
Appendix: Auctions history and schedule for 2015

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



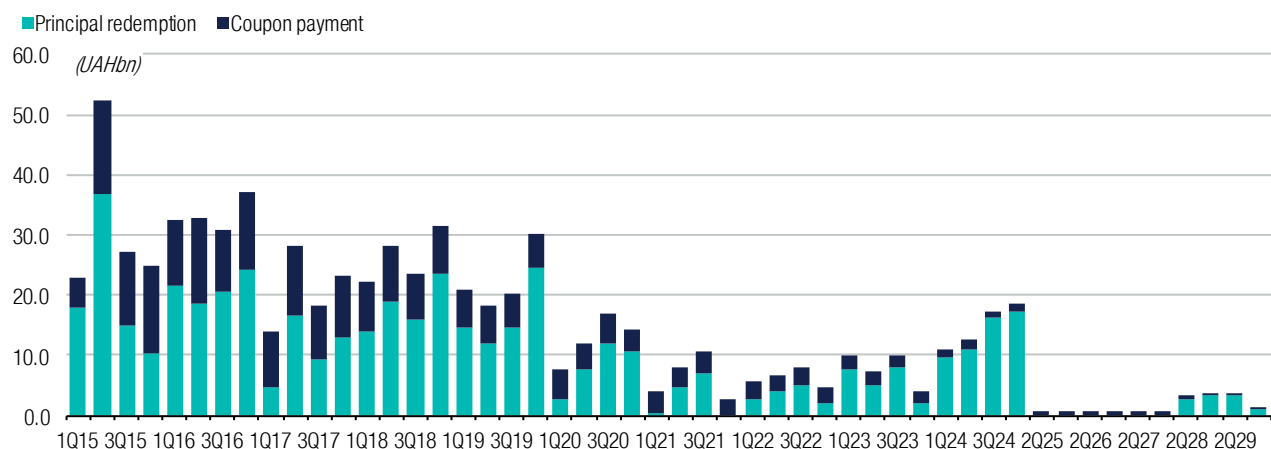
Sources: Ministry of Finance of Ukraine, ICU.

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 January 2015	13 January 2015	20 January 2015	27 January 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	
February	Auction date	3 February 2015	10 February 2015	17 February 2015	24 February 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	3,626,953,741.50	2,604,647,544.24	
March	Auction date	3 March 2015	10 March 2015	17 March 2015	24 March 2015	31 March 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	311,285,939.50	9,937,721,573.50	4,626,965,839.00	6,268,800,820.90
April	Auction date	7 April 2015	14 April 2015	21 April 2015	28 April 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	14,712,711,542.00	1,164,026,465.50	
May	Auction date	5 May 2015	12 May 2015	19 May 2015	26 May 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	8,176,300,624.65	1,984,840,636.00	1,501,595,988.10	5,221,662,204.80	
June	Auction date	2 June 2015	9 June 2015	16 June 2015	23 June 2015	30 June 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	6,178,936,906.20	1,096,734,460.00	1,277,723,297.00	1,155,996,208.10	514,467,890.00
July	Auction date	7 July 2015	14 July 2015	21 July 2015	28 July 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	1,489,786,374.00	4,213,092,697.75	6,667,167,264.50	1,507,762,043.75	
August	Auction date	4 August 2015	11 August 2015	18 August 2015	25 August 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	1,099,142,125.00	1,265,485,080.00	2,273,641,506.75	1,239,005,731.25	
September	Auction date	1 September 2015	8 September 2015	15 September 2015	22 September 2015	29 September 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	836,285,939.50	1,399,367,452.50	2,069,411,839.00	562,928,473.50
October	Auction date	6 October 2015	13 October 2015	20 October 2015	27 October 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	1,493,026,465.50	
November	Auction date	3 November 2015	10 November 2015	17 November 2015	24 November 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	3,305,576,222.50	1,031,643,440.00	
December	Auction date	1 December 2015	8 December 2015	15 December 2015	22 December 2015	29 December 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	1,311,594,480.50	4,528,734,460.00	5,285,118,297.00	1,170,742,041.25	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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