



# Bond Market Insight

## Insufficient financing

### Government bond auction results

Yesterday's primary auction attracted little demand and no NBU support. The MoF received and accepted, despite the paltry size, the sole bid for UAH18.79m (par value) at 16.70% for the 2-year local currency bond.

The MoF is scheduled this week to repay UAH2.12bn in local currency bonds, including UAH0.64bn to be repaid yesterday and UAH0.61bn scheduled for today. Because today's proceeds cover less than 10% of this week's repayments, the balance should come from budget revenues.

Since the MoF has insufficient reserves to fulfil these repayments, we anticipate additional unscheduled primary auctions with significant domestic QE support.

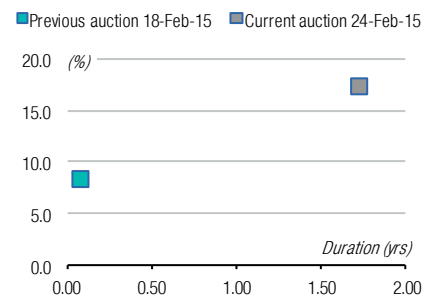
**Table 1. Details of last government bond auction**

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)
UA4000189021	16.70	SA	1-Feb-17	18,785	1,009.30	18.96	18.79	17.45	42.50
<b>Total</b>				<b>18,785</b>		<b>18.96</b>	<b>18.79</b>		<b>42.50</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.

**WEDNESDAY, 25 FEBRUARY 2015**

### Term structure of yields



Sources: Ministry of Finance of Ukraine, ICU.

### Auction results

Auction	Last 24-Feb-15	Previous 18-Feb-15	Change
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### Breakdown by yields (%)

3-month		8.42	
6-month			
9-month			
1-year			
2-year	17.45		
3-year			
5-year			

### Breakdown by proceeds (UAHm)

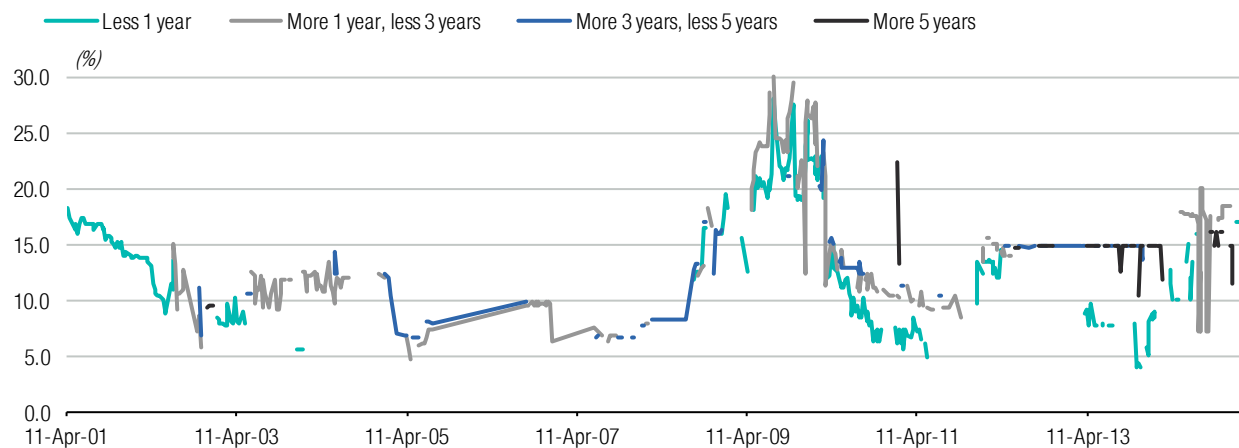
3-month		1,084.02	
6-month			
9-month			
1-year			
2-year	18.96		
3-year			
5-year			
<b>Total</b>	<b>18.96</b>	<b>1,084.02</b>	<b>-98.25%</b>

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.

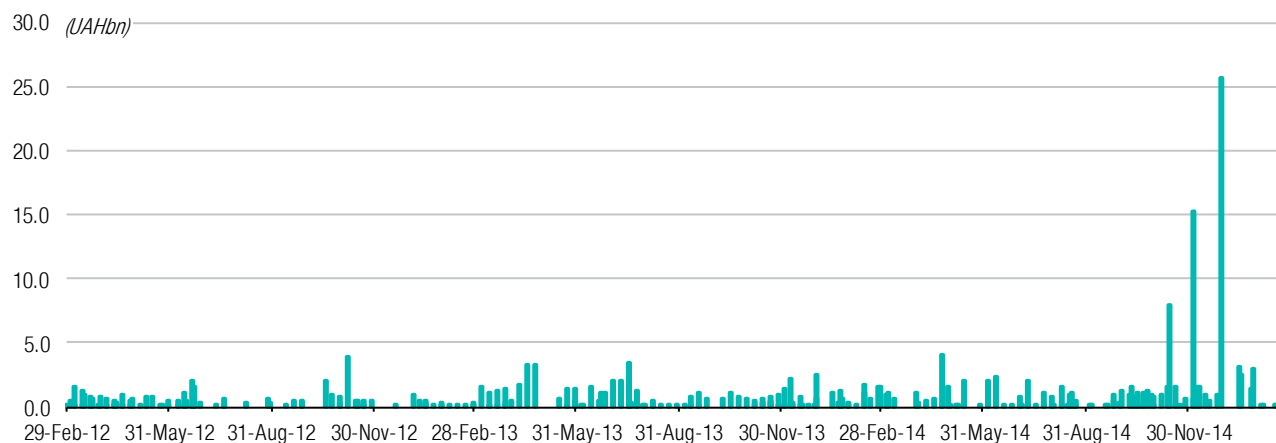
## Appendix: Auctions history and schedule for 2015

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



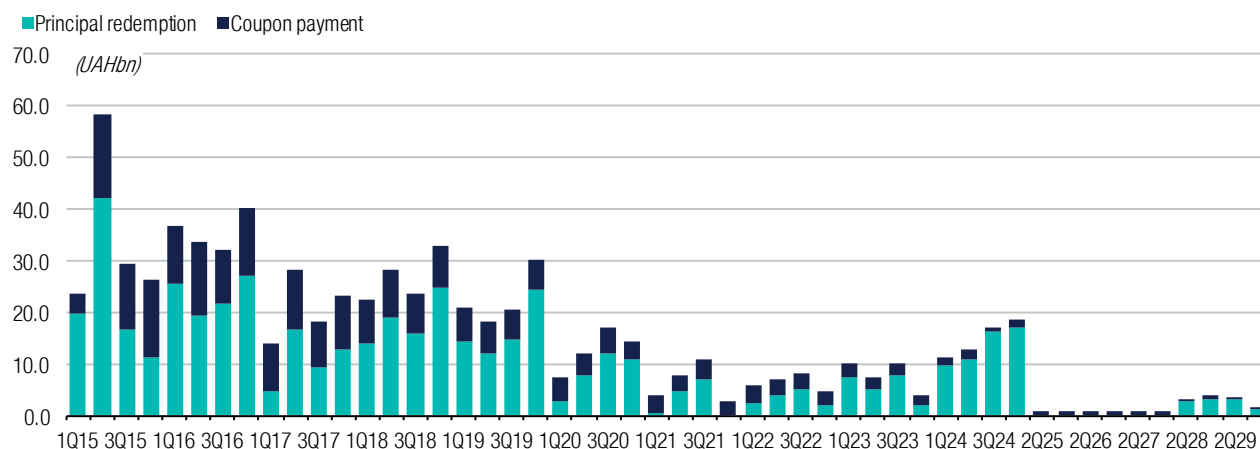
Sources: Ministry of Finance of Ukraine, ICU.

**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 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	
<b>February</b>	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	0.00	<b>2,918,172,792.00</b>	
<b>March</b>	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	<b>1,632,385,000.00</b>	313,262,339.50	<b>13,203,956,768.13</b>	<b>5,614,082,479.00</b>	<b>6,268,800,820.90</b>
<b>April</b>	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	<b>1,576,593,150.00</b>	<b>1,984,719,358.50</b>	<b>16,704,368,450.25</b>	<b>1,244,679,343.00</b>	
<b>May</b>	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	<b>9,865,578,199.65</b>	<b>1,984,840,636.00</b>	<b>1,545,785,913.10</b>	<b>6,253,707,293.75</b>	
<b>June</b>	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	<b>7,291,429,865.70</b>	<b>1,132,419,460.00</b>	<b>1,301,321,086.00</b>	<b>1,242,672,938.10</b>	<b>514,467,890.00</b>
<b>July</b>	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	<b>1,504,032,115.75</b>	<b>4,876,062,612.00</b>	<b>7,935,967,264.50</b>	<b>1,588,760,131.25</b>	
<b>August</b>	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	<b>1,102,952,651.25</b>	<b>1,325,741,985.63</b>	<b>2,273,641,506.75</b>	<b>1,239,005,731.25</b>	
<b>September</b>	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	<b>1,916,000,000.00</b>	<b>838,262,339.50</b>	<b>1,467,992,452.50</b>	<b>2,076,410,979.00</b>	<b>562,928,473.50</b>
<b>October</b>	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	<b>1,087,078,150.00</b>	<b>1,139,719,358.50</b>	<b>1,628,141,378.00</b>	<b>1,573,679,343.00</b>	
<b>November</b>	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	<b>879,682,389.15</b>	<b>1,622,990,636.00</b>	<b>3,349,766,147.50</b>	<b>1,095,540,253.75</b>	
<b>December</b>	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	<b>1,323,395,738.75</b>	<b>5,357,419,460.00</b>	<b>5,308,716,086.00</b>	<b>1,257,418,771.25</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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