



Focus
Ukraine

Scope
Bonds

Analyst
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Bond Market Insight

MoF places local currency bonds

Government bond auction results

Although we did not anticipate significant demand for the 2-year local currency bonds at yesterday's auction just following Tuesday's high volume of FX-denominated bonds seen on Tuesday, we saw UAH506.83m in eight bids at interest rates in a very tight range of 19.7-19.9%.

As the MoF set the benchmark yield for this bond at the end of January at 19.7%, there was a low probability that the MoF would accept bids with higher interest rates. In fact, the MoF decided to keep yield curve unchanged and accepted only four bids at the lowest interest rate, the same as before, and rejected four bids that amounted to a total of only UAH140m at par value.

Although the UAH371.02m in proceeds were not very significant, the level is similar to local currency proceeds received this year before yesterday's auction. As this issue currently amounts to UAH466.83m, the MoF will likely to continue to re-open the issue later in 1Q16, possibly trying to increase the total placement to UAH1.0bn.

Yesterday's auction could make mid-term bonds are more attractive for the market. Out of UAH761.83m of bonds sold this year, UAH611.83m are bonds with maturities ranging from 1.5-years to 3-years, while UAH150m par value in short-term bonds were sold. Interest rates for these bonds at the primary market are 19.5-20.0%, resulting in YTM's of 20.5-21.0%.

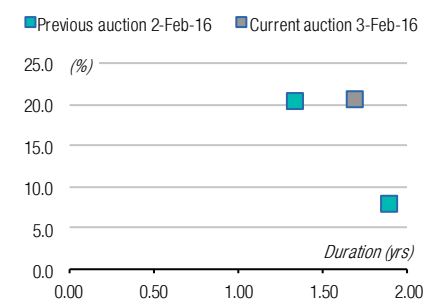
Table 1. Details of last government bond auction

ISIN	Coupon rate (%)	Payment frequency ¹	Maturity	Qty of bonds sold	Price (UAH)	Proceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Outstanding (m)
UA4000192637	19.70	SA	10-Jan-18	366,830	1,011.42	371.02	366.83	20.73	466.83
Total				366,830		371.02	366.83		466.83

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.

THURSDAY, 4 FEBRUARY 2016

Term structure of yields



Sources: Ministry of Finance of Ukraine, ICU.

Auction results

Auction	Last 3-Feb-16	Previous 2-Feb-16	Change
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Breakdown by yields (%)

3-month			
6-month			
9-month			
1-year			
2-year	20.73	20.51	226bp
3-year			
5-year			

Breakdown by proceeds (UAHm)

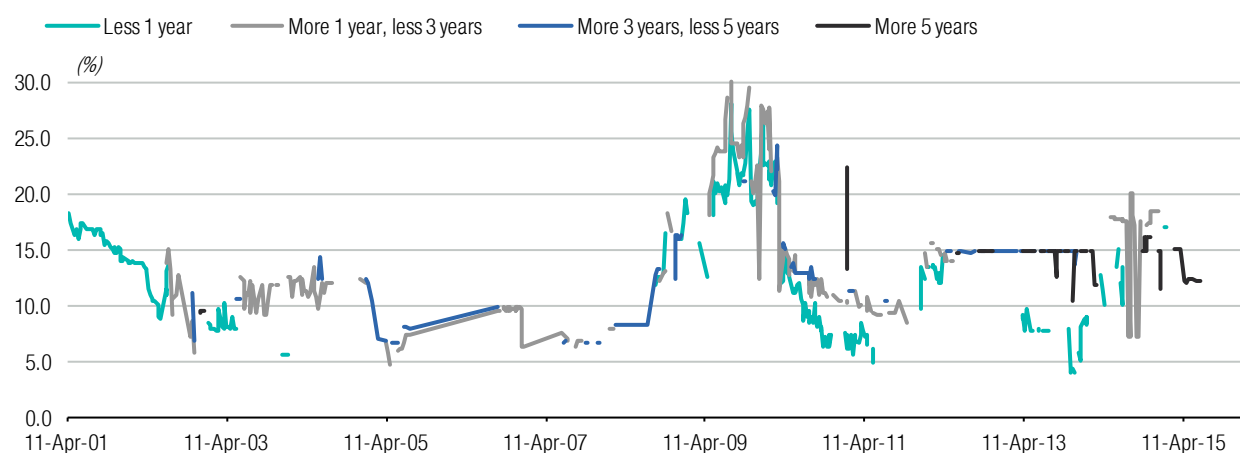
3-month			
6-month			
9-month			
1-year			
2-year	371.02	11,206.99	-96.69%
3-year			
5-year			
Total	371.02	11,206.99	-96.69%

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.

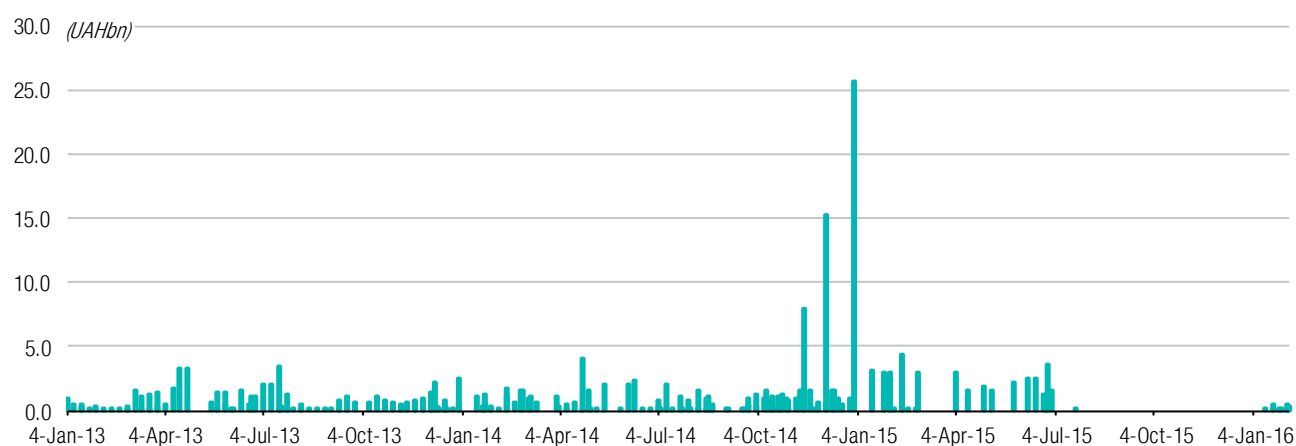
Appendix: Auctions history and schedule for 2016

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



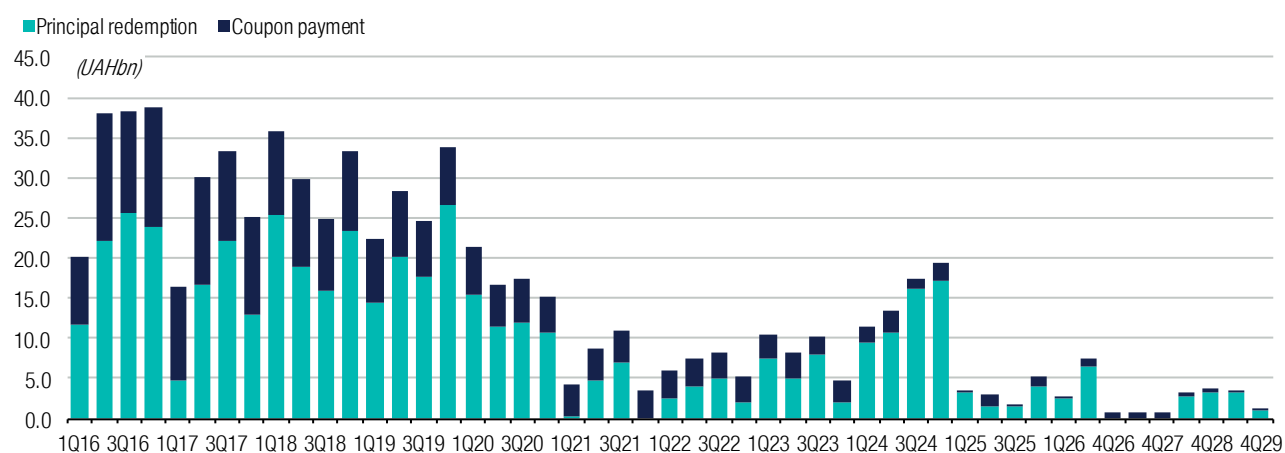
Sources: Ministry of Finance of Ukraine, ICU.

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 2016

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	5 January 2016	12 January 2016	19 January 2016	26 January 2016	
	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	2 February 2016	9 February 2016	16 February 2016	23 February 2016	
	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	1,489,404,273.13	1,297,164,262.19	2,705,367,472.00	829,181,572.50	
March	Auction date	1 March 2016	8 March 2016	15 March 2016	22 March 2016	29 March 2016
	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	1,083,750,000.00	1,536,662,839.50	9,177,054,952.50	1,333,288,779.00	714,523,137.00
April	Auction date	5 April 2016	12 April 2016	19 April 2016	26 April 2016	
	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	1,234,578,150.00	5,024,719,358.50	1,758,992,238.00	4,365,967,999.25	
May	Auction date	3 May 2016	10 May 2016	17 May 2016	24 May 2016	31 May 2016
	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	1,027,057,389.15	5,016,490,636.00	1,225,867,460.00	2,941,922,263.13	3,469,836,969.38
June	Auction date	7 June 2016	14 June 2016	21 June 2016	28 June 2016	
	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	3,374,654,460.00	1,218,253,778.50	5,242,743,926.25	2,231,967,890.00	
July	Auction date	5 July 2016	12 July 2016	19 July 2016	26 July 2016	
	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	3,872,616,399.91	3,711,656,460.75	6,676,614,033.31	991,028,613.75	
August	Auction date	2 August 2016	9 August 2016	16 August 2016	23 August 2016	30 August 2016
	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	1,686,347,463.81	7,961,179,512.19	1,169,987,129.25	2,579,181,572.50	1,083,750,000.00
September	Auction date	6 September 2016	13 September 2016	20 September 2016	27 September 2016	
	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	433,287,839.50	4,984,637,452.50	565,104,479.00	2,653,927,895.50	
October	Auction date	4 October 2016	11 October 2016	18 October 2016	25 October 2016	
	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	1,234,578,150.00	939,031,858.50	3,553,215,472.00	8,709,221,306.75	
November	Auction date	1 November 2016	8 November 2016	15 November 2016	22 November 2016	29 November 2016
	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	1,969,036,389.15	3,470,520,636.00	3,089,737,460.00	1,948,151,263.13	4,085,631,469.38
December	Auction date	6 December 2016	13 December 2016	20 December 2016	27 December 2016	
	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	4,172,611,960.00	3,558,993,321.00	1,481,384,181.25	660,717,890.00	

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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