



# Bond Market Insight

## Longer term bonds sell

### Government bond auction results

The MoF continued to sell bonds with longer maturities of the routinely offered bonds. Yesterday, the 1.5-year bond as was the 12-month bond which the MoF has not sold since mid-January. The MoF received a total of UAH62.32m of budget proceeds at the usual interest rates.

Of the four bids submitted, the MoF accepted only two, rejecting one for the 6-month bond at 20.10% at a mere UAH5.44m (par value). Of the two bids submitted for the 12-month bond for a total of UAH55.98m (par value), the MoF rejected one for UAH5.98m at 20.10% (based on low volume and high rate) while it accepted the other at 18.50%. Finally, it accepted a bid for the 1.5-year bond at 19.50% for UAH19.28m.

The outcome of yesterday's auction is very similar to auctions held in 1Q16 when demand and budget proceeds were concentrated mostly at the long-term end of the yield curve. Longer bonds were more attractive for investors, providing the state budget with financing at more attractive interest rates. Today's auction and cancellation of limits at the offering could stimulate a slight increase in demand for new bonds at the long-term end of the yield curve.

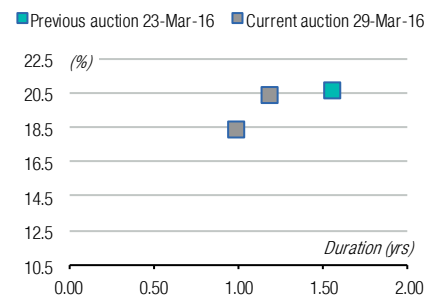
**Table 1. Details of last government bond auction**

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)
UA4000193684	18.50		22-Mar-17	50,000	846.78	42.34	50.00	18.45	50.00
UA4000192652	19.50	SA	19-Jul-17	19,282	1,036.43	19.98	19.28	20.46	292.43
<b>Total</b>				<b>69,282</b>		<b>62.32</b>	<b>69.28</b>		<b>342.43</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, 30 MARCH 2016

### Term structure of yields



Sources: Ministry of Finance of Ukraine, ICU.

### Auction results

Auction	Last 29-Mar-16	Previous 23-Mar-16	Change
3-month			
6-month			
9-month			
1-year	18.45		
2-year	20.46	20.73	-27bp
3-year			
5-year			

### Breakdown by yields (%)

3-month	
6-month	
9-month	
1-year	18.45
2-year	20.46
3-year	
5-year	

### Breakdown by proceeds (UAHm)

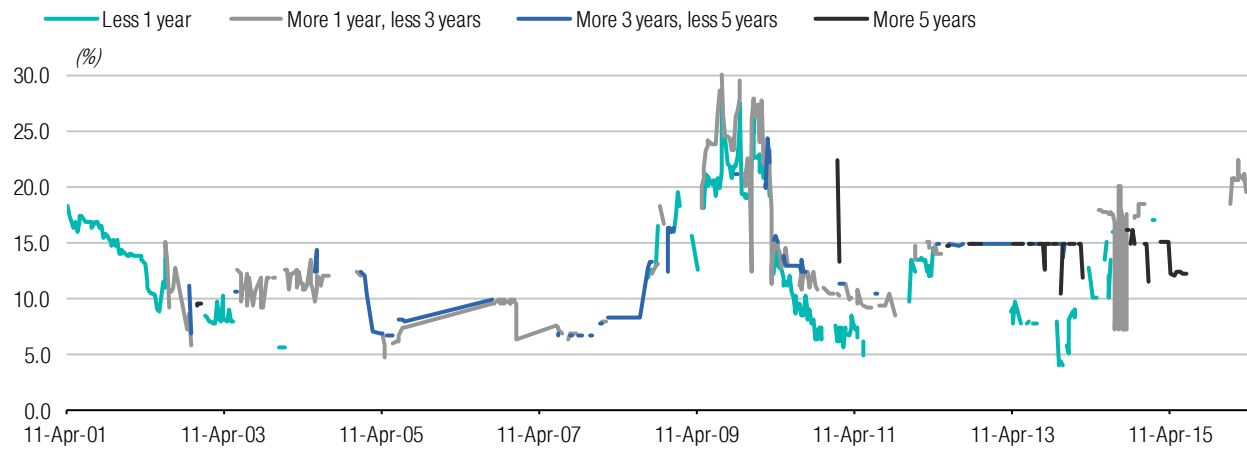
3-month			
6-month			
9-month			
1-year	42.34		
2-year	19.98	190.45	-89.51%
3-year			
5-year			
<b>Total</b>	<b>62.32</b>	<b>190.45</b>	<b>-67.28%</b>

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.

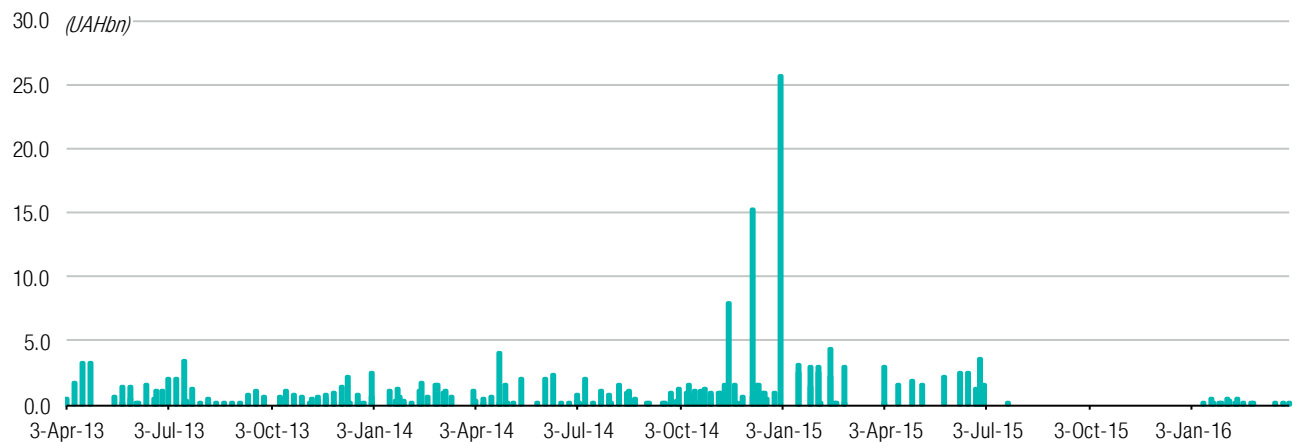
## Appendix: Auctions history and schedule for 2016

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



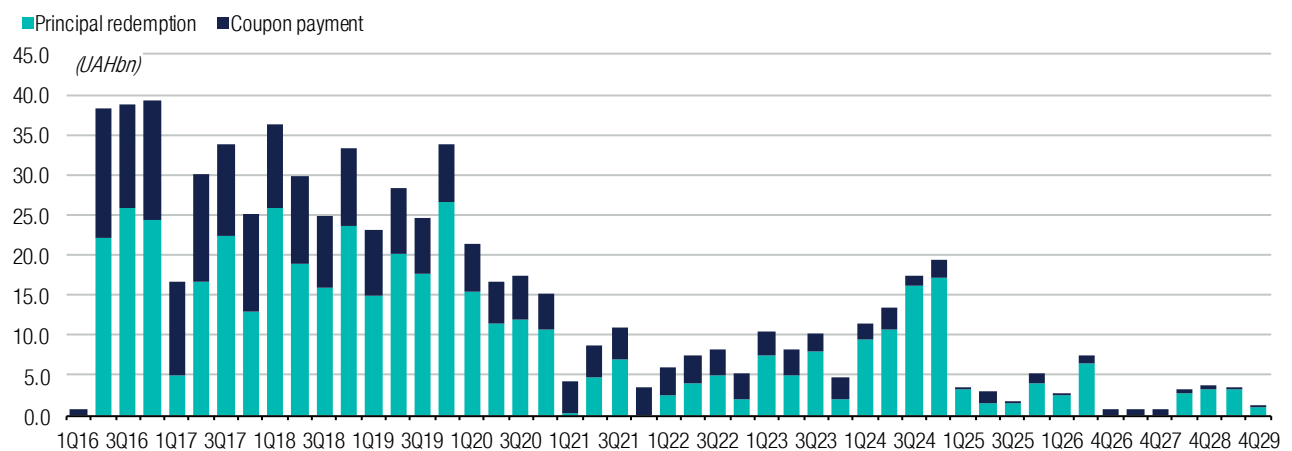
Sources: Ministry of Finance of Ukraine, ICU.

**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
<b>January</b>	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	
<b>February</b>	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	0.00	0.00	0.00	0.00	
<b>March</b>	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	0.00	0.00	0.00	0.00	<b>714,523,137.00</b>
<b>April</b>	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	<b>1,234,578,150.00</b>	<b>5,024,719,358.50</b>	<b>1,758,992,238.00</b>	<b>4,420,899,139.25</b>	
<b>May</b>	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	<b>1,027,057,389.15</b>	<b>5,016,490,636.00</b>	<b>1,230,214,010.00</b>	<b>2,992,877,195.63</b>	<b>3,470,997,748.88</b>
<b>June</b>	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	<b>3,374,654,460.00</b>	<b>1,220,574,872.50</b>	<b>5,338,884,446.25</b>	<b>2,231,967,890.00</b>	
<b>July</b>	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	<b>3,883,765,044.04</b>	<b>3,729,741,060.75</b>	<b>6,821,922,241.96</b>	<b>1,050,028,613.75</b>	
<b>August</b>	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	<b>1,696,502,953.86</b>	<b>8,102,578,620.94</b>	<b>1,169,987,129.25</b>	<b>2,579,181,572.50</b>	<b>1,083,750,000.00</b>
<b>September</b>	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	478,282,239.50	<b>4,984,637,452.50</b>	<b>565,104,479.00</b>	<b>2,653,927,895.50</b>	
<b>October</b>	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	<b>1,234,578,150.00</b>	<b>939,031,858.50</b>	<b>3,553,215,472.00</b>	<b>8,895,261,431.75</b>	
<b>November</b>	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	<b>1,969,036,389.15</b>	<b>3,470,520,636.00</b>	<b>3,094,084,010.00</b>	<b>1,952,649,395.63</b>	<b>4,116,747,848.88</b>
<b>December</b>	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	<b>4,172,611,960.00</b>	<b>3,661,213,615.00</b>	<b>1,489,887,501.25</b>	<b>660,717,890.00</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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**Buy:** Forecasted 12-month total return significantly greater than that of relevant benchmark

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