



# Bond Market Insight

## Primary auction: 3-year bonds sold

### Government bond auction results

The MoF received and accepted all bids for UAH0.95bn in 3-year bonds yesterday. While it received no bids for zero-coupon bonds yesterday, no bids came in above the cut-off rate on similar bonds last seen in October for the 3-year bond.

Demand for the 3-year bond was combined from six bids at UAH946.92m (par value) which were fully accepted at the cut-off interest rate of 15.75%, unchanged from last year. There was a low bid at 15.64%, which caused the weighted average interest rate to decline to 15.74%, which was set as the rate for non-competitive bids.

Budget proceeds amounted to UAH949.71m, quite a large amount for recent months, possibly signalling rising expectations of a future key monetary rate cut, albeit significantly lower than expectations last year. There also might have been some urgency in the purchase of 3-year bonds as they are next scheduled to be offered in mid-February.

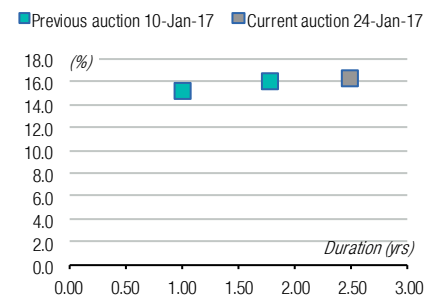
**Table 1. Details of last government bond auction**

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)
UA4000196620	15.74	SA	15-Jan-20	946,920	1,002.95	949.71	946.92	16.41	946.92
<b>Total</b>				<b>946,920</b>		<b>949.71</b>	<b>946.92</b>		<b>946.92</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 JANUARY 2017

### Term structure of yields



Sources: Ministry of Finance of Ukraine, ICU.

### Auction results

Auction	Last 24-Jan-17	Previous 10-Jan-17	Change
3-year	16.41	15.74	0.67

### Breakdown by yields (%)

3-month	
6-month	
9-month	
1-year	15.30
2-year	16.15
3-year	16.41
5-year	

### Breakdown by proceeds (UAHm)

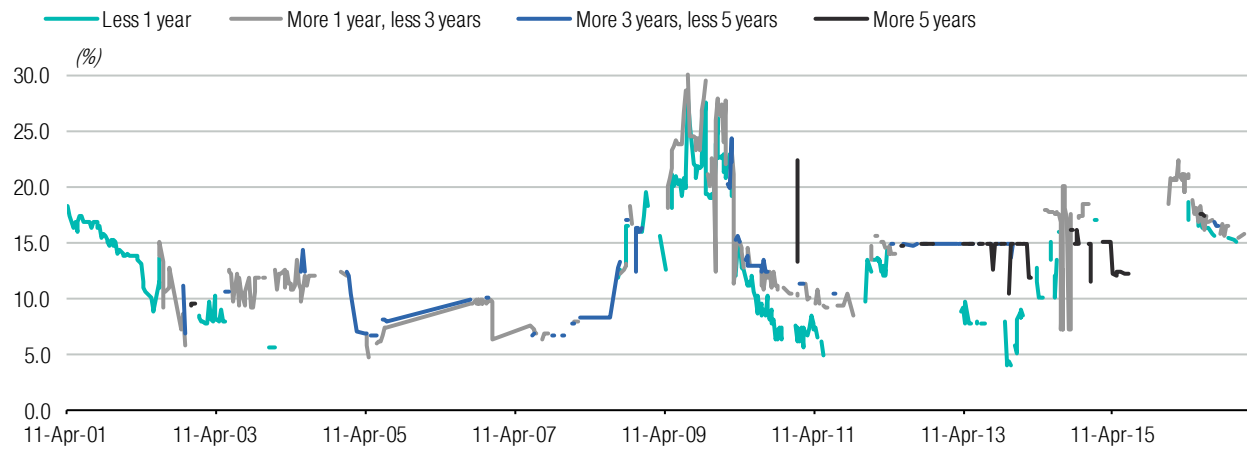
3-month			
6-month			
9-month			
1-year	69.41		
2-year	60.17		
3-year	949.71		
5-year			
<b>Total</b>	<b>949.71</b>	<b>129.58</b>	<b>7.33x</b>

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.

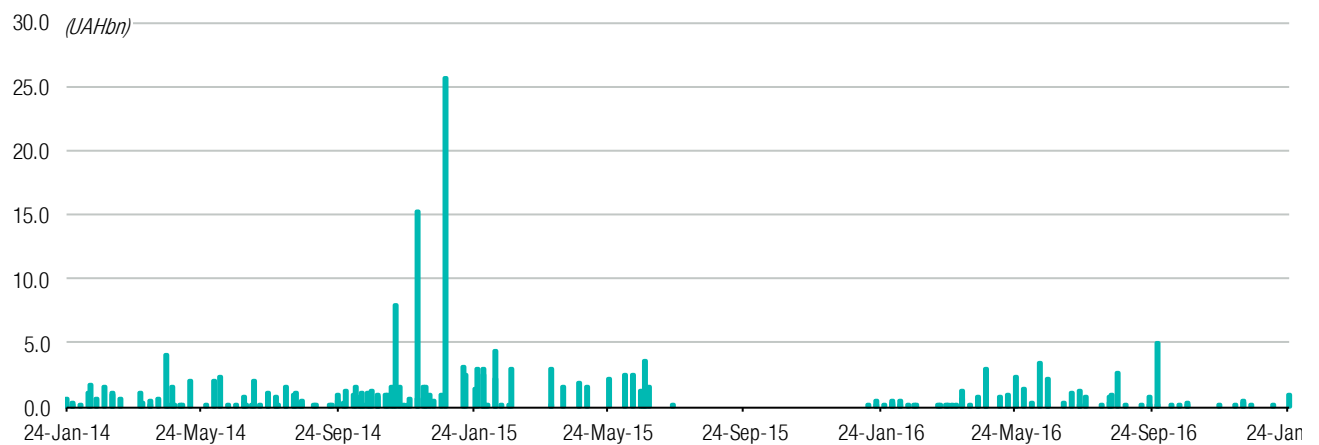
## Appendix: Auctions history and schedule for 2017

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



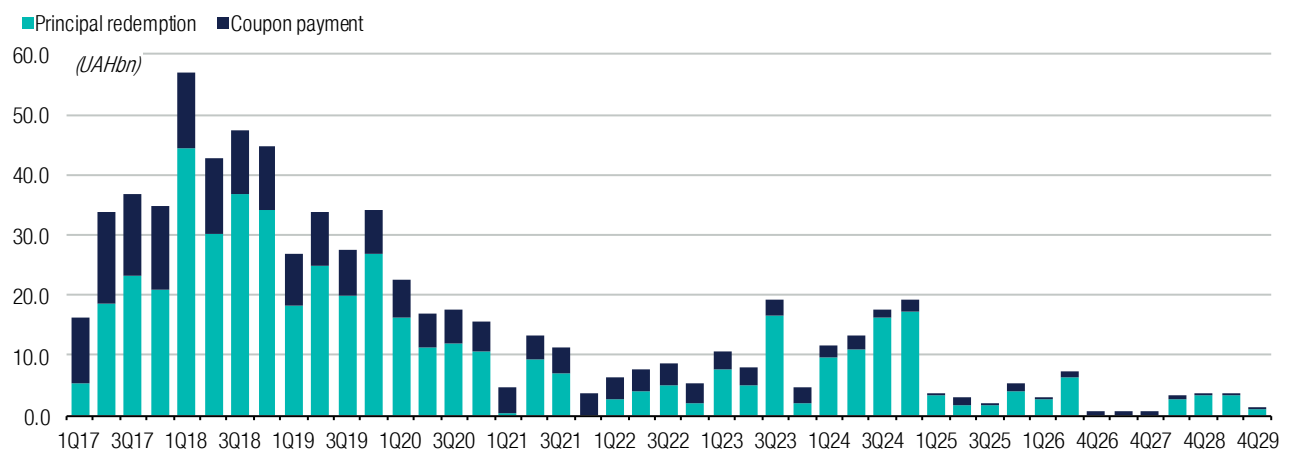
Sources: Ministry of Finance of Ukraine, ICU.

**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.

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## Disclosures

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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.

### DEBT RATING DEFINITIONS

**Buy:** Forecasted 12-month total return significantly greater than that of relevant benchmark

**Hold:** Forecasted 12-month total return is in line with or modestly deviates from relevant benchmark

**Sell:** Forecasted 12-month total return significantly less than that of relevant benchmark



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