



# Bond Market Insight

## Only 12-month bonds sold

### Government bond auction results

Despite the MoF offering very short-term bonds that mature this March, possibly as a substitute for CDs, demand was seen only for 12-month bonds. Only one bid was submitted for this auction, namely for UAH34.4m (par value) at the same 15.30% interest rate as 12-month bonds sold at the debut auction this year. This demand was fully accepted for budget proceeds of UAH30.08bn.

Low demand was anticipated as the majority of debt repayments in January were to the NBU while the market portion was refinanced last week with 3-year bonds. We do not anticipate large repayments to the market this month as demand will be low and concentrated on 2-year and 3-year bonds. Next week should see demand similar to yesterday's auction as only zero-coupon bonds will be offered.

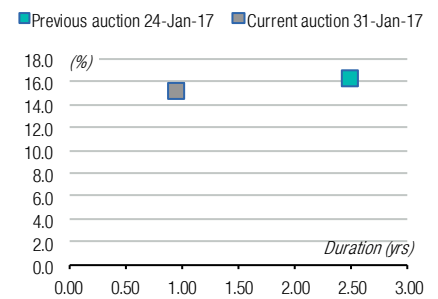
**Table 1. Details of last government bond auction**

ISIN	Coupon rate (%)	Payment freq <sup>1</sup>	Maturity	Qty of bonds sold	Price (UAH)	Pro-ceeds <sup>2</sup> (UAHm)	Volume <sup>2</sup> (UAHm)	YTM <sup>3</sup> (%)	Out-standing (m)
UA4000196554	0.00		10-Jan-18	34,400	874.30	30.08	34.40	15.30	114.40
<b>Total</b>				<b>34,400</b>		<b>30.08</b>	<b>34.40</b>		<b>114.40</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, 1 FEBRUARY 2017

#### Term structure of yields



Sources: Ministry of Finance of Ukraine, ICU.

#### Auction results

Auction	Last 31-Jan-17	Previous 24-Jan-17	Change
3-month			
6-month			
9-month			
1-year	15.30		
2-year			
3-year		16.41	
5-year			

#### Breakdown by yields (%)

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

#### Breakdown by proceeds (UAHm)

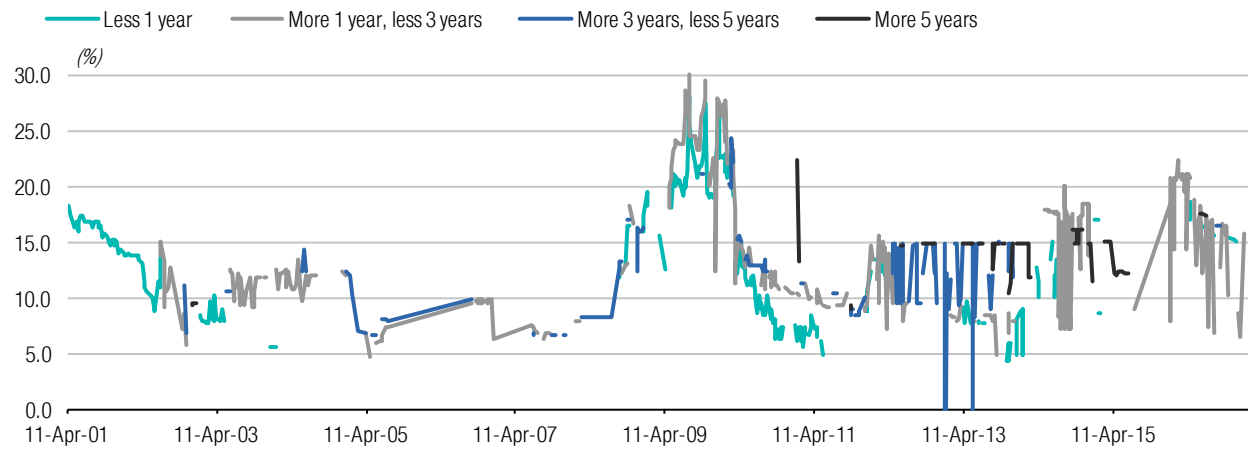
3-month			
6-month			
9-month			
1-year	30.08		
2-year			
3-year		949.71	
5-year			
<b>Total</b>	<b>30.08</b>	<b>949.71</b>	<b>-96.83%</b>

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.

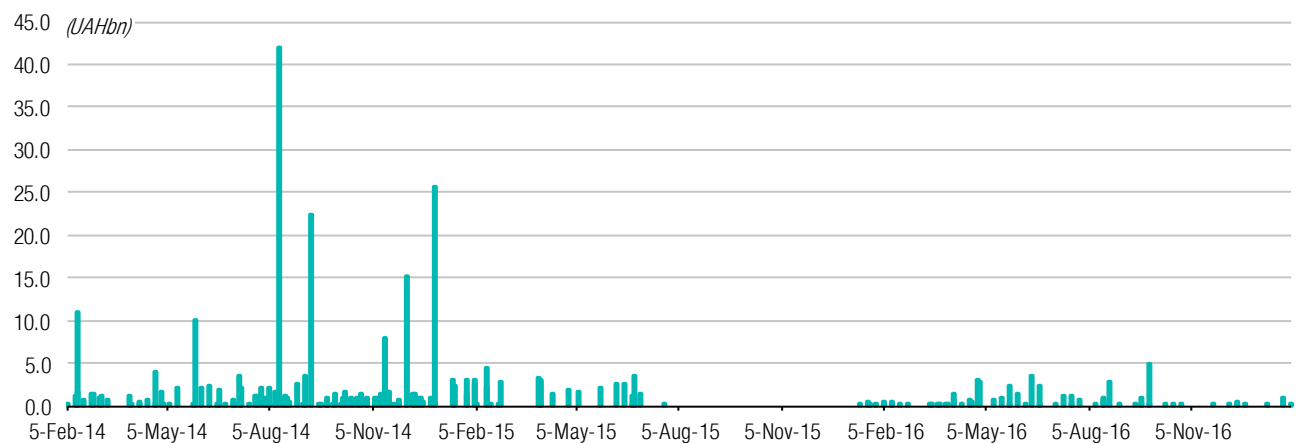
## Appendix: Auctions history and schedule for 2017

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



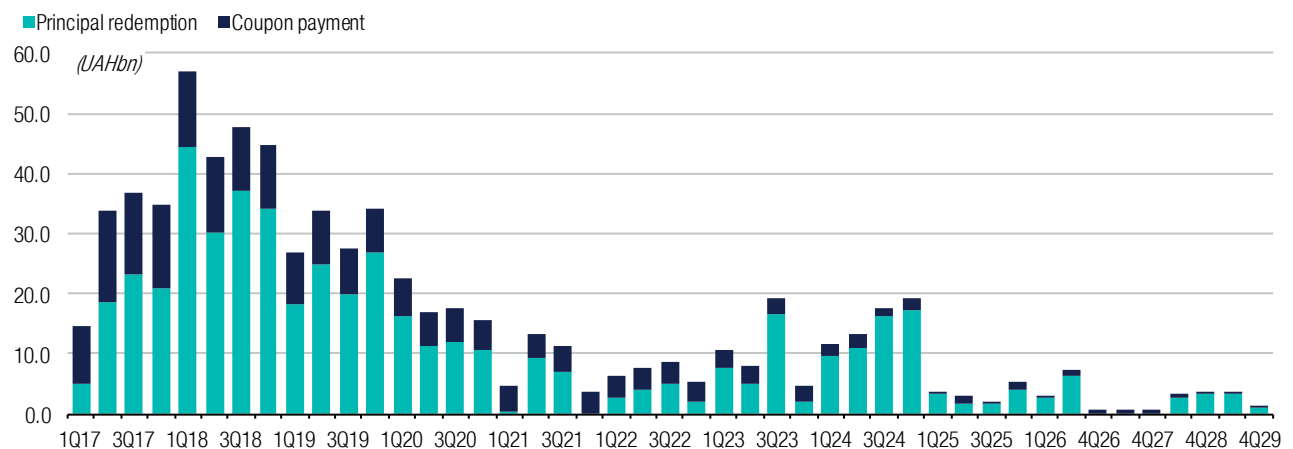
Sources: Ministry of Finance of Ukraine, ICU.

**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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### EQUITY RATING DEFINITIONS

**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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