

# Bond Market Insight

## Inactive auction

### Comment on government bond placement

Yesterday was the first auction according to the new schedule that takes into account demand from primary dealers. It was not particularly successful. Out of three bonds offered, there was demand for only two bonds, and the amount raised was insufficient.

There were three bids amounting to UAH244.6m. One was for five-month bonds at UAH100m, and two bids at UAH144.6m for three-year bonds (all at par value). Interest rates for these bonds were the same as before: five-month bonds were sold at 13.85%, only 3bp lower than at the end of May, for bonds with maturities of 14 days longer. Three-year bonds were sold at the same conditions as a week ago, at 14.54%.

Based on these results, it looks like the market was not ready for these new offerings. New maturities could receive additional demand next week, although amounts may fall short of what the MoF wants since large redemptions are not scheduled.

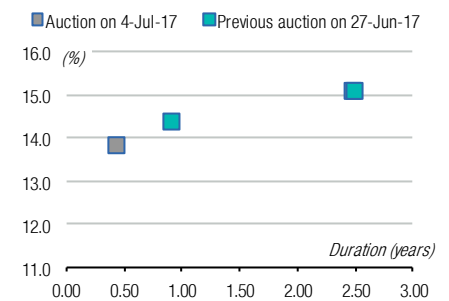
**Table 1. Details of domestic government bonds placed at the auction (UAHbn)**

ISIN	Coupon rate (%)	Payment frequency <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) <sup>4</sup>
UA4000196075	0.00	@Mty	6-Dec-17	100,000	944.79	94.48	100.00	13.85	610.00
UA4000198006	14.64	SA	10-Jun-20	144,600	1,010.51	146.12	144.60	15.11	1,587.76
<b>Total</b>				<b>244,600</b>		<b>240.60</b>	<b>244.60</b>		<b>2,197.76</b>

Note: [1] payment frequency abbreviations: M - monthly, Qtly - quarterly, SA - semi-annually, @Mty - at maturity date; [2] proceeds and volumes for the USD-denominated bonds are calculated based on the previous day last price of USD/UAH exchange rate; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

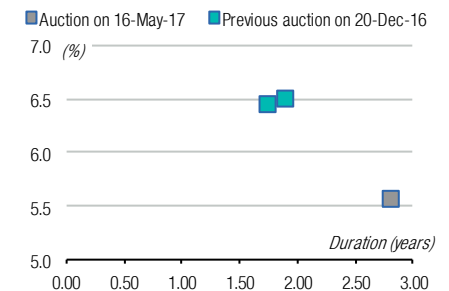
### WEDNESDAY, 5 JULY 2017

#### UAH-denominated domestic gov't bonds: yield curve in past two auctions



Source: Ministry of Finance of Ukraine, ICU.

#### USD-denominated domestic gov't bonds: yield curve in past two auctions

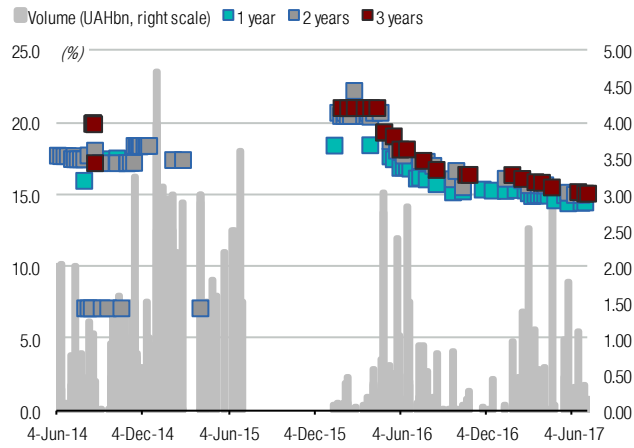


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

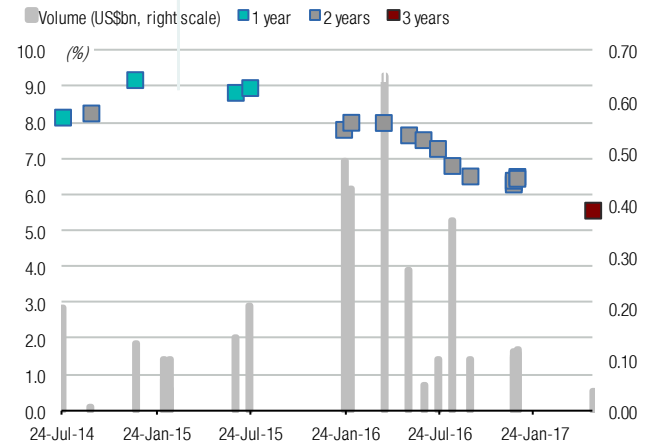
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

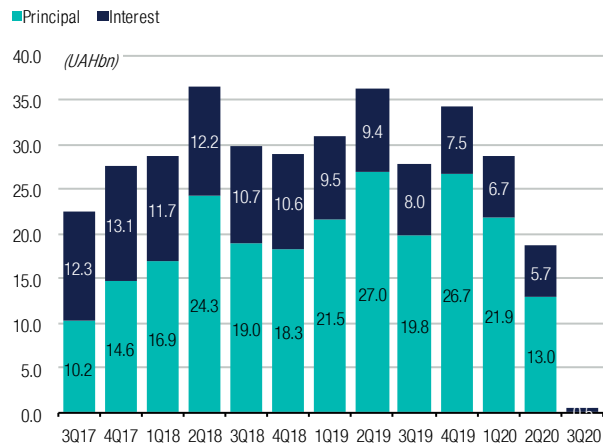
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

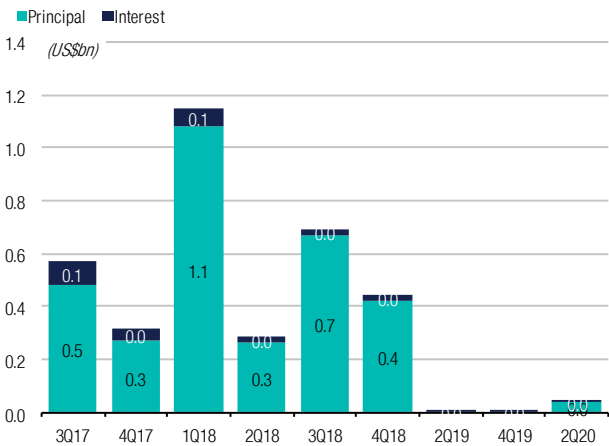
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

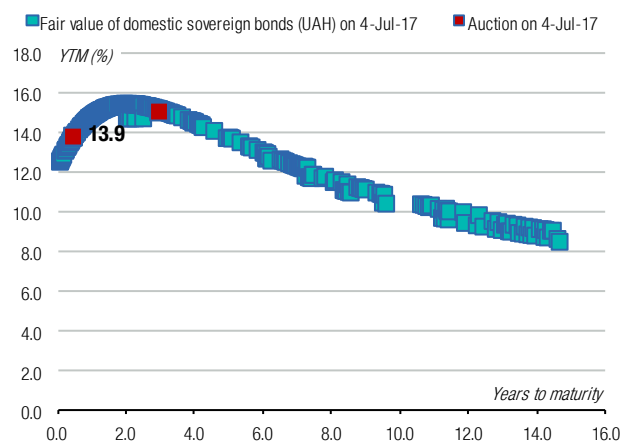
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

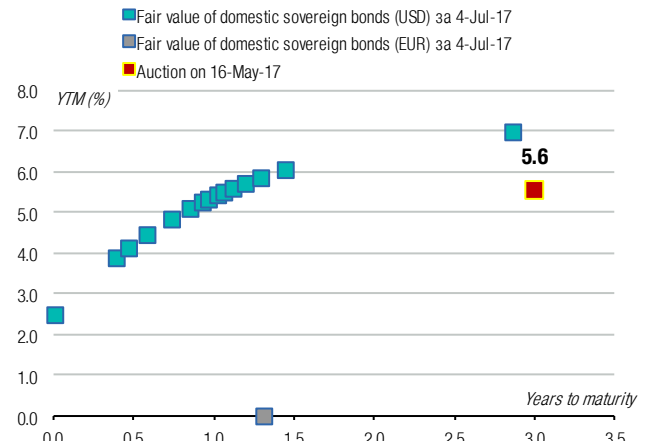
**Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*UAH-denominated domestic government bonds*



Source: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

*USD- and EUR-denominated domestic government bonds*



Source: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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