

Bond Market Insight

Slight demand at auction

Comment on government bond placement

Yesterday, the Ministry of Finance offered only 3-year bonds after consultations with primary dealers, thus concentrating demand on this maturity. Demand was moderate but greater than last week, as expected. Banks submitted only three bids amounting to UAH250m, all at 14.54%, the same as last week's cut-off and weighted-average interest rate.

The MoF satisfied all submitted demand, which is in line with today's payments of UAH250m. This time, demand was almost double that seen last week. Probably, market participants are awaiting next week's auction when 2-year currency bonds will be offered, which saw high demand last month.

Overall, yesterday's auction results were moderate but unsurprising. After consultations with primary dealers, only 3-year bonds were offered, unlike the previous week when all instruments were placed. Bond yields remained unchanged.

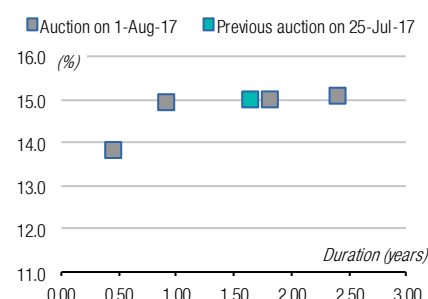
Table 1. Details of domestic government bonds placed at the auction (UAHbn)

ISIN	Coupon rate (%)	Payment freq ¹	Maturity	Qty of bonds sold	Price (UAH)	Pro-ceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Out-standing (m) ⁴
UA4000198006	14.64	SA	10-Jun-20	250,000	1,000.00	250.00	250.00	16.28	2,532.22
Total				250,000		250.00	250.00		2,532.22

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.

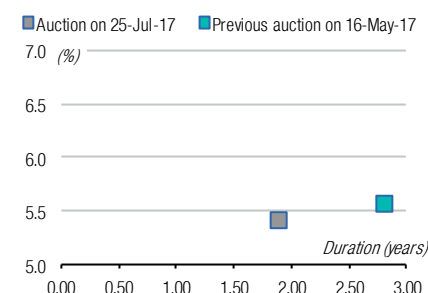
WEDNESDAY, 9 AUGUST 2017

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

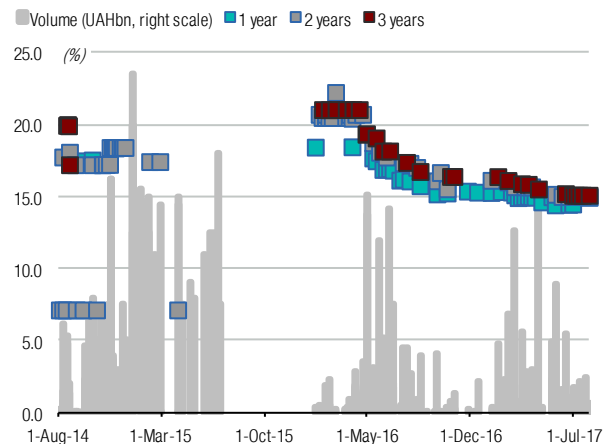


Source: Ministry of Finance of Ukraine, ICU.

Appendix: Yields-to-maturity, repayments

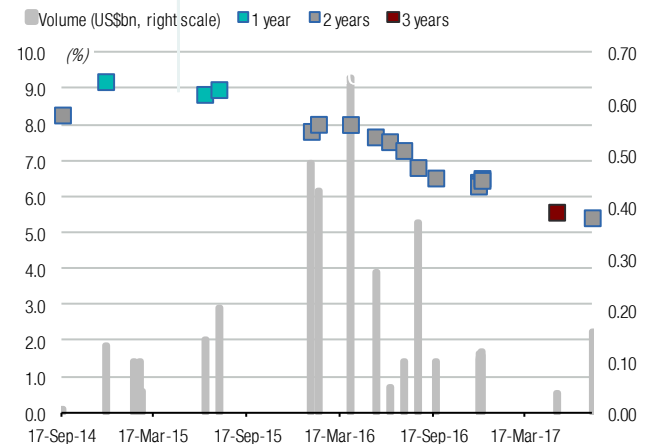
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

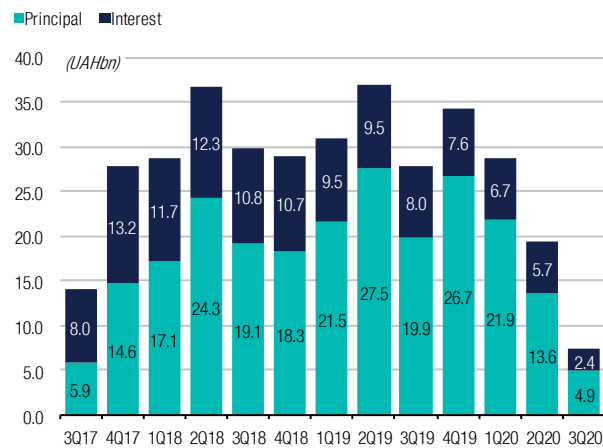
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

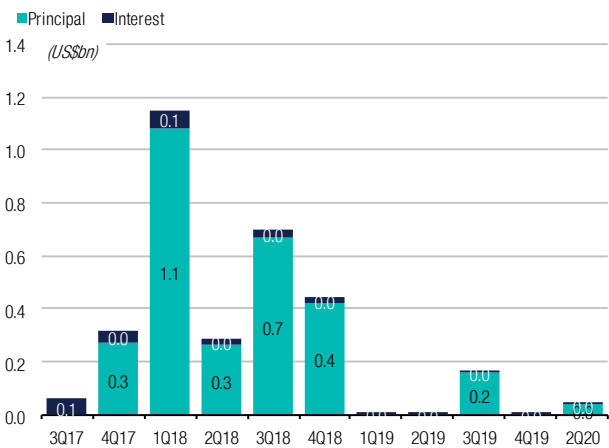
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

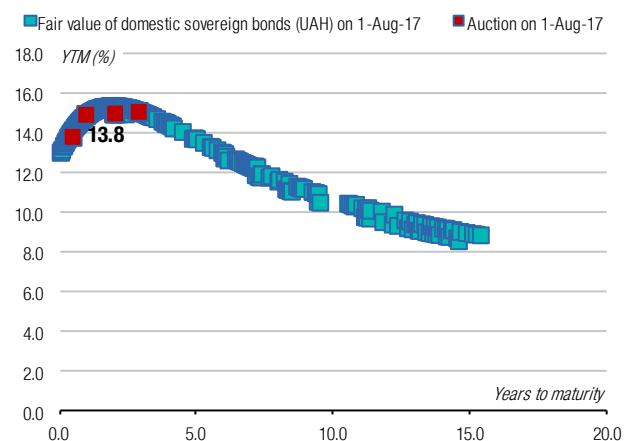
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

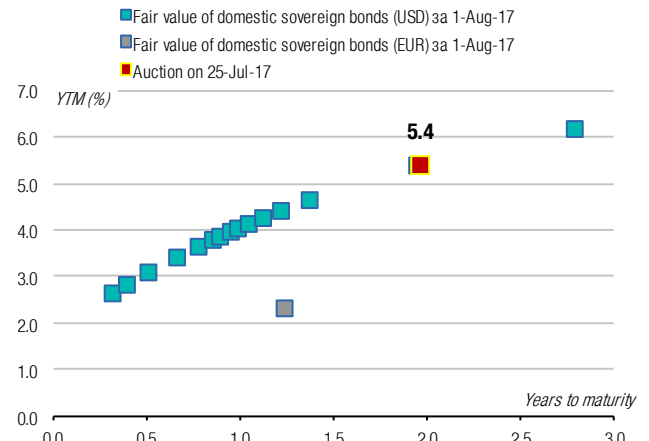
Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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