

Bond Market Insight

MoF sells FX-denominated bonds

Comment on government bond placement

Yesterday, the MoF borrowed US\$575.09m of bonds with maturities from 490 to 546 days at a fixed 3.85% interest rate, as pre-announced by the MoF. All issues sold have a put-option at the bondholders' discretion. Various maturities were distributed evenly at a volume of US\$73.01-73.38m, at a slightly larger amount for the shortest term bond at US\$135.81m.

Demand for the bond with the shortest maturity of 490 days came in four bids which the MoF fully satisfied. Other issues saw only one bid each. At the same time, the four local currency bonds received only one non-competitive bid, which was submitted for 3-year bond at UAH380,000, and was not satisfied due to lack of competitive demand.

Demand at yesterday's auction appears to have been submitted by one bank which divided the amount between all issues, while for the shortest one there were bids from other bidders. The result of this auction will not have an impact on future auctions as conditions were incompatible. On 19 December, we will see usual demand at around 5.40%, while bonds sold yesterday will remain in the portfolio of one bank without secondary market trading.

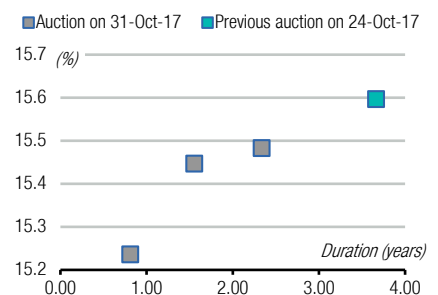
Table 1. Details of domestic government bonds placed at the auction (UAHbn)

ISIN	Coupon rate (%)	Pay-ment freq ¹	Maturity	Qty of bonds sold	Price (UAH)	Pro-ceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Out-standing (m) ⁴
UA4000199558	3.85	SA	10-Apr-19	73,000	1,005.25	1,972.82	1,962.52	3.89	1,962.52
UA4000199566	3.85	SA	17-Apr-19	73,000	1,004.52	1,971.39	1,962.52	3.89	1,962.52
UA4000199574	3.85	SA	24-Apr-19	73,000	1,003.78	1,969.94	1,962.52	3.89	1,962.52
UA4000199582	3.85	SA	1-May-19	73,000	1,003.04	1,968.48	1,962.52	3.89	1,962.52
UA4000199590	3.85	SA	22-May-19	73,000	1,000.84	1,964.17	1,962.52	3.89	1,962.52
UA4000199608	3.85	SA	29-May-19	73,000	1,000.10	1,962.71	1,962.52	3.89	1,962.52
Total				573,000		15,460.56	15,404.42		15,404.42

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.

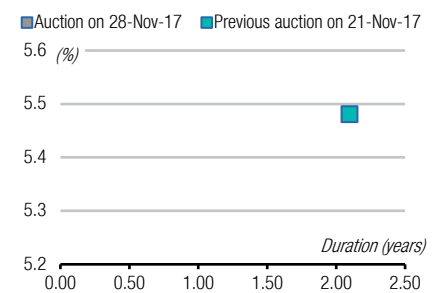
WEDNESDAY, 29 NOVEMBER 2017

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

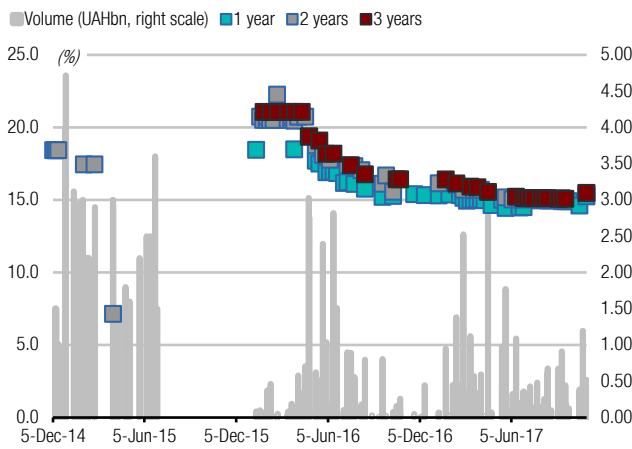


Source: Ministry of Finance of Ukraine, ICU.

Appendix: Yields-to-maturity, repayments

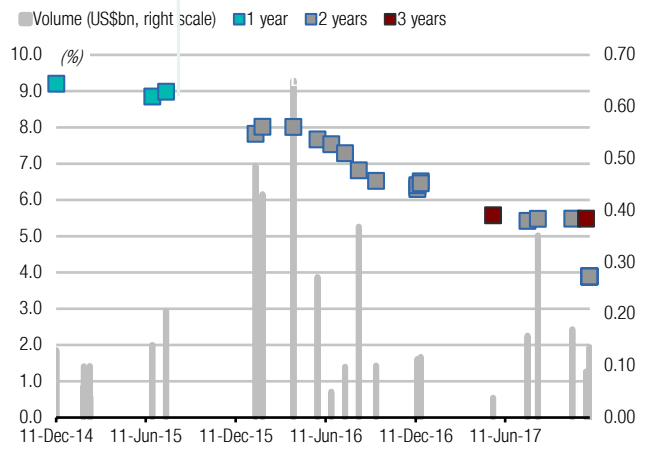
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

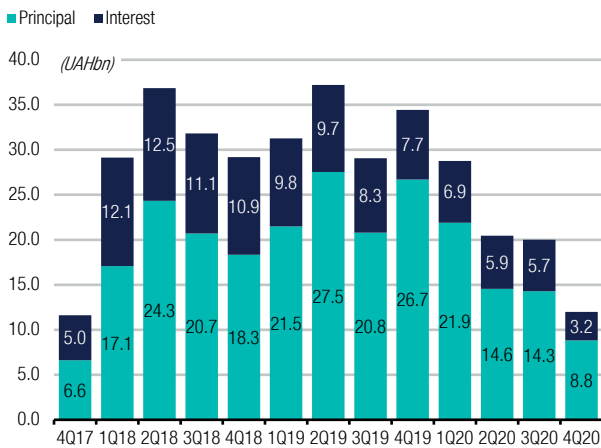
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

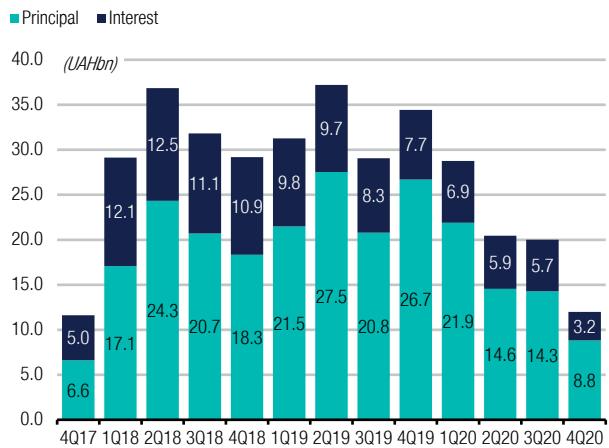
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

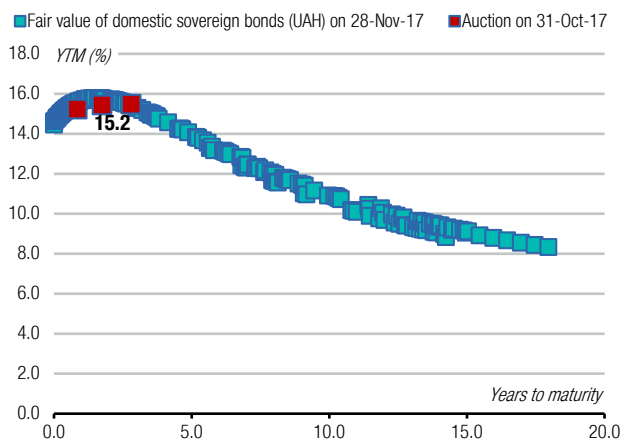
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

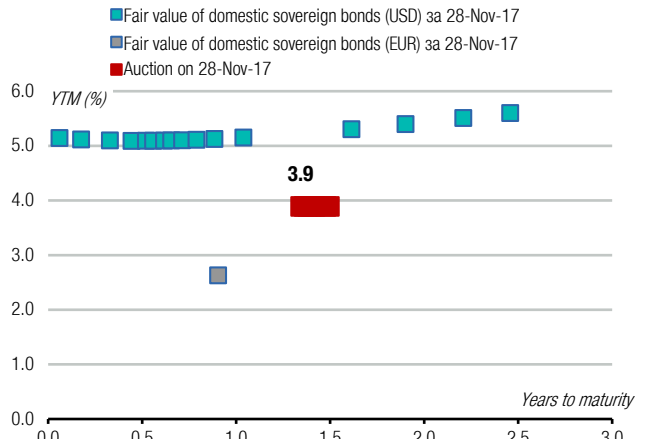
Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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11th floor, LEONARDO Business Centre
19-21 Bogdan Khmelnytsky Street
Kiev, 01030 Ukraine
Phone/Fax +38 044 2200120

WEB www.icu.ua



[@ICU-UA](https://twitter.com/ICU-UA)

CORPORATE FINANCE

Makar Paseniuk, CFA, Managing Director
makar.paseniuk@icu.ua

Ivan Shvydanenko, Director
ivan.shvydanenko@icu.ua

Roman Nikitov, ACCA Director
roman.nikitov@icu.ua

Yuriy Kamarytskyi, Vice President
yuriy.kamarytskyi@icu.ua

Ruslan Kilmukhametov, Director
ruslan.kilmukhametov@icu.ua

Ruslan Patlavsky, Director
ruslan.patlavsky@icu.ua

STRATEGY AND CORPORATE DEVELOPMENT

Vlad Sinani, Director
vlad.sinani@icu.ua

SALES AND TRADING

Konstantin Stetsenko 
Managing Director
konstantin.stetsenko@icu.ua


Liliya Kubytovych 
Asset Management Product Sales
liliya.kubytovych@icu.ua

Sergiy Byelyayev
Fixed-Income Trading
sergiy.byelyayev@icu.ua

Yevgeniya Gryshchenko
Fixed-Income Sales
yevgeniya.gryshchenko@icu.ua


Vitaliy Sivach 
Fixed-Income & FX Trading
vitaliy.sivach@icu.ua

RESEARCH

Alexander Valchyshen 
Head of Research
alexander.valchyshen@icu.ua

Taras Kotovych 
Senior financial analyst (Sovereign debt)
taras.kotovych@icu.ua

Alexander Martynenko 
Head of corporate research
alexander.martynenko@icu.ua

Mykhaylo Demkiv 
Financial analyst (Banks)
mykhaylo.demkiv@icu.ua

Lee Daniels, Rolfe Haas
Editors

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