

# Bond Market Insight

## Debt burden in July increases

### Comment on government bond placement

The MoF offered only the 3-month bond maturing on 4 July yesterday, selling UAH184.3m at an unchanged rate. July is known to be one of the most difficult months of the year to refinance debt.

Receiving 22 bids at rates from 17.0% to 17.5%, the MoF maintained the cut-off and weighted-average rates from last week at 17.44% and 17.33%, respectively. From the UAH302.2m in demand, officials raised UAH184.3m of proceeds after rejecting only three bids.

The 4 July maturity of new debt will bring the total amount of daily repayments above UAH3.5bn, or nearly a quarter of the total repayments due in July. The largest amount is due on 25 July with UAH5.8bn in local currency. Total local currency repayments scheduled in July exceed UAH13.5bn as a result of the re-opening of yesterday's issuance.

April has opened inactively, and demand for the sole bond offering was below the offered amount. Due to low demand, the debt burden has not risen significantly. Rather than offering the 3-month, longer bonds maturing in August-October, when debt burden is sufficiently lower, would have been more appropriate. However, these bonds might have attracted little or no demand.

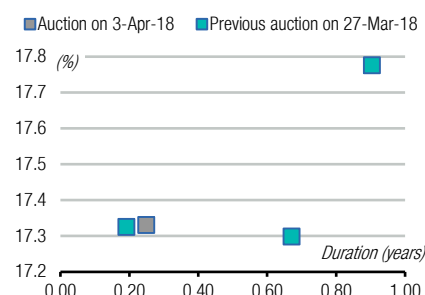
**Table 1. Details of domestic government bonds placed at the auction (UAHbn)**

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>
UA4000200745	0.00	@Mty	4-Jul-18	192,219	958.58	184.26	192.22	17.33	192.22
<b>Total UAH</b>				<b>192,219</b>		<b>184.26</b>	<b>192.22</b>		<b>192.22</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's exchange rate 26.46/USD, 32.45/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

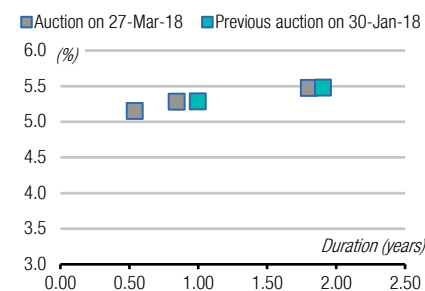
### WEDNESDAY, 4 APRIL 2018

#### 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

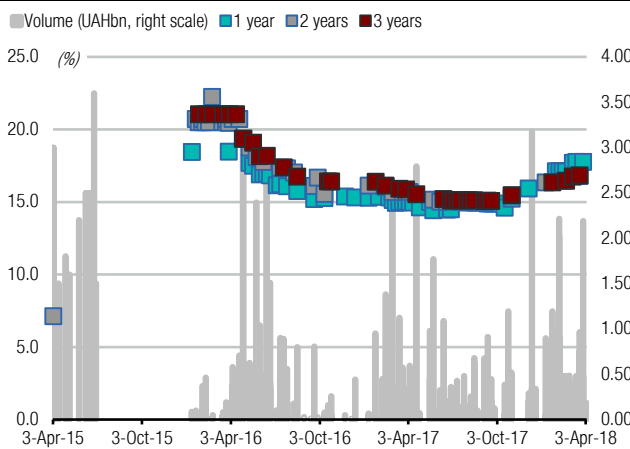


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

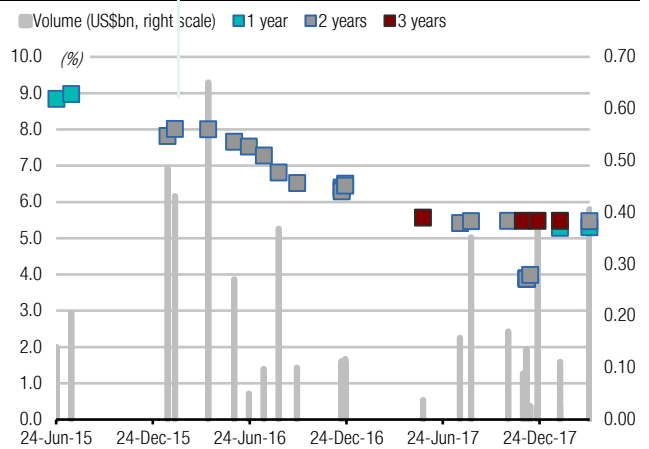
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

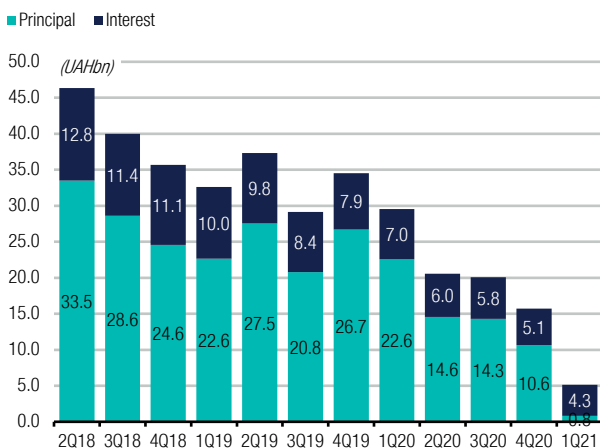
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

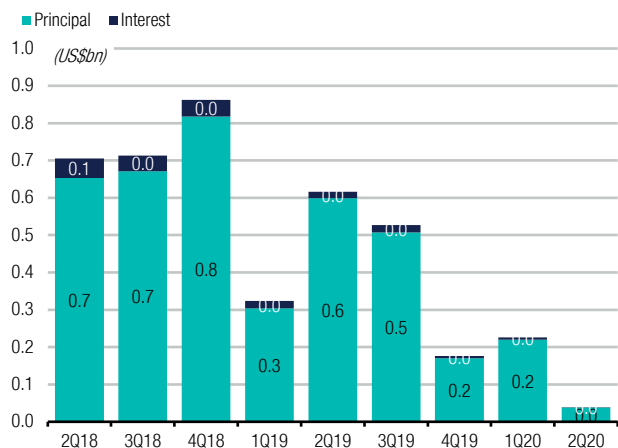
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

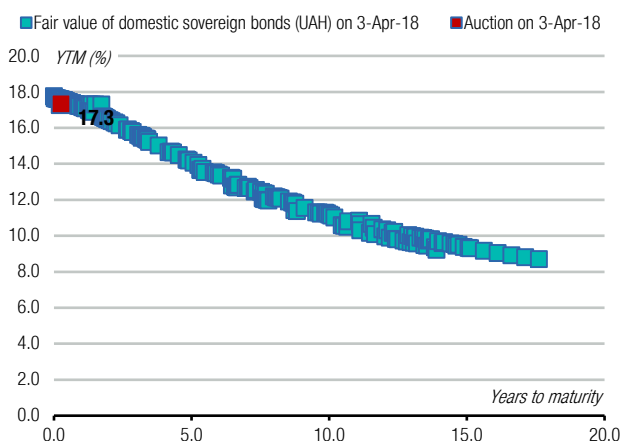
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

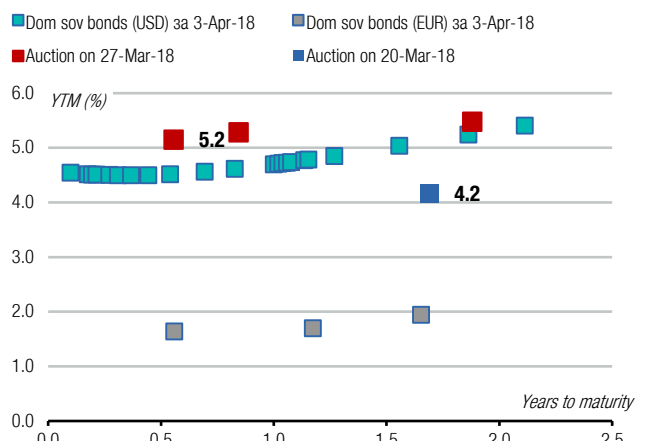
**Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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