

# Bond Market Insight

## MoF keeps yield curve steady

### Comment on government bond placement

This Tuesday's auction, 3-month and 3-year bonds provided nearly 70% of the UAH1bn of budget proceeds.

Cut-off rates mostly remained steady while weighted-average rates moved slightly by a few basis points: the 3-month bond rate rose 4bp, the 12-month bond rate rose 5bp, the 6-month and 3-year bond rates remained unchanged, and the 9-month bond cut-off rate decreased 5bp to 17.25% and its weighted-average rate slid 8bp to 17.22%.

The MoF rejected only seven out of 50 bids - all bids at interest rates above the recent cut-off rates, accepted nearly three quarters of demand volume. For the 3-year bond it rejected only one bid for UAH200m at 35bp above the cut-off rate.

While the MoF borrowed funds but continued to maintain cut-off rates, with the cost of borrowings did rise slightly for shorter term maturities. These rates could hold for the next two weeks until the next key policy rate review scheduled on May 24.

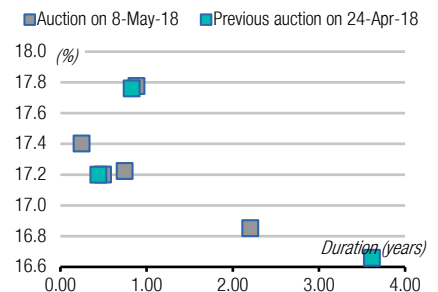
**Table 1. Details of domestic government bonds placed at the auction (UAHbn)**

ISIN	Coupon rate (%)	Payment freq <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>
UA4000200943	0.00	@Mty	8-Aug-18	461,364	958.86	442.38	461.36	17.40	461.36
UA4000200950	0.00	@Mty	7-Nov-18	53,086	921.41	48.91	53.09	17.20	53.09
UA4000200968	0.00	@Mty	6-Feb-19	183,973	886.25	163.05	183.97	17.22	183.97
UA4000180426	14.30	SA	10-Apr-19	102,200	988.86	101.06	102.20	17.78	3,425.69
UA4000200174	15.70	SA	20-Jan-21	234,200	1,035.42	242.49	234.20	16.85	843.73
<b>Total UAH</b>				<b>1,034,823</b>		<b>997.90</b>	<b>1,034.82</b>		<b>4,967.84</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, 31.93/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

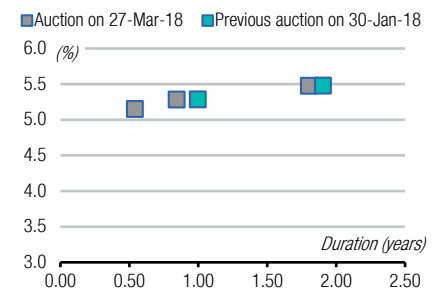
### THURSDAY, 10 MAY 2018

#### 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

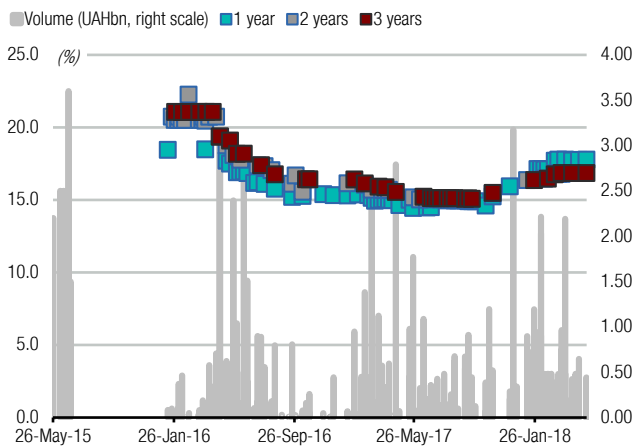


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

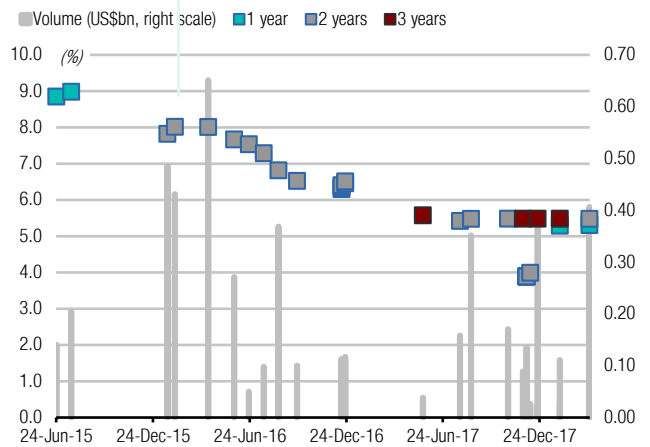
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

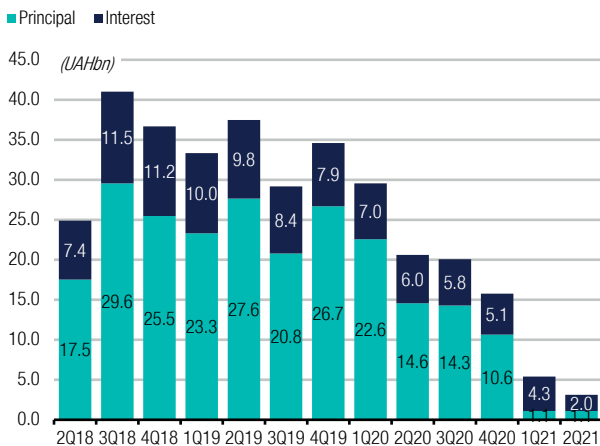
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

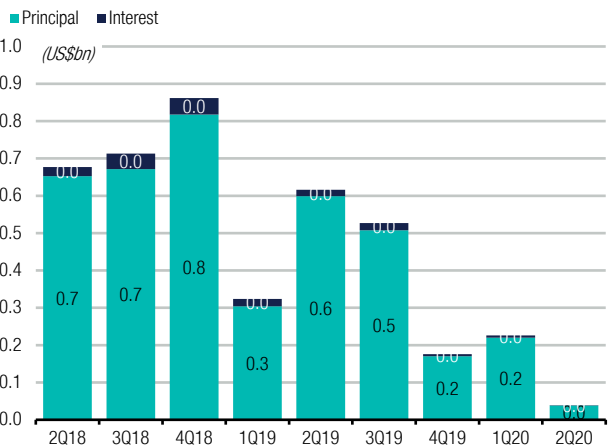
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

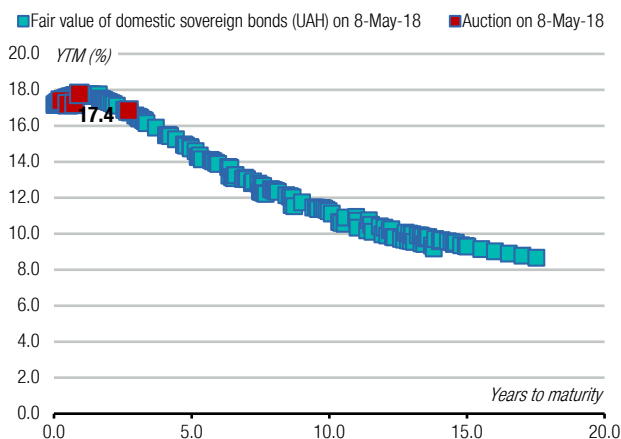
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

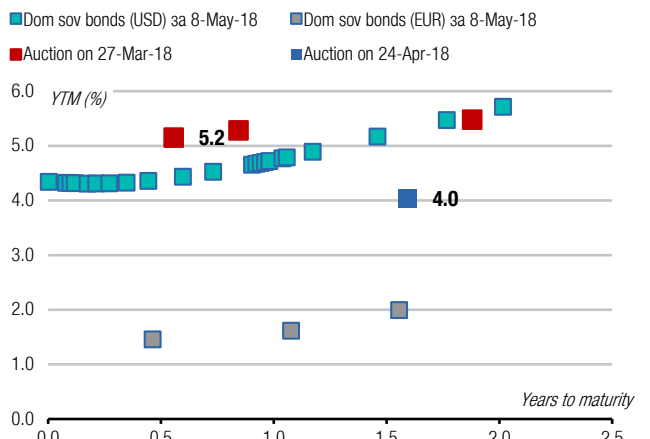
**Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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