

# Bond Market Insight

## MoF borrows UAH1bn

### Comment on government bond placement

At its regular primary auction, the MoF offered three issues of bills with six-month, 11-month, and three-year maturities. Received demand allowed the MoF to sell six-month and three-year paper, and they received more than UAH1bn of proceeds.

The largest part of demand was received for the shortest instrument, and was fully accepted, as there were not any limits on amounts, and the rates fit the MoF's expectations. At the same time, the Ministry decided to increase the cut-off rate by 20bp from the auction two weeks ago, and moved the rate to the same level as for two-month bills last week.

Also, compared with the auction of two-weeks ago when three-year bills were sold, the MoF increased the cut-off rate by 15 bp for this instrument. At the same time, only one-third of demand for this issue was accepted; the most expensive bid with a 18% rate was rejected.

The MoF did not sell 11-month bills, as only non-competitive demand was received, and there were no competitive bids with rates to make a decision.

In this manner, the MoF continued to increase rates with an attempt to start a new month with new proceeds. The main portion of today's debt repayments will be received by the NBU and couldn't be refinanced at this auction.

Next week, only local-currency instruments are scheduled to be offered, and the result of the auction should be similar. The primary market could become more active in two weeks when the MoF is going to offer FX-denominated bills with maturities in 2019 and 2020.

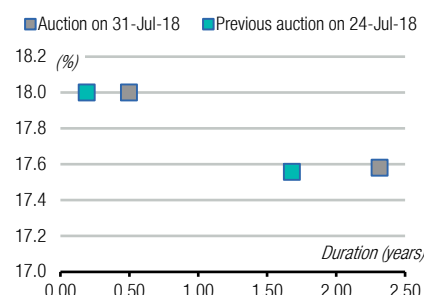
**Table 1. Details of domestic government bonds placed at the auction (UAHbn)**

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>
UA4000201735	0.00	@Mty	30-Jan-19	1,092,053	917.64	1,002.11	1,092.05	18.00	1,617.84
UA4000194377	16.75	SA	2-Jun-21	12,435	1,023.50	12.73	12.44	17.58	3,574.35
<b>Total UAH</b>				<b>1,104,488</b>		<b>1,014.84</b>	<b>1,104.49</b>		<b>5,192.20</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 26.59/USD, 31.19/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

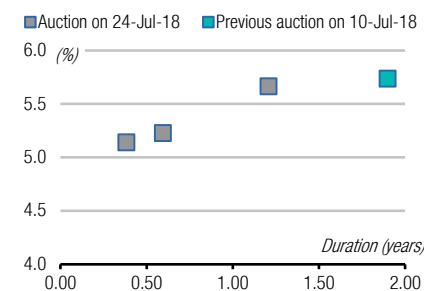
### WEDNESDAY, 1 AUGUST 2018

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



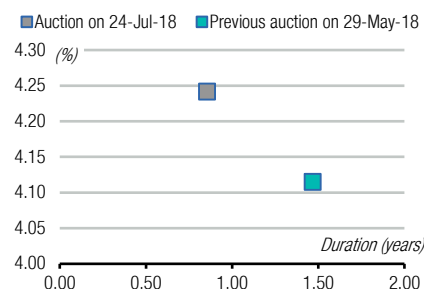
Source: Ministry of Finance of Ukraine, ICU.

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



Source: Ministry of Finance of Ukraine, ICU.

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

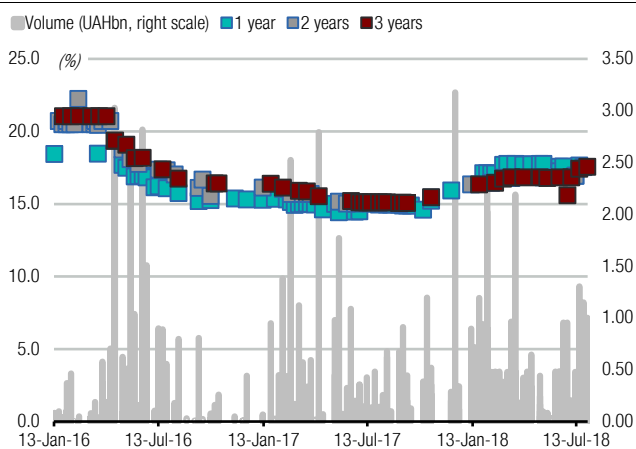


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

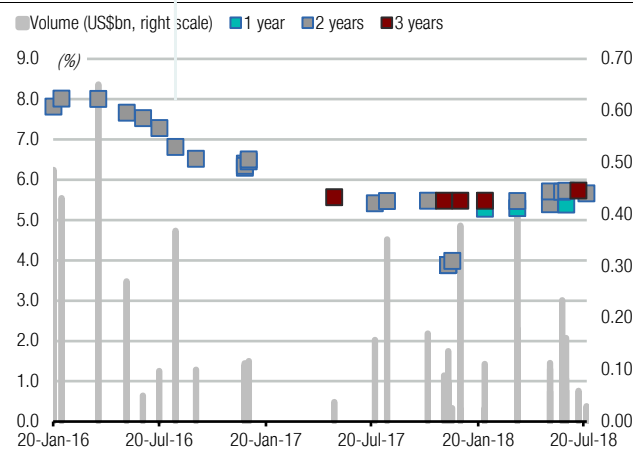
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

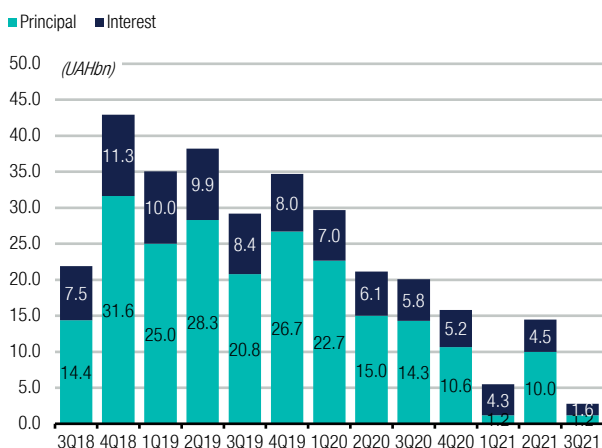
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

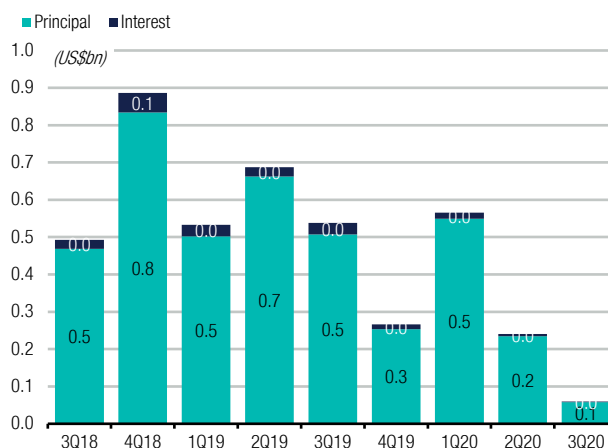
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

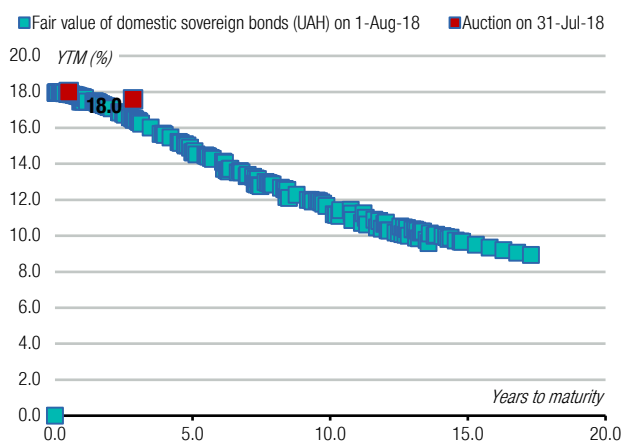
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

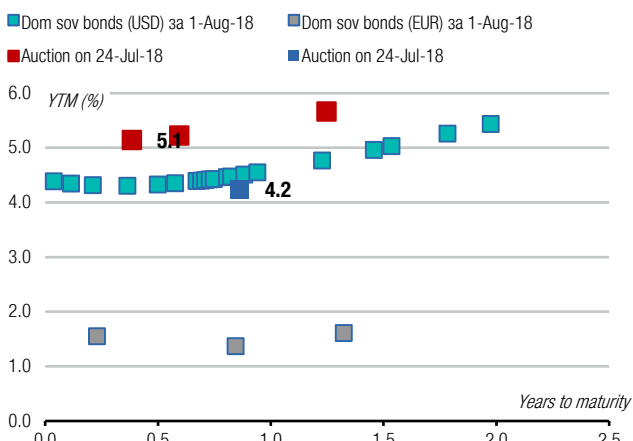
**Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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