

# Bond Market Insight

## MoF accepted all demand

### Comment on government bond placement

Demand dropped by nearly double since last week, but, unexpectedly, the interest rates submitted were acceptable for the Ministry of Finance. As a result, all bids for all offered bills were accepted in full.

The shortest bill had a four-month maturity, but despite this, demand for it was only slightly below that for last week's two-month bills. Interest rates were in the range of 19-19.5%, and Ministry accepted all 17 bids. Other short-term local-currency bills received lower demand than last week, and they were also accepted. Low demand was for the 1.5-year bills, despite this being the first time this maturity was offered in 2019.

FX-denominated bills received low demand also. After a large redemption of FX-denominated bills at the end of January, proceeds in FX are low, although they rose slightly yesterday. At this auction, four issues were sold with maturities from two months and up to two years.

In total after this auction, the budget received about UAH3.5bn, including proceeds in FX at the current exchange rate, and all of this week's debt repayments were covered. At the same time, nearly 90% of repayments are made to the NBU, and most of the bills sold yesterday are new investments from the market, not the refinancing of payments.

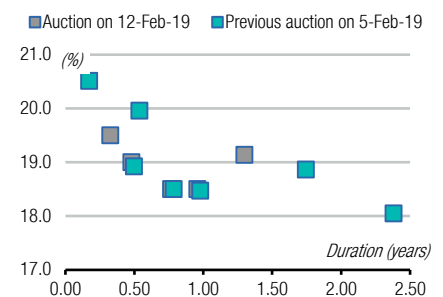
**Table 1. Details of domestic government bonds placed at the auction (UAHbn)**

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>
UA4000201388	0.00	@Mty	12-Jun-19	2,219,758	940.22	2,087.07	2,219.76	19.50	2,358.16
UA4000203301	0.00	@Mty	7-Aug-19	106,102	916.51	97.24	106.10	19.00	1,067.80
UA4000203319	0.00	@Mty	20-Nov-19	5,000	875.72	4.38	5.00	18.50	16.83
UA4000203244	0.00	@Mty	29-Jan-20	11,931	849.33	10.13	11.93	18.50	551.46
UA4000171094	14.30	SA	8-Jul-20	169,258	966.21	163.54	169.26	19.14	2,572.60
<b>Total UAH</b>				<b>2,512,049</b>		<b>2,362.37</b>	<b>2,512.05</b>		<b>6,566.85</b>
UA4000203202	0.00	@Mty	18-Apr-19	28,156	988.91	753.66	762.11	6.40	7,016.52
UA4000199244	5.40	SA	23-Oct-19	2,622	1,004.78	71.31	70.97	7.32	9,533.51
UA4000202535	7.50	SA	30-Jan-20	4,369	1,005.12	118.86	118.26	7.38	4,595.89
UA4000203392	7.50	SA	11-Feb-21	5,340	1,000.00	144.54	144.54	7.65	144.54
<b>Total USD</b>				<b>40,487</b>		<b>1,088.37</b>	<b>1,095.87</b>		<b>21,290.46</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 27.07/USD, 31.84/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

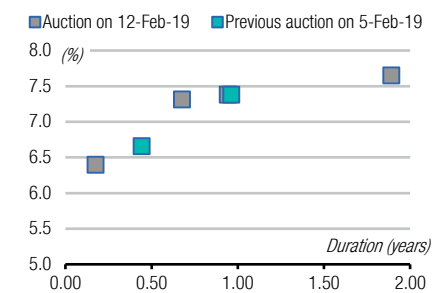
### WEDNESDAY, 13 FEBRUARY 2019

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



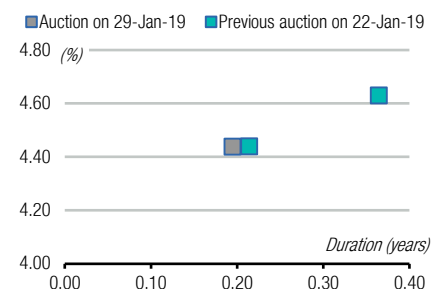
Source: Ministry of Finance of Ukraine, ICU.

#### 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

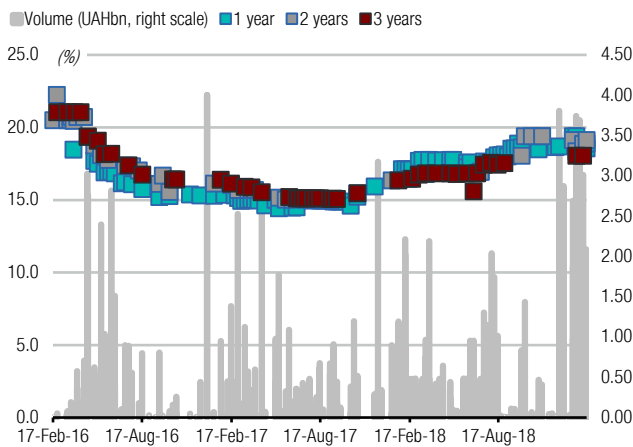


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

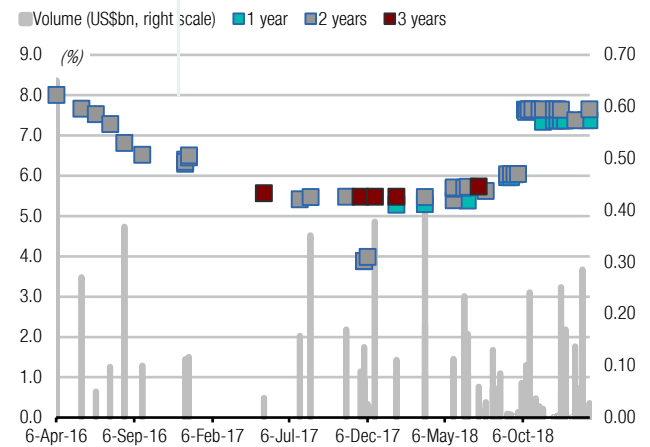
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

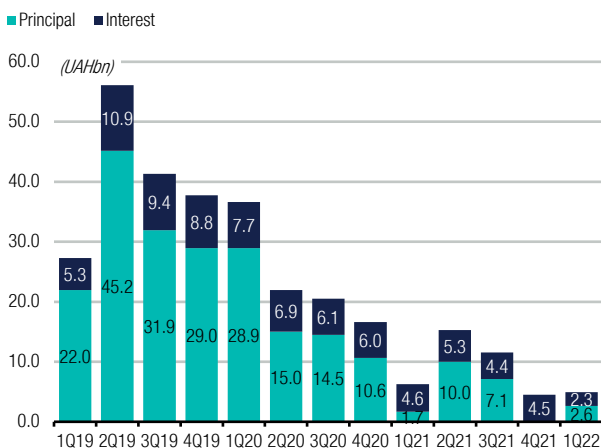
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

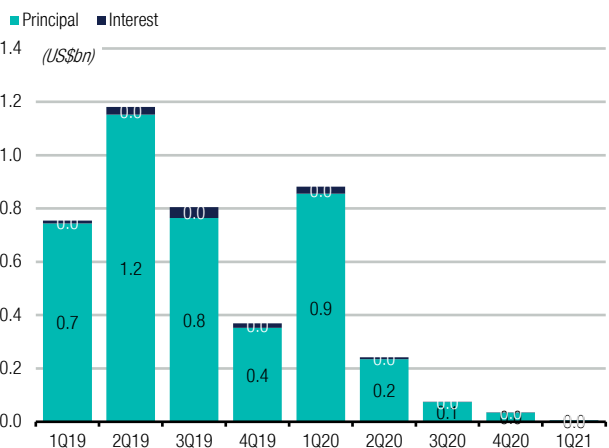
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

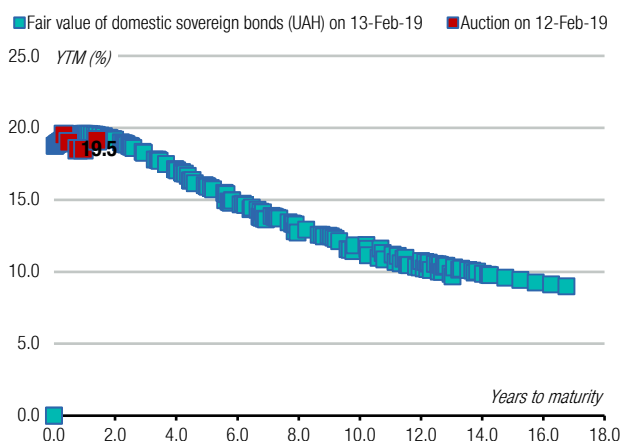
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

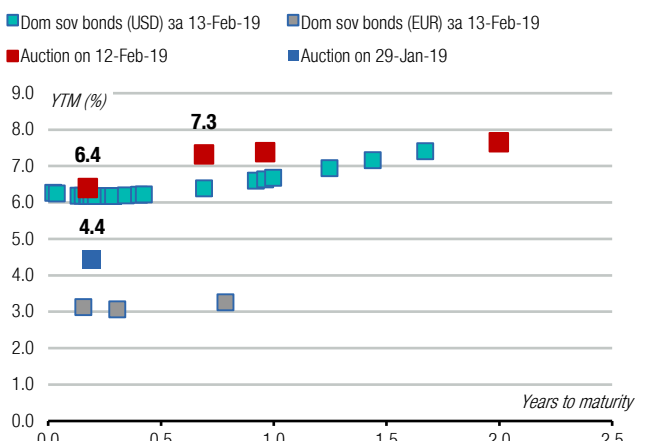
**Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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