

# Bond Market Insight

## Partial refinancing

### Comment on government bond placement

Demand for local-currency bills continued to decline. Most of the proceeds from yesterday's auction were a partial refinancing of FX-denominated repayments. Borrowings amounted to UAH536m and US\$116m, and at the current exchange rate, the total amount of proceeds was UAH3.7bn.

Local-currency bills with maturity after the presidential elections were not seen as attractive. With debt repayments mostly going to the NBU, these two factors reduced demand for UAH-denominated bills. However, all of yesterday's bids for these bills were at acceptable rates for the MoF, and proceeds covered repayments to market players.

At the same time, refinancing of FX-denominated repayments was very important for the MoF. Tomorrow, the Ministry must repay US\$287m in principal and interest on bills issued at the end of January. But by offering one-month bills, the MoF was able to refinance less than a half of these repayments.

Without foreign investors, demand for local-currency bills significantly declined, and most of financing was from FX-denominated bills. But the market did not find these bills very attractive, and the MoF was only provided partial compensation of the FX it used from its own accounts.

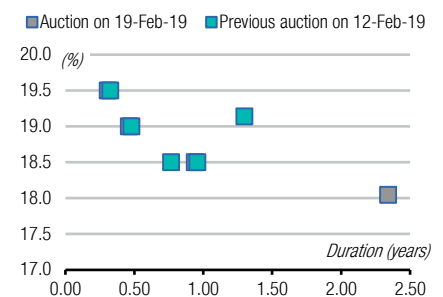
**Table 1. Details of domestic government bonds placed at the auction (UAHbn)**

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	470,810	943.54	444.23	470.81	19.50	2,828.97
UA4000203301	0.00	@Mty	7-Aug-19	80,085	919.58	73.64	80.09	19.00	1,147.88
UA4000203244	0.00	@Mty	29-Jan-20	12,900	851.90	10.99	12.90	18.50	564.36
UA4000203236	17.25	SA	5-Jan-22	7,138	1,019.28	7.28	7.14	18.05	123.14
<b>Total UAH</b>				<b>570,933</b>		<b>536.14</b>	<b>570.93</b>		<b>4,664.35</b>
UA4000203525	0.00	@Mty	21-Mar-19	112,950	995.23	3,046.34	3,060.95	6.03	3,060.95
UA4000201453	0.00	@Mty	19-Jun-19	1,736	979.42	46.08	47.05	6.44	8,022.79
UA4000201743	5.65	SA	22-Jul-20	2,269	983.20	60.46	61.49	7.39	2,046.56
<b>Total USD</b>				<b>116,955</b>		<b>3,152.88</b>	<b>3,169.48</b>		<b>13,130.30</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 27.1/USD, 31.84/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

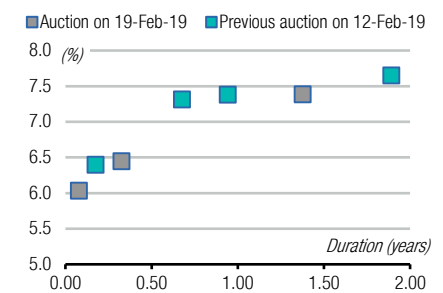
### WEDNESDAY, 20 FEBRUARY 2019

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



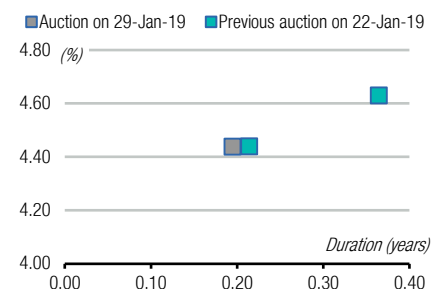
Source: Ministry of Finance of Ukraine, ICU.

#### 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

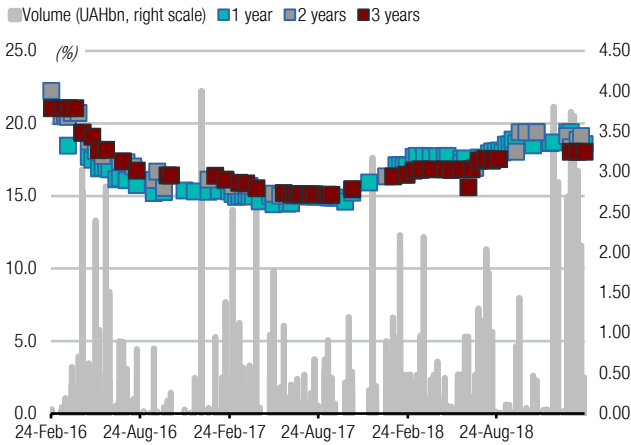


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

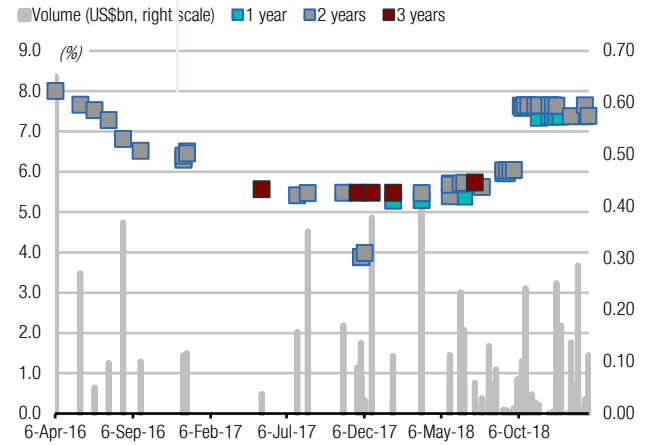
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

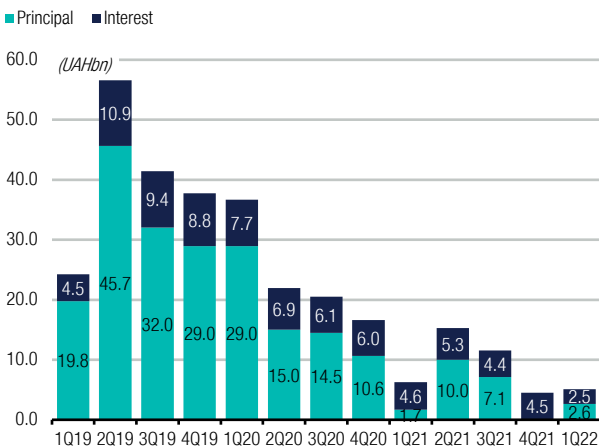
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

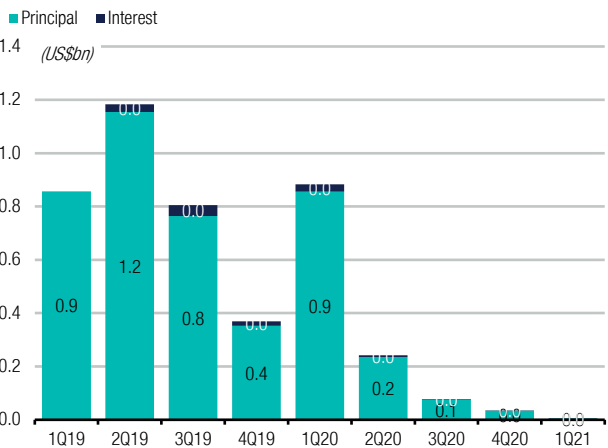
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

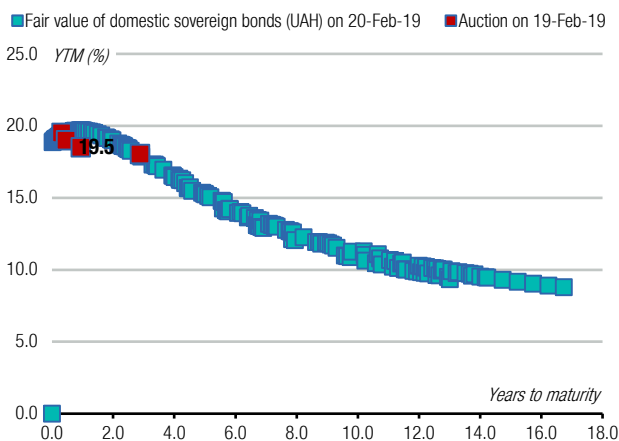
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

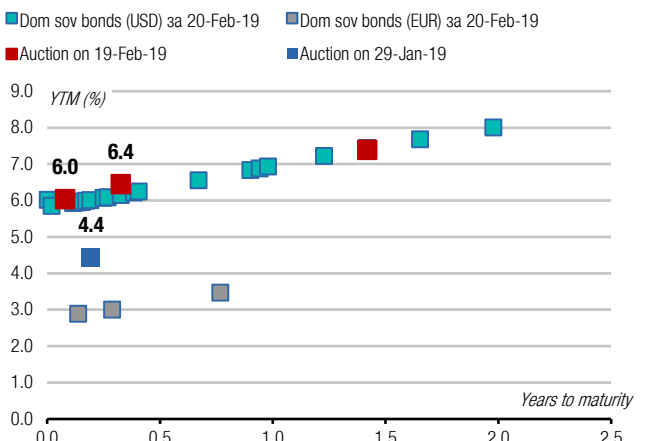
**Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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