

# Bond Market Insight

## Auction did not cover redemptions

### Comment on government bond placement

In general, market conditions are not favourable for new borrowings. Yesterday, the MoF was only able to borrow UAH1.6bn, which was not enough to refinance today's debt repayments, although it did compensate some of the hard currency that was used last week for repayments.

**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>
UA4000204986	15.36	SA	29-Sep-21	133,496	1,038.19	138.59	133.50	8.26	11,121.47
UA4000215156	11.73	SA	9-Mar-22	70,227	1,019.27	71.58	70.23	11.07	13,450.33
UA4000216774	11.10	SA	23-Nov-22	5,687	1,042.42	5.93	5.69	11.44	1,634.06
<b>Total UAH</b>				<b>209,410</b>		<b>216.10</b>	<b>209.41</b>		<b>26,205.85</b>
UA4000215909	3.89	SA	2-Feb-23	48,823	1,007.26	1,385.90	1,375.92	3.94	7,145.70
<b>Total USD</b>				<b>48,823</b>		<b>1,385.90</b>	<b>1,375.92</b>		<b>7,145.70</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 28.18/USD, 33.42/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

The largest part of the proceeds, US\$49mn, came from USD-denominated bills, which compensated part of the hard currency spent for repayments in April.

The Ministry accepted all demand for local-currency instruments, although it was only able to borrow UAH216m.

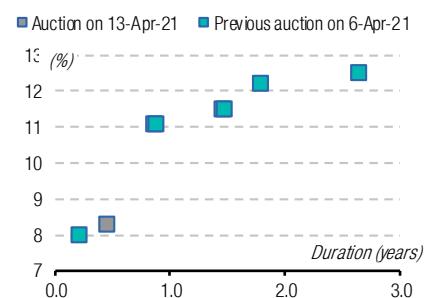
Despite the low amount, demand for the six-month paper was quite active. Bidders requested rates in the range from 8% to 8.5%, which resulted in a cut-off rate decline of 18bp and the weighted-average rate down 52bp.

Low demand can be attributed to investors waiting for the NBU key policy rate increase tomorrow, which can cause a slight increase in rates for short-term bills. Another contributing factor is foreigners' partial withdrawal of funds from UAH-denominated debt, as they can sell bonds to locals at better conditions than the MoF's primary auction.

However, these factors are short-lived. Therefore, given quite low repayments in April, the government will use accumulated funds in the Treasury account to make debt repayments. In that case, we remain optimistic that market sentiment will improve and the Ministry will be able to refinance all redemptions paid in April.

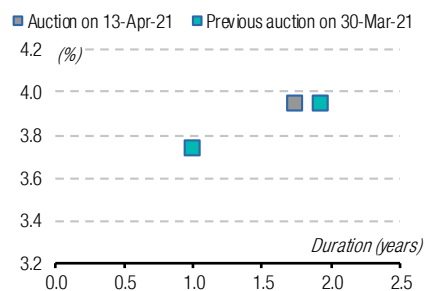
### WEDNESDAY, 14 APRIL 2021

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



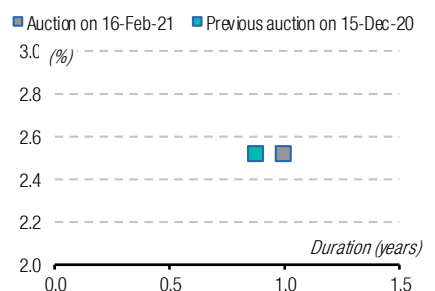
Source: Ministry of Finance of Ukraine, ICU.

#### 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

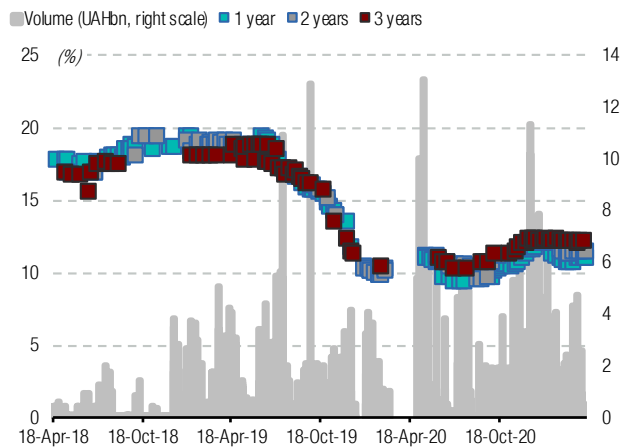


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

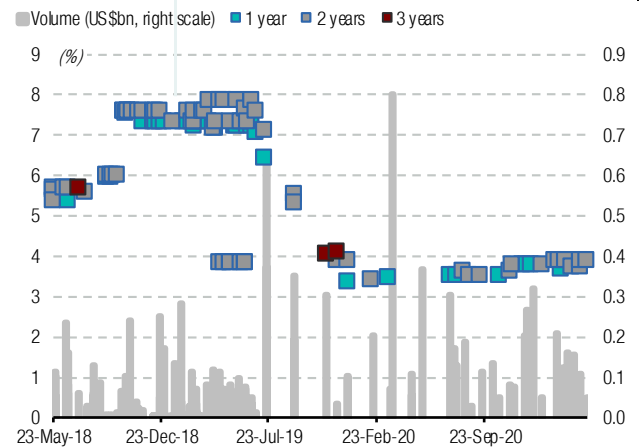
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

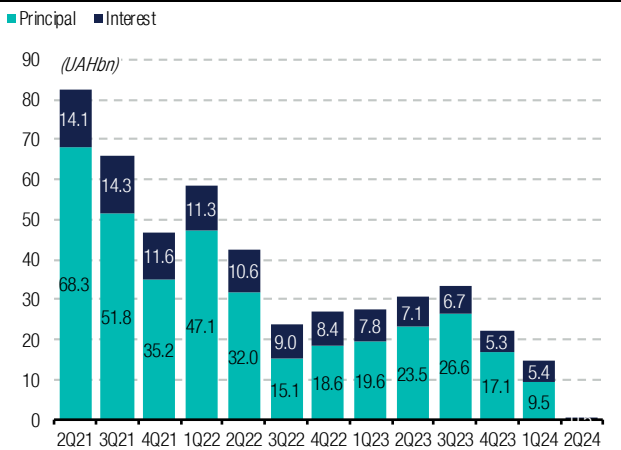
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

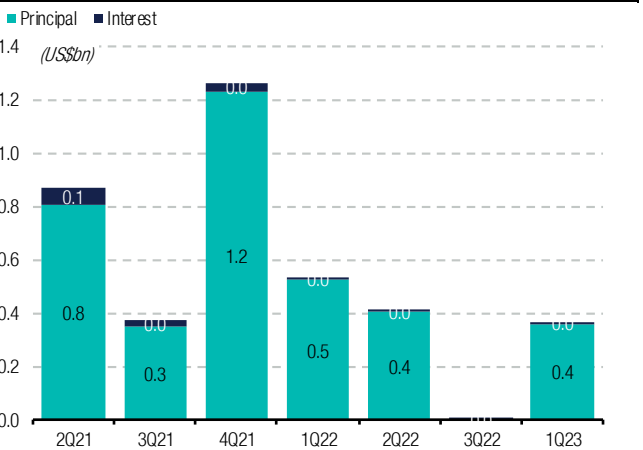
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

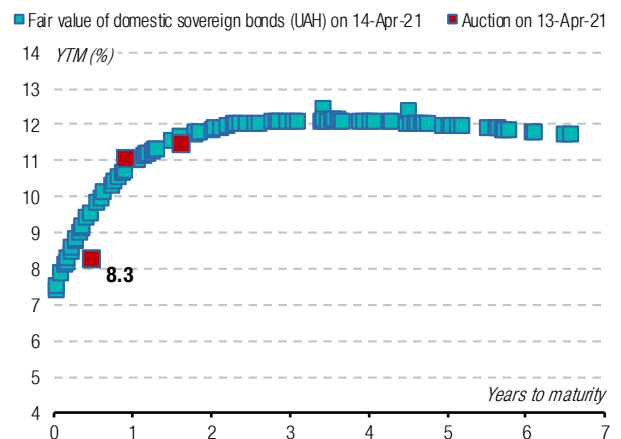
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

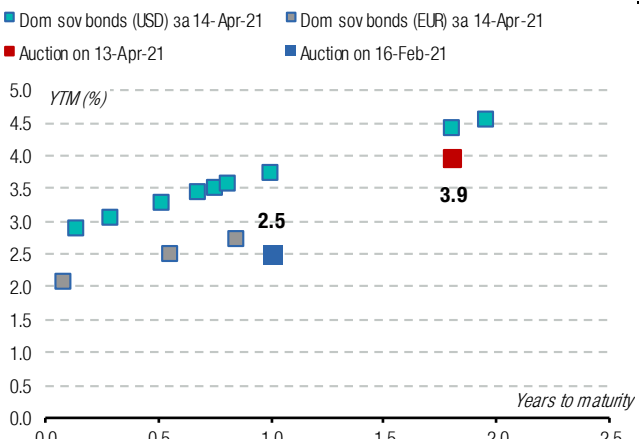
**Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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