

# Bond Market Insight

## Proceeds larger; interest rates steady

### Comment on government bond placement

After low activity in the primary auction last week, yesterday's demand and borrowings rose for both local and hard currency. Interest rates remained unchanged.

It looks like the break in banks activity is close to the end, as demand was up for six-month bills, too. Two weeks ago, demand was almost six times lower, while last week the MoF cancelled offering of three-month paper. With demand of UAH600m (US\$22m) when the Ministry set a cap at UAH500m (US\$18m) can indicate that banks returned to the market after about two weeks break prior the NBU monetary meeting.

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

ISIN	Coupon rate (%)	Payment frequency	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>
UA4000214498	0.00	@Mty	1-Dec-21	500,000	961.84	480.92	500.00	8.99	12,690.52
UA4000218325	11.20	SA	20-Jul-22	1,972,046	1,049.45	2,069.56	1,972.05	11.31	9,758.27
UA4000216774	11.10	SA	23-Nov-22	1,456,178	1,005.78	1,464.59	1,456.18	11.65	7,316.55
UA4000201255	16.00	SA	24-May-23	3,288,019	1,078.93	3,547.55	3,288.02	12.40	18,574.16
UA4000207880	9.99	SA	22-May-24	141,292	952.17	134.53	141.29	12.72	18,024.77
UA4000218531	12.52	SA	13-May-26	636,829	1,009.33	642.77	636.83	13.02	4,241.19
<b>Total UAH</b>				<b>7,994,364</b>		<b>8,339.93</b>	<b>7,994.36</b>		<b>70,605.46</b>
UA4000218812	3.70	@Mty	23-Jun-22	116,044	964.41	3,062.52	3,175.53	3.69	3,175.53
<b>Total USD</b>				<b>116,044</b>		<b>3,062.52</b>	<b>3,175.53</b>		<b>3,175.53</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 27.36/USD, 32.51/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

The largest demand received was for the two-year instrument, which amounted to UAH3.3bn (US\$53m), more than double from last week.

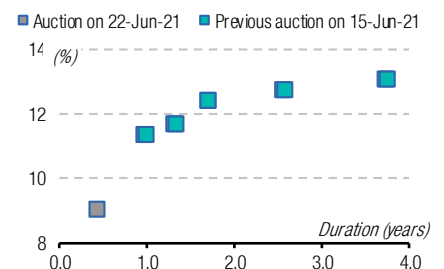
However, as foreign investors are more interested in longer maturities than local banks, decline in demand for three and five-year notes indicates that demand from foreigners was lower.

Compared with last week, demand was up for FX-denominated bills, although it was lower than earlier this month. The rise in demand can be attributable to hryvnia weakening last week.

There were not any material changes in interest rates. Only for six-month bills, the weighted-average rate was up 1bp to 9%. For some maturities there were also bids

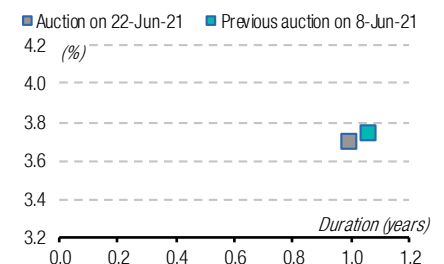
WEDNESDAY, 23 JUNE 2021

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



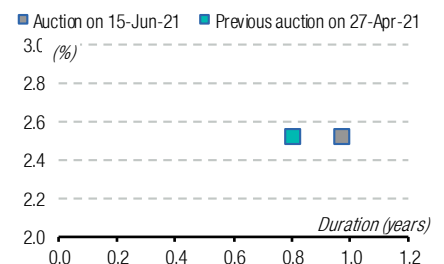
Source: Ministry of Finance of Ukraine, ICU.

### 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.

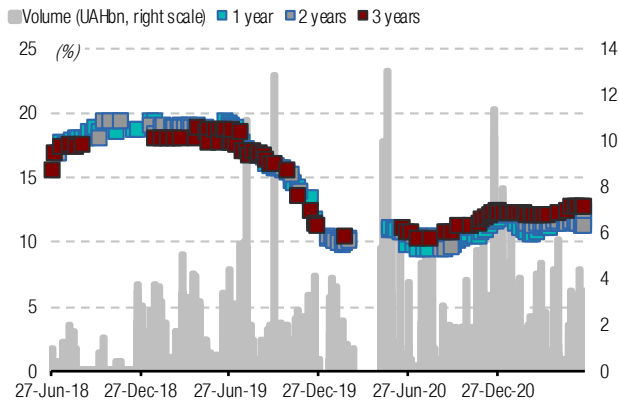
with minimum rates lower than previously, but by small amounts, which did not have an impact on weighted-average rates.

There are not any debt redemptions today, so yesterday's borrowings are new money for the budget, or funds reinvested in new bonds from last week's redemption. Regardless, this is good support for the budget prior to next week's redemption and those at the beginning of July.

# Appendix: Yields-to-maturity, repayments

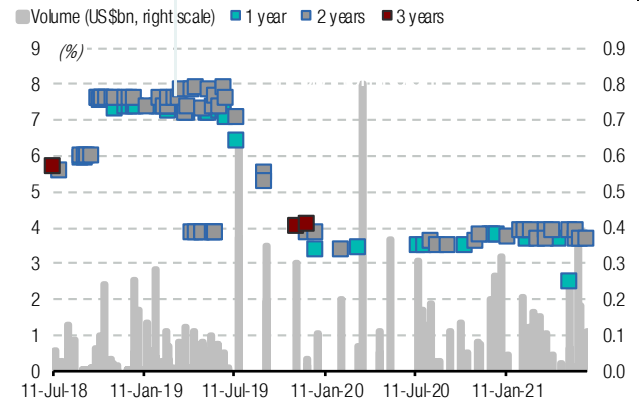
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

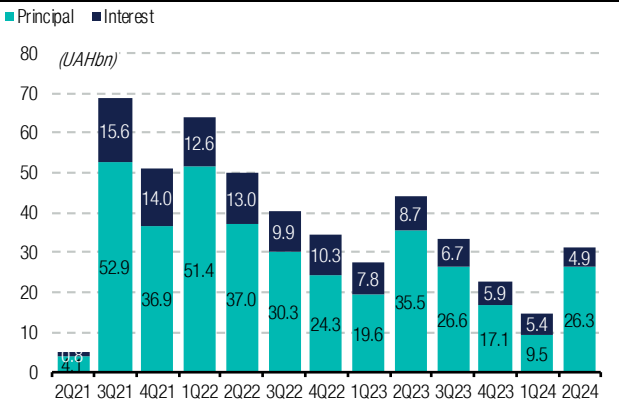
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

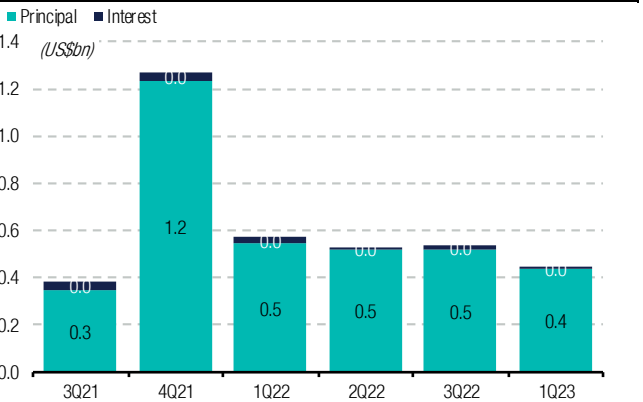
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

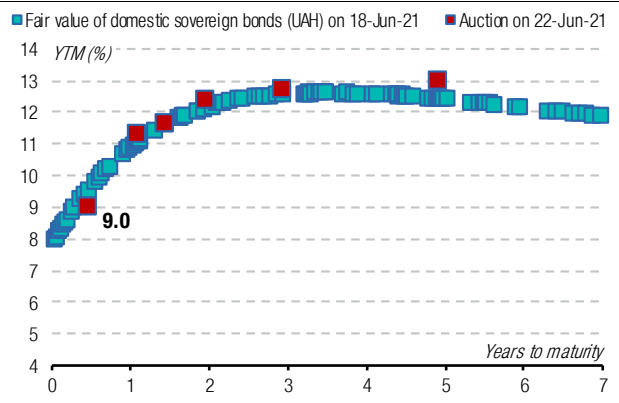
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

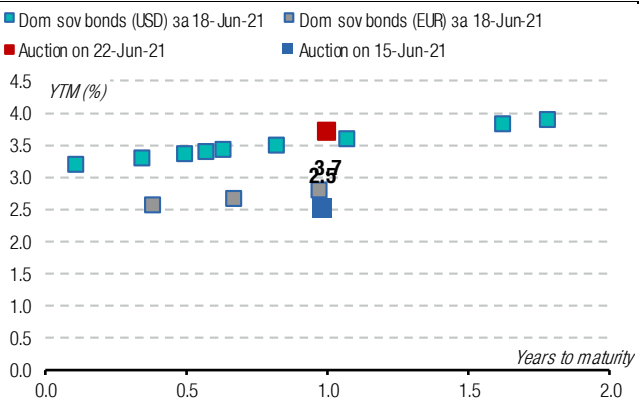
**Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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