

Bond Market Insight

Borrowings increase

Comment on government bond placement

Yesterday, the Ministry of Finance increased borrowings and without repayments that had to be refinanced. The most in demand were securities with maturities from one to two years, which brought the budget a total of UAH7.4bn out of UAH8.1bn of borrowings in local currency.

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

ISIN	Coupon rate (%)	Payment frequency ¹	Maturity	Qty of bonds sold	Price (UAH)	Proceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Outstanding (m) ⁴
UA4000213300	0.00	@Mty	27-Oct-21	180,793	976.13	176.48	180.79	8.50	12,422.69
UA4000218325	11.20	SA	20-Jul-22	2,000,000	1,055.76	2,111.52	2,000.00	11.33	13,415.50
UA4000216774	11.10	SA	23-Nov-22	1,656,710	1,012.18	1,676.89	1,656.71	11.65	9,258.18
UA4000173371	10.00	SA	23-Aug-23	3,649,610	1,000.24	3,650.48	3,649.61	12.49	15,593.16
UA4000219208	12.30	SA	3-Jul-24	450,154	1,002.30	451.19	450.15	12.72	836.68
UA4000218531	12.52	SA	13-May-26	36,828	1,016.37	37.43	36.83	13.02	4,905.48
Total UAH				7,974,095		8,103.99	7,974.10		56,431.68
UA4000218812	0.00	@Mty	23-Jun-22	67,519	966.40	1,780.35	1,842.25	3.69	5,008.50
Total USD				67,519		1,780.35	1,842.25		5,008.50

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 27.28/USD, 32.51/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

Demand for 12-month bills reached almost UAH3bn, but due to the cap, only UAH2.1bn was accepted. For the 1.5-year paper, demand was less than the cap and brought the budget only UAH1.7bn. Demand was greatest for the two-year instrument, UAH3.6bn, which brought the budget UAH3.7bn of proceeds.

The lowest demand was for five-year bonds, only UAH37m in seven bids, which may indicate that foreigners are currently not interested in them.

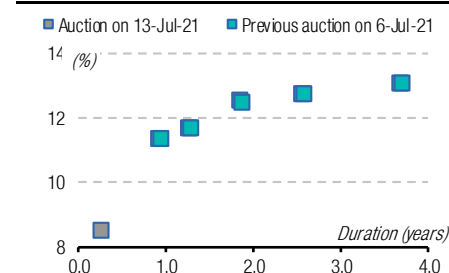
Another US\$65m was raised in 12-month USD-denominated bills, which was almost half of what was raised three weeks ago. However, it was enough to support a fairly good amount of refinancing of foreign currency denominated domestic bonds.

In general, it seems that banks and other resident investors have increased interest in new government bonds since the hryvnia exchange rate stabilized. Foreigners, however, are still on pause.

Nevertheless, attracting a total of UAH9.9bn improved current financing for the budget, as the next repayment of UAH-denominated debt is scheduled for next week,

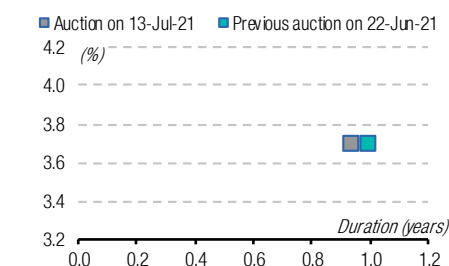
WEDNESDAY, 14 JULY 2021

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



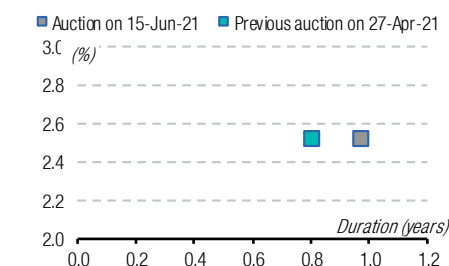
Source: Ministry of Finance of Ukraine, ICU.

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



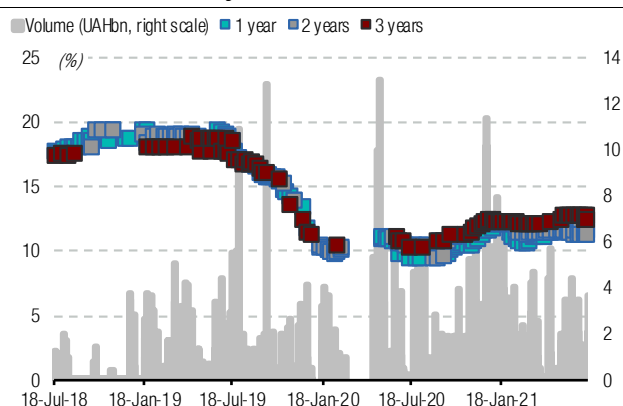
Source: Ministry of Finance of Ukraine, ICU.

and in hard currency in only two weeks. Therefore, it is still possible to accumulate funds for these payments.

Appendix: Yields-to-maturity, repayments

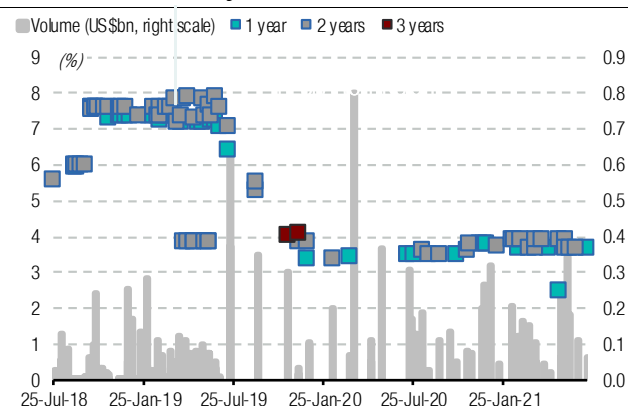
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

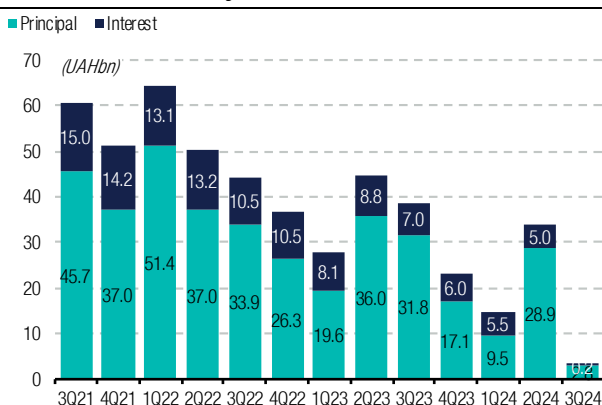
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

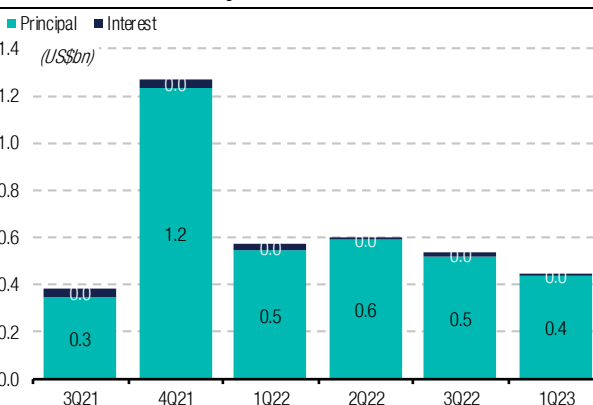
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

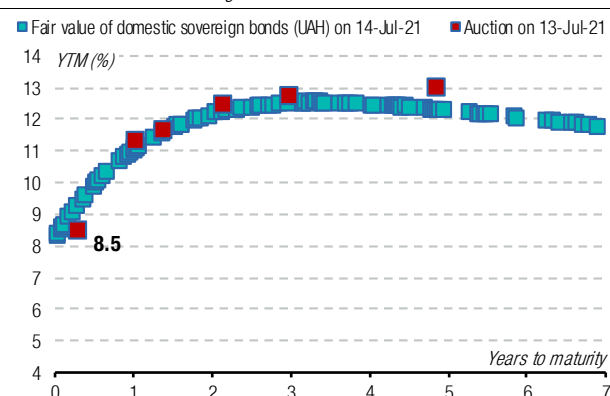
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

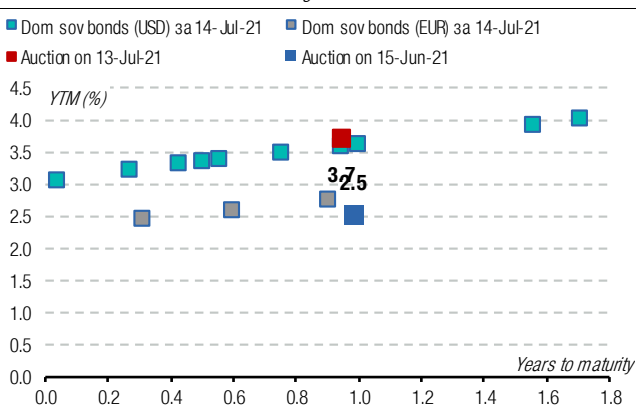
Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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