



Focus  
Ukraine

Markets  
Domestic liquidity,  
government bonds, FX  
market, and macro

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# Weekly Insight

## Strong interest in military bills

### Key messages of the today's comments

MONDAY, 21 MARCH 2022

### Ukrainian bond market

#### Strong interest in military bills

Since the beginning of March, more than UAH20bn has been raised for the budget through military bonds sold by the Ministry of Finance in the primary market. A significant part was bought by private retail investors.

### Banks' reserves market (18 March 2022)

	Last	Weekly chg (%)	YoY chg (%)
NBU rate (%) <sup>1</sup>	10.00	+0bp	+350bp
ON rate (%)	9.76	+0bp	+398bp
Reserves (UAHm) <sup>2</sup>	57,024	-18.52	-11.50
CDs (UAHm) <sup>3</sup>	132,544	-5.12	+5.48

Notes: [1] NBU's key policy rate; [2] stock of banks' reserves held at NBU; [3] stock of NBU's certificates of deposit.

Source: NBU, Bloomberg, ICU.

### Breakdown of govt bond holders (UAHm) (18 March 2022)

	Last	Weekly chg (%)	YoY chg (%)
NBU	330,106	+0.00	+2.49
Banks	529,602	+0.94	+0.88
Residents	79,319	+0.88	+48.64
Individuals	25,274	+1.00	+72.37
Foreigners <sup>1</sup>	74,819	+0.01	-29.38
<b>Total</b>	<b>1,039,223</b>	<b>+0.57</b>	<b>+1.76</b>

Source: NBU, ICU.

### FX market indicators (18 March 2022)

	Last	Weekly chg (%)	YoY chg (%)
USD/UAH	29.4033	+0.00	+6.19
EUR/USD	1.1051	+1.27	-7.25
DXY	98.233	-0.90	+6.94
UAH TWI <sup>1</sup>	133.432	-0.75	+9.68

Notes: [1] UAH trade-weighted index.

Source: Bloomberg, ICU.

### Market gov't bond quotes<sup>1</sup> (21 March 2022)

Maturity	Bid	Ask
6m	---	---
12m	---	---
2y	---	---
3y	---	---
12m (\$)	---	---
2y (\$)	---	---

Source: ICU.

# Ukrainian bond market

## Strong interest in military bills

Since the beginning of March, more than UAH20bn has been raised for the budget through military bonds sold by the Ministry of Finance in the primary market. A significant part was bought by private retail investors.

Since the beginning of the Russian war against Ukraine, the Ministry of Finance has been offering military bills to investors every Tuesday and has raised more than UAH20bn in the primary market. Another UAH20bn in bonds was bought by the National Bank of Ukraine. The vast majority of military bills were purchased by Ukrainian banks, but non-banking institutions and private investors are increasingly supporting the country's financial needs in these difficult times.

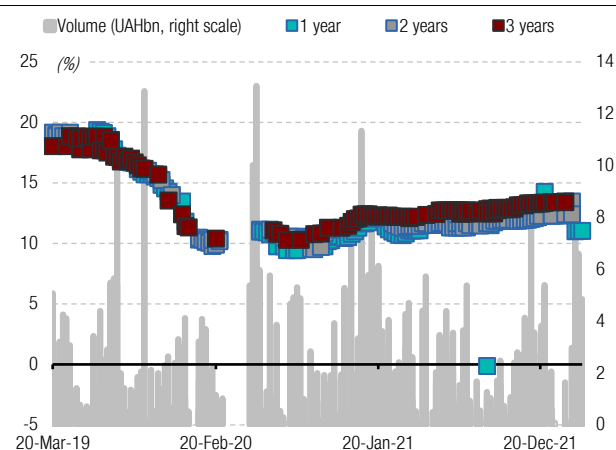
Last week, the Ministry of Finance raised UAH5.4bn, and more than 10% of bonds were purchased by non-banking institutions and private investors. More than 1,200 deals were concluded on the secondary market over the week for a total of over UAH960m. Thus, the portfolios of non-banking institutions grew by UAH700m and private investors by UAH255m last week.

**ICU view: Tomorrow, the Ministry of Finance will again offer military bills and we expect that the demand from domestic investors will be at least as strong as in previous weeks. At the same time, after an unsuccessful attempt to place FX-denominated bills, this week the Ministry of Finance will offer only bills denominated in local currency. The MoF optimistically kept the schedule for next week with a pre-war set of securities.**

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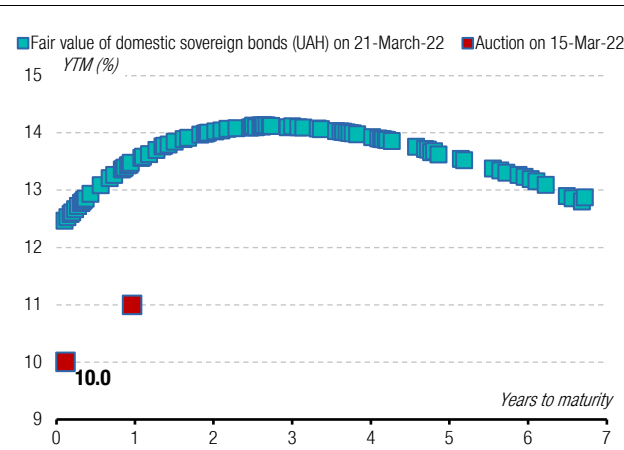
**Chart 1. Local-currency bonds**

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



Source: Ministry of Finance of Ukraine, ICU.

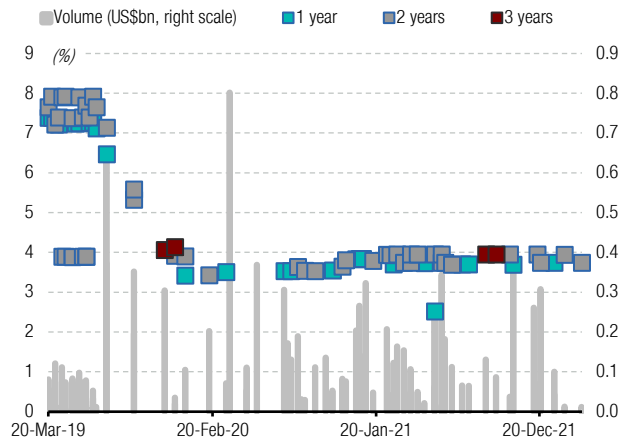
Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions



Source: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

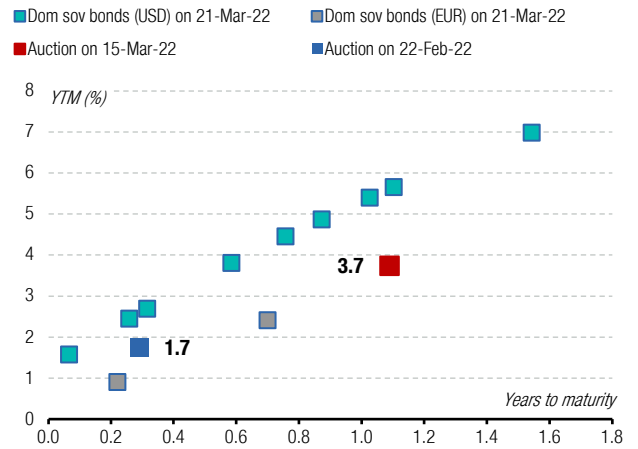
**Chart 2. FX-denominated bonds**

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



Source: Ministry of Finance of Ukraine, ICU.

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



Source: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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