

Bond Market Insight

Investor activity strong

Comment on government bond placement

Yesterday, the Ministry of Finance raised UAH6.2bn (US\$209m) for the budget at the primary bond auction. There was strong turnout for local-currency bills. More than 70 bids were submitted to the auction, and they were fully satisfied.

After the relatively low interest in the UAH-denominated bills offering last week with demand concentrated for bills denominated in euro, this week, the Ministry of Finance did not offer FX-denominated bills, but still was able to raise the usual UAH6bn (US\$200m) per week.

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
UA4000225791	0.00	@Mty	2-Nov-22	1,550,678	947.31	1,468.97	1,550.68	10.00	3,048.83
UA4000225809	0.00	SA	21-Jun-23	4,548,358	1,033.50	4,700.73	4,548.36	11.33	7,345.96
Total UAH				6,099,036		6,169.70	6,099.04		10,394.79

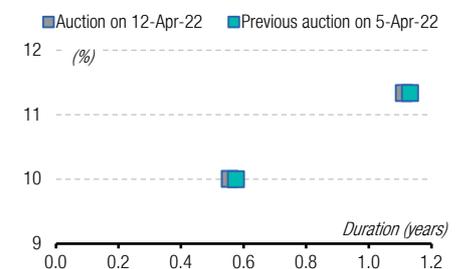
Note: [1] payment frequency abbreviations: M - monthly, Qtly - quarterly, SA - semi-annually, @Mty - at maturity date; [2] proceeds and volumes for the USD-denominated bonds are calculated based on the previous day's exchange rate 29.4/USD, 32.03/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

The main part of demand was for 15-month paper, amounting to almost UAH4.6bn (US\$160m) in 22 bids, where a third of the volume was non-competitive bids. Demand for seven-month securities was mostly non-competitive and was in 51 bids. Only UAH6.1m (US\$0.2m) of bills were sold for competitive demand, which could have been in one or only a few bids.

Interest in military bills remains high, and given the unchanged rates, auction participants use the option of non-competitive bidding without the risk of receiving a different rate from other investors. Once again, the budget received an average of over UAH6bn (US\$200m) per week, which includes investments by banks, non-banking institutions, and individuals.

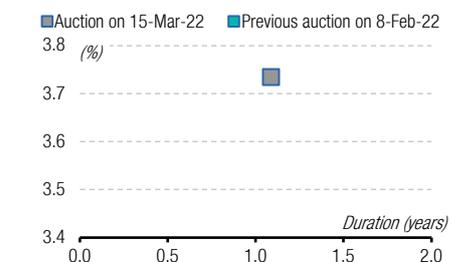
WEDNESDAY, 13 APRIL 2022

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



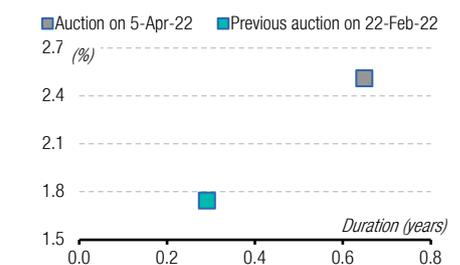
Source: Ministry of Finance of Ukraine, ICU.

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

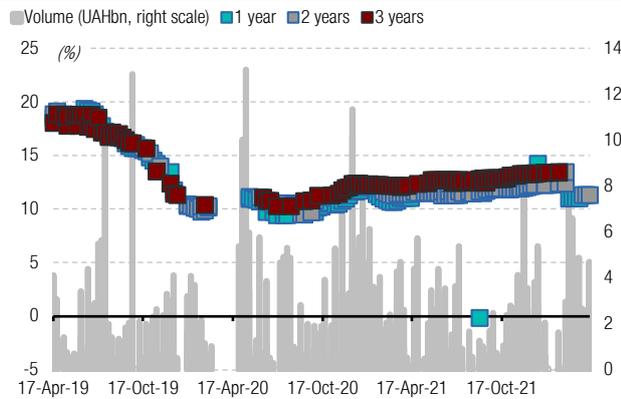


Source: Ministry of Finance of Ukraine, ICU.

Appendix: Yields-to-maturity, repayments

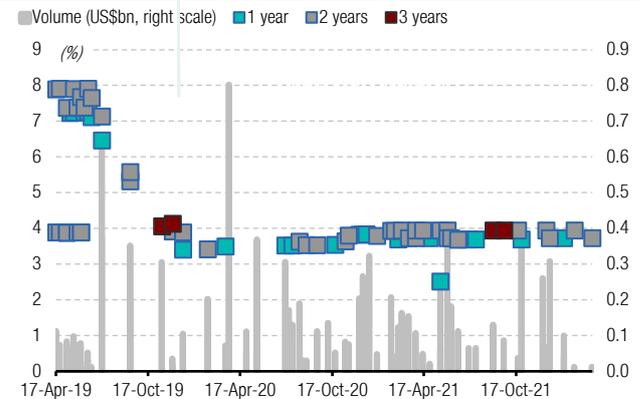
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

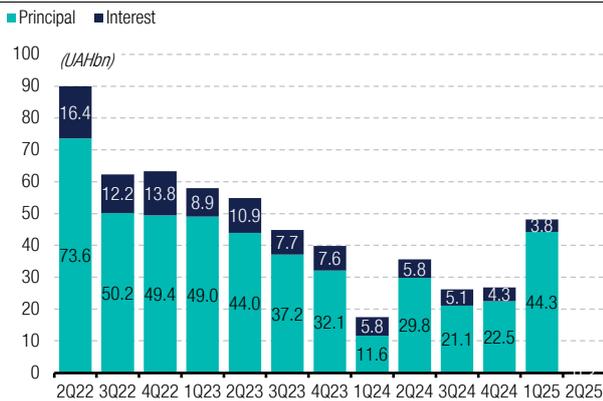
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

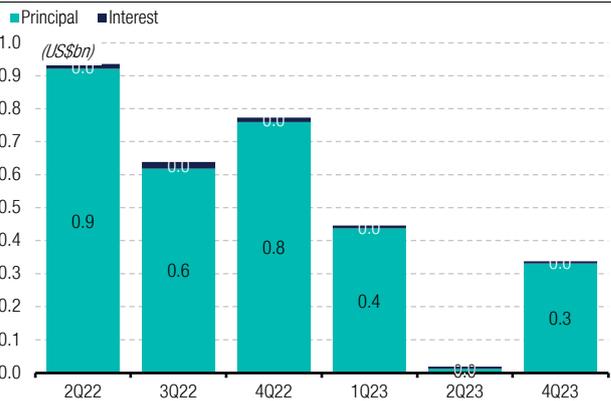
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

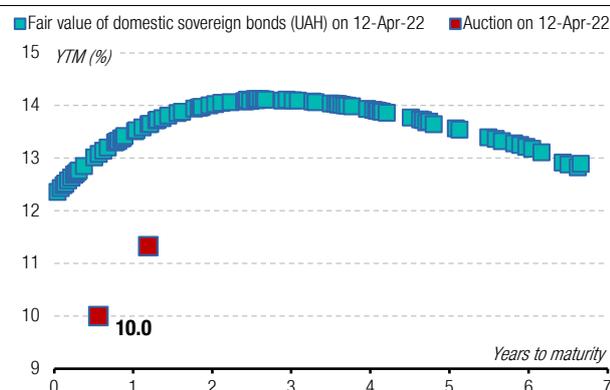
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

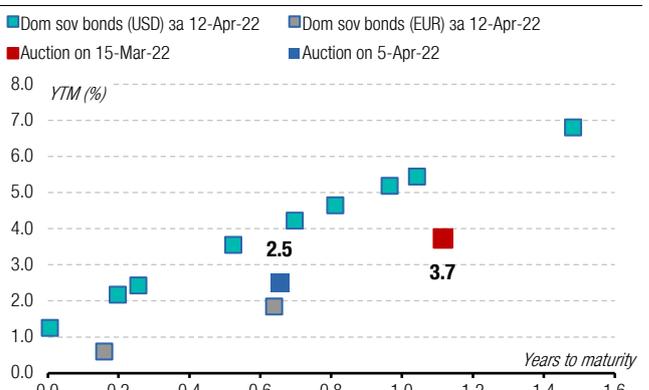
Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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