

Bond Market Insight

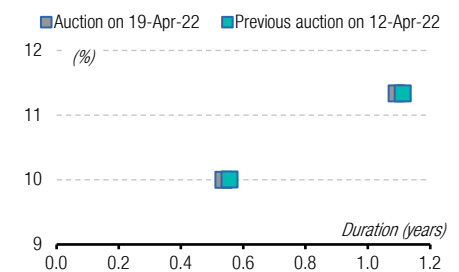
Lower borrowings prior to redemption

Comment on government bond placement

Today, at the primary auction, the Ministry of Finance offered several issues of military bonds, but was able to raise only UAH3.6bn (US\$123m).

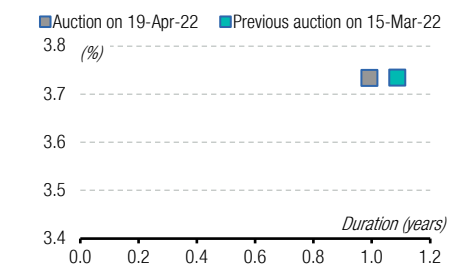
TUESDAY, 19 APRIL 2022

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



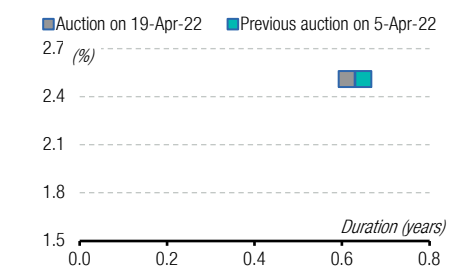
Source: Ministry of Finance of Ukraine, ICU.

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.

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	111,203	949.04	105.54	111.20	10.00	3,160.04
UA4000225809	11.00	SA	21-Jun-23	49,110	1,035.63	50.86	49.11	11.33	7,395.07
Total UAH				160,313		156.40	160.31		10,555.11
UA4000225775	3.70	SA	27-Apr-23	80,434	1,017.78	2,417.92	2,375.68	3.73	2,722.40
Total USD				80,434		2,417.92	2,375.68		2,722.40
UA4000222509	2.50	SA	1-Dec-22	32,759	1,009.60	1,053.24	1,043.23	2.51	14,104.02
Total EUR				32,759		1,053.24	1,043.23		14,104.02

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 29.54/USD, 31.85/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

UAH-denominated bills provided the budget with only UAH156m (US\$5.3m) of funds. Most likely, this was due to the lack of free liquidity and already-filled limits for government bonds in banks' portfolios. The large number of bids for these bills may mean that primary dealers purchased them mainly for their clients.

There was strong investor interest in USD-denominated bills. They received 49 bids and brought the budget more than US\$80m or almost UAH2.4bn at the current exchange rate. Demand for USD-denominated paper may be delayed from last week, as was seen two weeks ago for bills in euros, as more than US\$400m was repaid last week.

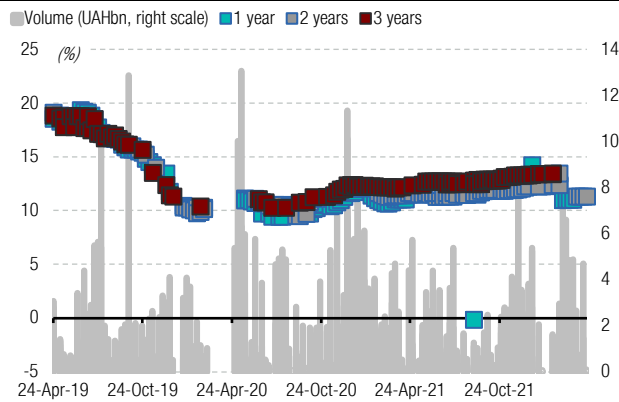
More investors were interested in EUR-denominated bills than in bills in US dollars. There were only seven bids, although demand was for 33 million euros.

So, in general, given the low demand for UAH-denominated securities, the state budget received a decent amount of money. The MoF will have a chance to attract more next Tuesday when the budget will repay more than UAH17bn (US\$0.6bn) in principal, and, including coupon payments, more than UAH20bn (US\$0.7bn).

Appendix: Yields-to-maturity, repayments

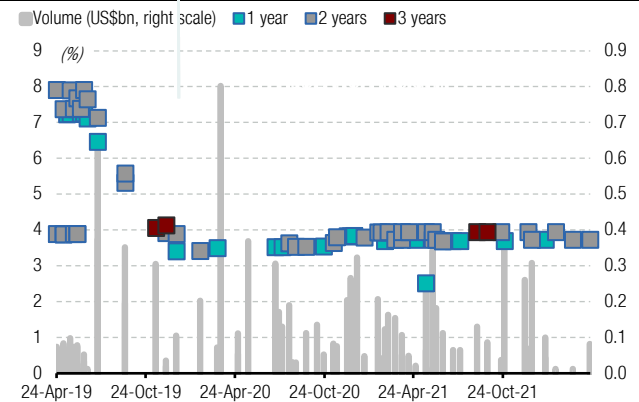
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

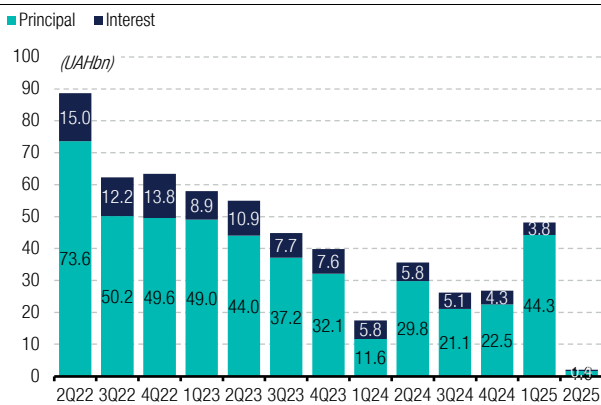
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

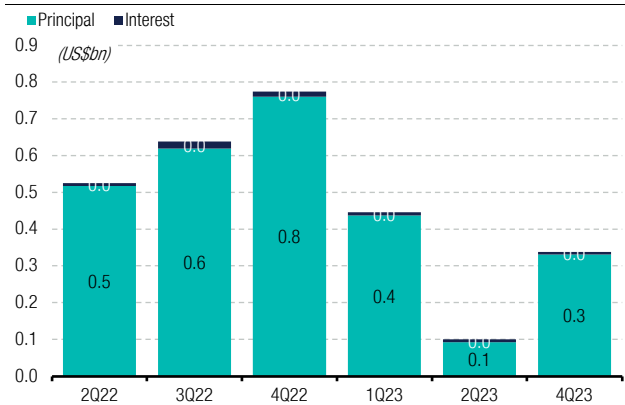
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

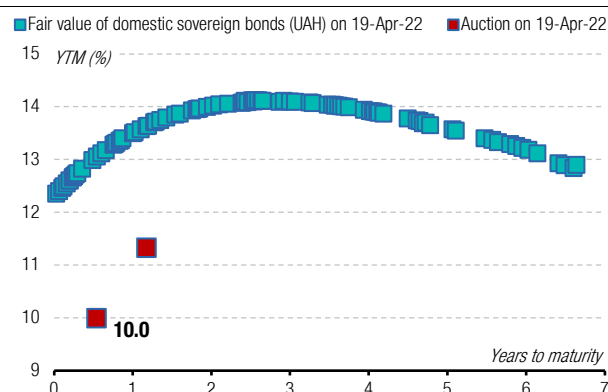
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

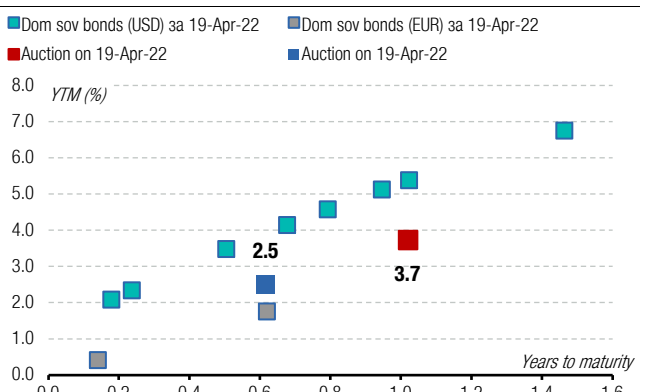
Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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