

# Bond Market Insight

## Borrowing intensifies

### Comment on government bond placement

Yesterday, the Ministry of Finance raised another UAH12.6bn (US\$428m) in different currencies. Overall, the MoF has been able to borrow over UAH32bn (US\$1.1bn) in just a month through military bills.

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

ISIN	Coupon rate (%)	Payment frequency <sup>1</sup>	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>
UA4000225866	0.00	@Mty	27-Jul-22	554,504	983.87	545.56	554.50	9.50	6,051.82
UA4000225791	0.00	@Mty	2-Nov-22	9,119,711	957.75	8,734.40	9,119.71	10.00	18,928.79
UA4000225908	0.00	SA	25-Oct-23	89,216	1,008.64	89.99	89.22	11.86	4,015.67
<b>Total UAH</b>				<b>9,763,431</b>		<b>9,369.95</b>	<b>9,763.43</b>		<b>28,996.27</b>
UA4000225874	3.70	SA	25-May-23	54,880	1,000.00	1,605.24	1,605.24	3.74	3,053.55
<b>Total USD</b>				<b>54,880</b>	<b>1,605.24</b>	<b>1,605.24</b>		<b>3,053.55</b>	
UA4000222509	2.50	SA	1-Dec-22	51,707	1,012.02	1,643.26	1,623.74	2.51	15,531.70
<b>Total EUR</b>				<b>51,707</b>	<b>1,643.26</b>	<b>1,623.74</b>		<b>15,531.70</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 29.25/USD, 31.4/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

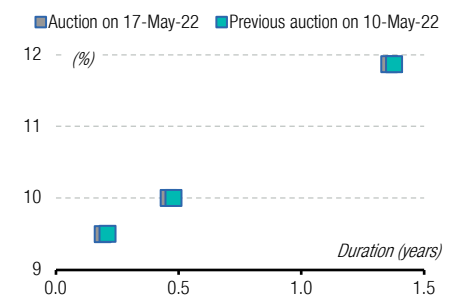
Demand was concentrated in six-month bills, which brought UAH8.7bn (US\$296m) of proceeds to the state budget. Two-month bills provided just UAH0.5bn (US\$18m). Yesterday, demand for 1.5-year securities decreased, raising only UAH90m (US\$3m).

There was good demand for FX-denominated bills—almost US\$55m and EUR52m—so the budget received the equivalent of UAH3.2bn in hard currency.

In general, this was the second-best result of recent auctions, as at the end of April, UAH0.4bn (US\$14m) more was raised. In May, buyers of military bills have become more active, and the total amount for the month is currently higher than it was in March and April. So, with the auction next Tuesday, May will set the record for the amount of military bills placed.

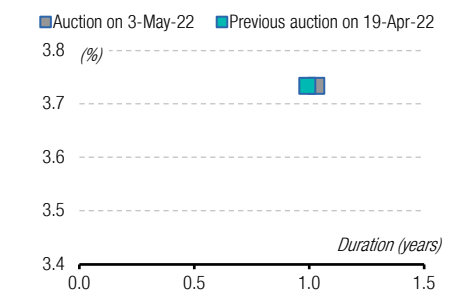
### WEDNESDAY, 25 MAY 2022

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



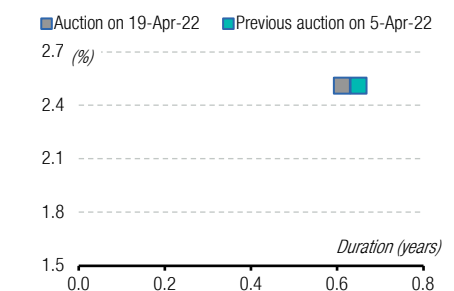
Source: Ministry of Finance of Ukraine, ICU.

#### 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

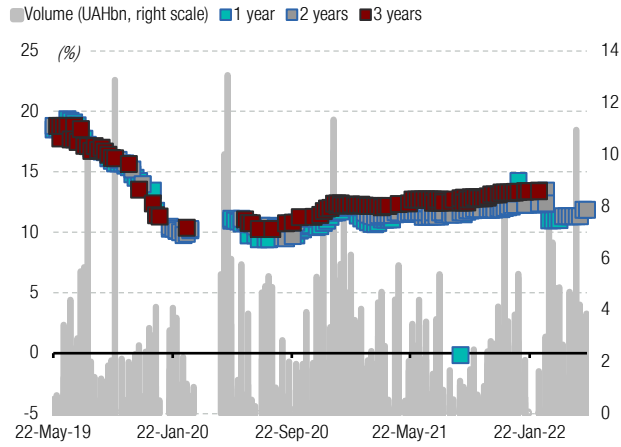


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

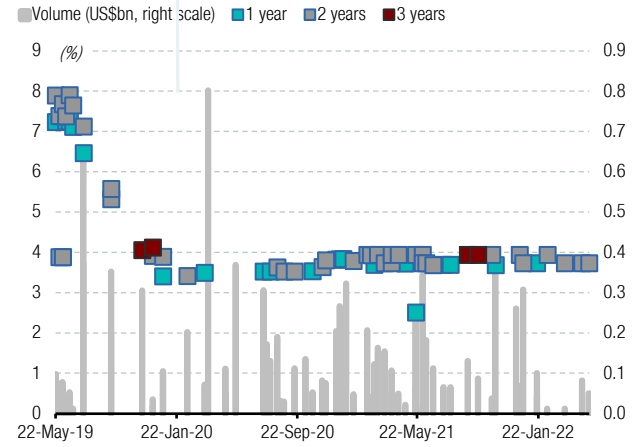
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

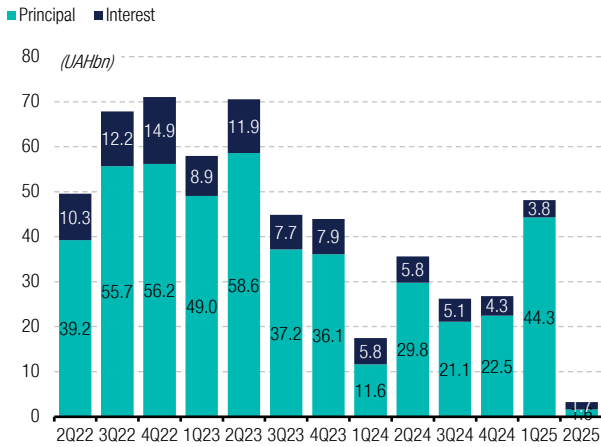
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

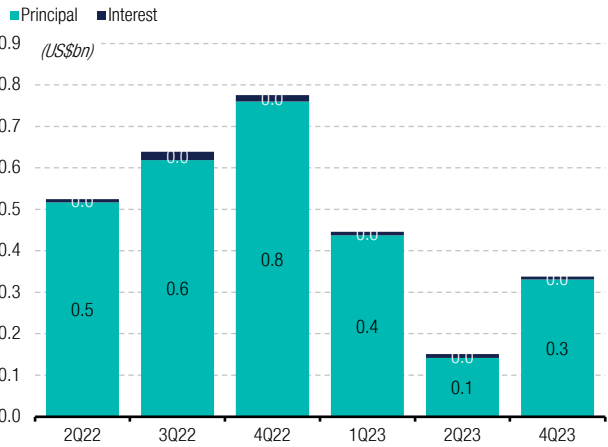
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

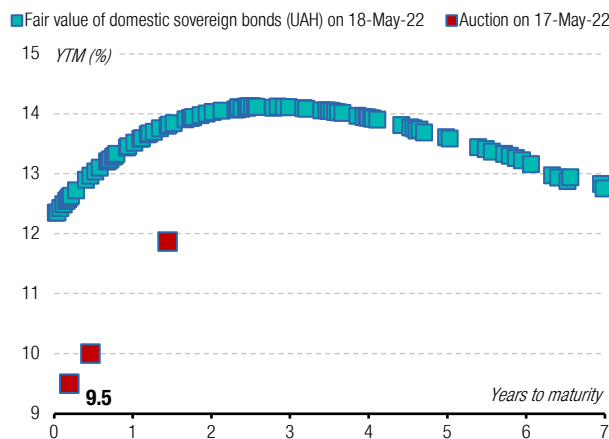
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

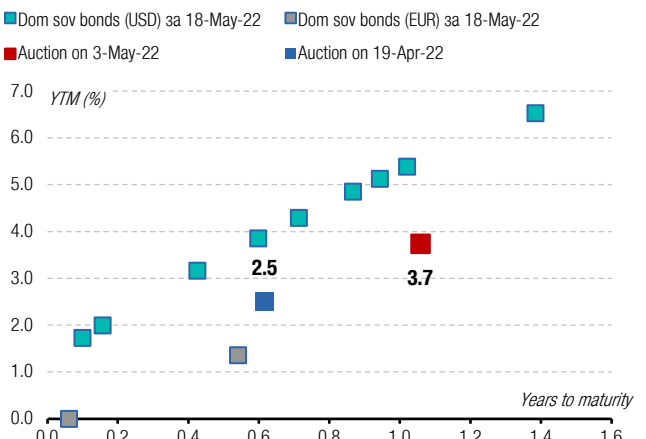
**Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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