

# Bond Market Insight

## Borrowings remain small

### Comment on government bond placement

WEDNESDAY, 28 SEPTEMBER 2022

Yesterday, UAH575m (US\$15.7m) was borrowed for the budget, which is slightly less than last week, but most of the proceeds were in local currency.

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

ISIN	Coupon rate (%)	Payment frequency	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>
UA4000226427	0.00	@Mty	5-Apr-23	101,386	941.50	95.45	101.39	12.00	420.60
UA4000226260	16.00	SA	27-Sep-23	1,325	1,018.08	1.35	1.33	14.53	6,624.25
UA4000226450	16.00	SA	13-Mar-24	301,432	1,005.94	303.22	301.43	16.69	473.31
<b>Total UAH</b>				<b>404,143</b>		<b>400.03</b>	<b>404.14</b>		<b>7,518.16</b>
UA4000220412	3.90	SA	5-Oct-23	4,724	1,012.83	175.68	173.45	4.55	12,325.53
<b>Total USD</b>				<b>4,724</b>		<b>175.68</b>	<b>173.45</b>		<b>12,325.53</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 36.72/USD, 36.88/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

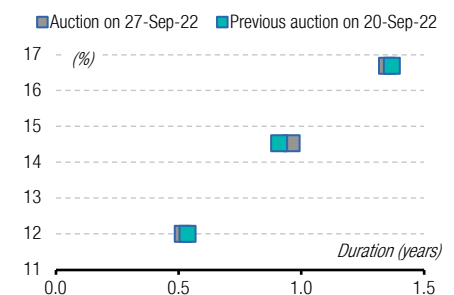
Among hryvnia securities, demand shifted to longer bills, with UAH303m (US\$8.3m) raised through 1.5-year paper, which is more than x50 what was brought in last week. But the six-month bills, a key instrument last week, provided UAH95m (US\$2.6m) for the budget, or almost three times less than last Tuesday.

Twelve-month bills were not in demand, and the volume of proceeds remains small, amounting to only UAH1.3m (US\$0.04m) yesterday.

The volume of demand for FX-denominated bills declined. The 12-month USD-denominated bills saw demand for only US\$4.7m (par value) yesterday and brought US\$4.8m to the budget. This amount is much smaller than the US\$12.4m raised last week through four-month USD-denominated bills.

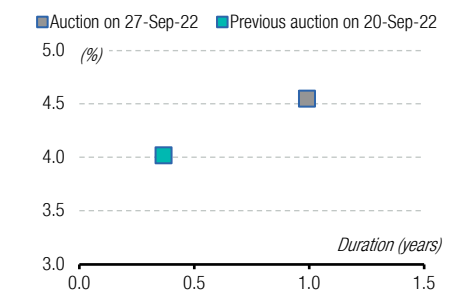
Although UAH borrowings have improved, they remain insignificant compared with budget needs and debt repayments. Borrowings in hard currency are no better, which have decreased again. As a result, the amount of borrowing on the domestic market remains small, especially compared with the amount raised in the first few months after the full-scale Russian invasion.

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



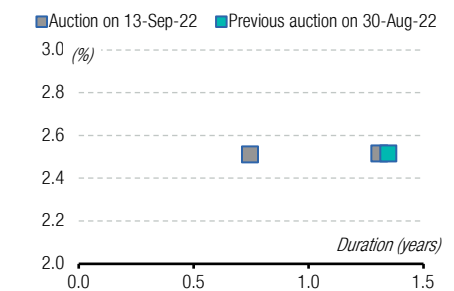
Source: Ministry of Finance of Ukraine, ICU.

### 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

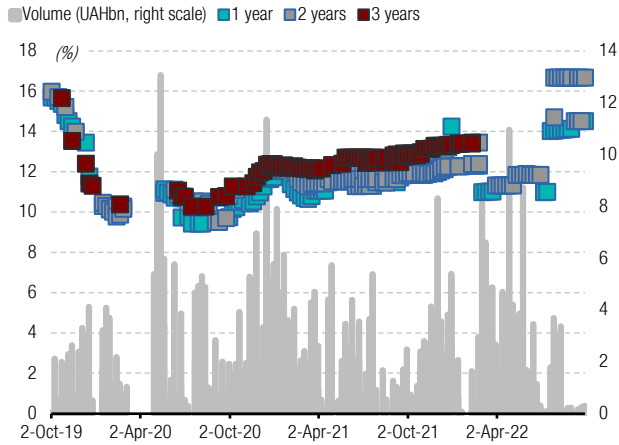


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

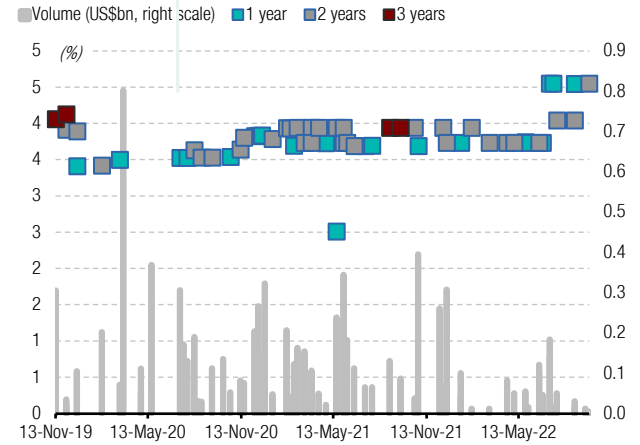
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

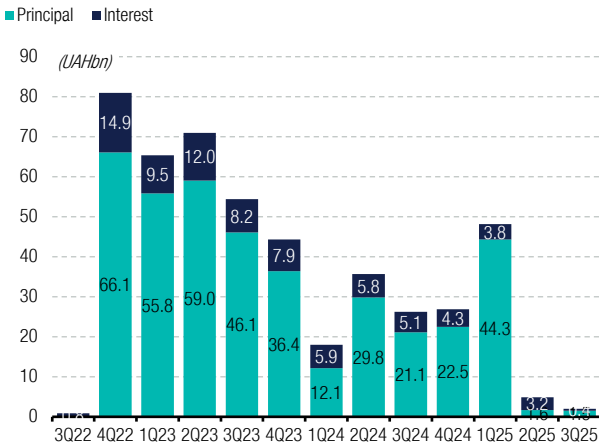
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

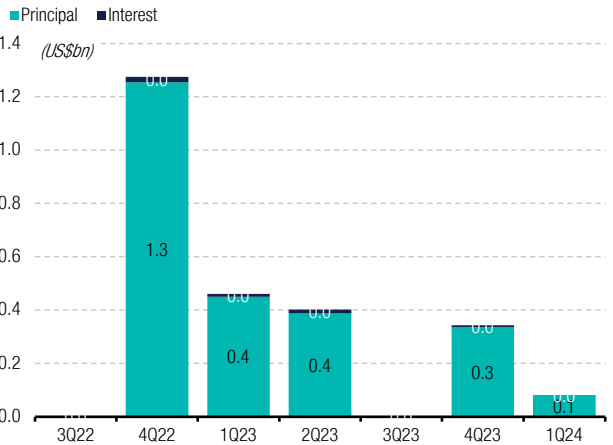
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

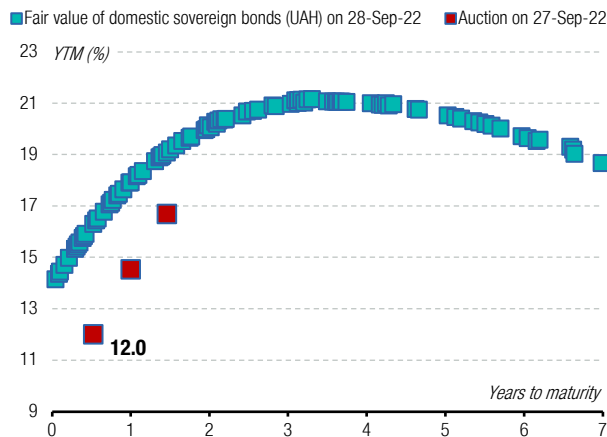
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

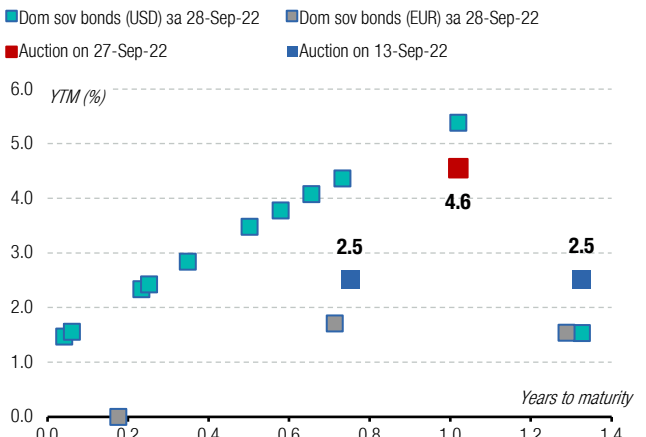
**Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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