

Bond Market Insight

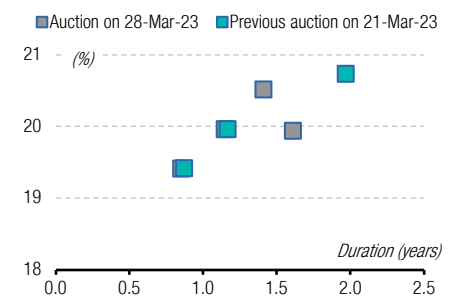
MoF collected hard currency for repayment

Comment on government bond placement

The Ministry of Finance collected enough hard currency in two weeks to repay the principal and interest on bonds maturing tomorrow. Nonetheless, the MoF had to raise interest rates on new placements.

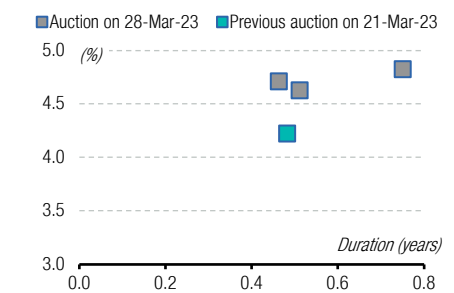
WEDNESDAY, 29 MARCH 2023

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



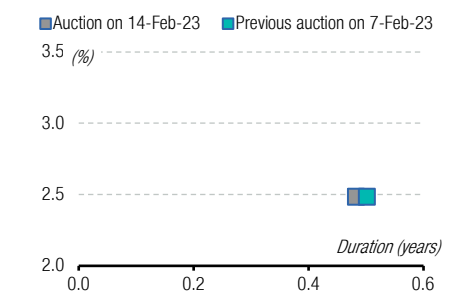
Source: Ministry of Finance of Ukraine, ICU.

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 freq ¹	Maturity	Qty of bonds sold	Price (UAH)	Proceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Outstanding (m) ⁴
UA4000224380	12.94	SA	14-Feb-24	28,999	970.88	28.15	29.00	19.41	10,174.23
UA4000226286	14.00	SA	26-Jun-24	50,238	980.79	49.27	50.24	19.96	2,764.41
UA4000222152	12.70	SA	30-Oct-24	4,694	961.22	4.51	4.69	20.51	15,893.30
UA4000227185	19.60	SA	2-Apr-25	2,744,503	1,104.14	3,030.31	2,744.50	19.94	5,820.50
Total UAH				2,828,434		3,112.25	2,828.43		34,652.44
UA4000227300	0.00	@Mty	14-Sep-23	301,089	978.64	10,882.06	11,119.61	4.71	14,360.88
UA4000220412	3.90	SA	5-Oct-23	5,609	1,015.24	210.30	207.15	4.63	13,138.97
UA4000227003	0.00	@Mty	28-Dec-23	93,377	965.03	3,327.95	3,448.53	4.83	4,109.38
Total USD				400,075		14,420.31	14,775.29		31,609.24

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 36.93/USD, 39.48/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

UAH bills brought UAH3.1bn (US\$85m) to the budget at yesterday's auction, including UAH3bn (US\$83m) from the "reserve" bond and UAH49m (US\$1.3m) from military bills. The interest rates for ordinary and military securities did not change. But for the one "reserve" bond, the expectation in the hyped demand prompted some participants to submit bids with a rate of 18.7%, which decreased the weighted average rate to 18.98%.

At the same time, the Ministry of Finance had to raise interest rates on USD-denominated bills to attract enough funds for tomorrow's repayments.

Yesterday, the Ministry offered three USD-denominated instruments: six-month and nine-month military bills and, for the first time in more than a year, ordinary USD-denominated paper, also with a six-month maturity that was three weeks longer than six-month military paper.

For both issues of semi-annual bills, the cut-off rate was increased by 50bp to 4.75%, but the weighted-average rates changed differently. For the military paper, it increased by 49bp to 4.74%, and for the ordinary paper by 34bp to 4.59%. The rate

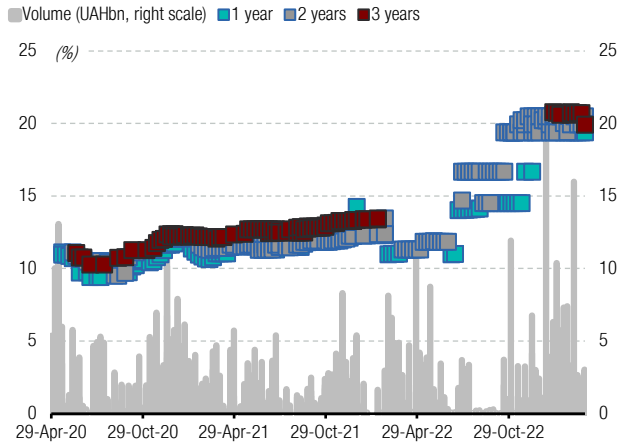
increase for nine-month bills turned out to be smaller. The weighted average rate was 4.85%, which is 35bp higher than for a similar tenor last year, and the weighted average rate was 4.84% or an increase of 34bp.

A total of US\$390.5m was raised in hard currency yesterday after the budget received only US\$86m last week. But together, this is enough for tomorrow's US\$409.3m of repayments and covers the refinance all USD-denominated debt repayments YTD.

Appendix: Yields-to-maturity, repayments

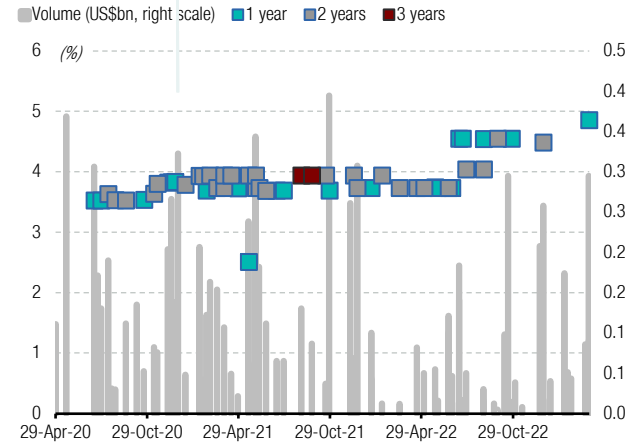
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

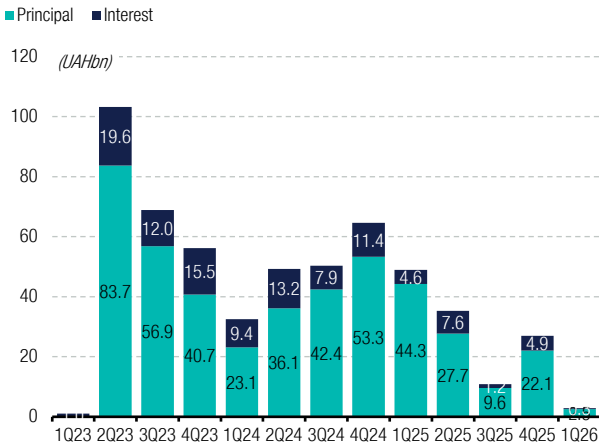
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

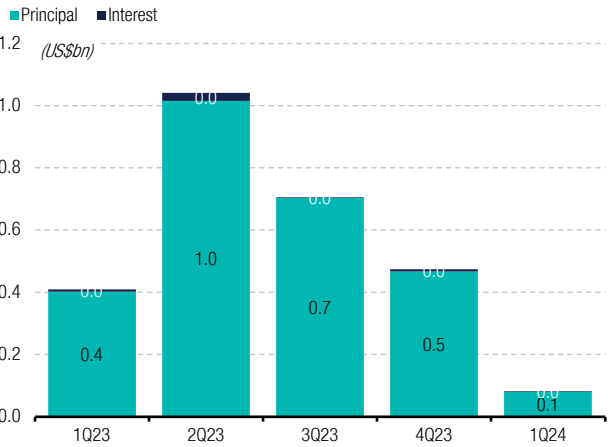
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

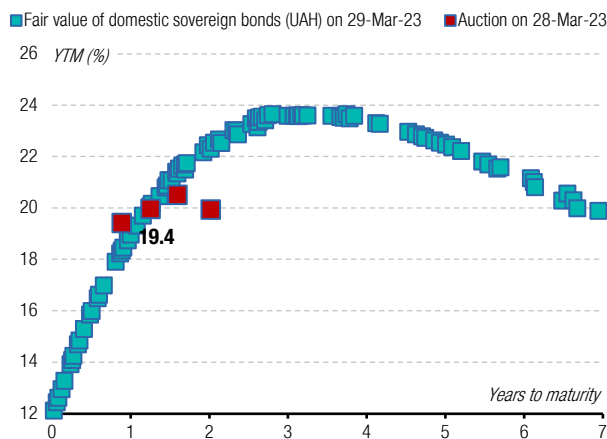
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

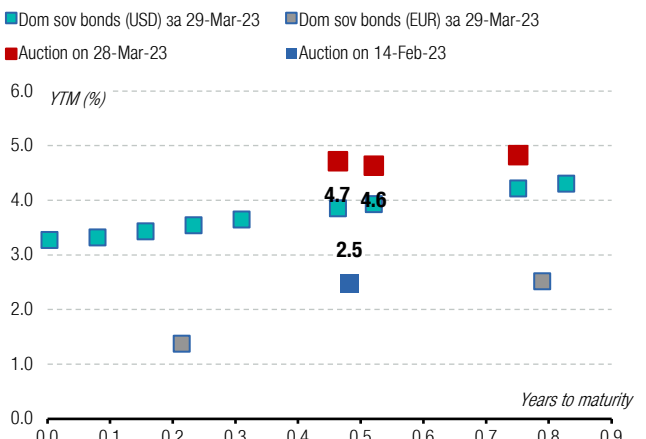
Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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