

# Bond Market Insight

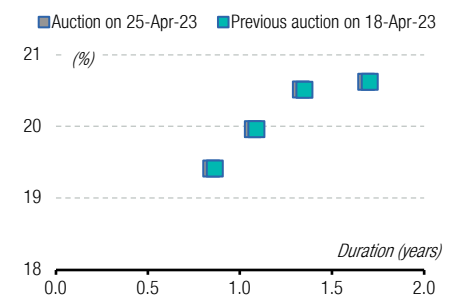
## Refinancing of debt redemptions continues

### Comment on government bond placement

WEDNESDAY, 26 APRIL 2023

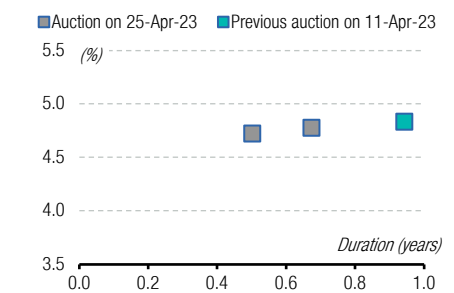
The Ministry of Finance maintained the level of refinancing of debt repayments above 100% in all currencies thanks to significant borrowings in hard currency yesterday.

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



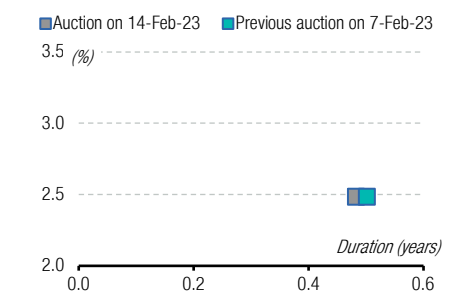
Source: Ministry of Finance of Ukraine, ICU.

### 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 <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>
UA4000226450	16.00	SA	13-Mar-24	1,880,303	998.26	1,877.03	1,880.30	19.41	7,683.32
UA4000226286	14.00	SA	26-Jun-24	2,720,066	994.58	2,705.32	2,720.07	19.96	8,724.79
UA4000222152	12.70	SA	30-Oct-24	1,524,183	975.08	1,486.20	1,524.18	20.51	17,910.05
UA4000227185	19.60	SA	2-Apr-25	2,167,119	1,010.85	2,190.63	2,167.12	20.62	18,831.21
<b>Total UAH</b>				<b>8,291,671</b>		<b>8,259.19</b>	<b>8,291.67</b>		<b>53,149.37</b>
UA4000227474	0.00	@Mty	26-Oct-23	169,486	976.86	6,113.75	6,258.58	4.72	6,258.58
UA4000227003	0.00	@Mty	28-Dec-23	55,741	968.79	1,994.10	2,058.34	4.78	6,167.22
<b>Total USD</b>				<b>225,227</b>		<b>8,107.85</b>	<b>8,316.91</b>		<b>12,425.79</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 36.93/USD, 39.48/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

Almost half of the funds came to the state budget from USD-denominated bills. The Ministry sold two bills maturing in October and December this year.

Bids for the new semi-annual paper were submitted at 4.75%, similar to the end of March, with the weighted-average rate was up by 16bp to 4.75%.

At the same time, for eight-month USD-denominated bills, the MoF did not agree to increase rates by 50bp, accepted only bids with rates at 4.8%, and rejected one for US\$5.7m at 4.85%.

UAH bills were again in great demand, although slightly less than last week. Demand generally amounted to UAH8.8bn, which was UAH2.5bn less than last Tuesday. Yesterday, demand was distributed more evenly between securities and with only a small attempt to increase the interest rate.

Demand for military government bills maturing in March and June 2024 increased by UAH0.6bn to UAH5.1bn. It could be mainly from residents and brokers for their clients because there were 55 bids and an attempt was made to get a rate increase for the 11-month paper by 50bp up to 19%.

For ordinary bonds, demand tripled to UAH1.5bn, and there were only five bids, so considering that the coupon payment is already next week, it could also be demand

from foreign investors.

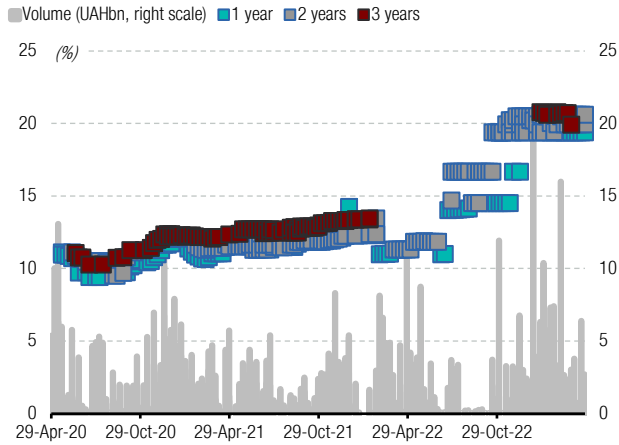
Demand decreased only for "reserve" bonds, which the Ministry of Finance placed for only UAH2.2bn or approximately two-thirds of the offering.

Thus, on the eve of the redemption of USD-denominated bills for US\$270m on Thursday, the Ministry of Finance attracted US\$225m yesterday, which in general, made it possible to keep the refinancing level above 100% in USD terms YTD. Also, the level of refinancing of UAH repayments is 145% YTD, slightly down from 1Q23.

# Appendix: Yields-to-maturity, repayments

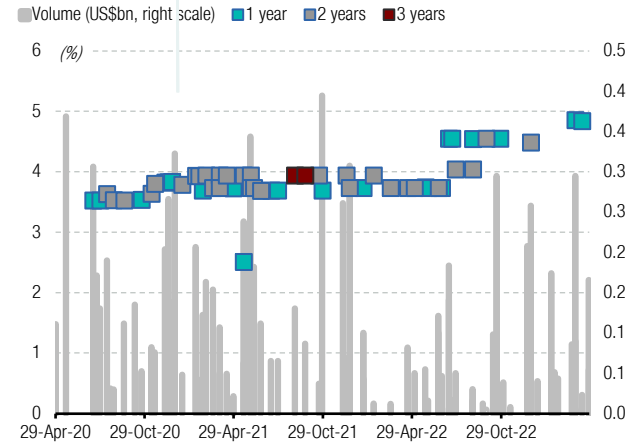
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

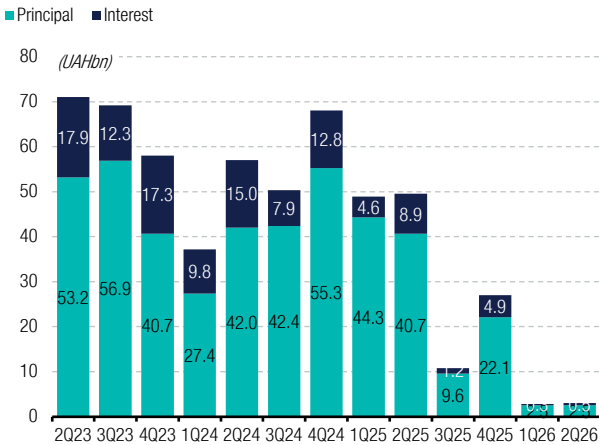
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

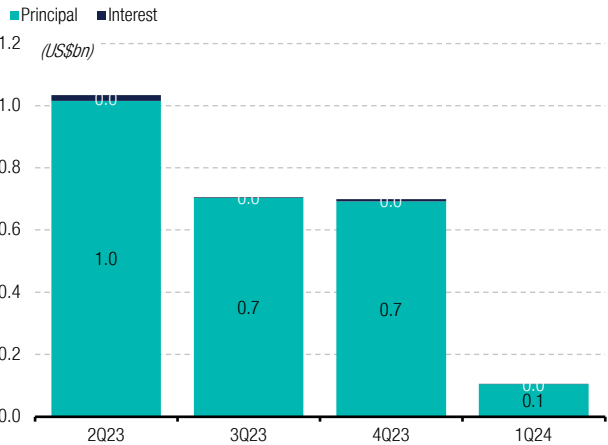
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

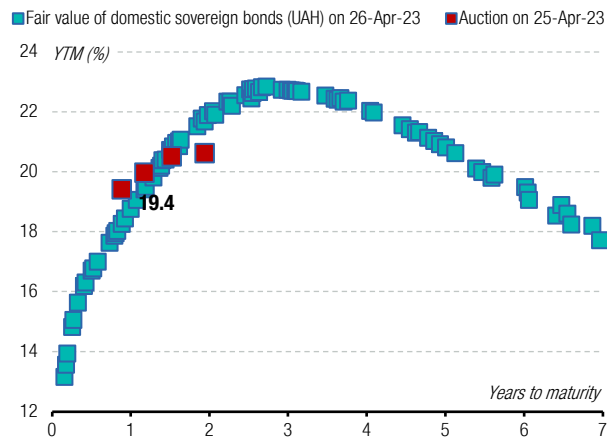
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

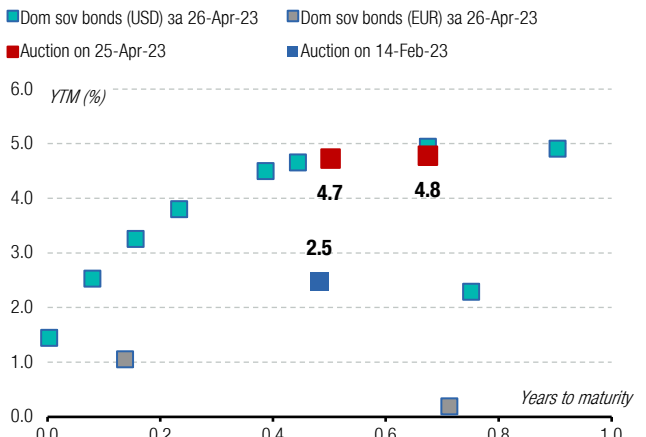
**Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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