

Bond Market Insight

FX accounts replenished after yesterday's auction

Comment on government bond placement

Yesterday, the Ministry of Finance raised UAH28.5bn, mainly in hard currency. With this amount, the MoF has ensured that the level of debt redemption refinancing will be above 100% YTD.

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 ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Outstanding (m) ⁴
UA4000226450	16.00	SA	13-Mar-24	1,955,152	1,005.08	1,965.08	1,955.15	19.41	9,749.47
UA4000227193	19.70	SA	6-Aug-25	7,609,330	1,048.23	7,976.30	7,609.33	20.72	19,948.34
Total UAH				9,564,482		9,941.38	9,564.48		29,697.82
UA4000227474	0.00	@Mty	26-Oct-23	183,137	978.60	6,618.91	6,763.65	4.72	13,023.14
Total USD				183,137		6,618.91	6,763.65		13,023.14
UA4000227540	0.00	@Mty	22-Feb-24	303,973	975.83	12,008.93	12,306.37	3.14	12,306.37
Total EUR				303,973		12,008.93	12,306.37		12,306.37

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

The offer of UAH government bonds at yesterday's auction consisted of two issues: military government bonds maturing in March next year and "reserve" bonds maturing in August 2025. The military paper was sold at 18.5%, unchanged for the second month. At the same time, bidders minimally competed for "reserve" bills. Except one rejected bid at 21%, most of bidders submitted the majority of the demand at a rate of 19.69%. In total, MoF borrowed almost UAH10bn in local currency.

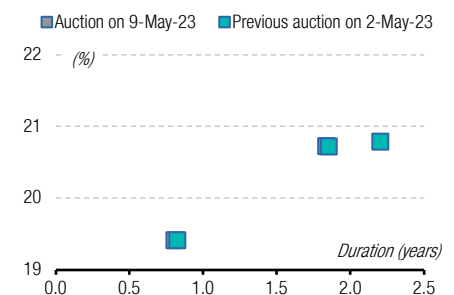
The MoF offered USD-denominated bills for the second time this month, yesterday with a shorter maturity than a week ago. The MoF received US\$183m of demand in 39 bids at the usual rate of 4.75%. All bids were satisfied, and US\$179m was raised. Such proceeds will fully cover all redemptions in May and YTD.

The euro-denominated bond placement went even better. Demand was EUR337m, but not unanimous. Approximately 10% of the demand had a rate higher than the rest, 3.25% against 3.15%. So, the Ministry of Finance accepted 11 out of 15 bids at a rate of 3.15%. Indeed, it is 65bp higher than EUR-denominated bills sold in the past twelve months (excluding two placements at the end of 2022). However, thanks to this increase, it was possible to attract almost EUR297m to the budget, which, together with the funds raised in January and February, will exceed tomorrow's first EUR-denominated redemption this year.

The Ministry of Finance fully refinanced today's local-currency redemption and READ FIRST THE DISCLOSURES SECTION (ON LAST PAGE) FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATION

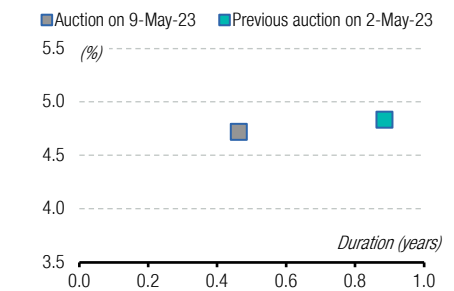
WEDNESDAY, 10 MAY 2023

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



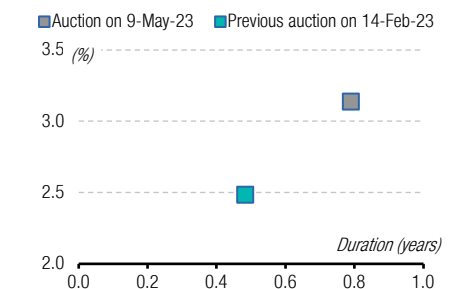
Source: Ministry of Finance of Ukraine, ICU.

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



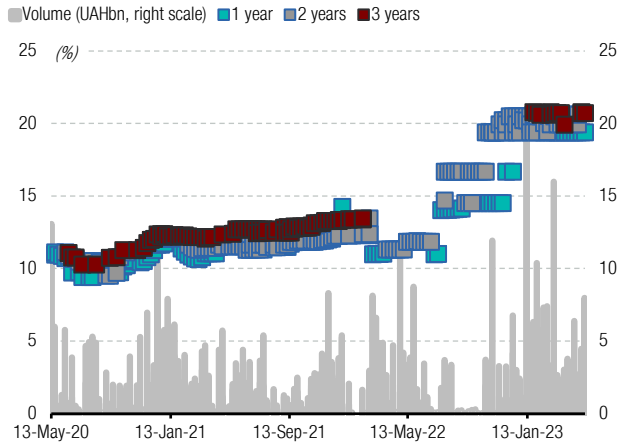
Source: Ministry of Finance of Ukraine, ICU.

accumulated the necessary funds for FX redemptions in May. Today's repayment in euros is almost fully refinanced, and a large amount of USD has already been accumulated for the repayment, which will be in two weeks. Accordingly, taking into account the fact that by the end of the month, there will be two more auctions with UAH and FX bills offers, the refinancing level should be above 100% in 5M23.

Appendix: Yields-to-maturity, repayments

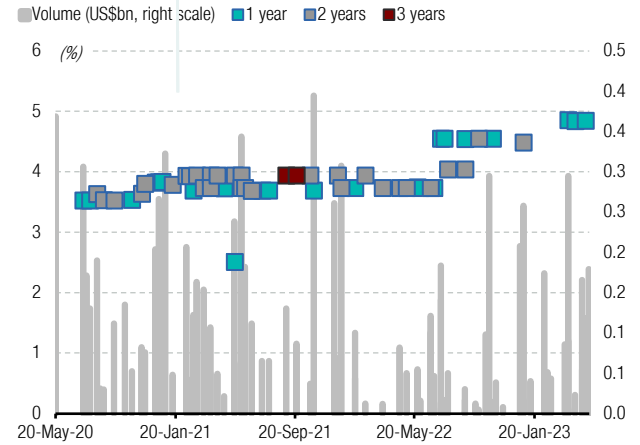
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

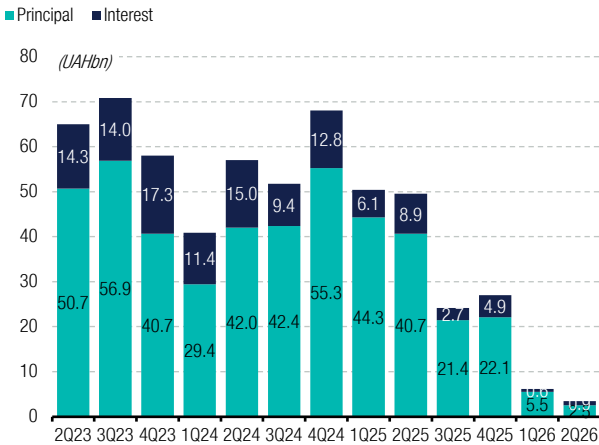
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

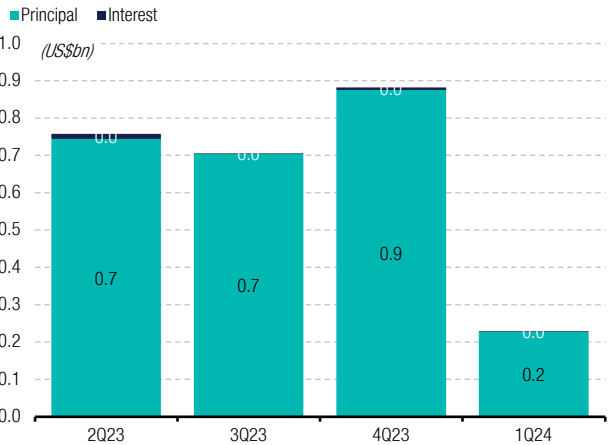
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

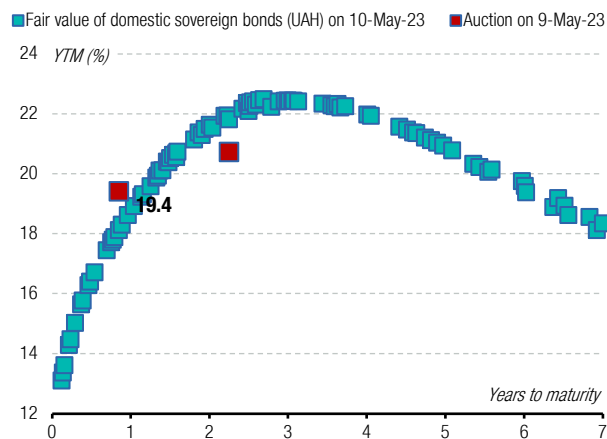
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

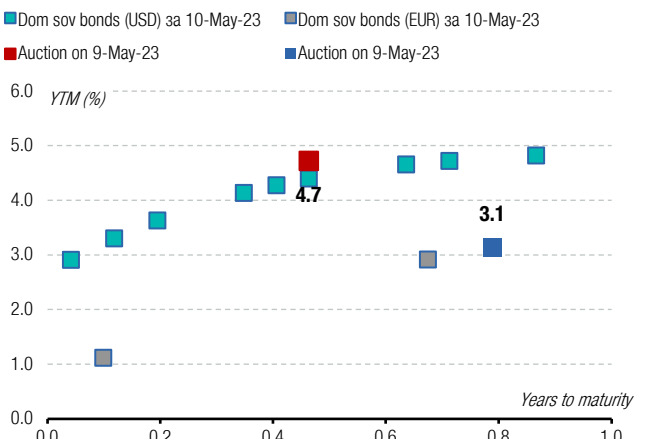
Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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11th floor, LEONARDO Business Centre
19-21 Bogdan Khmelnytsky Street
Kyiv, 01030 Ukraine
Phone/Fax +38 044 3777040

WEB www.icu.ua



RESEARCH

Vitaliy Vavryshchuk

Head of macro research
vitaliy.vavryshchuk@icu.ua

Taras Kotovych

Senior financial analyst (Sovereign debt)
taras.kotovych@icu.ua

Dmitriy Dyachenko, CFA

Financial analyst
dmitriy.dyachenko@icu.ua

Alexander Martynenko

Head of corporate research
alexander.martynenko@icu.ua

Mykhaylo Demkiv

Financial analyst (Banks)
mykhaylo.demkiv@icu.ua

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