

# Bond Market Insight

## Placement of new military bills

### Comment on government bond placement

WEDNESDAY, 6 SEPTEMBER 2023

Yesterday, the Ministry of Finance raised UAH6.4bn by placing new military bills and "reserve" notes.

**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>
UA4000228449	18.31	SA	18-Jun-25	3,350,939	1,028.80	3,447.43	3,350.94	19.88	3,350.94
UA4000228381	19.18	SA	4-Nov-26	2,778,844	1,061.53	2,949.82	2,778.84	20.17	7,778.84
<b>Total UAH</b>				<b>6,129,783</b>		<b>6,397.25</b>	<b>6,129.78</b>		<b>11,129.78</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, 40.11/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

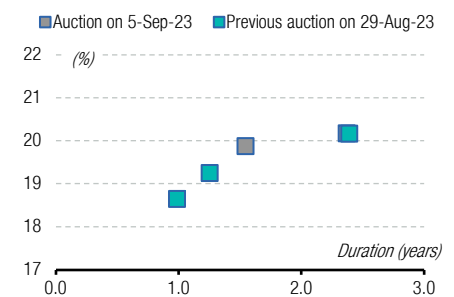
The MoF offered three bond issues. Two of them were reopenings: one maturing in October 2024, which the Ministry of Finance has been offering in the primary market every week since mid-July, and another was "reserve" notes maturing at the end of 2026, which the Ministry was offering for the second time, and the NBU allows for covering required reserves starting next Monday. The third issue of bonds was new: military paper maturing in June 2025.

There was no demand for one-year bills yesterday. It was the second case this year after the MoF did not receive any bids for similar paper at the first primary auction this year.

"Reserve" notes received small demand compared with last week's auction—UAH2.8bn vs. UAH8.7bn. Banks were not in a hurry to buy more "reserve" bonds, as they can only use them to cover part of reserve requirements starting next Monday. Therefore, considering that the cap was much larger—UAH5bn—and demand was within the 19–19.2% range, the Ministry of Finance satisfied all competitive bids at their rates, and the non-competitive demand at a weighted average rate of 19.19%.

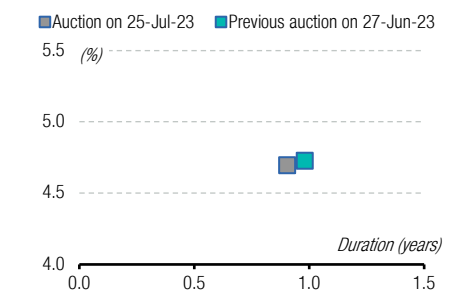
At the same time, non-banking demand could flow into a new issue of military bills. The demand for the new issue was more than UAH8bn, but the Ministry was ready to sell only UAH4bn of bonds (at face value). However, as a result, the MoF sold UAH3.4bn of new bonds, attracting UAH3.5bn to the budget at rates from 18.15% to 18.35%, while bids with higher interest rates were rejected. The weighted average rate for non-competitive bids was set by the MoF at 18.31%.

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



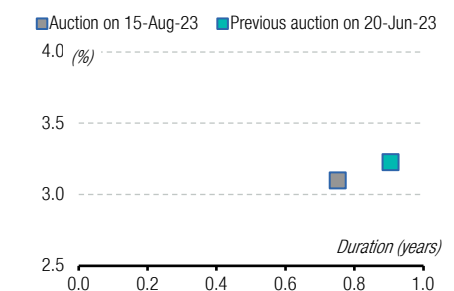
Source: Ministry of Finance of Ukraine, ICU.

### 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

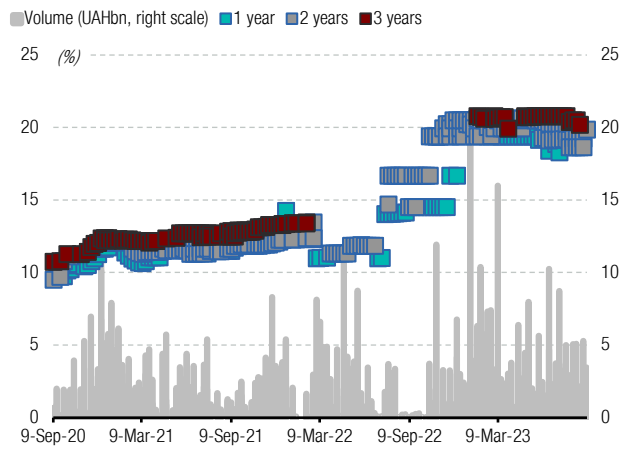


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

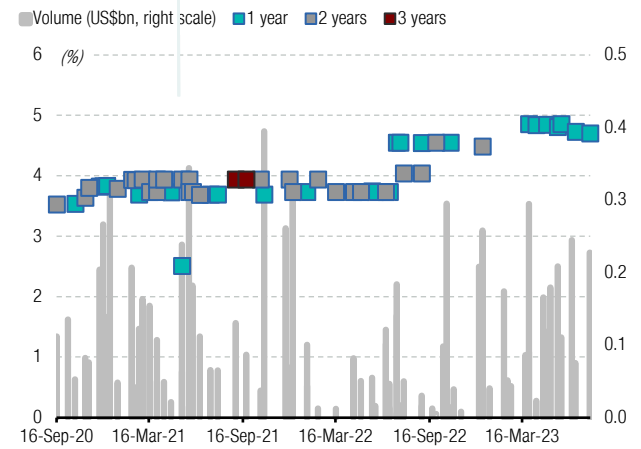
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

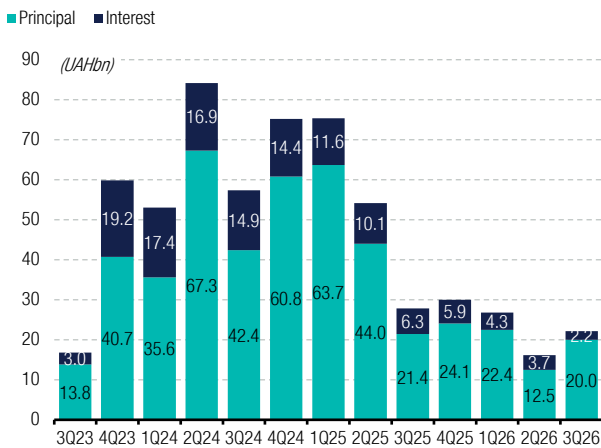
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

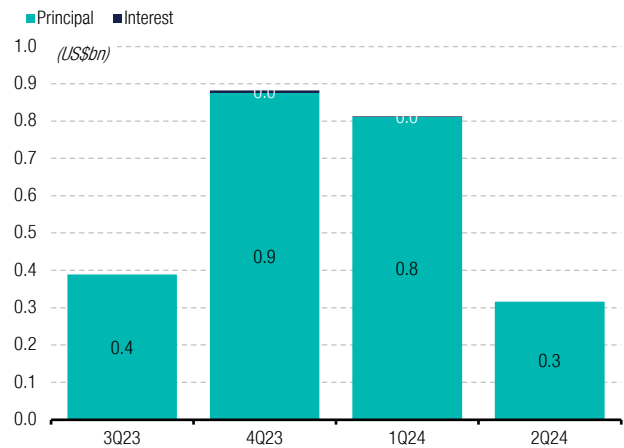
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

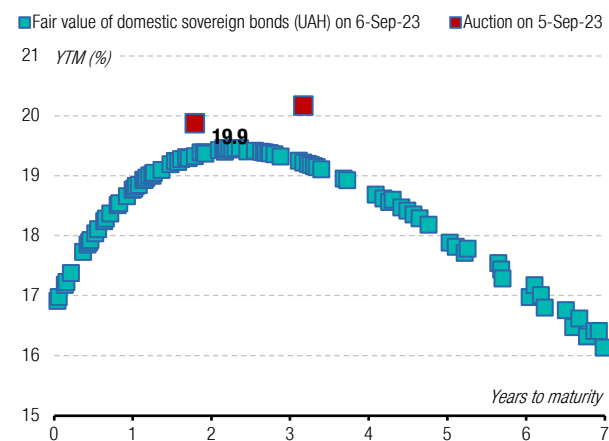
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

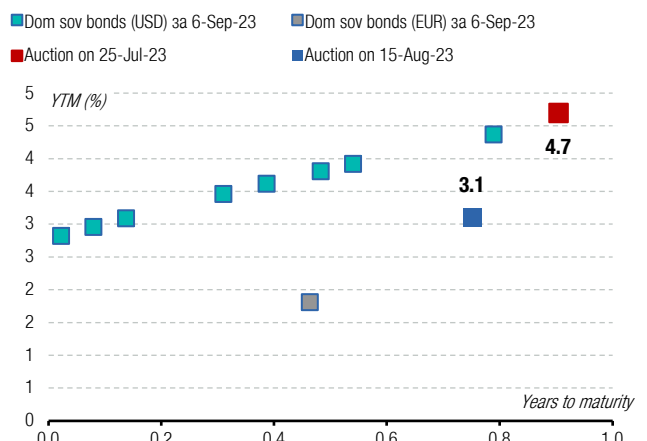
**Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions**

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

**WEB** [www.icu.ua](http://www.icu.ua)



## RESEARCH

### Vitaliy Vavryshchuk

Head of macro research  
[vitaliy.vavryshchuk@icu.ua](mailto:vitaliy.vavryshchuk@icu.ua)

### Taras Kotovych

Senior financial analyst (Sovereign debt)  
[taras.kotovych@icu.ua](mailto:taras.kotovych@icu.ua)

### Dmitriy Dyachenko, CFA

Financial analyst  
[dmitriy.dyachenko@icu.ua](mailto:dmitriy.dyachenko@icu.ua)

### Alexander Martynenko

Head of corporate research  
[alexander.martynenko@icu.ua](mailto:alexander.martynenko@icu.ua)

### Mykhaylo Demkiv

Financial analyst (Banks)  
[mykhaylo.demkiv@icu.ua](mailto:mykhaylo.demkiv@icu.ua)

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