

# Bond Market Insight

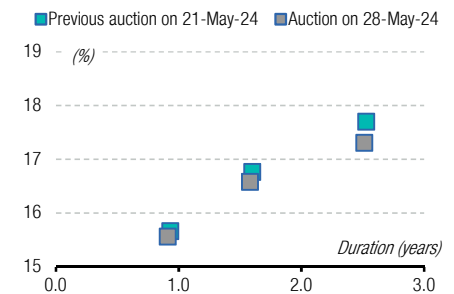
## Ministry uncompromising despite increase in demand

### Comment on government bond placement

Yesterday, demand was more than triple supply, but the Ministry of Finance kept their caps unchanged. At the same time, the MoF's stubbornness in maintaining the cap combined with the significant demand, allowed the Ministry to reduce the cost of borrowing sharply.

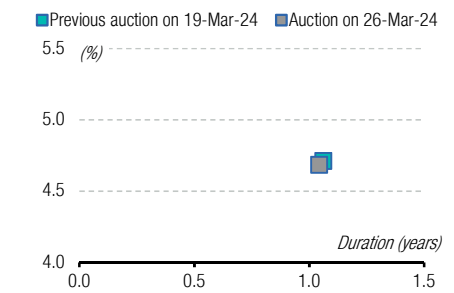
WEDNESDAY, 29 MAY 2024

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



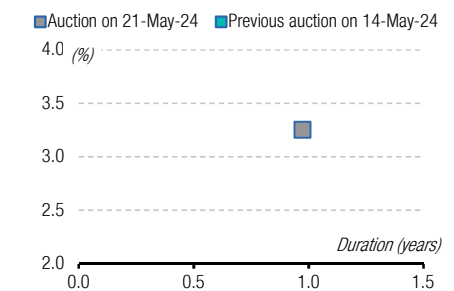
Source: Ministry of Finance of Ukraine, ICU.

### 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 frequency <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>
UA4000231187	15.25	SA	4-Jun-25	3,000,000	1,075.89	3,227.66	3,000.00	15.56	10,383.11
UA4000230809	17.00	SA	18-Mar-26	3,000,000	1,048.69	3,146.08	3,000.00	16.58	16,803.16
UA4000231195	17.50	SA	25-Aug-27	3,000,000	1,065.63	3,196.90	3,000.00	17.30	12,000.00
<b>Total UAH</b>				<b>9,000,000</b>	<b>9,570.64</b>	<b>9,000.00</b>			<b>39,186.28</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 39.32/USD, 43.14/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

Demand for one-year bills was twice the cap. Interest rates on this bill changed the least: the cut-off rate decreased by 7bp, and the weighted average by 9bp to 14.98% and 14.96%, respectively.

The two-year paper was three times oversubscribed. Interest rates decreased to 15.9%, the cut-off rate by 18bp, and the weighted average by 17bp.

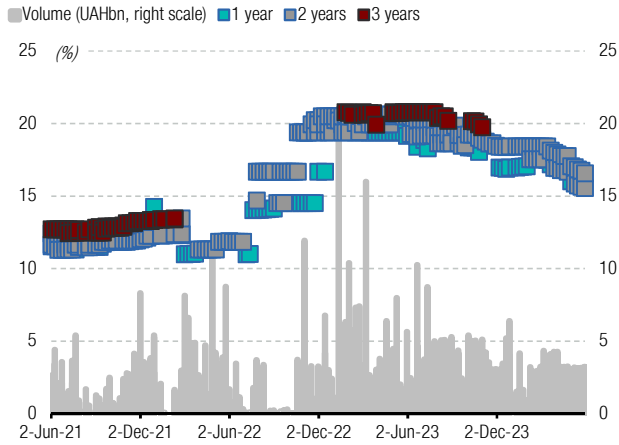
For the third week, the rates on three-year notes fell the most. The cut-off rate decreased by 31bp to 16.62% and the weighted average rate by 36bp to 16.57%. This paper was six times oversubscribed.

So, since March, a little more than two months after the start of the spring cycle of monetary policy easing, rates on UAH-denominated government bonds have already decreased by 170–193bp, which is significantly more than the NBU's rate cut.

# Appendix: Yields-to-maturity, repayments

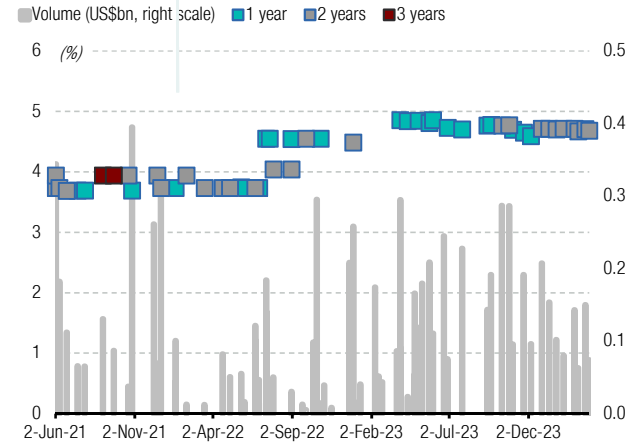
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

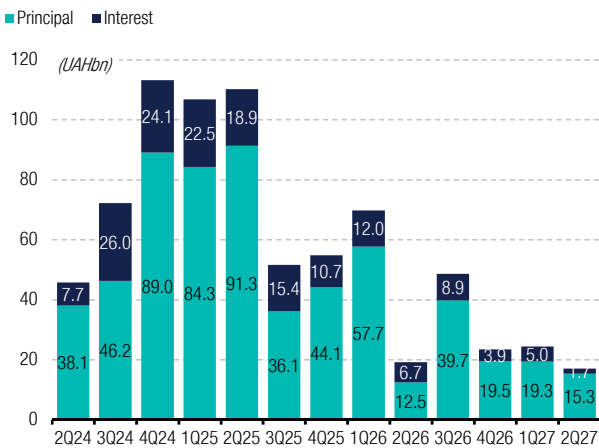
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

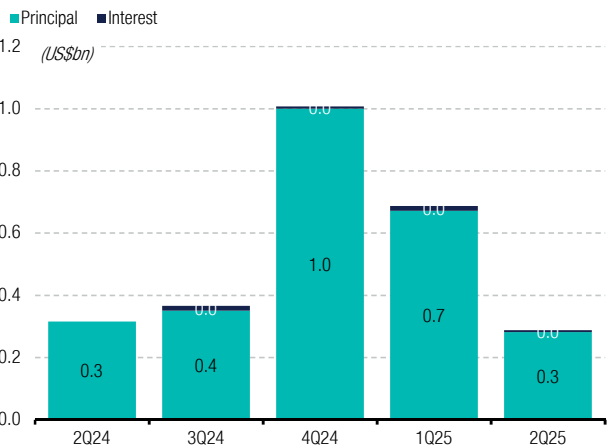
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

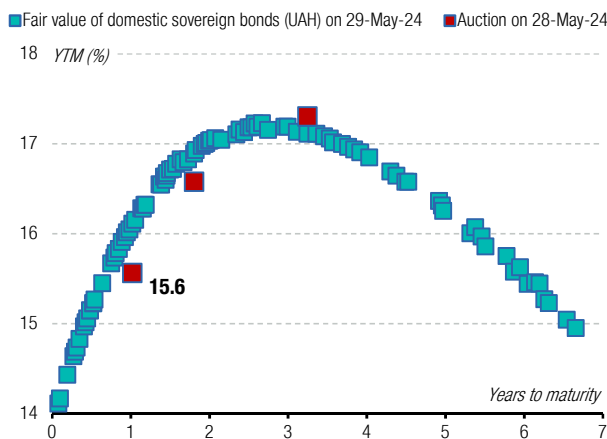
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

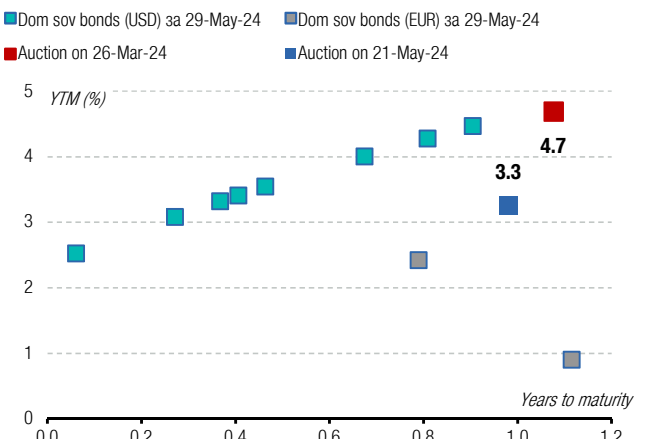
**Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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