

# Bond Market Insight

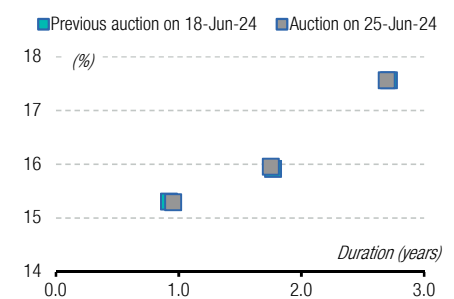
## Rate reduction on hold

### Comment on government bond placement

Yesterday, the Ministry of Finance borrowed UAH15.1bn, more than half in foreign currency. Rates for all bonds have remained relatively the same pending the revision of the NBU's macro forecast.

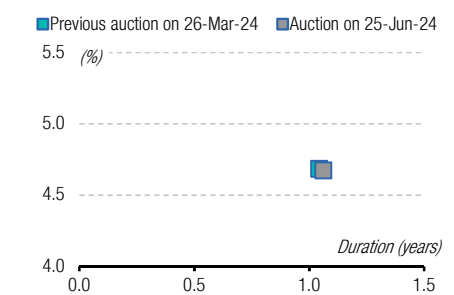
WEDNESDAY, 26 JUNE 2024

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



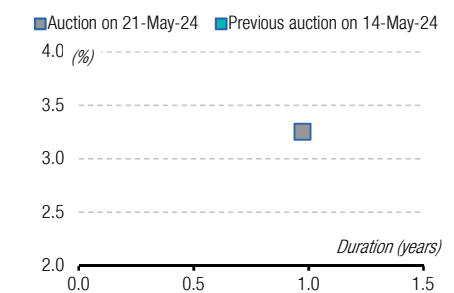
Source: Ministry of Finance of Ukraine, ICU.

### 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 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>
UA4000228910	18.15	SA	23-Jul-25	3,602,168	1,109.52	3,996.69	3,602.17	15.29	18,283.49
UA4000231559	15.47	SA	10-Jun-26	310,305	1,008.23	312.86	310.31	15.95	4,661.96
UA4000231625	16.80	SA	9-Feb-28	2,406,281	1,060.71	2,552.37	2,406.28	17.56	6,406.28
<b>Total UAH</b>				<b>6,318,754</b>		<b>6,861.92</b>	<b>6,318.75</b>		<b>29,351.73</b>
UA4000231633	4.64	SA	31-Jul-25	200,000	1,018.90	8,266.86	8,113.52	4.68	16,227.04
<b>Total USD</b>				<b>200,000</b>		<b>8,266.86</b>	<b>8,113.52</b>		<b>16,227.04</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 40.57/USD, 43.14/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

The Ministry reopened the one-year bills sold last year. This instrument expectedly gathered the most bids yesterday. In total, the Ministry received UAH4.2bn of bids, refused to satisfy two competitive bids with rates higher than 14.74%, but satisfied all non-competitive demand in full. The Ministry sold only UAH3.6bn of bills and attracted almost UAH4bn to the budget, reducing the cut-off and the weighted average rates by 1bp to 14.74% and 14.71%, respectively.

The two-year paper again received the smallest demand, just UAH310m vs the UAH4bn cap. The MoF accepted all bids with the cut-off rate remaining at 15.4% and the weighted average rate up by 4bp to 15.32%.

The volume of demand for 3.7-year notes was just UAH2.4bn, and it was mainly at rates similar to the previous auction. Therefore, placement conditions have also not changed, and both cut-off and weighted average rates remained at 16.8%.

Investors' interest concentrated on USD-denominated bills. They got almost 2/3 of the total demand at the auction and brought in more than half of the budget proceeds. The MoF kept the cut-off rate at 4.66%, but the weighted average slid by 2bp.

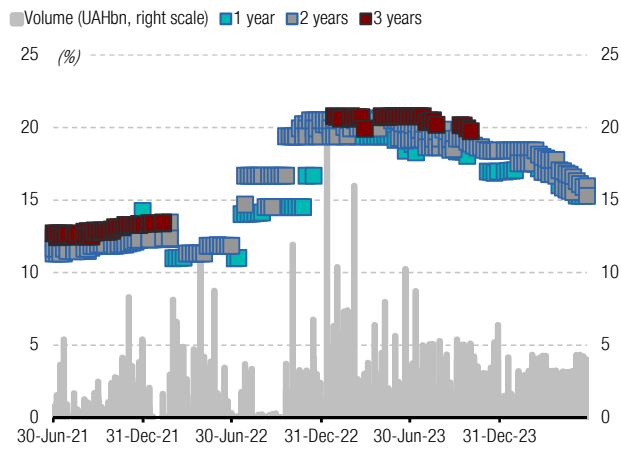
Generally, the auction showed that interest in UAH bonds continues to decline for the second week in the absence of large repayments and in anticipation that the NBU will publish new macro forecasts in July. However, after today's repayment and next week's redemption, the bond market may become more active due to the reinvestment of these repayments.

READ FIRST THE DISCLOSURES SECTION (ON LAST PAGE) FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATION

# Appendix: Yields-to-maturity, repayments

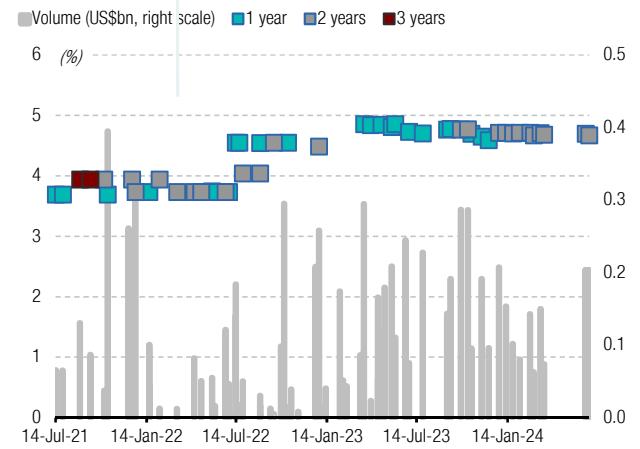
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

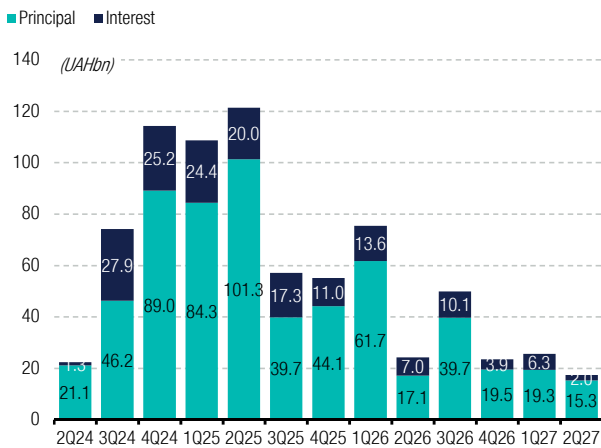
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

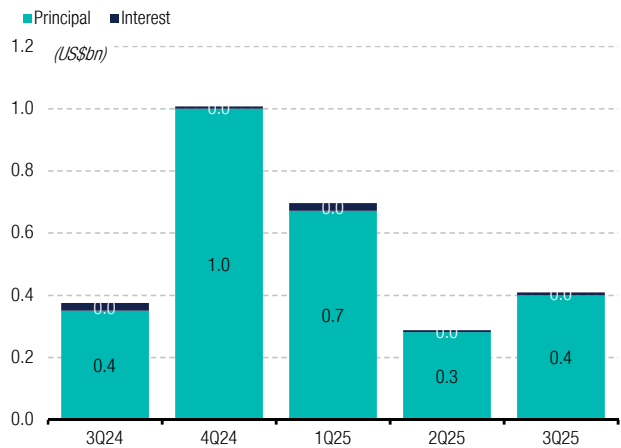
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

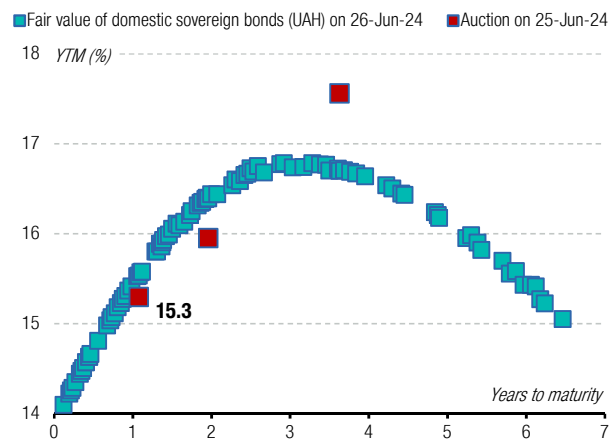
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

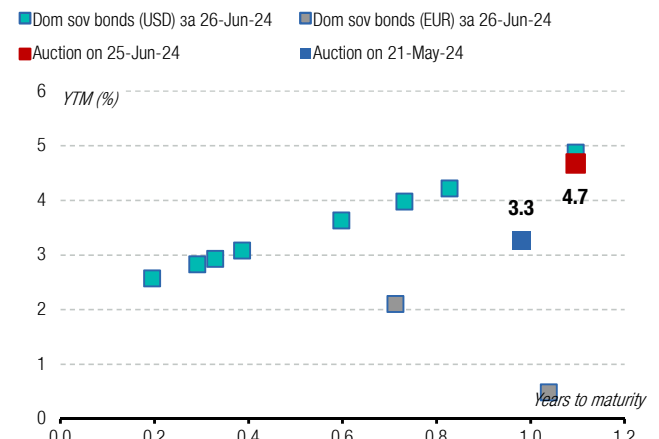
**Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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