

Bond Market Insight

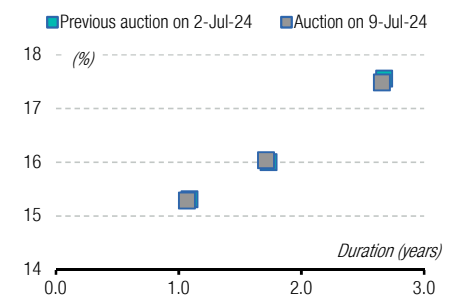
FX bills cover budget needs

Comment on government bond placement

WEDNESDAY, 10 JULY 2024

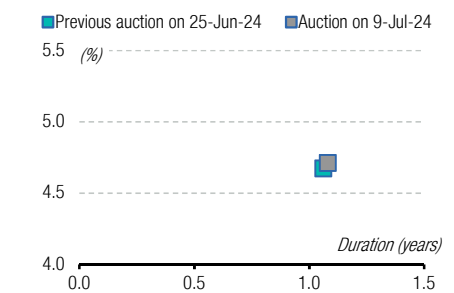
The Ministry of Finance increased borrowings yesterday to UAH12.6bn from UAH9.4bn a week before, thanks to the FX-denominated bills offering. Demand for UAH bonds decreased slightly, concentrated in the 14-month paper.

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



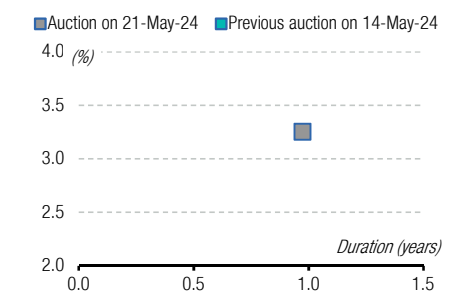
Source: Ministry of Finance of Ukraine, ICU.

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	Maturity	Qty of bonds sold	Price (UAH)	Proceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Outstanding (m) ⁴
UA40002312k7	14.72	SA	10-Sep-25	4,000,000	1,047.74	4,190.97	4,000.00	15.28	7,330.15
UA4000231559	15.47	SA	10-Jun-26	599,761	1,012.66	607.36	599.76	16.04	9,261.72
UA4000231625	16.80	SA	9-Feb-28	142,093	1,069.15	151.92	142.09	17.48	8,323.56
Total UAH				4,741,854		4,950.24	4,741.85		24,915.43
UA4000231864	4.66	SA	21-Aug-25	185,683	1,017.90	7,683.09	7,548.01	4.71	7,548.01
Total USD				185,683		7,683.09	7,548.01		7,548.01

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 40.65/USD, 43.14/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

The shortest, 14-month paper, received UAH7.4bn in bids, almost twice the amount offered. Competitive bids were mainly 14.65–14.7%. So, the Ministry satisfied 26 out of 28 bids, placing UAH4bn of bonds and setting the cut-off and weighted average rates at 14.7%.

Demand for two-year paper fell to UAH600m and to UAH142m for the four-year notes. Therefore, cut-off rates for both instruments remained unchanged at 15.4% for two-year bills and 16.8% for notes due in February 2028. At the same time, the weighted average rates changed by 4bp and 7bp, respectively.

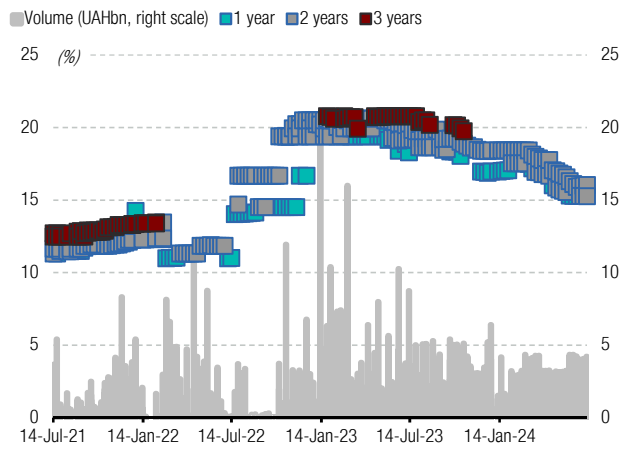
So, as a result, UAH bonds brought less than UAH5bn for the budget this week.

Most of the funds yesterday were from USD-denominated bills. The Ministry attracted US\$189m to the budget, or the equivalent of UAH7.7bn, which increased proceeds by a third compared with the previous week.

Appendix: Yields-to-maturity, repayments

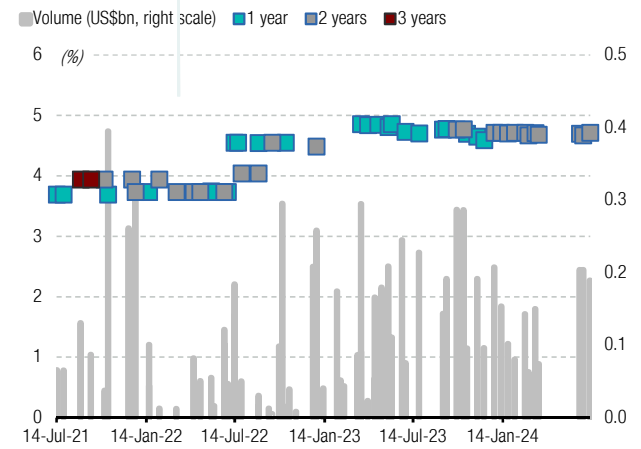
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

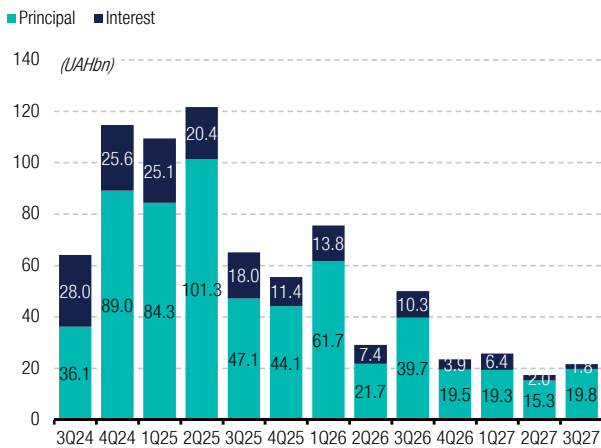
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

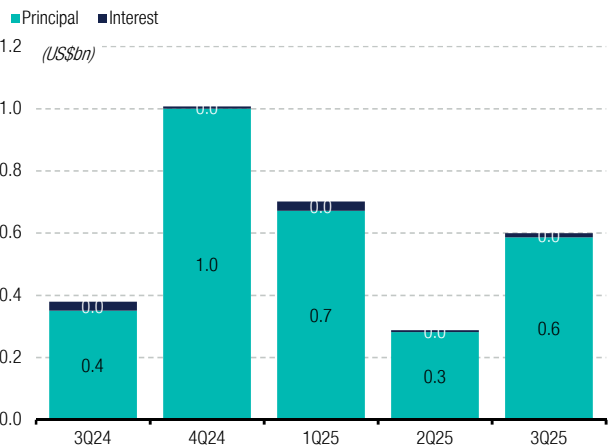
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

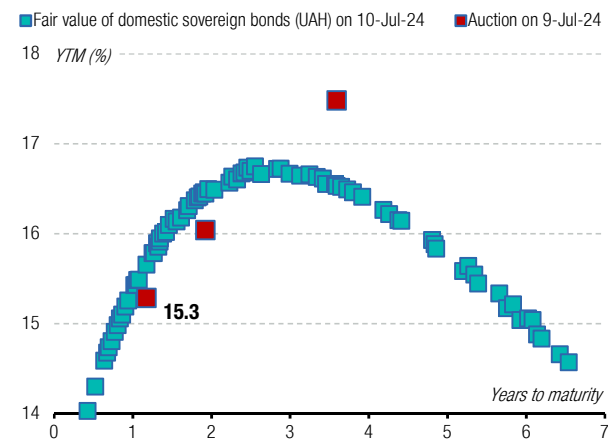
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

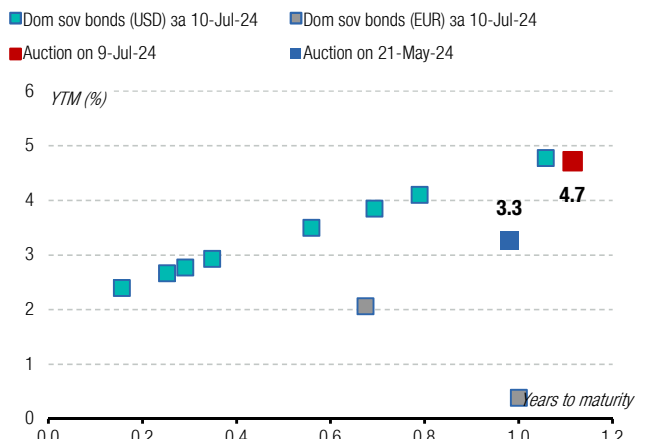
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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