

# Bond Market Insight

## MoF insignificantly moves interest rates

### Comment on government bond placement

WEDNESDAY, 25 SEPTEMBER 2024

The MoF once again borrowed large funds for the state budget, including UAH14.bn and US\$153m. Interest rates hardly changed.

**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>
UA4000232599	14.65	SA	1-Oct-25	102,192	1,070.61	109.41	102.19	15.20	3,775.58
UA4000232607	15.60	SA	5-Aug-26	6,000,000	1,020.59	6,123.52	6,000.00	16.25	20,088.83
UA4000232615	16.60	SA	24-Nov-27	4,719,188	1,053.53	4,971.80	4,719.19	17.34	19,719.19
UA4000231625	16.80	SA	9-Feb-28	237,884	1,018.79	242.35	237.88	17.56	11,191.80
<b>Total UAH</b>				<b>11,059,264</b>	<b>11,447.07</b>	<b>11,059.26</b>			<b>54,775.40</b>
UA4000232821	4.66	SA	9-Oct-25	150,000	1,021.49	6,334.14	6,200.88	4.71	6,200.88
<b>Total USD</b>				<b>150,000</b>	<b>6,334.14</b>	<b>6,200.88</b>			<b>6,200.88</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 41.34/USD, 46.13/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

Demand concentrated mainly on two and three-year bonds. The MoF sold the planned UAH6bn of two-year bills, rejected just 134% of demand, and decreased only the weighted average rate by 1bp to 15.59%. Demand for three-year notes was slightly below the cap, allowing the MoF to accept all bids without any changes in interest rates.

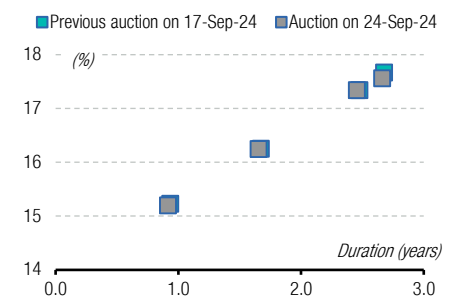
Twelve-month bills saw just UAH102m of demand, with interest rates ranging from 14.6% to 14.65%. As bids were closer to the lowest rate, the MoF kept the cut-off rate at 14.65%, but the weighted average rate slid by 3bp to 14.62%.

The MoF decreased interest rates for the longest paper due in February 2028. The MoF accepted seven out of eight bids, as only one small bid amounted to less than UAH0.1m and had an interest rate of 16.85%. The MoF accepted another competitive bid at 16.8% and accepted all non-competitive demand at 16.8%, and decreased the cut-off and weighted-average rates by 10bp to 16.8%.

USD-denominated bills allowed the MoF to borrow another UAH6.3bn (US\$153m). This paper was added to the offering on Monday. Demand was insignificantly above the cap, so bidders purchased almost the needed amount.

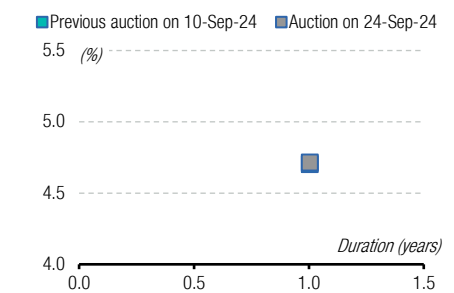
Finally, this month, the MoF borrowed UAH72.4bn, the largest monthly amount during the Great War. Proceeds fully exceeded redemptions, improving rollover in total and in each currency.

### 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

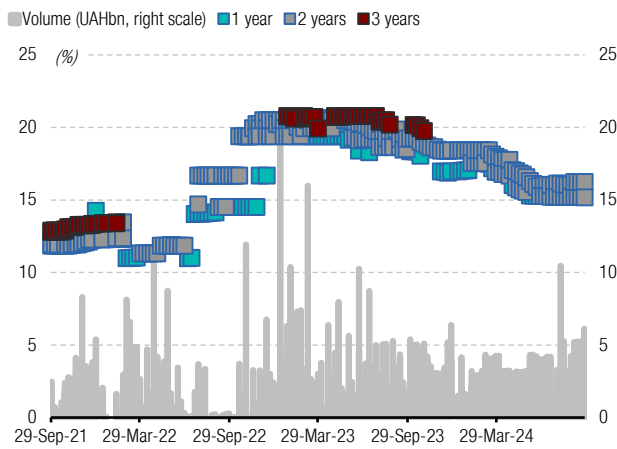


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

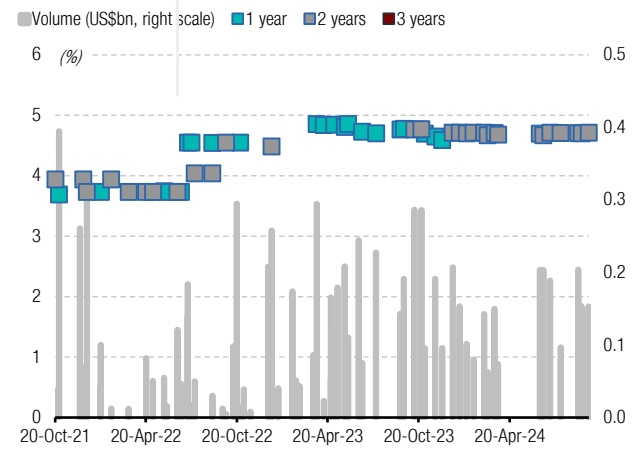
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

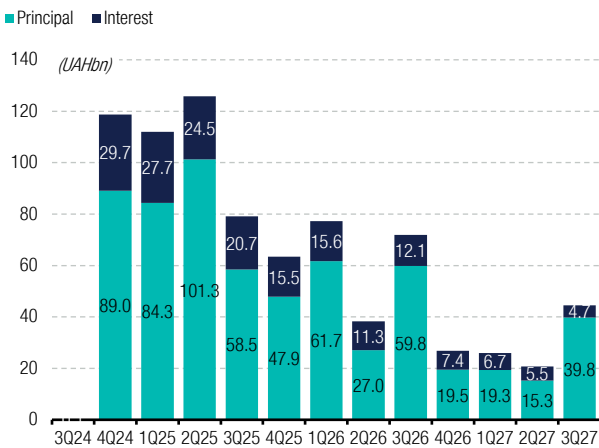
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

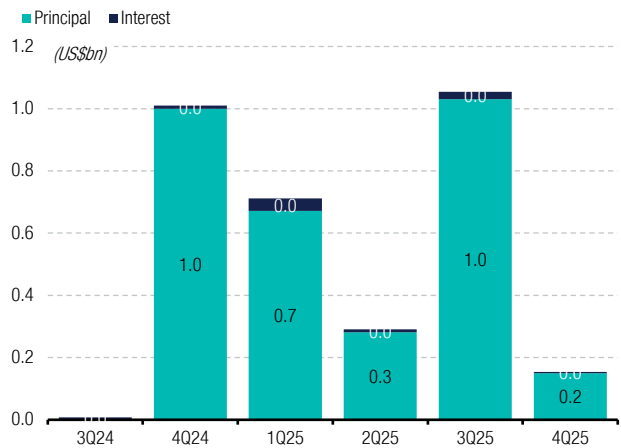
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

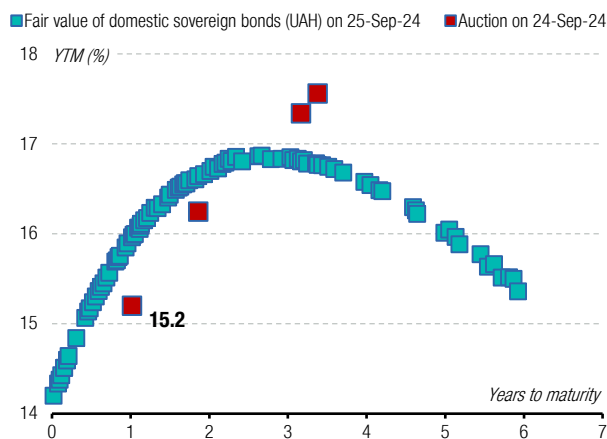
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

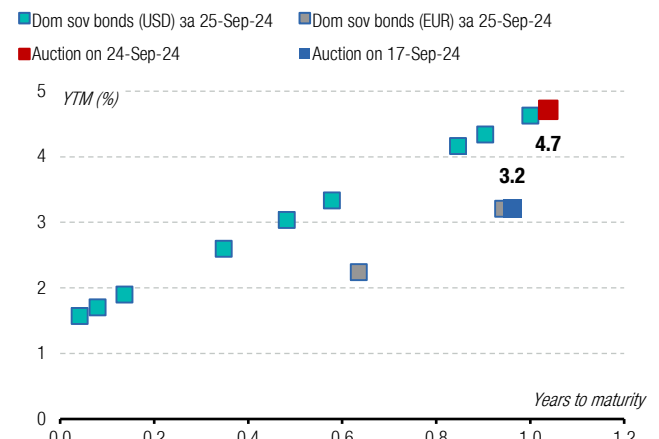
**Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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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

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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