

# Bond Market Insight

## Banks purchase bonds for reserves

### Comment on government bond placement

WEDNESDAY, 2 OCTOBER 2024

Yesterday, the MoF offered six UAH bonds. Borrowings, as usual, were above UAH10bn without material changes in interest rates.

Generally, we can divide the bond offering into two categories, one for issues targeted for small investors, primarily retail and banks.

**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> (%)	Out-standing (m) <sup>4</sup>
UA4000232599	14.65	SA	1-Oct-25	1,472,833	1,000.01	1,472.85	1,472.83	15.23	5,248.41
UA4000232888	15.10	SA	20-May-26	130,850	1,054.63	138.00	130.85	15.72	130.85
UA4000232896	15.60	SA	28-Oct-26	5,000,000	1,065.68	5,328.40	5,000.00	16.25	5,000.00
UA4000232904	16.10	SA	12-May-27	144,314	1,061.37	153.17	144.31	16.80	144.31
UA4000232912	16.59	SA	29-Sep-27	5,000,000	1,000.05	5,000.23	5,000.00	17.33	5,000.00
UA4000231625	16.80	SA	9-Feb-28	48,983	1,021.95	50.06	48.98	17.56	11,240.78
<b>Total UAH</b>				<b>11,796,980</b>		<b>12,142.70</b>	<b>11,796.98</b>		<b>26,764.36</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 41.21/USD, 46.13/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

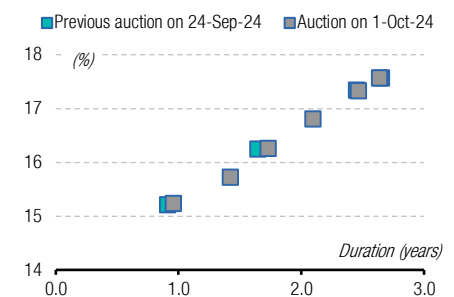
Bonds "for banks" are two and three-year paper that the NBU can add to the list of bonds permitted to cover required reserves. Two-year bills received UAH5.8bn demand vs the UAH5bn cap. Demand was mostly at a 15.6% rate, so the cut-off and weighted average rates remain unchanged.

Similar was the placement of three-year notes, which was twice oversubscribed. Bids had interest rates not higher than 16.6%, a recent cut-off rate, but the cap was exhausted at 16.59%, moving the cut-off and weighted-average rates 1bp down to 16.59%.

Demand for 12-month bills was UAH1.5 bn, and the MoF accepted all bids, keeping the cut-off rate at 14.65%. Similarly, for a 3.5-year paper, the MoF accepted all bids at 16.8%.

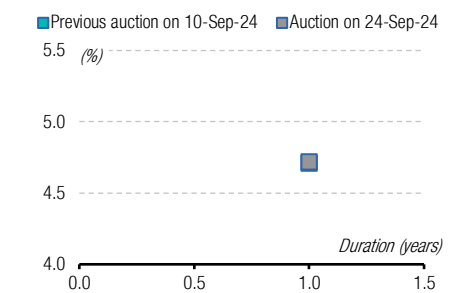
The most interesting offerings were the 1.5 and 2.5-year instruments. The MoF set interest rates at a 45bp premium to 12-month bills for 1.5-year paper and a 50bp premium to two-year bills for 2.5-year securities.

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



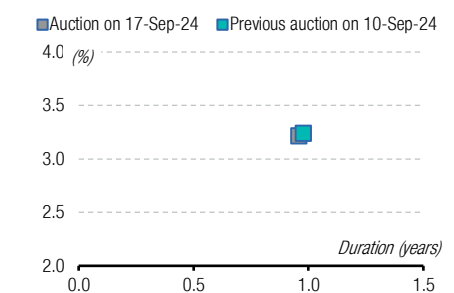
Source: Ministry of Finance of Ukraine, ICU.

### 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

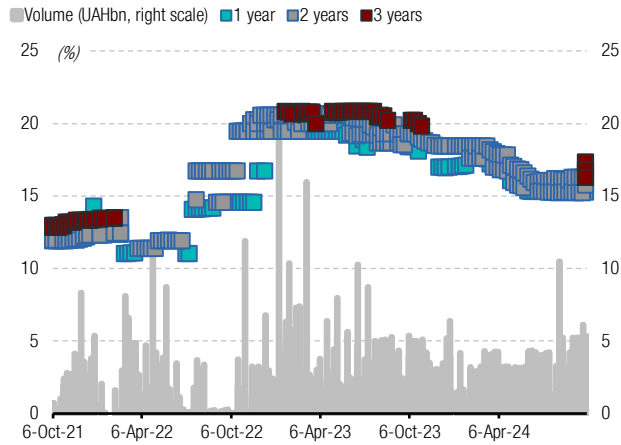


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

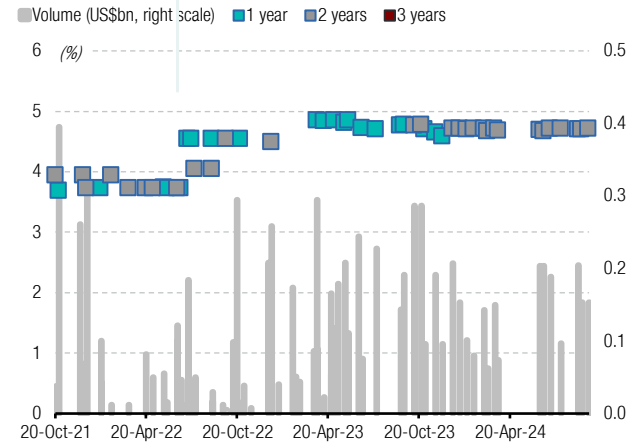
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

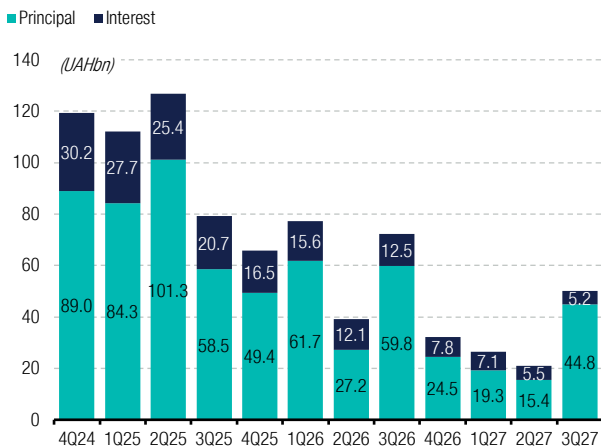
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

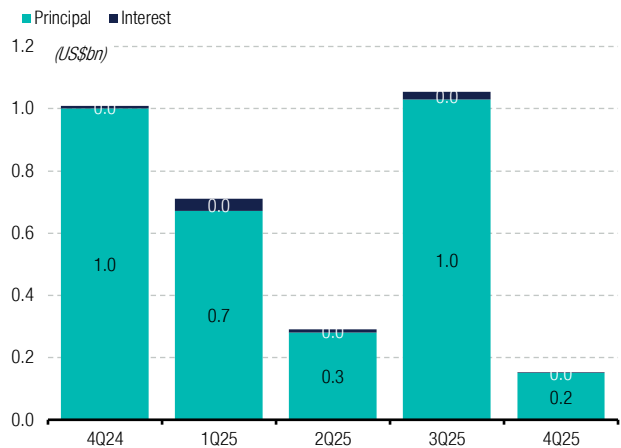
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

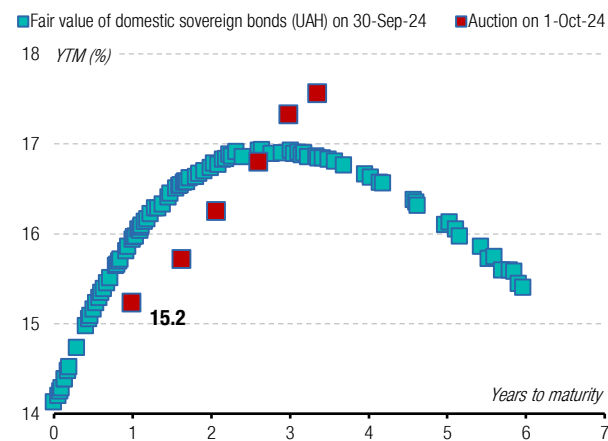
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

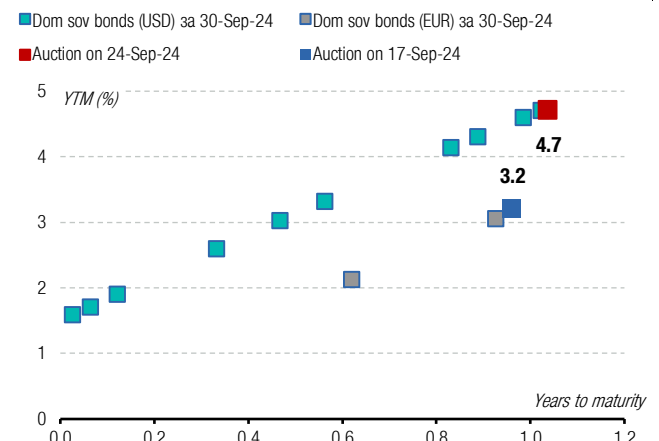
**Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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.

This page is intentionally left blank.



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)

**Investment Capital Ukraine LLC is regulated by Securities and Stock Market State Commission of Ukraine (license numbers: dealer activity AE 263019, broker activity AE 263018, underwriting activity AE 263020 dated 11 April 2013).**

---

## DISCLAIMER

This research publication has been prepared by Investment Capital Ukraine LLC solely for information purposes for its clients. It does not constitute an investment advice or an offer or solicitation for the purchase or sale of any financial instrument. While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, Investment Capital Ukraine makes no representation that it is accurate or complete. The information contained herein is subject to change without notice. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of Investment Capital Ukraine LLC. All rights are reserved. Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates. Past performance is not indicative of future results. Investors should make their own investigations and investment decisions without relying on this report. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this report.

**Additional information is available upon request.**

