

Bond Market Insight

Lower proceeds despite increase in demand

Comment on government bond placement

WEDNESDAY, 30 OCTOBER 2024

The MoF received UAH64bn of demand vs UAH63bn a week ago, but proceeds were UAH23.2bn vs UAH25.8bn due to the unbalanced distribution of bids between securities.

Table 1. Details of domestic government bonds placed at the auction (UAHbn)

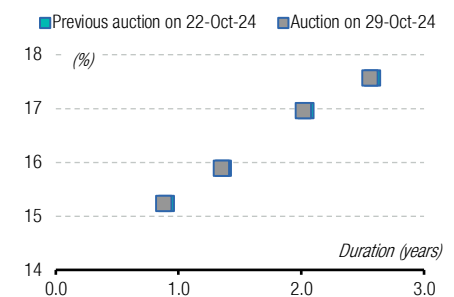
ISIN	Coupon rate (%)	Payment freq ¹	Maturity	Qty of bonds sold	Price (UAH)	Proceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Outstanding (m) ⁴
UA4000232599	14.65	@Mty	1-Oct-25	5,000,000	1,010.93	5,054.66	5,000.00	15.23	20,122.54
UA4000232888	15.10	SA	20-May-26	5,000,000	1,064.49	5,322.45	5,000.00	15.88	20,130.85
UA4000232904	16.10	SA	12-May-27	5,000,000	1,071.08	5,355.38	5,000.00	16.96	20,144.31
UA4000231625	16.80	SA	9-Feb-28	581,865	1,034.71	602.06	581.87	17.56	14,484.97
Total UAH				15,581,865		16,334.56	15,581.87		74,882.68
UA4000233134	4.61	SA	20-Nov-25	161,855	1,020.43	6,831.24	6,694.47	4.66	14,966.65
Total USD				161,855		6,831.24	6,694.47		14,966.65

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 41.36/USD, 46.13/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

Investors focused on 1.5 and 2.5-year UAH military bills, which were 5x oversubscribed. However, demand for 11-month and three-year UAH instruments decreased. The 11-month paper saw demand just 26% larger than the cap, while for the three-year note, demand fell by two-thirds and was just about 10% of the cap. USD-denominated bills were not oversubscribed either. Therefore, interest rates remained unchanged yesterday.

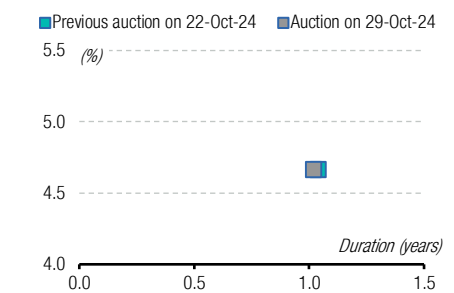
Now, the three-week break in reserve bonds offering is ending. However, there is no updated information that the MoF will renew their offering next week or postpone this decision due to significant demand for military instruments.

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



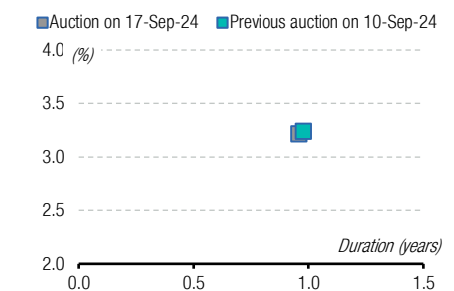
Source: Ministry of Finance of Ukraine, ICU.

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

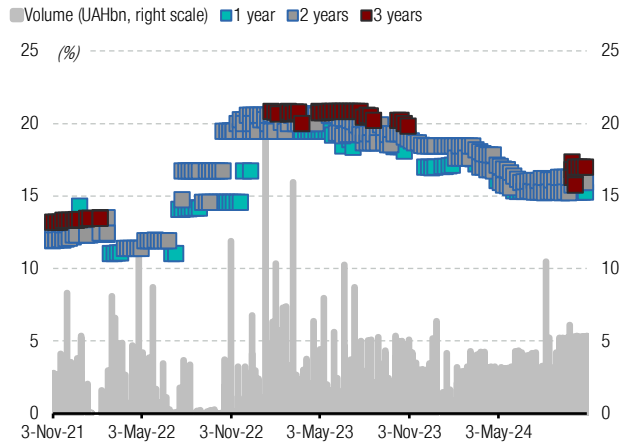


Source: Ministry of Finance of Ukraine, ICU.

Appendix: Yields-to-maturity, repayments

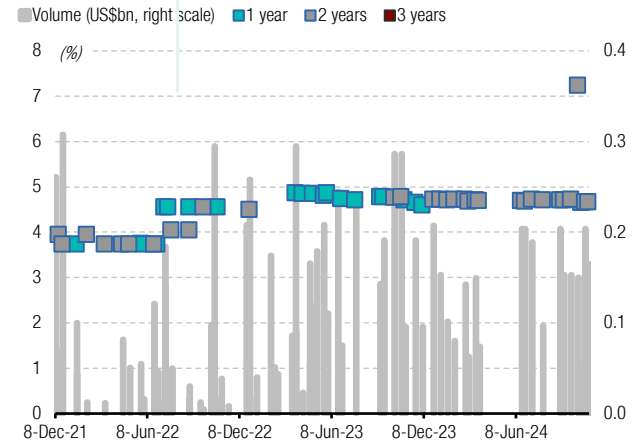
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

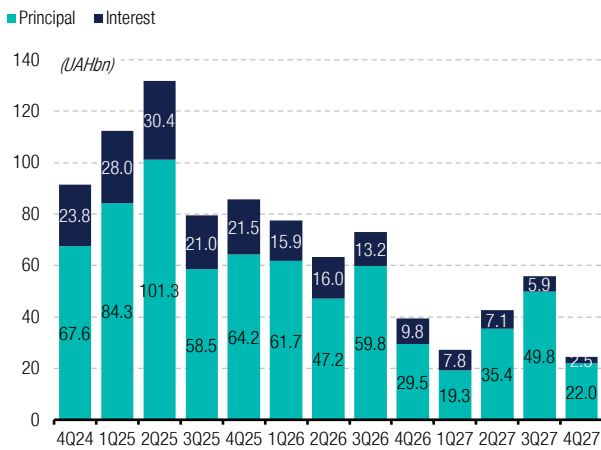
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

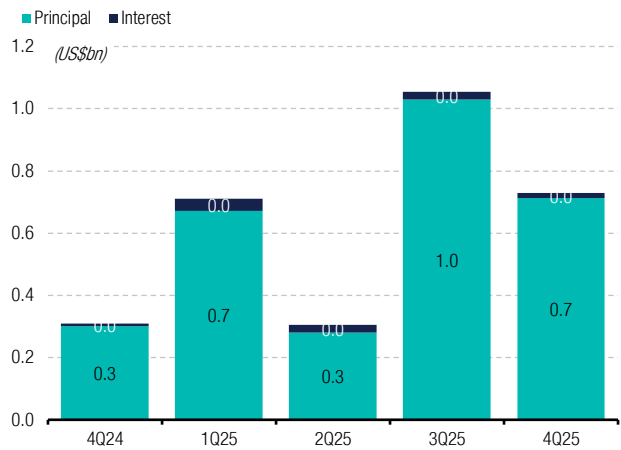
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

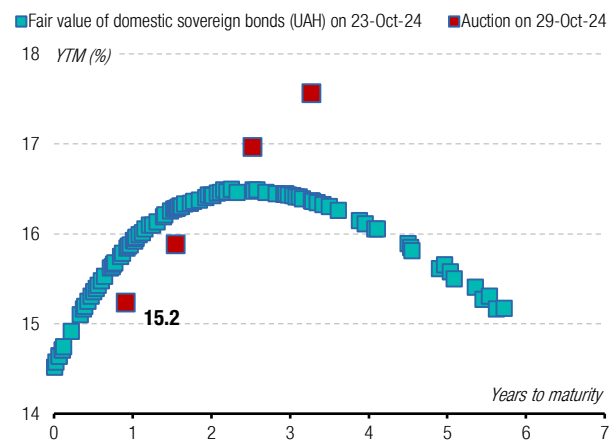
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

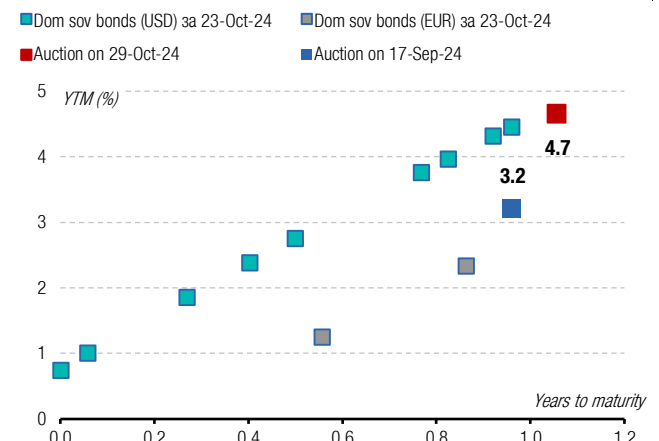
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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