

# Bond Market Insight

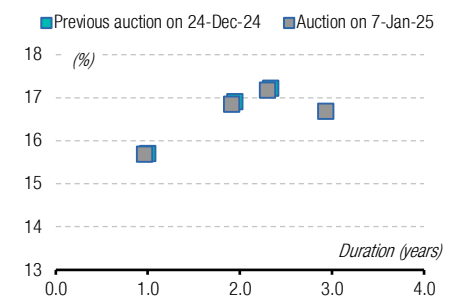
## Banks prefer longer maturities

### Comment on government bond placement

WEDNESDAY, 8 JANUARY 2025

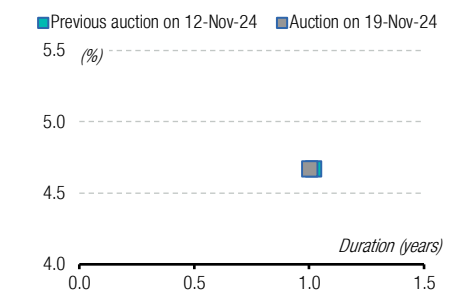
Yesterday's debut primary auction of 2025, provided the state budget with only a UAH6bn out of the UAH20bn offering.

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



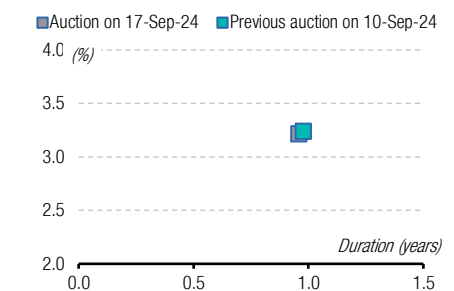
Source: Ministry of Finance of Ukraine, ICU.

### 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 <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>
UA4000233696	15.09	SA	4-Feb-26	525,258	1,063.66	558.69	525.26	15.69	14,884.92
UA4000233704	16.17	SA	14-Apr-27	45,211	1,036.97	46.88	45.21	16.85	14,703.82
UA4000233712	16.46	SA	3-Nov-27	43,089	1,028.13	44.30	43.09	17.17	15,043.09
UA4000234140	15.99	SA	31-Jan-29	5,000,000	1,067.33	5,336.63	5,000.00	16.68	5,000.00
<b>Total UAH</b>				<b>5,613,558</b>		<b>5,986.51</b>	<b>5,613.56</b>		<b>49,631.82</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 41.33/USD, 46.13/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

All three UAH military bonds received low demand, just 1-10% from the cap. However, interest rates in bids were close to the recent cut-off levels, causing just a 1-4bp decline in interest rates.

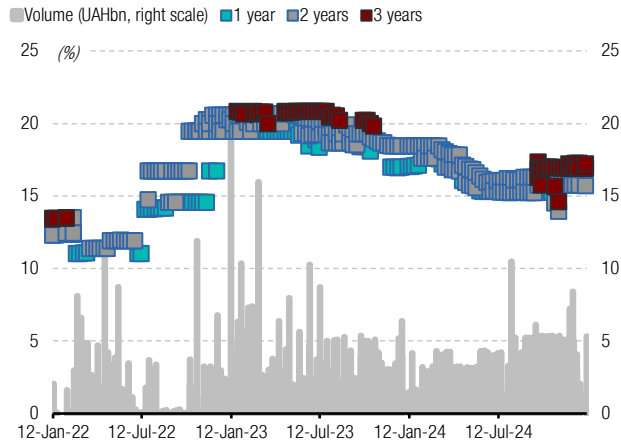
At the same time, the four-year paper offering was almost 10x oversubscribed, UAH48bn vs. UAH5bn cap, with attempts to get a premium for the longer maturity. Compared with the recent primary placement of a 3.5-year note, the cut-off rate slid by 25bp, but compared with the last offering of bonds due in May 2028 in early December 2024, the cut-off rate rose by 100bp and the weighted-average rate by 140bp, to 16% and 15.99%, respectively.

Yesterday's auction shows that last Autumn's demand for military bills appears to be exhausted, and banks concentrated on the new four-year paper, which may become reserve bonds. We expect the MoF will continue to offer the same military bonds and new four-year notes next week.

# Appendix: Yields-to-maturity, repayments

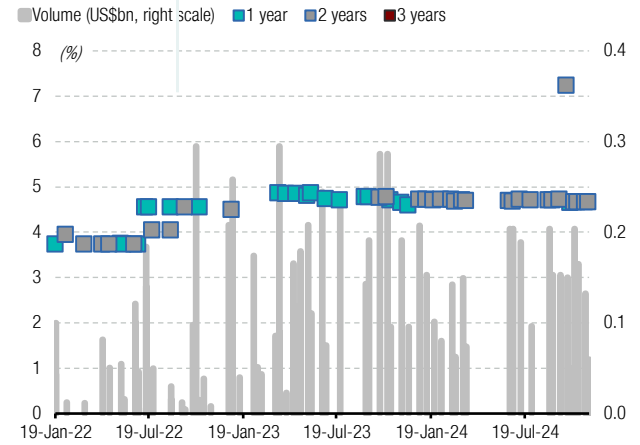
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

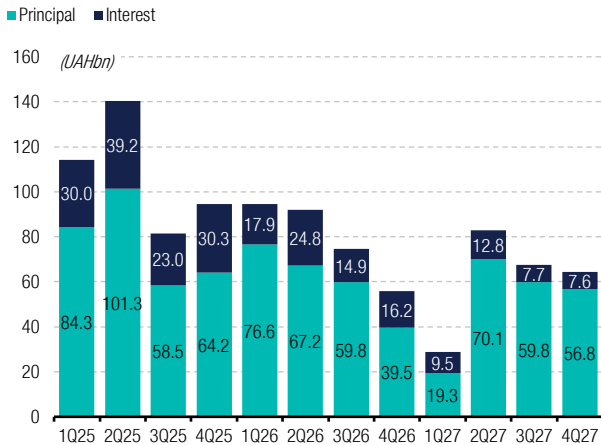
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

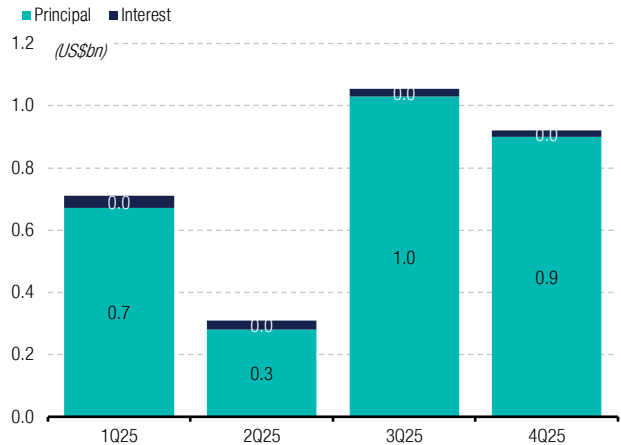
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

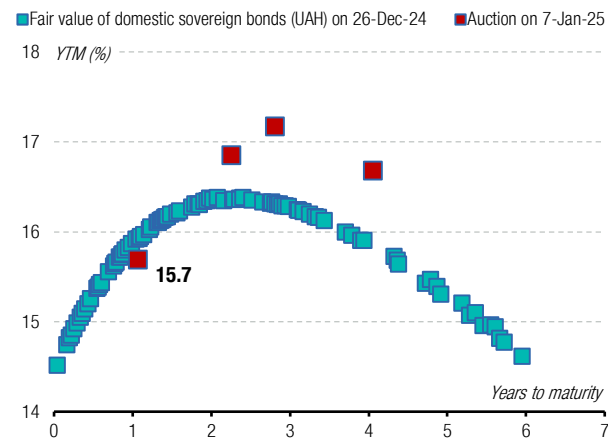
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

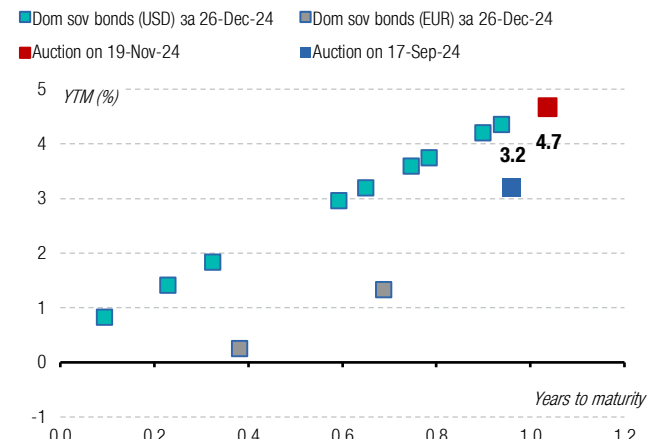
**Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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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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