

Bond Market Insight

MoF continues to raise rates on UAH bonds

Comment on government bond placement

WEDNESDAY, 5 FEBRUARY 2025

Yesterday, the Ministry of Finance increased borrowings fivefold, raised interest rates on UAH military bonds for the second time in a row, but just by 25bp vs 50bp last week. The Ministry also placed a considerable amount of USD-denominated bills. So, in total, the budget received over UAH13bn.

The volume of bids for UAH military bills rose by a third to UAH3.2bn, including UAH1.5bn for 1.5-year bills, the same as last week, and almost doubled from last week to UAH1.7bn for 2.5-year paper.

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
UA4000234215	15.10	SA	24-Jun-26	1,373,583	1,008.91	1,385.82	1,373.58	16.44	3,152.03
UA4000234223	16.20	SA	9-Jun-27	1,125,935	1,012.94	1,140.51	1,125.94	17.56	5,808.21
Total UAH				2,499,518	2,526.33	2,499.52			8,960.24
UA4000234363	4.54	SA	26-Feb-26	250,000	1,020.08	10,634.94	10,425.65	4.59	10,425.65
Total USD				250,000	10,634.94	10,425.65			10,425.65

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

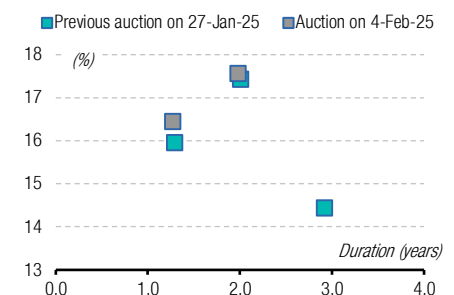
The 1.5-year securities received 33 bids with rates in the range of 15.5%-16.2%, which is very close to last week, but in an even narrower range: following the MoF's decision to raise rates by 50bp the previous week, the bidders raised the minimum rate by 40bp to 15.5% yesterday, and the maximum rate by only 20bp to 16.2%. The MoF decided to increase the cut-off rate by another 25bp to 15.85% and satisfy almost all bids, rejecting only two for UAH150m. The weighted average rate increased by 42bp to 15.77%.

A similar decision was made regarding 2.5-year securities, although the rate range widened. The Ministry rejected four bids for UAH600m but raised the rates similarly by 25bp to 16.95%. However, the weighted average rate increased by only 10bp to 16.8%.

As expected, foreign currency government bonds received the most significant demand. After the MoF redeemed US\$353m of bonds last week, the Ministry planned to sell US\$150m of new securities but then increased the cap to US\$250m. The USD-denominated bills received considerable demand: 127 bids for US\$514m with rates from 4.1% to 4.62%. The MoF set the cut-off rate at 4.6%, rejecting only one bid and satisfying some bids partially within the cap.

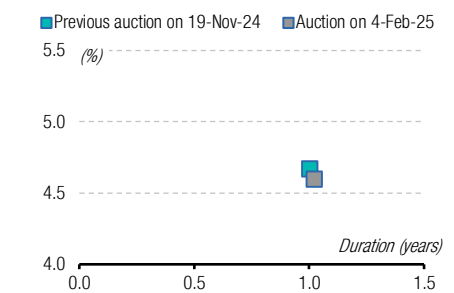
READ FIRST THE DISCLOSURES SECTION (ON LAST PAGE) FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATION

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



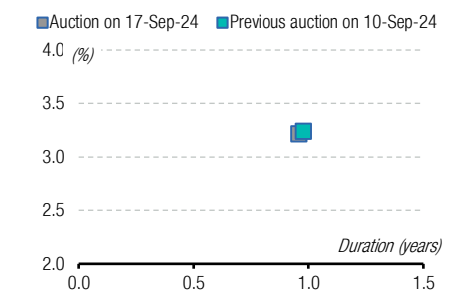
Source: Ministry of Finance of Ukraine, ICU.

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

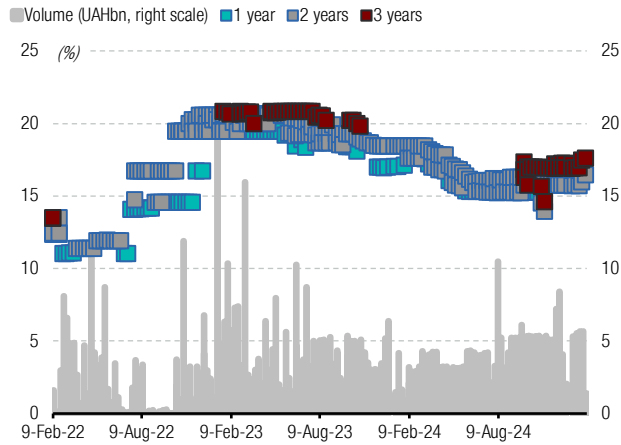


Source: Ministry of Finance of Ukraine, ICU.

Appendix: Yields-to-maturity, repayments

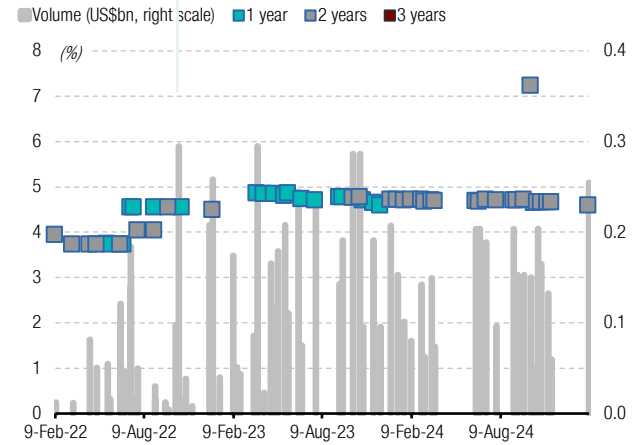
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

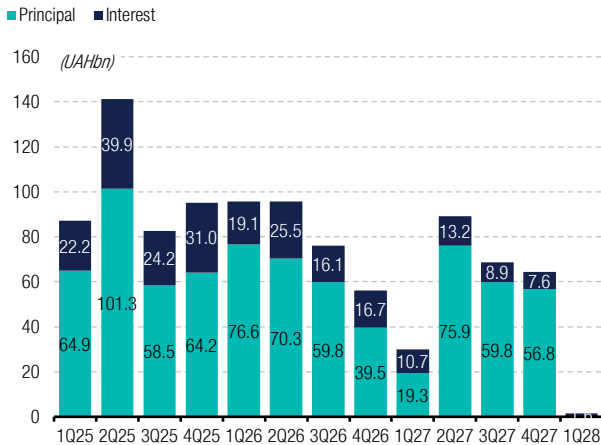
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

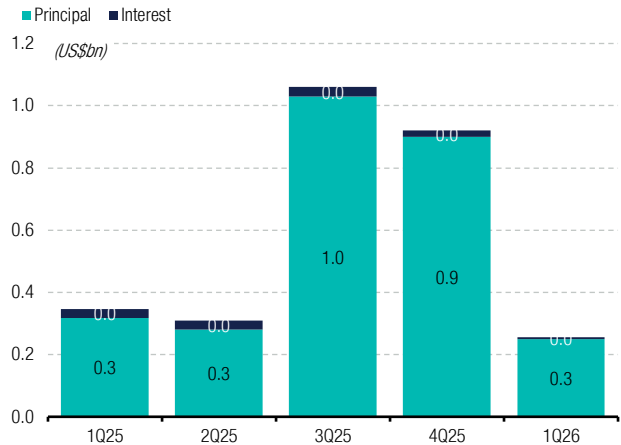
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

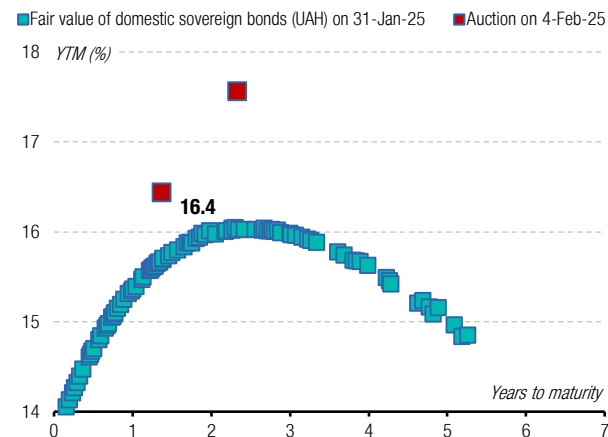
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

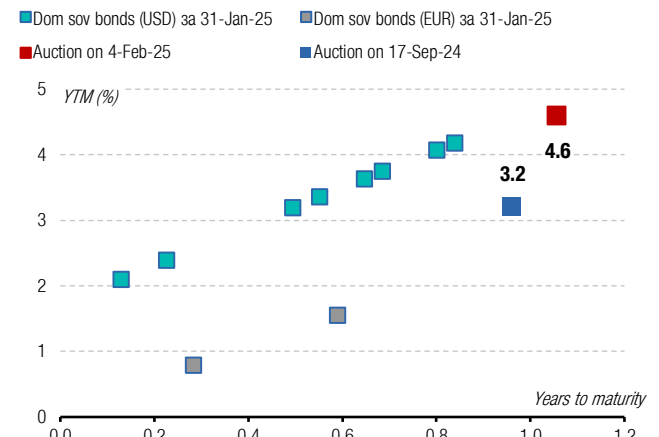
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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