

Bond Market Insight

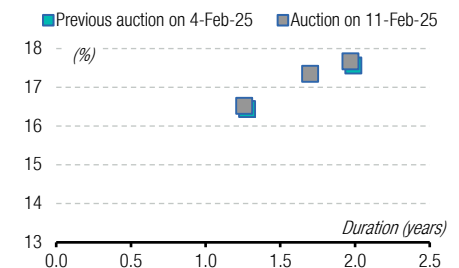
MoF suspends increase in bond yields

Comment on government bond placement

WEDNESDAY, 12 FEBRUARY 2025

Yesterday, the MoF rejected nearly one-third of demand on military UAH bonds to keep yields steady and set the coupon rate for the new two-year regular paper.

UAH-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 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	371,409	1,010.96	375.48	371.41	16.52	3,523.44
UA4000234413	16.61	SA	13-Jan-27	338,500	1,012.36	342.68	338.50	17.35	338.50
UA4000234223	16.20	SA	9-Jun-27	297,647	1,014.26	301.89	297.65	17.67	6,105.86
Total UAH				1,007,556	1,020.05	1,007.56			9,967.80

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

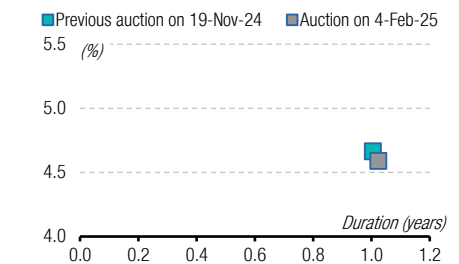
The MoF rejected only two bids out of 19 for the 17-month bills, but they amounted to UAH250m or 40% of the total demand for this paper. This decision allowed the MoF to keep the cut-off rate unchanged at 15.85% and increase the weighted-average rate by 7bp to 15.85%.

The MoF had to reject more demand to keep the cut-off rate for 2.5-year securities at 16.95%: three bids amounting to UAH255m or 46% of demand for this paper. The weighted-average rate rose by 10bp to 16.9%.

The most interesting offering was the new two-year regular (non-military) bonds. Total demand was below UAH0.5bn. Still, the MoF decided to reject two out of eight bids for UAH120m (26% of total demand for this instrument) and set the cut-off rate at 16.65% and the weighted-average rate at 16.61%—80bp and 84bp, respectively—above the yields for 17-month paper and just 30bp below the 2.5-year paper.

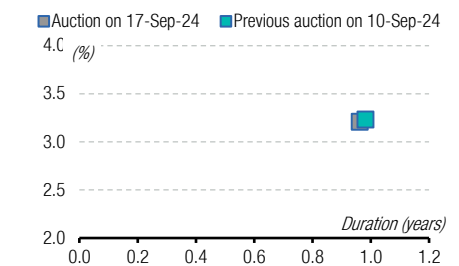
Thus, interest rates for the new two-year bills are more attractive than for military securities. Considering that the MoF suspended the increase in interest rates for military bills, it will be most interesting to see how demand will be distributed between bonds next week and whether the new bonds will attract additional demand.

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

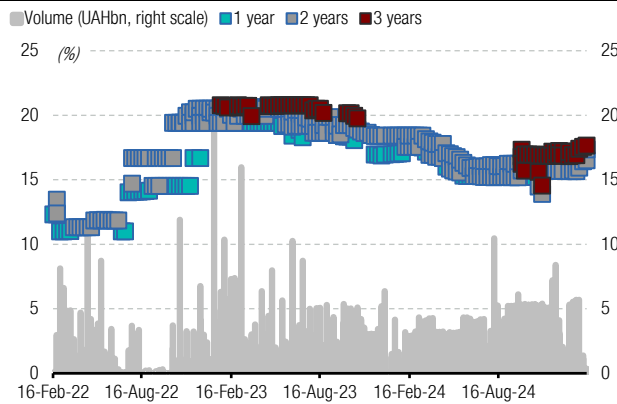


Source: Ministry of Finance of Ukraine, ICU.

Appendix: Yields-to-maturity, repayments

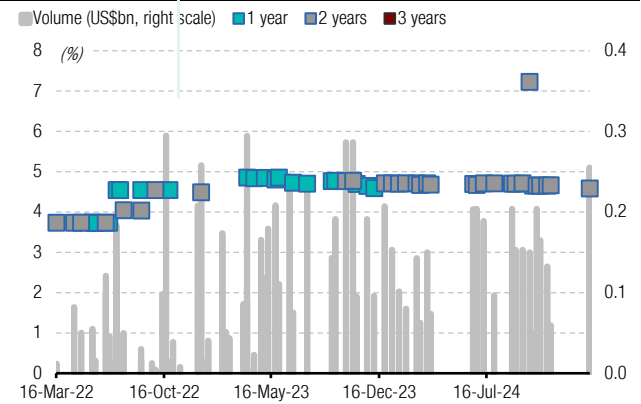
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

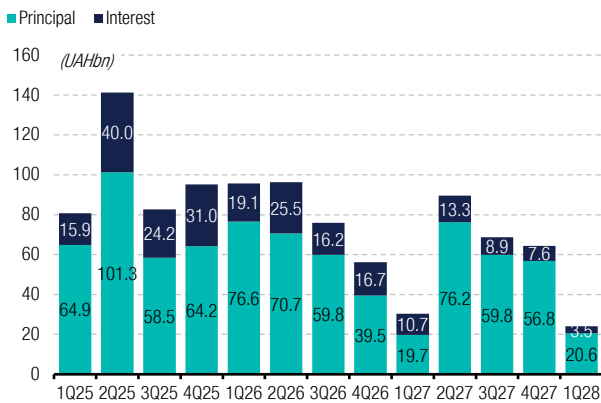
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

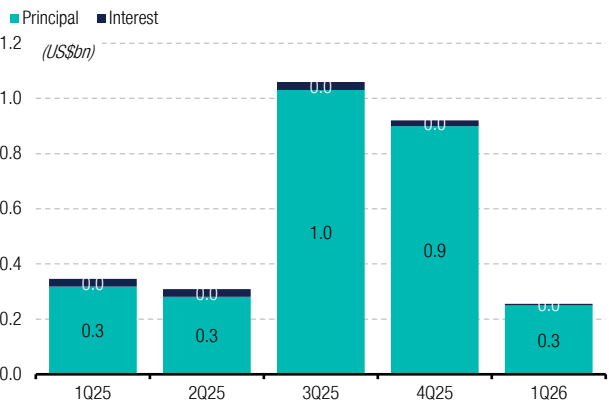
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

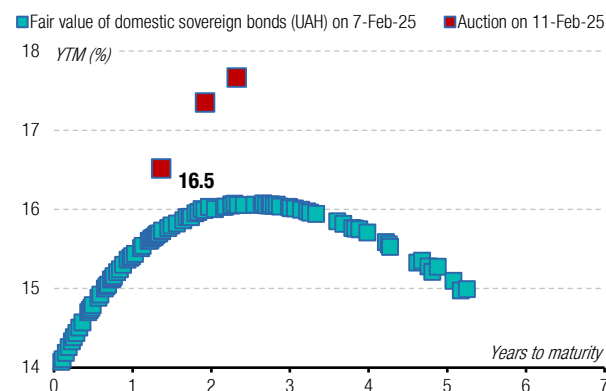
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

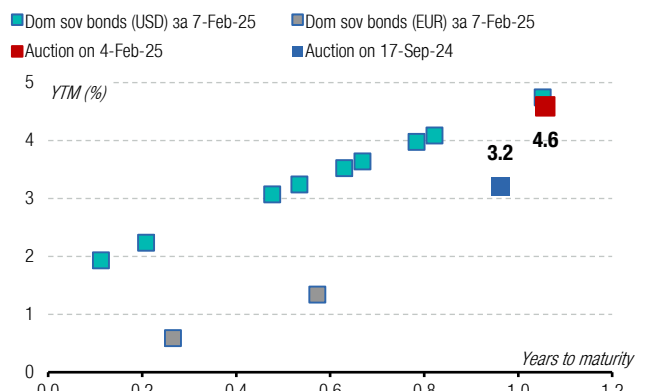
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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



RESEARCH

Alexander Martynenko 

Head of corporate research
alexander.martynenko@icu.ua

Mykhaylo Demkiv 

Financial analyst (Banks)
mykhaylo.demkiv@icu.ua

Taras Kotovych 

Senior financial analyst (Sovereign debt)
taras.kotovych@icu.ua

Dmitriy Dyachenko

Financial analyst
dmitriy.dyachenko@icu.ua

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