



# Bond Market Insight

## Government bond auction results: New 5-year bond issue

WEDNESDAY, 5 MARCH, 2014

The results of yesterday's primary auction were unsurprising. Of the five offered bonds, only one 5-year local currency bond was sold. The remaining bonds received no bids.

The 5-year bond was sold under the same conditions as last week with a single bid at 11.50%, the new benchmark rate set after the new NBU governor and new government were appointed last week. Most likely, yesterday's demand was supported by the NBU using its standard support instruments. Moreover, the NBU could purchase these bonds in its portfolio in the near future.

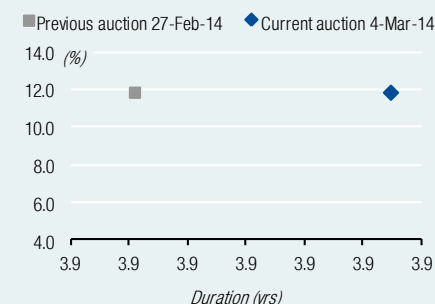
Proceeds from yesterday's auction will be used for current budget expenditures, particularly as debt repayments today will not exceed UAH100.0m. Also, due to a challenged budget performance, these funds will most likely not be deposited for future debt repayments.

**Table 1. Details of last government bond auction**

ISIN	Coupon rate (%)	Payment freq <sup>1</sup>	Maturity	Qty of bonds sold	Price (UAH)	Pro-ceeds <sup>2</sup> (UAHm)	Volume <sup>2</sup> (UAHm)	YTM <sup>3</sup> (%)	Out-standing (m)
UA4000179824	11.50	SA	27-Feb-19	1,000,000	1,000.00	1,000.00	1,000.00	11.86	1,000.00
<b>Total</b>				<b>1,000,000</b>		<b>1,000.00</b>	<b>1,000.00</b>		<b>1,000.00</b>

Note: Note: [1] payment frequency abbreviations: Q - quarterly, SA - semi-annually; [2] proceeds and volumes for the USD-denominated bonds are calculated based on the previous day last price of USD/UAH exchange rate 1; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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**Term structure of yields**


Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

**Auction results**

Auction	Last 4-Mar-14	Previous 27-Feb-14	Change
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**Breakdown by yields (%)**

3-month			
6-month			
9-month			
1-year			
2-year			
3-year			
5-year	11.86	11.86	0bp

**Breakdown by proceeds (UAHm)**

3-month			
6-month			
9-month			
1-year			
2-year			
3-year			
5-year	1,000.00	1,503.69	-33.50%
<b>Total</b>	<b>1,000.00</b>	<b>1,503.69</b>	<b>-33.50%</b>

**Effective yield and duration at the auction**

Yield-to-maturity (%)	11.86	11.86	-1bp
Duration (years)	3.93	3.91	0.64%

**Local currency government bonds outstanding (eop)**

Volume <sup>1</sup> (UAHbn)	97.23	96.23	1.04%
WA life <sup>2</sup> (years)	3.78	3.78	-0.03%

Notes: yields on coupon bearing bonds are effective yields to maturity; [1] only bonds that were placed via the auctions; [2] WA life – weighted average life or years to maturity.

Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

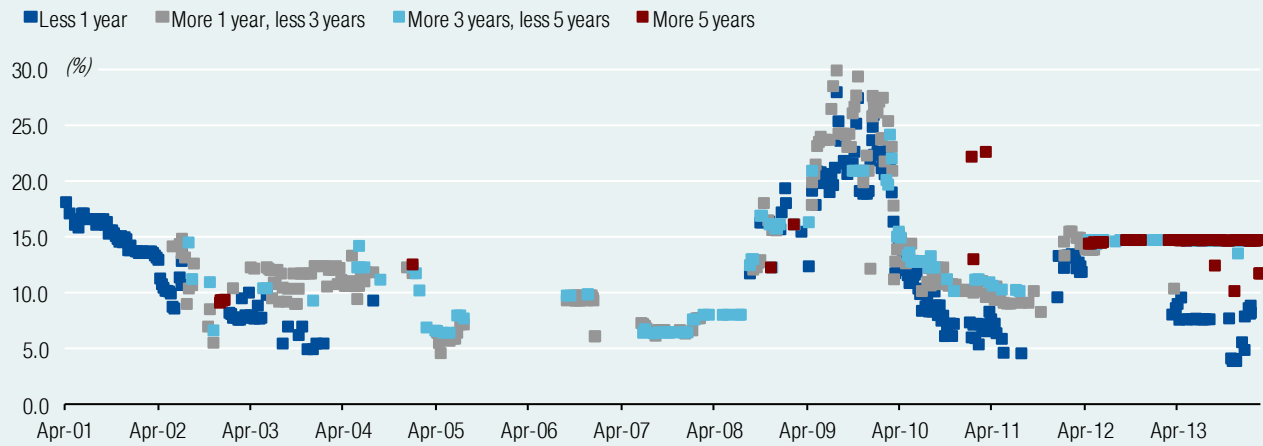
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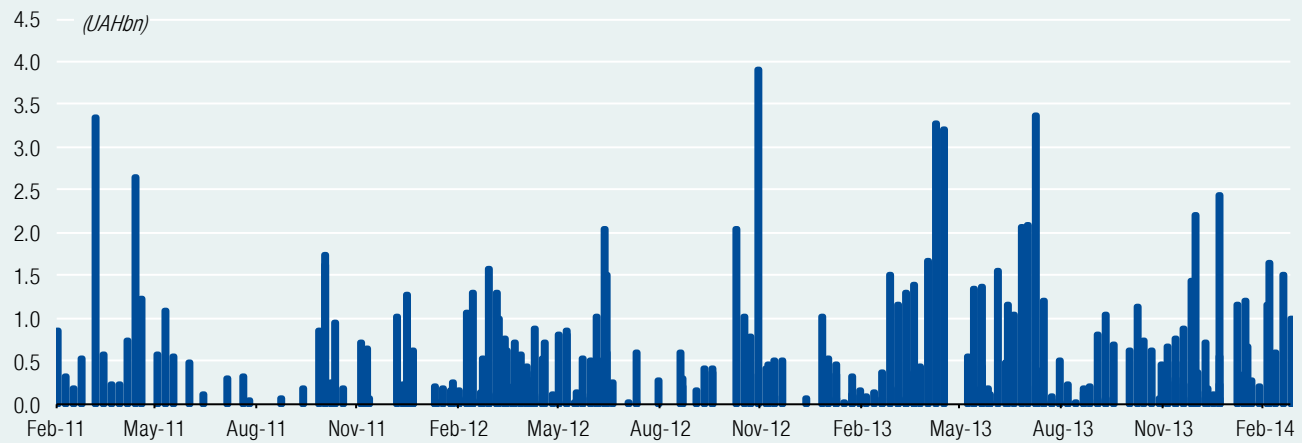
## Appendix: Auctions history and schedule for 2013

**Chart 1. History of yields at government bond auctions: breakdown by tenor of bonds sold (last 3-year period)**



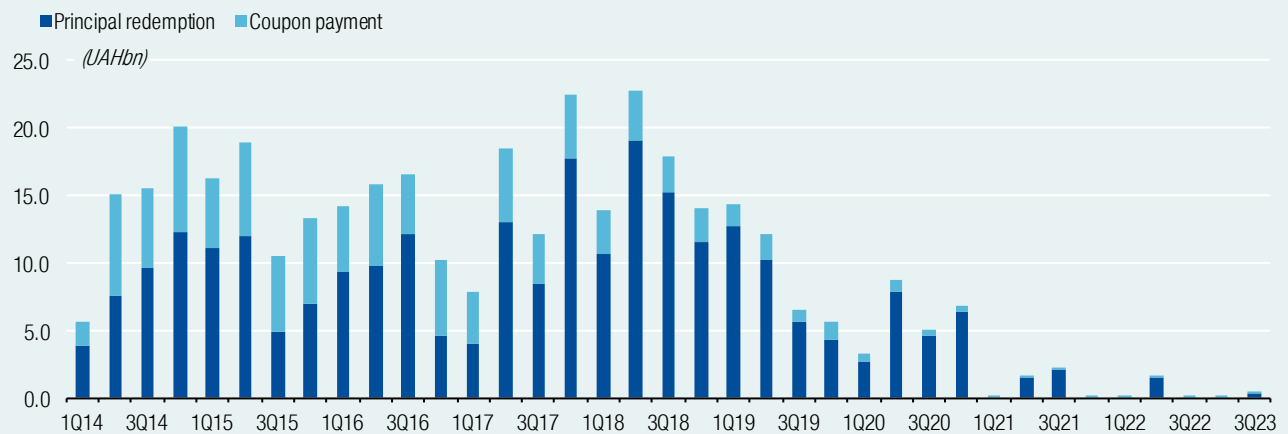
Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

**Chart 2. History of proceeds at government bond auctions: breakdown by tenor of bonds sold (last 3-year period)**



Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

**Chart 3. Schedule of redemptions of the local-currency government bonds\***



Note: the chart depicts data on bonds, which were placed via the auctions, i.e. it does not contain data on recapitalisation bonds.

Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

**Table 2. Schedule of government bond auctions in 2013**

Action dates, tenors of bonds to be offered and volume (in hryvnia) of government's refinancing needs for the next 7-day period as of auction date

Month	Auction details	1st Tuesday	2nd Tuesday	3rd Tuesday	4th Tuesday	5th Tuesday
<b>January</b>	Auction date	7-Jan-14	14-Jan-14	21-Jan-14	28-Jan-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	0.00	0.00	0.00	0.00	
<b>February</b>	Auction date	4-Feb-14	11-Feb-14	18-Feb-14	25-Feb-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	0.00	0.00	0.00	0.00	
<b>March</b>	Auction date	4-Mar-14	11-Mar-14	18-Mar-14	25-Mar-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	98,800,000.00	<b>2,235,681,714.50</b>	<b>1,149,984,460.88</b>	<b>2,078,973,069.00</b>	
<b>April</b>	Auction date	1-Apr-14	8-Apr-14	15-Apr-14	22-Apr-14	29-Apr-14
	Short-term bonds	N/A	N/A	N/A	N/A	N/A
	Medium-term bonds	N/A	N/A	N/A	N/A	N/A
	Next 7 days refinancing needs	350,580,000.00	<b>664,558,150.00</b>	<b>728,425,745.00</b>	<b>1,841,416,383.75</b>	<b>2,132,914,858.20</b>
<b>May</b>	Auction date	6-May-14	13-May-14	20-May-14	27-May-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	399,223,443.55	<b>1,632,546,298.50</b>	<b>2,947,449,184.38</b>	<b>705,553,957.45</b>	
<b>June</b>	Auction date	3-Jun-14	10-Jun-14	17-Jun-14	24-Jun-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	466,780,152.00	<b>1,978,108,073.75</b>	<b>878,480,875.00</b>	378,425,338.13	
<b>July</b>	Auction date	1-Jul-14	8-Jul-14	15-Jul-14	22-Jul-14	29-Jul-14
	Short-term bonds	N/A	N/A	N/A	N/A	N/A
	Medium-term bonds	N/A	N/A	N/A	N/A	N/A
	Next 7 days refinancing needs	438,486,890.00	<b>1,122,377,425.25</b>	<b>508,281,131.13</b>	<b>3,169,125,480.50</b>	<b>1,932,065,351.25</b>
<b>August</b>	Auction date	5-Aug-14	12-Aug-14	19-Aug-14	26-Aug-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	414,009,591.25	490,771,301.88	<b>1,730,282,773.50</b>	<b>1,111,479,441.31</b>	
<b>September</b>	Auction date	2-Sep-14	9-Sep-14	16-Sep-14	23-Sep-14	30-Sep-14
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	156,300,000.00	<b>1,733,081,714.50</b>	<b>652,984,460.88</b>	<b>2,082,004,319.00</b>	350,580,000.00
<b>October</b>	Auction date	7-Oct-14	14-Oct-14	21-Oct-14	28-Oct-14	
	Short-term bonds	N/A	N/A	N/A	N/A	N/A
	Medium-term bonds	N/A	N/A	N/A	N/A	N/A
	Next 7 days refinancing needs	<b>2,164,558,150.00</b>	<b>753,425,745.00</b>	<b>741,315,243.75</b>	<b>1,585,272,965.20</b>	
<b>November</b>	Auction date	4-Nov-14	11-Nov-14	18-Nov-14	25-Nov-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	<b>1,599,323,443.55</b>	<b>2,152,816,298.50</b>	<b>1,822,425,620.78</b>	<b>1,615,553,957.45</b>	
<b>December</b>	Auction date	2-Dec-14	9-Dec-14	16-Dec-14	23-Dec-14	30-Dec-14
	Short-term bonds	N/A	N/A	N/A	N/A	N/A
	Medium-term bonds	N/A	N/A	N/A	N/A	N/A
	Next 7 days refinancing needs	<b>719,449,152.00</b>	<b>2,349,423,460.00</b>	<b>2,476,750,875.00</b>	<b>1,281,463,838.13</b>	438,486,890.00

Notes: 1) highlighted data in the rows of "Next 7 days refinancing needs" indicates critical volume of refinancing needs (i.e. above UAH0.5bn) for the government in the next 7-day period; 2) the volume of refinancing needs include principal redemptions and coupon payments.

Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

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