

Bond Market Insight

Demand for UAH bonds at record-low

Comment on government bond placement

WEDNESDAY, 19 FEBRUARY 2025

Yesterday, the MoF accepted all bids without changes in yields, borrowing the lowest amount of funds in more than two years.

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	96,452	1,014.31	97.83	96.45	16.48	3,619.89
UA4000234223	16.20	SA	9-Jun-27	149,099	1,016.67	151.58	149.10	17.71	6,254.95
Total UAH				245,551		249.42	245.55		9,874.85

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.

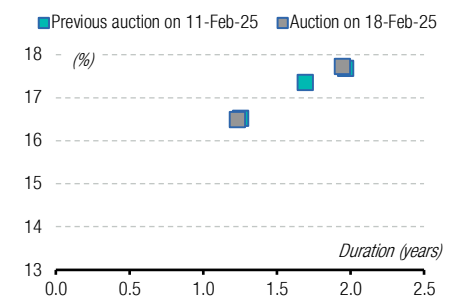
The shortest of offered bonds, 16-month UAH military bills, received 15 bids amounting to UAH96.5m with interest rates not higher than last week's cut-off rate. Therefore, the MoF accepted all bids in full, maintaining the cut-off rate at 15.85% and decreasing the weighted average rate by 3bp to 15.81%.

The placement of 2.4-year bonds was similar. The MoF received 21 bids amounting to UAH149.1m with rates ranging from 16.9% to 16.95% and accepted them in full. The cut-off rate remains unchanged at 16.95%, and the weighted average rate rose 4bp to 16.94%.

Finally, the MoF borrowed only UAH249.4m, the lowest amount since November 2022, when it ended its pause in rate increases after the NBU increased the cut-off rate sharply to 25%.

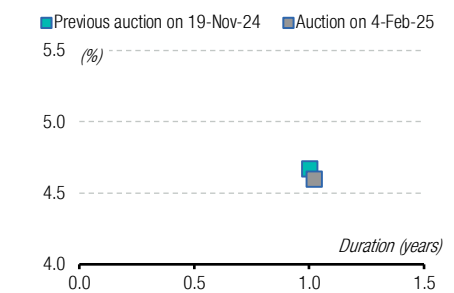
However, the MoF was in no hurry to borrow more. The MoF announced today's debut auction for bond exchange, which will offer to exchange bonds maturing next week in new two-year bills launched last week and to decrease the need for funds for redemptions next week.

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



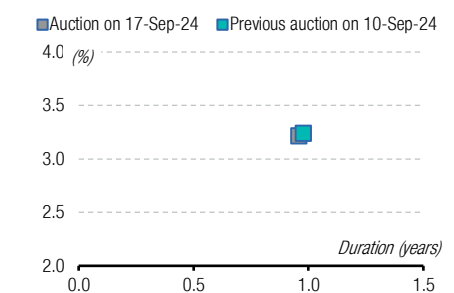
Source: Ministry of Finance of Ukraine, ICU.

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

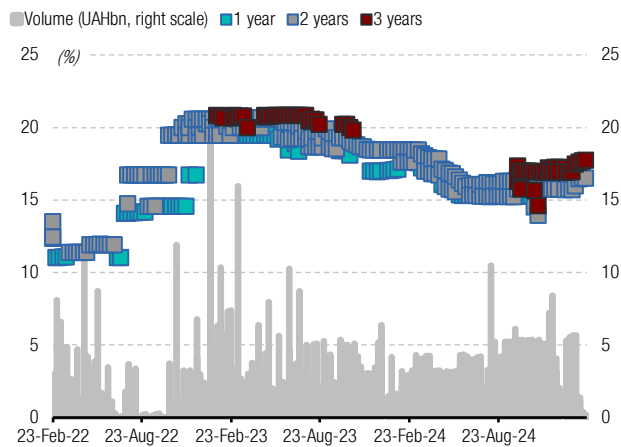


Source: Ministry of Finance of Ukraine, ICU.

Appendix: Yields-to-maturity, repayments

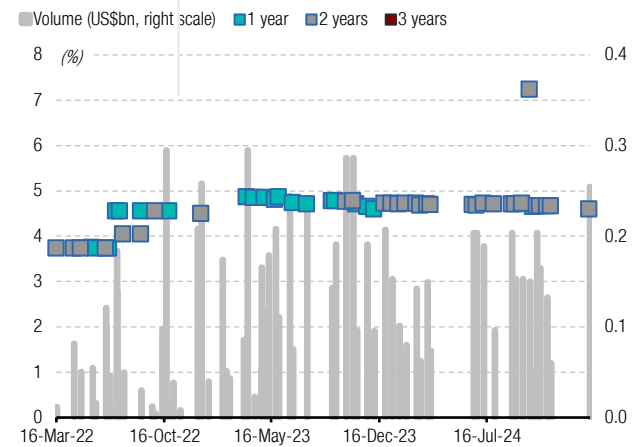
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

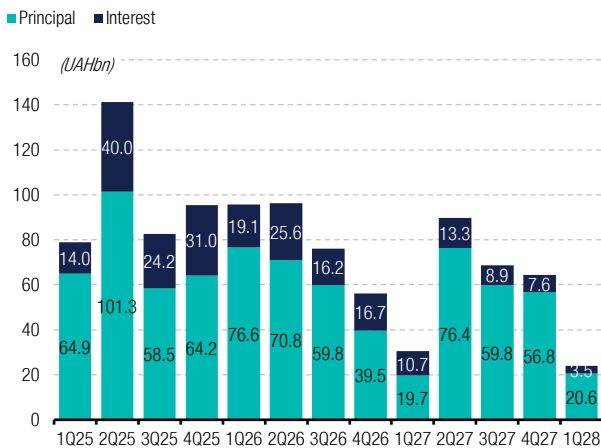
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

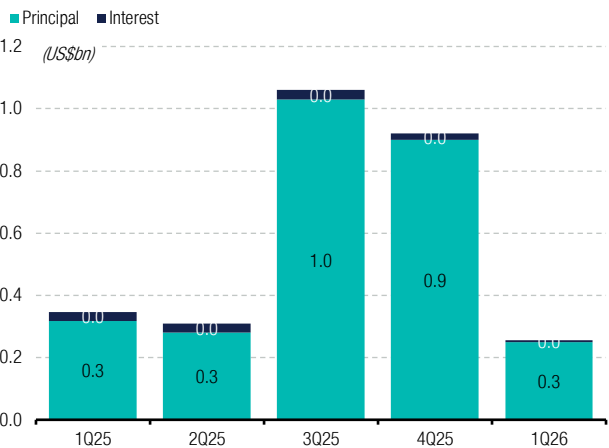
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

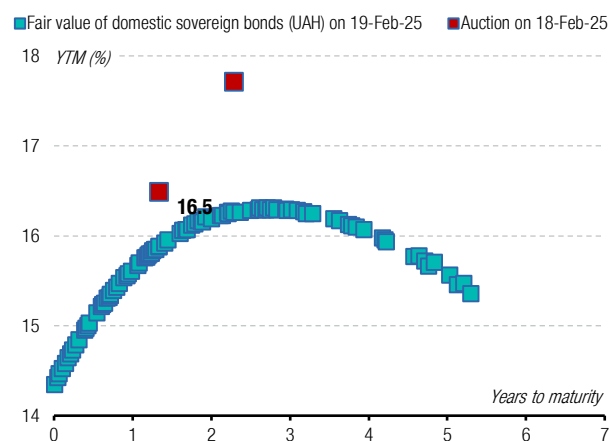
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

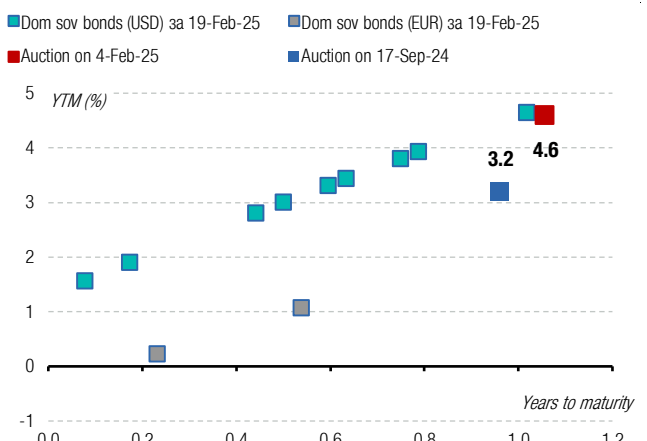
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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