

Bond Market Insight

MoF has debut swap auction

Comment on government bond placement

THURSDAY, 20 FEBRUARY 2025

Yesterday, the MoF held its debut swap auction to exchange bonds due in a week for two-year paper.

The MoF offered the market a deal to exchange bonds maturing on February 26 with UAH41bn of two-year paper at par due January 2027. Bidders had to send a bid for a quantity of new bonds, which would be paid for with old securities. The settlement date is this Friday.

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
UA4000234413	16.61	SA	13-Jan-27	432,000	1,015.72	438.79	432.00	17.39	770.50
Total UAH				432,000		438.79	432.00		770.50

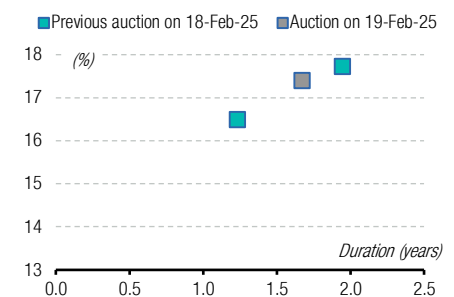
Note: [1] payment frequency abbreviations: M - monthly, Qtly - quarterly, SA - semi-annually, @Mty - at maturity date; [2] proceeds and volumes for the USD-denominated bonds are calculated based on the previous day's exchange rate 41.61/USD, 46.13/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

Bondholders likely had limited time to prepare for their participation, and there were just a few bids. The MoF received just eight bids for UAH432m with interest rates equal to last week's cut-off rate.

Nevertheless, the paper maturing next week is a very tradable bond, with over UAH6bn of deals YTD. Therefore, for many holders, it was short-term paper, and most of them were not ready to swap it for two-year bills.

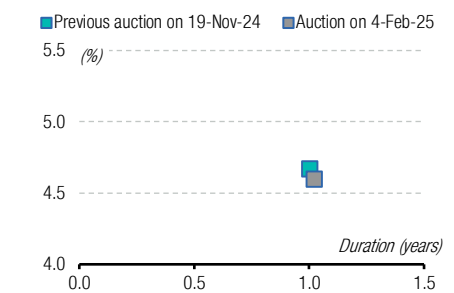
In general, this debut swap auction was successful, and we anticipate further auctions with better combinations of securities.

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



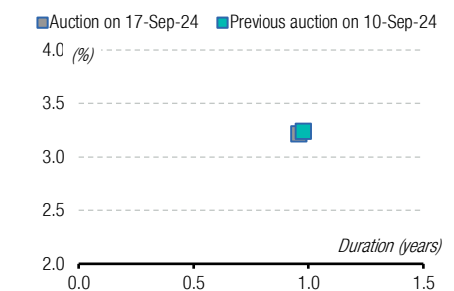
Source: Ministry of Finance of Ukraine, ICU.

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

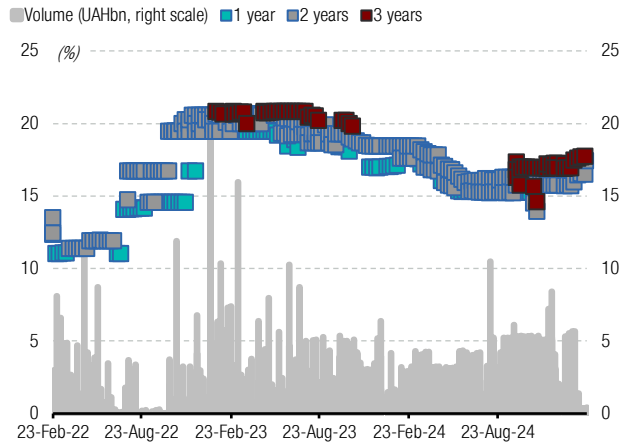


Source: Ministry of Finance of Ukraine, ICU.

Appendix: Yields-to-maturity, repayments

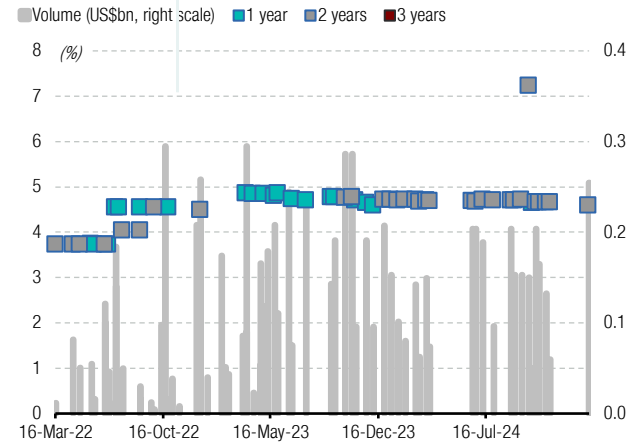
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

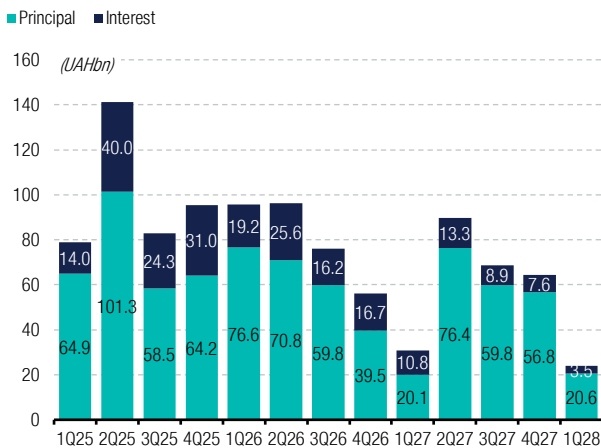
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

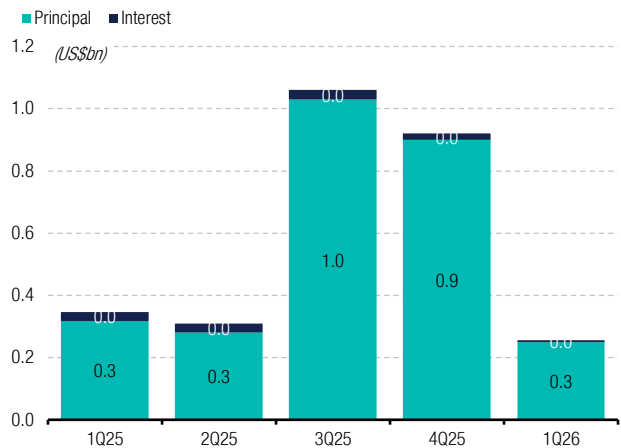
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

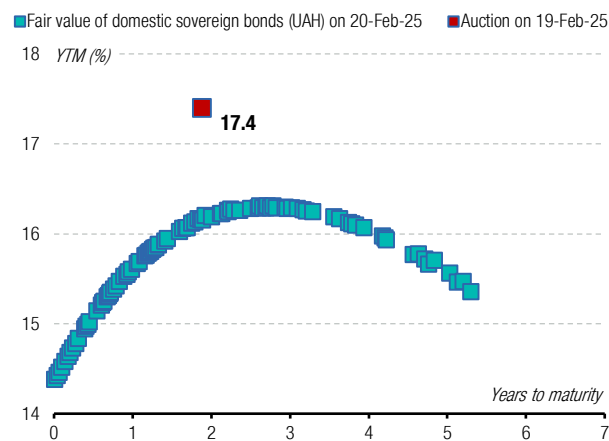
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

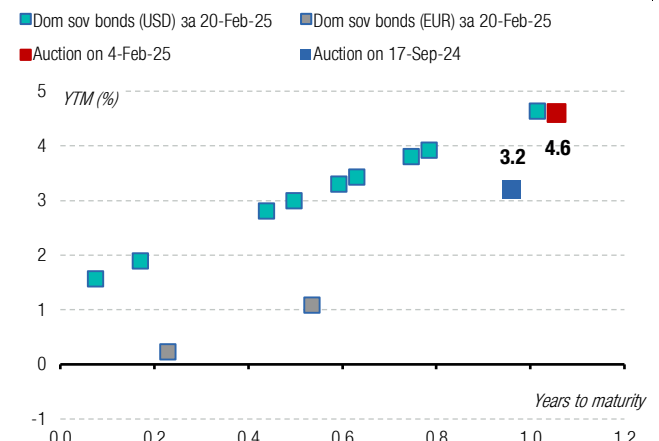
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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