

# Bond Market Insight

## New reserve bonds offering

### Comment on government bond placement

WEDNESDAY, 26 FEBRUARY 2025

The MoF offered new 3.5-year notes yesterday, which will soon become reserve bonds, and increased borrowings to almost UAH12bn.

Demand for military bonds rose slightly to almost UAH2bn and was concentrated in bills due in 2027, while the new 3.5-year note received more than 3x oversubscription.

Table 1. Details of domestic government bonds placed at the auction (UAHbn)

ISIN	Coupon rate (%)	Payment frequency	Maturity	Qty of bonds sold	Price (UAH)	Proceeds <sup>2</sup> (UAHm)	Volume <sup>2</sup> (UAHm)	YTM <sup>3</sup> (%)	Outstanding (m) <sup>4</sup>
UA4000234215	15.10	SA	24-Jun-26	362,133	1,016.82	368.22	362.13	16.53	3,982.03
UA4000234223	16.20	SA	9-Jun-27	1,473,508	1,019.71	1,502.55	1,473.51	17.72	7,728.46
UA4000234553	15.77	SA	9-Aug-28	10,000,000	1,005.81	10,058.08	10,000.00	16.44	10,000.00
<b>Total UAH</b>				<b>11,835,641</b>	<b>11,928.85</b>	<b>11,835.64</b>			<b>21,710.49</b>

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.

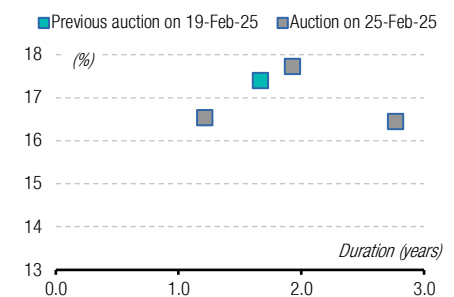
Seventeen bids, amounting to UAH362m, were received for 16-month military bills. The MoF accepted all bids without yield changes because interest rates were not higher than last week's cut-off rate.

At the same time, the 2.4-year paper received 20 bids for UAH1.5bn, with interest rates not higher than last week's cut-off rate. The MoF accepted all bids without yield changes.

The offering of a new 3.5-year note saw huge, probably hyped demand. The MoF received 41 bids for UAH33.5bn vs. the UAH10bn cap. Bids ranged from 14% to 16%, which is significantly below other bonds. The MoF set the cut-off rate at 16%, while the weighted average rate was 15.77%.

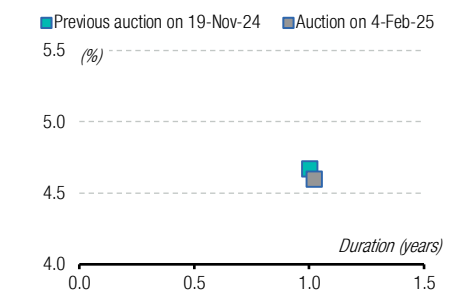
Despite the nearest redemption of reserve bonds in April, the MoF likely used new paper to refinance part of today's redemption. To fully roll all UAH redemptions YTD, the MoF had to borrow about UAH29bn and received almost half of it. So, the MoF may reach 100% rollover in the following two weeks.

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



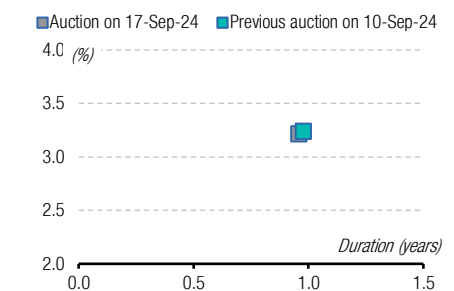
Source: Ministry of Finance of Ukraine, ICU.

### 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

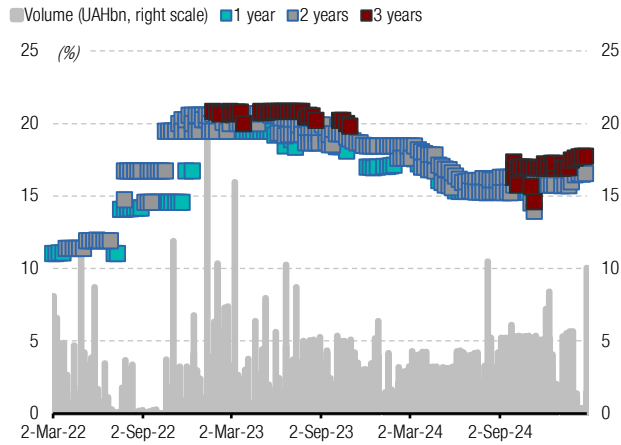


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

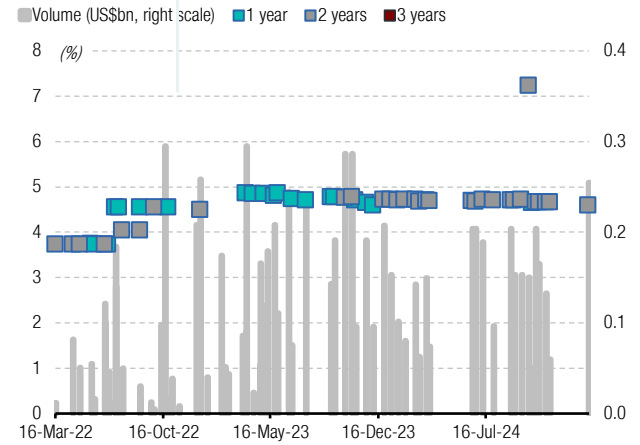
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

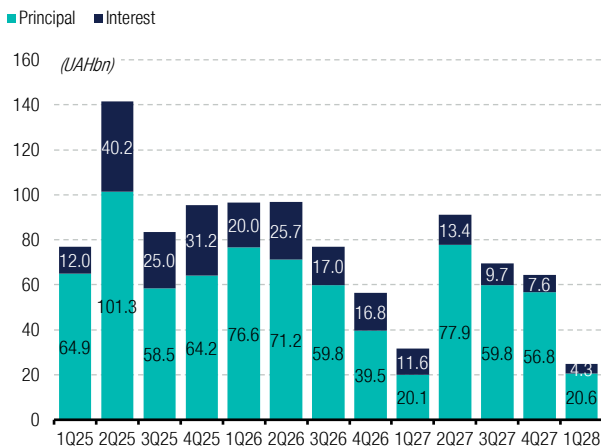
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

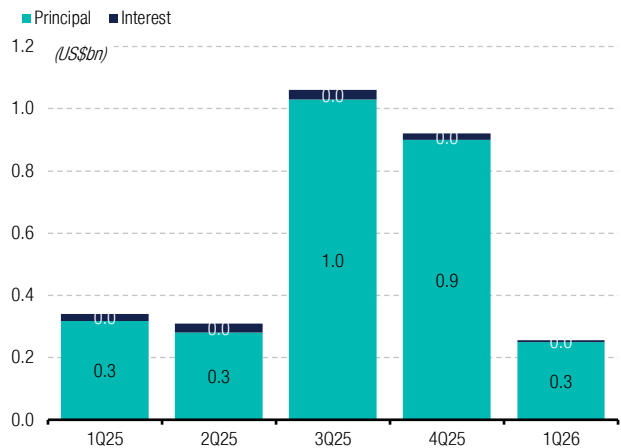
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

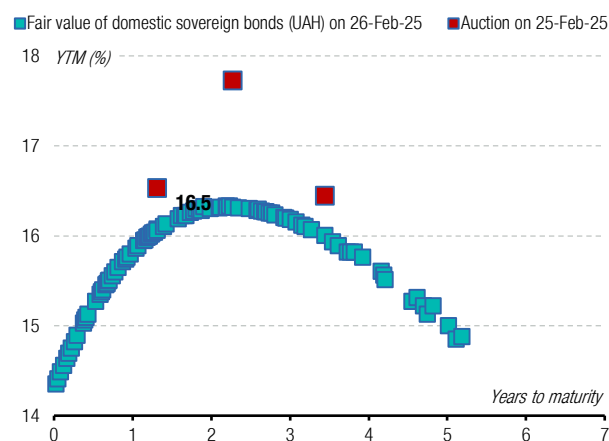
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

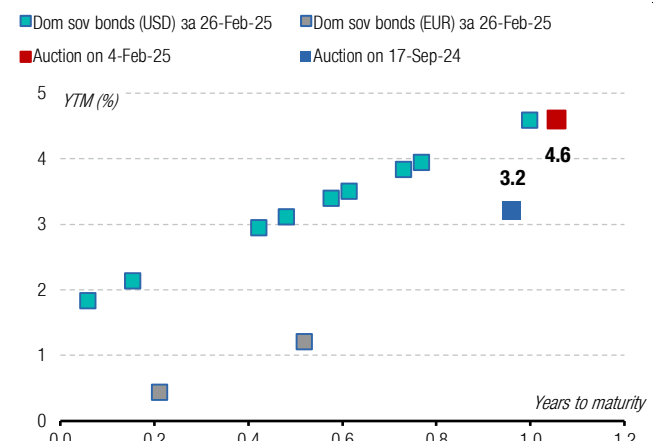
**Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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