

# Weekly Insight

## Ukraine and IMF complete 7th program review

### Key messages of the today's comments

#### Ukrainian bond market

##### New reserve bond allows MoF to increase borrowing

Last week, the MoF sold a new 3.5-year paper for UAH10bn, which is expected to be designated as a new reserve bond soon.

##### Market digests backlash from presidents' meeting

The key event of last week was the meeting of the presidents of Ukraine and the United States at the White House, which ended inconclusively after an emotional conversation. This week, the market will try to understand the further prospects of a peace deal.

#### Foreign exchange market

##### NBU strengthens hryvnia despite high deficit

The foreign currency shortage in the FX market remained significant, which did not prevent the NBU from strengthening the official hryvnia exchange rate to a new high YTD.

#### Economics

##### Staff-level agreement reached on 7th IMF program review

Last Friday, the IMF and Ukraine reached a staff-level agreement on the seventh review of the EFF arrangement.

### MONDAY, 3 MARCH 2025

#### Banks' reserves market (28 February 2025)

	Last	Weekly chg (%)	YoY chg (%)
NBU rate (%) <sup>1</sup>	14.50	+0bp	-50bp
ON rate (%)	14.50	+0bp	-50bp
Reserves (UAHm) <sup>2</sup>	233,825	-4.1	+10.1
CDs (UAHm) <sup>3</sup>	554,100	+10.5	-2.9

Notes: [1] NBU's key policy rate; [2] stock of banks' reserves held at NBU; [3] stock of NBU's certificates of deposit.

Source: NBU, Bloomberg, ICU.

#### Breakdown of gov't bond holders (UAHm) (28 February 2025)

	Last	Weekly chg (%)	YoY chg (%)
NBU	676,622	-0.1	-0.9
Banks	856,324	-2.5	+28.6
Residents	203,708	-1.2	+34.2
Individuals	81,212	-3.9	+33.9
Foreigners	19,884	-12.2	-54.4
<b>Total</b>	<b>1,838,163</b>	<b>-1.6</b>	<b>+14.5</b>

Source: NBU, ICU.

#### FX market indicators (28 February 2025)

	Last	Weekly chg (%)	YoY chg (%)
USD/UAH	41.5898	-0.1	+8.9
EUR/USD	1.0375	-0.8	-4.3
DXY	107.614	+0.9	+3.5

Source: Bloomberg, ICU.

#### Market gov't bond quotes (3 March 2025)

Maturity	Bid (%)	Ask (%)
6 months	15.50	14.25
12 months	16.50	15.25
2 years	18.00	16.50
3 years	18.50	17.00
12 months (\$)	5.00	4.50
2 years (\$)	N/A	N/A

Source: ICU.

# Ukrainian bond market

## New reserve bond allows MoF to increase borrowing

Last week, the MoF sold a new 3.5-year paper for UAH10bn, which is expected to be designated as a new reserve bond soon.

In the primary bond market, the MoF sold the usual military bonds for just UAH1.9bn and new 3.5-year notes for UAH10bn. New bonds maturing in August 2028 received over 3x oversubscription with interest rates not higher than 16%. See details in the [auction review](#).

New bonds were the most traded in the secondary bond market, with a 23% share in weekly trading, pushing the total turnover up by 24% to UAH16.9bn. Almost 1/3 of trading was in UAH bonds maturing this year.

Last week, the MoF redeemed the largest-ever bond issue of almost UAH41bn. The next redemption of UAH20.6bn is scheduled for 12 March.

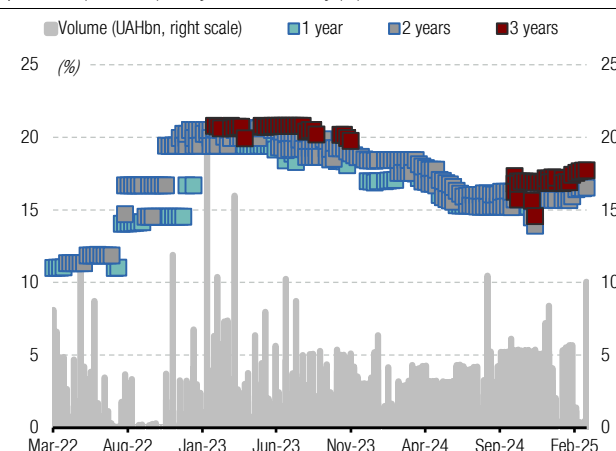
After last week's redemptions and borrowings, the total rollover in all currencies fell to 71% YTD from 79% in January. Rollover of UAH debt fell to 71% from 140% in January.

**ICU view: Most likely the MoF no longer expects significant demand for military bonds, and it decided to launch a new issue that may be added to the list of reserve bonds soon. Offering new paper allowed the MoF to refinance a large part of last week's redemption. Except for banks, which are interested in reserve bonds of all maturities, most investors prefer short-term securities that they buy in the secondary bond market. Therefore, new bonds with maturities of 16 months or longer do not see large demand. The secondary bond trading structure shows the same: banks trade new reserve notes, while small investors purchased short-term bills, mostly due in March, April or June.**

**This week, we will see similar auction results and MoF borrowings will be dominated by reserve bonds. To achieve a 100% rollover in 1Q25, the MoF has to borrow more than UAH40bn in March, which is unlikely if the offer of reserve bonds does not increase.**

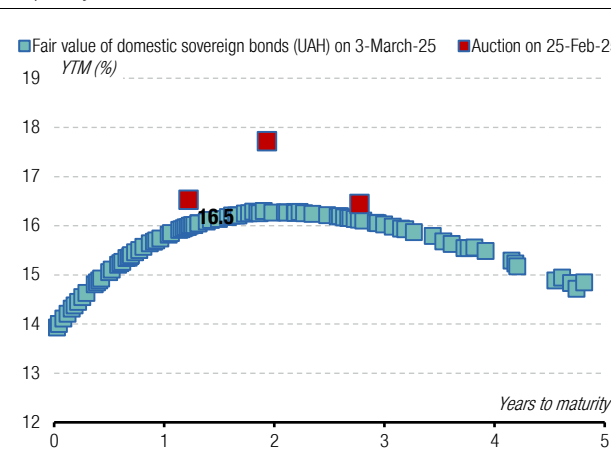
**Chart 1. Local-currency bonds**

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



Source: MFU, ICU.

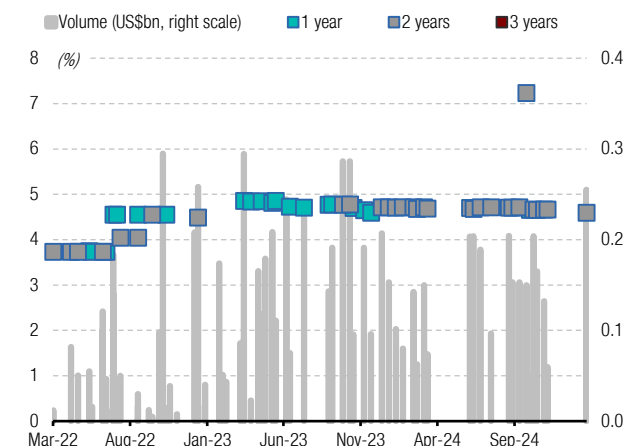
YTM's of domestic government bonds as calculated by NBU versus placements via primary market auctions



Source: NBU, MFU, ICU.

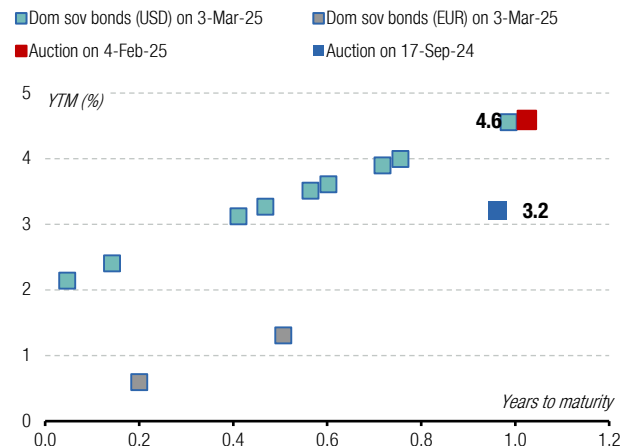
**Chart 2. FX-denominated bonds**

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



Source: MFU, ICU.

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



Source: NBU, MFU, ICU.

**Market digests backlash from presidents' meeting**

The key event of last week was the meeting of the presidents of Ukraine and the United States at the White House, which ended inconclusively after an emotional conversation. This week, the market will try to understand the further prospects of a peace deal.

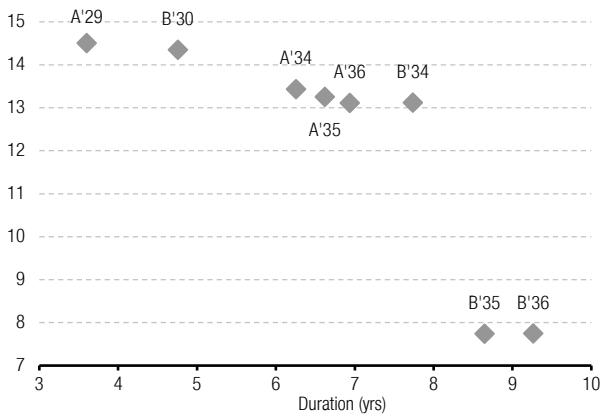
Last Wednesday, the Ukrainian government approved a draft agreement on minerals, called the agreement on the Reconstruction Investment Fund, but judging by its wording, it is no more than a cooperation memorandum and, most importantly, does not contain security guarantees for Ukraine. The signing of this agreement was supposed to be the key event during the visit of Ukraine President to the White House. However, the negotiations were not held, and the agreement was not signed, as the meeting ended early due to emotional outbursts and accusations of ingratitude from the Americans.

At the beginning of the week, Eurobond prices slightly rose, but on Wednesday, they began to fall again. On average, Eurobond prices did not see material change during the week. VRIs lost 1% last week. Their price declined to 83 cents on the dollar of notional value. The EMBI index rose by 0.9% last week.

**ICU view: Last Friday's meeting at the White House ended with a negative note for Ukraine. This week, the market will try to best guess the further prospects of the peace deal and the chances of Ukraine resuming constructive talks with the US. Over the weekend, there were several meetings of the president of Ukraine in Europe, which indicated strengthened support for the country in sharp contrast to the trend in the relations with the US. The European leaders promised to develop their plan for a peace deal for Ukraine. We expect volatility to persist in the Eurobond market in the coming weeks.**

**Chart 3. Ukrainian Eurobond YTM and prices**

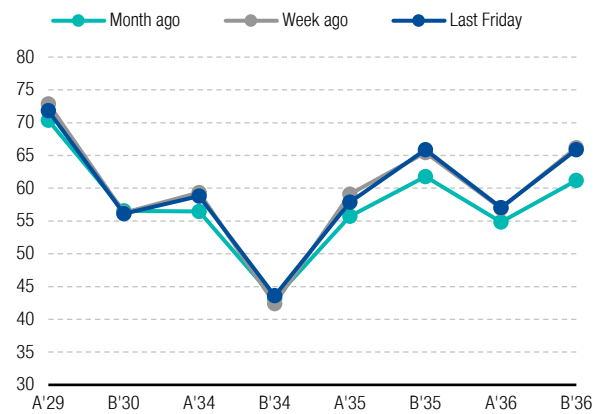
*Eurobonds yield map*



Note: The nominal value of Series B bonds due in 2035 and 2036 may increase in 2030

Source: Bloomberg, ICU.

*Prices of Eurobonds as of last Friday, a week ago and a month ago*



Source: Bloomberg, ICU.

## Foreign exchange market

### NBU strengthens hryvnia despite high deficit

The foreign currency shortage in the FX market remained significant, which did not prevent the NBU from strengthening the official hryvnia exchange rate to a new high YTD.

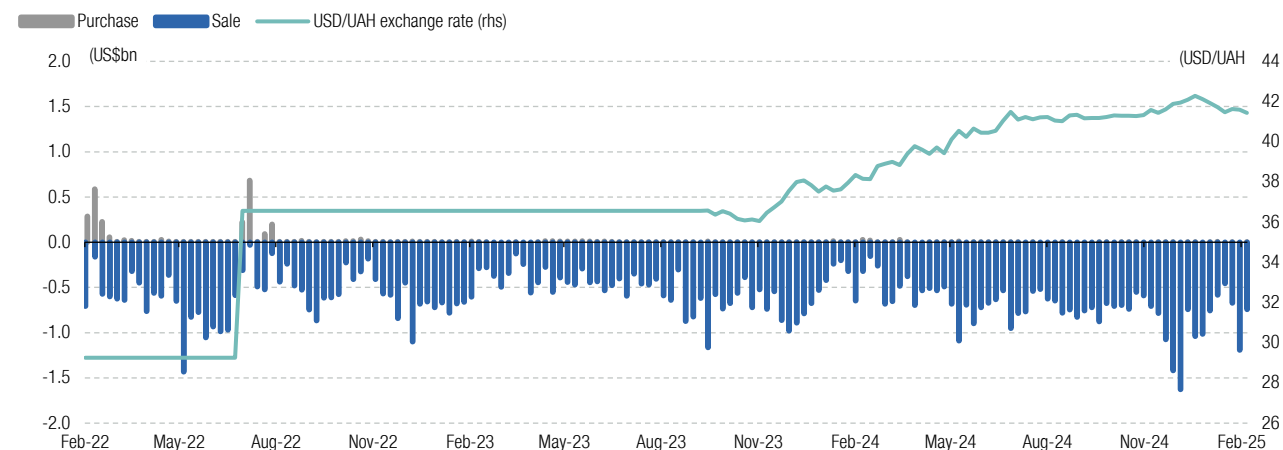
The total hard currency deficit fell by 43% WoW to US\$497m, mainly on lower net purchases on the interbank FX market. Last week, the sale of foreign currency by bank clients (legal entities) was up by 10% while purchases declined by 17%. In the retail segment, net purchases contracted 12% to US\$138m. The NBU reduced interventions by 38%, but they still remained significant at US\$742m.

On Friday, the NBU decided to strengthen the official hryvnia exchange rate to UAH41.43/US\$, the strongest level since November. The official hryvnia exchange rate is up by 0.4% last week and 1.4% YTD. The cash exchange rate in systemically important banks decreased to UAH41.3-41.8/US\$ at the end of the week, or by 0.3% for the week and by more than 1% YTD.

**ICU view: Higher supply at the end of the month was driven by the need for exporters to make tax payments, and they sold export proceeds to accumulate hryvnia liquidity. Coupled with lower demand, this allowed the NBU to keep the hryvnia close to the three-month peak despite a decrease in interventions. However, we expect the NBU will move to a gradual weakening of the hryvnia in the following few weeks, moving towards about UAH46/US\$ at the end of this year while the need for weekly interventions may be slightly up.**

#### Chart 4. FX market indicators, 3-year history

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market and NBU interventions (weekly data)



Source: NBU, Bloomberg, ICU.

## Economics

### Staff-level agreement reached on 7th IMF program review

Last Friday, the IMF and Ukraine reached a staff-level agreement on the seventh review of the EFF arrangement.

Following approval of the IMF Board, Ukraine will receive a US\$0.4bn loan tranche bringing total disbursement to US\$10.1bn out of US\$15.5bn earmarked under the program. The IMF noted that the program performance remains strong with all quantitative criteria being met while seven out of eight structural benchmarks were completed on time and one with a delay. Also, Ukraine requested that a portion of unused the IMF loan be shifted back due to a revised profile of balance of payment needs. At this point, no details about changes in the 2025 BoP profile were provided by the IMF. The two other noteworthy messages from the press release are a marginal revision of 2025 GDP forecast to 2-3% from 2.5-3.5% previously and a reminder that a treatment of GDP warrants remains one of the prerequisites for restoring debt sustainability.

**ICU view: Successful completion of the seventh IMF program review was widely expected, especially after the Ukrainian parliament voted to set up new High Administrative Court. We expect seamless approval of the review by the IMF Board in March. We expect a publication of MEFP to see how the projected 2025 BoP profile changed so that it triggered a rescheduling of the IMF assistance to later periods.**

This page is intentionally left blank



11th floor, LEONARDO Business Centre  
19-21 Bogdan Khmelnytsky Street  
Kyiv, 01030 Ukraine  
Phone/Fax +38 044 3777040

WEB [www.icu.ua](http://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

Investment Capital Ukraine LLC is regulated by Securities and Stock Market State Commission of Ukraine (license numbers: dealer activity AE 263019, broker activity AE 263018, underwriting activity AE 263020 dated 11 April 2013).

---

## DISCLAIMER

This research publication has been prepared by Investment Capital Ukraine LLC solely for information purposes for its clients. It does not constitute an investment advice or an offer or solicitation for the purchase or sale of any financial instrument. While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, Investment Capital Ukraine makes no representation that it is accurate or complete. The information contained herein is subject to change without notice. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of Investment Capital Ukraine LLC. All rights are reserved. Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates. Past performance is not indicative of future results. Investors should make their own investigations and investment decisions without relying on this report. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this report.

**Additional information is available upon request.**

