

Bond Market Insight

Banks in no hurry to buy reserve bonds

Comment on government bond placement

The MoF borrowed almost UAH6.7bn in local currency yesterday with a slight decrease in yields on the 3.5-year notes, which may become reserve bonds.

Military bills, as expected and as usual, received little demand. Retail investors, the main buyers of military bonds, prefer securities with a maturity of up to one year rather than longer tenors.

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 ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Outstanding (m) ⁴
UA4000234215	14.10	SA	24-Jun-26	959,782	1,019.81	978.79	959.78	16.53	4,941.81
UA4000234223	16.20	SA	9-Jun-27	604,847	1,022.98	618.74	604.85	17.72	8,333.31
UA4000234553	15.77	SA	9-Aug-28	5,000,000	1,015.39	5,076.94	5,000.00	16.17	15,000.00
Total UAH				6,564,629	6,674.47	6,564.63			28,275.12

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.

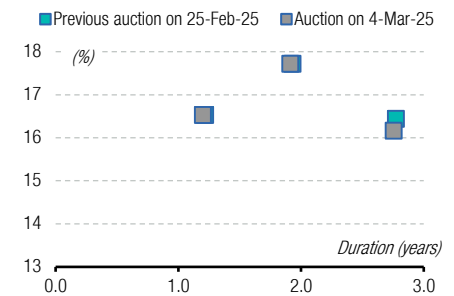
Accordingly, 14-month bonds received UAH960m of bids and 2.4-year paper just UAH605m. Competitive bids were mainly at last week's cut-off rate and the MoF satisfied all of them without changes in the yields.

At the same time, potential reserve bonds received another significant oversubscription. The volume of demand exceeded UAH26.3bn. The minimum rate was up by 29bp to 14.29%, while the maximum rate remained at 16%. The cap (UAH5bn) was exhausted at a rate of 15.99%, so the Ministry rejected four bids in full, and some participants were not able to purchase the full desired volume of bonds. As a result, the weighted average rate decreased by 25bp to 15.52%.

It is worth noting that such a reduction in the rate on reserve bonds is perhaps the smallest since October last year when the MoF began actively selling reserve bonds and the NBU increased reserve requirements for banks. Banks appear to be buying bonds in advance of the MoF redeeming other reserve paper in April. Therefore, the MoF is in no hurry to significantly lower rates, especially on the eve of the next meeting of the NBU board on monetary policy issues, where the NBU may raise the discount rate.

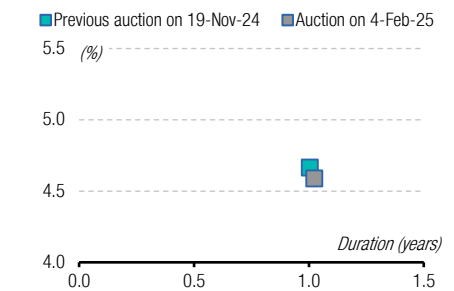
WEDNESDAY, 5 MARCH 2025

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



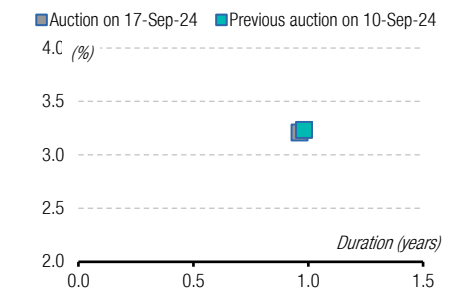
Source: Ministry of Finance of Ukraine, ICU.

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

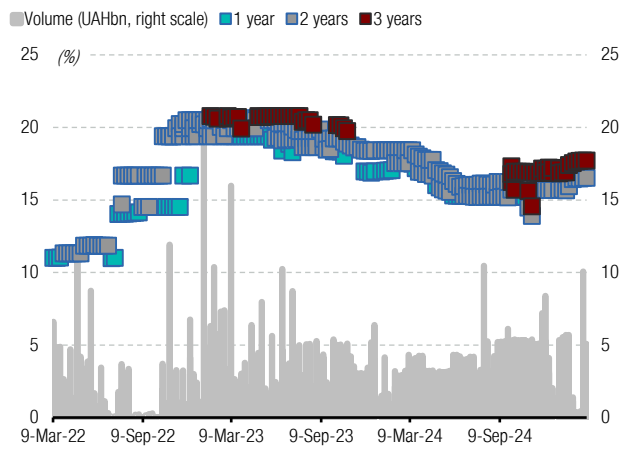


Source: Ministry of Finance of Ukraine, ICU.

Appendix: Yields-to-maturity, repayments

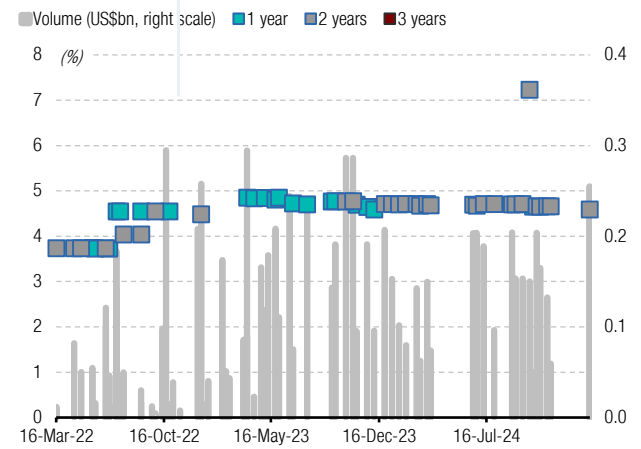
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

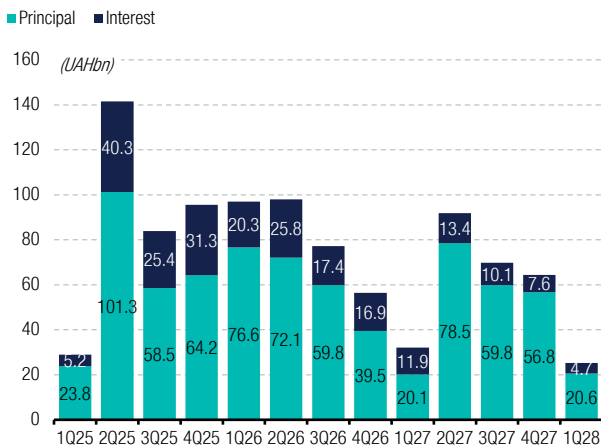
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

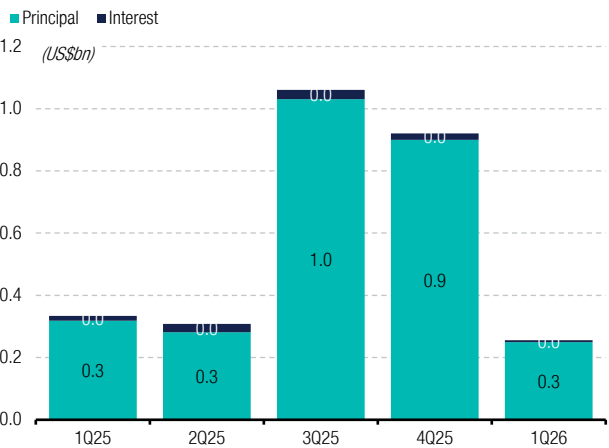
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

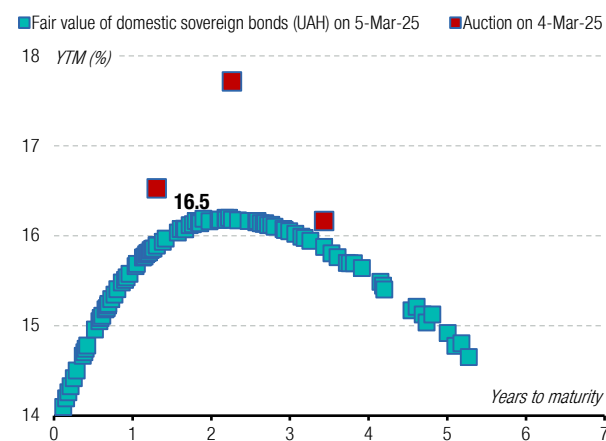
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

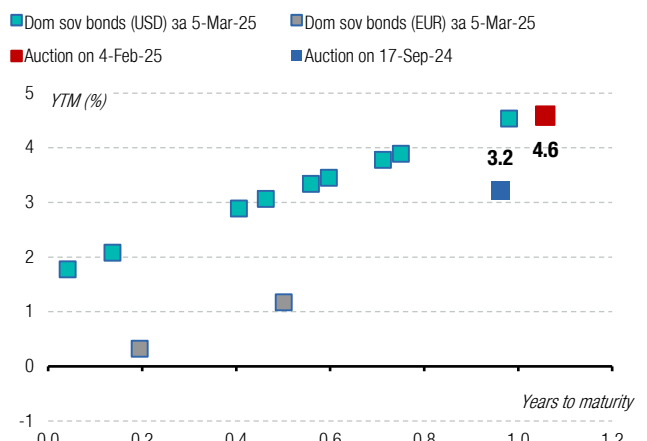
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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.

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



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.

