

# Bond Market Insight

## MoF follows NBU's rate increase

### Comment on government bond placement

The MoF continues to follow the NBU in interest rate increases. After receiving large demand, the MoF agreed to accept less aggressive bids and increase bond yields by 50bp, only half of the NBU's key rate increase last week.

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

ISIN	Coupon rate (%)	Payment freq <sup>1</sup>	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	359,711	1,017.63	366.05	359.71	17.03	5,301.52
UA4000234223	16.20	SA	9-Jun-27	3,040,730	1,017.28	3,093.26	3,040.73	18.26	11,374.04
UA4000234553	15.77	SA	9-Aug-28	5,000,000	1,015.85	5,079.26	5,000.00	16.27	20,000.00
<b>Total UAH</b>				<b>8,400,441</b>	<b>8,538.57</b>	<b>8,400.44</b>			<b>36,675.56</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.

16-month bills received over UAH2bn of bids, including only UAH81m in non-competitive demand. Out of 30 bids, the MoF accepted 24, with interest rates up to 16.35%, 50bp above last week's cut-off rate, borrowing just UAH360m. The MoF rejected another six bids, as they had interest rates up to 16.85%.

Demand for 2.3-year paper was similar. The MoF received 36 bids amounting to UAH3.8bn, with interest rates ranging from 16.9% to 17.95%. The ministry rejected five of the most expensive bids and set the cut-off rate at 17.45%.

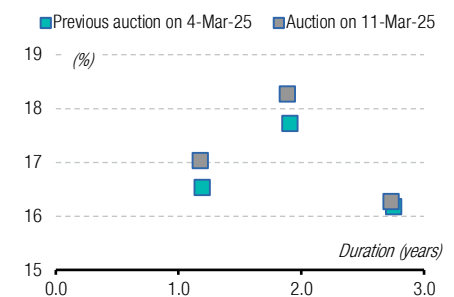
The decline in rates for reserve note slowed. An increase in the NBU key policy rate induced banks to increase yields in their bids: the lowest rate rose by 90 bp and the highest rate by 50 bp. Due to competition and higher bid rates, the cut-off rate slid by only 10 bp, and the weighted-average rate rose by only 9 bp to 15.89% and 15.61%, respectively.

The NBU's hike in the key policy rate and announcement of an increase in the three-month CDs rate since April induced the MoF to follow the NBU in rate increases, but slowly. This MoF decision looks understandable for the bond market, as it can be final. The MoF almost rolled all debt redemptions YTD; yesterday, it could complete the rollover by accepting all bids.

The MoF will redeem another UAH24bn of bonds in March, and to meet 100% rollover, the MoF should borrow another UAH26bn this month. This is not an easy task without reserve bonds, as yesterday's demand shows that an increase in rates will not allow the MoF to borrow enough funds to roll all redemptions without reserve bonds.

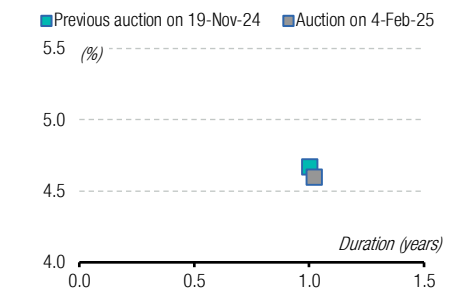
### WEDNESDAY, 12 MARCH 2025

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



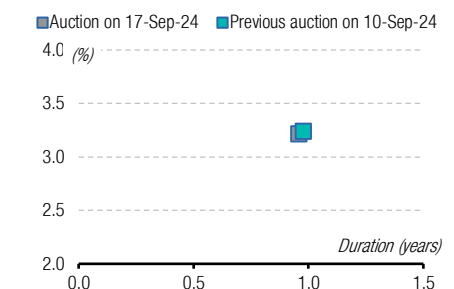
Source: Ministry of Finance of Ukraine, ICU.

#### 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



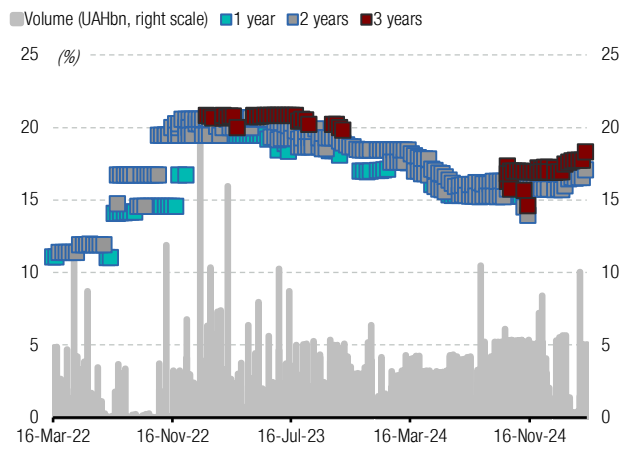
Source: Ministry of Finance of Ukraine, ICU.

READ FIRST THE DISCLOSURES SECTION (ON LAST PAGE) FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATION

# Appendix: Yields-to-maturity, repayments

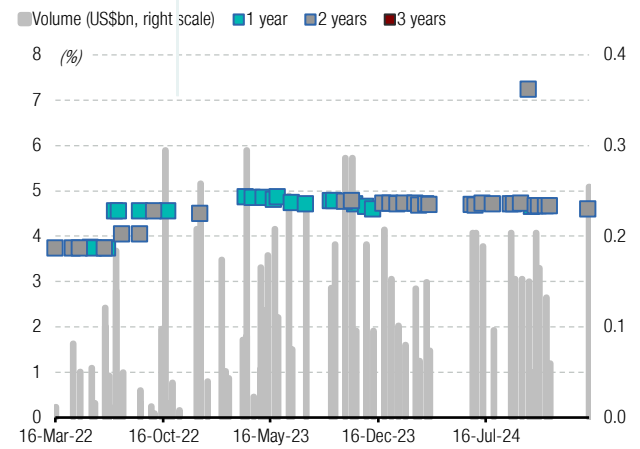
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

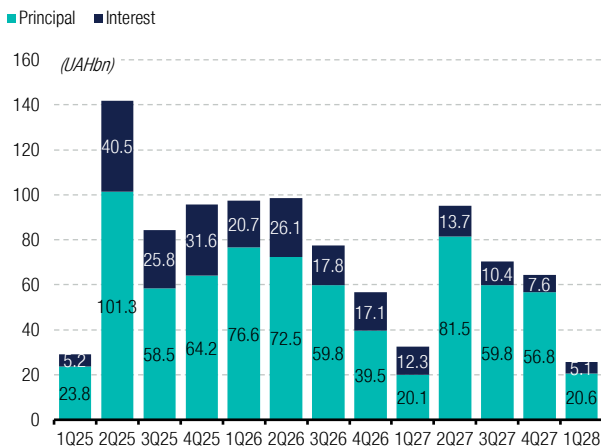
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

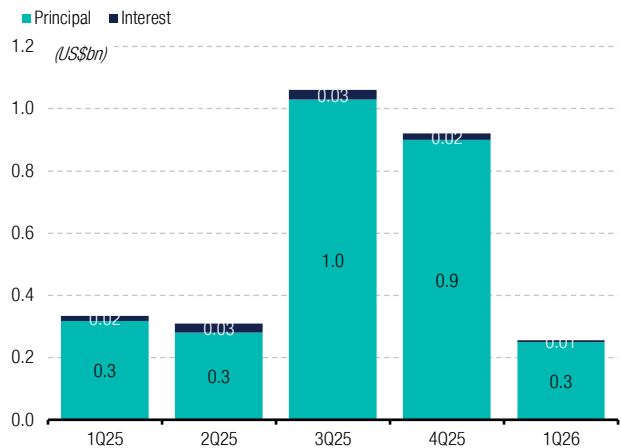
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

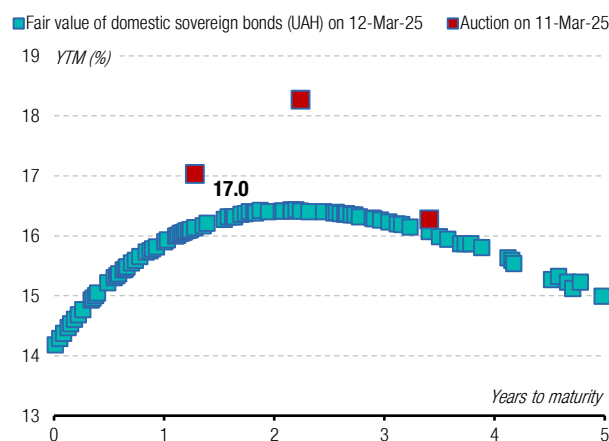
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

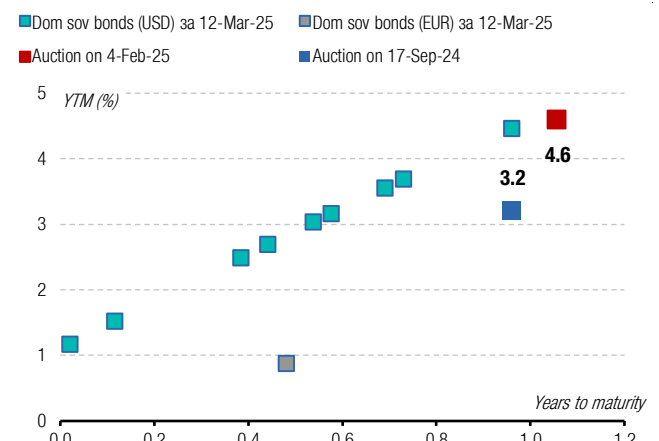
**Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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