

# Bond Market Insight

## Government bond auction results: Refinanced key repayments

WEDNESDAY, 30 APRIL, 2014

Most of the UAH2.0bn in principal and interest repayments scheduled for today were refinanced yesterday, most likely via domestic QE as the NBU purchased UAH1.5bn in government bonds from banks' portfolios.

The list of bonds offered at this auction was amended twice, with only two bonds, the 9-month local currency bond and 4-year USD-denominated bond, being offered originally. The 9-month bond was replaced with a 3-month bond and 3-year bonds denominated in local currency. On Monday, the 3-year bond was replaced with new one with a shorter maturity.

As a result, bids were submitted for the 3-month and 3-year bonds. The zero-coupon bond attracted five bids for a total of UAH0.07bn at interest rates in the range of 9.95-16.00%. The MoF accepted only one bid at the lowest interest rate that matched similar bonds offered in April. At the same time, the 3-year bond collected significantly larger demand of UAH1.6bn at 15.00%.

**Table 1. Details of last government bond auction**

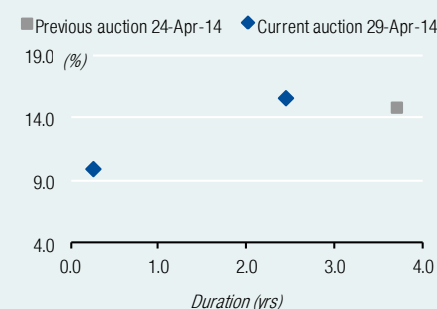
ISIN	Coupon rate (%)	Payment freq <sup>1</sup>	Maturity	Qty of bonds sold	Price (UAH)	Proceeds <sup>2</sup> (UAHm)	Volume <sup>2</sup> (UAHm)	YTM <sup>3</sup> (%)	Outstanding (m)
UA4000180442	0.00		30-Jul-14	20,000	975.79	19.52	20.00	9.95	20.00
UA4000180459	15.00	SA	29-Mar-17	1,600,000	1,010.79	1,617.26	1,600.00	15.61	1,600.00
<b>Total</b>				<b>1,620,000</b>		<b>1,636.78</b>	<b>1,620.00</b>		<b>1,620.00</b>

Note: Note: [1] payment frequency abbreviations: Q - quarterly, SA - semi-annually; [2] proceeds and volumes for the USD-denominated bonds are calculated based on the previous day last price of USD/UAH exchange rate 1; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

The MoF attracted UAH1.64bn of proceeds which will cover all principal repayments but only a small part of interest repayments scheduled for today, all of which should be fulfilled as today is the final day of month-end tax payments.

Out of necessity, the MoF continued to use domestic QE to refinance debt repayments due to the current economic situation and lack of other sources for debt financing. The existence of some market demand is positive, but further development will require new steps from the MoF to attract market bids.

RESEARCH INSIGHT

**Term structure of yields**


Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

**Auction results**

Auction	Last 29-Apr-14	Previous 24-Apr-14	Change
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**Breakdown by yields (%)**

3-month	9.95
6-month	
9-month	
1-year	
2-year	
3-year	15.61
5-year	14.85

**Breakdown by proceeds (UAHm)**

3-month	19.52
6-month	
9-month	
1-year	
2-year	
3-year	1,617.26
5-year	74.96
<b>Total</b>	<b>1,636.78</b>

**Effective yield and duration at the auction**

Yield-to-maturity (%)	15.11	14.85	26bp
Duration (years)	1.38	3.70	-62.76%

**Local currency government bonds outstanding (eop)**

Volume <sup>1</sup> (UAHbn)	102.49	100.87	1.61%
WA life <sup>2</sup> (years)	3.70	3.73	-0.72%

Notes: yields on coupon bearing bonds are effective yields to maturity; [1] only bonds that were placed via the auctions; [2] WA life – weighted average life or years to maturity.

Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

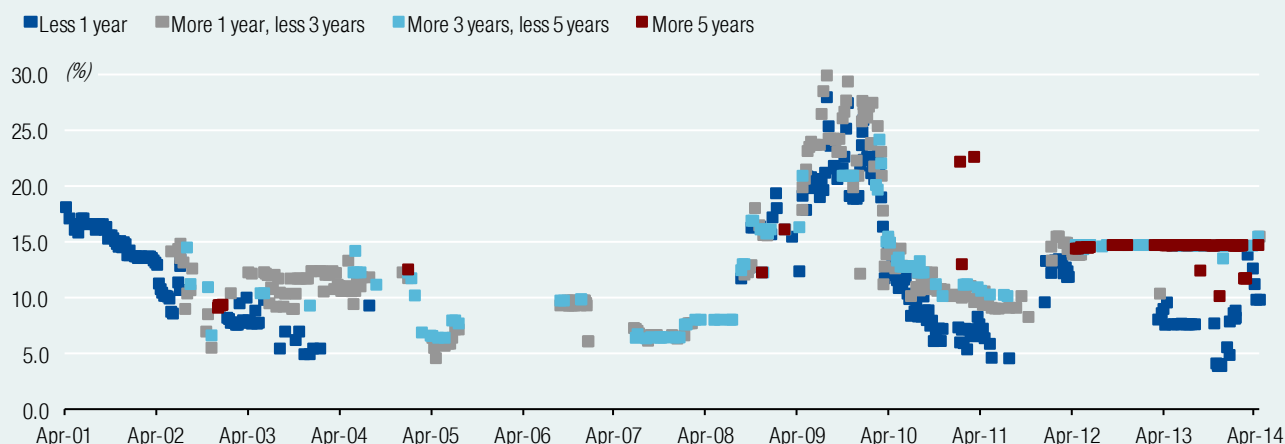
**Research team**

**Alexander Valchysen**  
**Taras Kotovych**

Kiev, +38 (044) 2200120 extn.242

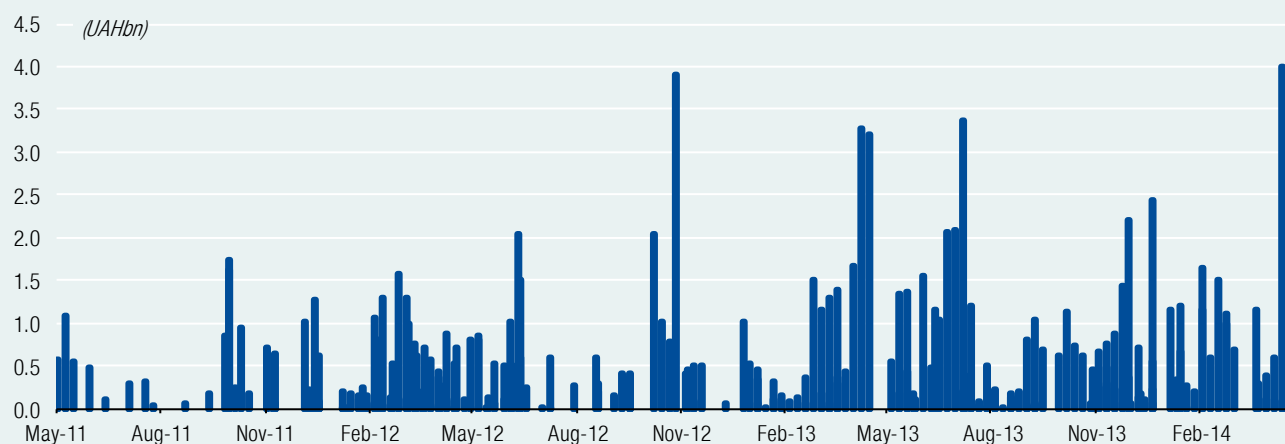
## Appendix: Auctions history and schedule for 2013

**Chart 1. History of yields at government bond auctions: breakdown by tenor of bonds sold (last 3-year period)**



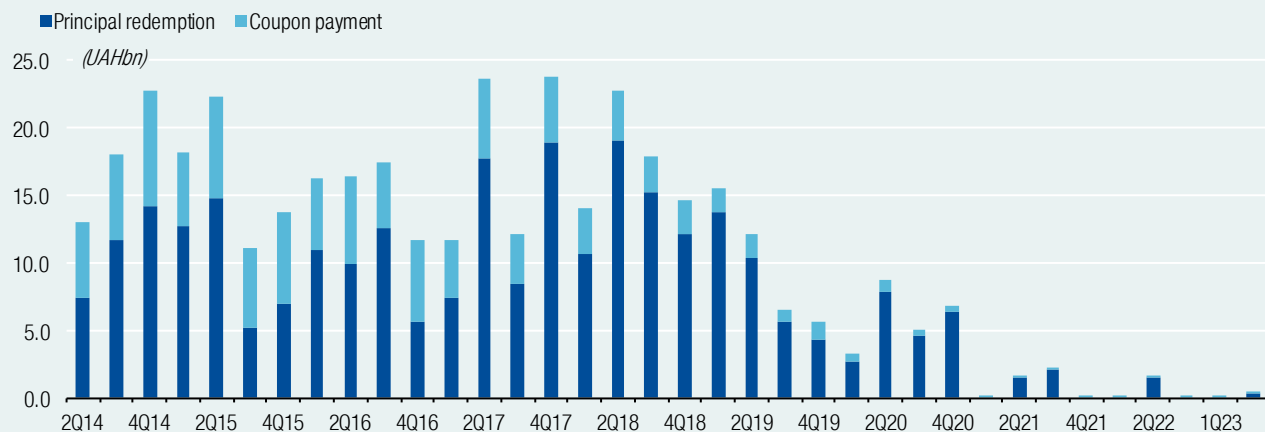
Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

**Chart 2. History of proceeds at government bond auctions: breakdown by tenor of bonds sold (last 3-year period)**



Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

**Chart 3. Schedule of redemptions of the local-currency government bonds\***



Note: the chart depicts data on bonds, which were placed via the auctions, i.e. it does not contain data on recapitalisation bonds.  
Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

**Table 2. Schedule of government bond auctions in 2013**

Action dates, tenors of bonds to be offered and volume (in hryvnia) of government's refinancing needs for the next 7-day period as of auction date

Month	Auction details	1st Tuesday	2nd Tuesday	3rd Tuesday	4th Tuesday	5th Tuesday
<b>January</b>	Auction date	7-Jan-14	14-Jan-14	21-Jan-14	28-Jan-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	0.00	0.00	0.00	0.00	
<b>February</b>	Auction date	4-Feb-14	11-Feb-14	18-Feb-14	25-Feb-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	0.00	0.00	0.00	0.00	
<b>March</b>	Auction date	4-Mar-14	11-Mar-14	18-Mar-14	25-Mar-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	0.00	0.00	0.00	0.00	
<b>April</b>	Auction date	1-Apr-14	8-Apr-14	15-Apr-14	22-Apr-14	29-Apr-14
	Short-term bonds	N/A	N/A	N/A	N/A	N/A
	Medium-term bonds	N/A	N/A	N/A	N/A	N/A
	Next 7 days refinancing needs	0.00	0.00	0.00	0.00	<b>2,162,947,970.40</b>
<b>May</b>	Auction date	6-May-14	13-May-14	20-May-14	27-May-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	427,842,641.85	<b>1,632,546,298.50</b>	<b>3,427,328,496.04</b>	<b>758,255,220.23</b>	
<b>June</b>	Auction date	3-Jun-14	10-Jun-14	17-Jun-14	24-Jun-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	488,011,594.75	<b>1,999,827,323.75</b>	<b>897,605,550.50</b>	<b>1,149,228,025.31</b>	
<b>July</b>	Auction date	1-Jul-14	8-Jul-14	15-Jul-14	22-Jul-14	29-Jul-14
	Short-term bonds	N/A	N/A	N/A	N/A	N/A
	Medium-term bonds	N/A	N/A	N/A	N/A	N/A
	Next 7 days refinancing needs	<b>1,438,486,890.00</b>	<b>1,137,951,530.13</b>	<b>521,081,257.19</b>	<b>3,918,129,435.50</b>	<b>1,984,597,370.00</b>
<b>August</b>	Auction date	5-Aug-14	12-Aug-14	19-Aug-14	26-Aug-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	414,910,058.13	<b>536,626,742.19</b>	<b>1,735,195,023.50</b>	<b>1,116,334,316.23</b>	
<b>September</b>	Auction date	2-Sep-14	9-Sep-14	16-Sep-14	23-Sep-14	30-Sep-14
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	219,550,000.00	<b>2,118,175,777.00</b>	<b>781,654,905.44</b>	<b>2,115,134,199.00</b>	<b>880,580,000.00</b>
<b>October</b>	Auction date	7-Oct-14	14-Oct-14	21-Oct-14	28-Oct-14	
	Short-term bonds	N/A	N/A	N/A	N/A	N/A
	Medium-term bonds	N/A	N/A	N/A	N/A	N/A
	Next 7 days refinancing needs	<b>2,164,558,150.00</b>	<b>758,769,154.50</b>	<b>1,077,406,518.38</b>	<b>1,825,378,900.15</b>	
<b>November</b>	Auction date	4-Nov-14	11-Nov-14	18-Nov-14	25-Nov-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	<b>1,627,942,641.85</b>	<b>2,152,816,298.50</b>	<b>2,163,644,742.24</b>	<b>1,913,255,220.22</b>	
<b>December</b>	Auction date	2-Dec-14	9-Dec-14	16-Dec-14	23-Dec-14	30-Dec-14
	Short-term bonds	N/A	N/A	N/A	N/A	N/A
	Medium-term bonds	N/A	N/A	N/A	N/A	N/A
	Next 7 days refinancing needs	<b>740,680,594.75</b>	<b>2,922,392,710.00</b>	<b>2,495,875,550.50</b>	<b>1,583,312,275.31</b>	438,486,890.00

Notes: 1) highlighted data in the rows of "Next 7 days refinancing needs" indicates critical volume of refinancing needs (i.e. above UAH0.5bn) for the government in the next 7-day period; 2) the volume of refinancing needs include principal redemptions and coupon payments.

Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

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**INVESTMENT CAPITAL UKRAINE**  
INVESTMENT BANKING

Office 44, 11th floor, LEONARDO Business Centre  
19-21 Bogdan Khmelnytsky Street  
Kiev, 01030 Ukraine  
Phone/Fax +38 044 2200120

**CHAIRMAN OF THE BOARD OF DIRECTORS**

**Valeria Gontareva**  
valeria.gontareva@icu.ua

**CORPORATE FINANCE TEL. +38 044 2200120**

**Makar Paseniuk**, Managing Director  
makar.paseniuk@icu.ua

**Volodymyr Demchyshyn**, Director  
volodymyr.demchyshyn@icu.ua

**Ruslan Kilmukhametov**, Vice-president  
ruslan.kilmukhametov@icu.ua

**FIXED-INCOME SALES AND TRADING TEL. +38 044 2201621**

**Konstantin Stetsenko**, Managing Director  
konstantin.stetsenko@icu.ua

**Sergiy Byelyayev**, Fixed-Income Trading  
sergiy.byelyayev@icu.ua

**Vitaliy Sivach**, Fixed-Income Trading  
vitaliy.sivach@icu.ua

**EQUITY SALES AND TRADING TEL. +38 044 2201621**

**Vlad Sinani**, Director, Equities  
vlad.sinani@icu.ua

**Julia Pecheritsa**, International Equity Sales  
julia.pecheritsa@icu.ua

**RESEARCH DEPARTMENT TEL. +38 044 2200120**

**Alexander Valchyshen**,  
Head of Research  
alexander.valchyshen@icu.ua

**Alexander Martynenko**  
Senior equity analyst (Metals & Mining)  
alexander.martynenko@icu.ua

**Taras Kotovych**, Fixed-income analyst  
taras.kotovych@icu.ua

**Lee Daniels, Rolfe Haas**  
Editors

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