



# Bond Market Insight

## Government bond auction results: Only 2-year bonds sold

WEDNESDAY, 14 MAY, 2014

As expected, the MoF sold UAH1.99bn (par value) of the 2-year bonds that were added to the schedule on Monday.

Four bids for these bonds were all accepted at 17.00%, which is significantly higher than the 15.00% for 3-year bonds sold last week. Yesterday's interest rate increase could be the result of domestic QE tightening, whereby the MoF raised the cut-off interest rate to incite the banks to purchase these bonds. However, the MoF did reject a sole bid for UAH50.00m (par value) at 18.00%.

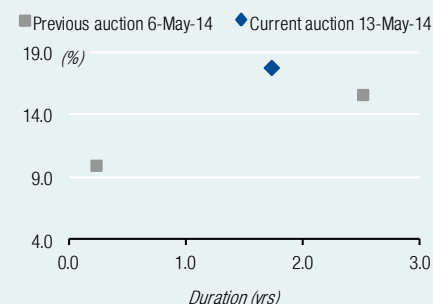
**Table 1. Details of last government bond auction**

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)
UA4000180582	17.00	SA	27-Apr-16	1,987,478	1,006.30	2,000.00	1,987.48	17.77	1,987.48
<b>Total</b>				<b>1,987,478</b>		<b>2,000.00</b>	<b>1,987.48</b>		<b>1,987.48</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.

Of the UAH1.64bn in principal and interest debt repayments scheduled for today, raised proceeds amounted to UAH2.00bn. The remainder of the received funds will be spent on current budget needs. Next week, the MoF has to repay more than twice the amount scheduled for this week.

RESEARCH INSIGHT

**Term structure of yields**


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

**Auction results**

Auction	Last 13-May-14	Previous 6-May-14	Change
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**Breakdown by yields (%)**

3-month		9.95	
6-month			
9-month			
1-year			
2-year	17.77		
3-year		15.61	
5-year			

**Breakdown by proceeds (UAHm)**

3-month		146.60	
6-month			
9-month			
1-year			
2-year	2,000.00		
3-year		100.00	
5-year			
<b>Total</b>	<b>2,000.00</b>	<b>246.60</b>	<b>8.11x</b>

**Effective yield and duration at the auction**

Yield-to-maturity (%)	17.74	15.15	259bp
Duration (years)	1.74	1.40	23.91%

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

Volume <sup>1</sup> (UAHbn)	103.29	101.30	1.96%
WA life <sup>2</sup> (years)	3.67	3.73	-1.42%

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.

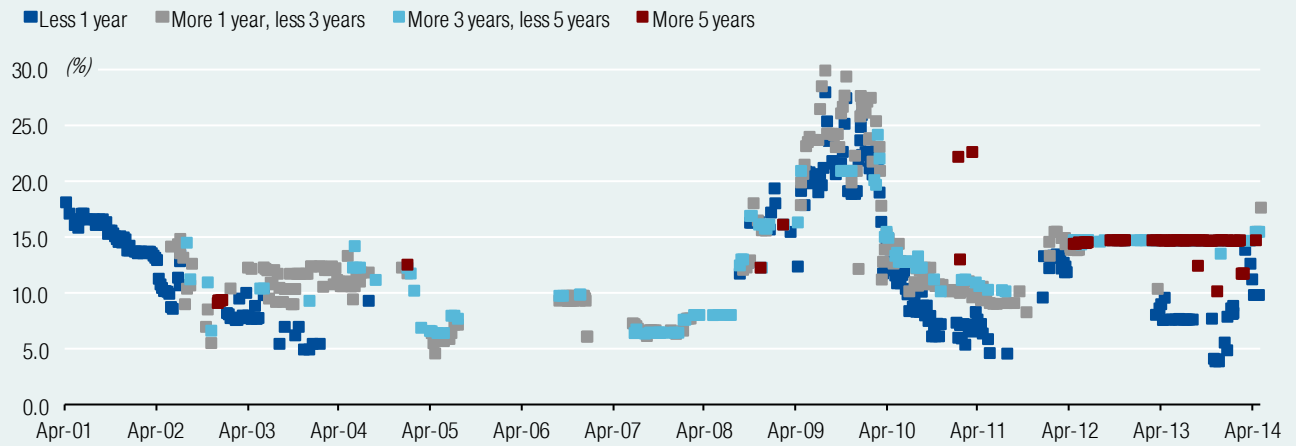
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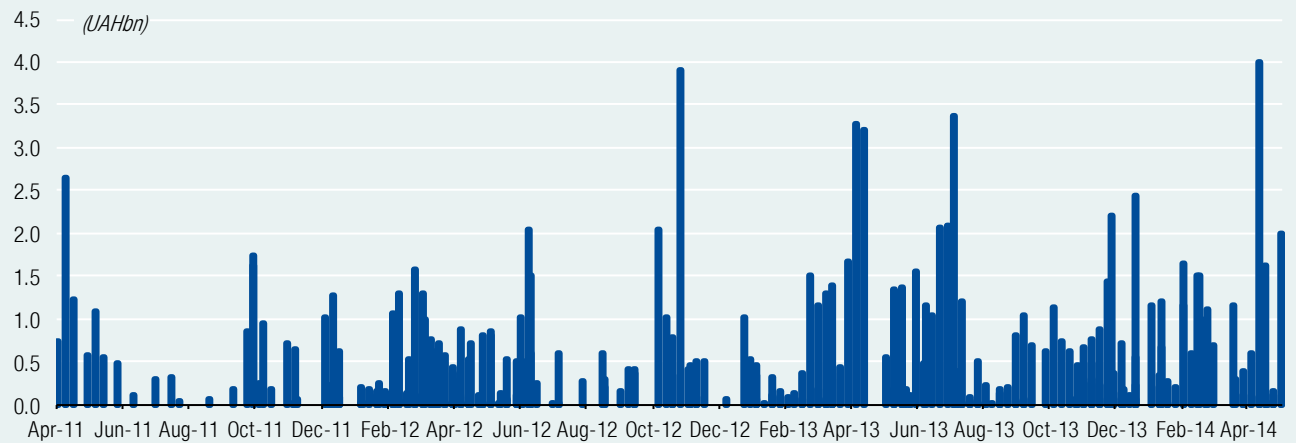
## Appendix: Auctions history and schedule for 2014

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



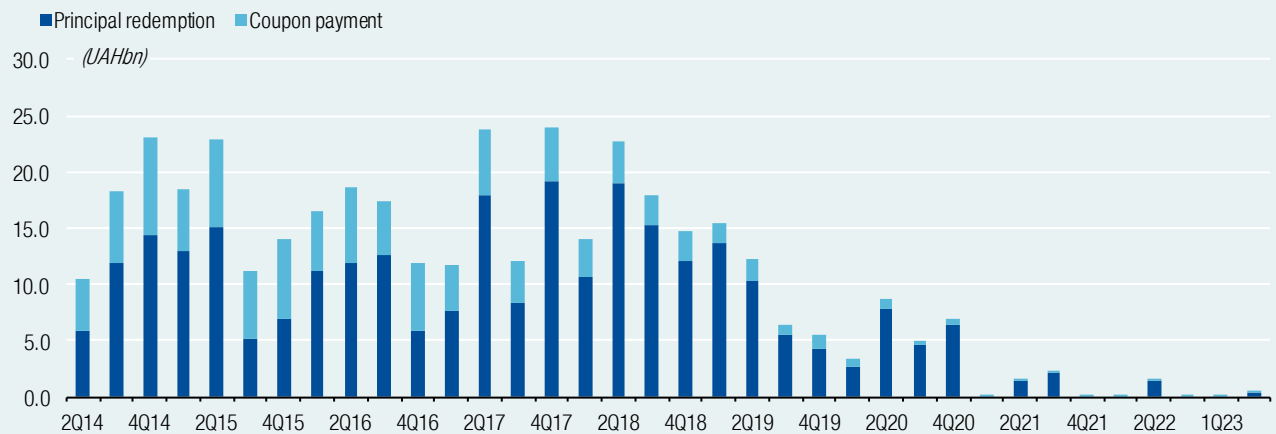
Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

**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 2014**

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	0.00
<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	0.00	<b>1,632,546,298.50</b>	<b>3,484,130,537.01</b>	<b>764,493,328.88</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	490,524,704.30	<b>2,002,398,173.75</b>	<b>899,869,287.60</b>	<b>1,156,178,874.00</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>1,139,794,995.60</b>	<b>522,596,374.15</b>	<b>4,006,787,046.50</b>	<b>2,138,448,098.75</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	415,016,644.00	<b>542,054,529.00</b>	<b>1,735,776,473.50</b>	<b>1,116,908,974.89</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>2,163,758,339.50</b>	<b>787,186,560.10</b>	<b>2,119,055,695.00</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>1,081,678,546.80</b>	<b>2,014,422,137.34</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>1,638,700,328.31</b>	<b>2,152,816,298.50</b>	<b>2,204,033,944.37</b>	<b>1,948,493,328.88</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>743,193,704.30</b>	<b>2,990,213,560.00</b>	<b>2,498,139,287.60</b>	<b>1,619,041,274.00</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.

# Disclosures

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