

# Bond Market Insight

## Government bond auction results: All bids rejected

WEDNESDAY, 21 MAY, 2014

RESEARCH INSIGHT

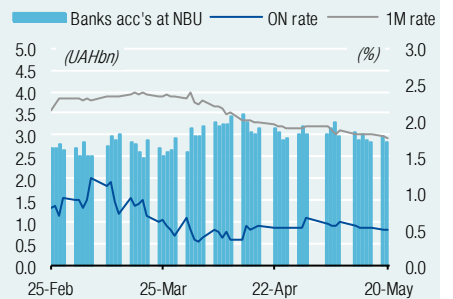
For the first time in nearly two months, the MoF rejected all bids submitted at yesterday's auction, most likely because of small bids at relatively high rates. Although an additional auction could be held to refinance today's debt repayments, the MoF could use FX proceeds from last week's Eurobond issue.

Bids were submitted for three out of the four bonds offered at the auction, including the 3-month zero-coupon bond, the 2-year and 3-year coupon-bearing bonds, all denominated in local currency. The MoF received five bids which were at low volumes compared with the previous auction's volumes. The submitted interest rates in submitted bids were at about 17.00% or lower than the KyivPrime 1M interest rate. Two bids for a total of UAH100.00m were submitted for the 3-month bond at 16.50% and 17.00%, and one bid was submitted for UAH10.0m of the 3-year bond at 17.75%. Two bids were submitted for UAH20.0m of the 2-year bond, similar to last week's auction, and very close interest rates to last week's cut-off rate, at 17.00% and 17.25%.

With UAH3.46bn in debt principal and interest repayments scheduled for today, yesterday's demand was insufficient, especially at higher interest rates. Although today's debt repayments could be mostly made using funds received from foreign borrowings and budget revenues from tax payments, an additional unscheduled auction could be held.

### Banks' acc' with the NBU and KyivPrime rates.

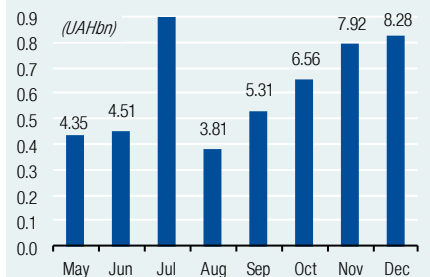
Last 3-month period



Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

### UAH state debt payback (UAHbn)

Until the end of 2011



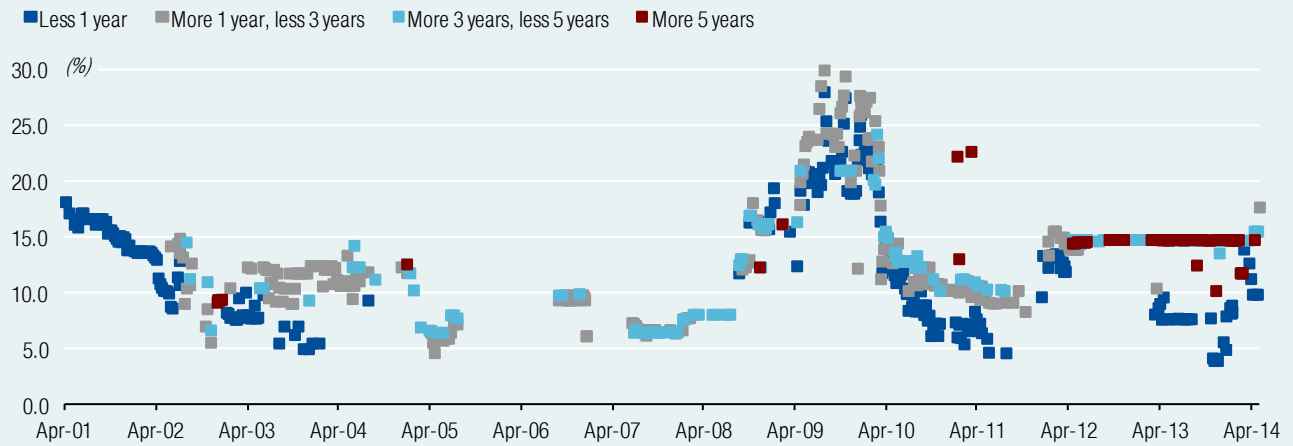
Sources: Ministry of Finance of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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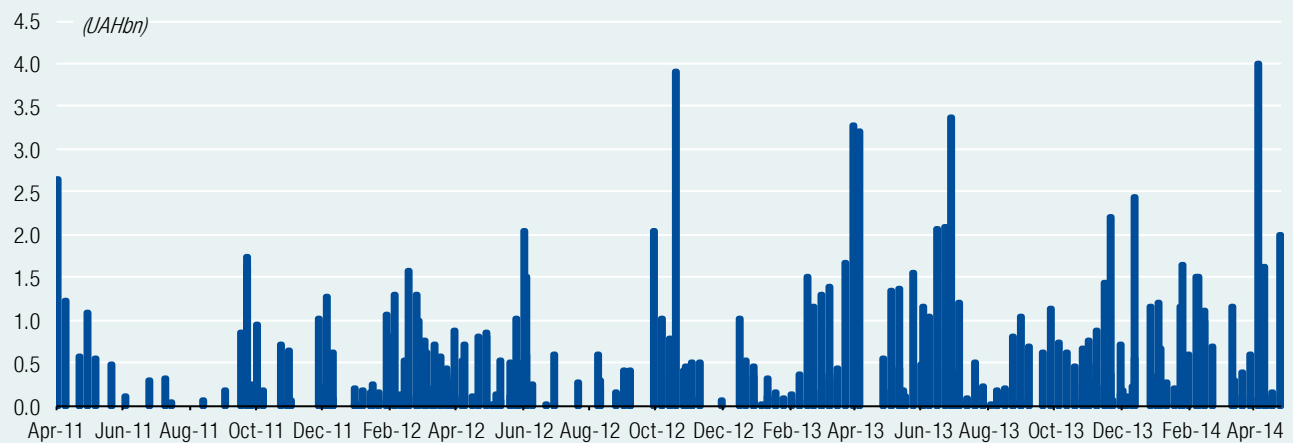
## Appendix: Auctions history and schedule for 2014

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



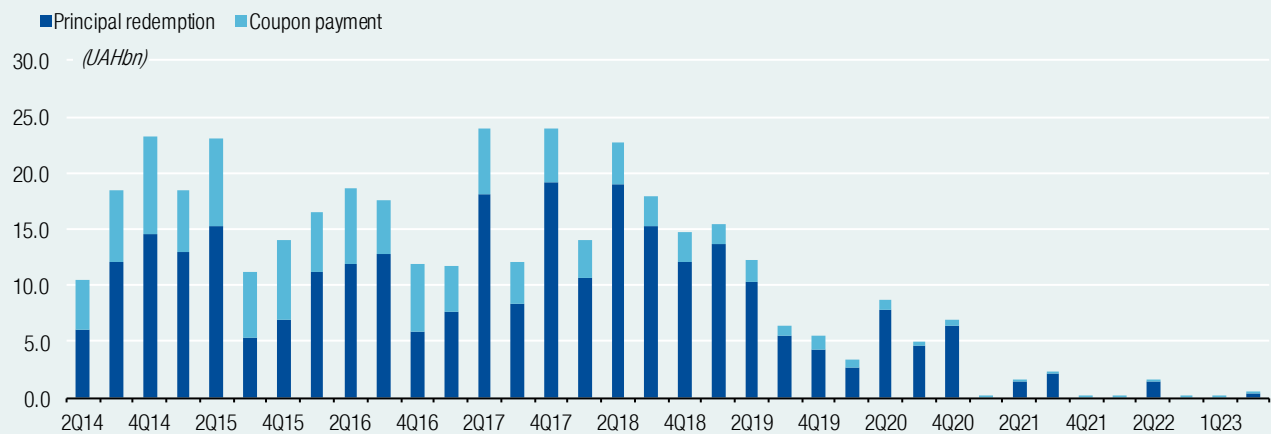
Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

**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 1. 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>3,505,676,138.76</b>	<b>766,859,508.02</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	491,477,952.75	<b>2,003,373,323.75</b>	<b>900,727,946.50</b>	<b>1,158,815,402.81</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>1,140,494,241.13</b>	<b>523,171,073.69</b>	<b>4,040,415,795.50</b>	<b>2,139,908,720.00</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	415,057,073.13	<b>544,113,344.69</b>	<b>1,735,997,023.50</b>	<b>1,117,126,948.87</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>2,181,048,277.00</b>	<b>789,284,773.94</b>	<b>2,120,543,159.00</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>1,083,298,971.38</b>	<b>2,024,809,363.35</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>1,639,979,130.65</b>	<b>2,152,816,298.50</b>	<b>2,219,353,986.56</b>	<b>1,961,859,508.03</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>744,146,952.75</b>	<b>3,015,938,710.00</b>	<b>2,498,997,946.50</b>	<b>1,632,593,652.81</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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