



# Bond Market Insight

## Government bond auction results: Debt repayments partially refinanced

WEDNESDAY, 11 JUNE, 2014

Yesterday's auction was similar to last week's, except the 5-year bond was replaced with 3-month and 6-month zero-coupon bonds. Although last week's proceeds were not used for scheduled debt repayments, today's proceeds will cover all UAH1.90bn in local currency principal and interest repayments scheduled for today, while the remaining UAH3.10bn in debt repayments will come from FX-denominated Eurobond proceeds that were raised last month.

Some of today's local currency repayments could have come from pre-arranged demand yesterday, as bids were submitted at large volumes and moderate interest rates, while the zero coupon bonds attracted market demand, as the rates were higher than those for similar bonds sold earlier this year. The remaining UAH3.18bn came from MoF support backed by proceeds from last Friday's portfolio bond purchases.

As no large repayments are scheduled over the next two weeks, the upcoming auctions should be used to cover debt repayments and budget needs.

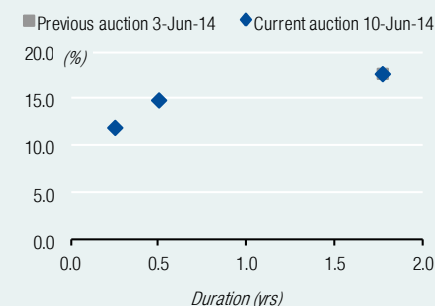
**Table 1. Details of last government bond auction**

ISIN	Coupon rate (%)	Payment freq <sup>1</sup>	Maturity	Qty of bonds sold	Price (UAH)	Pro-ceeds <sup>2</sup> (UAHm)	Volume <sup>2</sup> (UAHm)	YTM <sup>3</sup> (%)	Out-standing (m)
UA4000184238	12.00		10-Sep-14	300,000	970.95	291.29	300.00	12.00	300.00
UA4000184246	14.92		10-Dec-14	32,000	930.75	29.78	32.00	14.92	32.00
UA4000184253	16.95	SA	8-Jun-16	2,030,000	1,000.00	2,030.00	2,030.00	17.72	2,030.00
<b>Total</b>				<b>2,362,000</b>		<b>2,351.07</b>	<b>2,362.00</b>		<b>2,362.00</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.

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### Term structure of yields



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

### Auction results

Auction	Last 10-Jun-14	Previous 3-Jun-14	Change
3-month	12.00		
6-month	14.92		
9-month			
1-year			
2-year	17.72	17.75	-3bp
3-year			
5-year			

### Breakdown by yields (%)

3-month	12.00		
6-month	14.92		
9-month			
1-year			
2-year	17.72	17.75	-3bp
3-year			
5-year			

### Breakdown by proceeds (UAHm)

3-month	291.29		
6-month	29.78		
9-month			
1-year			
2-year	2,030.00	2,000.00	1.50%
3-year			
5-year			
<b>Total</b>	<b>2,351.07</b>	<b>2,000.00</b>	<b>17.55%</b>

### Effective yield and duration at the auction

Yield-to-maturity (%)	16.74	17.72	-99bp
Duration (years)	0.86	1.78	-51.28%

### Local currency government bonds outstanding (eop)

Volume <sup>1</sup> (UAHbn)	106.11	103.75	2.28%
WA life <sup>2</sup> (years)	3.58	3.64	-1.67%

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.

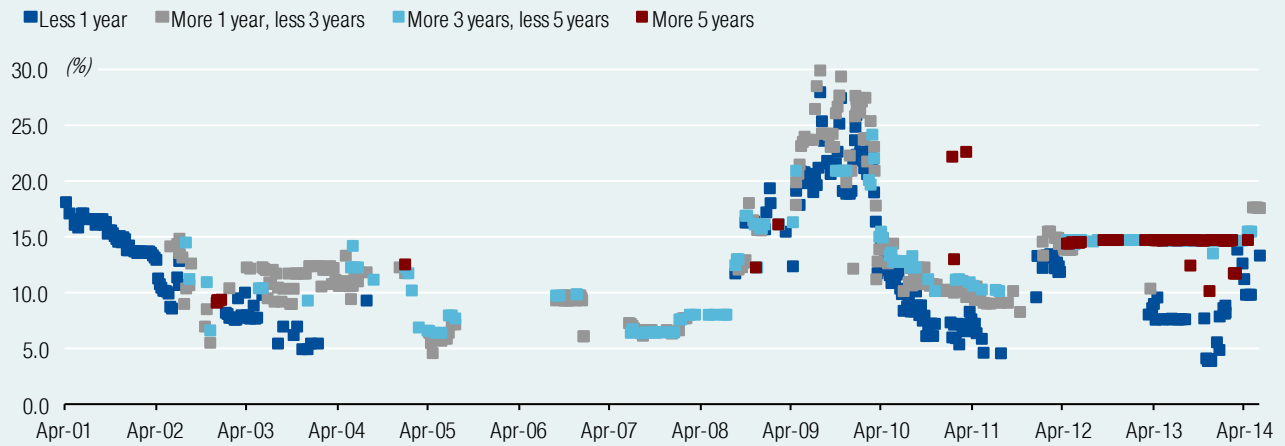
### Research team

Alexander Valchysen  
Taras Kotovych

Kiev, +38 (044) 2200120 extn.242

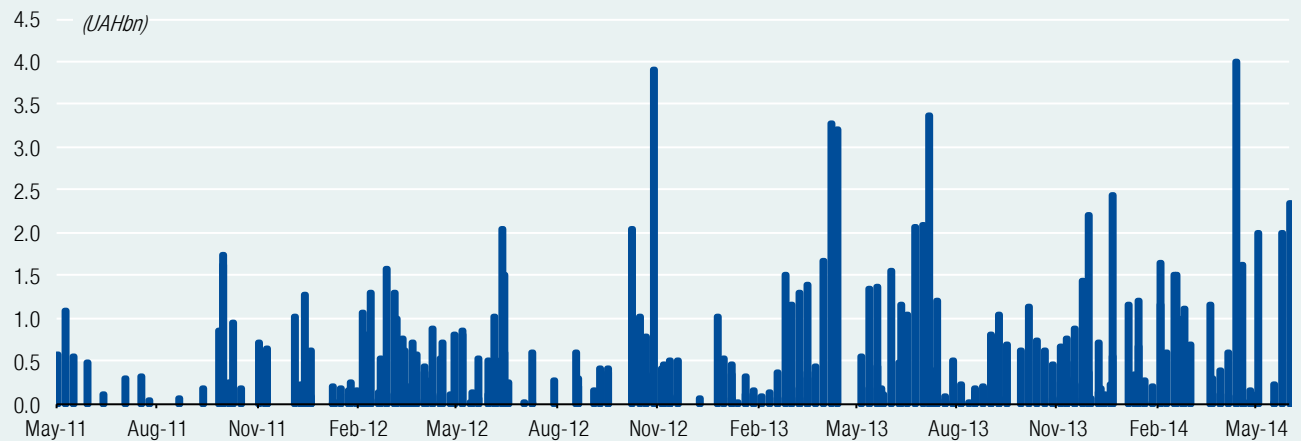
## Appendix: Auctions history and schedule for 2014

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



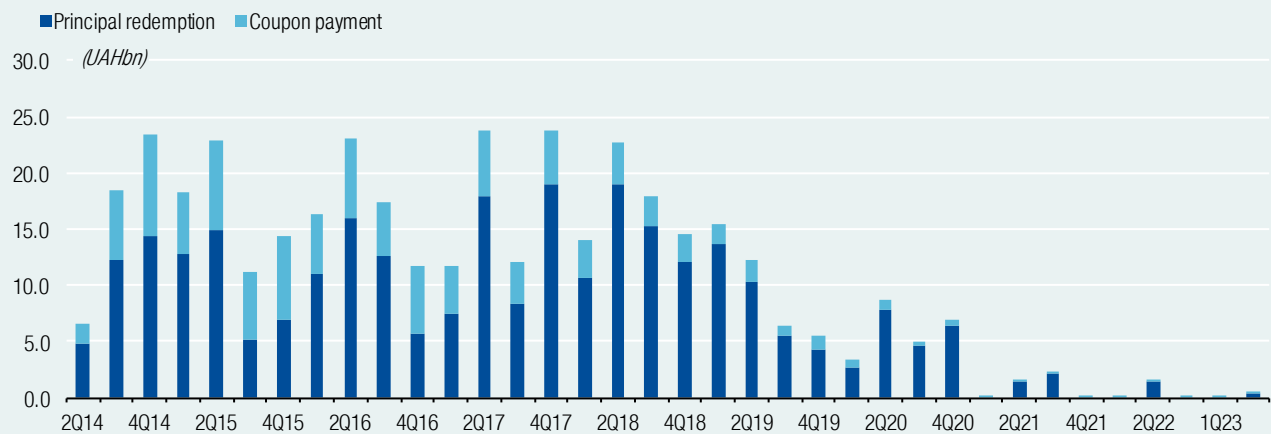
Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

**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	0.00	0.00	0.00	
<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	0.00	<b>4,504,344,498.75</b>	<b>898,347,119.55</b>	<b>1,151,505,027.47</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>1,138,555,423.99</b>	<b>521,577,588.61</b>	<b>3,947,172,446.00</b>	<b>2,135,858,815.63</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	414,944,974.19	<b>538,404,810.28</b>	<b>1,735,385,498.50</b>	<b>1,116,522,566.48</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>2,433,107,995.75</b>	<b>783,466,999.21</b>	<b>2,116,418,827.00</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>1,078,805,975.96</b>	<b>1,984,515,248.24</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>1,636,253,779.74</b>	<b>2,152,816,298.50</b>	<b>2,178,575,687.77</b>	<b>1,924,798,738.58</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>911,303,854.77</b>	<b>3,148,652,385.00</b>	<b>2,496,617,119.55</b>	<b>1,595,016,602.47</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**, Senior financial analyst  
(sovereign debt)  
taras.kotovych@icu.ua

**Lee Daniels, Rolfe Haas**  
Editors

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