

Bond Market Insight

Higher yields attract demand

Comment on government bond placement

Last week's increase in UAH bond interest rates boosted demand for primary placements, allowing the MoF to double proceeds from UAH military bills.

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

ISIN	Coupon rate (%)	Payment frequency ¹	Maturity	Qty of bonds sold	Price (UAH)	Proceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Outstanding (m) ⁴
UA4000234215	15.10	SA	24-Jun-26	5,000,000	1,020.31	5,101.55	5,000.00	17.07	10,301.52
UA4000234223	16.20	SA	9-Jun-27	3,335,937	1,020.48	3,404.26	3,335.94	18.26	14,709.98
Total UAH				8,335,937		8,505.82	8,335.94		25,011.50
UA4000234777	3.24	SA	16-Apr-26	188,832	1,013.67	8,710.07	8,592.58	3.27	8,592.58
Total EUR				188,832		8,710.07	8,592.58		8,592.58

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, 45.5/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

The greatest demand was for 15-month bills in 55 bids, which amounted to over UAH9.5bn. Most bids had yields not higher than 16.35%, which was last week's cut-off rate. Therefore, the MoF rejected six bids and partially satisfied some bids. The cut-off rate remained unchanged, while the weighted-average rate rose by 4bp to 16.35%.

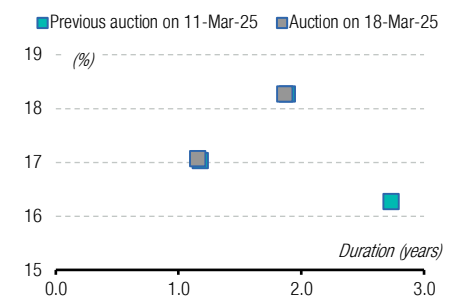
Demand for 2.3-year military bills was slightly above UAH5bn, but some bids required yield increases, which the MoF rejected. Therefore, the MoF borrowed UAH3.4bn without changes in the cut-off rate. The weighted-average rate rose by 1bp to 17.45%.

Additionally, the MoF offered EUR200m of 13-month bills. This offering received EUR189.5m of demand, whereas just one bid for EUR0.5m required a rate increase. The MoF satisfied all bids with up to a yield of 3.25% and set the weighted-average rate at 3.24%.

The state budget received over UAH17bn of proceeds, including half in hard currency.

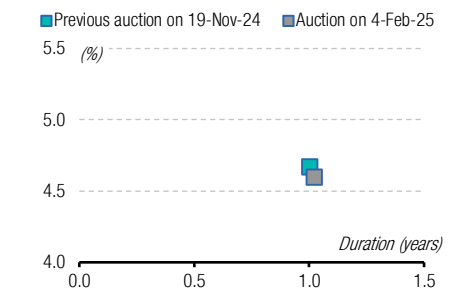
WEDNESDAY, 19 MARCH 2025

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



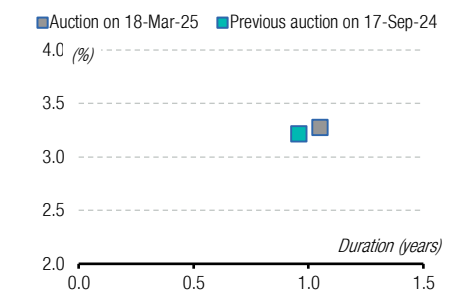
Source: Ministry of Finance of Ukraine, ICU.

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

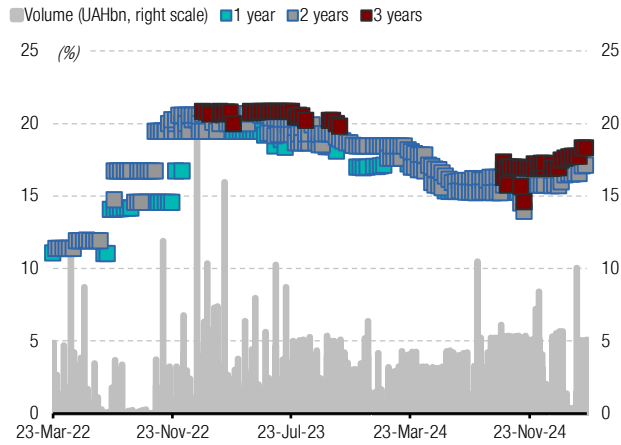


Source: Ministry of Finance of Ukraine, ICU.

Appendix: Yields-to-maturity, repayments

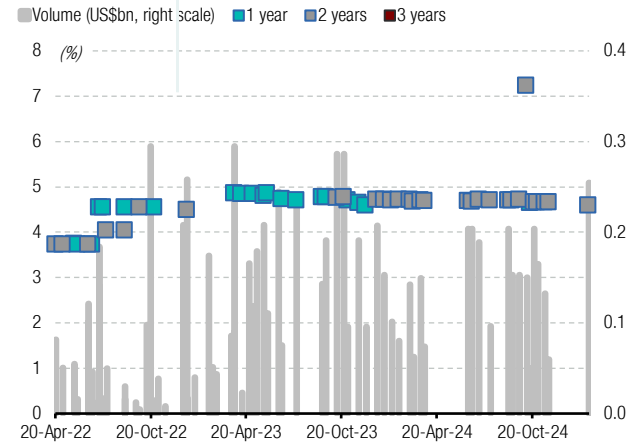
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

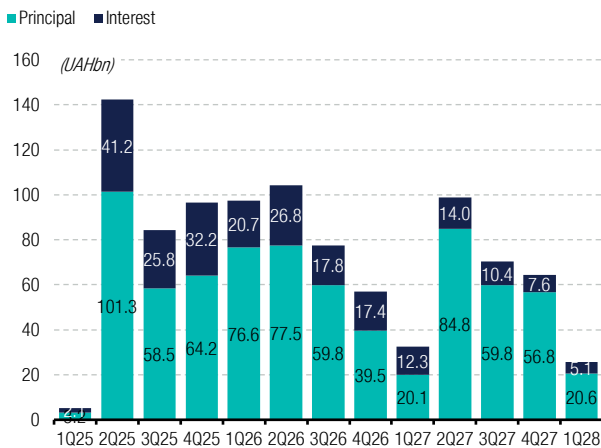
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

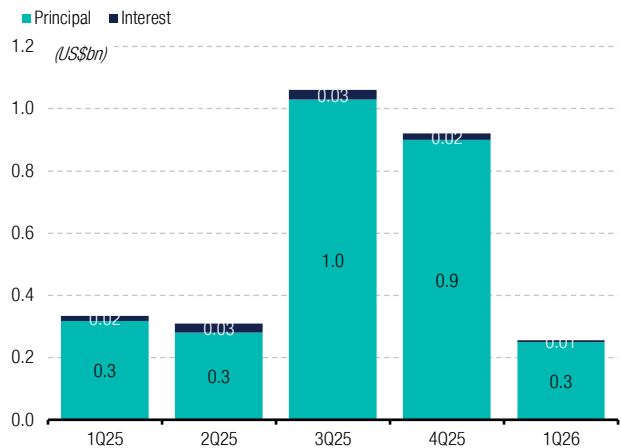
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

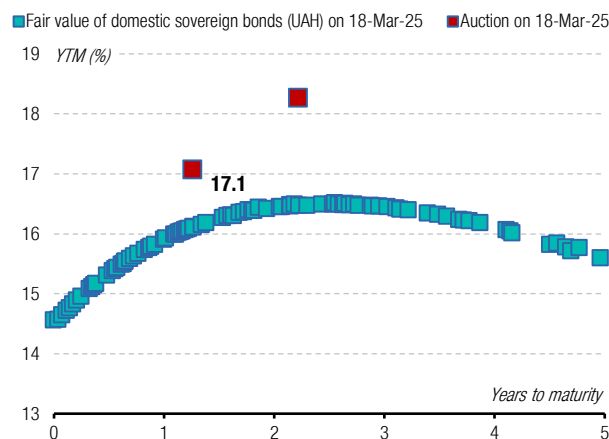
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

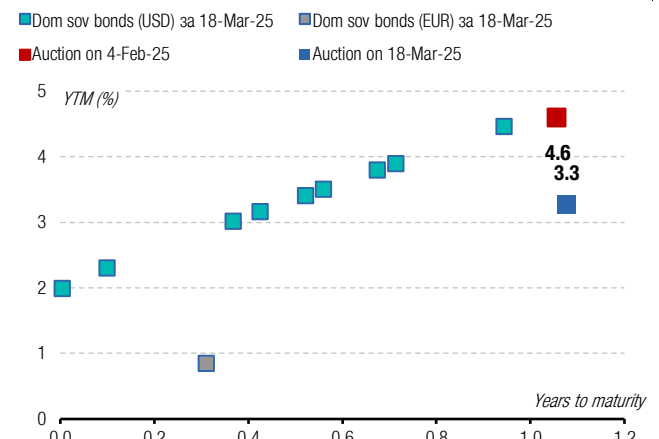
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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