

Bond Market Insight

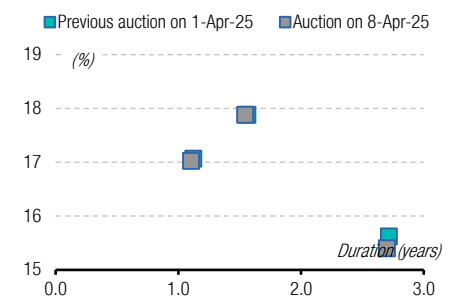
MoF maintains rates on UAH bonds

Comment on government bond placement

WEDNESDAY, 9 APRIL 2025

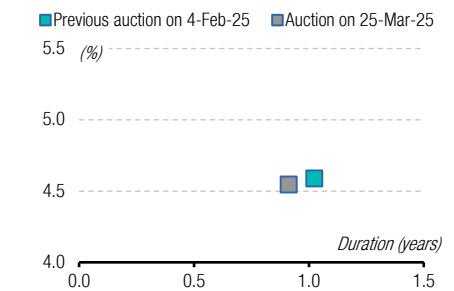
The Ministry of Finance refused to raise interest rates on two-year bonds and continued to lower yields on reserve bonds.

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



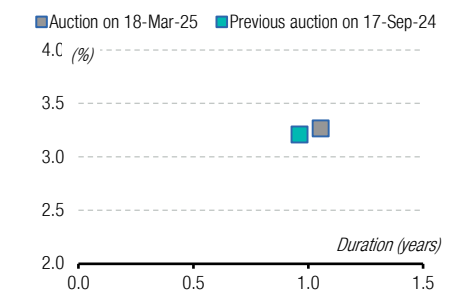
Source: Ministry of Finance of Ukraine, ICU.

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.

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	1,070,623	1,030.02	1,102.76	1,070.62	17.02	16,797.34
UA4000234413	16.61	SA	13-Jan-27	1,384,330	1,030.27	1,426.24	1,384.33	17.88	3,308.29
UA4000234934	15.01	SA	25-Oct-28	5,000,000	1,071.51	5,357.53	5,000.00	15.40	10,000.00
Total UAH				7,454,953	7,886.53	7,454.95			30,105.63

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 41.55/USD, 45.32/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

The MoF again sold a 15-month military bill without changing the cut-off rate. The amount in demand increased slightly with an increase in the number of bids. As a result, the cut-off rate remained at 16.35% for the fifth week, while the weighted average rate slid by 4bp to 16.31%.

Demand for almost two-year paper also rose by 40% to almost UAH2.9bn. However, a significant part of this demand was in five bids that requested the MoF increase the cut-off rate to 17.75%. The MoF satisfied 23 out of 28 bids, refusing to raise rates above 17.1%, and sold just UAH1.4bn of bonds.

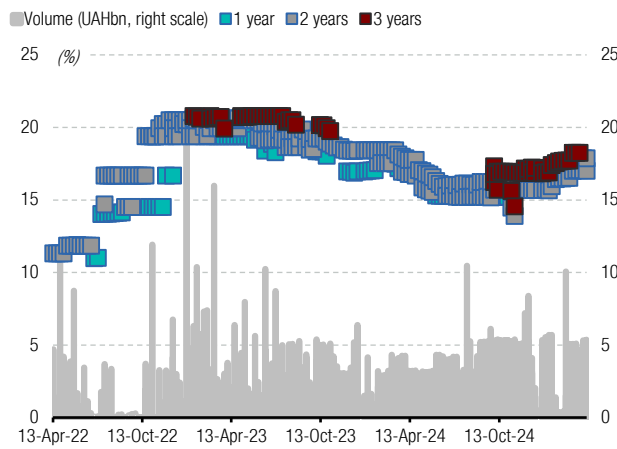
At the same time, demand for reserve notes plunged. Yesterday, oversubscription decreased from more than 7x last week to 5.5x, while the number of submitted and satisfied bids increased. The range of rates in bids shifted from 14.9-16.2% to 14.74-15.59%, and the MoF satisfied only bids with rates no higher than 14.95%. The cut-off rate dropped by 55bp, and the weighted average rate by only 20bp to 14.81%.

Banks are especially competing for the new three-year note, which will soon become a reserve paper. The demand is most likely inflated, as placement participants may submit multiple bids with different rates. At the same time, military and regular bonds are less interesting to investors.

Appendix: Yields-to-maturity, repayments

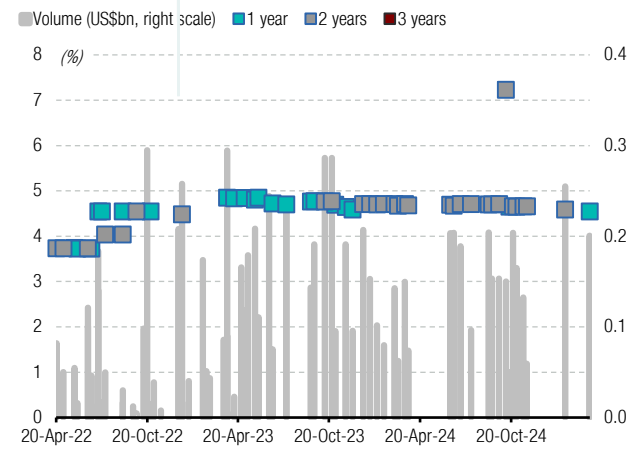
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

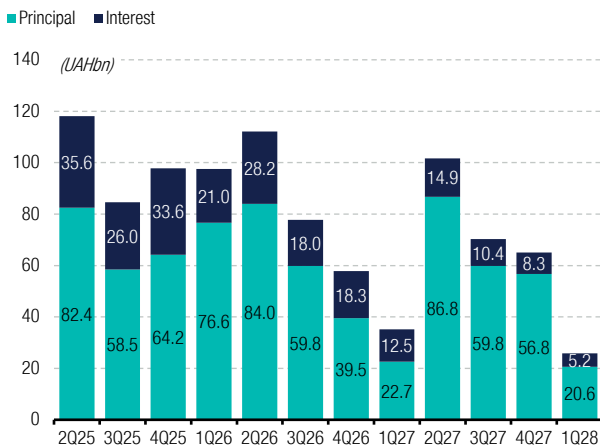
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

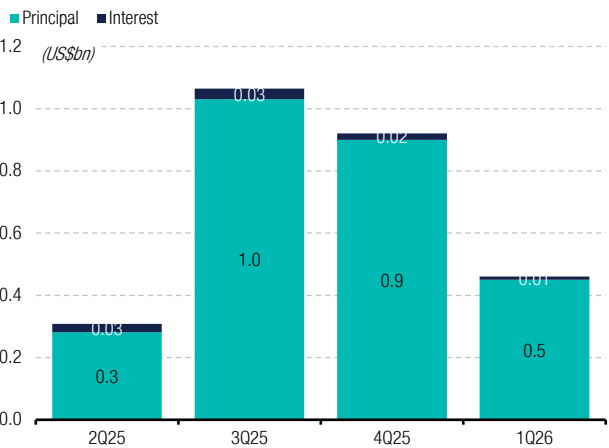
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

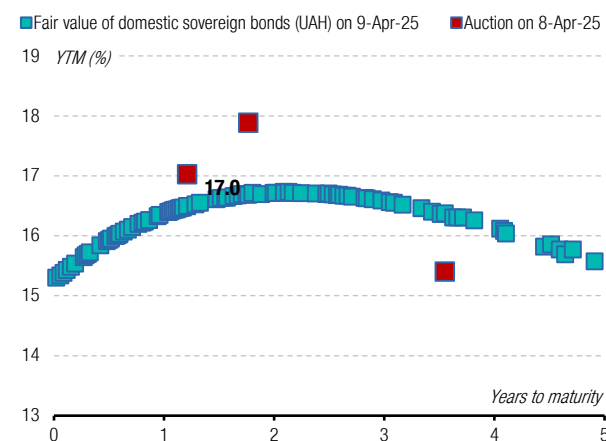
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

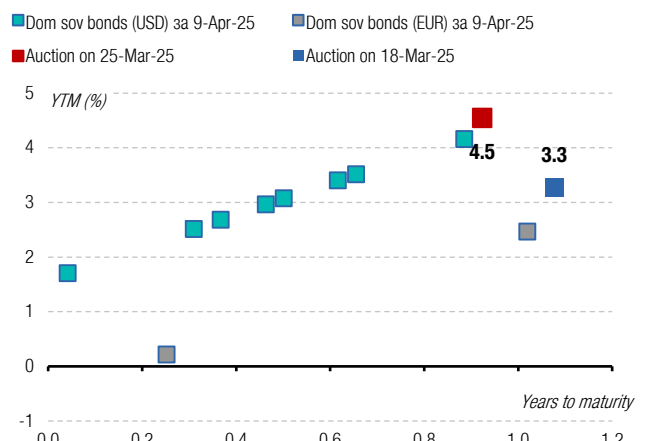
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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