

# Bond Market Insight

## Successful exchange of reserve bonds

### Comment on government bond placement

Yesterday, the MoF held a second bond exchange auction. The Ministry received enough bids to sell the planned amount of bonds.

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

ISIN	Coupon rate (%)	Payment frequency <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) <sup>4</sup>
UA4000234934	15.01	SA	25-Oct-28	10,000,000	1,058.21	10,582.13	10,000.00	16.10	20,000.00
<b>Total UAH</b>				<b>10,000,000</b>	<b>10,582.13</b>	<b>10,000.00</b>			<b>20,000.00</b>

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.

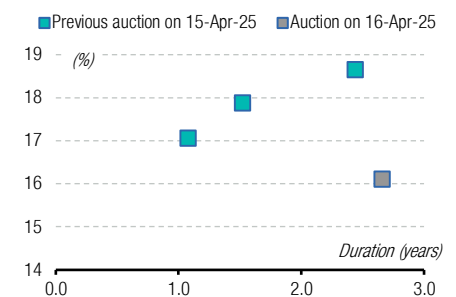
The MoF offered banks the opportunity to buy new reserve bonds due in October 2028 in exchange for another issue of reserve bonds with a month's maturity at the end of May. Total demand was UAH13.4bn in 22 bids vs. the cap of UAH10 bn. The MoF fully rejected only three bids, but some may have been partially satisfied. Interest rates ranged from 14.95% to 15.97, but the cut-off rate set at 15.6% (65bp above last week's auction), and the weighted-average rate at 15.45% (64bp above last week's auction).

Such a difference may result from banks' wish to have yields above the NBU key policy rate and because this exchange was for bonds maturing in a month, not reinvesting funds from recent redemptions.

Finally, the MoF will make early redemption of bonds due in May and reduce its need for borrowings. However, banks still need reserve bonds to reinvest funds from the redemption two weeks ago. Therefore, we may see a new offering of reserve bonds soon.

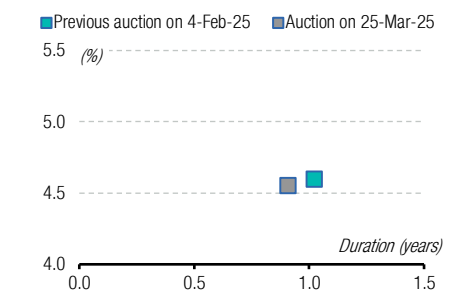
### THURSDAY, 17 APRIL 2025

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



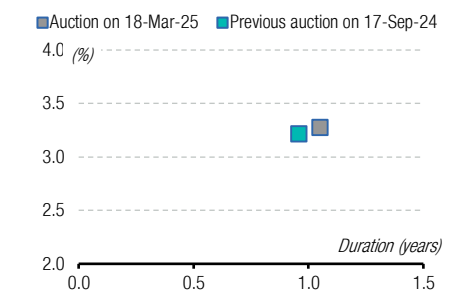
Source: Ministry of Finance of Ukraine, ICU.

#### 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

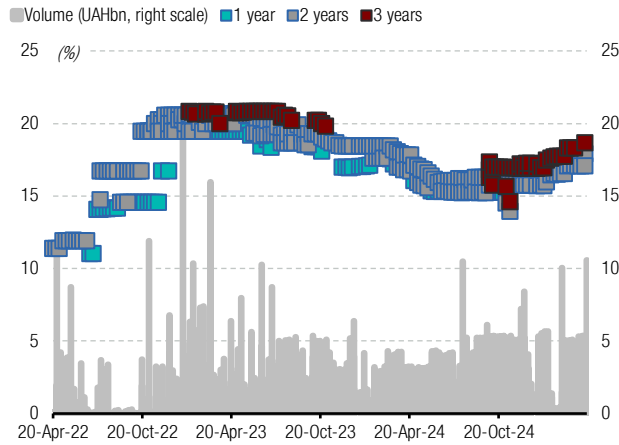


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

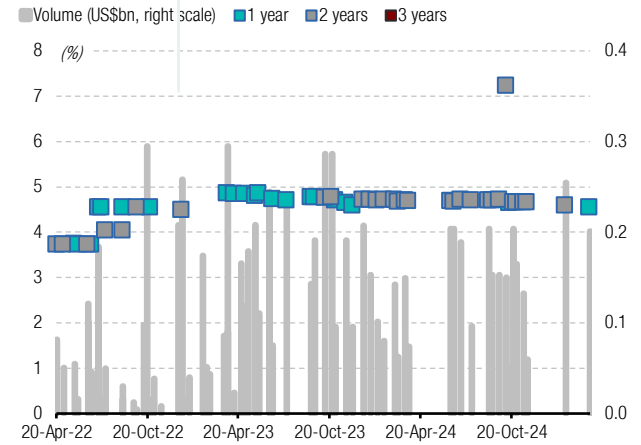
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

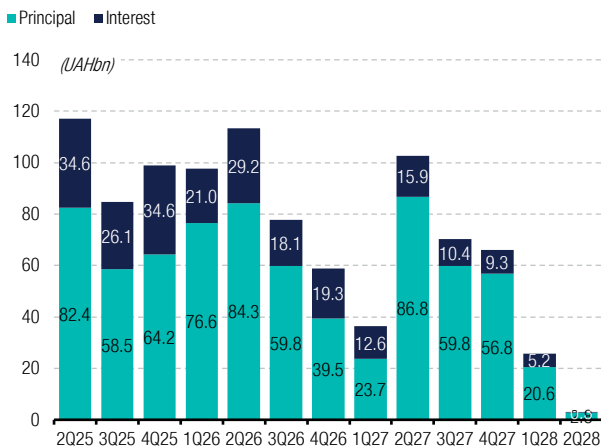
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

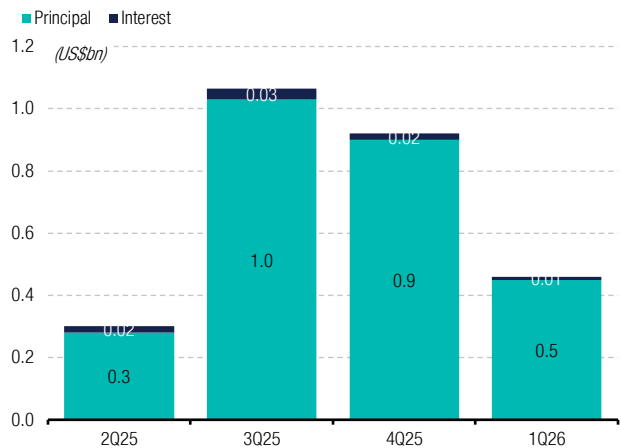
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

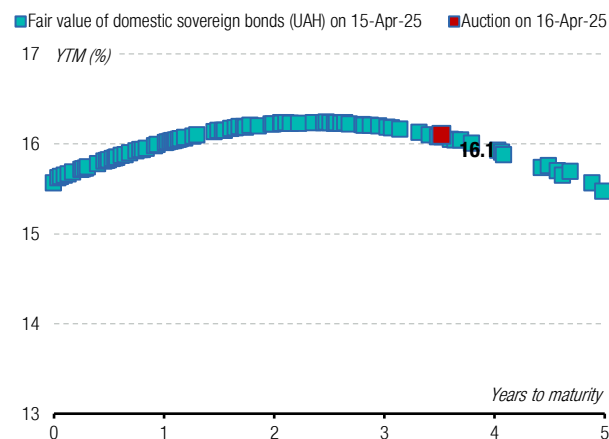
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

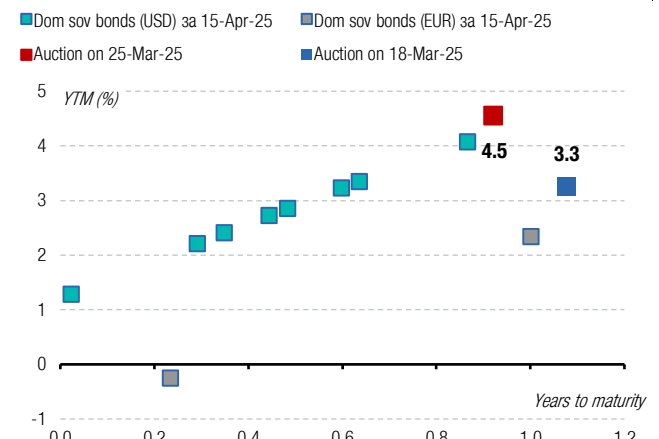
**Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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