

Bond Market Insight

Investor enthusiasm for USD-denominated bills

Comment on government bond placement

Yesterday's UAH bonds offer was without surprises. Demand was low, but no bids required a change in interest rates. At the same time, USD-denominated paper saw 5x oversubscription with decline in interest rates.

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 (%) | Out-standing (m) ⁴ |
|------------------|-----------------|--------------------------------|-----------|-------------------|-------------|------------------------------|----------------------------|----------------------|-------------------------------|
| UA4000235378 | 16.33 | SA | 19-Aug-26 | 4,826,090 | 1,030.64 | 4,973.96 | 4,826.09 | 17.05 | 4,826.09 |
| UA4000234413 | 16.61 | SA | 13-Jan-27 | 703,038 | 1,040.07 | 731.21 | 703.04 | 17.88 | 6,105.22 |
| UA4000235196 | 17.80 | SA | 12-Apr-28 | 2,789,237 | 1,006.59 | 2,807.61 | 2,789.24 | 18.65 | 10,589.30 |
| Total UAH | | | | 8,318,365 | | 8,512.78 | 8,318.37 | | 21,520.62 |
| UA4000235386 | 4.17 | @Mty | 30-Apr-26 | 200,000 | 960.07 | 7,973.20 | 8,304.82 | 4.16 | 8,304.82 |
| Total USD | | | | 200,000 | | 7,973.20 | 8,304.82 | | 8,304.82 |

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

Twenty-six bids amounting to UAH4.8bn were received for a 15-month military bill. However, despite a slightly longer maturity, all bids had the same range of interest rates as for 14-month papers sold almost four months ago: 16.3-16.35%. The MoF accepted all these bids fully.

Longer maturities had lower demand than in recent weeks.

Usually, the 1.7-year paper saw low demand, slightly above UAH1bn, but yesterday, it slid to UAH0.7bn. The MoF accepted all bids, as all bids were with rates in the usual range of 17.0-17.1%.

Demand fell for the three-year note, too. After two weeks of oversubscription, yesterday's demand amounted to just UAH2.8bn. However, all bids were in the 17.7-17.8% range and were accepted by the MoF.

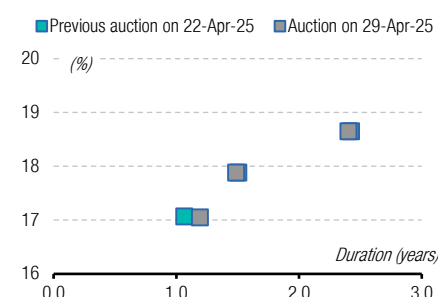
The excitement was for USD-denominated paper.

Last week, the MoF redeemed US\$281m of bills, bringing total redemptions to almost US\$1bn YTD. At the same time, the MoF sold only US\$450 of bills YTD before yesterday's auction, which offered just US\$200 of securities.

Therefore, there was huge investor demand for the new USD-denominated paper to reinvest money from this and last year's redemptions, as the MoF rolled only 78%

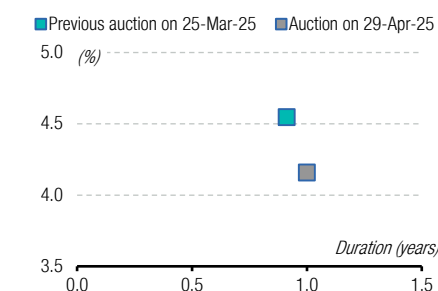
WEDNESDAY, 30 APRIL 2025

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



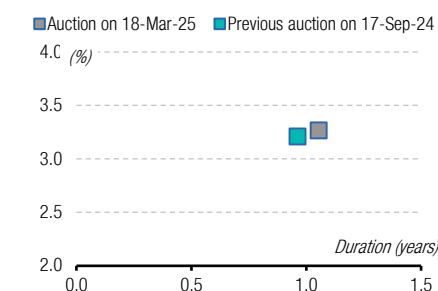
Source: Ministry of Finance of Ukraine, ICU.

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.

of redemptions in USD last year.

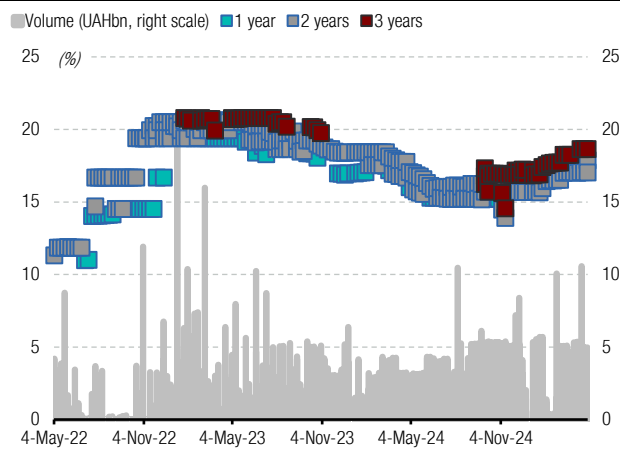
However, the MoF is not in a hurry to borrow more foreign currency, as it has enough hard currency for budget needs and a positive outlook on international aid.

Finally, USD-denominated paper was 5x oversubscribed as some bidders submit bids with different interest rates to increase the chances of purchasing a new bond. The MoF accepted 2/3 of the bids and satisfied 1/5 of the demand. Most likely, many bids were satisfied partially due to auction conditions. The MoF sold US\$60m to non-competitive bidders (all purchased less than requested) at a weighted average rate—the rest of the cap the MoF used to satisfy competitive bids at their rates. Bidders with rates from 4% and below 4.25% received the requested amount of bonds, while bids with a cut-off rate 4.25% were satisfied partially within the rest of the cap after accepting bids with lower rates.

Appendix: Yields-to-maturity, repayments

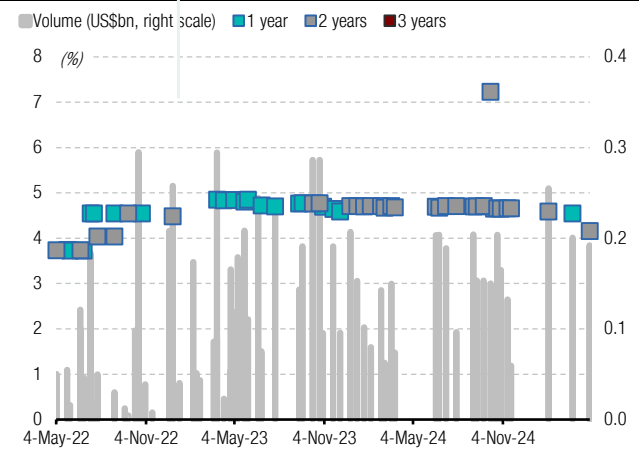
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

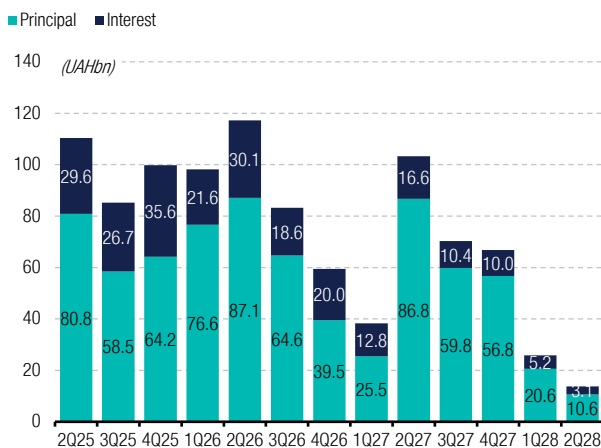
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

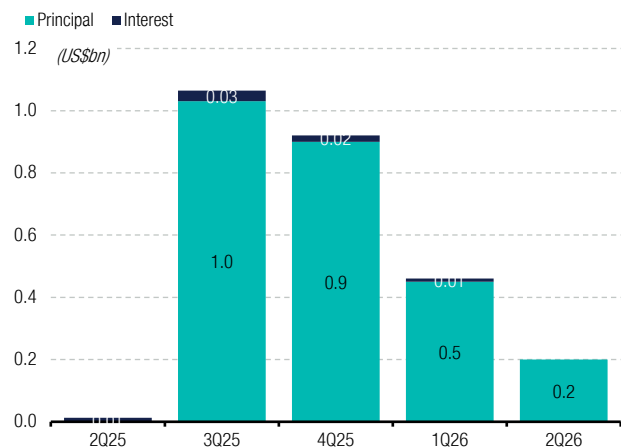
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

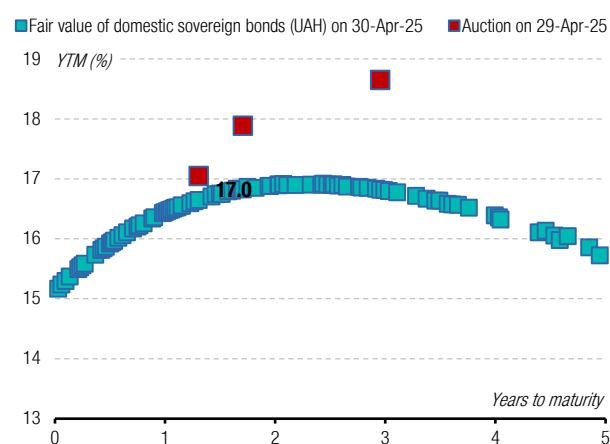
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

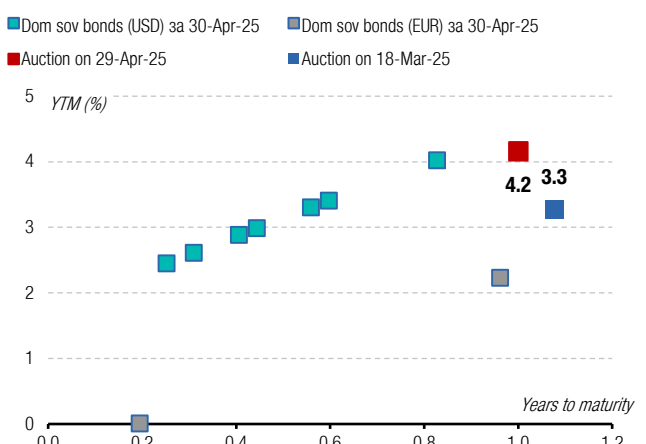
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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.

This page is intentionally left blank.



11th floor, LEONARDO Business Centre
19-21 Bogdan Khmelnytsky Street
Kyiv, 01030 Ukraine
Phone/Fax +38 044 3777040

WEB www.icu.ua



RESEARCH

Alexander Martynenko

Head of corporate research
alexander.martynenko@icu.ua

Mykhaylo Demkiv

Financial analyst (Banks)
mykhaylo.demkiv@icu.ua

Taras Kotovych

Senior financial analyst (Sovereign debt)
taras.kotovych@icu.ua

Dmitriy Dyachenko

Financial analyst
dmitriy.dyachenko@icu.ua

Investment Capital Ukraine LLC is regulated by Securities and Stock Market State Commission of Ukraine (license numbers: dealer activity AE 263019, broker activity AE 263018, underwriting activity AE 263020 dated 11 April 2013).

DISCLAIMER

This research publication has been prepared by Investment Capital Ukraine LLC solely for information purposes for its clients. It does not constitute an investment advice or an offer or solicitation for the purchase or sale of any financial instrument. While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, Investment Capital Ukraine makes no representation that it is accurate or complete. The information contained herein is subject to change without notice. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of Investment Capital Ukraine LLC. All rights are reserved. Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates. Past performance is not indicative of future results. Investors should make their own investigations and investment decisions without relying on this report. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this report.

Additional information is available upon request.

