

Bond Market Insight

Increased concentration in demand

Comment on government bond placement

The MoF borrowed UAH5.9bn yesterday, mostly from 15-month and three-year UAH bonds.

The most significant demand was for 15-month military bills, which received UAH3.4bn in 31 bids. As interest rates were at the usual level, the MoF accepted all bids.

The MoF received another UAH2.4bn from the three-year note, which received 25 bids with the usual yields.

The smallest demand was for 20-month bills, just UAH90m in six bids, which the MoF accepted, too.

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

| ISIN | Coupon rate (%) | Payment freq ¹ | Maturity | Qty of bonds sold | Price (UAH) | Proceeds ² (UAHm) | Volume ² (UAHm) | YTM ³ (%) | Outstanding (m) ⁴ |
|------------------|-----------------|---------------------------|-----------|-------------------|-------------|------------------------------|----------------------------|----------------------|------------------------------|
| UA4000235378 | 16.33 | SA | 19-Aug-26 | 3,412,001 | 1,036.67 | 3,537.12 | 3,412.00 | 17.07 | 11,060.37 |
| UA4000234413 | 16.61 | SA | 13-Jan-27 | 90,043 | 1,046.66 | 94.24 | 90.04 | 17.88 | 7,397.92 |
| UA4000235196 | 17.80 | SA | 12-Apr-28 | 2,231,060 | 1,013.21 | 2,260.53 | 2,231.06 | 18.65 | 15,124.52 |
| Total UAH | | | | 5,733,104 | | 5,891.89 | 5,733.10 | | 33,582.81 |

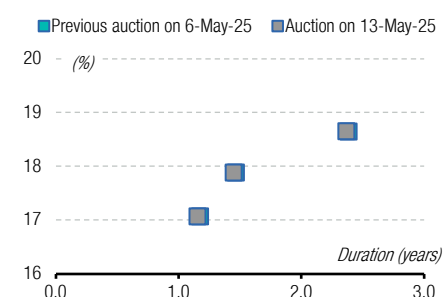
Note: [1] payment frequency abbreviations: M - monthly, Qtly - quarterly, SA - semi-annually, @Mty - at maturity date; [2] proceeds and volumes for the USD-denominated bonds are calculated based on the previous day's exchange rate 41.53/USD, 45.32/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

Segmentation of demand in the primary bond market deepened. Bids concentrated in 15-month and three-year bonds. The shortest bill is the one military paper in the MoF's offer for the second month, while a three-year paper is the longest maturity available in the market.

While 15-month military paper is attractive to investors because the proceeds are used for defence, the three-year note allows investors to lock in current yields for the longest available period. Therefore, the two-year bill is not of interest to domestic investors.

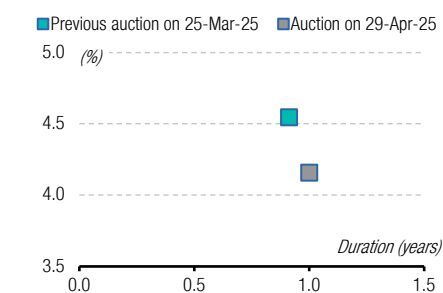
WEDNESDAY, 14 MAY 2025

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



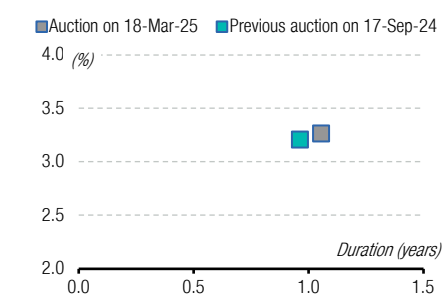
Source: Ministry of Finance of Ukraine, ICU.

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

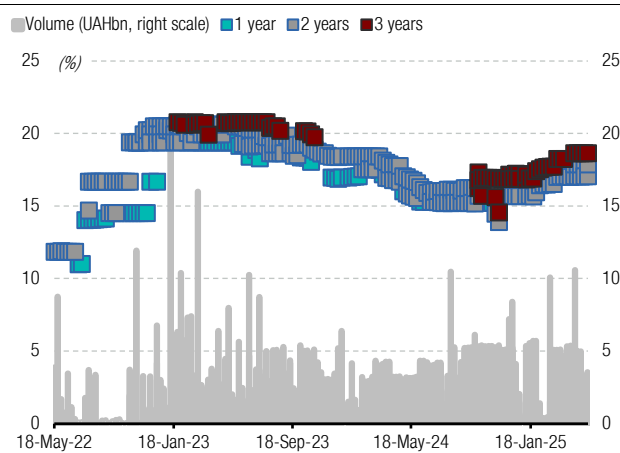


Source: Ministry of Finance of Ukraine, ICU.

Appendix: Yields-to-maturity, repayments

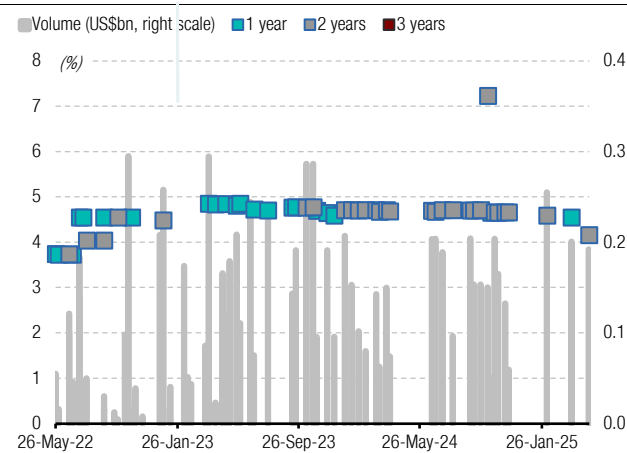
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

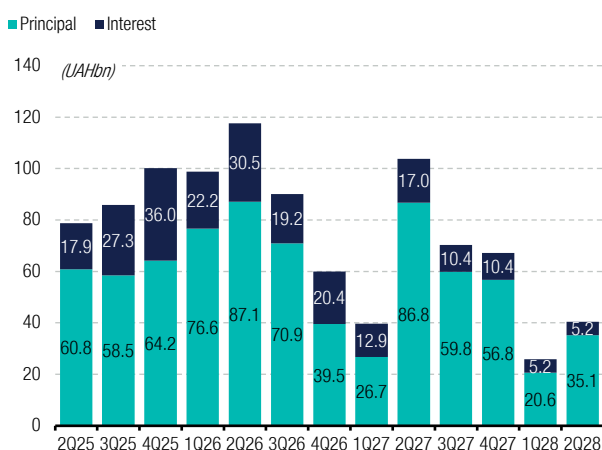
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

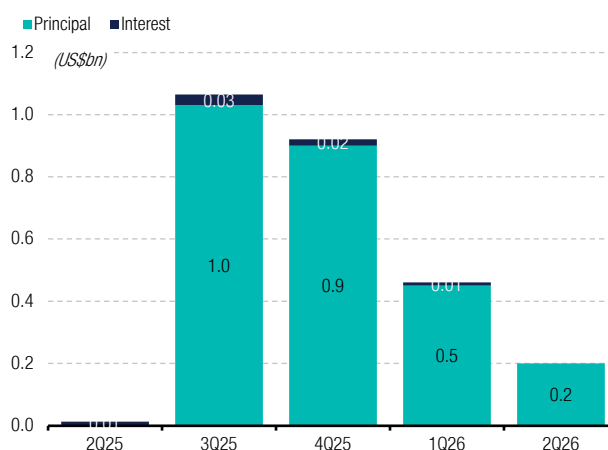
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

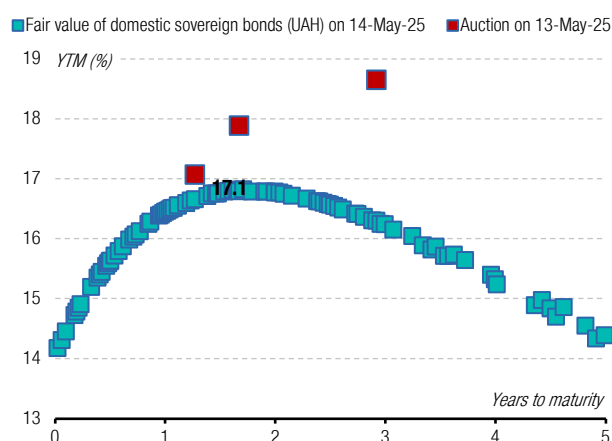
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

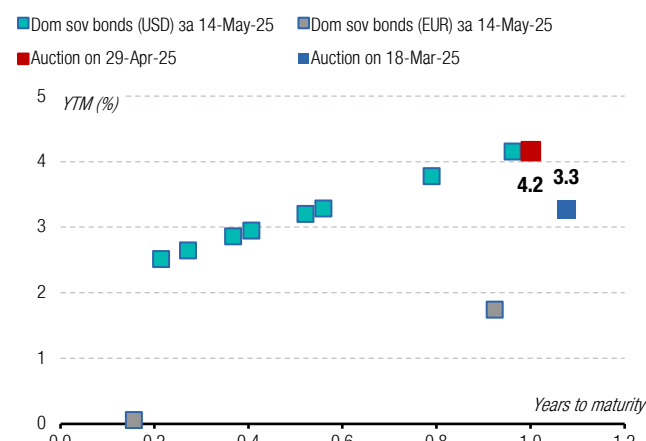
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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