

# Bond Market Insight

## 3.5-year note receives unusual interest

### Comment on government bond placement

Yesterday, for the second time, the MoF borrowed UAH7bn. In contrast to previous auctions, most of the funds came from a 3.5-year note.

**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>
UA4000235865	16.35	SA	16-Sep-26	910,258	1,046.39	952.48	910.26	17.07	10,032.04
UA4000236228	17.10	SA	10-Mar-27	1,088,656	1,051.78	1,145.03	1,088.66	17.88	1,088.66
UA4000235782	17.80	SA	29-Nov-28	5,000,000	1,013.21	5,066.03	5,000.00	18.65	12,495.24
<b>Total UAH</b>				<b>6,998,914</b>		<b>7,163.53</b>	<b>6,998.91</b>		<b>23,615.94</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 41.53/USD, 46.99/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

The shortest paper, the 15-month military bills, received the lowest demand in four weeks. Demand amounted to UAH0.9bn with the same interest rates. The MoF accepted all bids yesterday.

Ten bids for UAH1.1bn with 17.1% yields were received for the new 21-month paper, and the MoF accepted all these bids.

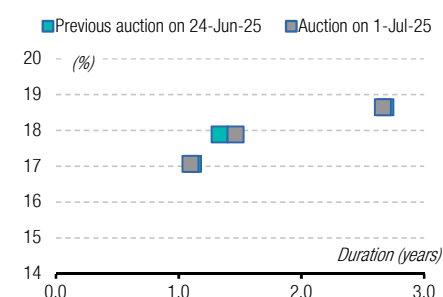
At the same time, the MoF received 1.5x oversubscription for the 3.5-year note. There was either one or a few big buyers. As a week before, the MoF received 28 bids, while yesterday, it received just 12 bids.

According to the rules, the MoF fully satisfied non-competitive demand and bids with rates below the cut-off level. The remaining bids the MoF accepted partially, satisfying about 65% of each bid.

Huge demand from a small number of bidders could have been situational, as this was the smallest number of bids in five weeks. On the other hand, it could have been demand from a few large investors who expect interest rates to decline soon prior to the NBU's switch to easing monetary policy.

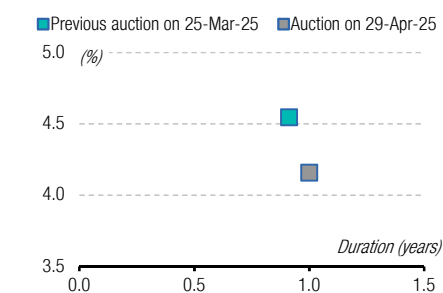
### WEDNESDAY, 2 JULY 2025

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



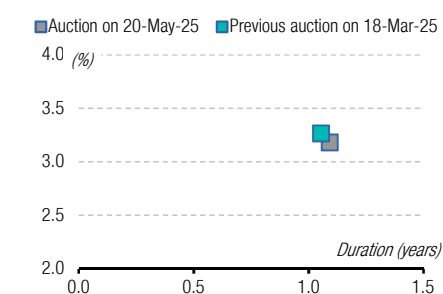
Source: Ministry of Finance of Ukraine, ICU.

#### 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

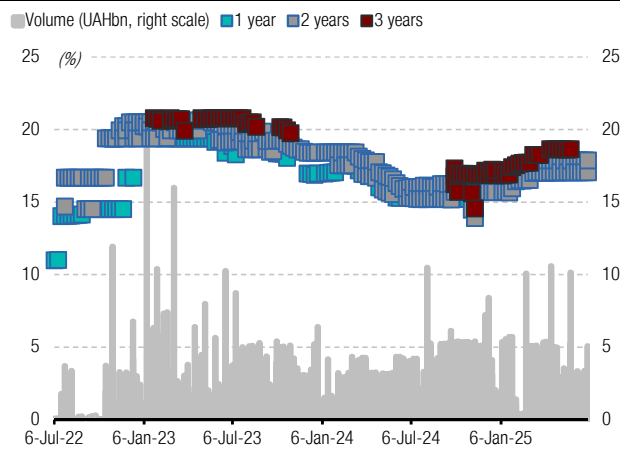


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

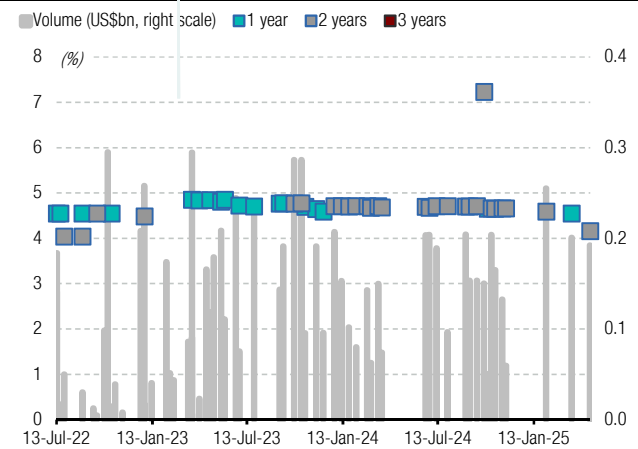
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

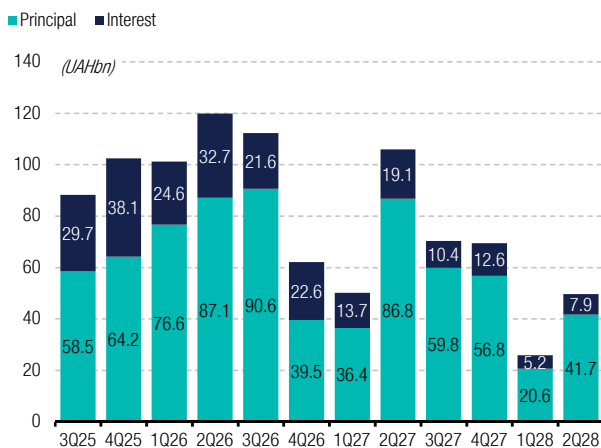
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

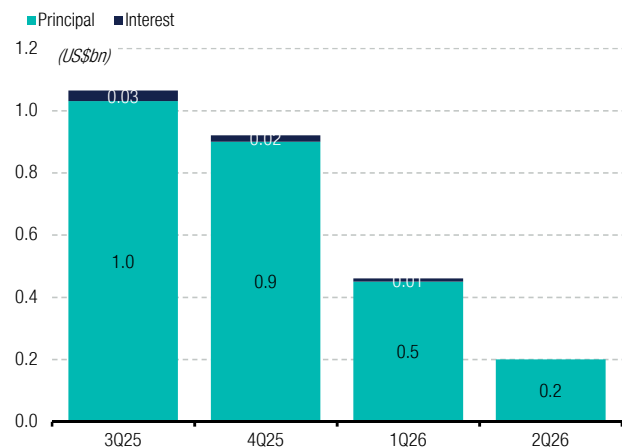
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

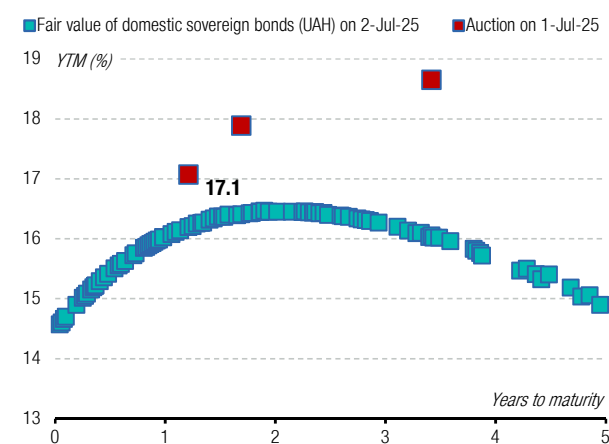
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

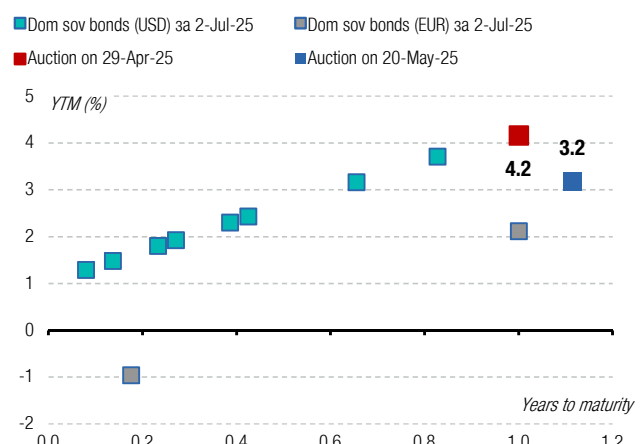
**Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions**

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

**WEB** [www.icu.ua](http://www.icu.ua)



## RESEARCH

**Alexander Martynenko**

Head of corporate research  
[alexander.martynenko@icu.ua](mailto:alexander.martynenko@icu.ua)

**Mykhaylo Demkiv**

Financial analyst (Banks)  
[mykhaylo.demkiv@icu.ua](mailto:mykhaylo.demkiv@icu.ua)

**Taras Kotovych**

Senior financial analyst (Sovereign debt)  
[taras.kotovych@icu.ua](mailto:taras.kotovych@icu.ua)

**Dmitriy Dyachenko**

Financial analyst  
[dmitriy.dyachenko@icu.ua](mailto:dmitriy.dyachenko@icu.ua)

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