

Bond Market Insight

Increased demand for FX-denominated

Comment on government bond placement

WEDNESDAY, 1 OCTOBER 2025

A significant amount of yesterday's budget proceeds was from USD-denominated paper, which saw almost x3 oversubscription. However, the budget received more funds from UAH instruments.

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
UA4000236624	16.35	SA	14-Oct-26	1,677,768	1,075.23	1,803.99	1,677.77	17.01	15,354.65
UA4000236228	17.10	SA	10-Mar-27	3,426,548	1,009.51	3,459.14	3,426.55	17.84	16,520.54
UA4000236475	17.77	SA	27-Sep-28	2,943,486	999.33	2,941.52	2,943.49	18.62	15,675.76
Total UAH				8,047,802		8,204.65	8,047.80		47,550.94
UA4000237242	4.12	SA	15-Apr-27	150,000	1,019.87	6,289.40	6,166.88	4.11	14,389.38
Total USD				150,000		6,289.40	6,166.88		14,389.38

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 41.11/USD, 48.29/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

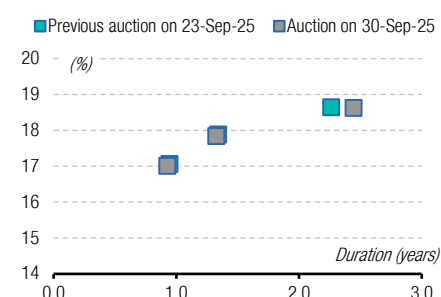
The MoF redeemed US\$350m of bonds last week, placing a similar amount of new bonds over two weeks. However, it is unlikely that everyone who wanted to was able to reinvest the funds in new securities. Last week, this could have been the purchase of bonds by banks and traders for the future because the bondholders received payment of funds from the budget after the auction. So, yesterday, demand was formed by many investors, and some could submit multiple bids with different rates.

The highest bid rate fell almost to the level of the cut-off rate of the last auction, and the minimum rate decreased by 15bp to 3.85%. The total volume of bids amounted to almost US\$431m vs. the cap of US\$150m. So, the ministry was able to satisfy only a third of demand and reduce the rates for this bond. Therefore, the cut-off rate slid by 4bp to 4.11%, and the weighted average rate decreased to 4.06% or by 6bp.

At the same time, there was also good interest in UAH bonds, even without hints of the prospect of a rate reduction. For all instruments, the yields in bids were typical, and the cut-off and weighted average rates did not see any changes.

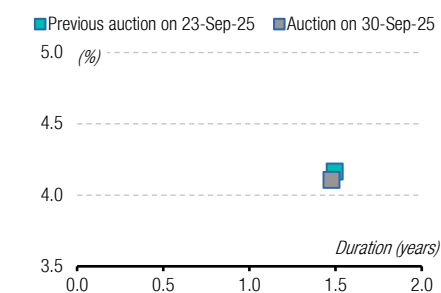
The volume of bids for one-year military bills increased by a little more than 1/10 to less than UAH1.7bn, providing the budget UAH1.8bn. At the same time, demand for longer instruments increased significantly. The 1.5-year bonds received a third more bids than the previous week, over UAH3.4bn of bids. Demand for three-year bonds

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



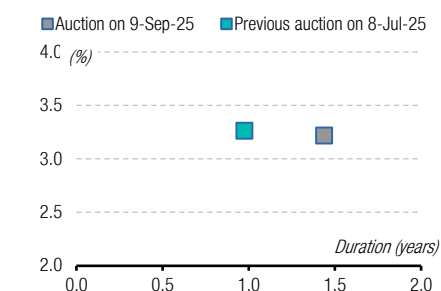
Source: Ministry of Finance of Ukraine, ICU.

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.

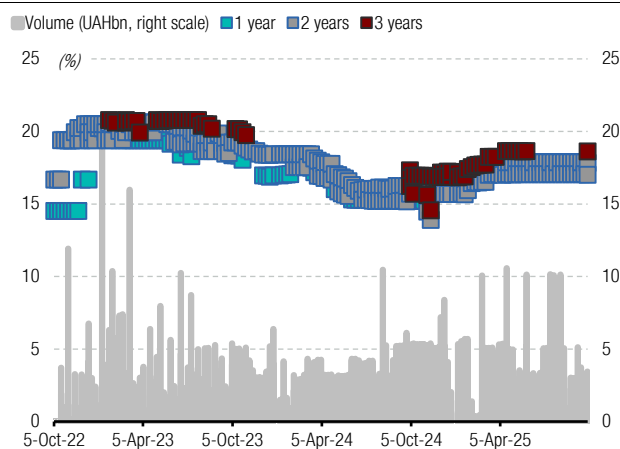
almost doubled compared with last week, and the budget received almost UAH3bn of proceeds.

The result of yesterday's auction was not a record for this year. The Ministry of Finance attracted significantly more funds by combining ordinary bonds with reserve and/or FX-denominated securities. However, overall, it is quite good and even very decent for hryvnia instruments.

Appendix: Yields-to-maturity, repayments

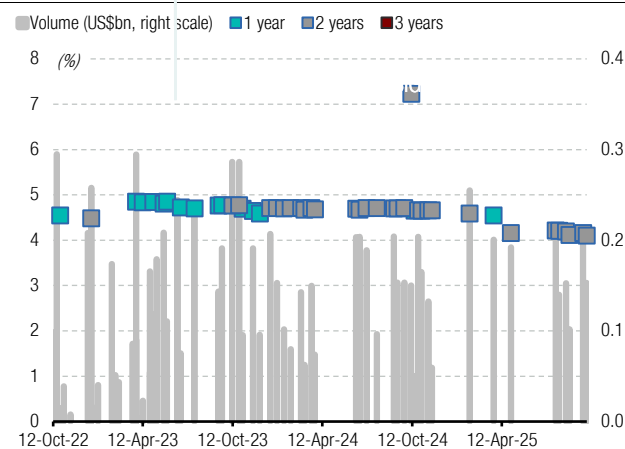
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

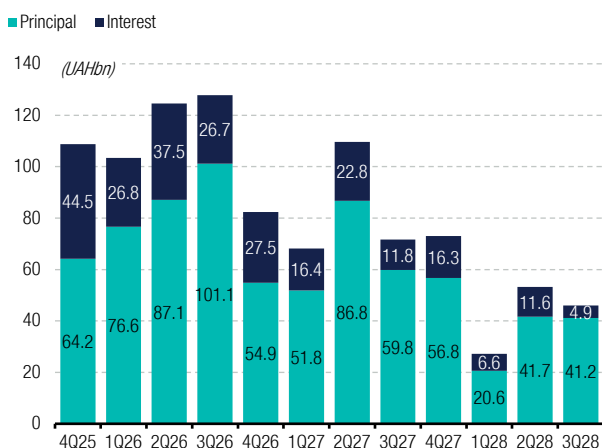
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

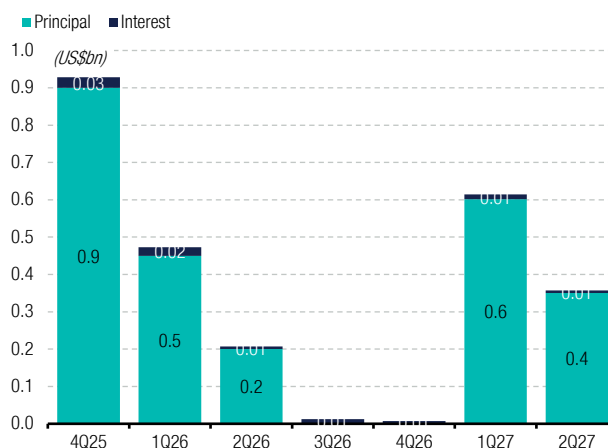
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

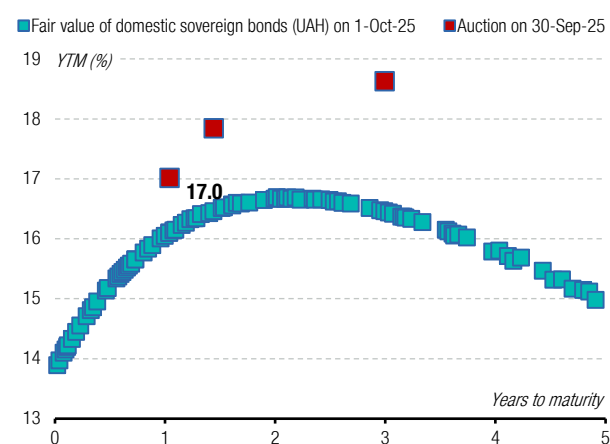
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

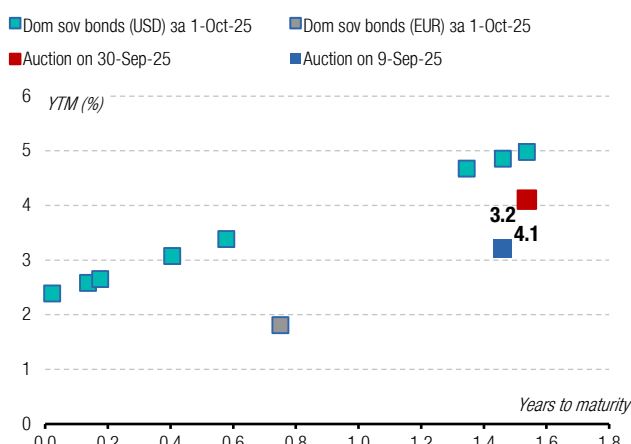
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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