

Bond Market Insight

Increased demand for UAH bonds

Comment on government bond placement

Yesterday, the Ministry of Finance borrowed UAH23bn for the state budget, mostly in hryvnia.

Interest in UAH instruments has significantly increased. For the third time this year, the shortest of the offered bonds (due next year) received demand greater than supply, and paper due in 2027 received demand greater than supply for the first time.

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 (%)	Outstanding (m) ⁴
UA4000237416	16.35	SA	18-Nov-26	5,000,000	1,062.31	5,311.57	5,000.00	17.07	5,000.00
UA4000237424	17.10	SA	23-Jun-27	5,000,000	1,048.47	5,242.35	5,000.00	17.88	5,000.00
UA4000236475	17.77	SA	27-Sep-28	4,374,697	1,002.62	4,386.17	4,374.70	18.65	20,050.46
Total UAH				14,374,697		14,940.08	14,374.70		30,050.46
UA4000237432	4.09	SA	17-Jun-27	200,000	1,012.55	8,369.44	8,265.72	4.14	8,265.72
Total USD				200,000		8,369.44	8,265.72		8,265.72

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

The new military UAH paper was 10% oversubscribed, but mainly at the previous auction's cut-off rate. Therefore, placement conditions have not changed, and the budget received UAH5.3bn of funds.

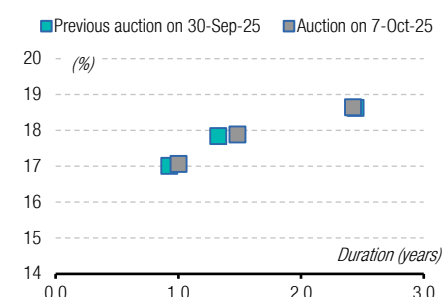
Placement conditions for 21-month securities have also not changed. Demand reached UAH6.2bn vs the UAH5bn cap, and the Ministry of Finance had to accept all bids, but likely all of them partially.

Interest in the three-year bond also increased, but was slightly below the cap. Therefore, the MoF fully accepted all bids.

The MoF also sold US\$200m of FX-denominated bills. Demand was almost a quarter higher, so the Ministry rejected four bids because they required an increase in the cut-off rate by 5bp. The Ministry of Finance lowered the cut-off rate by 1bp to 4.1%, and the weighted average rate increased by 3bp to 4.09%.

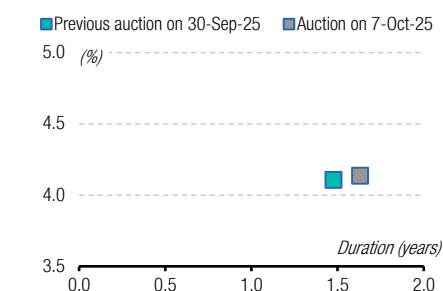
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UAH-denominated domestic gov't bonds: yield curve in past two auctions



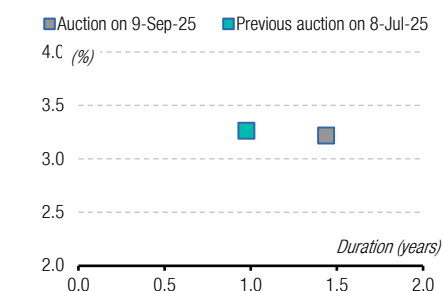
Source: Ministry of Finance of Ukraine, ICU.

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

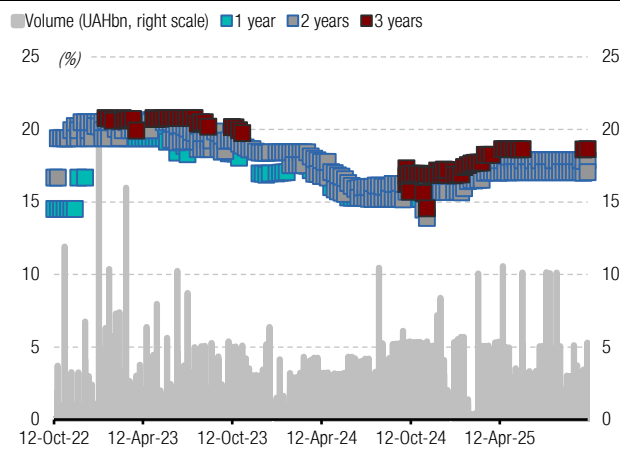


Source: Ministry of Finance of Ukraine, ICU.

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



USD-denominated domestic government bonds

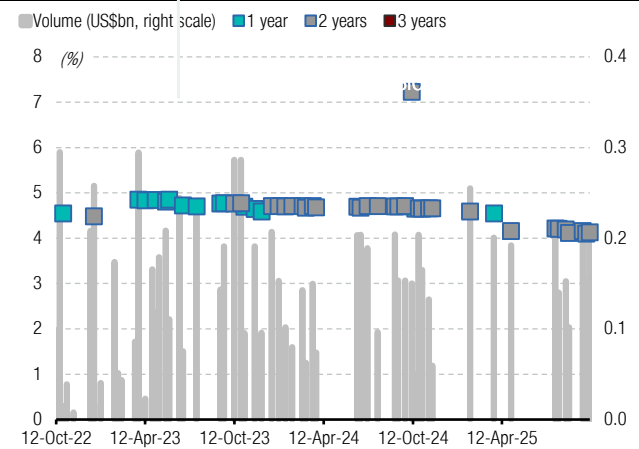
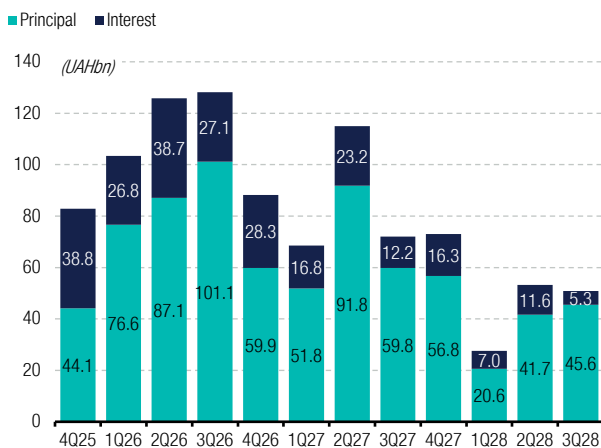


Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



USD-denominated domestic government bonds

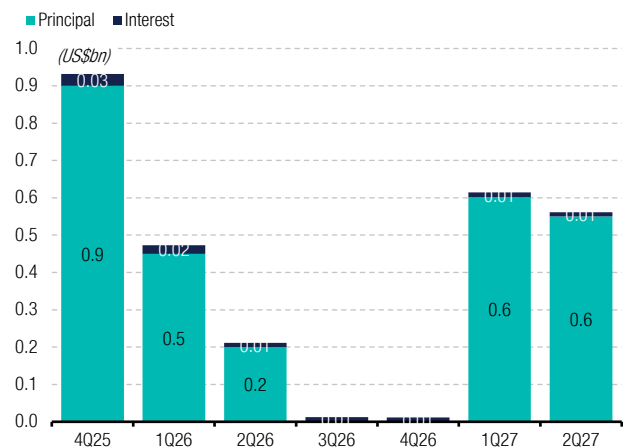
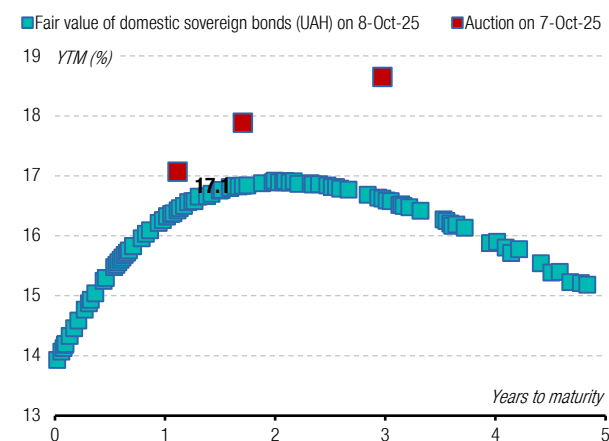
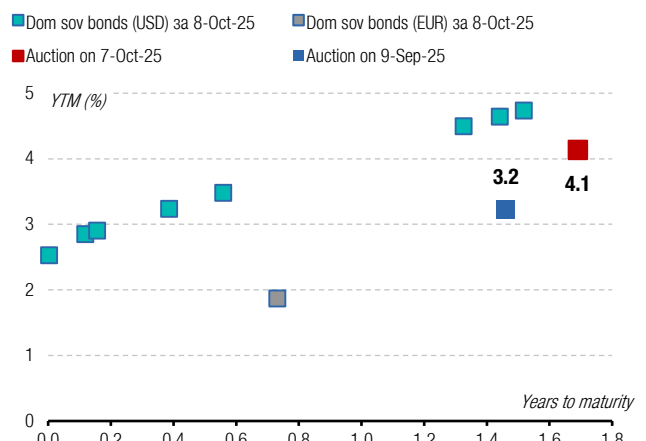


Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

UAH-denominated domestic government bonds



USD- and EUR-denominated domestic government bonds



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