

# Bond Market Insight

## Even distribution of demand

### Comment on government bond placement

WEDNESDAY, 18 MAY 2022

Yesterday, the Ministry of Finance attracted almost UAH7.5bn (US\$253m) to the budget through local-currency bills, more than 50% more than last week's borrowings.

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

**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>
UA4000225866	0.00	@Mty	27-Jul-22	1,344,647	982.11	1,320.59	1,344.65	9.50	5,497.31
UA4000225791	0.00	@Mty	2-Nov-22	2,375,204	956.00	2,270.70	2,375.20	10.00	9,809.08
UA4000225908	11.50	SA	25-Oct-23	3,839,594	1,006.47	3,864.44	3,839.59	11.87	3,926.45
<b>Total UAH</b>				<b>7,559,445</b>		<b>7,455.72</b>	<b>7,559.45</b>		<b>19,232.84</b>

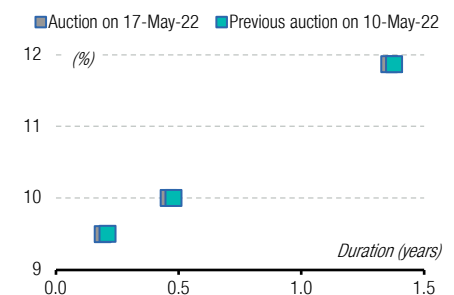
Note: [1] payment frequency abbreviations: M - monthly, Qtly - quarterly, SA - semi-annually, @Mty - at maturity date; [2] proceeds and volumes for the USD-denominated bonds are calculated based on the previous day's exchange rate 29.55/USD, 31.91/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

Demand at the auction was distributed almost evenly between short-term zero-coupon bills maturing this year and the new 1.5-year paper — UAH3.7bn (US\$126m) and UAH3.8bn (US\$130m), respectively, at face value.

Lowest, and almost identical to last week was demand for three-month securities at UAH1.3bn (US\$46m), but the amount of bids for six-month paper fell slightly from UAH3.5bn (US\$119m) last week to UAH2.4bn (US\$81m) yesterday.

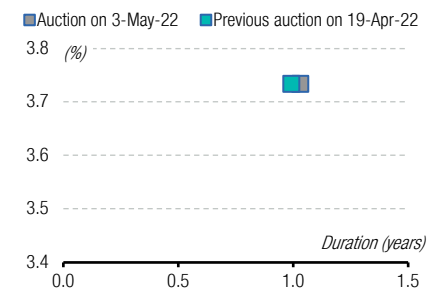
The 1.5-year paper, as expected, received the greatest demand yesterday. The total volume of bids was just UAH87m (US\$3m) last Tuesday, and yesterday's demand was up more than 44 times, most likely thanks to investors who decided to diversify their support to the government during wartime by buying longer bills.

The total amount of funds received by the state budget from the domestic bond market in May has already exceeded UAH19bn (US\$644m). If the level of demand remains close to yesterday's for the next two weeks, we can expect that the level of domestic budget financing will remain stable at about UAH30bn (US\$1bn) per month.



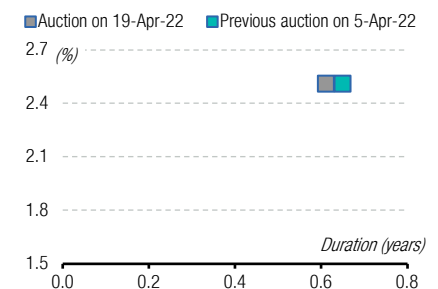
Source: Ministry of Finance of Ukraine, ICU.

### 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

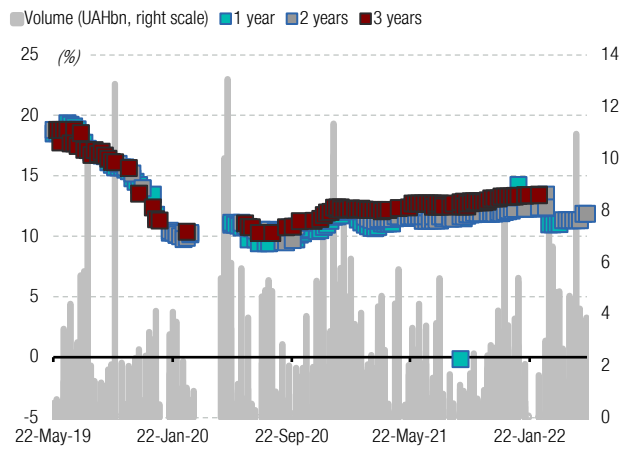


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

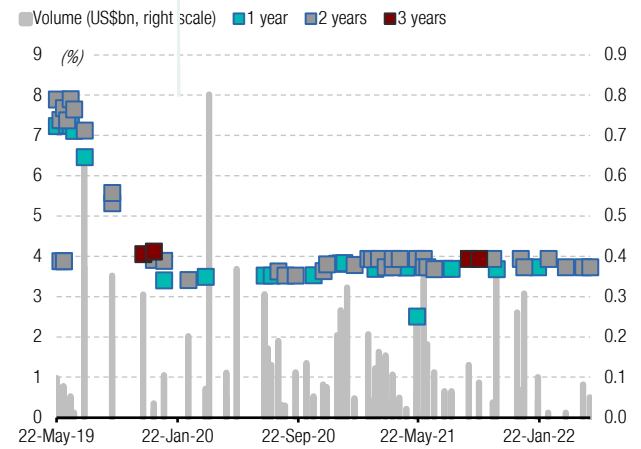
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

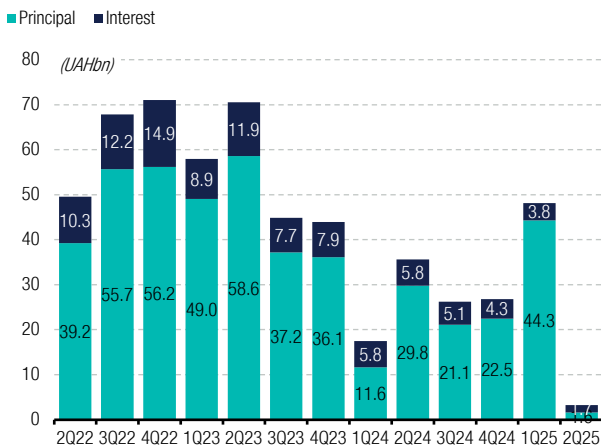
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

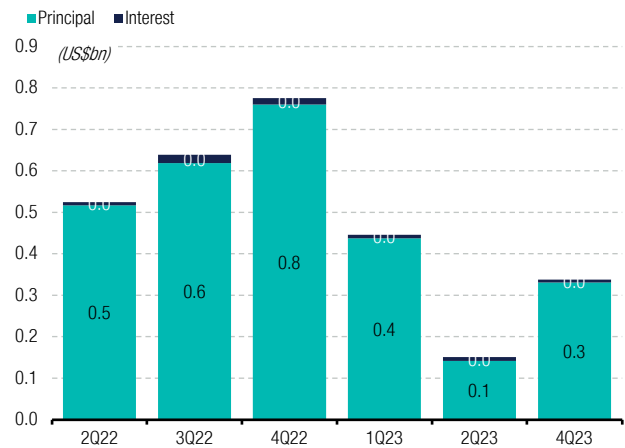
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

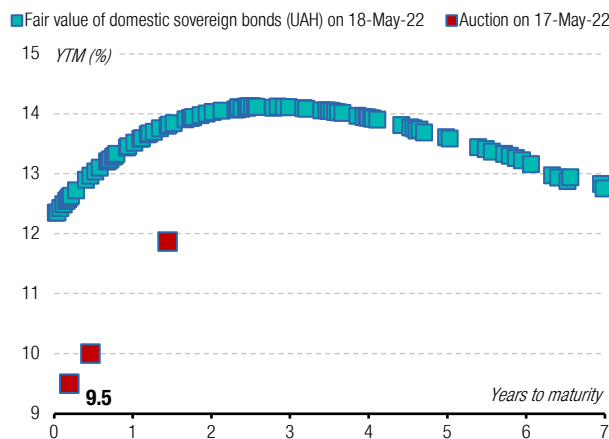
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

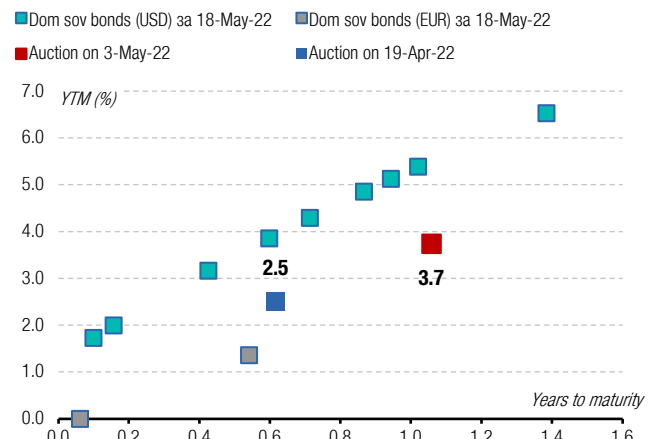
**Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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