

# Bond Market Insight

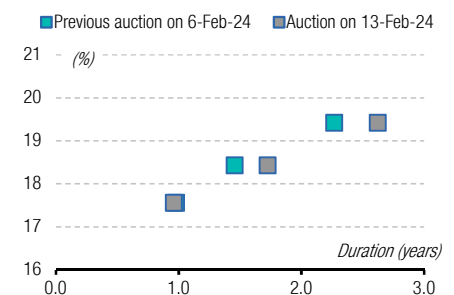
## New bonds receive low demand

### Comment on government bond placement

WEDNESDAY, 14 FEBRUARY 2024

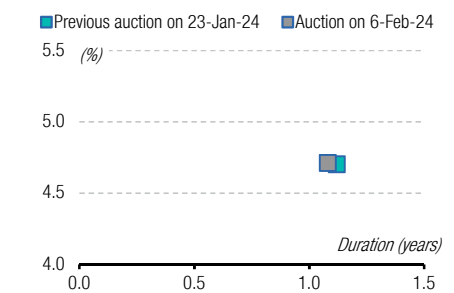
Yesterday, the MoF replaced two old UAH bonds by offering new securities, but received low demand, refinancing only half of today's debt redemption.

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



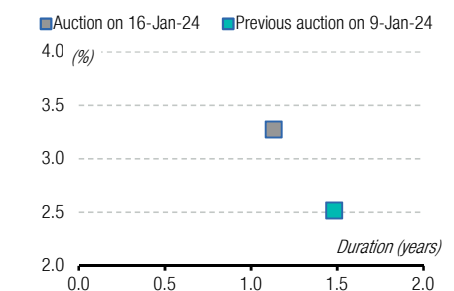
Source: Ministry of Finance of Ukraine, ICU.

### 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.

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> |
|------------------|-----------------|--------------------------------|-----------|-------------------|-------------|------------------------------|----------------------------|----------------------|------------------------------|
| UA4000230213     | 16.80           | SA                             | 12-Mar-25 | 2,706,547         | 1,070.63    | 2,897.71                     | 2,706.55                   | 17.56                | 5,706.55                     |
| UA4000230262     | 17.60           | SA                             | 28-Jan-26 | 1,310,423         | 1,006.51    | 1,318.96                     | 1,310.42                   | 18.43                | 1,310.42                     |
| UA4000230270     | 18.50           | SA                             | 7-Jul-27  | 1,210,147         | 1,017.16    | 1,230.92                     | 1,210.15                   | 19.41                | 1,210.15                     |
| <b>Total UAH</b> |                 |                                |           | <b>5,227,117</b>  |             | <b>5,447.59</b>              | <b>5,227.12</b>            |                      | <b>8,227.12</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 37.59/USD, 41.22/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

Twelve-month bills received the largest demand yesterday, UAH2.7bn (US\$71m), just UAH0.3bn less than the cap. Interest rates were mostly the same as last week, so the MoF accepted all bids and was able to borrow UAH2.9bn (US\$76m).

The MoF set the cap for the new two-year paper at UAH4bn (US\$105m), but received only UAH1.3bn (US\$35m) of demand. All bids were accepted without changes in interest rates compared with last week's offering of 20-month bills, which was 17.6%.

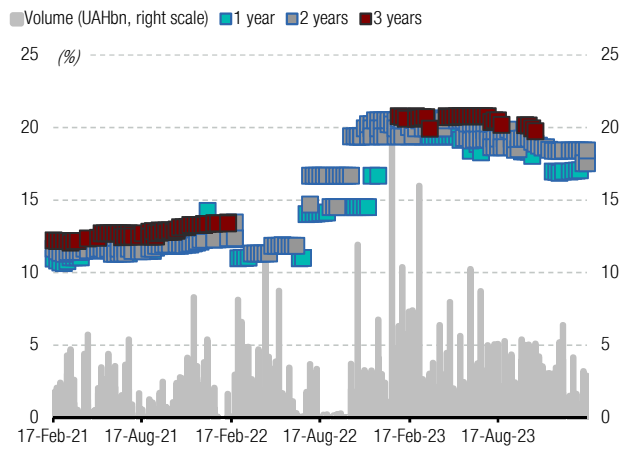
The MoF offered a new 3.5-year note instead of three-year "reserve" paper, which the NBU can also add to the list of "reserve" bonds. However, demand was the smallest yesterday—UAH1.2bn (US\$32m)—with interest rates mostly at 18.5%, the same as for the three-year "reserve" notes last week.

Finally, the state budget received UAH5.4bn (US\$144m), covering nearly half of today's debt redemption. However, there is a high UAH debt refinancing rate YTD - 175%. But, for the MoF, it will be better to refinance redemptions immediately to avoid using tax and other budget revenues for debt repayments.

# Appendix: Yields-to-maturity, repayments

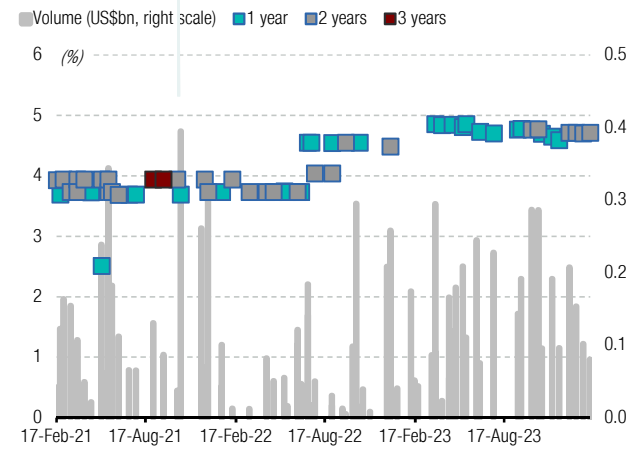
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

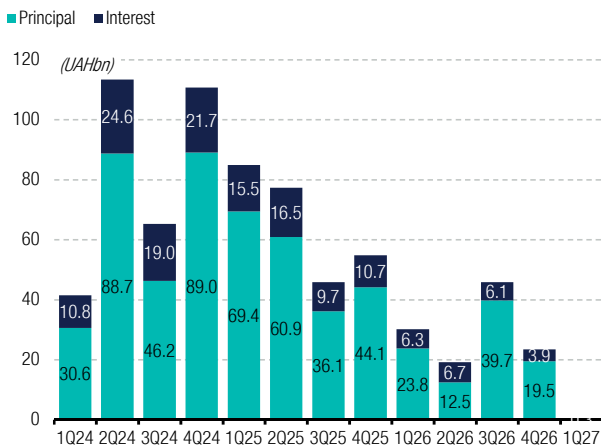
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

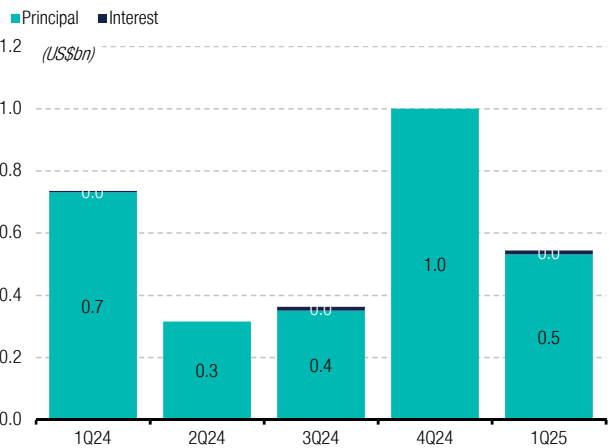
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

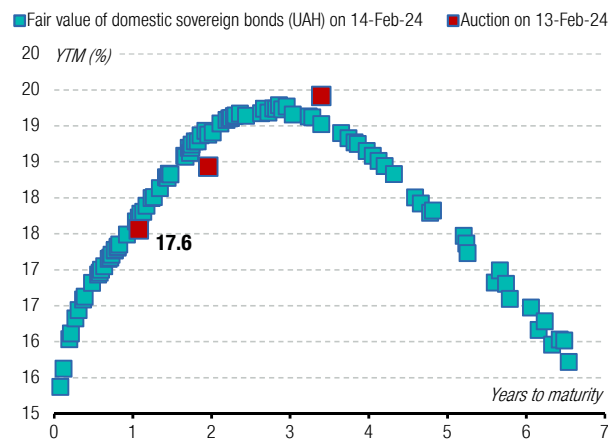
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

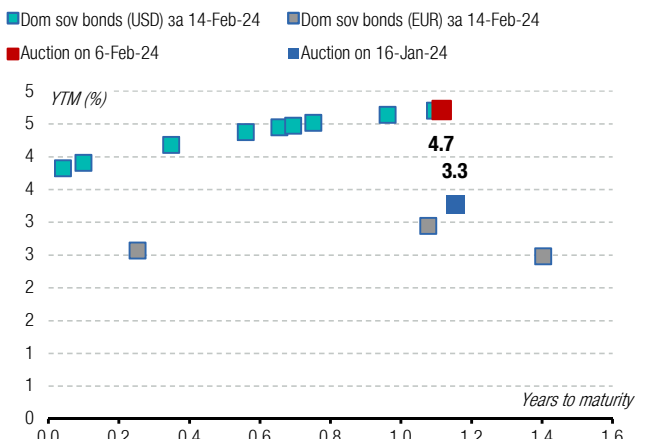
**Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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