

Bond Market Insight

UAH borrowings increase

Comment on government bond placement

Demand for UAH bonds increased by almost a third at yesterday's auction compared with the previous week. Still, thanks to a more even distribution between the instruments, the Ministry of Finance increased borrowings by almost double, to UAH8.9bn (US\$231m).

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
UA4000230213	16.80	SA	12-Mar-25	4,000,000	1,000.36	4,001.43	4,000.00	17.51	17,617.75
UA4000230262	17.60	SA	28-Jan-26	3,306,297	1,019.65	3,371.27	3,306.30	18.43	10,210.46
UA4000230270	18.50	SA	7-Jul-27	1,465,369	1,031.10	1,510.94	1,465.37	19.41	4,302.12
Total UAH				8,771,666	8,883.65	8,771.67			32,130.33

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 38.31/USD, 41.71/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

Last week, most of the demand—almost UAH6.6bn (approximately 90% of total demand)—was concentrated on 12-month bills, and the MoF rejected a third due to the cap. Yesterday, demand was more evenly distributed: only half of the demand was for 12-month bills, a third was for two-year paper, and only the rest for three-year notes.

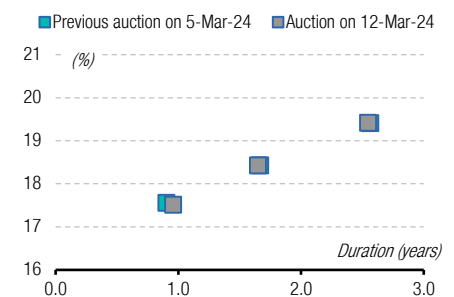
The demand for 12-month securities was UAH4.9bn (US\$128.6m), and due to the cap, the total raised was UAH4bn (US\$104m). The MoF fully satisfied non-competitive demand and bids with rates that were below the cut-off rate, while the rest of the bids were filled partially within the cap and in proportion to the size of the bid. The cut-off rate remains unchanged, but the weighted-average rate slid by 4bp to 16.76% due to some demand, with lower rates starting from 16.7%.

For the two-year and three-year instruments, the Ministry satisfied the all demand, UAH3.3bn (US\$86.1m) and UAH1.5bn (US\$38.2m), respectively. The cut-off and weighted-average rates remained unchanged from last week.

Today's large UAH bond redemption increased demand for new bonds, as some investors immediately participated in the primary auction to reinvest repayments. The rest of the investors will gradually reinvest funds in the secondary market or participate in next week's auction.

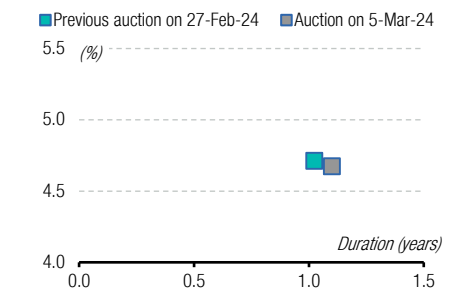
WEDNESDAY, 13 MARCH 2024

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



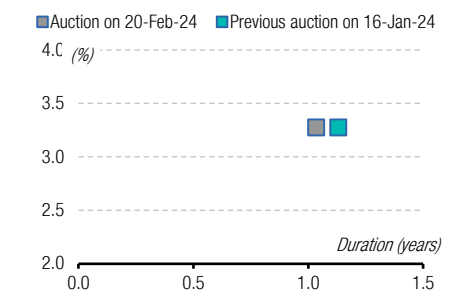
Source: Ministry of Finance of Ukraine, ICU.

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

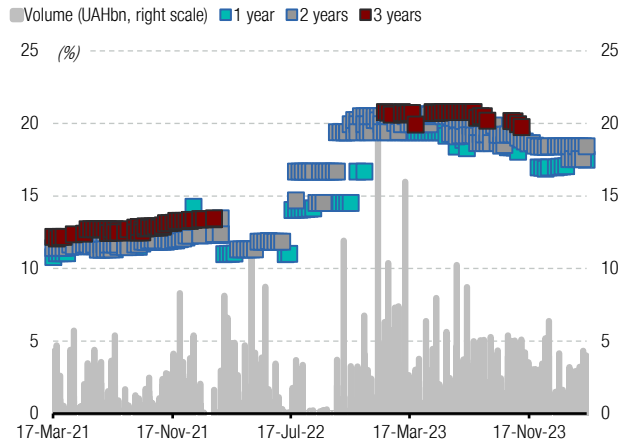


Source: Ministry of Finance of Ukraine, ICU.

Appendix: Yields-to-maturity, repayments

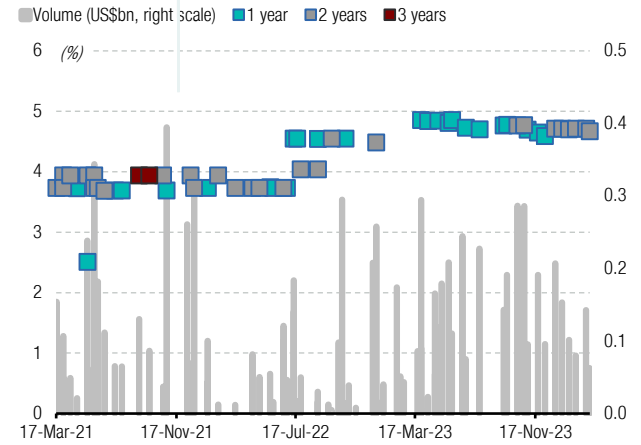
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

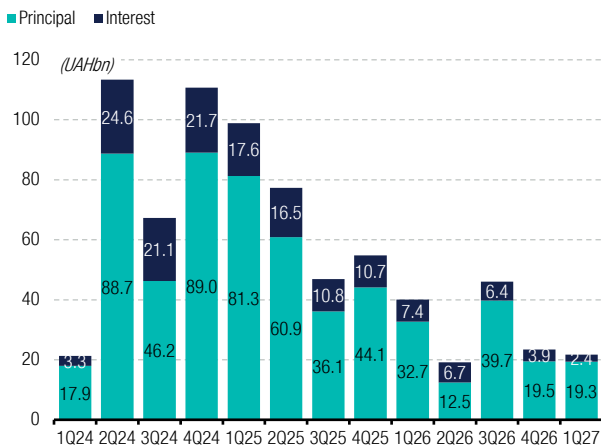
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

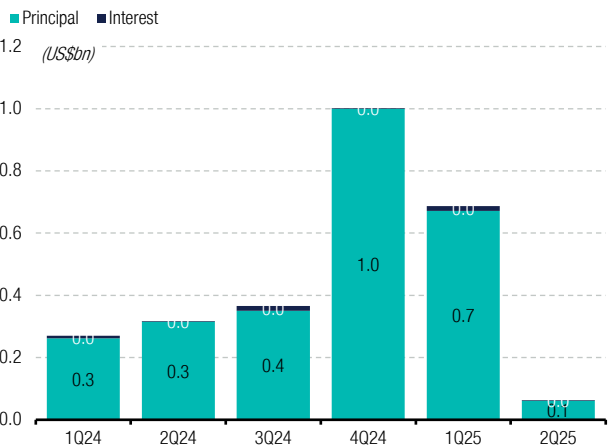
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

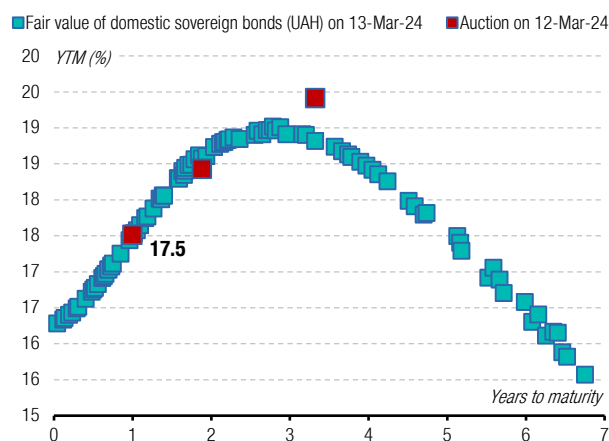
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

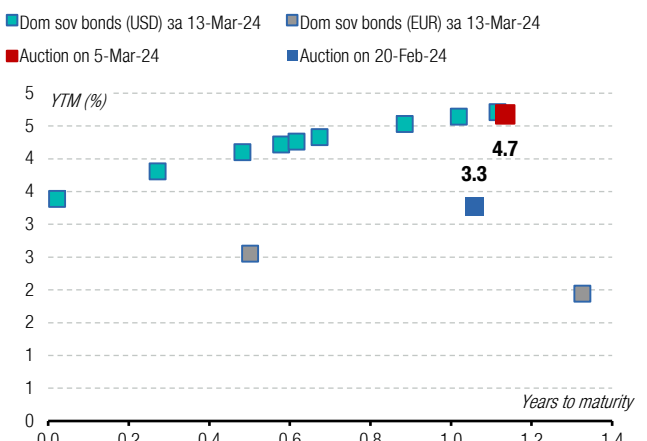
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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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