

Bond Market Insight

MoF keeps borrowing large

Comment on government bond placement

WEDNESDAY, 11 SEPTEMBER 2024

For the second consecutive week, the MoF borrowed UAH20bn in the week. Yesterday, there were no material changes in interest rates.

Table 1. Details of domestic government bonds placed at the auction (UAHbn)

ISIN	Coupon rate (%)	Payment frequency	Maturity	Qty of bonds sold	Price (UAH)	Proceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Outstanding (m) ⁴
UA4000232599	14.65	SA	1-Oct-25	545,851	1,064.73	581.18	545.85	15.21	2,386.38
UA4000232607	15.60	SA	5-Aug-26	5,000,000	1,014.55	5,072.75	5,000.00	16.26	9,088.83
UA4000232615	16.60	SA	24-Nov-27	5,000,000	1,047.08	5,235.42	5,000.00	17.34	10,000.00
UA4000231625	16.80	SA	9-Feb-28	347,591	1,009.97	351.06	347.59	17.67	9,907.87
Total UAH				10,893,442		11,240.42	10,893.44		31,383.09
UA4000232623	4.65	SA	25-Sep-25	150,000	1,021.44	6,306.54	6,174.17	4.70	14,406.39
Total USD				150,000		6,306.54	6,174.17		14,406.39
UA4000232730	0.00	@Mty	4-Sep-25	63,102	969.26	2,774.28	2,862.28	3.23	2,862.28
Total EUR				63,102		2,774.28	2,862.28		2,862.28

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 41.16/USD, 45.36/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

The MoF rejected nearly one-third of the demand to keep the cut-off rate for 12-month bills at 14.65%. The Ministry rejected just two bids that required an increase to 14.75%. Despite total demand being below UAH1bn, the MoF demonstrated that it would not extend last week's interest rate increase for this paper.

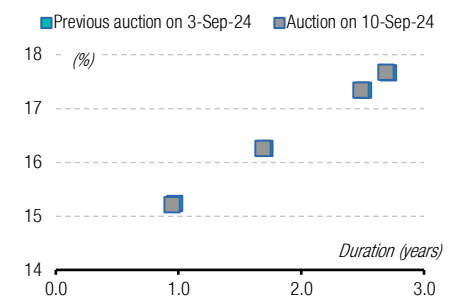
Two and three-year securities were slightly oversubscribed, so the MoF accepted all bids, keeping cut-off rates unchanged at 15.6% and 16.6%, respectively. The MoF partially satisfied some bids within the cap.

The cut-off rate for 3.5-year notes remains unchanged from last week's new level, 16.9%.

The Ministry sold all planned USD-denominated bills, US\$150m, and completed last week's debt redemption refinancing. However, paper in euros saw moderate demand below the cap and tomorrow's debt redemption. The MoF may complete this redemption refinancing next week.

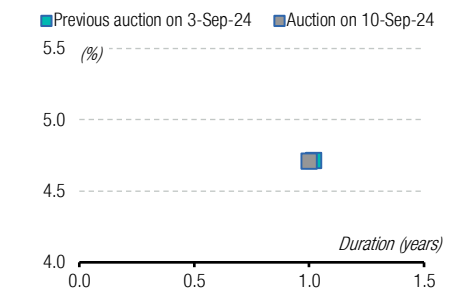
By combining the offer of UAH and FX-denominated bonds, the Ministry of Finance is currently attracting more than UAH20bn per week, which is only slightly less than all the funds raised during August. So, the summer lull in the bond market is over. At the same time, market activity is unlikely to lead to significant changes in interest rates in the coming weeks.

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



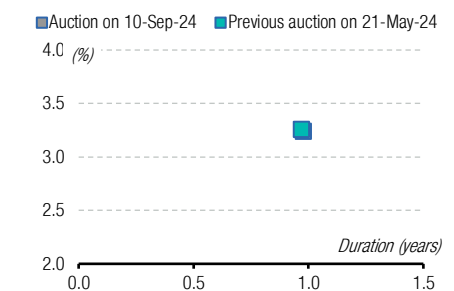
Source: Ministry of Finance of Ukraine, ICU.

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



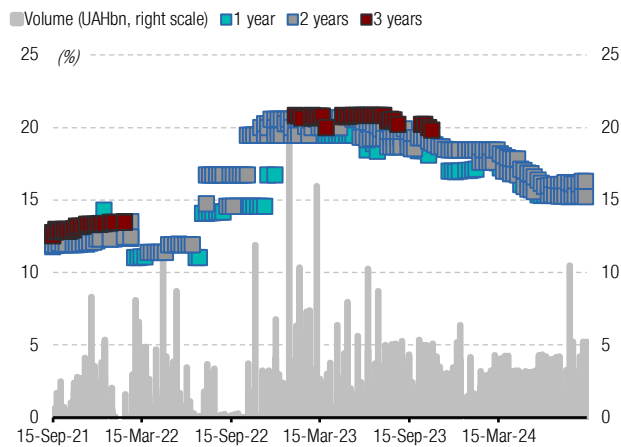
Source: Ministry of Finance of Ukraine, ICU.

READ FIRST THE DISCLOSURES SECTION (ON LAST PAGE) FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATION

Appendix: Yields-to-maturity, repayments

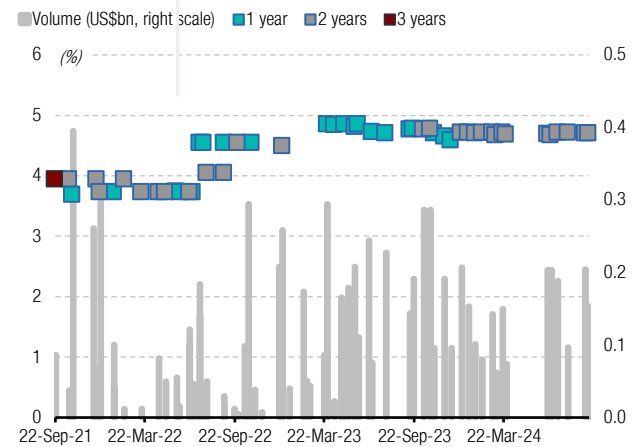
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

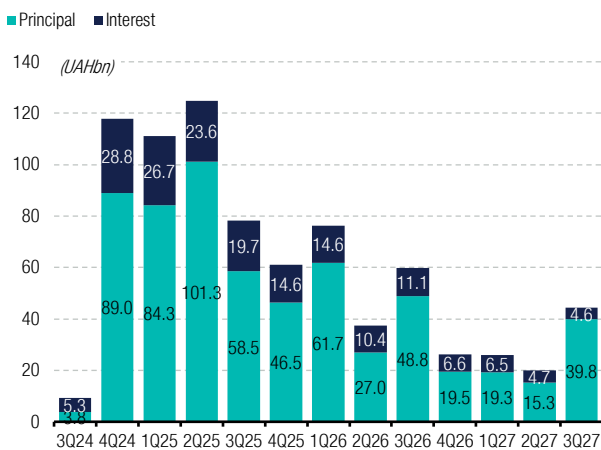
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

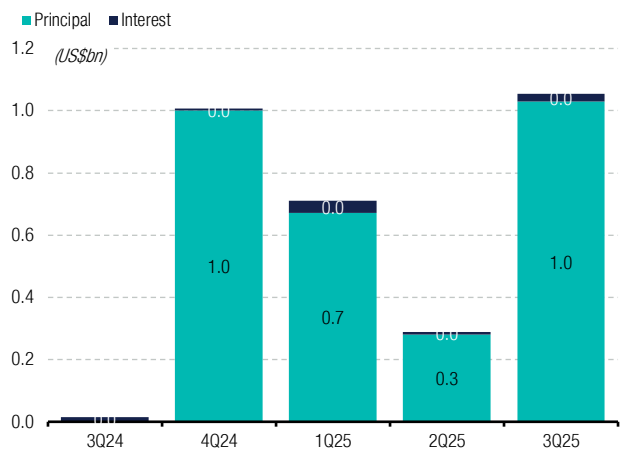
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

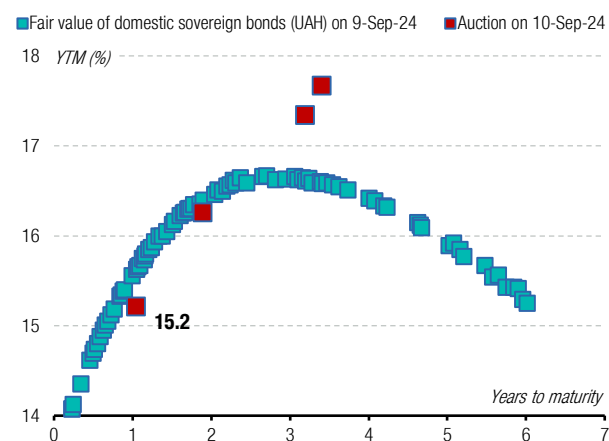
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

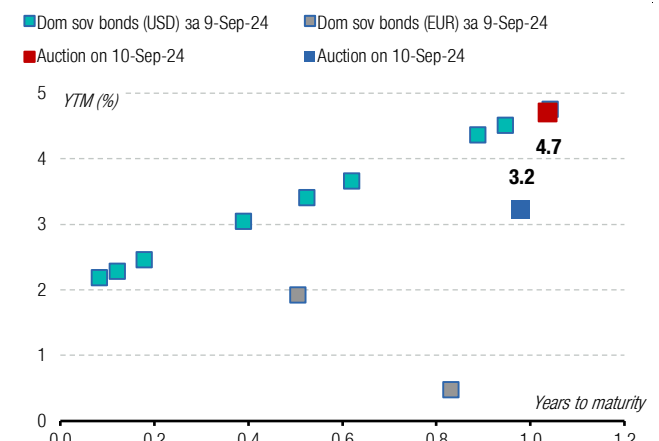
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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.

This page is intentionally left blank.



11th floor, LEONARDO Business Centre
19-21 Bogdan Khmelnytsky Street
Kyiv, 01030 Ukraine
Phone/Fax +38 044 3777040

WEB www.icu.ua



RESEARCH

Vitaliy Vavryshchuk

Head of macro research
vitaliy.vavryshchuk@icu.ua

Taras Kotovych

Senior financial analyst (Sovereign debt)
taras.kotovych@icu.ua

Dmitriy Dyachenko

Financial analyst
dmitriy.dyachenko@icu.ua

Alexander Martynenko

Head of corporate research
alexander.martynenko@icu.ua

Mykhaylo Demkiv

Financial analyst (Banks)
mykhaylo.demkiv@icu.ua

Investment Capital Ukraine LLC is regulated by Securities and Stock Market State Commission of Ukraine (license numbers: dealer activity AE 263019, broker activity AE 263018, underwriting activity AE 263020 dated 11 April 2013).

DISCLAIMER

This research publication has been prepared by Investment Capital Ukraine LLC solely for information purposes for its clients. It does not constitute an investment advice or an offer or solicitation for the purchase or sale of any financial instrument. While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, Investment Capital Ukraine makes no representation that it is accurate or complete. The information contained herein is subject to change without notice. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of Investment Capital Ukraine LLC. All rights are reserved. Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates. Past performance is not indicative of future results. Investors should make their own investigations and investment decisions without relying on this report. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this report.

Additional information is available upon request.

