

# Bond Market Insight

## Domestic borrowings remain large

### Comment on government bond placement

THURSDAY, 19 SEPTEMBER 2024

For the third week, the MoF borrowed more than UAH10bn in local currency. However, without offering USD-denominated bills, FX proceeds shrink.

**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> |
|------------------|-----------------|--------------------------------|-----------|-------------------|-------------|------------------------------|----------------------------|----------------------|------------------------------|
| UA4000232599     | 14.65           | SA                             | 1-Oct-25  | 1,287,004         | 1,067.44    | 1,373.80                     | 1,287.00                   | 15.23                | 3,673.39                     |
| UA4000232607     | 15.60           | SA                             | 5-Aug-26  | 5,000,000         | 1,017.52    | 5,087.60                     | 5,000.00                   | 16.25                | 14,088.83                    |
| UA4000232615     | 16.60           | SA                             | 24-Nov-27 | 5,000,000         | 1,050.30    | 5,251.48                     | 5,000.00                   | 17.34                | 15,000.00                    |
| UA4000231625     | 16.80           | SA                             | 9-Feb-28  | 1,046,045         | 1,013.15    | 1,059.80                     | 1,046.05                   | 17.67                | 10,953.92                    |
| <b>Total UAH</b> |                 |                                |           | <b>12,333,049</b> |             | <b>12,772.67</b>             | <b>12,333.05</b>           |                      | <b>43,716.13</b>             |
| UA4000232730     | 0.00            | @Mty                           | 4-Sep-25  | 23,707            | 970.05      | 1,060.89                     | 1,093.64                   | 3.21                 | 4,004.65                     |
| <b>Total EUR</b> |                 |                                |           | <b>23,707</b>     |             | <b>1,060.89</b>              | <b>1,093.64</b>            |                      | <b>4,004.65</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 41.15/USD, 46.13/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

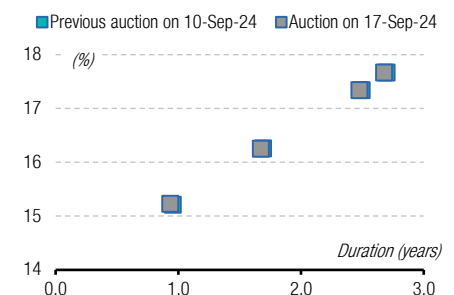
Twelve-month and 3.5-year securities usually saw the least demand in the auction. However, demand was highly volatile: two weeks ago, it was UAH2.7bn; last week, it fell to UAH0.9bn; and this week, it surged to UAH2.4bn. No bids required an interest rate increase, so the MoF satisfied demand in full and increased the weighted average rate by 2bp to 14.65%, the same level as the cut-off rate.

Two and three-year bonds were oversubscribed for the second week. Interest rates in demand were similar to the previous week—mainly at the cut-off level—while the share of non-competitive bids declined. Therefore, we did not see any changes in interest rates for these instruments.

The MoF slightly decreased the weighted average rate for EUR-denominated bills by 2bp to 3.22%. The lowest bid rate was 3.14%, which impacted the final rates as competitive demand was less than half of all bids.

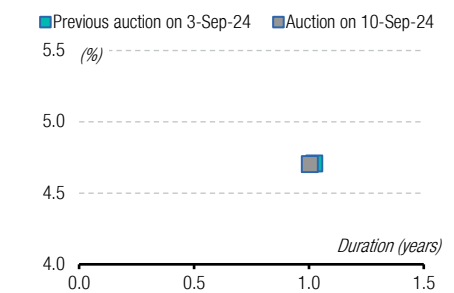
Interest rates for UAH bonds expectedly were unchanged, especially prior to the NBU monetary policy committee. The bond market anticipates the NBU will keep its rates unchanged so that bond rates will stay at this level too soon.

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



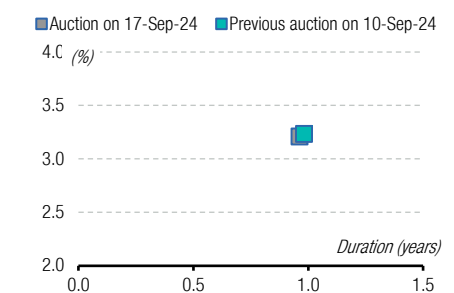
Source: Ministry of Finance of Ukraine, ICU.

### 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

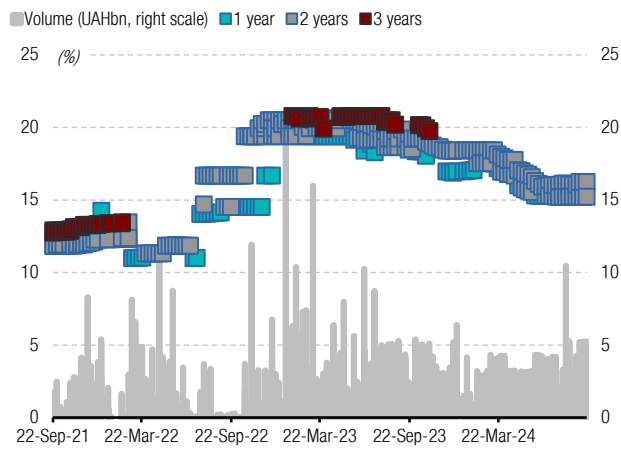


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

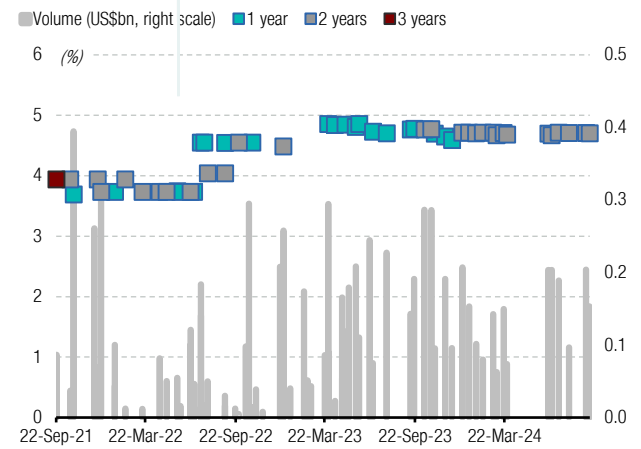
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

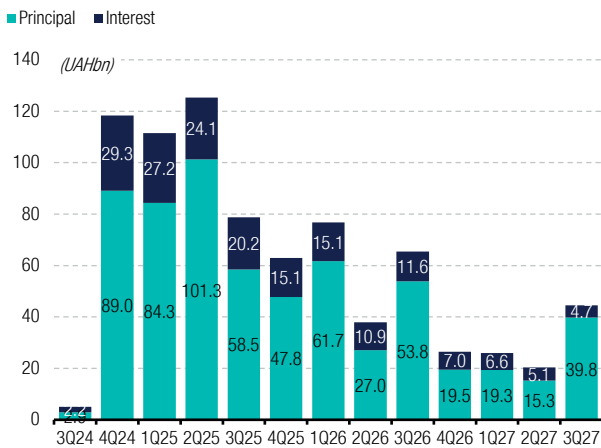
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

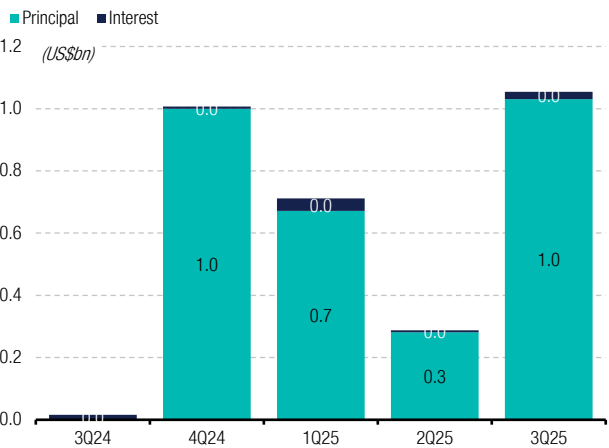
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

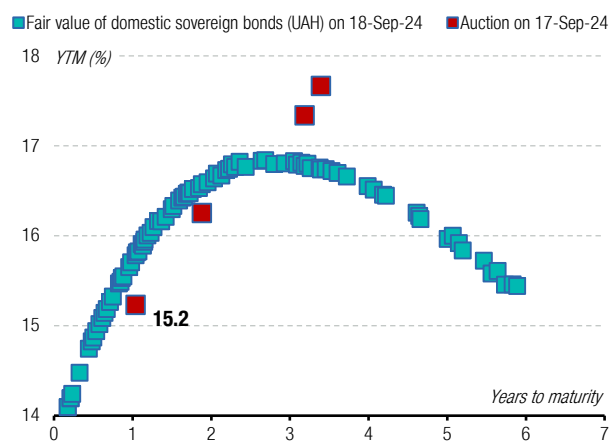
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

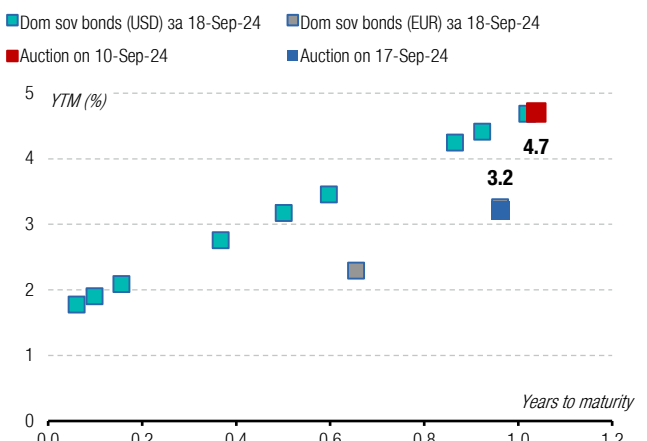
**Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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