

# Bond Market Insight

## Borrowings almost halved

### Comment on government bond placement

WEDNESDAY, 20 NOVEMBER 2024

The MoF has delayed further offering of reserve bonds until December. Without these instruments, UAH proceeds almost halved. FX-denominated borrowings fell, too.

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 <sup>2</sup> (UAHm)	Volume <sup>2</sup> (UAHm)	YTM <sup>3</sup> (%)	Outstanding (m) <sup>4</sup>
UA4000233332	15.20	SA	29-Apr-26	5,000,000	1,008.49	5,042.47	5,000.00	15.82	15,000.00
UA4000233340	16.20	SA	7-Apr-27	5,000,000	1,018.34	5,091.69	5,000.00	16.89	15,000.00
UA4000231625	16.80	SA	9-Feb-28	1,076,007	1,044.39	1,123.77	1,076.01	17.56	16,795.47
<b>Total UAH</b>				<b>11,076,007</b>		<b>11,257.93</b>	<b>11,076.01</b>		<b>46,795.47</b>
UA4000233407	4.61	SA	4-Dec-25	58,233	1,021.24	2,455.12	2,404.05	4.66	7,760.39
<b>Total USD</b>				<b>58,233</b>		<b>2,455.12</b>	<b>2,404.05</b>		<b>7,760.39</b>

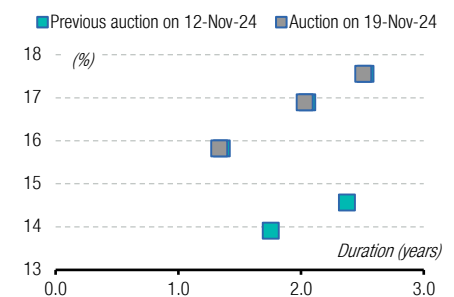
Note: [1] payment frequency abbreviations: M - monthly, Qtly - quarterly, SA - semi-annually, @Mty - at maturity date; [2] proceeds and volumes for the USD-denominated bonds are calculated based on the previous day's exchange rate 41.28/USD, 46.13/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

UAH military bonds were 5x oversubscribed, but there was no competition, and the MoF could not decrease interest rates, as the MoF did for reserve securities. Therefore, cut-off and weighted-average rates remained steady at 15.2% and 16.19% for 1.5 and 2.4-year bills.

Regular three-year and USD-denominated instruments received bids below the cap. Therefore, the MoF accepted all bids in full without changes in interest rates.

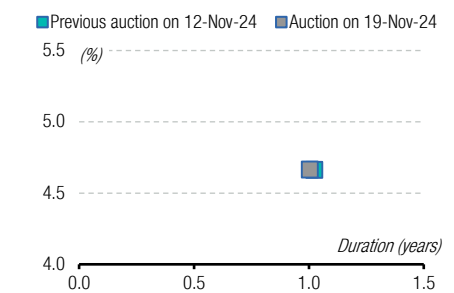
The MoF paused reserve bond placements until December when it can accurately estimate uncovered budget needs for the remainder of the year. Therefore, next week, the MoF will offer the same set of bonds, which should allow the rollover of all debt redemptions in November.

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



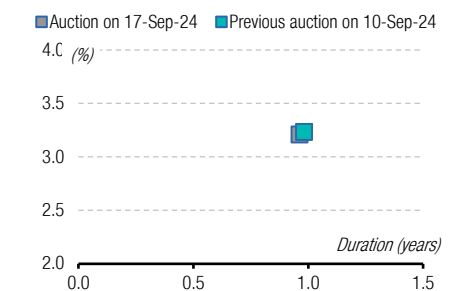
Source: Ministry of Finance of Ukraine, ICU.

### 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

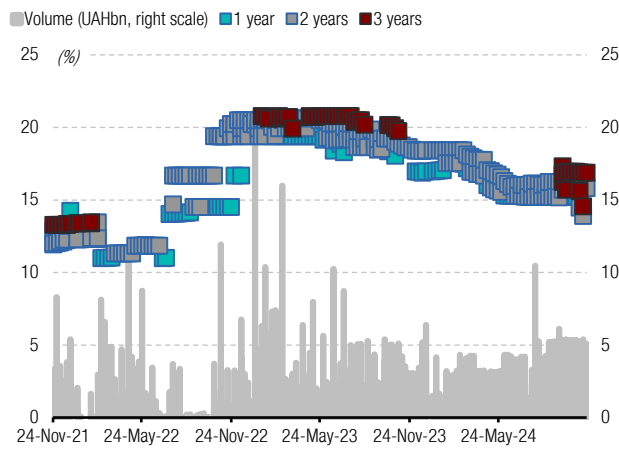


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

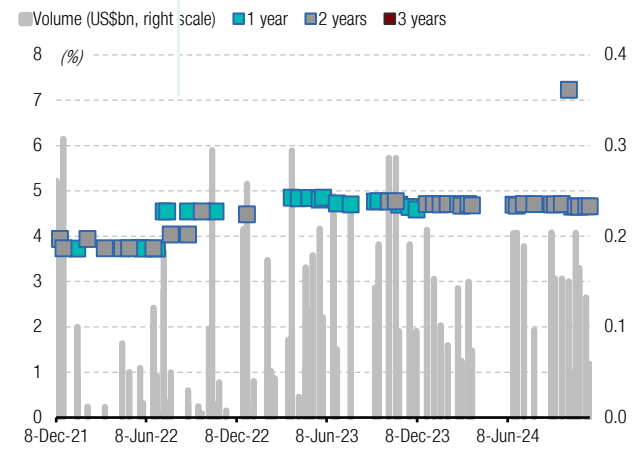
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

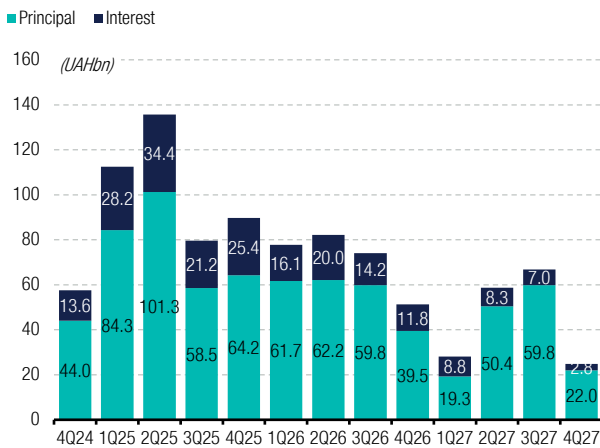
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

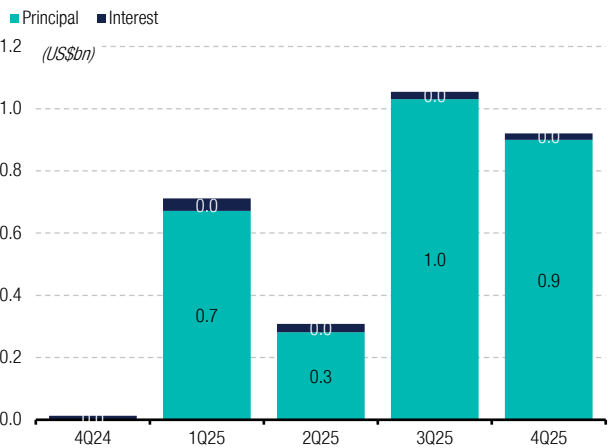
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

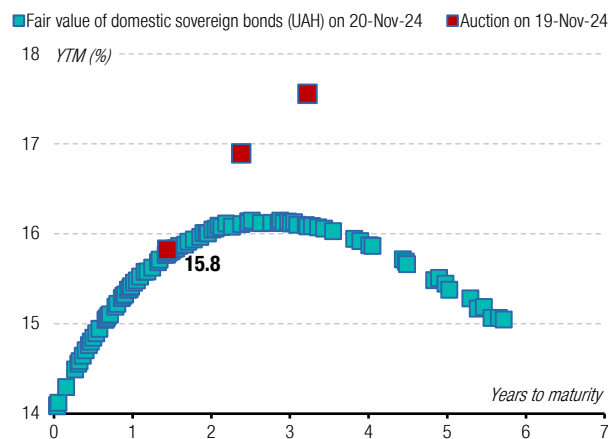
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

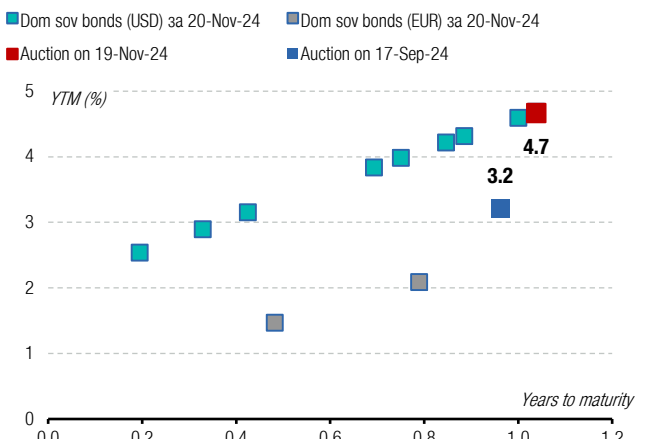
**Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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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