

# Bond Market Insight

## Large UAH-denominated borrowings

### Comment on government bond placement

WEDNESDAY, 27 NOVEMBER 2024

Yesterday, the MoF borrowed UAH19bn in UAH-denominated bonds.

Military bonds were 3x oversubscribed, but without any chance of decreasing interest rates. Most of the bonds the MoF sold were at last week's cut-off rate, 15.2% and 16.19% for 1.5 and 2.5-year paper.

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

ISIN	Coupon rate (%)	Payment freq <sup>1</sup>	Maturity	Qty of bonds sold	Price (UAH)	Proceeds <sup>2</sup> (UAHm)	Volume <sup>2</sup> (UAHm)	YTM <sup>3</sup> (%)	Out-standing (m) <sup>4</sup>
UA4000233332	15.20	SA	29-Apr-26	5,000,000	1,011.37	5,056.84	5,000.00	15.82	20,000.00
UA4000233340	16.20	SA	7-Apr-27	5,000,000	1,021.42	5,107.10	5,000.00	16.89	20,000.00
UA4000231625	16.80	SA	9-Feb-28	3,776,030	1,047.63	3,955.88	3,776.03	17.56	20,571.50
UA4000233613	16.01	SA	10-May-28	5,000,000	1,005.98	5,029.92	5,000.00	16.70	5,000.00
<b>Total UAH</b>				<b>18,776,030</b>	<b>19,149.74</b>	<b>18,776.03</b>		<b>65,571.50</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 41.33/USD, 46.13/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

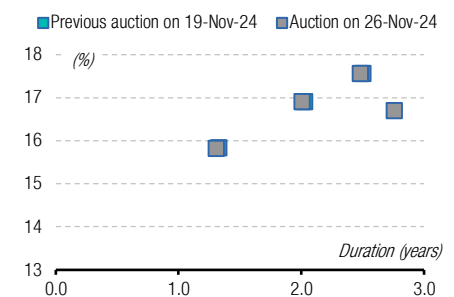
The MoF sold three-year notes at the usual 16.8% interest rate.

However, auction participants were most interested in the new 3.5-year paper. The MoF will probably make them the reserve eligible, but the final decision rests with the NBU.

Significant demand allowed the MoF to set the coupon rate at 16.01%, and the cut-off rate was 16.25%.

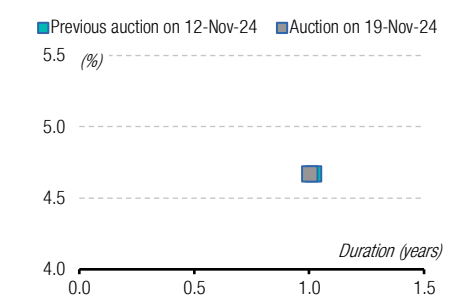
Offering reserve bonds may cover extra budget needs in November, and we could see additional interest rate cuts in the following weeks.

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



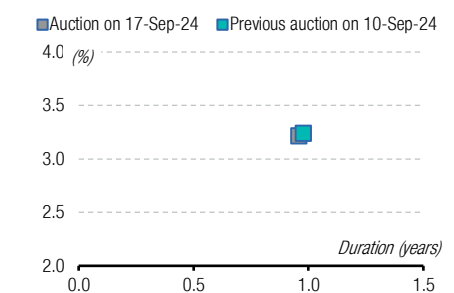
Source: Ministry of Finance of Ukraine, ICU.

### 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

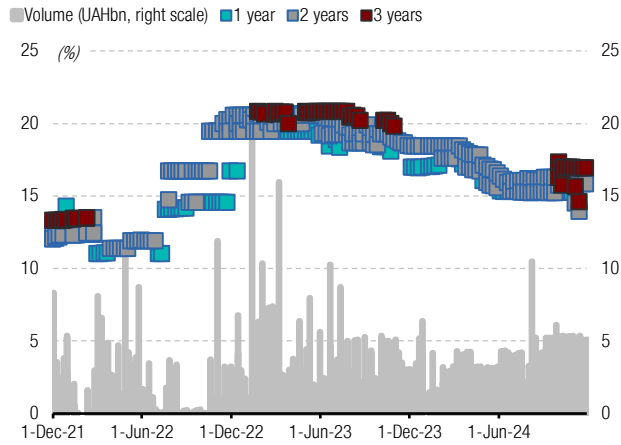


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

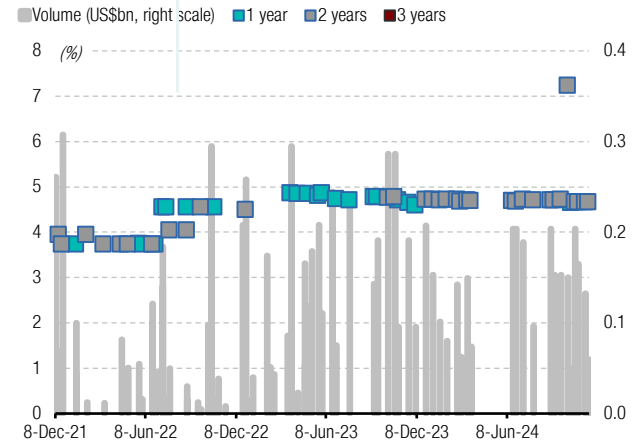
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

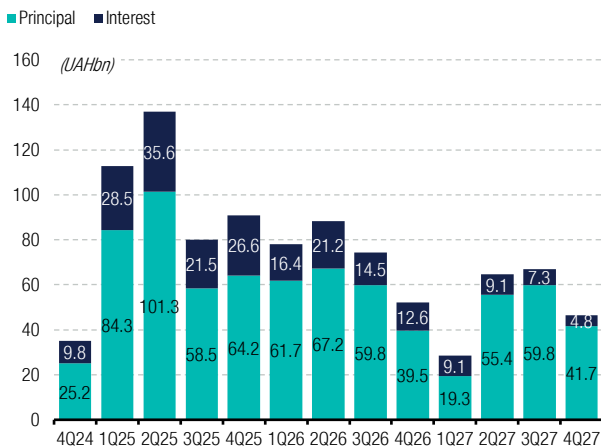
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

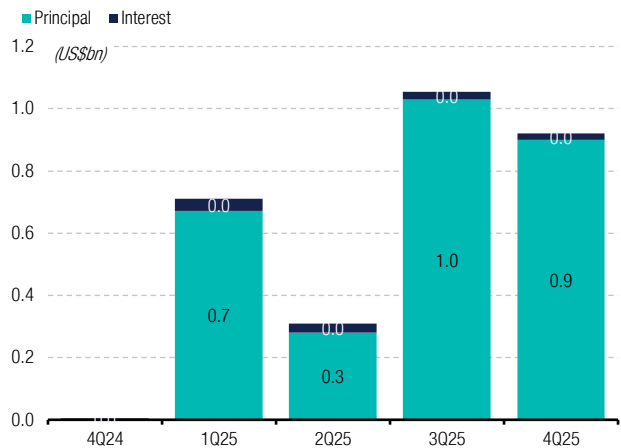
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

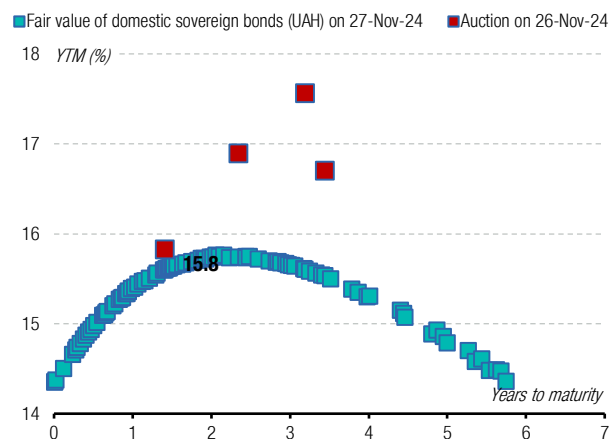
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

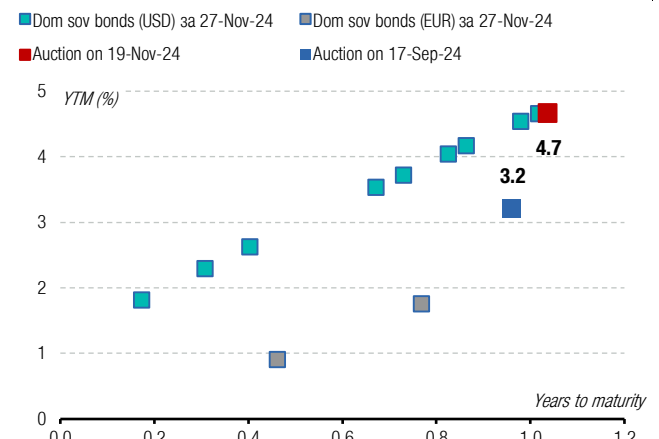
**Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions**

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

**WEB** [www.icu.ua](http://www.icu.ua)



## RESEARCH

### Vitaliy Vavryshchuk

Head of macro research  
[vitaliy.vavryshchuk@icu.ua](mailto:vitaliy.vavryshchuk@icu.ua)

### Taras Kotovych

Senior financial analyst (Sovereign debt)  
[taras.kotovych@icu.ua](mailto:taras.kotovych@icu.ua)

### Dmitriy Dyachenko

Financial analyst  
[dmitriy.dyachenko@icu.ua](mailto:dmitriy.dyachenko@icu.ua)

### Alexander Martynenko

Head of corporate research  
[alexander.martynenko@icu.ua](mailto:alexander.martynenko@icu.ua)

### Mykhaylo Demkiv

Financial analyst (Banks)  
[mykhaylo.demkiv@icu.ua](mailto:mykhaylo.demkiv@icu.ua)

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