



Focus  
Ukraine

Markets  
Government bonds,  
FX market, and macro

Research team  
**Alexander Martynenko**  
**Taras Kotovych**  
**Mykhaylo Demkiv**

# Weekly Insight

## NBU signals prolonged tight monetary policy

### Key messages of the today's comments

#### Ukrainian bond market

##### MoF reduces stock of FX bonds

In recent years, the MoF has made it a practice to reduce the stock of outstanding FX-denominated bonds, with the current year being no exception.

##### Week full of discouraging news for investors

Last week, investors had to digest the new Prime Minister's announcement that the government intends to launch a new IMF program and also the backslide in anti-corruption efforts by the Ukrainian authorities. Additionally, a fresh NBU macro update indicates that the probability of a principal increase for Series B Eurobonds is minimal.

#### Foreign exchange market

##### NBU keeps FX fluctuations in a narrow range

Despite the huge hard currency deficit, the hryvnia exchange rate fluctuations were insignificant.

#### Economics

##### NBU signals prolonged tight monetary policy

The NBU left its key policy rate at 15.5% at the July meeting, as expected, while reiterating a cautious stance amid persistent inflation risks.

MONDAY, 28 JULY 2025

#### Banks' reserves market (25 July 2025)

	Last	Weekly chg (%)	YoY chg (%)
NBU rate (%) <sup>1</sup>	15.50	+0bp	+250bp
ON rate (%)	15.46	+0bp	+246bp
Reserves (UAHm) <sup>2</sup>	256,914	-0.9	+19.2
CDs (UAHm) <sup>3</sup>	493,230	+3.0	-13.8

Notes: [1] NBU's key policy rate; [2] stock of banks' reserves held at NBU; [3] stock of NBU's certificates of deposit.

Source: NBU, Bloomberg, ICU.

#### Breakdown of govt bond holders (UAHm) (25 July 2025)

	Last	Weekly chg (%)	YoY chg (%)
NBU	672,522	+0.0	-0.8
Banks	876,215	+0.7	+21.5
Residents	202,185	-2.1	+21.3
Individuals	96,281	-2.3	+52.7
Foreigners	19,244	-3.2	-40.6
<b>Total</b>	<b>1,866,920</b>	<b>-0.1</b>	<b>+12.4</b>

Source: NBU, ICU.

#### FX market indicators (25 July 2025)

	Last	Weekly chg (%)	YoY chg (%)
USD/UAH	41.7669	+0.0	+1.4
EUR/USD	1.1742	+1.0	+8.3
DXY	97.645	-0.8	-6.4

Source: Bloomberg, ICU.

#### Market gov't bond quotes (28 July 2025)

Maturity	Bid (%)	Ask(%)
6 months	15.50	14.75
12 months	17.50	16.00
2 years	18.25	16.75
3 years	18.75	18.00
12 months (\$)	5.00	4.50
2 years (\$)	N/A	N/A

Source: ICU.

# Ukrainian bond market

## MoF reduces stock of FX bonds

In recent years, the MoF has made it a practice to reduce the stock of outstanding FX-denominated bonds, with the current year being no exception.

In 2021 and 2022, the MoF decreased the volume of outstanding FX-denominated domestic bonds by 11% and 30%, respectively. However, in 2023, the trend reversed temporarily as the MoF increased the stock of local FX-denominated debt by 23% against the backdrop of temporary liquidity shortages.

In 2024, the MoF was again back on track to reduce the amount of FX-denominated bonds having cut the stock by 10%. The outstanding amount of FX-denominated bonds was down from US\$3.3bn at the beginning of the year to below US\$3bn (US\$2.2bn and EUR645m).

**Table 1. Stock of FX-denominated bonds, end of period.**

	2020	2021	2022	2023	2024	28 July 2025
All FX-denominated bills, US\$m incl.	4,868	4,335	3,014	3,694	3,312	2,987
Denominated in USD, US\$m	4,084	3,456	2,212	2,680	2,533	2,230
Denominated in euros, EURm	642	778	752	918	753	645

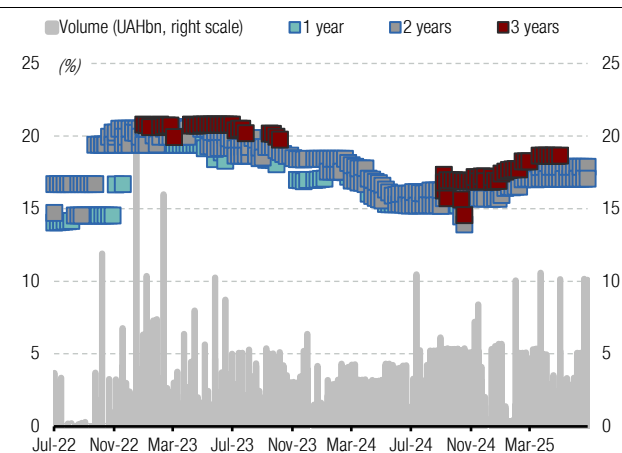
Source: MFU, ICU.

This week, the MoF has to redeem US\$400m worth of bonds and will offer new bonds tomorrow with a cap pf US\$250m that is likely to be upped next week.

**ICU view:** We expect the MoF to maintain its policy of reducing the stock of FX-denominated bonds. The MoF has repeatedly emphasized it aims to gradually replace FX paper with UAH borrowings, targeting a phase-out of FX bonds in the mid-term. FX proceeds are expected to come solely from concessional loans provided by Ukraine's partners. Yet, offering of FX paper will remain in the short term, as many local investors are now interested in such bonds for hedging FX risks. About 1/3 of all FX-denominated bonds are now in the portfolios of the population, while for banks, local FX bonds are the only investable instrument in the local market.

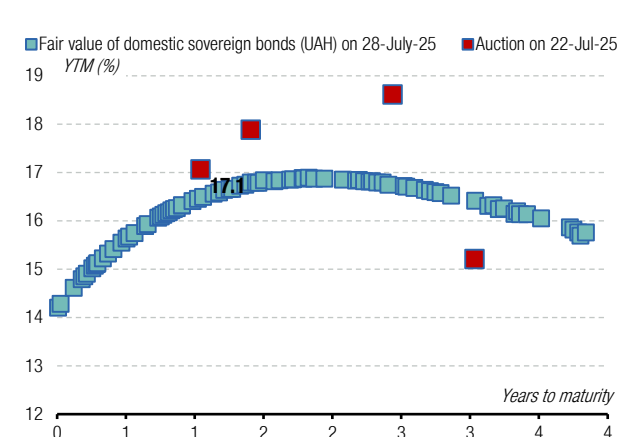
**Chart 1. Local-currency bonds**

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



Source: MFU, ICU.

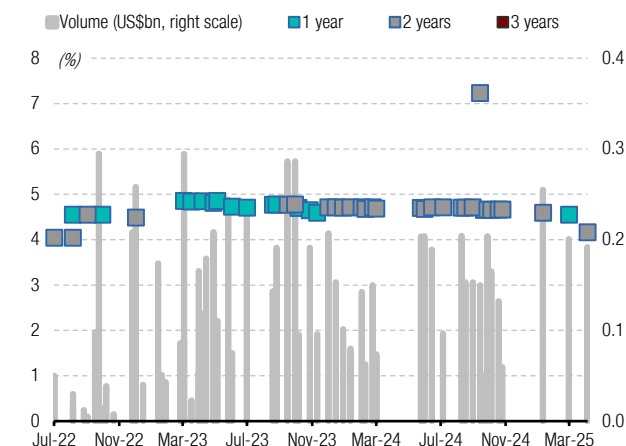
YTM's of domestic government bonds as calculated by NBU versus placements via primary market auctions



Source: NBU, MFU, ICU.

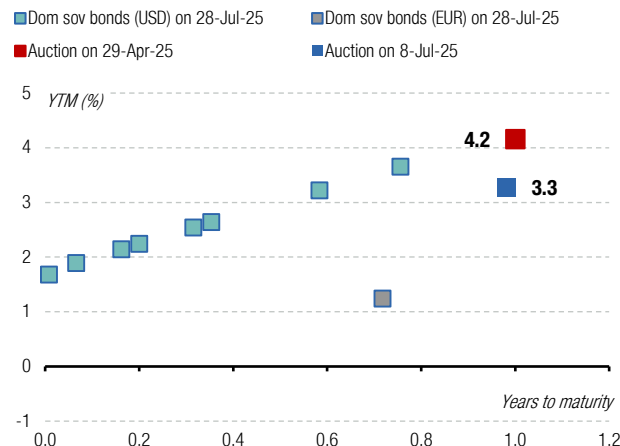
**Chart 2. FX-denominated bonds**

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



Source: MFU, ICU.

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



Source: NBU, MFU, ICU.

**Week full of discouraging news for investors**

Last week, investors had to digest the new Prime Minister's announcement that the government intends to launch a new IMF program and also the backslide in anti-corruption efforts by the Ukrainian authorities. Additionally, a fresh NBU macro update indicates that the probability of a principal increase for Series B Eurobonds is minimal.

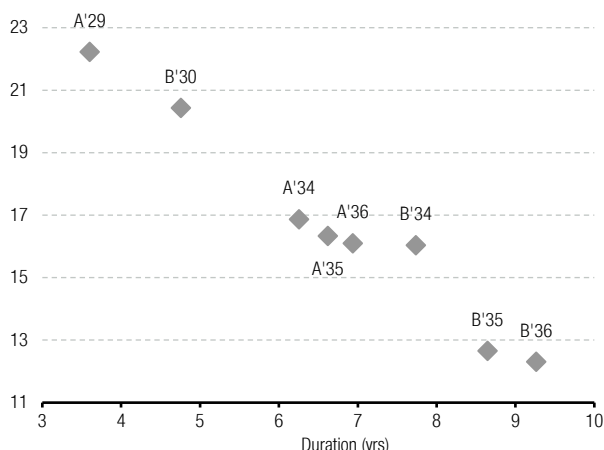
The new Ukrainian Prime Minister said in an interview with Bloomberg that Ukraine may launch a new program with the IMF next year. During its August visit to Kyiv, IMF staff will try "to determine whether a new program would be reasonable and what its likely parameters could be," she said.

Other major news came out on Tuesday when Ukrainian lawmakers voted to strip the nation's anti-corruption agencies, NABU and SAPO, of their independence. This decision caused an immediate backlash from international partners and peaceful protests by the Ukrainian public. The authorities promptly announced they will reverse the changes to ensure that the anti-corruption agenda remains credible.

Last Thursday, the NBU released its updated macro forecast for 2025-27. The new numbers for both real and nominal GDP imply the probability of reaching the thresholds required for the principal increase of Bonds B is minimal.

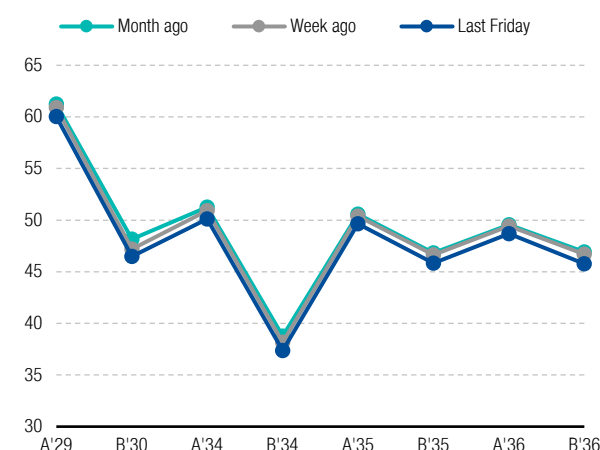
Ukrainian Eurobond prices fell by about 3%, mostly below 50 cents.

**ICU view:** In the coming weeks, the market will assess the implications of the government's intention to replace the current IMF program with a new one. The key question is whether a new program implies higher/lower probability of the ultimate debt treatment envisaged by the existing IMF program. The progress with new legislation that reverses the corruption reform backslide is something else to follow closely.

**Chart 3. Ukrainian Eurobond YTM and prices***Eurobonds yield map*

Note: The nominal value of Series B bonds due in 2035 and 2036 may increase in 2030

Source: Bloomberg, ICU.

*Prices of Eurobonds as of last Friday, a week and a month ago*

Source: Bloomberg, ICU.

## Foreign exchange market

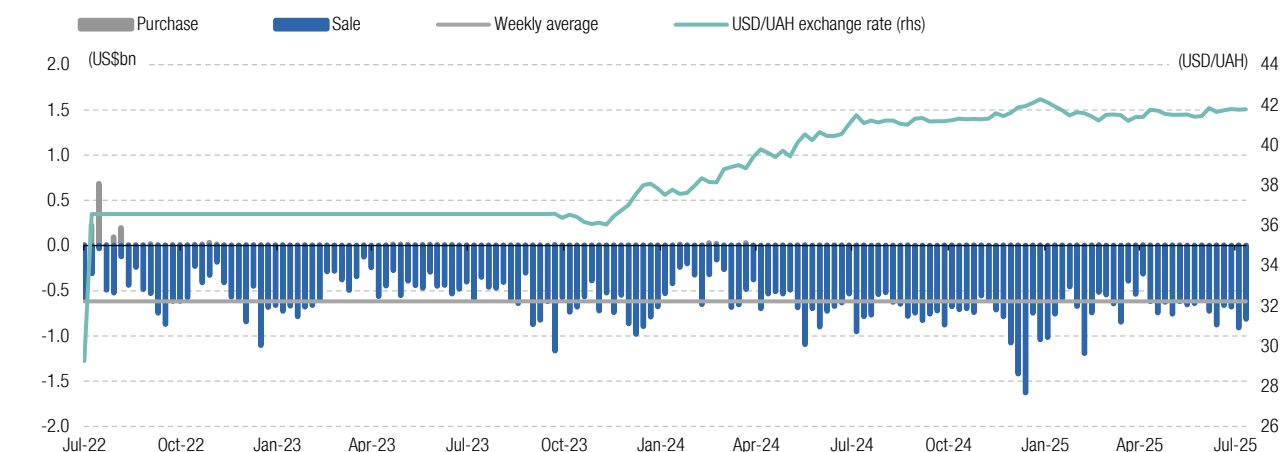
### NBU keeps FX fluctuations in a narrow range

Despite the huge hard currency deficit, the hryvnia exchange rate fluctuations were insignificant.

In the interbank FX market, net hard currency purchases changed by a mere 9% to US\$508m. Therefore, the NBU decreased its interventions by just 10% to US\$811m.

The NBU managed the hryvnia exchange rate at about UAH41.8/US\$ and set the official exchange rate for today at UAH41.78/US\$, almost unchanged WoW.

**ICU view:** Despite interventions remaining significantly above the weekly average, the NBU looks comfortable with them and is in no hurry to weaken the hryvnia. According to last week's update of the macro forecast, the NBU expects significant amounts of foreign aid, which will allow it to keep international reserves relatively high in 2026-27.

**Chart 4. FX market indicators, 3-year history***Ukraine hryvnia UAH exchange rate per US dollar at the interbank market and NBU interventions (weekly data and weekly average starting from 24-Feb-2022)*

Source: NBU, Bloomberg, ICU.

## Economics

### NBU signals prolonged tight monetary policy

The NBU left its key policy rate at 15.5% at the July meeting, as expected, while reiterating a cautious stance amid persistent inflation risks.

June inflation, although down to 14.3% YoY, remained higher than forecast, with the central bank pointing to adverse weather and war-related disruptions as major factors. The NBU now expects inflation to slow more gradually, reaching 9.7% YoY at end-2025, and hitting the 5% target only in 2027.

The regulator emphasized that it will maintain sufficiently tight monetary conditions for as long as necessary to anchor inflation expectations and preserve currency stability. The NBU acknowledged the risk of a slower economic rebound and emphasized that any easing of the policy rate will be possible only if the inflation trajectory and other conditions allow.

***ICU view: The regulator has revised its forecast and anticipates just two 50bp cuts by the end of 2025—in line with our recent projections. This marks a step down from the overly optimistic views prevailing at the beginning of the year and reflects the changing macro situation.***

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](http://www.icu.ua)



## RESEARCH

**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)

**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)

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.**

