

Bond Market Insight

MoF pushes for lower yields

Comment on government bond placement

Yesterday's auction demonstrated the MoF's desire to reduce the cost of servicing new debt and move towards lower interest rates ahead of the National Bank, which, in a week, will announce the key rate for the next month.

For the first time in a very long time, the MoF reduced the cap for all offered UAH bonds from the usual UAH5bn to UAH2-3bn, and also offered a new instrument with a maturity in March 2029.

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

ISIN	Coupon rate (%)	Payment frequency ¹	Maturity	Qty of bonds sold	Price (UAH)	Proceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Outstanding (m) ⁴
UA4000238281	16.35	@Mty	16-Dec-26	2,055,251	1,015.29	2,086.67	2,055.25	17.06	15,585.02
UA4000238422	17.10	SA	4-Aug-27	3,000,000	1,079.43	3,238.29	3,000.00	17.82	16,638.61
UA4000238968	17.48	SA	7-Mar-29	2,000,000	1,063.20	2,126.40	2,000.00	18.30	2,000.00
Total UAH				7,055,251		7,451.36	7,055.25		34,223.62

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 42.39/USD, 49.53/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

The shortest military bills received very restrained demand, at UAH2bn in 27 bids. The bid rates were typical, 16.3-16.35%, so the final yields were unchanged: a 16.35% cut-off rate and a 16.34% weighted-average yield.

At the same time, longer bonds received considerable oversubscription and saw yields decrease. The 1.5-year paper received almost UAH11bn in demand, i.e., 3.6x oversubscription, and the new three-year note – 6.5x.

Yields on bids for the purchase of 18-month bills ranged from 16.94% to 17.1%, and the offered volume was exhausted at 17.05%. The MoF set the cut-off rate at this level and the weighted average rate was 17.04%.

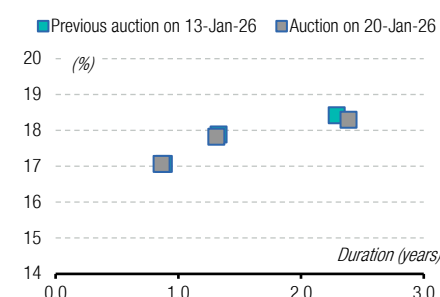
Bids for the new three-year note were all at rates lower than for bonds maturing in November 2028, which were sold until last week. The maximum bid rate was 17.7% (10bp lower), and the minimum was 17.44%, which was 16bp lower than it has been for such securities for almost a year.

Since the offer volume was only UAH2bn, the Ministry rejected most of demand. The cut-off rate was set at 17.49%, or 21bp lower than last week, and the MoF set the weighted average rate at 17.48%, which was 32bp lower than the coupon rate for government bonds maturing in November 2028.

The MoF encouraged bidders to increase competition, especially for new securities, READ FIRST THE DISCLOSURES SECTION (ON LAST PAGE) FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATION

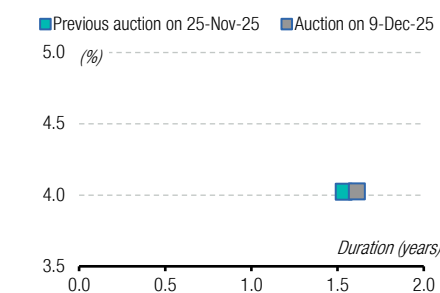
WEDNESDAY, 21 JANUARY 2026

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



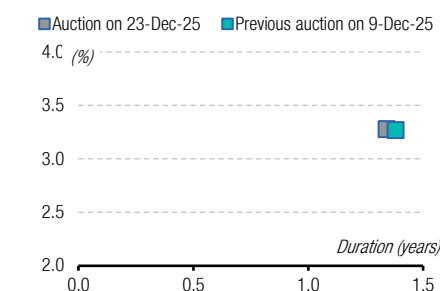
Source: Ministry of Finance of Ukraine, ICU.

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



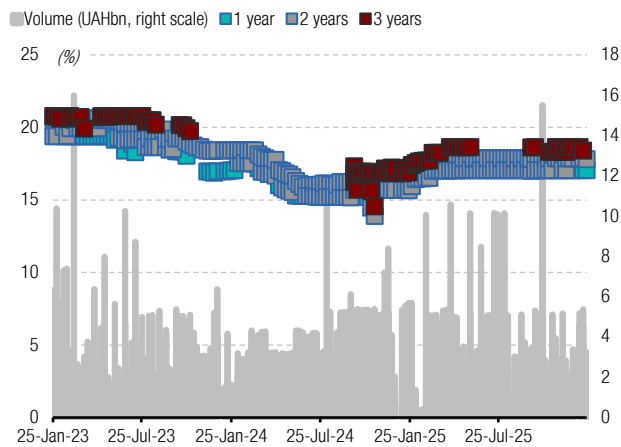
Source: Ministry of Finance of Ukraine, ICU.

as expectations that the NBU will indeed lower the discount rate at the end of January are growing. At the same time, auction participants were very restrained in their attitude towards competition and allowed the Ministry of Finance to reduce the coupon rate by only 32bp.

Appendix: Yields-to-maturity, repayments

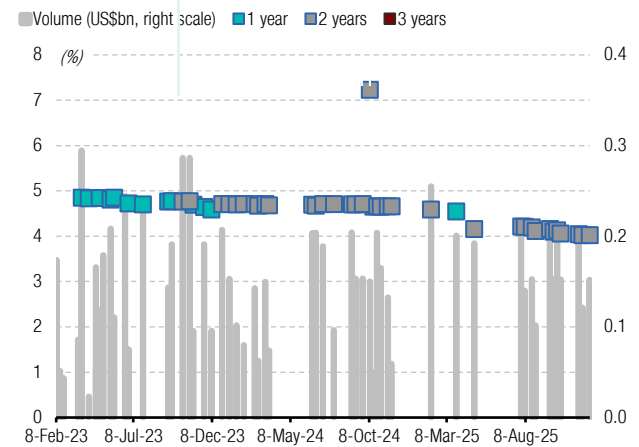
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

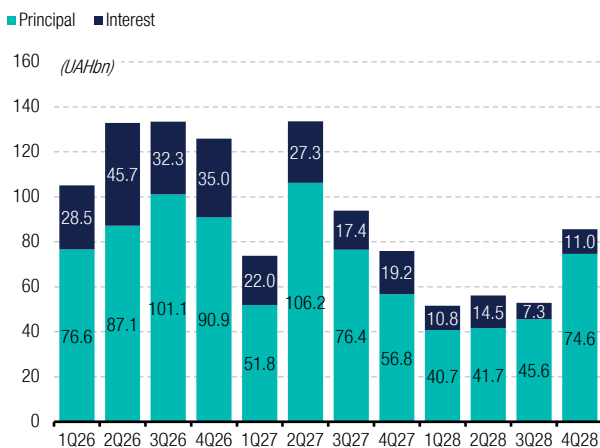
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

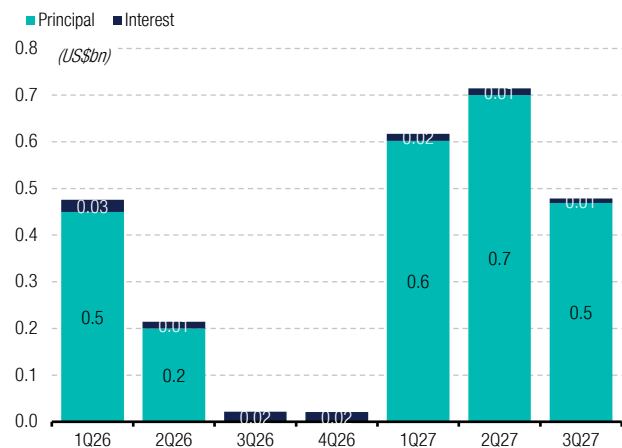
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

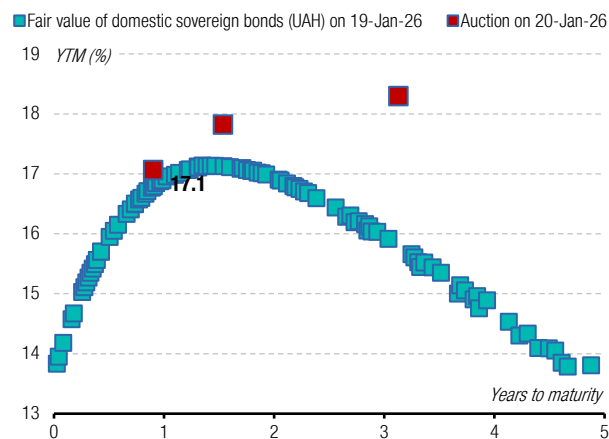
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

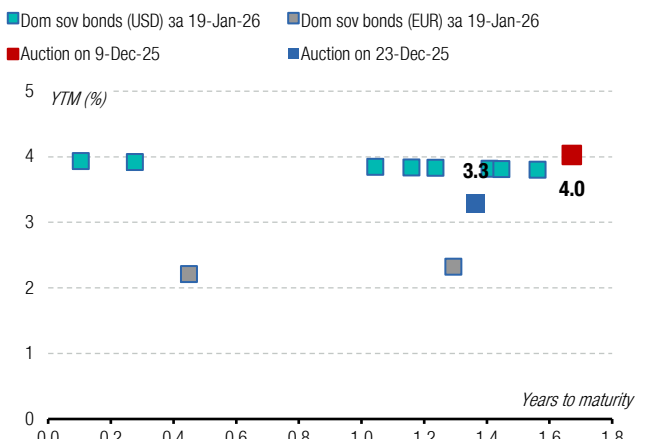
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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

Alexander Martynenko

Head of corporate research
alexander.martynenko@icu.ua

Mykhaylo Demkiv

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

Taras Kotovych

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

Dmitriy Dyachenko

Financial analyst
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.

