

Bond Market Insight

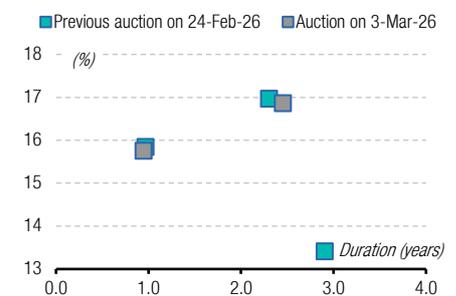
Less and less room for rate cuts

Comment on government bond placement

WEDNESDAY, 4 MARCH 2026

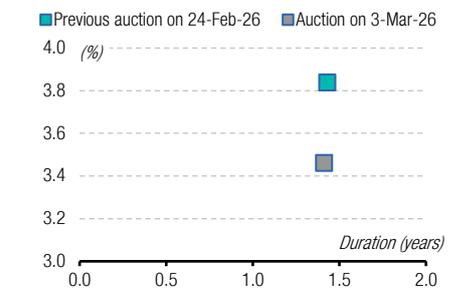
At yesterday's auction, the MoF continued to lower bond yields, but room for further decreases is becoming limited. The most notable thing yesterday was that the minimum bid rate for the one-year UAH bill did not change WoW, and for the three-year note, it increased insignificantly.

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



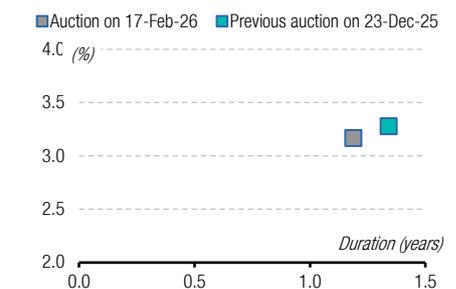
Source: Ministry of Finance of Ukraine, ICU.

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.

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 |
|------------------|-----------------|--------------------------------|-----------|-------------------|-----------------|------------------------------|----------------------------|----------------------|------------------------------|
| UA4000238976 | 15.68 | SA | 24-Mar-27 | 2,000,000 | 1,074.23 | 2,148.46 | 2,000.00 | 15.75 | 10,000.00 |
| UA4000238992 | 16.16 | SA | 25-Apr-29 | 2,000,000 | 1,055.25 | 2,110.50 | 2,000.00 | 16.86 | 2,000.00 |
| Total UAH | | | | 4,000,000 | 4,258.96 | 4,000.00 | | | 12,000.00 |
| UA4000238356 | 3.98 | SA | 12-Aug-27 | 50,000 | 1,009.96 | 2,198.40 | 2,176.73 | 3.46 | 17,413.80 |
| Total USD | | | | 50,000 | 2,198.40 | 2,176.73 | | | 17,413.80 |

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 43.53/USD, 50.95/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

The range of bid rates for one-year paper remained the same as last week, at 15.1-15.4%, although some participants shifted their preferences slightly closer to the minimum level. Having received UAH4.6bn in bids, the MoF sold the planned volume and reduced the cut-off and weighted-average rates by 9bp to 15.19% and 15.13%, respectively.

At the same time, the range of rates in bids for the three-year note narrowed from 84bp to 61bp. The maximum bid rate fell by 19bp to 16.6%, while the minimum rate increased by 4bp to 15.99%. For this instrument, the bidders' desires also shifted closer to the bottom, as the MoF set the cut-off rate at 16.2% and the weighted average rate at 16.16%, both down 10bp WoW.

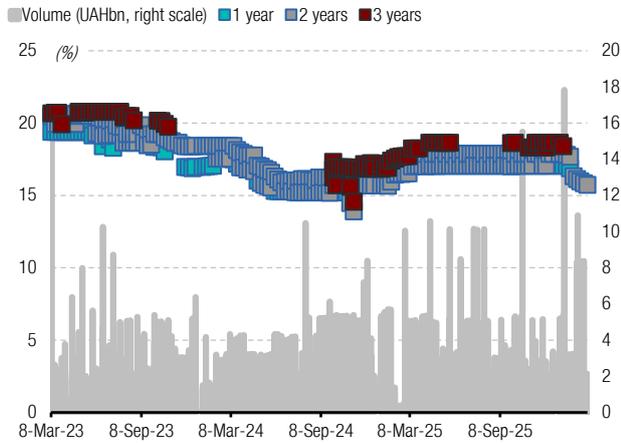
Thus, yields on one-year paper have decreased by 122bp YTD, and on three-year note by 164bp.

Meanwhile, competition has extended the rate cut to FX-denominated securities. Since the MoF offered only US\$50m of bills, and this is currently the last placement of FX-denominated bonds until the end of the 1Q26, the bid-to-cover ratio for this instrument has almost reached 8x. While the maximum bid rate decreased by only 2bp to 3.95%, the minimum rate decreased by 31bp to 3.38%. Therefore, the Ministry of Finance set a cut-off rate of 3.47% or 38bp lower WoW. The ministry set the weighted-average rate at 3.43%, down 37bp WoW.

Appendix: Yields-to-maturity, repayments

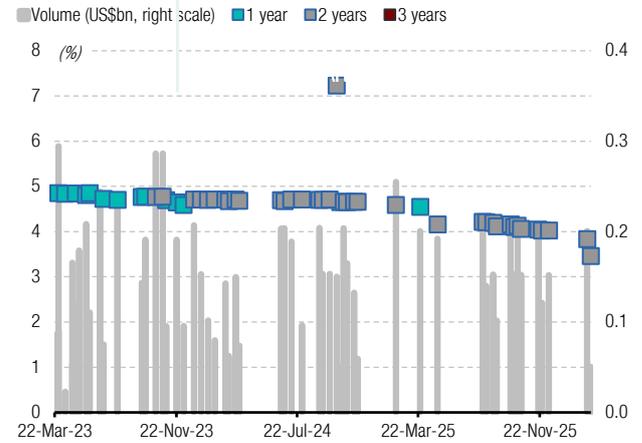
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

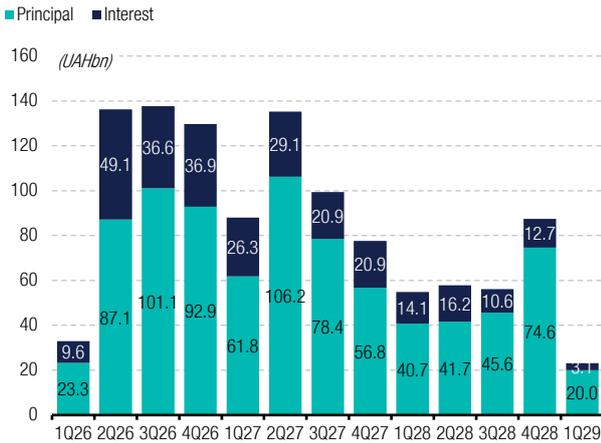
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

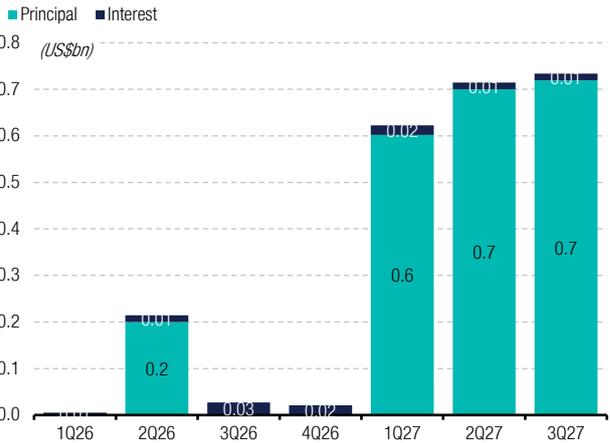
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

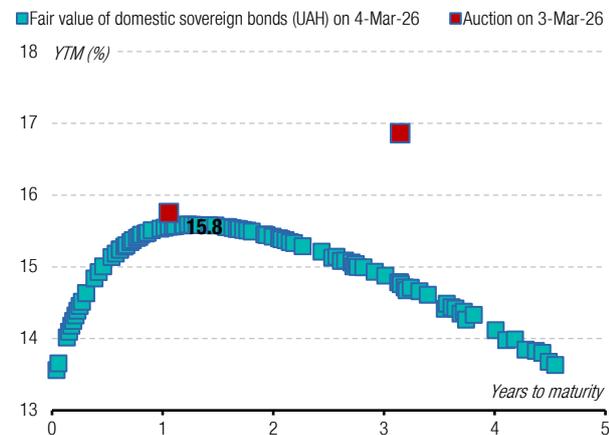
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

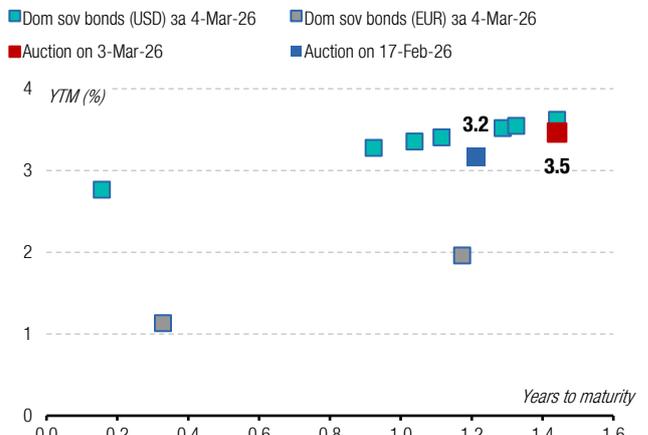
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

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.

