Focus
Ukraine

Markets
Government bonds, FX market, and macro

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Weekly Insight

C/A narrows in May, 12-month tally deteriorates

Key messages of the today's comments

Ukrainian bond market

Domestic debt rollover continues to trend down

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Eurobonds back to June highs

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Foreign exchange market

NBU to strengthen hryvnia as FX market deficit narrows

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Economics

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MONDAY, 6 JULY 2026

Banks' reserves market (3 July 2026)

	Last	Weekly chg (%)	YoY chg (%)
NBU rate (%)[1]	15.00	+0bp	-50bp
ON rate (%)	14.98	-1bp	-49bp
Reserves (UAHm)[2]	237,884	-16.5	-0.9
CDs (UAHm)[3]	676,489	+1.0	+30.6

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) (3 July 2026)

	Last	Weekly chg (%)	YoY chg (%)
NBU	655,757	+0.0	-2.5
Banks	915,963	-0.4	+7.1
Residents	235,117	-1.1	+14.3
Individuals	148,144	+0.8	+56.0
Foreigners	18,186	+2.2	-7.3
Total	**1,973,458**	**-0.2**	**+6.8**

Source: NBU, ICU.

FX market indicators (3 July 2026)

	Last	Weekly chg (%)	YoY chg (%)
USD/UAH	44.5312	-0.7	+6.6
EUR/USD	1.1437	+0.5	-2.7
DXY	100.857	-0.5	+3.8

Source: Bloomberg, ICU.

Market gov't bond quotes (6 July 2026)

Maturity	Bid (%)	Ask(%)
6 months	15.50	14.50
12 months	16.25	15.50
2 years	17.00	16.00
3 years	17.25	16.50
6 months ($)	4.00	3.10
1.5 years ($)	4.00	3.30

Source: ICU.

Ukrainian bond market

Domestic debt rollover continues to trend down

For the third consecutive month, the Ministry of Finance raised less hryvnia debt than it redeemed, and the YTD rollover rate was further down.

In June, redemptions of hryvnia debt were scheduled at UAH34bn. Additionally, the MinFin redeemed UAH15bn of reserve bonds due in July via a special exchange auction. Meanwhile, at primary auctions, the MoF sold UAH25bn of UAH bonds and issued another UAH17bn of new three-year reserve bond for the exchange auction. Thus, net debt redemptions were at UAH5bn in June, with the rollover rate for UAH debt at 89%. In 1H26, net UAH borrowings stood at just UAH10.5bn, and the rollover was slightly above 105%.

Also, on the last day of June, the Ministry of Finance sold EUR200m of FX bonds to refinance the upcoming redemptions in July. All in, the rollover of domestic debt in all currencies was 110% in June and 108% in 1H26.

ICU view: The Ministry of Finance continues to decrease net borrowings after they spiked in 1Q26 due to uncertainty around the USL loan from the EU. In June, Ukraine received the first tranches of the USL loan: EUR3.2bn for budget support and EUR3.9bn as "defence" assistance to purchase Ukrainian drones. Given renewed inflows of the EU funding, the ministry can maintain the current pace of domestic debt rollover unless budget spending plans are reviewed and increased substantially by year-end.

Table 1. Monthly and YTD domestic debt rollover rates in 2026

	UAH		USD		EUR		All currencies	
	Monthly	YTD	Monthly	YTD	Monthly	YTD	Monthly	YTD
January	150%	150%	-*	-	-	-	150%	150%
February	178%	162%	44%	44%	-	100%	134%	141%
March	119%	152%	-	56%	-	100%	129%	139%
April	41%	132%	52%	55%	106%	154%	60%	119%
May	37%	111%	-	70%	-	154%	51%	107%
June	89%	106%	-	70%	-	260%	110%	108%

Note: "-" means there were no borrowings and/or redemptions during a specific month, only YTD figures were calculated in such cases.

Source: MFU, ICU.

Eurobonds back to June highs

By the end of June, Ukrainian Eurobond prices were nearly back to the historical highs recorded in mid-June.

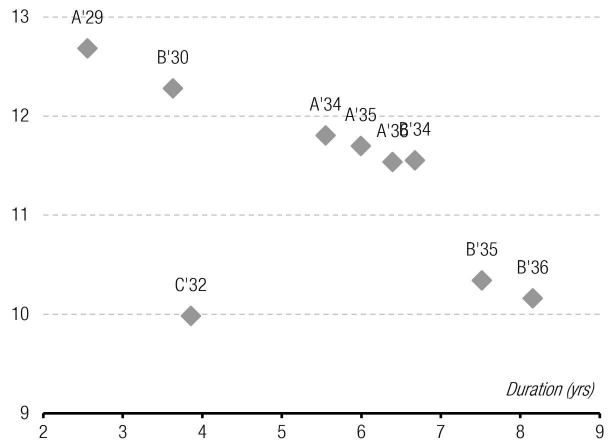
On Tuesday, the European Union transferred EUR3.9bn to Ukraine – the first part of this year's defence tranche of USL. The funds will be used to purchase Ukrainian drones.

This was one of the news items that supported the prices of Ukrainian Eurobonds – they rose by 2% last week, and most of them returned to their historical highs, recorded on June 18. Fresh highs were only reached for the Series B bond due in 2034.

ICU view: Europe continues to demonstrate support for Ukraine through additional financial injections, diplomacy, and the signing of new defence contracts. This reinforces investor optimism on the back of improved perception of Ukraine's tactical and strategic position in the war.

Chart 1. Ukrainian Eurobond YTMs and prices

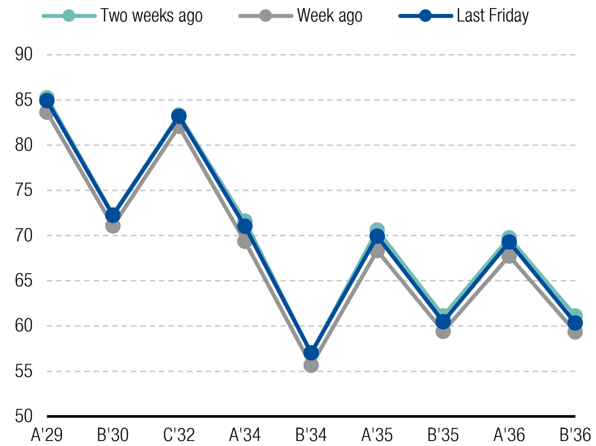
Eurobonds yield map



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

Source: Bloomberg, ICU.

Eurobonds price changes



Source: Bloomberg, ICU.

Foreign exchange market

NBU to strengthen hryvnia as FX market deficit narrows

The increase in the supply of foreign currency helped the National Bank reduce interventions and strengthen the hryvnia last week.

The shortage in the FX market fell by 12% to US$0.8bn over the four business days last week, on the back of higher supply and relatively stable demand among bank clients (legal entities). Net foreign currency purchases in the retail segment remained just below US$100m.

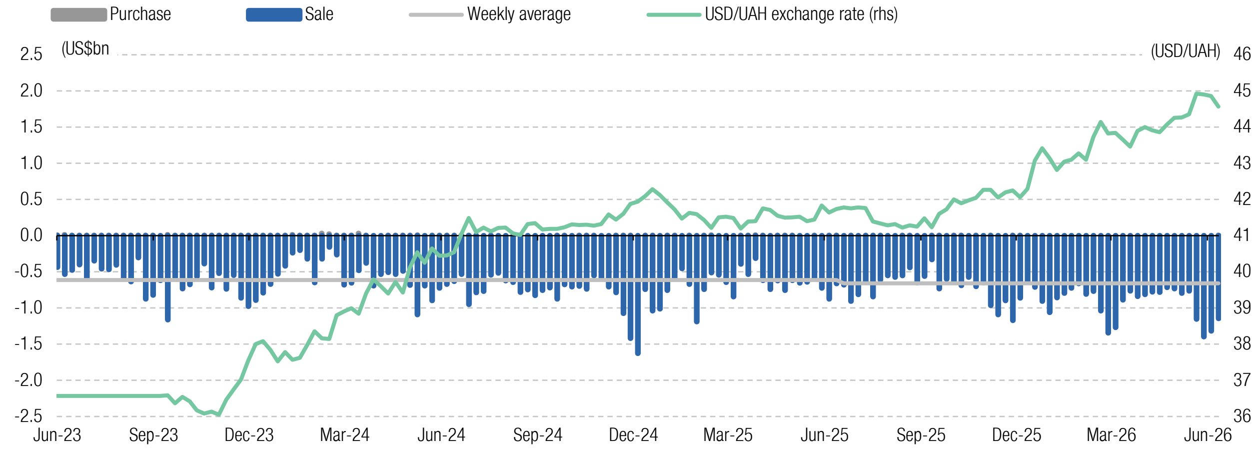
The smaller deficit allowed the National Bank to reduce interventions by 13% WoW to US$1.1bn and move the official exchange rate below UAH44.6/US$ on Friday, almost 1% below June's high of nearly UAH45/US$.

In total, the NBU spent US$5.1bn on interventions in June, 60% more vs May and only US$0.2bn below the historical maximum of December 2024. The NBU spent over US$23bn on interventions in 1H26, a third more than in 1H25.

ICU view: The sharp and unexpected weakening of the hryvnia in the first half of June to UAH45/US$ led to a significant drop in foreign currency supply forcing the NBU to scale up its interventions. At the end of June, the FX market started to stabilize as the NBU signalled it was not ready to let the rate cross UAH45/US$. Moreover, the NBU may even let the US dollar depreciate somewhat to remind the market that the rate may move both ways. Yet, the imbalances in the FX market remain at the level that is still uncomfortably high for the NBU.

Chart 2. 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

C/A narrows in May, 12-month tally deteriorates

Ukraine's current account deficit narrowed somewhat in May vs April on improved foreign trade balance. Yet, the 12-month current account gap continues to deteriorate.

Trade-in-goods deficit improved marginally to US$4.8bn in May from $5.4bn in April, but the gap for the 12 months to May reached a fresh all-time high of $59.7bn. The combined deficit of foreign trade in goods and services reached $68.1bn, close to 30% of the expected 2026 GDP. Export of goods remained little changed in YoY terms in both May and for 5M26. Meanwhile, import continues to boom with growth at 17% in May and 27% in 5M26. The balance of primary income deteriorated marginally due to a moderate decline in migrant incomes abroad. Secondary income surplus was boosted by budgetary grants received within ERA since the start of the year.

The financial account remains in healthy surplus even though no sizeable concessional loans to the government were recorded in 5M26. The surplus continues to be primarily shaped by a reduction in the stock of foreign trade credits. The increase in cash out of banks, the key channel for FX outflows, moderated significantly vs the respective period of 2025.

With sizeable C/A deficit and a moderate financial account surplus, Ukraine's net external flows were in the red. The NBU has to close the gap by selling FX from its reserves that were down 20% in 5M25 to US$45.7bn.

ICU view: The imbalances of Ukraine's external accounts are getting worse and definitely pose a long-term threat to macroeconomic stability. We think these imbalances will remain covered with foreign financial aid at least over the next 18 months, but their persistence implies the NBU will need to weaken the hryvnia in a systemic manner.

Table 2. Key balance of payment components, $m

C/A deficit narrows in May vs April

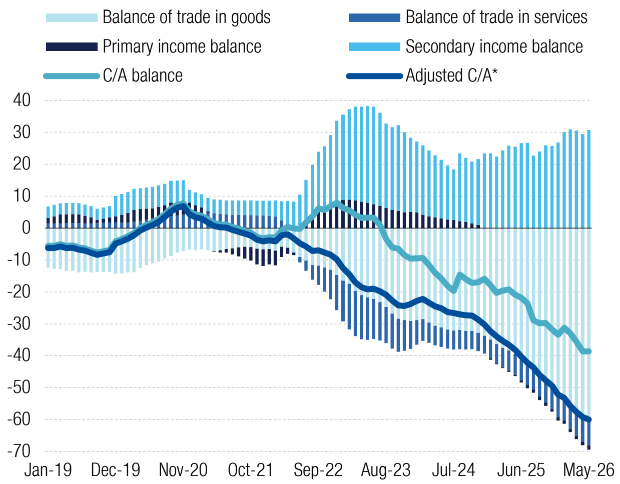
	5M26	5M25
Current account	-18,125	-12,924
Trade in goods	-25,799	-17,407
Trade in services	-3,484	-3,017
Primary income	-606	-339
incl. migrant income	2,294	2,802
Secondary income	11,764	7,839
incl. transfers to gov't	7,747	5,182
Financial account*	-6,051	-13,287
Foreign direct investment	-1,015	-886
Change in trade credits	-5,993	-2,725
Change in cash out of banks	3,327	4,121
Net loans to government	-697	-13,141
Other	-1,673	-656

* negative numbers in financial account indicate increase in liabilities (cash inflow)

Source: NBU, ICU.

Chart 3. Current account, 12-month trailing, $bn

12-month current account balance is deteriorating



* adjusted for official grants to the government

Source: NBU, ICU.

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