Focus
Ukraine

Markets
Government bonds, FX market, and macro

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Weekly Insight

NBU softens FX restrictions

Key messages of the today's comments

Ukrainian bond market

MoF borrowing at moderate pace

After the NBU's key policy rate hike, the MoF has so far held three primary auctions and has made it clear that at least at this stage it is definitely reluctant to raise yields on UAH bonds in the primary market.

Foreign exchange market

NBU softens FX restrictions for households

The National Bank launched a wave of FX liberalisation, which is mainly focused on raising limits for households to purchase and/or transfer foreign currency abroad.

MONDAY, 24 AUGUST 2026

Banks' reserves market (21 August 2026)

	Last	Weekly chg (%)	YoY chg (%)
NBU rate (%)[1]	15.50	+0bp	+0bp
ON rate (%)	15.48	+0bp	-2bp
Reserves (UAHm)[2]	282,105	-0.8	+16.3
CDs (UAHm)[3]	604,231	-6.7	+35.9

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) (21 August 2026)

	Last	Weekly chg (%)	YoY chg (%)
NBU	655,757	+0.0	-2.3
Banks	924,225	-0.5	+4.7
Residents	238,404	-3.1	+17.4
Individuals	158,881	-2.9	+57.0
Foreigners	17,618	-3.7	-8.8
Total	**1,995,177**	**-0.9**	**+6.2**

Source: NBU, ICU.

FX market indicators (21 August 2026)

	Last	Weekly chg (%)	YoY chg (%)
USD/UAH	44.6993	+0.0	+8.4
EUR/USD	1.1679	+0.9	+0.6
DXY	98.800	-0.9	+0.2

Source: Bloomberg, ICU.

Market gov't bond quotes (24 August 2026)

Maturity	Bid (%)	Ask(%)
6 months	15.50	14.50
12 months	16.50	15.50
2 years	17.00	16.00
3 years	17.50	16.50
6 months ($)	3.50	2.00
1.5 years ($)	4.00	3.00

Source: ICU.

READ FIRST THE DISCLOSURES SECTION (ON LAST PAGE) FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATION

Ukrainian bond market

MoF borrowing at moderate pace

After the NBU's key policy rate hike, the MoF has so far held three primary auctions and has made it clear that at least at this stage it is definitely reluctant to raise yields on UAH bonds in the primary market.

In the first two weeks of August, the yields of military bills in the primary auction edged up only marginally compared with the end of July, and last week saw them unchanged. The cut-off rate is now at 15.19% for 11-month bills, 15.65% for 1.7-year securities, and 16.1% for 2.5-year paper. Current yields are only 4-12bp above the cut-off rates in July before the NBU decided to raise the key rate.

In addition, since the beginning of August, the MoF halved the cap on the majority of offered bonds to UAH1bn, while the supply remained larger for reserve bonds and regular securities maturing in 2030.

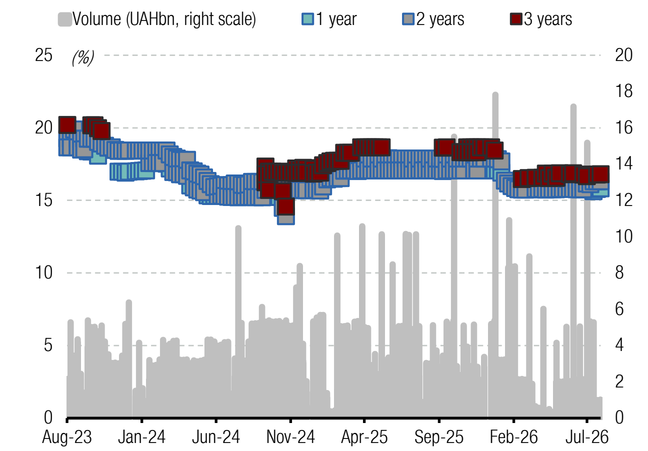
In September, the MoF plans to reduce the supply even further. Instead of the standard offer schedule that includes three securities each week, the ministry will offer two securities (probably up to UAH1bn) every week, while the reserve and regular notes will be on offer only once during September.

In August, the MoF has already completed all scheduled redemptions, while in September it will need to redeem two issues of UAH bonds, including regular bonds for UAH20.5bn and a reserve bond for almost UAH20bn, about ¾ of which is likely to be exchanged for new reserve securities as soon as this week.

ICU view: The Ministry of Finance is currently focused on two goals. The first one is the gradual exchange of reserve bonds for longer-term securities. Demand remains high in this segment as banks can use these securities to meet mandatory reserve requirements. The second goal, at least for now, is to maintain the yield on UAH bonds in the primary market at current levels in defiance of the NBU key policy rate hike. Therefore, we are unlikely to observe significant changes in bond yields in the coming weeks.

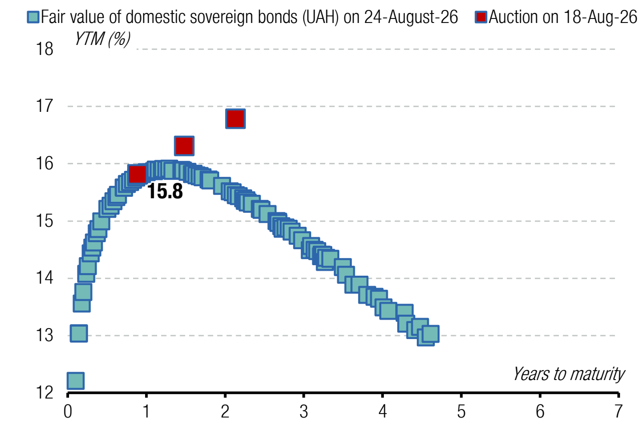
Chart 1. Local-currency bonds

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



Source: MFU, ICU.

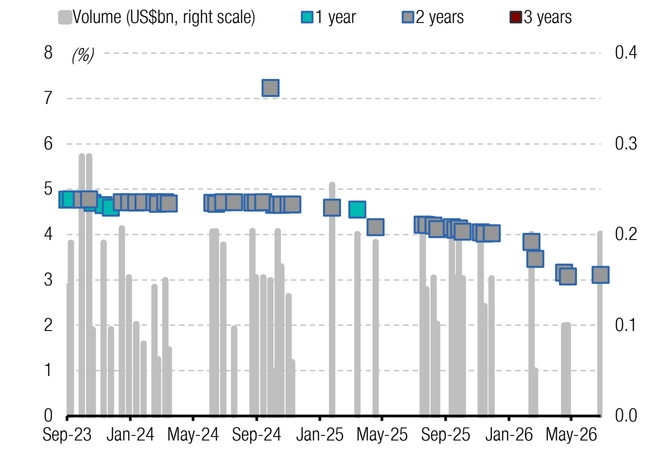
YTMs of domestic government bonds as calculated by NBU versus placements via primary market auctions



Source: NBU, MFU, ICU.

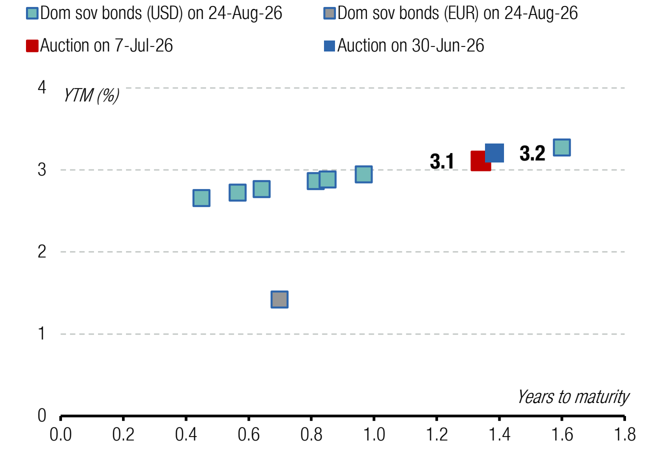
Chart 2. FX-denominated bonds

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



Source: MFU, ICU.

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



Source: NBU, MFU, ICU.

Foreign exchange market

NBU softens FX restrictions for households

The National Bank launched a wave of FX liberalisation, which is mainly focused on raising limits for households to purchase and/or transfer foreign currency abroad.

On August 10, the NBU eased several FX restrictions, in particular increasing the limit on non-cash foreign currency purchases by households to UAH 200,000 per month (from a previous limit of UAH 50,000) and allowing them use this limit for purchases of precious metals and securities issued by non-residents. The NBU also expanded options for payments for goods, works, and services supplied from abroad. The daily limit on cash withdrawals from FX accounts in Ukraine and abroad was doubled to UAH200,000.

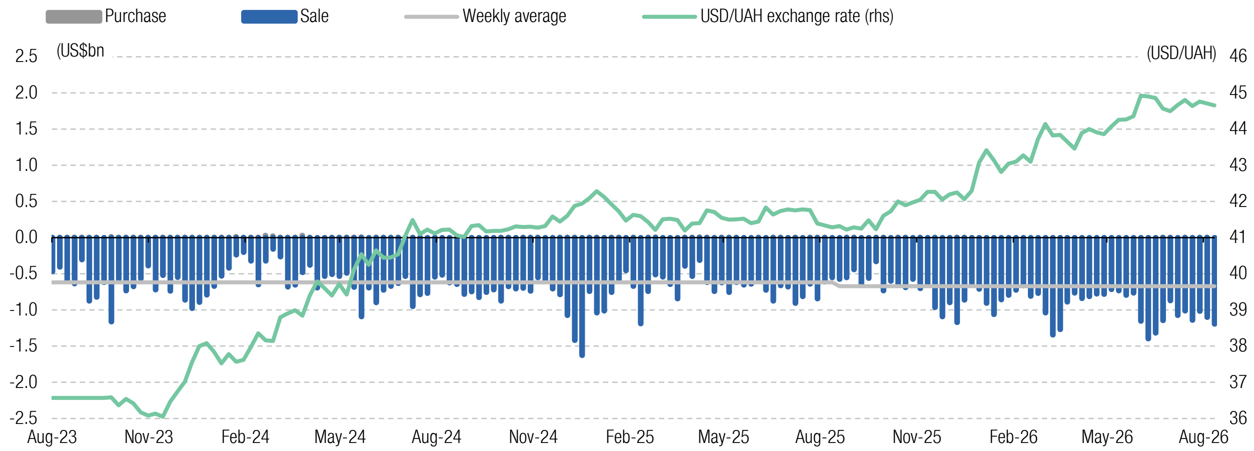
The latest FX market statistics show that households were in no hurry to take advantage of new opportunities to purchase foreign currency. In the week after the limits were raised, households reduced non-cash FX purchases by 12% compared with the first week of the month, to US$130m. Over four days of the last week, they only purchased US$96m (-10% WoW).

Overall, net hard currency purchases over the previous two weeks remained stable at around US$0.9bn, while NBU interventions exceeded US$1bn per week. The official hryvnia exchange rate strengthened slightly to less than UAH44.7/US$ last Friday from over UAH44.8/US$ two weeks ago.

ICU view: NBU's raising the limits to purchase FX had no impact on the market, just as expected. The previous limits were not binding at least for 99% of households given that they were applied at the bank level leaving room for households to open accounts at multiple banks if they needed higher limits. The NBU recently said it considers the volume of interventions close to US$1bn per week acceptable, which implies the central bank is determined to continue with heavy interventions going forward. Thus, we expect the official hryvnia exchange rate will remain within the range of UAH44.5-45/US$ in the coming weeks. Overall, we maintain our year-end exchange rate forecast of UAH45.8/US$.

Chart 3. 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.

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