

Bond Market Insight

Bond rates mostly unchanged

Comment on government bond placement

WEDNESDAY, 18 OCTOBER 2023

The Ministry of Finance raised UAH9.2bn yesterday from three UAH bond issues with minor interest rate changes.

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
UA4000187207	15.50	SA	2-Oct-24	1,027,464	988.47	1,015.61	1,027.46	18.35	13,530.99
UA4000228449	18.31	SA	18-Jun-25	3,000,000	1,058.43	3,175.30	3,000.00	19.25	20,220.52
UA4000228811	19.19	SA	30-Sep-26	5,000,000	1,007.22	5,036.11	5,000.00	20.16	10,000.00
Total UAH				9,027,464		9,227.02	9,027.46		43,751.52

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 36.52/USD, 39.37/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

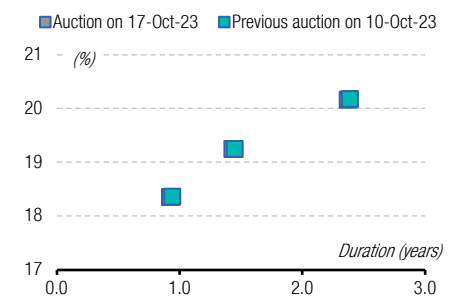
Rates for twelve-month bills changed the most. Demand for this paper slightly exceeded UAH1bn, with interest rates no higher than 17.53%, which was just 2bp lower than last week's cut-off rate. The Ministry satisfied all bids, setting the cut-off and the weighted average rate at 17.53%.

For securities maturing in June 2025, bids were similar to last week, with rates ranging from 18.15% to 18.35%. Since demand was larger than the cap, the MoF accepted all bids, but some with the maximum rate were only partially satisfied within the cap. Interest rates remained unchanged at 18.35%.

The most significant demand was for three-year notes. While the MoF set the cap at UAH5bn, demand amounted to almost UAH6.6bn with rates between 19.10–19.19%, but mostly closer to the maximum. Therefore, part of the bids was partially accepted within the cap proportionate to the bid size.

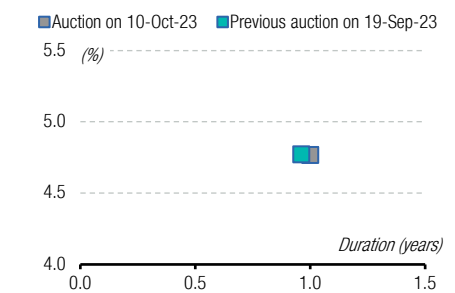
UAH borrowings remain close to UAH10bn and are primarily from three-year government notes, which may become eligible to be used as "reserve". At the same time, bond rates changed marginally and mainly remained unchanged for the second month.

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



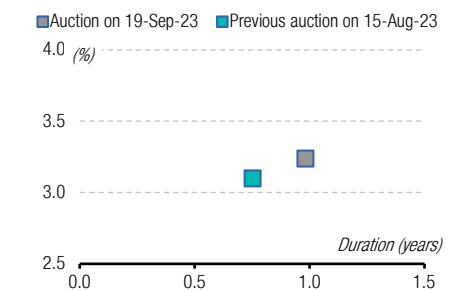
Source: Ministry of Finance of Ukraine, ICU.

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

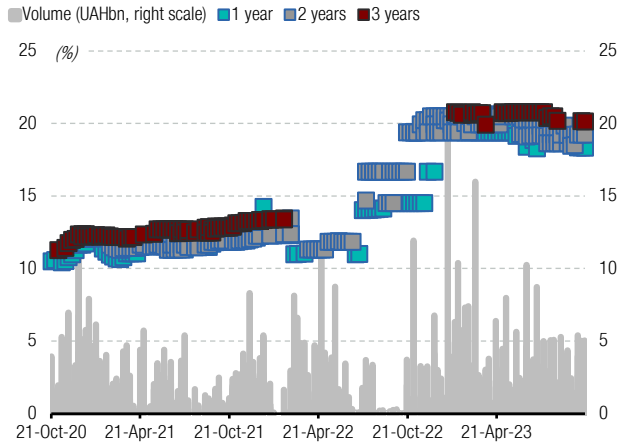


Source: Ministry of Finance of Ukraine, ICU.

Appendix: Yields-to-maturity, repayments

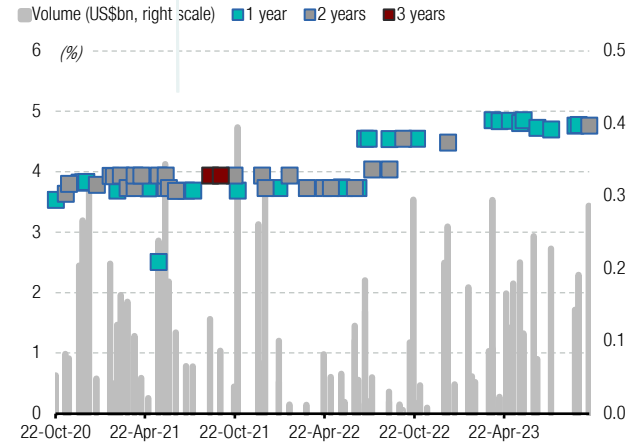
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

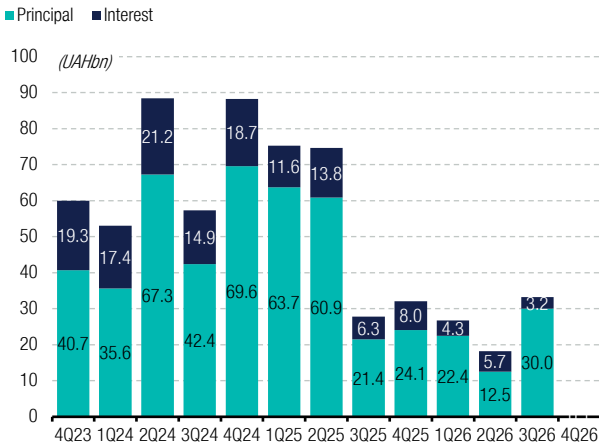
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

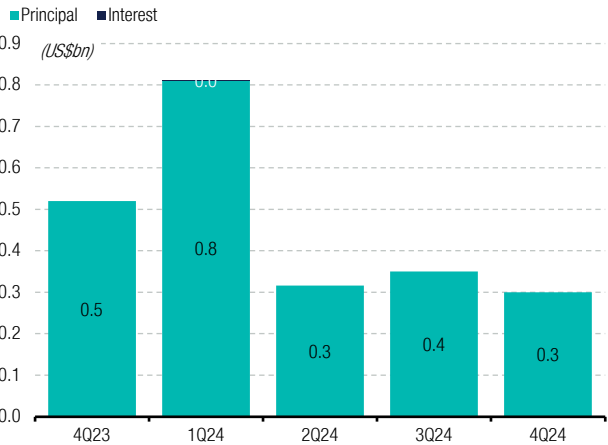
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

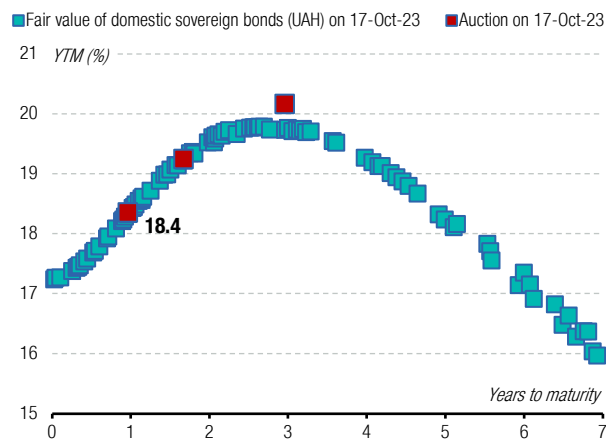
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

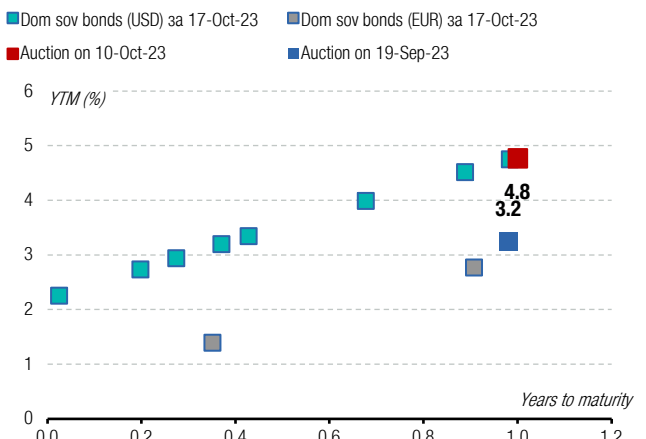
Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions

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.

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