

# Bond Market Insight

## Changes in UAH instruments

### Comment on government bond placement

Yesterday, the Ministry of Finance attracted only UAH3.1bn (US\$105m) to the budget, a fourfold reduction compared with a week earlier. But this is not surprising because today, there will be no redemptions, so investors did not have funds to reinvest.

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

| ISIN             | Coupon rate (%) | Payment frequency <sup>1</sup> | Maturity  | Qty of bonds sold | Price (UAH) | Proceeds <sup>2</sup> (UAHm) | Volume <sup>2</sup> (UAHm) | YTM <sup>3</sup> (%) | Outstanding (m) <sup>4</sup> |
|------------------|-----------------|--------------------------------|-----------|-------------------|-------------|------------------------------|----------------------------|----------------------|------------------------------|
| UA4000225866     | 0.00            | @Mty                           | 27-Jul-22 | 351,368           | 985.63      | 346.32                       | 351.37                     | 9.50                 | 6,403.18                     |
| UA4000225957     | 0.00            | @Mty                           | 10-Aug-22 | 550,234           | 982.11      | 540.39                       | 550.23                     | 9.50                 | 550.23                       |
| UA4000225940     | 0.00            | @Mty                           | 11-Jan-23 | 1,790,093         | 942.18      | 1,686.59                     | 1,790.09                   | 10.00                | 1,790.09                     |
| UA4000225908     | 11.50           | SA                             | 25-Oct-23 | 60,685            | 1,010.36    | 61.31                        | 60.69                      | 11.90                | 4,076.35                     |
| <b>Total UAH</b> |                 |                                |           | <b>2,752,380</b>  |             | <b>2,634.61</b>              | <b>2,752.38</b>            |                      | <b>12,819.86</b>             |
| UA4000225775     | 3.70            | SA                             | 27-Apr-23 | 15,769            | 1,003.53    | 465.25                       | 463.61                     | 3.73                 | 3,173.49                     |
| <b>Total USD</b> |                 |                                |           | <b>15,769</b>     |             | <b>465.25</b>                | <b>463.61</b>              |                      | <b>3,173.49</b>              |

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 29.4/USD, 31.6/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

Of the five offered issues, just three bills were already sold at primary auctions earlier this year: two-month and 1.5-year local-currency bills, and 11-month USD-denominated paper. This did not contribute to the extra activity of investors: two-month securities were purchased for UAH351m (US\$12m), 1.5-year bills for only UAH60m (US\$2m), and USD-denominated bills for only US\$15.8m.

But in contrast to previous auctions when new instruments were not very interesting to investors, the new issue of six-month bills maturing at the beginning of next year received the greatest demand yesterday. In total, demand amounted to UAH1.8bn (US\$61m), and the budget received almost UAH1.7bn (US\$57m).

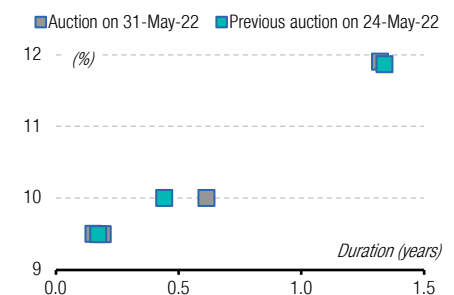
In addition, yesterday was the offer of another issue of two-month bills, which were not classified as military, and under current regulations, cannot be sold on the secondary market. They were placed on the same terms as the military bills, at a rate of 9.5%, and amounted to UAH550m (US\$18m) at face value. Such a decision could be a step by the MoF toward the market to meet the needs of investors who cannot invest in military bonds, but want to buy new Ukrainian securities.

So, although borrowing has declined, the general trend in the structure of instruments and the distribution of demand is improving expectations that the addition of non-military bonds may expand the investor base. In particular, foreigners who have not bought military bonds in the past few weeks may be interested in such instruments.

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

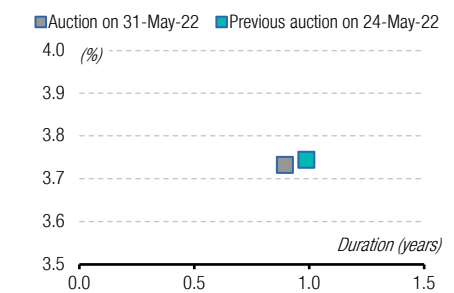
### WEDNESDAY, 1 JUNE 2022

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



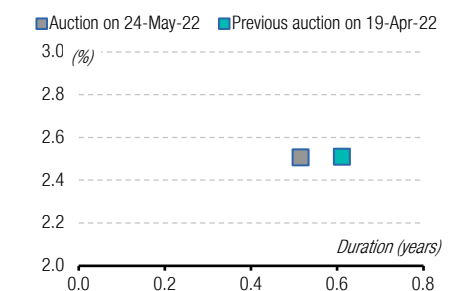
Source: Ministry of Finance of Ukraine, ICU.

#### 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

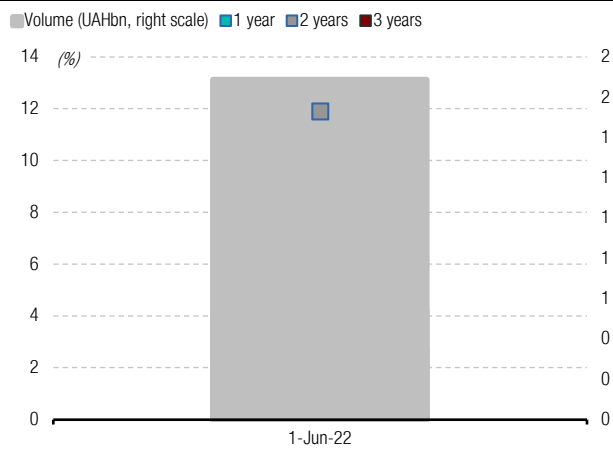


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

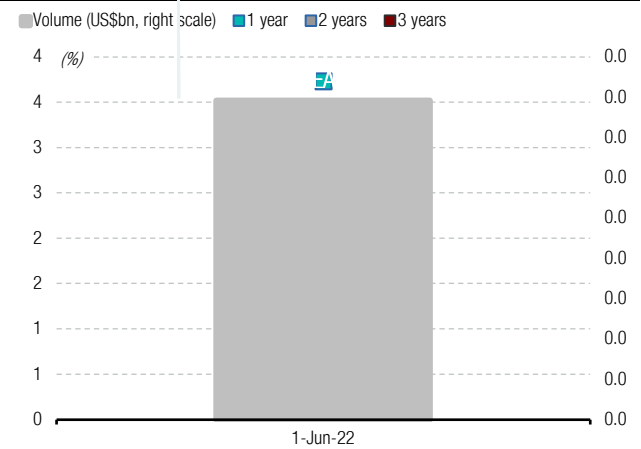
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

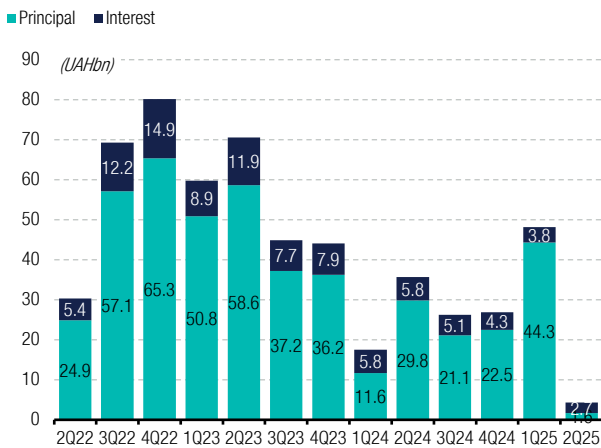
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

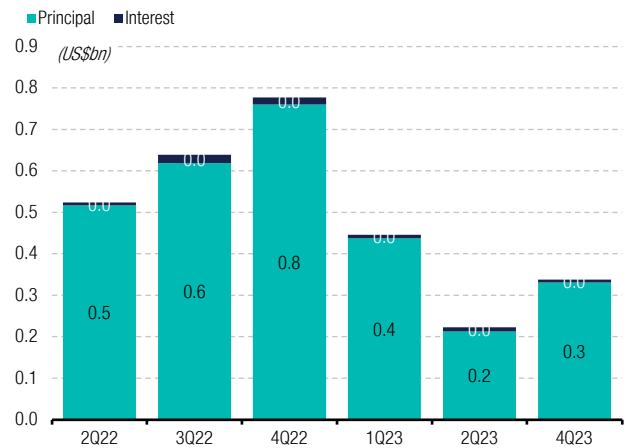
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

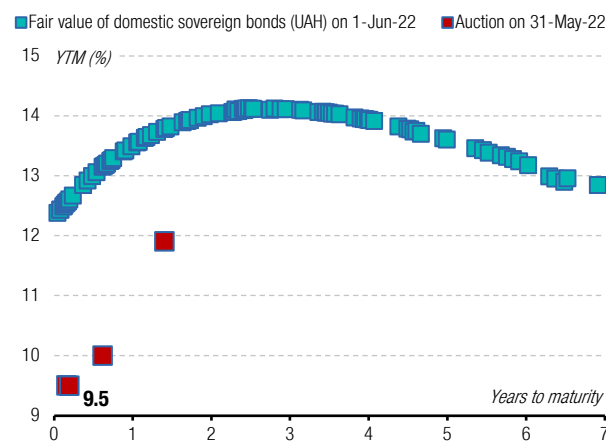
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

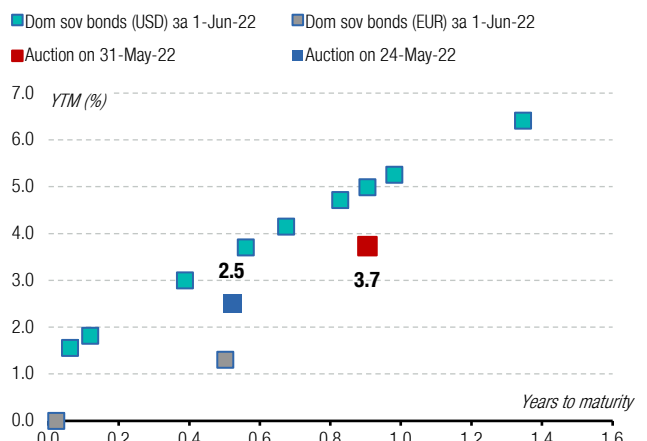
**Chart 3. Fair value of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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.

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](http://www.icu.ua)



## RESEARCH

### Vitaliy Vavryshchuk

Head of macro research  
[vitaliy.vavryshchuk@icu.ua](mailto:vitaliy.vavryshchuk@icu.ua)

### Taras Kotovych

Senior financial analyst (Sovereign debt)  
[taras.kotovych@icu.ua](mailto:taras.kotovych@icu.ua)

### Dmitriy Dyachenko, CFA

Financial analyst  
[dmitriy.dyachenko@icu.ua](mailto:dmitriy.dyachenko@icu.ua)

### Alexander Martynenko

Head of corporate research  
[alexander.martynenko@icu.ua](mailto:alexander.martynenko@icu.ua)

### Mykhaylo Demkiv

Financial analyst (Banks)  
[mykhaylo.demkiv@icu.ua](mailto:mykhaylo.demkiv@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.**

