

# Bond Market Insight

## Sharp reduction in borrowing

### Comment on government bond placement

The MoF borrowed UAH1.5bn (US\$42m) on Tuesday, a four-fold decrease compared with last week and approximately one-tenth of what was raised at this year's first primary auction. However, this week, was the first auction without a FX-denominated bond offering this year.

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

ISIN	Coupon rate (%)	Payment freq <sup>1</sup>	Maturity	Qty of bonds sold	Price (UAH)	Proceeds <sup>2</sup> (UAHm)	Volume <sup>2</sup> (UAHm)	YTM <sup>3</sup> (%)	Out-standing (m) <sup>4</sup>
UA4000229470	0,00	@Mty	20-Лис-24	534 984	880,81	471,22	534,98	16,80	15 974,75
UA4000229264	17,80	SA	15-Жов-25	878 518	1 053,28	925,33	878,52	18,43	18 047,30
UA4000229116	18,87	SA	24-Лют-27	153 283	1 088,33	166,82	153,28	19,38	19 297,38
<b>Total UAH</b>				<b>1 566 785</b>		<b>1 563,37</b>	<b>1 566,79</b>		<b>53 319,43</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 37,55/USD, 41,22/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

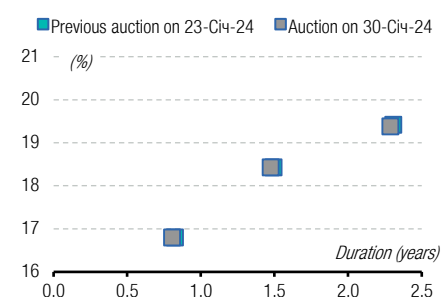
Ten-month bills received demand for a total of UAH535m (US\$12.4m) at par value, which is significantly more than last week (UAH329m). Meanwhile, the demand for bonds maturing in October 2025 has almost halved to UAH879m (US\$24.4m). The demand for three-year "reserve" notes was again the smallest, falling to UAH167m (US\$4.4m) from UAH263m (US\$6.5m) last week. Bid rates were mostly unanimous again, so the cut-off and weighted average rates remain unchanged from last week.

In general, this year, the MoF has mainly borrowed in foreign currency, so without offering FX-denominated bills this week, it got the expected result, and compared with last week, borrowing in hryvnia decreased by about a third.

There are no redemptions this week, and in January, the Ministry raised twice as much as it has paid in principal repayments, so there is no urgency to borrow to refinance repayments. Also, a small redemption—only UAH2.5bn—is scheduled for the next week. Therefore, if the budget does not require extra funds for current needs, the Ministry of Finance may not change its current plans of which instruments it will offer. Therefore, the MoF may not offer FX-denominated government bonds until the second half of February.

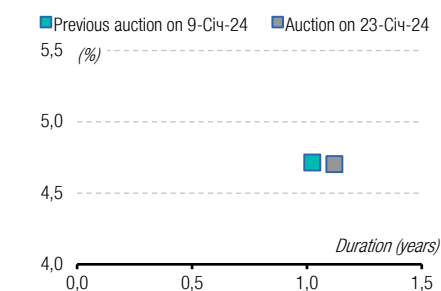
THURSDAY, 1 FEBRUARY 2024

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



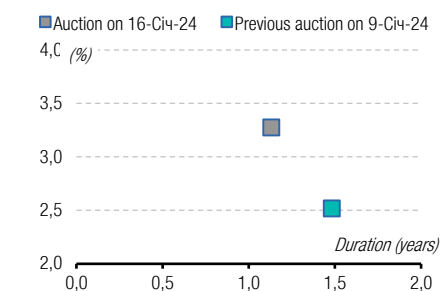
Source: Ministry of Finance of Ukraine, ICU.

### 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

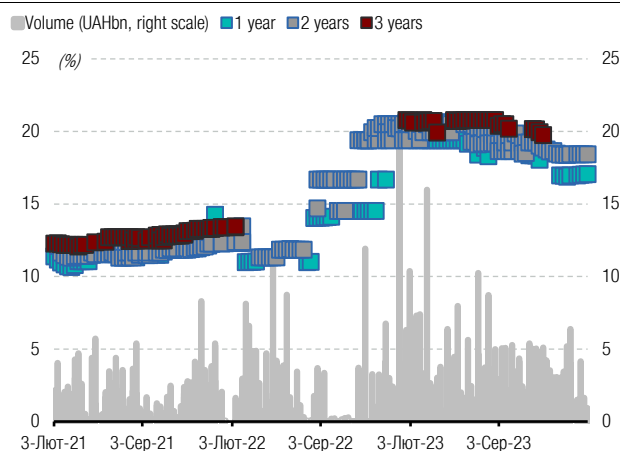


Source: Ministry of Finance of Ukraine, ICU.

# Appendix: Yields-to-maturity, repayments

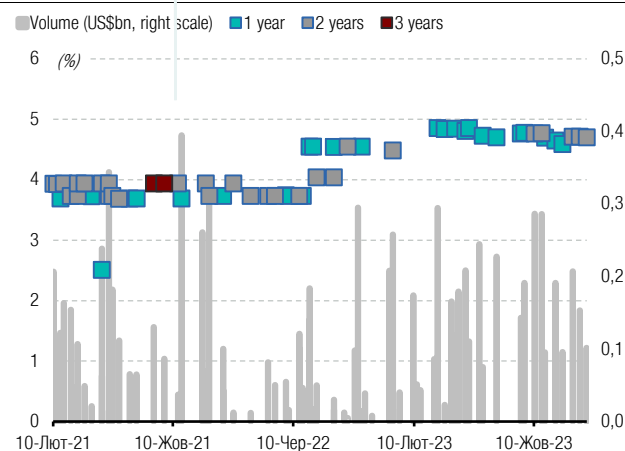
**Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

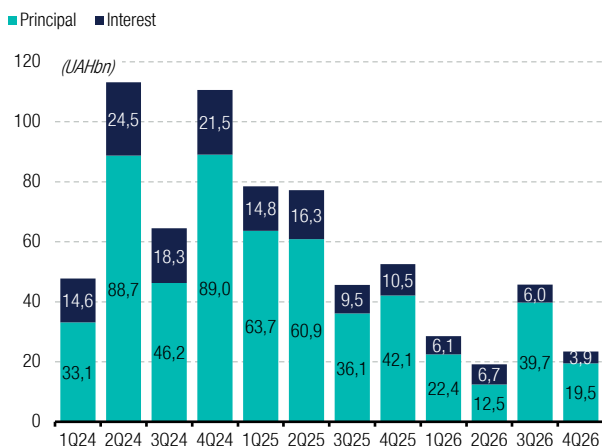
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

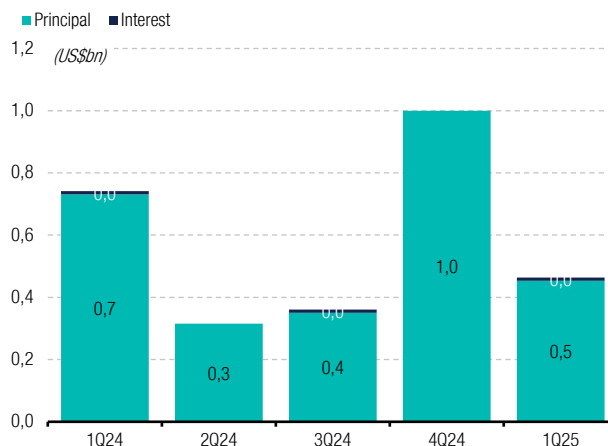
**Chart 2. Future repayments on domestic government bonds (in billions of currency)**

*UAH-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

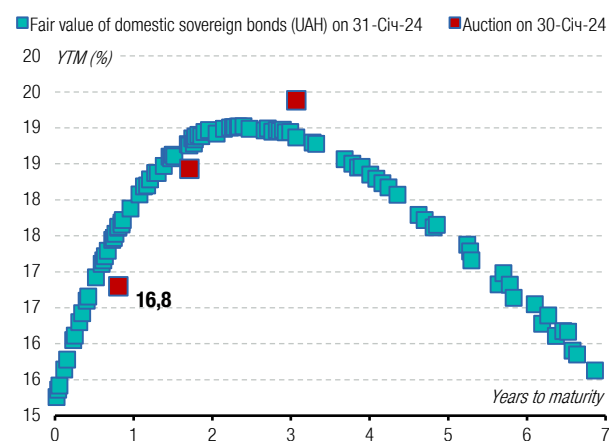
*USD-denominated domestic government bonds*



Source: Ministry of Finance of Ukraine, ICU.

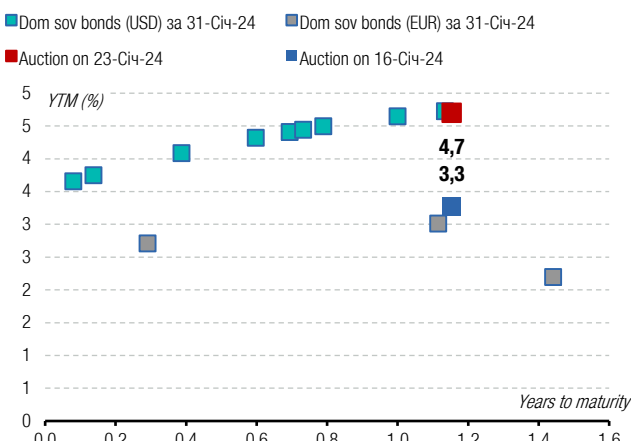
**Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions**

*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.

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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

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)

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