



Bond Market Insight

Government bond auction results: Low activity

WEDNESDAY, 9 APRIL, 2014

Yesterday's primary auction attracted insufficient demand. Of the three bonds offered, bids were submitted only for 6-month bonds which were also sold a week ago. Only two bids were submitted for the 6-month bonds at last week's cut-off interest rate of 12.75%. While last week drew more bids with a wider range of interest rates, this week attracted a lower 110.0m in demand to provide the state budget with UAH103.66m of budget proceeds. The 3-month local currency bonds and 4-month USD-denominated bonds attracted no bids.

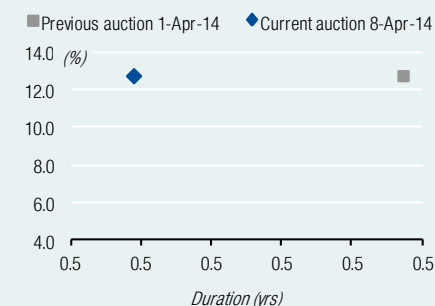
Table 1. Details of last government bond auction

ISIN	Coupon rate (%)	Payment freq ¹	Maturity	Qty of bonds sold	Price (UAH)	Pro-ceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Out-standing (m)
UA4000180210	0.00		1-Oct-14	110,000	942.39	103.66	110.00	12.75	410.00
Total				110,000		103.66	110.00		410.00

Note: Note: [1] payment frequency abbreviations: Q - quarterly, SA - semi-annually; [2] proceeds and volumes for the USD-denominated bonds are calculated based on the previous day last price of USD/UAH exchange rate 1; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

The MoF continued to attract low demand and proceeds, most likely without using domestic QE to support banks to receive more proceeds. At the same time, market players are not ready to submit bids with greater volumes and higher interest rates. With debt repayments mostly concentrated at the end of this month, the MoF has to repay only interest due this week. If the MoF does not fully refinance these repayments, although total debt outstanding will slowly increase during the year, there will be no impact on the debt ceiling at the end of 2014 as these bonds must be repaid prior to year-end.

RESEARCH INSIGHT

Term structure of yields

Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

Auction results

Auction	Last 8-Apr-14	Previous 1-Apr-14	Change
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Breakdown by yields (%)

3-month			
6-month	12.75	12.75	0bp
9-month			
1-year			
2-year			
3-year			
5-year			

Breakdown by proceeds (UAHm)

3-month			
6-month	103.66	282.07	-63.25%
9-month			
1-year			
2-year			
3-year			
5-year			
Total	103.66	282.07	-63.25%

Effective yield and duration at the auction

Yield-to-maturity (%)	13.09	13.08	1bp
Duration (years)	0.48	0.50	-3.83%

Local currency government bonds outstanding (eop)

Volume ¹ (UAHbn)	96.83	96.72	0.11%
WA life ² (years)	3.80	3.82	-0.60%

Notes: yields on coupon bearing bonds are effective yields to maturity; [1] only bonds that were placed via the auctions; [2] WA life – weighted average life or years to maturity.

Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

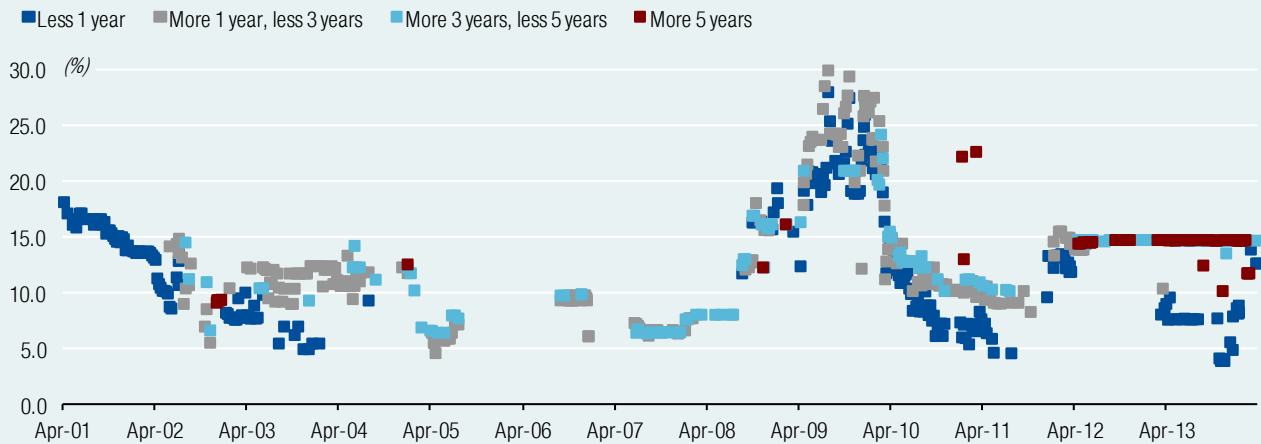
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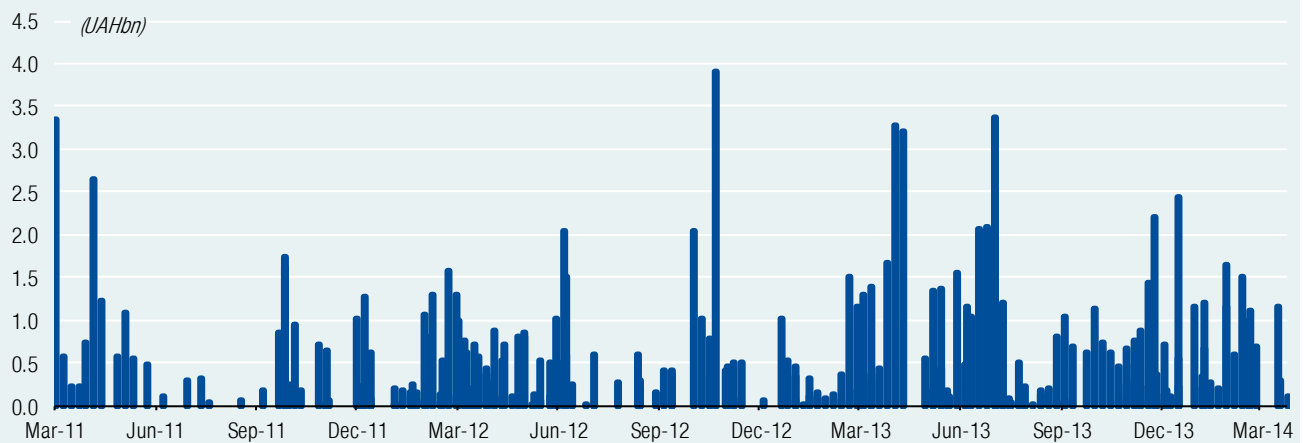
Appendix: Auctions history and schedule for 2014

Chart 1. History of yields at government bond auctions: breakdown by tenor of bonds sold (last 3-year period)



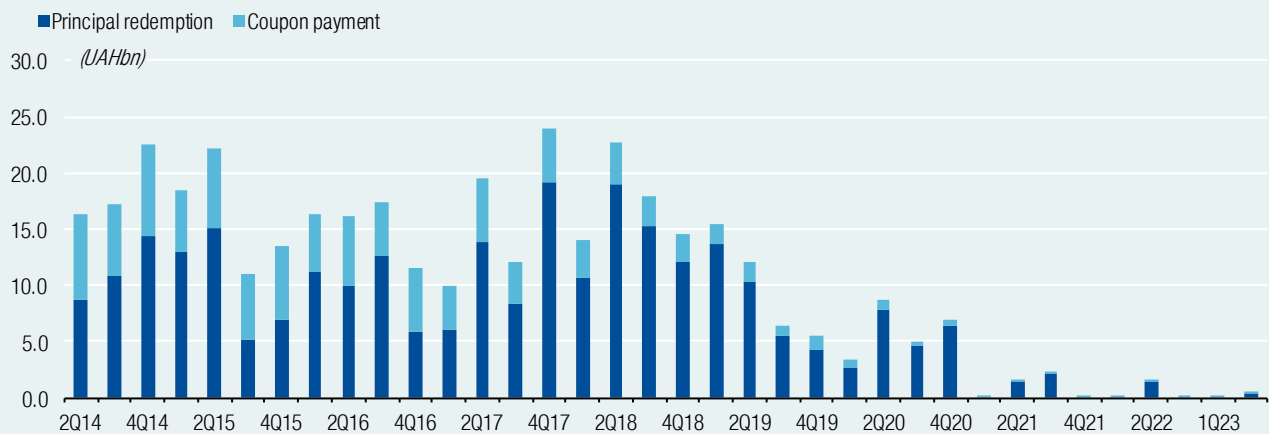
Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

Chart 2. History of proceeds at government bond auctions: breakdown by tenor of bonds sold (last 3-year period)



Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

Chart 3. Schedule of redemptions of the local-currency government bonds*



Note: the chart depicts data on bonds, which were placed via the auctions, i.e. it does not contain data on recapitalisation bonds.

Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

Table 2. Schedule of government bond auctions in 2014

Action dates, tenors of bonds to be offered and volume (in hryvnia) of government's refinancing needs for the next 7-day period as of auction date

Month	Auction details	1st Tuesday	2nd Tuesday	3rd Tuesday	4th Tuesday	5th Tuesday
January	Auction date	7-Jan-14	14-Jan-14	21-Jan-14	28-Jan-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	0.00	0.00	0.00	0.00	
February	Auction date	4-Feb-14	11-Feb-14	18-Feb-14	25-Feb-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	0.00	0.00	0.00	0.00	
March	Auction date	4-Mar-14	11-Mar-14	18-Mar-14	25-Mar-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	0.00	0.00	0.00	0.00	
April	Auction date	1-Apr-14	8-Apr-14	15-Apr-14	22-Apr-14	29-Apr-14
	Short-term bonds	N/A	N/A	N/A	N/A	N/A
	Medium-term bonds	N/A	N/A	N/A	N/A	N/A
	Next 7 days refinancing needs	0.00	664,558,150.00	728,425,745.00	1,963,308,719.81	2,166,283,343.10
May	Auction date	6-May-14	13-May-14	20-May-14	27-May-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	431,031,206.90	1,632,546,298.50	3,481,192,500.41	764,170,668.09	
June	Auction date	3-Jun-14	10-Jun-14	17-Jun-14	24-Jun-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	490,394,715.88	2,002,265,198.75	899,752,197.75	1,155,819,347.34	
July	Auction date	1-Jul-14	8-Jul-14	15-Jul-14	22-Jul-14	29-Jul-14
	Short-term bonds	N/A	N/A	N/A	N/A	N/A
	Medium-term bonds	N/A	N/A	N/A	N/A	N/A
	Next 7 days refinancing needs	438,486,890.00	1,139,699,643.94	522,518,006.03	4,002,201,308.00	1,968,248,923.13
August	Auction date	5-Aug-14	12-Aug-14	19-Aug-14	26-Aug-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	415,011,130.94	541,773,781.41	1,735,746,398.50	1,116,879,251.17	
September	Auction date	2-Sep-14	9-Sep-14	16-Sep-14	23-Sep-14	30-Sep-14
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	219,550,000.00	2,161,400,620.75	786,900,440.03	2,118,852,859.00	760,580,000.00
October	Auction date	7-Oct-14	14-Oct-14	21-Oct-14	28-Oct-14	
	Short-term bonds	N/A	N/A	N/A	N/A	N/A
	Medium-term bonds	N/A	N/A	N/A	N/A	N/A
	Next 7 days refinancing needs	2,164,558,150.00	753,425,745.00	781,457,579.81	1,850,806,753.97	
November	Auction date	4-Nov-14	11-Nov-14	18-Nov-14	25-Nov-14	
	Short-term bonds	N/A	N/A	N/A	N/A	
	Medium-term bonds	N/A	N/A	N/A	N/A	
	Next 7 days refinancing needs	1,631,131,206.90	2,152,816,298.50	2,201,944,847.71	1,946,670,668.09	
December	Auction date	2-Dec-14	9-Dec-14	16-Dec-14	23-Dec-14	30-Dec-14
	Short-term bonds	N/A	N/A	N/A	N/A	N/A
	Medium-term bonds	N/A	N/A	N/A	N/A	N/A
	Next 7 days refinancing needs	743,063,715.88	2,986,705,585.00	2,498,022,197.75	1,617,193,222.34	438,486,890.00

Notes: 1) highlighted data in the rows of "Next 7 days refinancing needs" indicates critical volume of refinancing needs (i.e. above UAH0.5bn) for the government in the next 7-day period; 2) the volume of refinancing needs include principal redemptions and coupon payments.

Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

Disclosures

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