

## **Increase in NBU policy rate drives Ukraine local debt interest higher**

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KYIV, Mar 7, 2018 - The interest rates on local bonds placed at the Ukrainian Finance Ministry's auction on March 6 rose from last week's auction following the hike in the key policy rate by 1pp to 17% effective March 2, Concorde Capital informed clients in an online advisory today. The placement of 3M, 6M, 9M, 1Y, 2Y and 3Y bonds raised UAH 1.2 bln after UAH 990 mln attracted last week. The interest rate for 3M bonds increased the most, to 17.43% from 16.50% last week. The 6M bonds were placed at 16.92% vs. 16.50% in the prior week. 9M and 1Y bonds, which brought more than half of auction receipts, were placed at 16.99% and 16.93% respectively, around 0.5pp higher from a week ago. Two bids for 2Y bonds were accepted at an interest rate of 16.13%, from 15.73% at the last placement on Feb. 13. Three auction participants bought 3Y bonds for 137.3 mln at an interest rate of 16.07%, while two weeks ago only one bid for this bond was satisfied, at an interest rate of 15.70%. Concorde analyst Evgeniya Akhtyrko added: "We expected local bond interest rates rising as the result of the central bank hiking its key policy rate. The higher interest rates did not bring much more demand than previous auctions. Apparently, weak demand - coupled with February's poor budget results - prompted MinFin to agree more easily on significantly higher rates, particularly on the shortest 3M bonds. Given this situation, next week's auction is likely to result in even higher interest rates."

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