

Trends

Ukrainian sovereign Eurobonds saw some recovery last week, with investors receiving an encouraging message from the government that the economy might grow faster than previously expected. The revised forecast now foresees a 3.2% rise in Ukrainian GDP in 2018 after a 2.5% YoY increase in 2017.

The longest outstanding sovereign issue, Ukraine-32s, saw a firm rise of 1.1% to 97.4/98.2 (7.7%/7.6%), medium-term Ukraine-23s gained 1.0% 104.3/105.0 (6.8%/6.7%), and Ukraine-19s (due next September) were unchanged at 104.0/104.5 (4.8%/4.4%). The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) edged up 0.5% to 70.0/71.0 cents on the dollar.

Steel & mining group Metinvest made headlines by placing 5-year new Eurobonds in the amount of USD 825mn at a yield of 8.00% and 8-year bonds for USD 525mn at 8.75%. Most of the proceeds will be used to buy back outstanding Eurobonds maturing in 2021. Currently Metinvest-21s are quoted at 104.8/105.5 cent on the dollar.

MHP-24s remained inactive at 106.8/107.3 (6.4%/6.3%). Ferrexpo-19s edged down by 0.2% to 102.6/103.5 (7.7%/6.5%) amid falling iron ore prices on global markets. Prices were hit hard last month by US decision to impose additional duties on steel from China. The Eurobonds of state-owned Ukrainian Railways (RAILUA-21s) were unchanged at 106.1/106.5 (7.8%/7.7%).

Quasi-sovereign UkrEximBank-25s rose 1.1% to 107.7/107.9 (8.2%/8.1%) and OschadBank-23s climbed 0.7% to 105.5/106.5 (8.0%/7.8%).

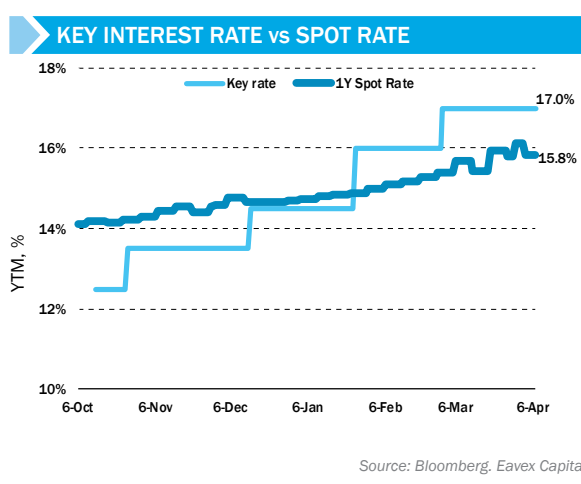
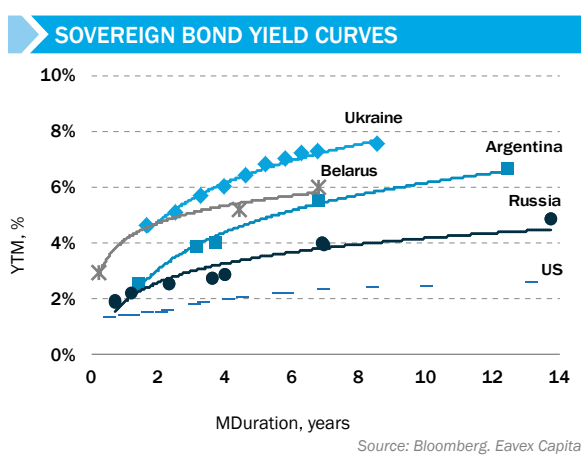
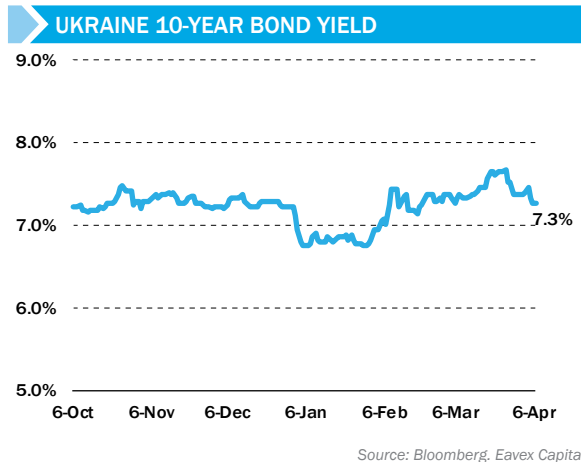
The yield on the government's 1-year UAH-denominated treasuries was unchanged at bid/ask of 17.75%/16.25%. The Finance Ministry sold short term 91-day (3-month) UAH-denominated treasuries with a yield of 17.33% at an auction on Apr 3.

The hryvnia strengthened by 1.0% to 26.00 UAH/USD after news that the country's foreign reserves remained above USD 18mn level despite a moderate decline of 1.2% in March after the government's semi-annual Eurobond coupon payouts. The National Bank said it was able to purchase USD 510mn on the interbank market last month from sellers of foreign currencies. The reserves potentially cover around 3.4 months of the country's imports.

You can receive additional details about developments in Ukrainian fixed income from the Eavex Sales Team at sales@eavex.com.ua.

Highlights

- > Ukraine's Top 2 Anti-Corruption Officials at War with Each Other
- > Ferrexpo's Pellet Output Down 1.5% YoY in 1Q18

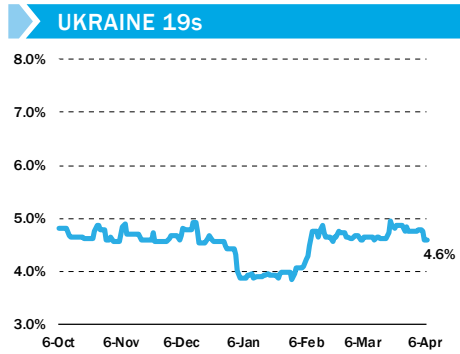


CURRENCY

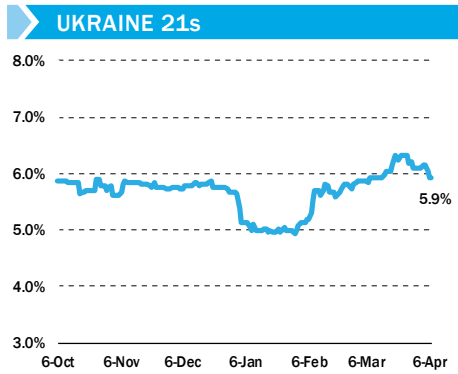
	Last, UAH	1W chg.	1M chg.	YTD
USD/UAH	26.01	-1.0%	-0.1%	-7.5%
EUR/UAH	31.93	-1.5%	-1.3%	-5.2%
EUR/USD	1.23	-0.3%	-1.0%	2.3%

Source: Bloomberg, Eavex Capital

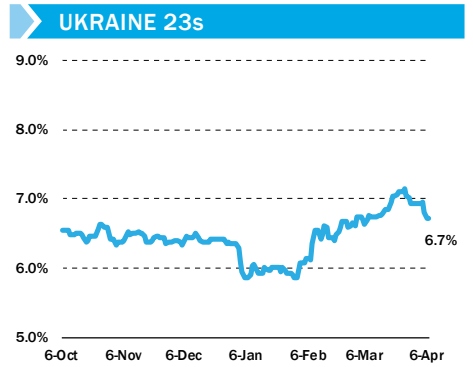
Selected Sovereign Issues



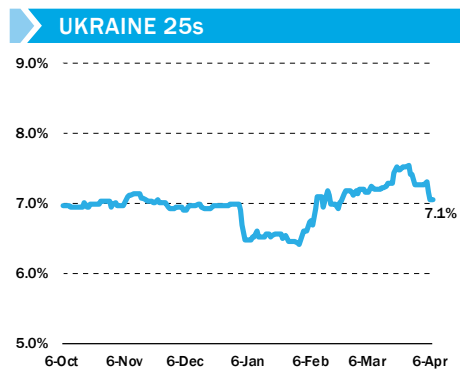
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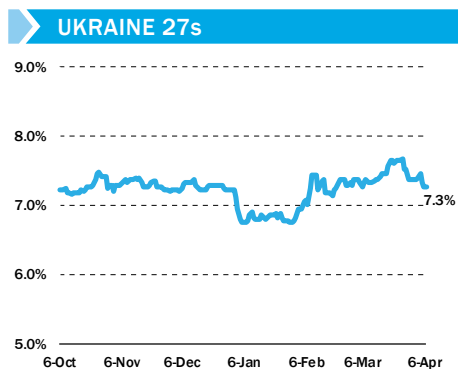
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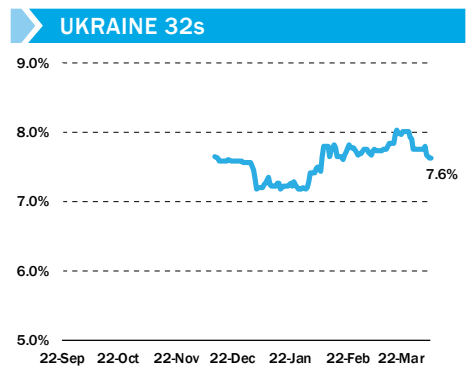
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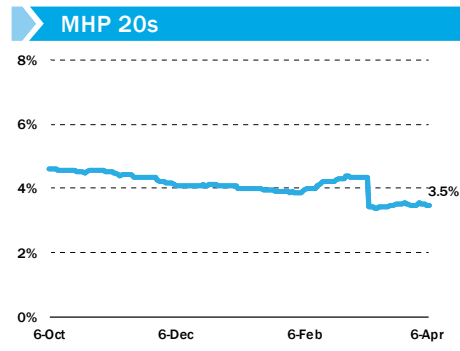


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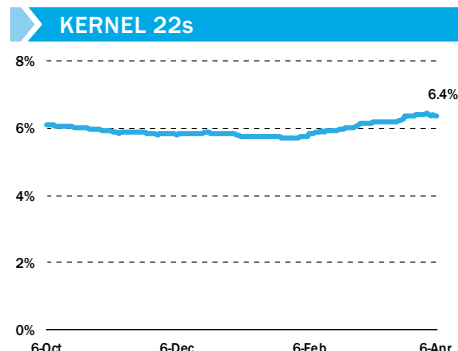


Source: Bloomberg, Eavex Research

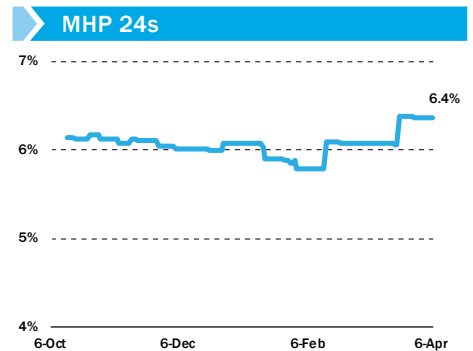
Selected Corporate Issues



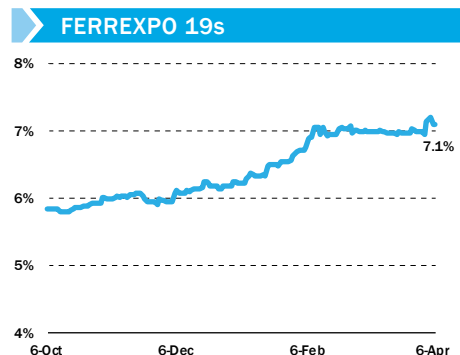
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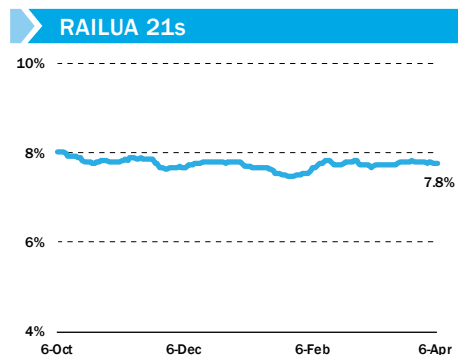
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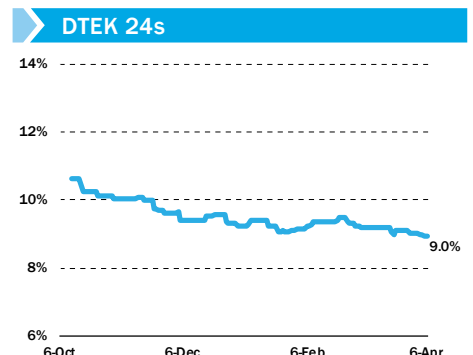
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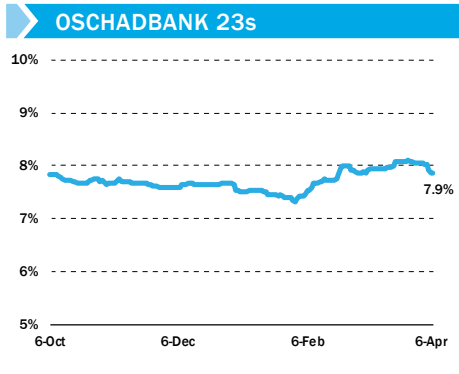


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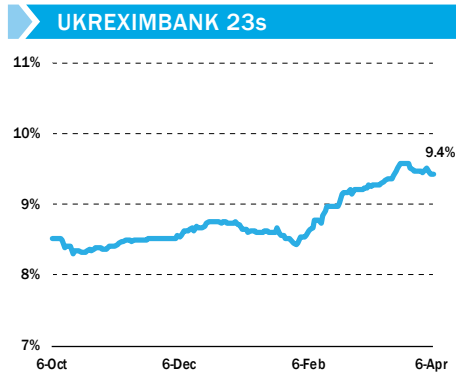


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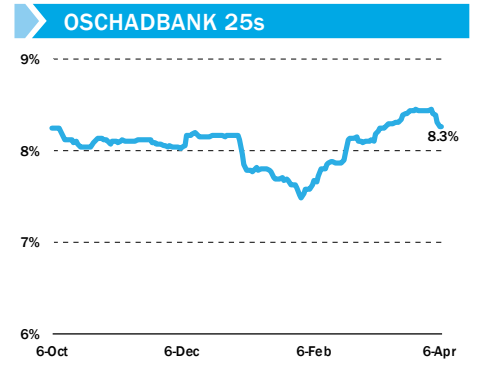
Selected Banking Issues



Source: Bloomberg, Eavex Research

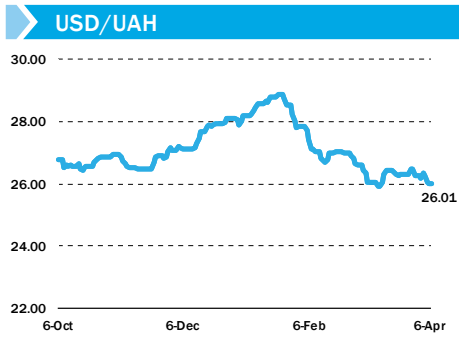


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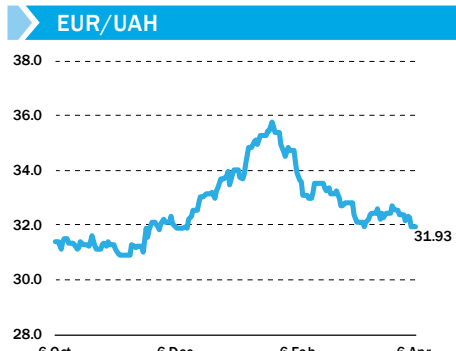


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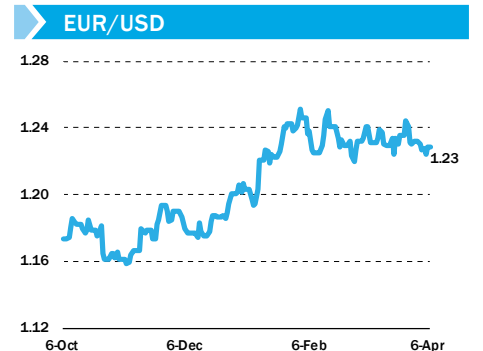
Currency



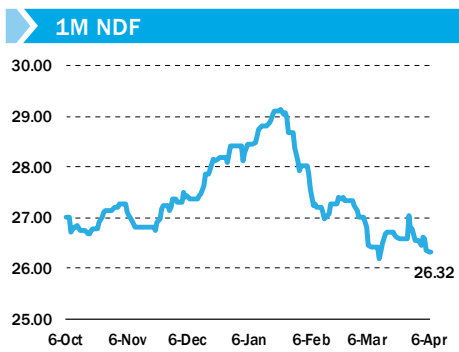
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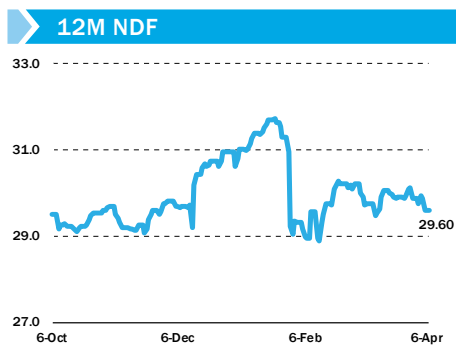
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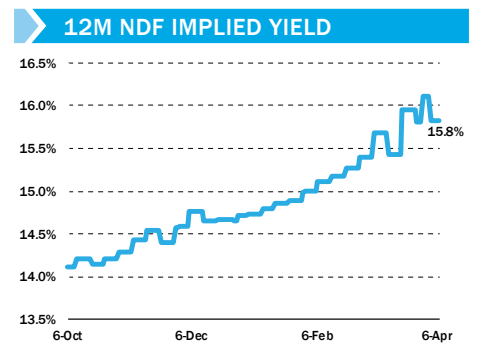
Source: Bloomberg, Eavex Research



Source: Bloomberg, Eavex Research



Source: Bloomberg, Eavex Research



Source: Bloomberg, Eavex Research

Ukraine's Top 2 Anti-Corruption Officials at War with Each Other

by Will Ritter
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NEWS

A simmering conflict between the heads of Ukraine's two most important corruption-fighting bodies burst into the open last week when it emerged that the main corruption investigation body had placed the top anti-corruption prosecutor's office under electronic surveillance. The English-language Kyiv Post and other domestic media reported that the country's Special Anti-Corruption Prosecutor (SAP) Nazar Kholodnytskiy was accused by head of the National Anti-Corruption Bureau (NABU) Artem Sitnyk of suppressing cases against high profile figures including Odessa mayor Gennadiy Truxanov, troubled agro-industrialist Oleg Bakmatiuk, and energy industry magnate Constantine Grigorishin. NABU publicly released the surveillance recordings on Apr 4 and they were widely distributed in domestic media. The most serious accusation from Sitnyk is that Kholodnytskiy warned Truxanov about upcoming investigative searches in a UAH 100mn embezzlement case, allowing Truxanov to prepare in advance and flee abroad. Recordings indicate that Kholodnytskiy told a subordinate prosecutor in February that Truxanov "is holding Odessa by the [expletive] and he's making sure it stays in Ukraine... who [expletive] knows what will happen if someone else replaces him?" Ukraine's General Prosecutor Yuriy Lutsenko had already called for Kholodnytskiy's firing ahead of the release of the recordings on Mar 30. Kholodnytskiy admitted that the recordings are authentic but said they were edited to remove the context of his statements.

COMMENTARY

It looks somewhat surprising that the Poroshenko administration (via Lutsenko) has sided with NABU and against Kholodnytskiy in this matter, as it has generally seemed that the latter is much more sympathetic to, and susceptible to influence from, the presidential administration. Under Sitnyk, NABU has earned an impressive reputation for pursuing suspects and has riled the administration with several high-profile investigations, most notably that of Ukraine's top tax official Roman Nasirov last year. However, the SAP under Kholodnytskiy has not followed up the arrests with convictions. Clearly it looks very bad to Ukraine's Western supporters that two key officials who were appointed to cooperate in fighting corruption have quickly become implacable enemies of each other. However, we find Kholodnytskiy's statement about Truxanov "keeping Odessa in Ukraine" particularly intriguing, as it supports our long-held view that Ukraine's major Russian-speaking cities are still vulnerable to pro-Russian separatism; what is keeping the separatist threat in check are the Poroshenko administration's unpublicized power-sharing deals with local elites. That these elites such as Truxanov are spectacularly corrupt is a high price to pay for national unity, but (as Kholodnytskiy so eloquently stated), the alternative might well be worse.

Ferrexpo's Pellet Output Down 1.5% YoY in 1Q18

by Dmitry Churin
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NEWS

Ferrexpo, Ukraine's largest iron ore pellet exporter, decreased its pellet production by 1.5% YoY to 2.59mn tonnes in 1Q18, according to the company's operational update dated Apr 5. The output of top-value-added 65 percent Fe pellets declined by 1.5% YoY to 2.44mn tonnes, accounting for 94% of total production in the period. In a quarter-on-quarter basis, the company reported a 7.4% decline which it attributed to seasonal factors.

FERREXPO PRODUCTION FIGURES			
000' tonnes	1Q18	1Q17	Change YoY
Total Pellets Produces	2,585	2,624	-1.5%
- 62% Fe pellets	149.90	151.60	-1.1%
- 65% Fe pellets	2,435.30	2472.40	-1.5%

Source: Companies' data

COMMENTARY

It looks somewhat disappointing to us that Ferrexpo was unable to increase its production volumes in 1Q18. The company previously said that it had finished maintenance of its main production line in 2H17. Therefore we assumed that output would start to increase this year in comparison with 2017. On the other hand, Ferrexpo faces much larger difficulties than this moderate output decline, as falling iron ore prices in recent months have hurt the business. Iron ore has fallen into a bear market as worries about trade hostilities between the US and China add to concerns about supply expansions and a slowdown in China's steel industry. Prices have dropped by nearly 20% since the beginning of March with the benchmark 62 percent Fe ore prices sliding to around USD 63 per tonne amid high inventories at Chinese ports.

In full-year 2017, Ferrexpo produced 10.4mn tonnes of pellets, making it the third-largest global exporter of pellets to the international steel industry with a market share of about 8.5%.

The Ferrexpo stock sold off by a further 9.7% in London last week to GBp 220 per share, down from its local maximum above GBp 300.

Ferrexpo-2019 Eurobonds are currently quoted at 102.7/103.6 (7.6%/6.5%). In our view, the company has missed the window to refinance its outstanding Eurobonds at a lower cost, as the current outlook for iron ore prices will prompt investors to demand a fatter coupon in case Ferrexpo announces an intention to tap the market with new Eurobond issue.

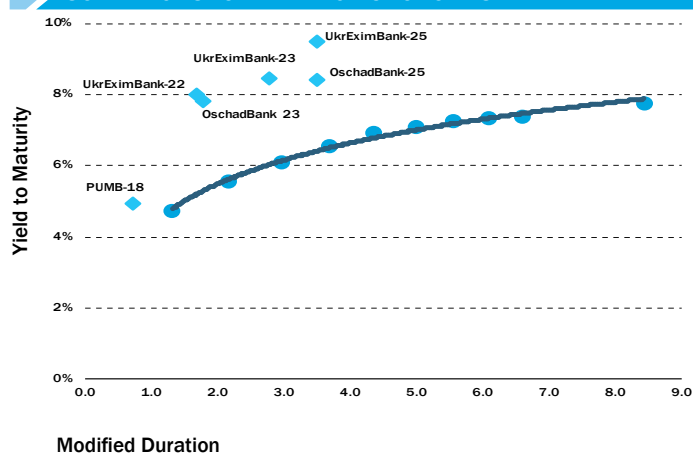
UKRAINIAN EUROBONDS

Issue	Price Bid	Price Ask	Price ch., W/W, %	YTM Bid, %	YTM Ask, %	YTM ch., W/W, bps	MDuration, years	Coupon	Maturity Date	Volume USD mn	Currency	Ratings ¹
Sovereign Eurobonds												
Ukraine, 2019	104.0	104.5	0.2%	4.8%	4.4%	-17.8	1.3	7.75%	1 Sept 2019	1,744	USD	Caa2/B-/B-
Ukraine, 2020	104.6	105.2	0.0%	5.7%	5.4%	-2.7	2.2	7.75%	1 Sept 2020	1,780	USD	Caa2/B-/B-
Ukraine, 2021	105.3	105.8	0.6%	6.0%	5.8%	-19.7	2.9	7.75%	1 Sept 2021	1,409	USD	Caa2/B-/B-
Ukraine, 2022	105.0	105.5	0.7%	6.4%	6.3%	-18.5	3.7	7.75%	1 Sept 2022	1,384	USD	Caa2/B-/B-
Ukraine, 2023	104.3	105.0	1.0%	6.8%	6.6%	-21.9	4.3	7.75%	1 Sept 2023	1,355	USD	Caa2/B-/B-
Ukraine, 2024	103.8	104.6	0.9%	7.0%	6.9%	-17.2	5.0	7.75%	1 Sept 2024	1,339	USD	Caa2/B-/B-
Ukraine, 2025	103.6	104.3	1.2%	7.1%	7.0%	-20.7	5.5	7.75%	1 Sept 2025	1,329	USD	Caa2/B-/B-
Ukraine, 2026	103.3	104.0	1.0%	7.2%	7.1%	-16.6	6.1	7.75%	1 Sept 2026	1,318	USD	Caa2/B-/B-
Ukraine, 2027	103.0	103.7	0.8%	7.3%	7.2%	-11.6	6.6	7.75%	1 Sept 2027	1,307	USD	Caa2/B-/B-
Ukraine, 2032	97.4	98.2	1.1%	7.7%	7.6%	-12.1	8.4	7.375%	25 Sept 2032	3,000	USD	//B-
Ukraine, GDP-linked	70.0	71.0	0.5%	n/a	n/a	n/a	na	n/a	31 May 2040	3,214	USD	/B-/
Corporate Eurobonds												
Agroton, 2019	16.0	20.6	0.0%	0%	0%	0	0.6	6.00%	14 Jul 2019	18	USD	//
Kernel, 2022	107.6	108.3	0.0%	6.5%	6.3%	-2	3.2	8.75%	31 Jan 2022	500	USD	/B/B+
MHP, 2020	108.6	109.5	0.0%	3.7%	3.3%	-1.8	1.8	8.25%	2 Apr 2020	750	USD	/B-/B-
MHP, 2024	106.6	107.1	0.0%	6.4%	6.3%	-0.3	4.7	7.75%	10 May 2024	500	USD	//
Avangardco, 2018	19.7	23.2	0.0%	0%	0%	0	0.1	10.00%	29 Oct 2018	206	USD	//
UkrLandFarming, 2018	21.0	22.4		0%	0%	0	n/a	10.88%	26 Mar 2018	275	USD	/CC/
Mriya, 2016	7.0	9.0	n/a	n/a	n/a	n/a	n/a	10.95%	30 Mar 2016	72	USD	IN DEFAULT
Mriya, 2018	7.5	9.5	n/a	n/a	n/a	n/a	n/a	9.45%	19 Apr 2018	400	USD	IN DEFAULT
DTEK, 2024	108.1	108.9	0.3%	9.0%	8.9%	-7.9	4.6	10.75%	12 Dec 2024	1,275	USD	//
Metinvest, 2021	104.8	105.5	0.0%					9.37%	31 Dec 2021	1,197	USD	//
Ferrexpo, 2019	102.6	103.6	-0.2%	7.6%	6.6%	15.1	0.9	10.375%	07 Apr 2019	186	USD	Caa3/CCC/CC
Ferrexpo, 2019	102.5	103.7	-0.2%	7.7%	6.5%	11.0	0.9	10.375%	07 Apr 2019	161	USD	Caa3/CCC/CC
UZ Rail, 2018	105.8	106.7	0.0%	7.9%	7.6%	-0.8	1.6	9.50%	21 May 2018	500	USD	/CCC+/CCC
Interepipe, 2017	29.0	34.7	0.0%	n/a	n/a	n/a	n/a	10.25%	2 Aug 2017	200	USD	IN DEFAULT
JKX Oil&Gas, 2020								14.00%	19 Feb 2020	16	USD	//
Bank Eurobonds												
Fin&Credit Bank, 2019	0.7	1.5	n/a	n/a	n/a	n/a	n/a	9.25%	25 Jan 2019	100	USD	IN DEFAULT
PUMB, 2018	103.3	105.1	-0.2%	6.3%	3.8%	10.7	0.7	11.00%	31 Dec 2018	252	USD	//
Nadra Bank, 2018	0.4	1.0	0.3%	n/a	n/a	n/a	0.0	6.25%	31 Jun 2018	60	USD	IN DEFAULT
PrivatBank, 2018-2	28.0	38.0	46.7%	n/a	n/a	n/a	n/a	10.25%	23 Jan 2018	200	USD	IN DEFAULT
PrivatBank, 2021	10.1	14.1	2.3%	n/a	n/a	n/a	1.3	11.00%	09 Feb 2021	220	USD	IN DEFAULT
PrivatBank, 2018	28.5	31.7	0.6%	n/a	n/a	n/a	n/a	10.88%	28 Feb 2018	175	USD	IN DEFAULT
UkrEximBank, 2022	105.8	106.6	0.6%	7.9%	7.7%	-19.6	n/a	9.625%	27 Apr 2022	750	USD	Caa3//CCC
UkrEximBank, 2023	99.0	101.0	0.2%	9.7%	9.2%	-3.7	4.0	7.51%	9 Feb 2023	125	USD	Caa3//CCC
UkrEximBank, 2025	107.4	108.4	1.1%	8.3%	8.1%	-22.2	3.2	9.75%	22 Jan 2025	500	USD	Caa3//CCC
VAB Bank, 2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a	9.00%	14 Jun 2019	88	USD	IN DEFAULT
Oschadbank, 2023	105.5	106.5	0.7%	8.0%	7.8%	-18.8	1.6	8.25%	10 Mar 2023	700	USD	Caa3//CCC
Oschadbank, 2025	106.6	107.6	0.9%	8.4%	8.2%	-17.4	2.8	8.88%	20 Mar 2025	500	USD	Caa3//CCC
Municipal Eurobonds												
City of Kyiv, 2015	85.0	88.6	0.0%	n/a	n/a	n/a	n/a	8.00%	6 Nov 2015	101	USD	IN DEFAULT

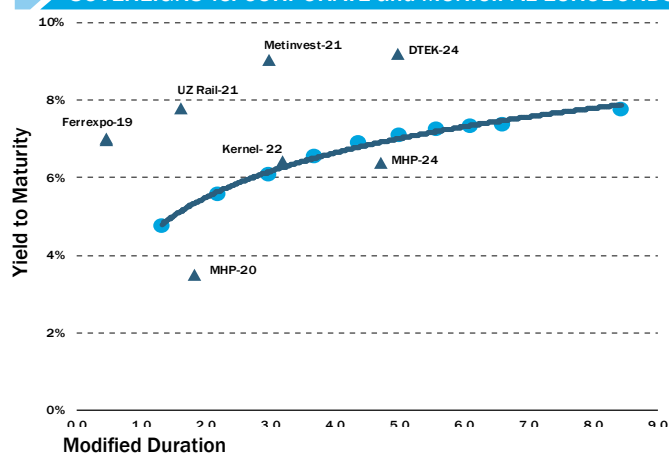
¹ Moody's/S&P/Fitch

Source: Bloomberg, Cbonds, Eavex Research

SOVEREIGNS vs. BANKING EUROBONDS



SOVEREIGNS vs. CORPORATE and MUNICIPAL EUROBONDS



UKRAINIAN DOMESTIC BONDS

Issue	Price (Bid)	Price (Ask)	YTM (Bid)	YTM (Ask)	Modified Duration	Coupon	Coupon Period	Maturity Date	Volume UAH mn
UAH denominated Bonds									
UA80426			17.50%	16.00%	n/a	n/a	S/A	10 Apr .2019	n/a
VAT Bonds									
UA4000185151			17.75%	16.00%	1.9	9.50%	S/A	8 Jul 2019	3,577
UA4000185557			17.75%	16.00%	1.9	9.50%	S/A	22 Jul 2019	2,171
UA4000186159			17.75%	16.00%	1.9	9.50%	S/A	20 Aug 2019	955

Source: Bloomberg, Cbonds, Eavex Research

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