

Trends

Ukraine's sovereign Eurobonds suffered a notable contraction last week amid the pullback in global risk appetite and the recent decline in US bond prices. Until this week, emerging markets bonds had been untouched by the US bond market sell-off, but a catch-up was only a matter of time. In any case, US Treasuries now look oversold and could easily rebound. There were no local Ukrainian game-changing events to trigger a sell-off in Ukrainian sovereigns.

The longest outstanding Ukrainian Eurobonds, Ukraine-32s, lost 3.3% to close at 95.9/96.7 (7.8%/7.7%), representing their highest yield since they were placed at 7.375% last September. Medium-term Ukraine-23s dropped by 2.1% to 105.2/105.9 (6.6%/6.5%). The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) declined by 3.0% to close at 64.0/65.0 cents on the dollar.

Corporate and banking issues were less affected than the sovereigns, but still ended lower. Kernel-22s shed 0.6% to 109.7/110.0 (6.0%/5.9%). Metinvest -21s and DTEK-24s both declined by 1.0%, with the latter issue closing at 106.3/107.0 (9.4%/9.3%).

In banking names, OschadBank-25s lost 1.5% to finish at 109.5/109.6 (7.9%/7.8%) and UkrEximBank-22s edged down by 0.8% to 107.9/108.1 (7.4%/7.3%).

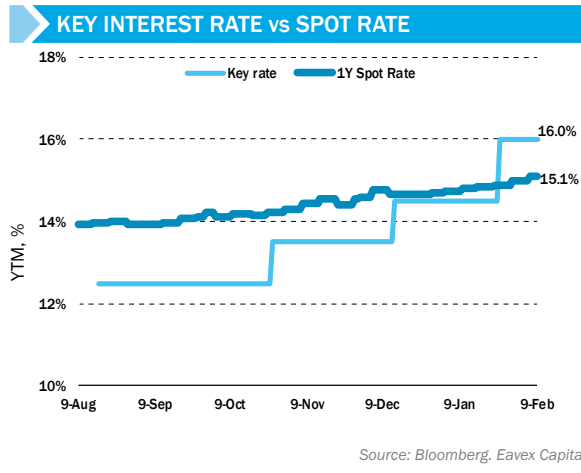
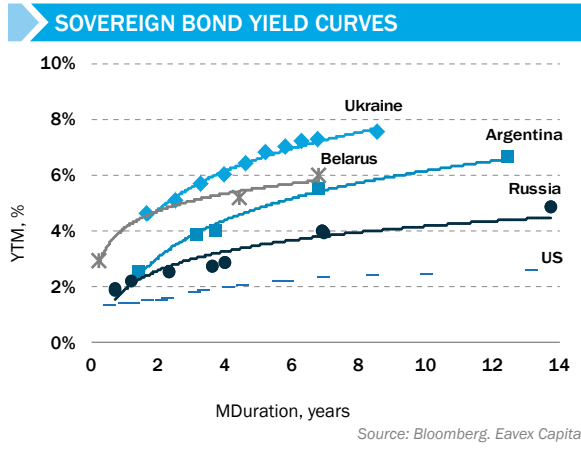
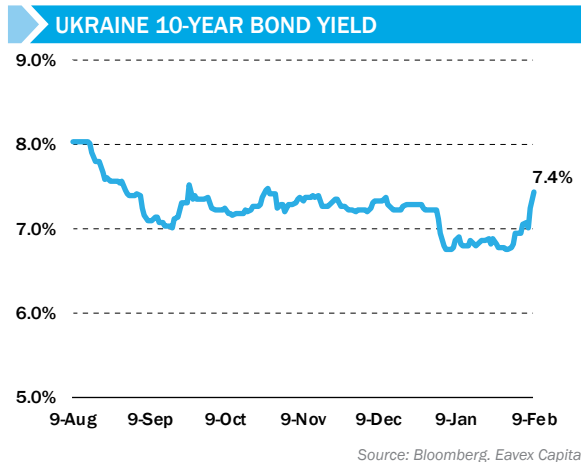
The yield on the government's 2-year UAH-denominated bonds declined by 10 bps to bid/ask of 17.00%/15.50%. Amid a rising yield environment, MinFin decided to sell short-term 6-month UAH-denominated bonds at 16.50% last week in place of the usual 1-year issues.

On the currency front, the hryvnia again benefited from weakness in the dollar, gaining 3.0% to close at 27.00 UAH/USD. The National Bank reported that the country's foreign currency reserves stood at USD 18.4bn at the beginning of February. This figure represented a smaller-than-expected decline in the reserves of 2% during January.

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

Highlights

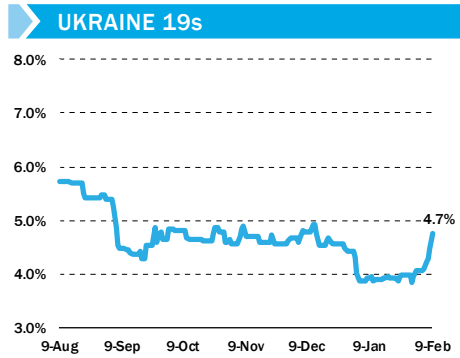
- > Kyiv Caught in Dual Spats with Hungary and Poland
- > Ukraine's 2018 Foreign Debt Servicing Estimated at USD 3.7bn



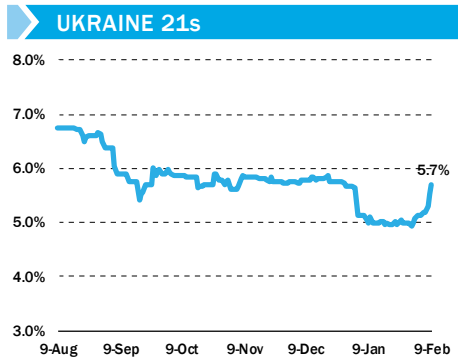
	Last, UAH	1W chg.	1M chg.	YTD
USD/UAH	27.02	-3.0%	-4.6%	-3.9%
EUR/UAH	33.07	-4.7%	-2.3%	-1.8%
EUR/USD	1.23	-1.7%	2.5%	2.1%

Source: Bloomberg, Eavex Capital

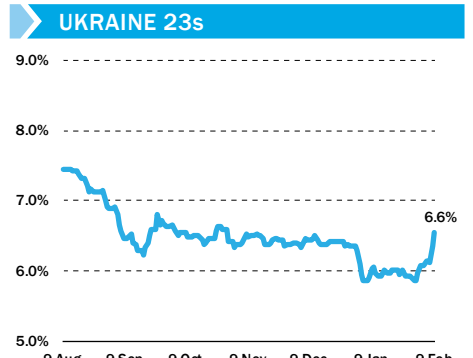
Selected Sovereign Issues



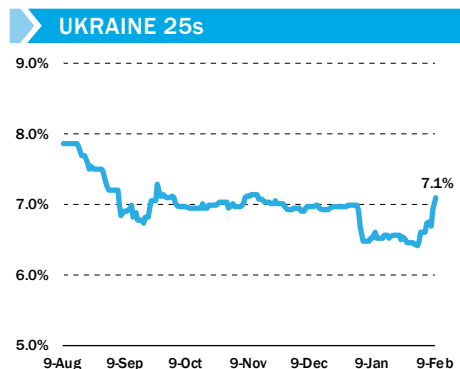
Source: Bloomberg, Eavex Research



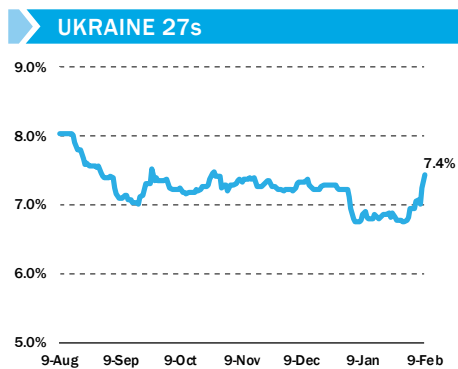
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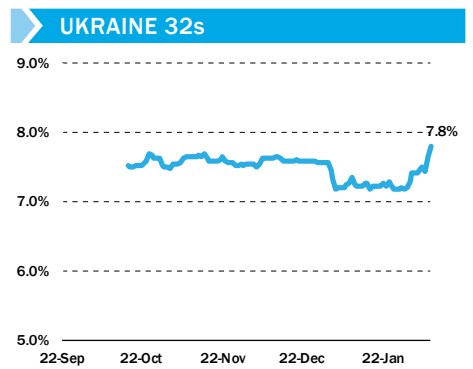
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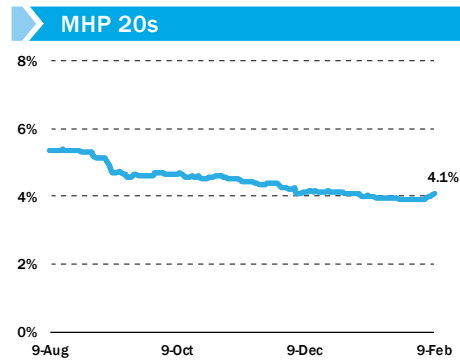


Source: Bloomberg, Eavex Research

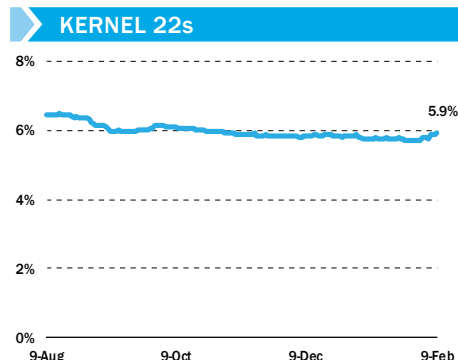


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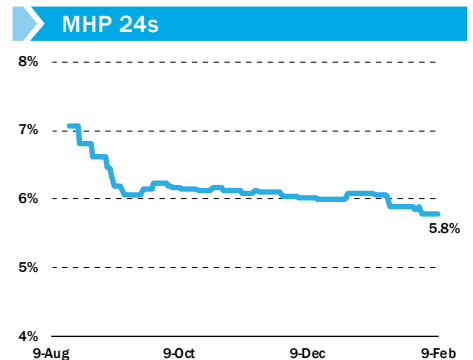
Selected Corporate Issues



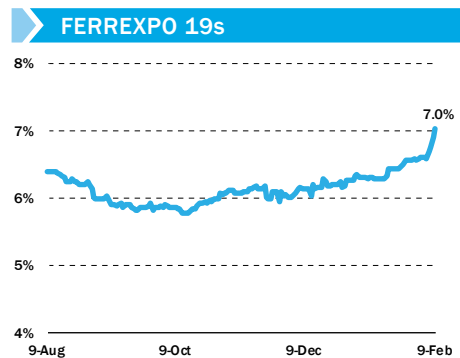
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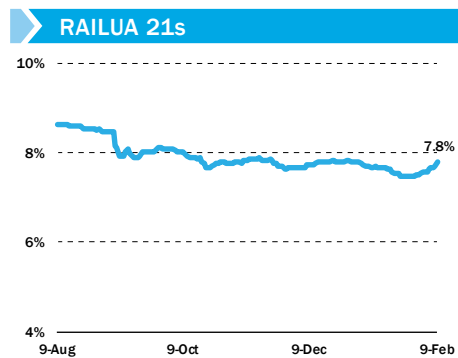
Source: Bloomberg, Eavex Research



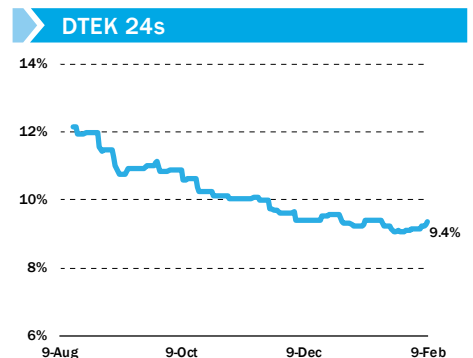
Source: Bloomberg, Eavex Research



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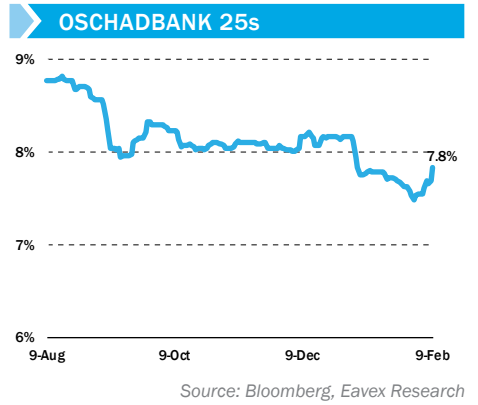
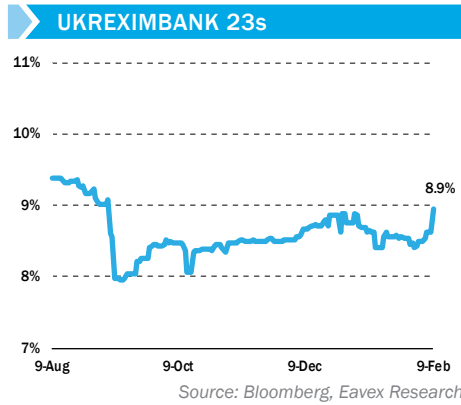
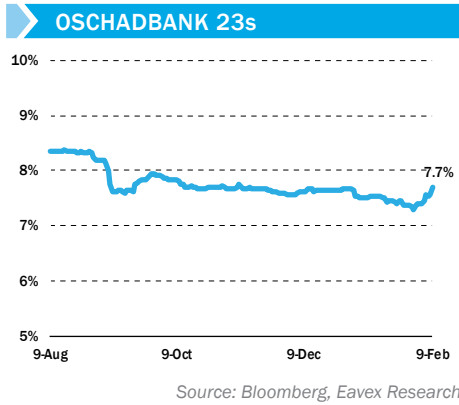


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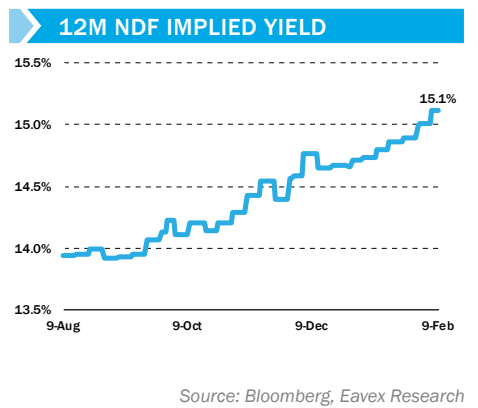
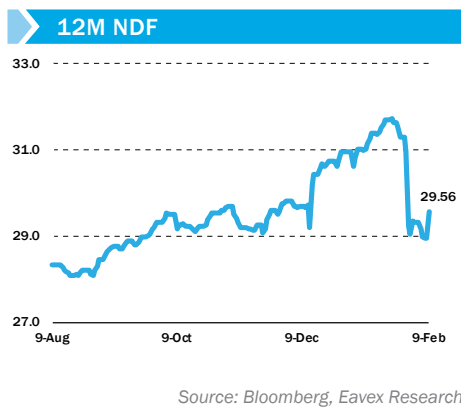
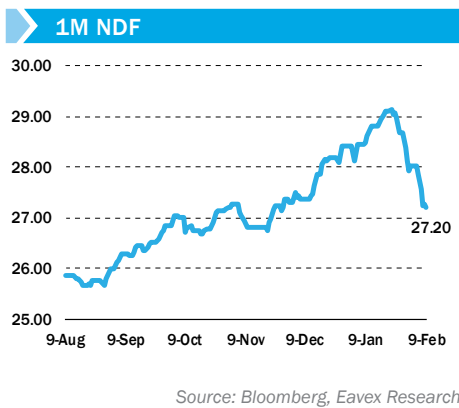
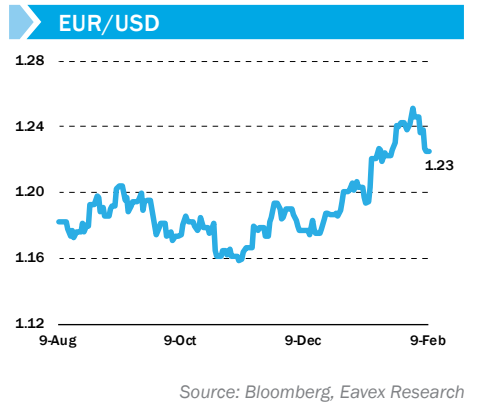
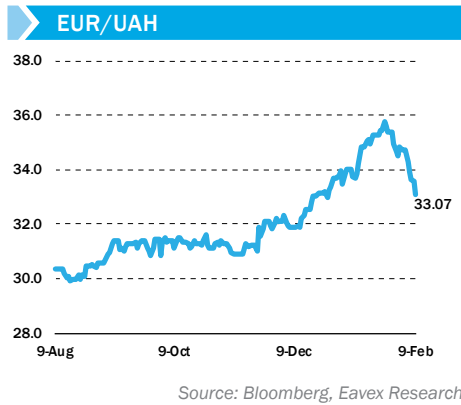
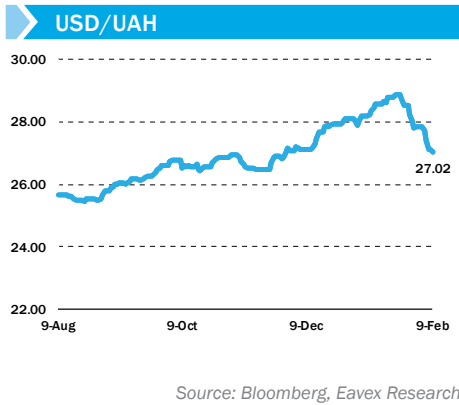


Source: Bloomberg, Eavex Research

Selected Banking Issues



Currency



Kyiv Caught in Dual Spats with Hungary and Poland

by Will Ritter
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NEWS

Hungary has blocked a meeting of the Ukraine-NATO commission that was to have taken place late this week at the NATO defense ministers' conference, the Yevropeyska Pravda news site reported on Friday (Feb 9). Any member of the NATO alliance has the right to block outside diplomatic initiatives. The Hungarian government has adopted a policy of using its veto power to block Ukraine's cooperation with the European Union and NATO following a law mandating Ukrainian language education in the country's schools starting in the 5th grade, which Budapest says is unfair to Hungarian speakers. Meanwhile, Ukraine's Parliament on Tuesday passed an official statement complaining about a recently approved law in Poland that imposes criminal penalties against "Bandera [Ukrainian nationalist] ideology". The law was pushed through the Polish parliament in late January by the ruling conservative Law and Justice party.

COMMENTARY

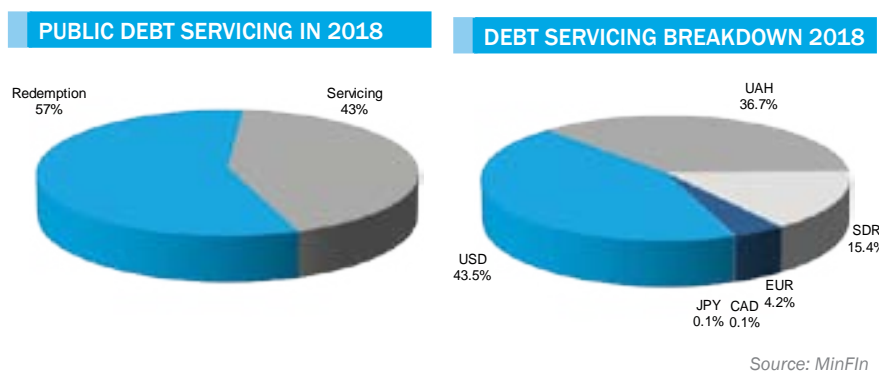
The reasons behind Ukraine's tensions with Hungary and Poland are quite different, but both fit neatly into the Kremlin playbook of raising hostility to Ukraine among neighboring European countries. Overall, relations with Hungary are the more problematic, as the Hungarian population in TransCarpathia province has historically been quite Russophilic, and there has even been some disturbing talk among some hard-liners in Hungary of reclaiming the territory, which was annexed by the Soviet Union and incorporated into Ukraine in 1940. The Ukrainian education law has simply provided an excuse for the Orban regime to do what it wanted to do anyway, which is to disrupt Ukraine's European integration in order to curry favor with its allies in Moscow. In the case of Poland, overall relations are considerably better, but a large influx of Ukrainian migrant workers has strengthened xenophobic sentiments in the country and rekindled the sharp disagreements about who did what to whom during the Second World War.

Ukraine's 2018 Foreign Debt Servicing Estimated at USD 3.7bn

by Dmitry Churin
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NEWS

The Finance Ministry announced that Ukraine's external debt redemption and servicing was estimated at USD 3.7bn for 2018, in a report released last week, while domestic debt redemption and servicing was estimated at UAH 193bn (USD 7.1bn) for this year. Debt servicing expenditures account for roughly 14% of total national budget spending in 2018. Among major individual repayments, there is USD 1.5bn due to the IMF and USD 300mn to the World Bank. Meanwhile, UAH-denominated redemptions consist almost entirely of repayments of UAH-denominated sovereign bonds in the amount of UAH 113bn (USD 4.2bn at the current UAH/USD rate).



COMMENTARY

The Finance Ministry's detailed plan for public debt redemption and servicing does not include any negative surprises. On the other hand, the document contains the optimistic assumption that the government will be able to raise USD 3.6bn on external markets in 2018. This sum notably includes a loan disbursement of USD 1.9bn from the IMF which has not yet been secured. The IMF continues to demand increase in natural gas prices for households as well as a special anti-corruption judicial institution; however, the IMF has been silent on a previous key demand, an end to Ukraine's prohibition on trading farmland.

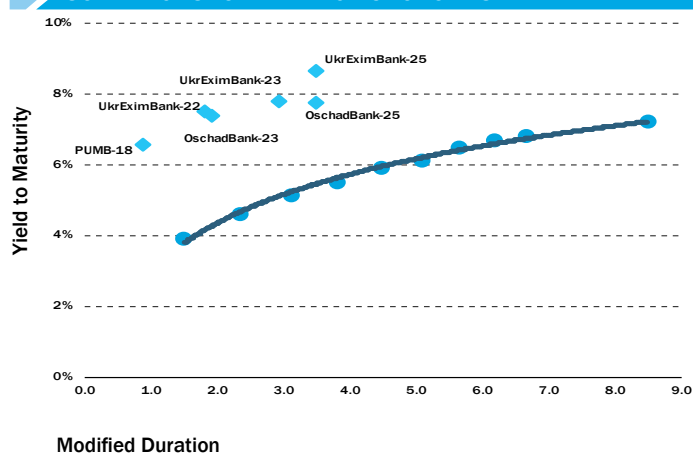
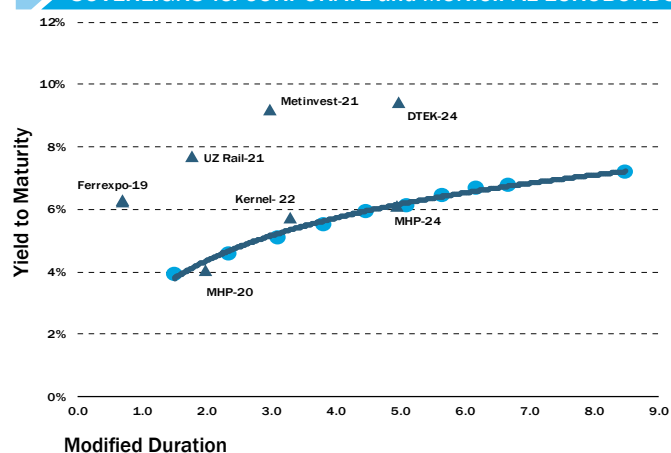
The country's so-called "public debt ceiling" was set by Parliament at UAH 2.0tn (USD 74bn) for 2018. This corresponds to an estimated public debt to GDP ratio of 64% at the end of the year, down from around 80% at the end of 2017. The forecasted decline in the Debt-to-GDP ratio is based on the assumption of a several-percent increase in Ukraine's nominal GDP this year.

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	104.2	104.7	-1.1%	4.9%	4.6%	69.1	1.4	7.75%	1 Sept 2019	1,744	USD	Caa2/B-/B-
Ukraine, 2020	105.5	106.0	-1.4%	5.4%	5.2%	57.5	2.2	7.75%	1 Sept 2020	1,780	USD	Caa2/B-/B-
Ukraine, 2021	106.3	106.8	-1.8%	5.8%	5.6%	56.9	3.0	7.75%	1 Sept 2021	1,409	USD	Caa2/B-/B-
Ukraine, 2022	105.8	106.3	-2.0%	6.3%	6.1%	51.2	3.7	7.75%	1 Sept 2022	1,384	USD	Caa2/B-/B-
Ukraine, 2023	105.2	105.9	-2.1%	6.6%	6.5%	47.7	4.4	7.75%	1 Sept 2023	1,355	USD	Caa2/B-/B-
Ukraine, 2024	104.4	105.2	-2.3%	6.9%	6.8%	45.7	5.0	7.75%	1 Sept 2024	1,339	USD	Caa2/B-/B-
Ukraine, 2025	103.4	104.1	-2.8%	7.2%	7.0%	49.7	5.5	7.75%	1 Sept 2025	1,329	USD	Caa2/B-/B-
Ukraine, 2026	102.0	102.8	-3.1%	7.4%	7.3%	50.1	6.0	7.75%	1 Sept 2026	1,318	USD	Caa2/B-/B-
Ukraine, 2027	101.8	102.6	-3.2%	7.5%	7.4%	48.2	6.5	7.75%	1 Sept 2027	1,307	USD	Caa2/B-/B-
Ukraine, 2032	95.9	96.7	-3.3%	7.8%	7.8%	38.4	8.3	7.375%	25 Sept 2032	3,000	USD	//B-
Ukraine, GDP-linked	64.0	65.0	-3.0%	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	0.7	6.00%	14 Jul 2019	18	USD	//
Kernel, 2022	109.7	110.0	-0.6%	6.0%	5.9%	16	3.4	8.75%	31 Jan 2022	500	USD	/B/B+
MHP, 2020	108.4	108.4	-0.4%	4.1%	4.1%	18.1	1.9	8.25%	2 Apr 2020	750	USD	/B-/B-
MHP, 2024	109.8	110.5	0.0%	5.9%	5.7%	-0.5	4.9	7.75%	10 May 2024	500	USD	//
Avangardco, 2018	19.8	22.1	-1.5%	0%	0%	0	0.2	10.00%	29 Oct 2018	206	USD	//
UkrLandFarming, 2018	20.4	22.0	0.9%	0%	0%	0	0.0	10.88%	26 Mar 2018	275	USD	/CC/
Mriya, 2016	6.0	8.0	n/a	n/a	n/a	n/a	n/a	10.95%	30 Mar 2016	72	USD	IN DEFAULT
Mriya, 2018	6.0	8.0	n/a	n/a	n/a	n/a	n/a	9.45%	19 Apr 2018	400	USD	IN DEFAULT
DTEK, 2024	106.3	107.0	-1.0%	9.4%	9.3%	20.3	4.6	10.75%	12 Dec 2024	1,275	USD	//
Metinvest, 2021	102.3	103.1	-0.6%					9.37%	31 Dec 2021	1,197	USD	//
Ferrexpo, 2019	103.3	104.0	-0.4%	7.4%	6.7%	34.3	0.6	10.375%	07 Apr 2019	186	USD	Caa3/CCC/CC
Ferrexpo, 2019	103.4	103.8	-0.5%	7.2%	6.8%	43.4	0.6	10.375%	07 Apr 2019	161	USD	Caa3/CCC/CC
UZ Rail, 2018	106.1	106.7	-0.7%	7.9%	7.7%	23.6	1.7	9.50%	21 May 2018	500	USD	/CCC+/CCC
Interepipe, 2017	28.4	30.6	0.0%	n/a	n/a	n/a	n/a	10.25%	2 Aug 2017	200	USD	IN DEFAULT
JKX Oil&Gas, 2018								8.00%	19 Feb 2018	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	103.8	104.5	-0.2%	6.6%	5.7%	18.0	0.8	11.00%	31 Dec 2018	252	USD	//
Nadra Bank, 2018	0.8	1.4	0.0%	n/a	n/a	n/a	0.0	6.25%	31 Jun 2018	60	USD	IN DEFAULT
PrivatBank, 2018-2	34.0	37.0	0.0%	n/a	n/a	n/a	n/a	10.25%	23 Jan 2018	200	USD	IN DEFAULT
PrivatBank, 2021	13.6	15.0	-3.4%	n/a	n/a	n/a	1.6	11.00%	09 Feb 2021	220	USD	IN DEFAULT
PrivatBank, 2018	36.6	38.0	-0.5%	n/a	n/a	n/a	n/a	10.88%	28 Feb 2018	175	USD	IN DEFAULT
UkrEximBank, 2022	107.9	108.1	-0.8%	7.4%	7.3%	23.6	n/a	9.625%	27 Apr 2022	750	USD	Caa3//CCC
UkrEximBank, 2023	100.3	100.4	-1.6%	8.9%	8.9%	44.2	4.0	7.51%	9 Feb 2023	125	USD	Caa3//CCC
UkrEximBank, 2025	108.7	108.9	-2.2%	8.1%	8.0%	43.8	3.3	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	106.6	107.2	-1.2%	7.8%	7.6%	29.1	1.7	8.25%	10 Mar 2023	700	USD	Caa3//CCC
Oschadbank, 2025	109.5	109.6	-1.5%	7.9%	7.8%	28.6	2.8	8.88%	20 Mar 2025	500	USD	Caa3//CCC
Municipal Eurobonds												
City of Kyiv, 2015	83.1	87.3	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			16.70%	15.75%	n/a	n/a	S/A	10 Apr .2019	n/a
VAT Bonds									
UA4000185151			17.00%	15.50%	1.9	9.50%	S/A	8 Jul 2019	3,577
UA4000185557			17.00%	15.50%	1.9	9.50%	S/A	22 Jul 2019	2,171
UA4000186159			17.00%	15.50%	1.9	9.50%	S/A	20 Aug 2019	955

Source: Bloomberg, Cbonds, Eavex Research

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