

Trends

Ukrainian sovereign Eurobonds declined in value for the third week in a row, as investors seem to be becoming more concerned about next year's elections in the country. According to the most recent surveys, if the parliamentary elections in Ukraine were held in mid-June, a very high number - eight - political parties would pass the 5% electoral barrier. The party rating is headed by populist Yulia Tymoshenko's Batkivschyna Party, which is supported by 17% of those who chose a side and intend to vote. The second position belongs to the generally pro-Russian Opposition Bloc. The survey's results highlight a risk that Ukrainian political landscape might change dramatically next year with no clear understanding about whether such changes would be positive for the country.

In other internal news, there was a report that the deficit of the national budget amounted to UAH 9.2bn (USD 350mn) in 5M18, compared to a surplus of UAH 26.5bn for the corresponding period a year ago. The deficit in large part was the result of an increase in budget expenditures by 27% YoY to UAH 380bn in 5M18. Revenue rose by 14% YoY to UAH 370bn in the period.

The longest outstanding sovereigns with maturity in 2032 declined by 2.9% to 85.3/86.3 (9.3%/9.1%), and medium-term Ukraine-23s edged down by 1.9% to 96.1/96.8 (8.7%/8.5%). The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) shed 1.9% to close at 62.9/63.9 cents on the dollar.

In corporate bonds, Metinvest-23s dropped by 1.9% to 93.5/94.3 (9.5%/9.2%) and Kernel-22s decreased by 1.5% to 100.3/101.0 (8.6%/8.4%).

The quasi-sovereign Eurobonds of state-owned UkrEximBank with maturity in 2025 declined by 1.0% to 100.3/100.7 (9.7%/9.6%).

The yield on the government's 1-year UAH-denominated treasuries remained at bid/ask of 17.95%/17.00%. Meanwhile, the Finance Ministry placed UAH 1.0bn in new 3-year bonds at 15.00% last week. Also, in the first large placement of municipal bonds since 2013, Lviv City raised UAH 440mn by selling 3-year bonds at 17.89%.

On the currency front, the hryvnia weakened by 0.4% against the dollar to close at 26.34 UAH/USD. We assume that the end-of-quarter VAT refund season for exporters has been increasing demand for hard currencies on the local market.

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

Highlights

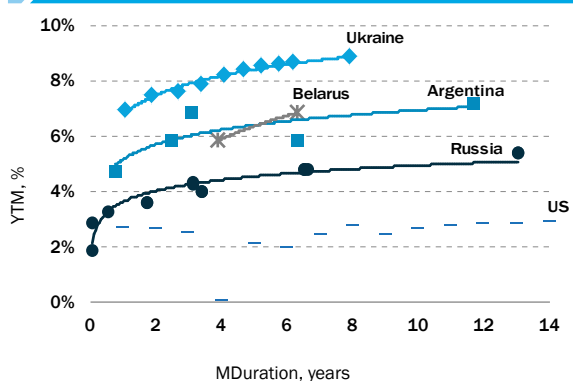
- Poroshenko at 10-11% Support Amid Weak, Fragmented Candidate Field

UKRAINE 10-YEAR BOND YIELD



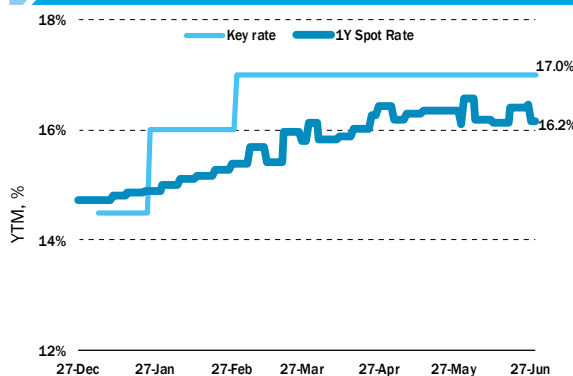
Source: Bloomberg, Eavex Capital

SOVEREIGN BOND YIELD CURVES



Source: Bloomberg, Eavex Capital

KEY INTEREST RATE vs SPOT RATE



Source: Bloomberg, Eavex Capital

CURRENCY

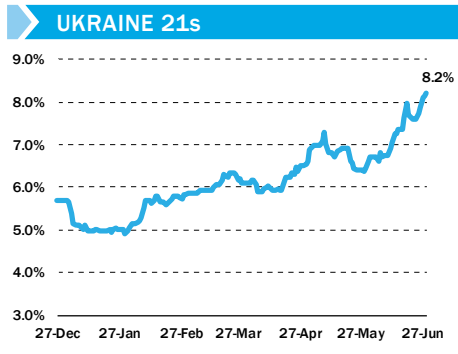
| | Last, UAH | 1W chg. | 1M chg. | YTD |
|---------|-----------|---------|---------|-------|
| USD/UAH | 26.34 | 0.4% | 0.8% | -6.3% |
| EUR/UAH | 30.75 | 0.6% | 0.9% | -8.7% |
| EUR/USD | 1.17 | 0.3% | 0.2% | -2.7% |

Source: Bloomberg, Eavex Capital

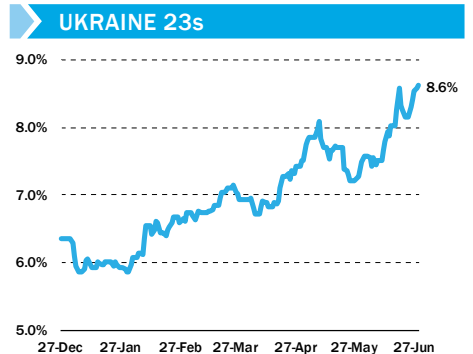
Selected Sovereign Issues



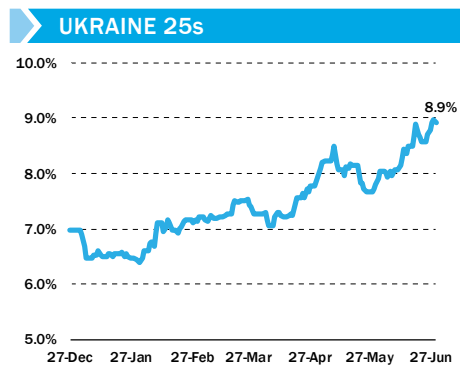
Source: Bloomberg, Eavex Research



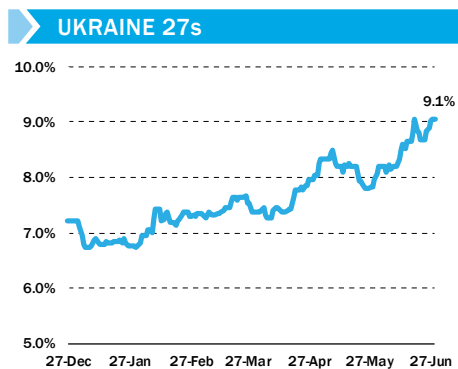
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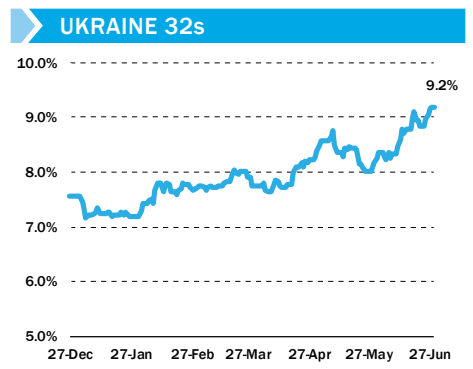
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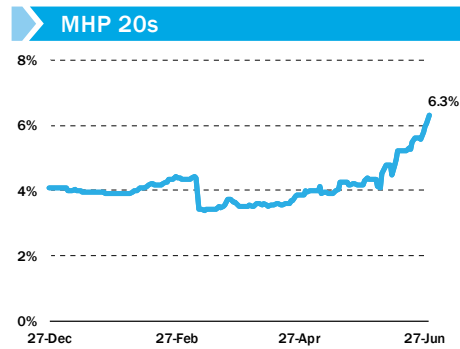


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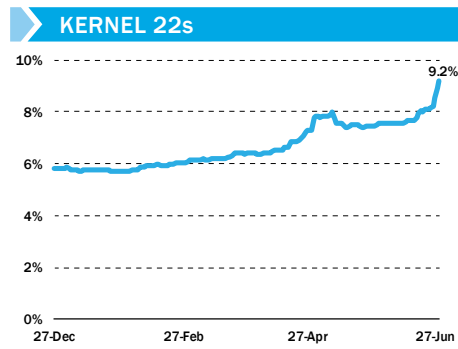


Source: Bloomberg, Eavex Research

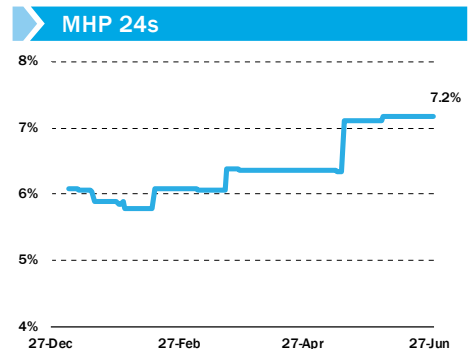
Selected Corporate Issues



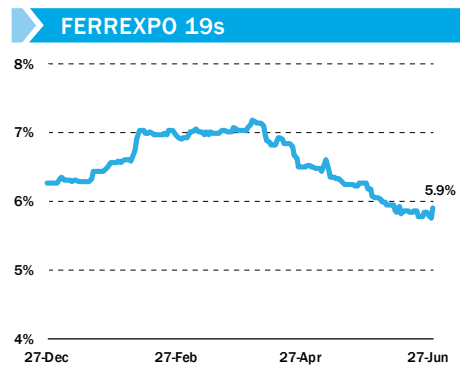
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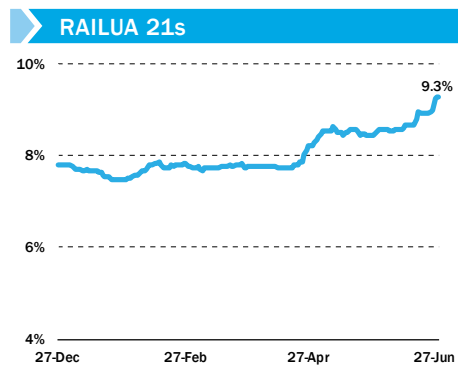
Source: Bloomberg, Eavex Research



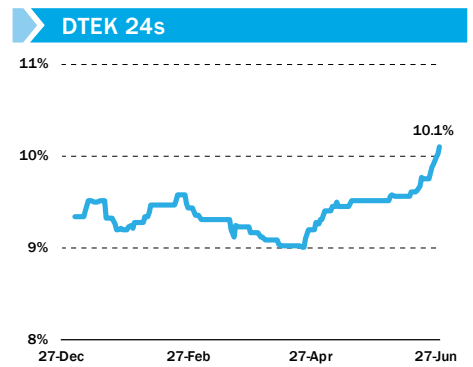
Source: Bloomberg, Eavex Research



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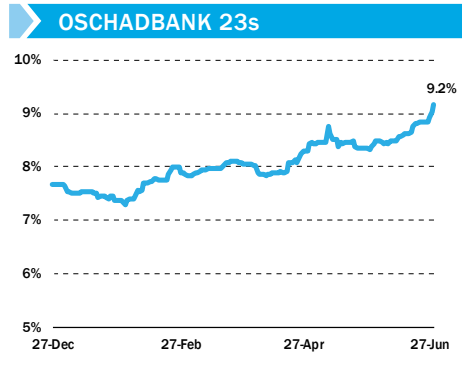


Source: Bloomberg, Eavex Research

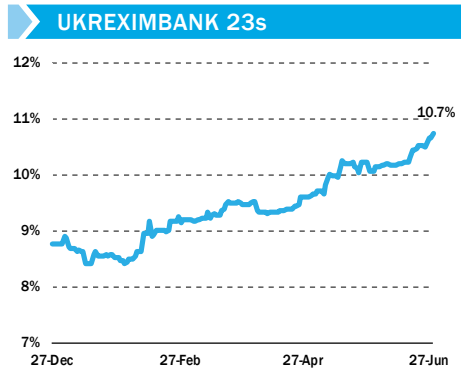


Source: Bloomberg, Eavex Research

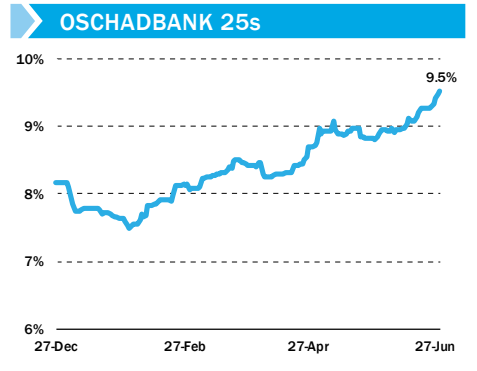
Selected Banking Issues



Source: Bloomberg, Eavex Research

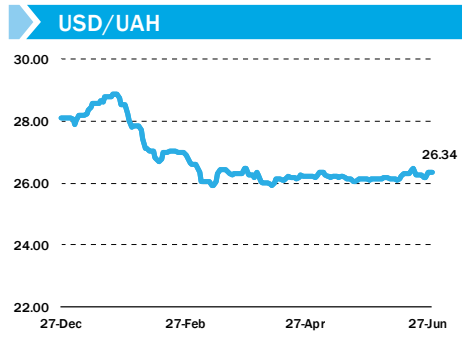


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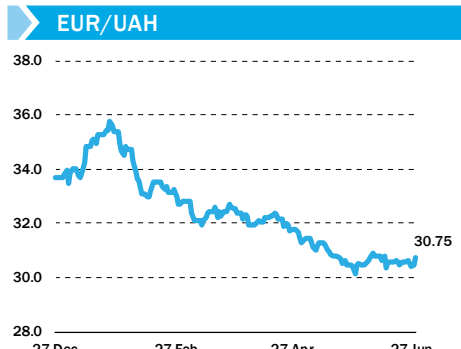


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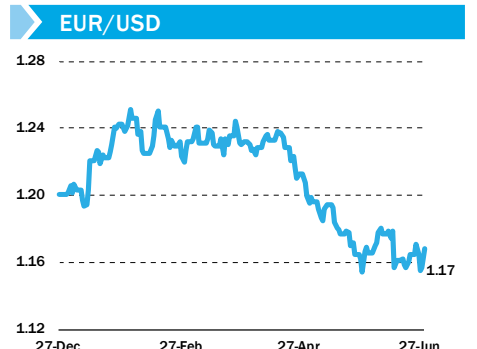
Currency



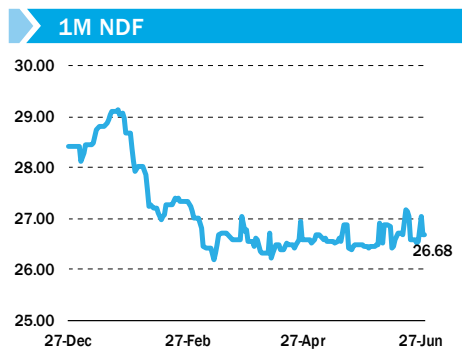
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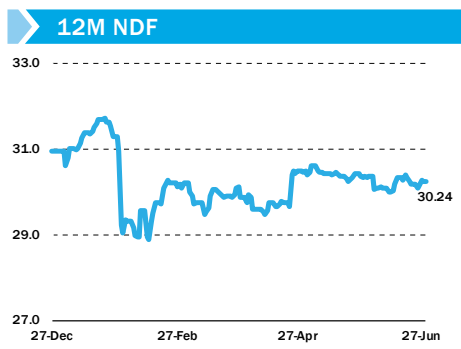
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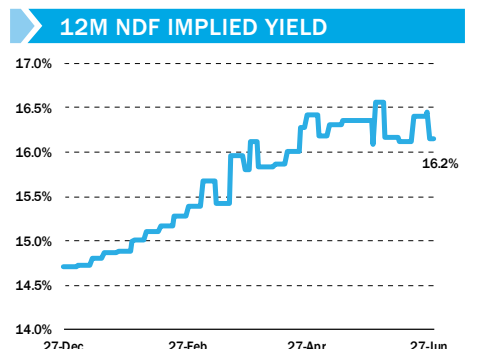
Source: Bloomberg, Eavex Research



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Source: Bloomberg, Eavex Research

Poroshenko at 10-11% Support Amid Weak, Fragmented Candidate Field

by Will Ritter
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NEWS

A poll by the respected Kyiv Institute of Sociology (KIS) conducted in mid-June put President Poroshenko's support for re-election next March at 10.5%, trailing three challengers and tying him with a fourth. The poll was conducted from Jun 7-21. Leading the poll at 22.6% was Batkivschyna opposition party leader Yulia Tymoshenko, followed by former defense minister and Civil Position party leader Anatoliy Grytsenko at 16.0% and populist-nationalist Oleg Lyashko at 13.2%. Russian-leaning Opposition Bloc leader Yuriy Boyko was virtually tied with Poroshenko in the poll at 10.6%.

COMMENTARY

Despite these unimpressive poll numbers, we still think Poroshenko has a better chance at re-election than most analysts are giving him credit for due to the overall weak candidate field and lack of new names. None of the candidates currently leading Poroshenko can be described as strongly pro-Western, and therefore could not count on receiving the support of Western governments over the current president. The situation at the end of April actually looked worse for Poroshenko than it looks now at the beginning of July, and we think that the race will not really start to take a clear shape until around the middle of September. For Poroshenko, the key to re-election will be to avoid the entrance into the race of an alternative center-right candidate who could receive European and/or US backing and prevent him from reaching the runoff round. Grytsenko, who served as Ukraine's defense minister in the Yuschenko administration in the mid-00s, has enjoyed a notable resurrection this year, but given a choice between his rather vague populist agenda and Poroshenko's more proven track record of stability, we think Washington and Brussels will likely prefer the latter. Of course, Grytsenko could certainly expect to trade an endorsement of Poroshenko in a hypothetical presidential runoff for a top government post, possibly returning to head the Defense Ministry.

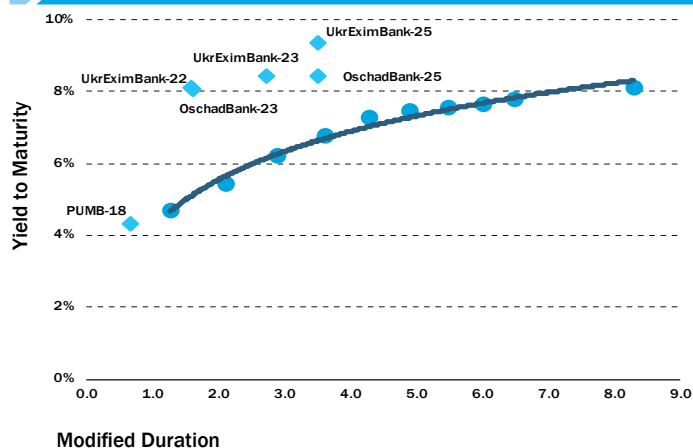
UKRAINIAN EUROBONDS

| 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 | 99.8 | 100.3 | -0.9% | 8.0% | 7.5% | 77.0 | 1.1 | 7.75% | 1 Sept 2019 | 1,744 | USD | Caa2/B-/B- |
| Ukraine, 2020 | 99.3 | 100.0 | -1.1% | 8.1% | 7.7% | 53.7 | 1.9 | 7.75% | 1 Sept 2020 | 1,780 | USD | Caa2/B-/B- |
| Ukraine, 2021 | 98.4 | 99.1 | -1.7% | 8.3% | 8.1% | 60.7 | 2.7 | 7.75% | 1 Sept 2021 | 1,409 | USD | Caa2/B-/B- |
| Ukraine, 2022 | 97.5 | 98.3 | -1.8% | 8.5% | 8.2% | 52.0 | 3.4 | 7.75% | 1 Sept 2022 | 1,384 | USD | Caa2/B-/B- |
| Ukraine, 2023 | 96.1 | 96.8 | -1.9% | 8.7% | 8.5% | 46.2 | 4.0 | 7.75% | 1 Sept 2023 | 1,355 | USD | Caa2/B-/B- |
| Ukraine, 2024 | 94.5 | 95.5 | -1.9% | 8.9% | 8.7% | 40.5 | 4.6 | 7.75% | 1 Sept 2024 | 1,339 | USD | Caa2/B-/B- |
| Ukraine, 2025 | 93.4 | 94.4 | -1.8% | 9.0% | 8.8% | 34.8 | 5.2 | 7.75% | 1 Sept 2025 | 1,329 | USD | Caa2/B-/B- |
| Ukraine, 2026 | 92.3 | 93.3 | -2.1% | 9.1% | 8.9% | 37.3 | 5.7 | 7.75% | 1 Sept 2026 | 1,318 | USD | Caa2/B-/B- |
| Ukraine, 2027 | 91.5 | 92.5 | -2.3% | 9.1% | 9.0% | 36.6 | 6.1 | 7.75% | 1 Sept 2027 | 1,307 | USD | Caa2/B-/B- |
| Ukraine, 2032 | 85.3 | 86.3 | -2.9% | 9.3% | 9.1% | 35.1 | 7.8 | 7.38% | 25 Sept 2032 | 3,000 | USD | //B- |
| Ukraine, GDP-linked | 62.9 | 63.9 | -1.9% | n/a | n/a | n/a | na | 0.00% | 31 May 2040 | 3,214 | USD | /B-/ |
| Corporate Eurobonds | | | | | | | | | | | | |
| Agroton, 2019 | 16.0 | 20.6 | 0.0% | 0% | 0% | 0 | 0.4 | 6.00% | 14 Jul 2019 | 18 | USD | // |
| Kernel, 2022 | 100.3 | 101.0 | -1.5% | 8.6% | 8.4% | 50 | 2.9 | 8.75% | 31 Jan 2022 | 500 | USD | /B/B+ |
| MHP, 2020 | 102.6 | 103.7 | -1.1% | 6.6% | 6.0% | 68.7 | 1.6 | 8.25% | 2 Apr 2020 | 750 | USD | /B-/B- |
| MHP, 2024 | 102.5 | 103.0 | 0.0% | 7.2% | 7.1% | -0.2 | 4.6 | 7.75% | 10 May 2024 | 500 | USD | // |
| MHP, 2026 | 93.4 | 93.9 | -1.6% | 8.1% | 8.0% | 27.1 | 5.7 | 6.95% | 4 Apr 2026 | 550 | USD | /B/B |
| Avangardco, 2018 | 20.0 | 22.4 | -0.1% | 0% | 0% | 0 | 0.1 | 10.00% | 29 Oct 2018 | 206 | USD | // |
| UkrLandFarming, 2018 | 20.1 | 22.4 | | 0% | 0% | 0 | n/a | 10.88% | 26 Mar 2018 | 275 | USD | /CC/ |
| Mriya, 2016 | 8.0 | 12.0 | n/a | n/a | n/a | n/a | n/a | 10.95% | 30 Mar 2016 | 72 | USD | IN DEFAULT |
| Mriya, 2018 | 8.0 | 12.0 | n/a | n/a | n/a | n/a | n/a | 9.45% | 19 Apr 2018 | 400 | USD | IN DEFAULT |
| DTEK, 2024 | 102.7 | 103.7 | -1.6% | 10.2% | 10.0% | 33.9 | 4.8 | 10.75% | 12 Dec 2024 | 1,275 | USD | // |
| Metinvest, 2021 | 100.0 | 102.0 | 0.0% | 7.4% | 6.8% | -0.3 | n/a | 7.50% | 31 Dec 2021 | 1,197 | USD | //B |
| Metinvest, 2023 | 93.5 | 94.3 | -1.9% | 9.5% | 9.2% | 49.9 | 3.8 | 7.75% | 23 Apr 2023 | 945 | USD | //B |
| Metinvest, 2026 | 93.0 | 93.6 | -2.2% | 9.8% | 9.7% | 39.6 | 5.4 | 8.50% | 23 Apr 2026 | 648 | USD | //B |
| Ferrexpo, 2019 | 102.7 | 103.8 | -0.2% | 6.6% | 5.2% | 14.4 | 0.7 | 10.38% | 07 Apr 2019 | 186 | USD | Caa3/CCC/CC |
| Ferrexpo, 2019 | 102.9 | 103.6 | -0.2% | 6.3% | 5.5% | 12.5 | 0.7 | 10.38% | 07 Apr 2019 | 161 | USD | Caa3/CCC/CC |
| UZ Rail, 2018 | 101.3 | 102.0 | -0.9% | 9.4% | 9.1% | 32.9 | 1.3 | 9.88% | 21 May 2018 | 500 | USD | /CCC+/CCC |
| Interepipe, 2017 | 30.3 | 34.6 | 0.0% | n/a | n/a | -7.1 | n/a | 10.25% | 2 Aug 2017 | 200 | USD | IN DEFAULT |
| JKX Oil&Gas, 2020 | 85.0 | 95.0 | 0.0% | 25.8% | 17.6% | 9.5 | 1.3 | 14.00% | 19 Feb 2020 | 16 | USD | // |
| Bank Eurobonds | | | | | | | | | | | | |
| PUMB, 2018 | 102.9 | 103.8 | -0.1% | 4.9% | 3.1% | -13.7 | 0.5 | 11.00% | 31 Dec 2018 | 252 | USD | // |
| PrivatBank, 2018-2 | 20.4 | 30.4 | 0.0% | n/a | n/a | n/a | n/a | 10.25% | 23 Jan 2018 | 200 | USD | IN DEFAULT |
| PrivatBank, 2021 | 10.9 | 12.9 | -2.5% | n/a | n/a | n/a | 1.1 | 11.00% | 09 Feb 2021 | 220 | USD | IN DEFAULT |
| PrivatBank, 2018 | 25.0 | 29.8 | 2.0% | n/a | n/a | n/a | n/a | 10.88% | 28 Feb 2018 | 175 | USD | IN DEFAULT |
| UkrEximBank, 2022 | 100.9 | 101.5 | -0.8% | 9.3% | 9.1% | 23.9 | n/a | 9.63% | 27 Apr 2022 | 750 | USD | Caa3//CCC |
| UkrEximBank, 2023 | 94.9 | 96.2 | -0.8% | 10.9% | 10.6% | 22.6 | 4.0 | 9.00% | 9 Feb 2023 | 125 | USD | Caa3//CCC |
| UkrEximBank, 2025 | 100.3 | 100.7 | -1.0% | 9.7% | 9.6% | 21.2 | 2.8 | 9.75% | 22 Jan 2025 | 500 | USD | Caa3//CCC |
| Oschadbank, 2023 | 100.5 | 101.0 | -1.2% | 9.2% | 9.1% | 32.6 | 1.4 | 9.38% | 10 Mar 2023 | 700 | USD | Caa3//CCC |
| Oschadbank, 2025 | 100.3 | 100.7 | -1.2% | 9.6% | 9.5% | 24.4 | 2.5 | 9.63% | 20 Mar 2025 | 500 | USD | Caa3//CCC |
| Municipal Eurobonds | | | | | | | | | | | | |
| City of Kyiv, 2015 | 87.6 | 89.4 | 0.1% | n/a | n/a | n/a | n/a | 8.00% | 6 Nov 2015 | 101 | USD | IN DEFAULT |

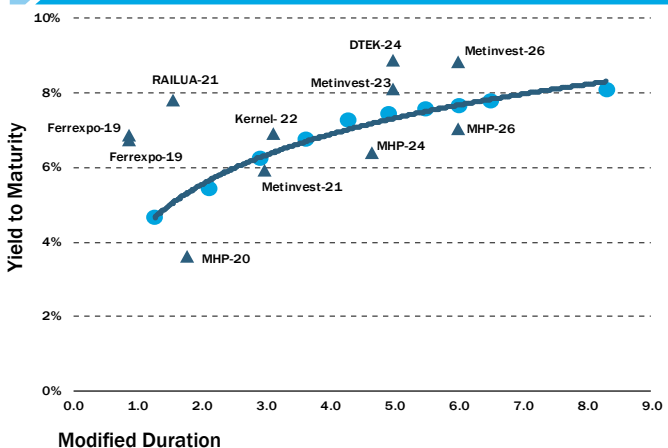
¹ Moody's/S&P/Fitch

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 | | | 17.90% | 16.70% | n/a | n/a | S/A | 10 Apr. 2019 | n/a |
| VAT Bonds | | | | | | | | | |
| UA4000185151 | | | 17.95% | 17.00% | 1.9 | 9.50% | S/A | 8 Jul 2019 | 3,577 |
| UA4000185557 | | | 17.95% | 17.00% | 1.9 | 9.50% | S/A | 22 Jul 2019 | 2,171 |
| UA4000186159 | | | 17.95% | 17.00% | 1.9 | 9.50% | S/A | 20 Aug 2019 | 955 |

Source: Bloomberg, Cbonds, Eavex Research

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