

Trends

Ukrainian sovereign Eurobonds rose sharply last week after acting Finance Minister Oksana Markarova said on Bloomberg Television that she expects a resumption of funding from the IMF, citing constructive negotiations on the remaining budget issues. Since July 2017, Ukraine has been in a stalled negotiating process with the IMF on the natural gas pricing issue: the IMF insists on raising the price of gas for households, an increase which, according to various estimates, should be somewhere between 30% to 60% due to rising prices on international markets, but the government has refused to take this step. IMF Managing Director Christine Lagarde said last month that the implementation of the precondition for natgas prices is critical for the completion of the current review of the IMF-supported program.

The longest outstanding issue, Ukraine-32s, jumped by 3.1% to close at 90.7/91.7 (8.5%/8.4%) and the medium-term Ukraine-23s issue added 2.1% to 100.4/101.1 (7.7%/7.5%). The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) were less active, edging up 0.3 to 63.1/64.2 cents on the dollar.

In corporate sector Eurobonds, DTEK-24s gained a moderate 0.4% to 102.3/103.2 (10.2%/10.1) after the company reported mixed operating results for 1H18. Kernel-22s rose 1.1% to 102.3/102.8 (8.0%/7.8%) and Metinvest-26s increased by a firm 2.5% to close at 96.1/96.7 (9.2%/9.1%). The quasi-sovereign UkrEximBank-25s picked up 1.4% to 102.9/103.2 (9.1%/9.0%).

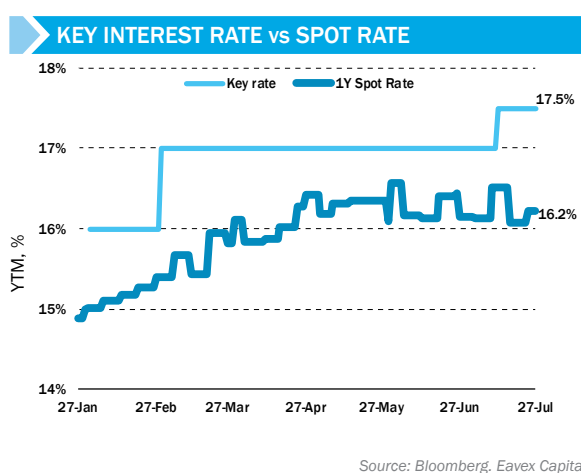
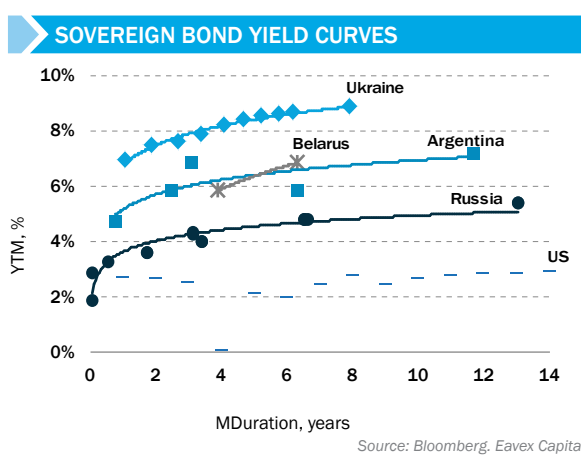
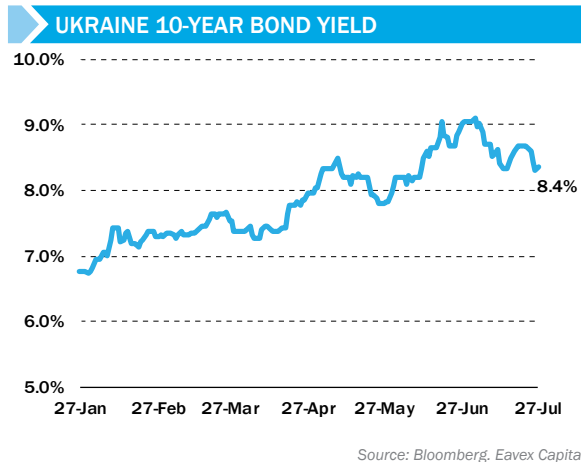
The yield on the government's 1-year UAH-denominated treasuries were unchanged at bid/ask of 18.20%/17.25%. The Finance Ministry placed UAH-denominated 70-day short-term notes at 18.00% and USD-denominated bonds with a yield ranging from 5.10% to 5.55% and circulation of up to 455 days.

On the currency market, the hryvnia weakened notably by 1.0% against the dollar to end the week at 26.70 UAH/USD, as the traditional autumn season of hryvnia devaluation appeared to get an early start. The National Bank was forced to intervene on the interbank market with forex sales from its reserves to maintain balance.

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

Highlights

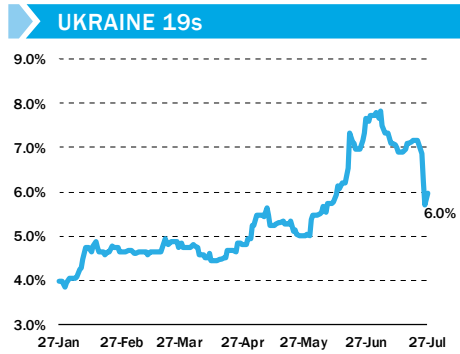
- > NABU Accuses People's Front MP in Attack on its Office
- > Ukraine's 1H18 Industrial Output Rise Comes in at 2.5%



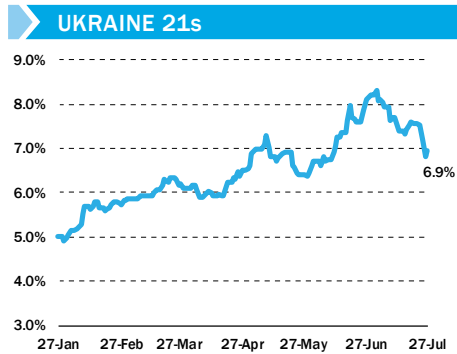
| | Last, UAH | 1W chg. | 1M chg. | YTD |
|---------|-----------|---------|---------|-------|
| USD/UAH | 26.68 | 0.9% | 1.3% | -5.1% |
| EUR/UAH | 31.09 | 0.3% | 2.2% | -7.7% |
| EUR/USD | 1.17 | -0.6% | 0.9% | -2.9% |

Source: Bloomberg, Eavex Capital

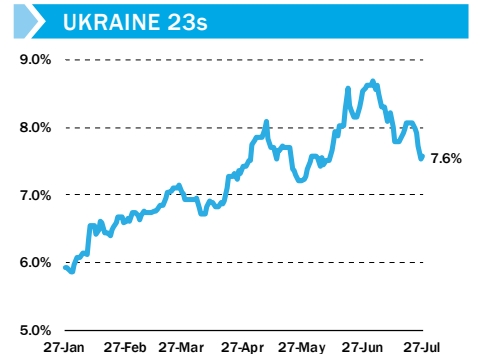
Selected Sovereign Issues



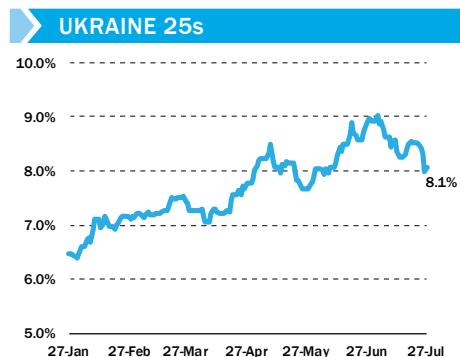
Source: Bloomberg, Eavex Research



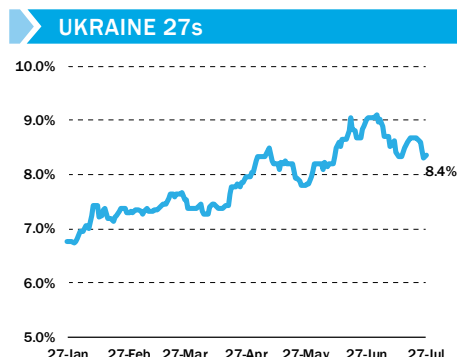
Source: Bloomberg, Eavex Research



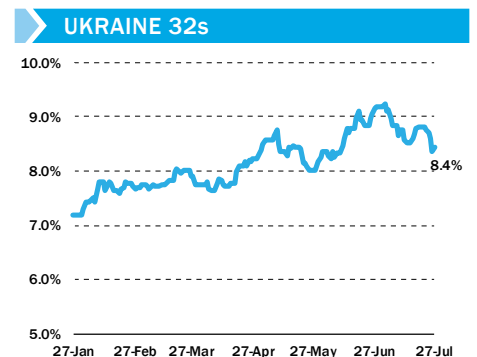
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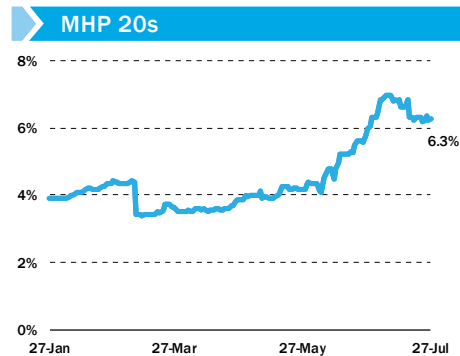


Source: Bloomberg, Eavex Research

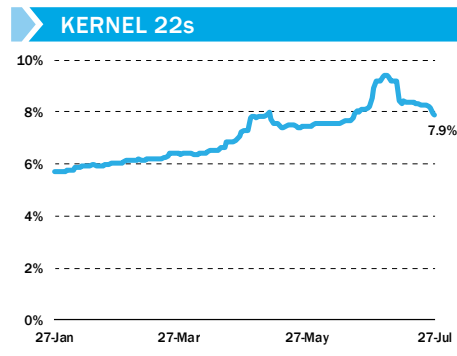


Source: Bloomberg, Eavex Research

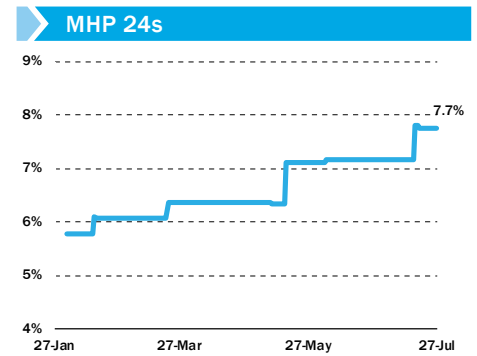
Selected Corporate Issues



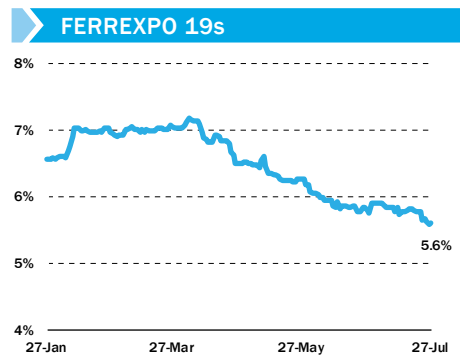
Source: Bloomberg, Eavex Research



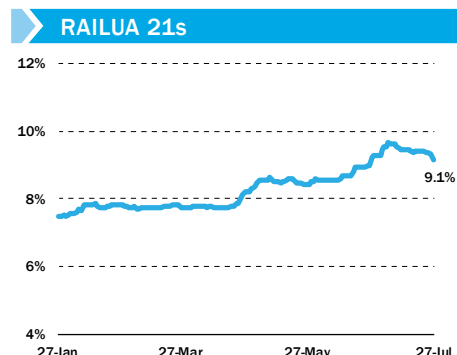
Source: Bloomberg, Eavex Research



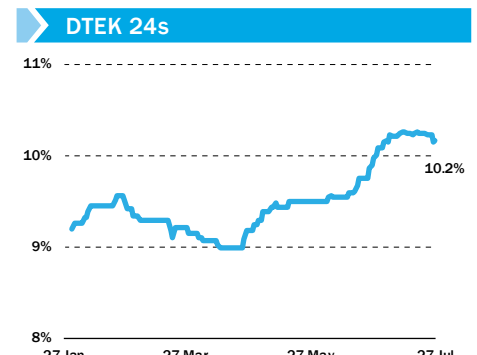
Source: Bloomberg, Eavex Research



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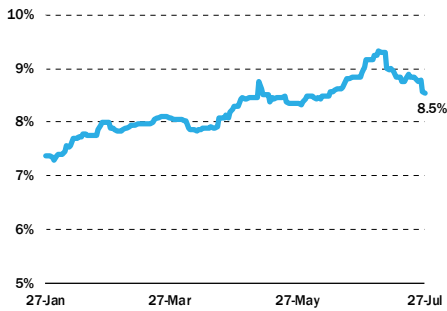
Source: Bloomberg, Eavex Research



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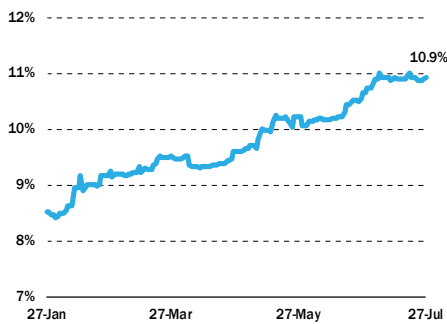
Selected Banking Issues

OSCHADBANK 23s



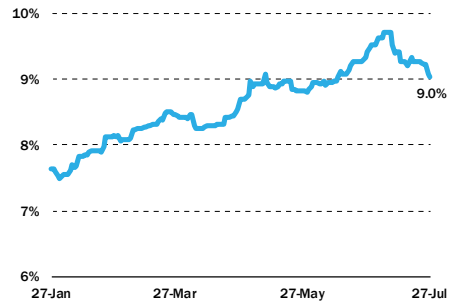
Source: Bloomberg, Eavex Research

UKREXIMBANK 23s



Source: Bloomberg, Eavex Research

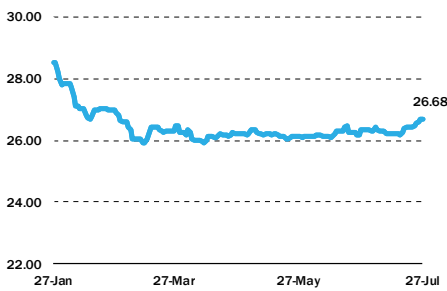
OSCHADBANK 25s



Source: Bloomberg, Eavex Research

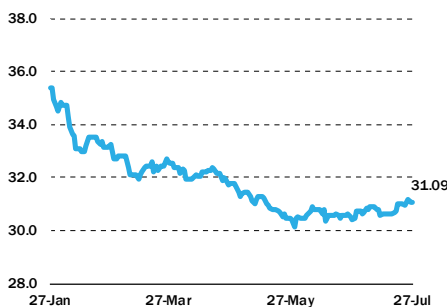
Currency

USD/UAH



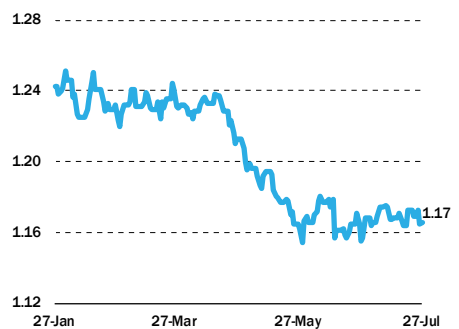
Source: Bloomberg, Eavex Research

EUR/UAH



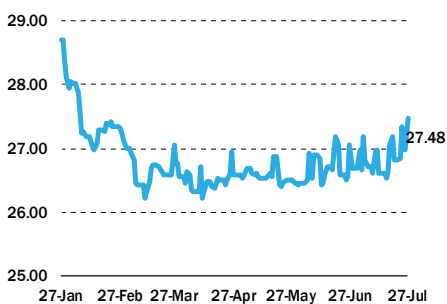
Source: Bloomberg, Eavex Research

EUR/USD



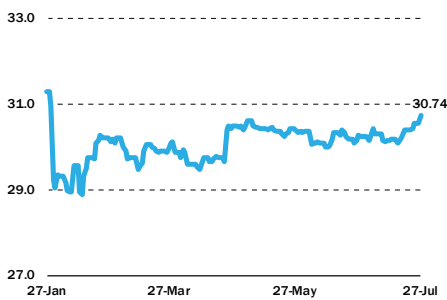
Source: Bloomberg, Eavex Research

1M NDF



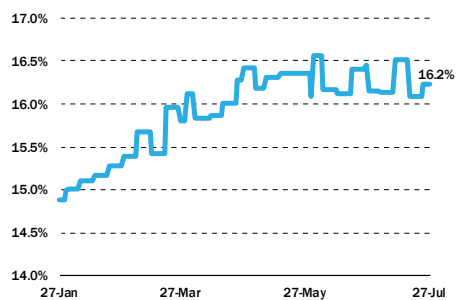
Source: Bloomberg, Eavex Research

12M NDF



Source: Bloomberg, Eavex Research

12M NDF IMPLIED YIELD



Source: Bloomberg, Eavex Research

NABU Accuses People's Front MP in Attack on its Office

by Will Ritter
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NEWS

A group of men broke into the office of the National Anti-Corruption Bureau (NABU) in Kyiv on Tuesday (Jul 17), smashing down doors and destroying a security camera, domestic media reported. NABU released a statement accusing People's Front MP Yevgeniy Deydey of being behind the incident. Deydey, a former fighter for Ukraine in the Donbass war, has been under investigation by NABU in an unlawful enrichment case for more than a year. In a related incident, anti-corruption activist Vitaliy Shabunin suffered minor injuries after being sprayed with green paint at a rally on the same day calling for the firing of Special Anti-Corruption Prosecutor (SAP) Nazar Kolodnytskiy due to the latter's refusal to pursue a corruption case against Oleksandr Avakov, the son of Interior Minister and People's Front leader Arseniy Avakov. The Kyiv Post newspaper reported that Deydey had made physical threats against one of its journalists for pursuing the NABU story.

COMMENTARY

While NABU is supposed to be working closely with Kolodnytskiy to prosecute corruption cases, in fact the two agencies, NABU and SAP, have been at war with each other since at least last autumn. Most of the anti-corruption NGO community has sided with NABU, while those concerned with state stability have been more willing to cut Kolodnytskiy some slack. Still, in our view, after more than two years, it is clear that Kolodnytskiy has been unable to show any results in obtaining major convictions; in the most high-profile case, fired State Fiscal Service chief Roman Nasirov still has not been prosecuted despite being arrested in a NABU sting operation almost 18 months ago, and he had the gall to announce yesterday that he intends to run for Ukraine's presidency in next year's election. Despite placating the powerful Avakov faction, the writing seems to be on the wall for Kolodnytskiy after the US Embassy issued a statement calling for his ouster last week. However, the job of prosecuting politically powerful figures in Ukraine looks to be a nearly impossible one, and we are skeptical that any replacement for Kolodnytskiy will have much more success.

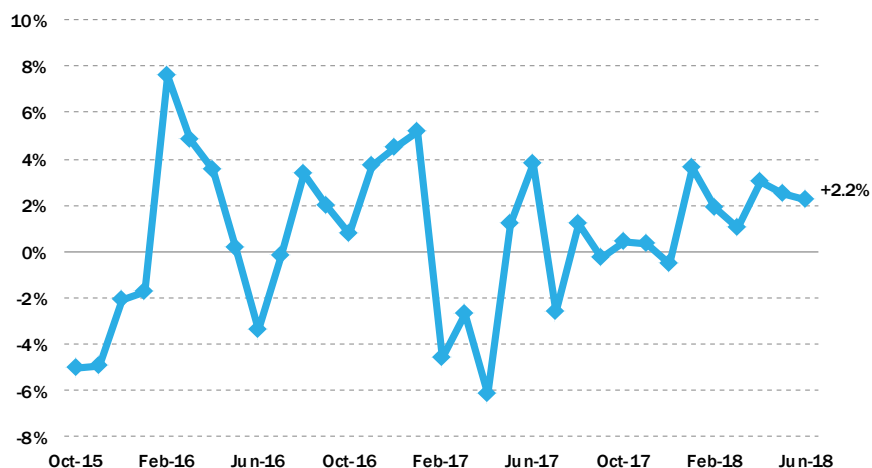
Ukraine's 1H18 Industrial Output Rise Comes in at 2.5%

by Dmitry Churin
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NEWS

Ukraine's nationwide industrial production rose by 2.5% YoY in the first half of 2018, with the increase for June alone at 2.2% YoY, according to data from the State Statistics Committee released last week. In the extraction sector, the output increase was 1.6% YoY in 1H18, and in the manufacturing sector it was +2.8% YoY, and in the utility sector it was +4.3% YoY.

UKRAINE'S MONTHLY INDUSTRIAL PRODUCTION INDEX, YOY



Source: State Statistics Committee

COMMENTARY

The industrial production growth of 2.2% YoY in June, despite being marginally below average for the year thus far, is still on track to deliver our forecasted growth of 2.3% YoY for full-year 2018.

In particular sub-sectors, there was a strong 19.1% YoY output increase in auto machinery manufacturing in 1H18 and almost 40% YoY growth in chemical products output - which includes fertilizers - in the period. The worst performing sub-sector was electricity equipment machinery, which demonstrated an output contraction of 5.9% YoY in 1H18. Meanwhile, the overall machinery industry output index grew at a solid 6.6% pace YoY in January-June, partly due to additional military orders. Ukraine's defense budget was raised by 34% YoY to UAH 86bn (USD 3.2bn) for 2018. It is expected that military spending will be equivalent of 2.6% of Ukrainian GDP.

In other important macroeconomic data, UkrStat said the agricultural production index surged by 11.4% YoY in 1H18 (possibly due to a weather-related early start to the harvest season this year), the construction index advanced by 2.8% YoY, and retail sales rose by 6.2% YoY in the period.

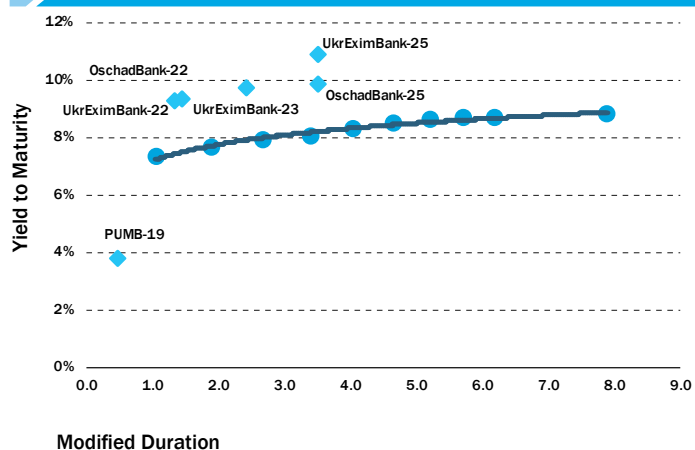
UKRAINIAN EUROBONDS

| 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 | 101.6 | 102.1 | 1.2% | 6.2% | 5.7% | -118.1 | 1.0 | 7.75% | 1 Sept 2019 | 1,744 | USD | Caa2/B-/B- |
| Ukraine, 2020 | 101.6 | 102.3 | 1.5% | 6.9% | 6.5% | -75.9 | 1.8 | 7.75% | 1 Sept 2020 | 1,780 | USD | Caa2/B-/B- |
| Ukraine, 2021 | 101.8 | 102.6 | 1.7% | 7.1% | 6.8% | -62.5 | 2.6 | 7.75% | 1 Sept 2021 | 1,409 | USD | Caa2/B-/B- |
| Ukraine, 2022 | 101.2 | 102.0 | 2.1% | 7.4% | 7.2% | -60.8 | 3.4 | 7.75% | 1 Sept 2022 | 1,384 | USD | Caa2/B-/B- |
| Ukraine, 2023 | 100.4 | 101.1 | 2.1% | 7.7% | 7.5% | -49.2 | 4.0 | 7.75% | 1 Sept 2023 | 1,355 | USD | Caa2/B-/B- |
| Ukraine, 2024 | 99.2 | 100.2 | 2.6% | 7.9% | 7.7% | -53.2 | 4.6 | 7.75% | 1 Sept 2024 | 1,339 | USD | Caa2/B-/B- |
| Ukraine, 2025 | 97.8 | 98.8 | 2.5% | 8.2% | 8.0% | -45.5 | 5.2 | 7.75% | 1 Sept 2025 | 1,329 | USD | Caa2/B-/B- |
| Ukraine, 2026 | 96.5 | 97.5 | 2.4% | 8.3% | 8.2% | -40.0 | 5.7 | 7.75% | 1 Sept 2026 | 1,318 | USD | Caa2/B-/B- |
| Ukraine, 2027 | 95.7 | 96.7 | 2.2% | 8.4% | 8.3% | -33.4 | 6.2 | 7.75% | 1 Sept 2027 | 1,307 | USD | Caa2/B-/B- |
| Ukraine, 2032 | 90.7 | 91.7 | 3.1% | 8.5% | 8.4% | -36.0 | 7.9 | 7.38% | 25 Sept 2032 | 3,000 | USD | //B- |
| Ukraine, GDP-linked | 63.1 | 64.2 | 0.3% | 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 | 102.3 | 102.9 | 1.1% | 8.0% | 7.8% | -38 | 3.0 | 8.75% | 31 Jan 2022 | 500 | USD | /B/B+ |
| MHP, 2020 | 102.7 | 103.4 | 0.0% | 6.5% | 6.0% | -1.9 | 1.5 | 8.25% | 2 Apr 2020 | 750 | USD | /B-/B- |
| MHP, 2024 | 99.8 | 100.3 | 0.0% | 7.8% | 7.7% | 0.0 | 4.5 | 7.75% | 10 May 2024 | 500 | USD | // |
| MHP, 2026 | 95.6 | 96.2 | 1.8% | 7.7% | 7.6% | -30.1 | 5.7 | 6.95% | 4 Apr 2026 | 550 | USD | /B/B |
| Avangardco, 2018 | 20.4 | 22.4 | 1.3% | 0% | 0% | 0 | 0.1 | 10.00% | 29 Oct 2018 | 206 | USD | // |
| UkrLandFarming, 2018 | 20.2 | 22.0 | | 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 | 102.3 | 103.3 | 0.4% | 10.3% | 10.1% | -7.7 | 4.7 | 10.75% | 12 Dec 2024 | 1,275 | USD | // |
| Metinvest, 2021 | 100.0 | 102.0 | 0.0% | 7.4% | 6.8% | -0.2 | n/a | 7.50% | 31 Dec 2021 | 1,197 | USD | //B |
| Metinvest, 2023 | 96.3 | 96.5 | 1.9% | 8.7% | 8.7% | -49.5 | 3.8 | 7.75% | 23 Apr 2023 | 945 | USD | //B |
| Metinvest, 2026 | 96.1 | 96.7 | 2.5% | 9.2% | 9.1% | -44.0 | 5.4 | 8.50% | 23 Apr 2026 | 648 | USD | //B |
| Ferrexpo, 2019 | 102.6 | 103.7 | 0.1% | 6.4% | 4.8% | -22.7 | 0.6 | 10.38% | 07 Apr 2019 | 186 | USD | Caa3/CCC/CC |
| Ferrexpo, 2019 | 102.8 | 103.5 | 0.0% | 6.1% | 5.1% | -16.8 | 0.6 | 10.38% | 07 Apr 2019 | 161 | USD | Caa3/CCC/CC |
| UZ Rail, 2018 | 101.6 | 102.2 | 0.6% | 9.3% | 9.0% | -23.8 | 1.3 | 9.88% | 21 May 2018 | 500 | USD | /CCC+/CCC |
| Interepipe, 2017 | 30.0 | 34.4 | 0.0% | n/a | n/a | 19.7 | n/a | 10.25% | 2 Aug 2017 | 200 | USD | IN DEFAULT |
| JKX Oil&Gas, 2020 | 85.0 | 95.0 | 0.0% | 26.2% | 17.7% | 26.9 | 1.2 | 14.00% | 19 Feb 2020 | 16 | USD | // |
| Bank Eurobonds | | | | | | | | | | | | |
| PUMB, 2018 | 103.1 | 104.1 | -0.1% | 3.4% | 1.1% | -15.9 | 0.4 | 11.00% | 31 Dec 2018 | 252 | USD | // |
| PrivatBank, 2018-2 | 21.8 | 31.8 | 0.0% | n/a | n/a | n/a | n/a | 10.25% | 23 Jan 2018 | 200 | USD | IN DEFAULT |
| PrivatBank, 2021 | 10.8 | 13.5 | 2.1% | n/a | n/a | n/a | 1.0 | 11.00% | 09 Feb 2021 | 220 | USD | IN DEFAULT |
| PrivatBank, 2018 | 25.0 | 30.0 | 0.0% | n/a | n/a | n/a | n/a | 10.88% | 28 Feb 2018 | 175 | USD | IN DEFAULT |
| UkrEximBank, 2022 | 103.0 | 103.7 | 0.6% | 8.7% | 8.4% | -19.2 | n/a | 9.63% | 27 Apr 2022 | 750 | USD | Caa3//CCC |
| UkrEximBank, 2023 | 94.8 | 95.5 | 0.1% | 11.0% | 10.8% | -2.3 | 4.0 | 9.00% | 9 Feb 2023 | 125 | USD | Caa3//CCC |
| UkrEximBank, 2025 | 102.9 | 103.3 | 1.4% | 9.1% | 9.1% | -30.0 | 2.9 | 9.75% | 22 Jan 2025 | 500 | USD | Caa3//CCC |
| Oschadbank, 2023 | 102.8 | 103.5 | 1.1% | 8.6% | 8.4% | -30.0 | 1.3 | 9.38% | 10 Mar 2023 | 700 | USD | Caa3//CCC |
| Oschadbank, 2025 | 102.6 | 103.2 | 1.1% | 9.1% | 9.0% | -23.3 | 2.4 | 9.63% | 20 Mar 2025 | 500 | USD | Caa3//CCC |
| Municipal Eurobonds | | | | | | | | | | | | |
| City of Kyiv, 2015 | 87.6 | 89.3 | 0.0% | n/a | n/a | n/a | n/a | 8.00% | 6 Nov 2015 | 101 | USD | IN DEFAULT |

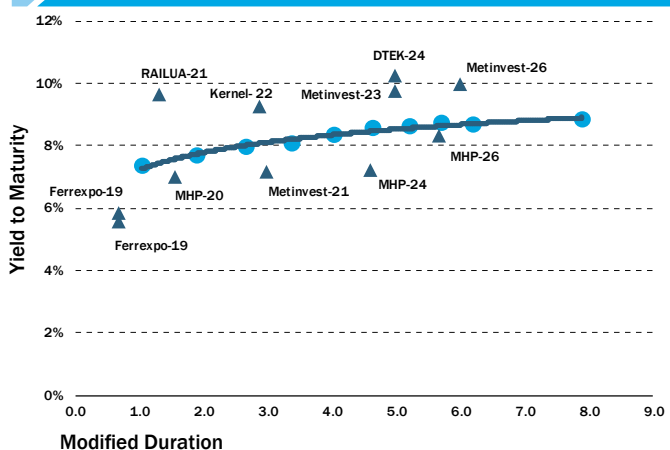
¹ Moody's/S&P/Fitch

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 | | | 17.90% | 16.70% | n/a | n/a | S/A | 10 Apr .2019 | n/a |
| VAT Bonds | | | | | | | | | |
| UA4000185151 | | | 17.95% | 17.25% | 1.9 | 9.50% | S/A | 8 Jul 2019 | 3,577 |
| UA4000185557 | | | 17.95% | 17.25% | 1.9 | 9.50% | S/A | 22 Jul 2019 | 2,171 |
| UA4000186159 | | | 17.95% | 17.25% | 1.9 | 9.50% | S/A | 20 Aug 2019 | 955 |

Source: Bloomberg, Cbonds, Eavex Research

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