

Trends

Ukrainian sovereign Eurobonds ended moderately higher last week as investors cheered the fact that the country got a bit closer to receiving a new USD 1.9bn loan disbursement from the IMF after Parliament adopted a required law on creation of a special anti-corruption court. The IMF is still working toward the completion of the fourth review of its USD 17.5bn support program for Ukraine, which depends on the implementation of several key items, one of which is a strong and independent anti-corruption court. Parliament Speaker Andriy Parubiy said the so-titled High Anti-Corruption Court could be set up by the end of 2018, with the first cases to be considered next year.

The benchmark issue, Ukraine-27s, inched up 0.2% to 96.6/97.6 (8.3%/8.1%) and medium-term Ukraine-23s climbed by 0.4% to 100.7/101.5 (7.6%/7.4%). The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) were almost flat at 69.0/70.0 cents on the dollar.

Corporate Eurobonds saw only minimum action over the week, with DTEK-24s declining by 0.3% to 105.4/106.4 (9.7%/9.5%) and MHP-26s standing unchanged at 96.6/97.5 (7.5%/7.4%).

The Eurobonds of iron ore producer Ferrexpo in the amount of USD 173mn and maturity in April 2019 were quoted at 103.0/104.0 (6.5%/5.3%). The company's IR manager Ingrid McMahon provided us with information that Ferrexpo is not preparing a new bond issue amid an expectation that other sources of funding will be cheaper for the group. Previously we expected that Ferrexpo would try to place new 5-year Eurobonds to refinance the issue coming due next spring.

In the banking sector, UkrEximBank-25s gained 0.4% to 103.7/104. (9.0%/8.9%) and OschadBank-23s were unchanged at 103.3/103.8 (8.5%/8.4%).

The yield on the government's 1-year UAH-denominated treasuries stood at bid/ask of 17.95%/16.50%.

The hryvnia had only a muted reaction to the firing of well-respected Finance Minister Oleksandr Danyliuk, inching down 0.1% against the dollar last week to close at 26.15 UAH/USD. The National Bank reported that its foreign currency reserves decreased by 1.6% to USD 18.1bn in May, with the outflow mostly due to a USD 455mn redemption to the IMF. The NBU reported that it purchased a net of USD 181mn on the interbank currency market last month.

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

Highlights

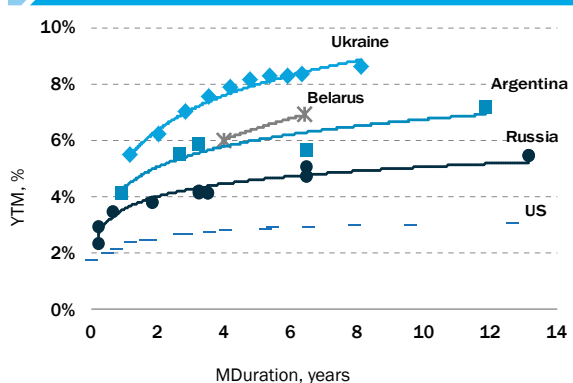
- > Poroshenko Silent on Trump Call for G7 to Re-Admit Russia
- > Finance Minister Danyliuk Forced Out after 2 Years in Office

UKRAINE 10-YEAR BOND YIELD



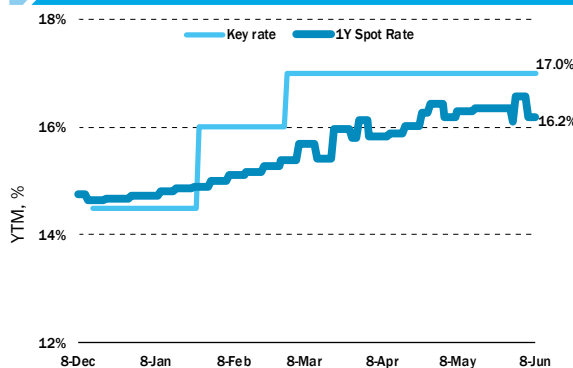
Source: Bloomberg, Eavex Capital

SOVEREIGN BOND YIELD CURVES



Source: Bloomberg, Eavex Capital

KEY INTEREST RATE vs SPOT RATE



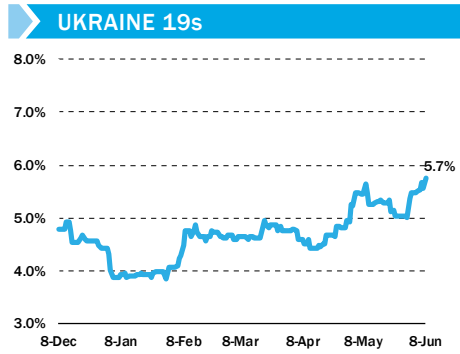
Source: Bloomberg, Eavex Capital

CURRENCY

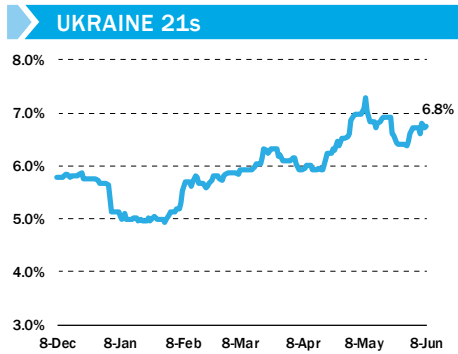
	Last, UAH	1W chg.	1M chg.	YTD
USD/UAH	26.15	0.1%	-0.3%	-7.0%
EUR/UAH	30.79	1.1%	-0.7%	-8.6%
EUR/USD	1.18	0.9%	-0.7%	-2.0%

Source: Bloomberg, Eavex Capital

Selected Sovereign Issues



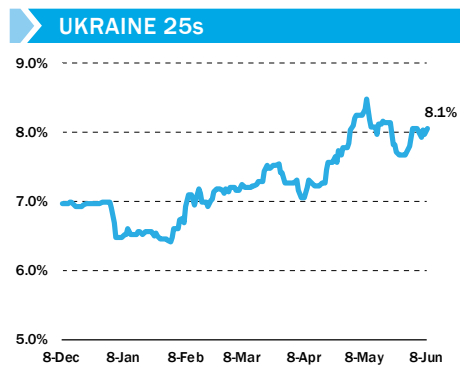
Source: Bloomberg, Eavex Research



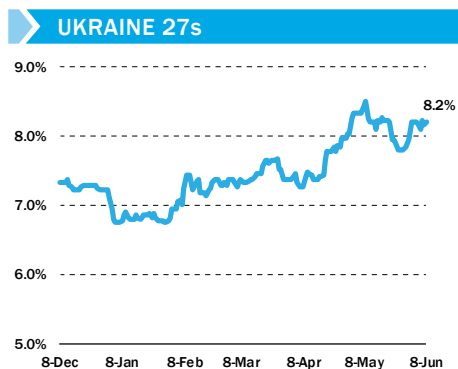
Source: Bloomberg, Eavex Research



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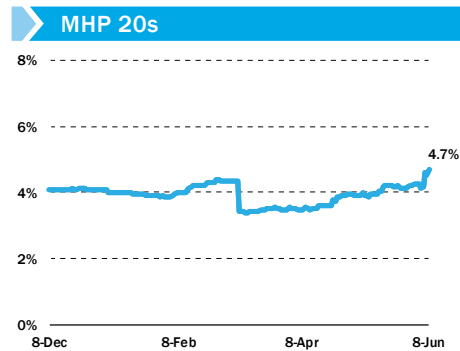


Source: Bloomberg, Eavex Research

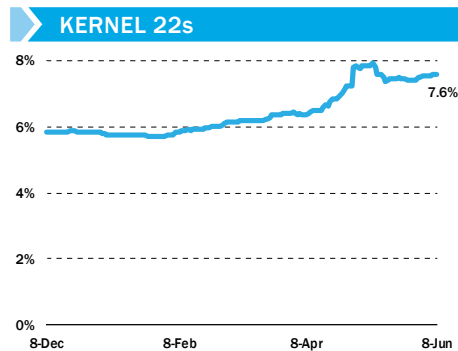


Source: Bloomberg, Eavex Research

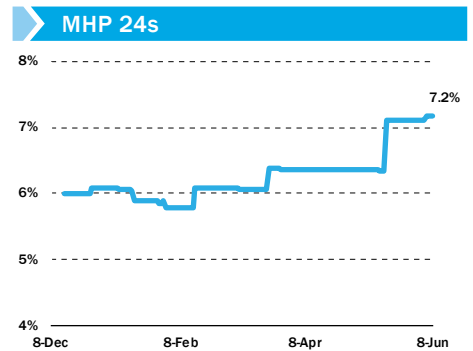
Selected Corporate Issues



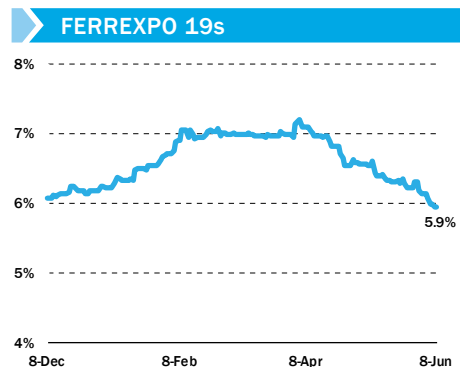
Source: Bloomberg, Eavex Research



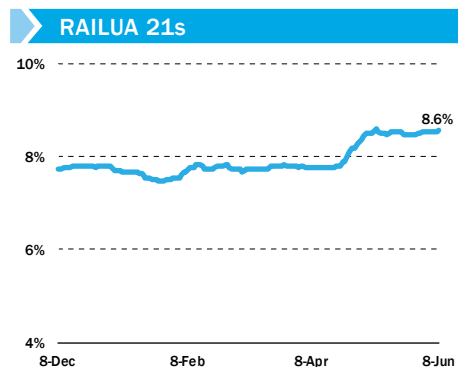
Source: Bloomberg, Eavex Research



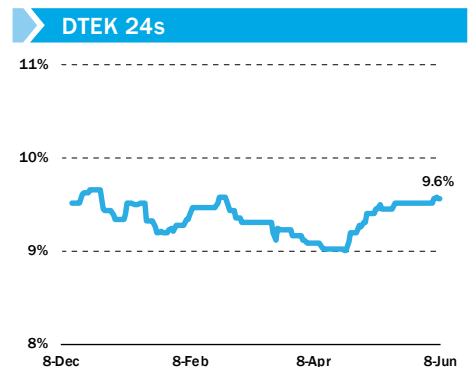
Source: Bloomberg, Eavex Research



Source: Bloomberg, Eavex Research



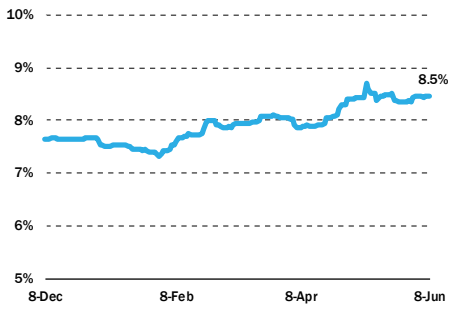
Source: Bloomberg, Eavex Research



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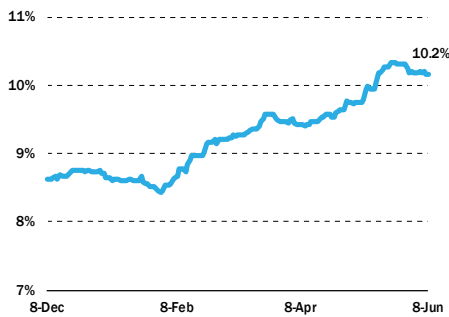
Selected Banking Issues

OSCHADBANK 23s



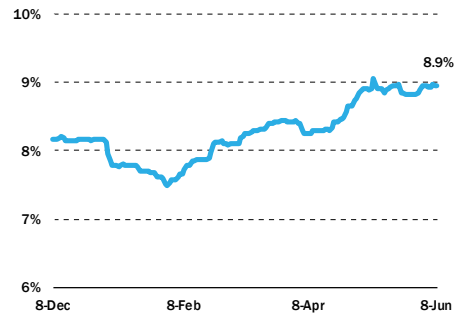
Source: Bloomberg, Eavex Research

UKREXIMBANK 23s



Source: Bloomberg, Eavex Research

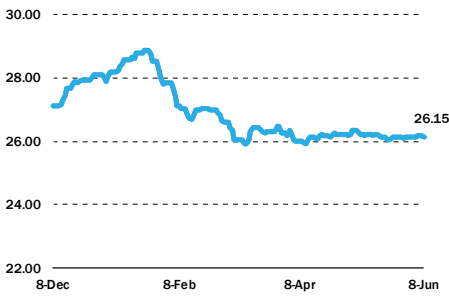
OSCHADBANK 25s



Source: Bloomberg, Eavex Research

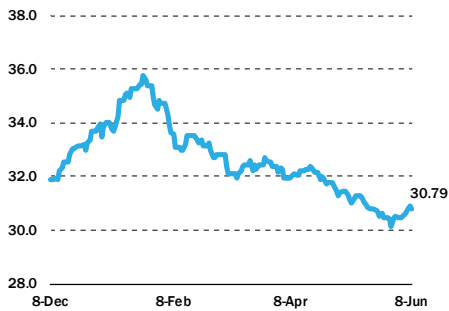
Currency

USD/UAH



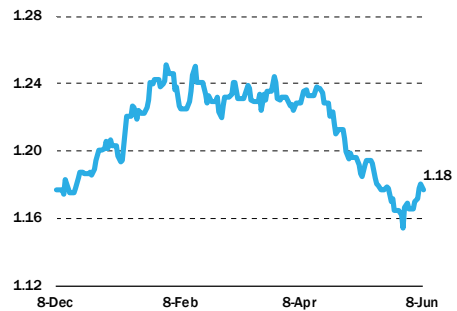
Source: Bloomberg, Eavex Research

EUR/UAH



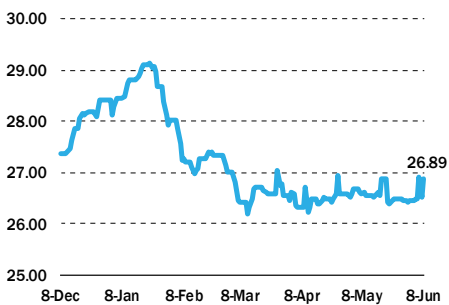
Source: Bloomberg, Eavex Research

EUR/USD



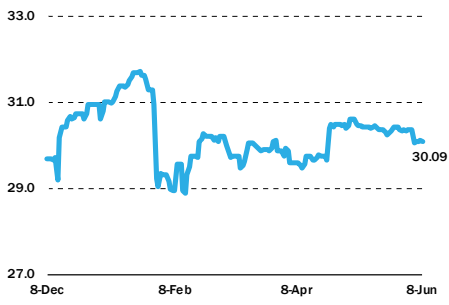
Source: Bloomberg, Eavex Research

1M NDF



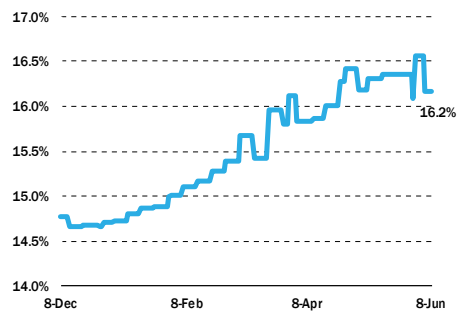
Source: Bloomberg, Eavex Research

12M NDF



Source: Bloomberg, Eavex Research

12M NDF IMPLIED YIELD



Source: Bloomberg, Eavex Research

Poroshenko Silent on Trump Call for G7 to Re-Admit Russia

by Will Ritter
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NEWS

US President Trump stunned major Western leaders on Thursday (Jun 7) ahead of a summit meeting of the leaders of the G7 group of major industrialized democracies by calling for the re-admission of Russia into the exclusive club. Russia was thrown out of the group in 2014 after annexing Ukraine's province of Crimea by force and instigating the Donbass war in Eastern Ukraine. Trump's position received support from new conservative-populist Italian prime minister Giuseppe Conte, but was rejected by France, Britain, Germany and Canada. Although the G7 leaders signed a summit-closing communique on issues of common concern, Trump refused to attach his name due to a disagreement with Canadian prime minister Justin Trudeau that degenerated into a war of words over trade tariffs. The communique, among other things, called on Russia to stop its effort to undermine Western democracies and named support for Ukraine as a continuing common priority. President Poroshenko avoided commenting on Trump's new Russia-friendly position, issuing a statement on his social media page that said, "The [G7] summit... confirms that Ukraine remains among key priorities of the Free World."

COMMENTARY

This sudden foreign policy overture by Trump came as a nasty surprise not only to Kyiv, the major European democracies, and the professional US foreign policy class, but also probably to some of the top officials working in Trump's own administration. It further strengthens the impression of a Trump-Putin alliance against the Western establishment, even if such an agenda is not shared by Trump's own national security team. We suppose that this initiative was coordinated with Italy's new right-wing government and that Trump would not have put it forward if he had been entirely isolated inside the G7. It puts President Poroshenko in a difficult position, as Poroshenko simply cannot afford to fall out of Trump's graces by publicly criticizing him, but on the other hand, a lack of response could make him look weak domestically ahead of an election campaign in which he will need to project a tough image. Trump's statements should be taken as a stark reminder that he is capable of making a back-door agreement with Putin to sell out Ukraine at any time, and the only barriers standing in the way of such a negative development are the influence of establishment Republican figures in the US administration and Poroshenko's ability to stay on Trump's good side.

Finance Minister Danyliuk Forced Out after 2 Years in Office

by Dmitry Churin
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NEWS

Ukraine's Finance Minister Oleksandr Danyliuk was fired last week by Prime Minister Volodymir Groysman, with the dismissal confirmed in Parliament on Thursday (Jun 7) with 254 votes in favor out the chamber's 422 seats. Danyliuk took up his post in April 2016 when Groysman was appointed as PM.

The Cabinet of Ministers appointed Oksana Markarova, the deputy Finance Minister under Danyliuk, as acting Finance Minister effective from Jun 8.

COMMENTARY

The shake-up in the Finance Ministry resulted from a long-running conflict between Danyliuk and Prime Minister; we assume that Groysman needed to get behind-the-scenes approval for the firing from President Poroshenko, who has made no public statements on the situation. The conflict came to a head after Groysman took away control over the State Fiscal Service from the Finance Ministry. Danyliuk, who is well-respected by the IMF and foreign investors, had become an obstacle to populist increases in the government's social spending ahead of the 2019 election cycle; his ouster may cause some damage to the standing of Groysman in the eyes of Western governments. Among Danyliuk's achievements, we should mention a nearly-balanced national budget performance last year and successful placement of USD 3.0bn in reasonably-priced Eurobonds last September.

At least in the short term, there should be some continuity at the Finance Ministry, as acting minister Oksana Markarova has an excellent background with an MBA from Indiana University (US) and 15 years of experience in the investment banking field. However, if Prime Minister Groysman manages to appoint one of his own loyalists as Finance Minister, this will likely be a setback for the reform agenda in the ministry, in our view.

Among current challenging tasks for the Finance Ministry's position is forming realistic national budget for 2019, when the country has to repay USD 5.81bn in foreign debt, including USD 1.77bn in interest payments. Although Ukraine had USD 18.1bn in foreign currency reserves at the beginning of June, the hoped-for scenario is that the debt redemptions can be financed from new borrowings. It could, however, be problematic to attract such borrowings at an affordable interest rate.

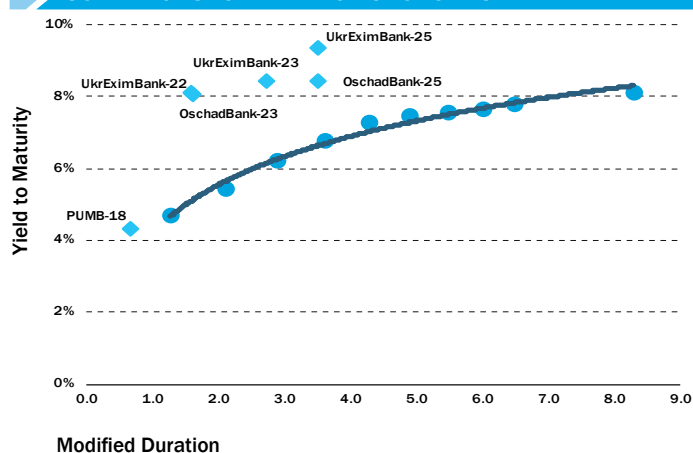
UKRAINIAN EUROBONDS

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	102.1	102.6	-0.3%	6.0%	5.5%	25.9	1.1	7.75%	1 Sept 2019	1,744	USD	Caa2/B-/B-
Ukraine, 2020	102.5	103.3	-0.2%	6.5%	6.1%	7.8	2.0	7.75%	1 Sept 2020	1,780	USD	Caa2/B-/B-
Ukraine, 2021	102.5	103.2	-0.1%	6.9%	6.6%	3.4	2.8	7.75%	1 Sept 2021	1,409	USD	Caa2/B-/B-
Ukraine, 2022	101.7	102.4	0.5%	7.3%	7.1%	-13.4	3.5	7.75%	1 Sept 2022	1,384	USD	Caa2/B-/B-
Ukraine, 2023	100.7	101.4	0.4%	7.6%	7.4%	-9.5	4.2	7.75%	1 Sept 2023	1,355	USD	Caa2/B-/B-
Ukraine, 2024	99.1	100.1	0.2%	7.9%	7.7%	-3.6	4.8	7.75%	1 Sept 2024	1,339	USD	Caa2/B-/B-
Ukraine, 2025	97.8	98.8	0.0%	8.2%	8.0%	0.9	5.3	7.75%	1 Sept 2025	1,329	USD	Caa2/B-/B-
Ukraine, 2026	96.9	97.9	-0.4%	8.3%	8.1%	6.5	5.8	7.75%	1 Sept 2026	1,318	USD	Caa2/B-/B-
Ukraine, 2027	96.6	97.6	0.1%	8.3%	8.1%	-1.1	6.3	7.75%	1 Sept 2027	1,307	USD	Caa2/B-/B-
Ukraine, 2032	91.5	92.5	0.2%	8.4%	8.3%	-1.9	8.1	7.38%	25 Sept 2032	3,000	USD	//B-
Ukraine, GDP-linked	69.0	70.0	-0.7%	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	103.2	104.1	-0.1%	7.7%	7.4%	3	3.0	8.75%	31 Jan 2022	500	USD	/B/B+
MHP, 2020	105.3	106.8	-0.8%	5.1%	4.3%	46.9	1.7	8.25%	2 Apr 2020	750	USD	/B-/B-
MHP, 2024	102.5	103.0	-0.3%	7.2%	7.1%	7.2	4.7	7.75%	10 May 2024	500	USD	//
MHP, 2026	96.6	97.5	0.0%	7.5%	7.4%	0.3	5.8	6.95%	4 Apr 2026	550	USD	/B/B
Avangardco, 2018	20.0	22.9	-0.8%	0%	0%	0	0.1	10.00%	29 Oct 2018	206	USD	//
UkrLandFarming, 2018	20.3	24.5		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	105.4	106.4	-0.3%	9.7%	9.5%	5.6	4.9	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	97.9	98.6	0.0%	8.3%	8.1%	0.5	3.9	7.75%	23 Apr 2023	945	USD	//B
Metinvest, 2026	97.5	98.3	-0.1%	8.9%	8.8%	1.6	5.6	8.50%	23 Apr 2026	648	USD	//B
Ferrexpo, 2019	103.0	104.1	0.1%	6.5%	5.2%	-18.9	0.8	10.38%	07 Apr 2019	186	USD	Caa3/CCC/CC
Ferrexpo, 2019	102.9	104.0	0.1%	6.6%	5.3%	-18.5	0.8	10.38%	07 Apr 2019	161	USD	Caa3/CCC/CC
UZ Rail, 2018	103.2	104.1	-0.1%	8.7%	8.4%	1.2	1.4	9.88%	21 May 2018	500	USD	/CCC+/CCC
Interepipe, 2017	29.3	34.6	0.0%	n/a	n/a	53.9	n/a	10.25%	2 Aug 2017	200	USD	IN DEFAULT
JKX Oil&Gas, 2020	85.1	95.1	0.0%	25.3%	17.5%	7.0	1.4	14.00%	19 Feb 2020	16	USD	//
Bank Eurobonds												
PUMB, 2018	102.5	104.4	-0.2%	6.3%	2.8%	9.5	0.5	11.00%	31 Dec 2018	252	USD	//
PrivatBank, 2018-2	20.7	30.7	-22.3%	n/a	n/a	n/a	n/a	10.25%	23 Jan 2018	200	USD	IN DEFAULT
PrivatBank, 2021	8.3	13.8	-1.7%	n/a	n/a	n/a	1.2	11.00%	09 Feb 2021	220	USD	IN DEFAULT
PrivatBank, 2018	29.0	29.1	0.0%	n/a	n/a	n/a	n/a	10.88%	28 Feb 2018	175	USD	IN DEFAULT
UkrEximBank, 2022	103.6	104.5	0.6%	8.5%	8.2%	-18.1	n/a	9.63%	27 Apr 2022	750	USD	Caa3//CCC
UkrEximBank, 2023	96.6	98.3	0.1%	10.4%	9.9%	-1.8	4.0	9.00%	9 Feb 2023	125	USD	Caa3//CCC
UkrEximBank, 2025	103.4	104.2	0.1%	9.1%	8.9%	-2.8	2.9	9.75%	22 Jan 2025	500	USD	Caa3//CCC
Oschadbank, 2023	103.0	103.9	0.0%	8.6%	8.3%	0.4	1.5	9.38%	10 Mar 2023	700	USD	Caa3//CCC
Oschadbank, 2025	102.8	103.9	0.0%	9.0%	8.8%	-0.1	2.6	9.63%	20 Mar 2025	500	USD	Caa3//CCC
Municipal Eurobonds												
City of Kyiv, 2015	88.1	90.0	0.0%	n/a	n/a	n/a	n/a	8.00%	6 Nov 2015	101	USD	IN DEFAULT

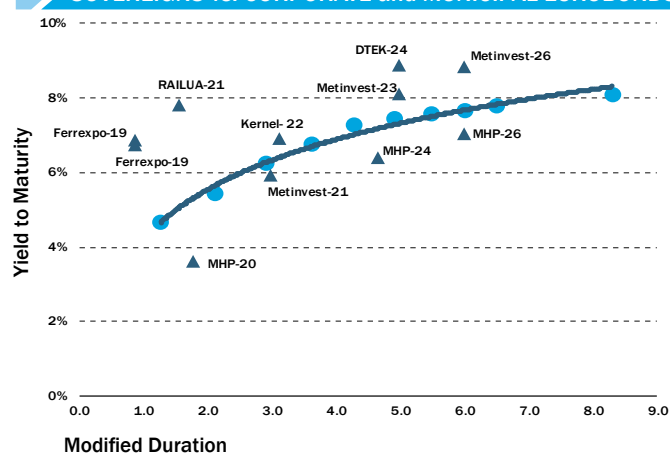
¹ Moody's/S&P/Fitch

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			17.75%	16.50%	1.9	9.50%	S/A	8 Jul 2019	3,577
UA4000185557			17.75%	16.50%	1.9	9.50%	S/A	22 Jul 2019	2,171
UA4000186159			17.75%	16.50%	1.9	9.50%	S/A	20 Aug 2019	955

Source: Bloomberg, Cbonds, Eavex Research

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