

Trends

Quotes for Ukrainian sovereign Eurobonds finally saw some rebound action after their quite sharp drop since the beginning of April. However, the overall perception of the country's debt has not improved. The European Bank for Reconstruction and Development (EBRD) has left unchanged its forecast for Ukrainian economic growth in 2018 at 3% in its latest survey, and expects the same moderate pace to be retained in 2019. The EBRD also postulated that the forthcoming presidential and parliamentary elections cycle in 2019 represents important risks to the country's growth outlook. Meanwhile, in foreign diplomatic activity, President Poroshenko met with German Chancellor Angela Merkel and French President Emmanuel Macron to discuss a "roadmap" for the implementation of the Minsk peace agreements with the involvement of a UN peacekeeping force in the Donbass conflict zone.

Ukraine-32s, the country's longest outstanding Eurobonds, recovered a solid 1.8% to 91.4/92.4 (8.4%/8.3%), and medium term Ukraine-23s gained 0.8% to 100.0/100.7 (7.7%/7.6%). The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) rose 1.0% to close at 68.8/69.8 cents on the dollar.

Metinvest-26s increased by 1.7% to 96.7/97.3 (9.1%/8.9%) after declining by the same increment a week ago. DTEK-24s failed to advance, inching down 0.2% to 106.0/107.0 (9.4%/9.2%). Kernel-22s edged up by 0.7% to 103.2/104.2 (7.7%/7.4%) while MHP-26s slipped 0.2% to 96.4/97.2 (7.6%/7.4%).

Quasi-sovereign Eurobonds of OschadBank-25s were flat at 103.2/103.5 (9.0%/8.9%) while UkrEximBank-23s fell 0.7% to 97.4/99.2 (10.2%/9.7%).

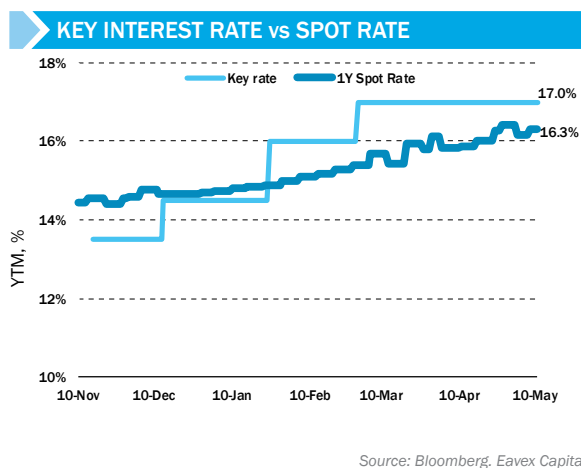
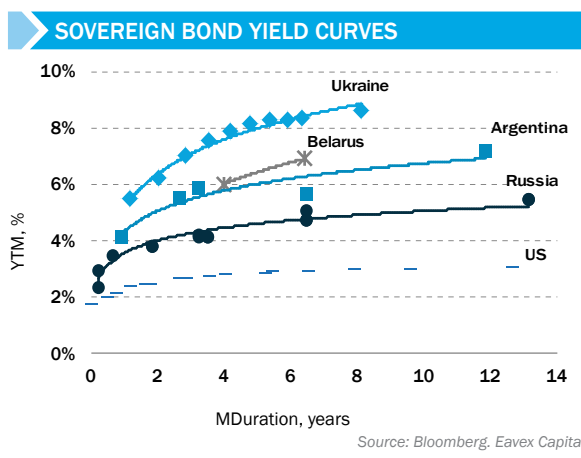
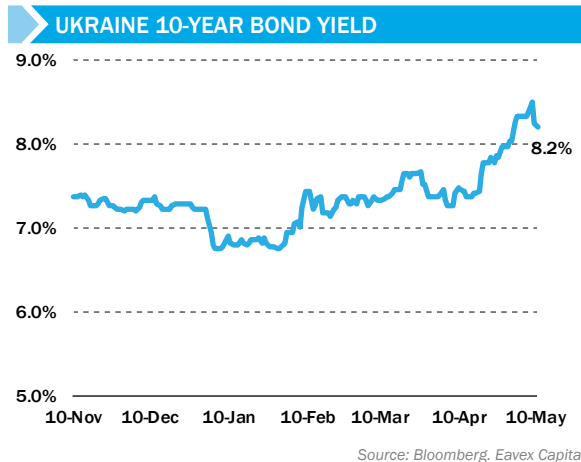
The yield on the government's 1-year UAH-denominated treasuries was unchanged at bid/ask of 17.90%/16.20% despite UkrStat's report that headline inflation remained stable at 13% YoY in April.

On the interbank currency market, the hryvnia strengthened by 0.5% against the dollar to close at 26.20 UAH/USD.

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

Highlights

- > US Media Says Kyiv Ended Cooperation With Trump-Russia Prosecutor
- > Ukraine's Headline Inflation Flat Near 13% in April



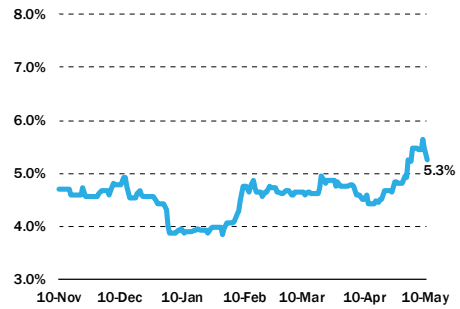
CURRENCY

	Last, UAH	1W chg.	1M chg.	YTD
USD/UAH	26.20	-0.5%	1.1%	-6.8%
EUR/UAH	31.27	-0.6%	-2.4%	-7.2%
EUR/USD	1.19	-0.1%	-3.4%	-0.5%

Source: Bloomberg, Eavex Capital

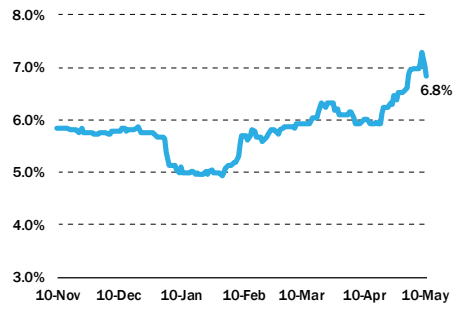
Selected Sovereign Issues

UKRAINE 19s



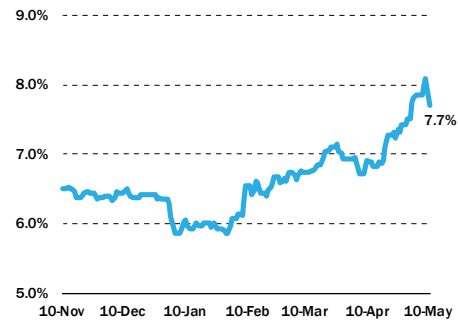
Source: Bloomberg, Eavex Research

UKRAINE 21s



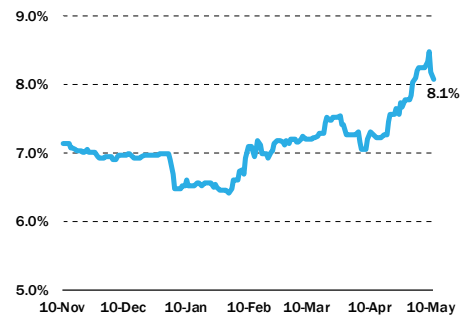
Source: Bloomberg, Eavex Research

UKRAINE 23s



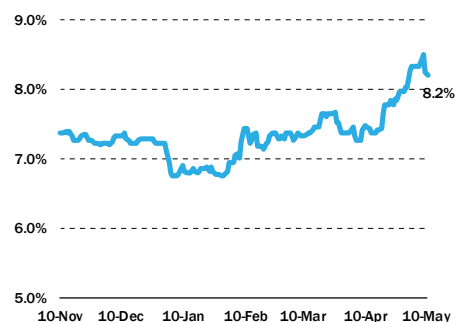
Source: Bloomberg, Eavex Research

UKRAINE 25s



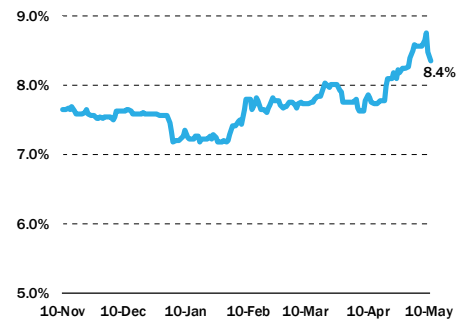
Source: Bloomberg, Eavex Research

UKRAINE 27s



Source: Bloomberg, Eavex Research

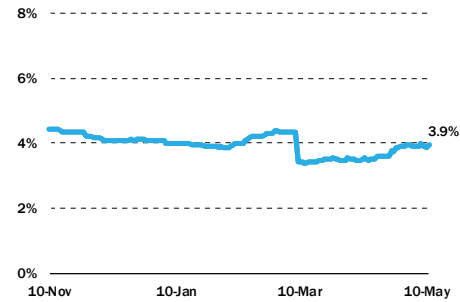
UKRAINE 32s



Source: Bloomberg, Eavex Research

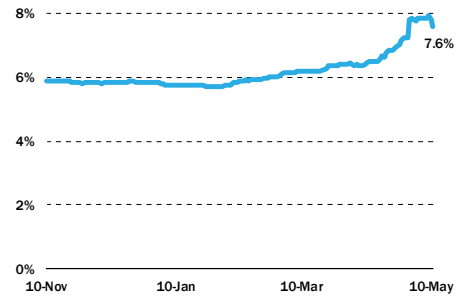
Selected Corporate Issues

MHP 20s



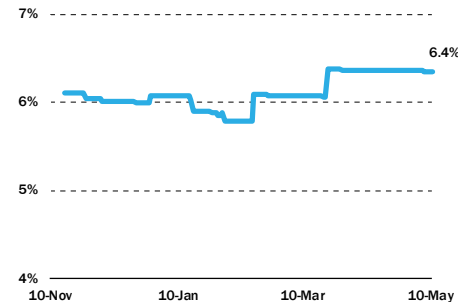
Source: Bloomberg, Eavex Research

KERNEL 22s



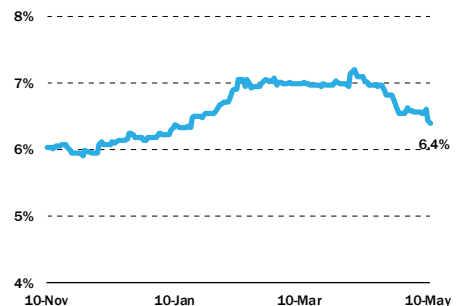
Source: Bloomberg, Eavex Research

MHP 24s



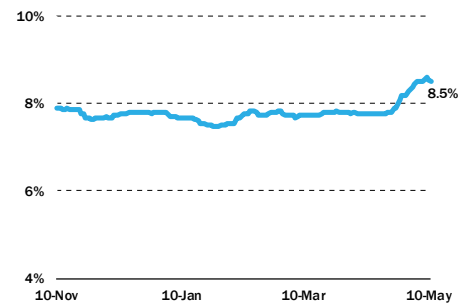
Source: Bloomberg, Eavex Research

FERREXPO 19s



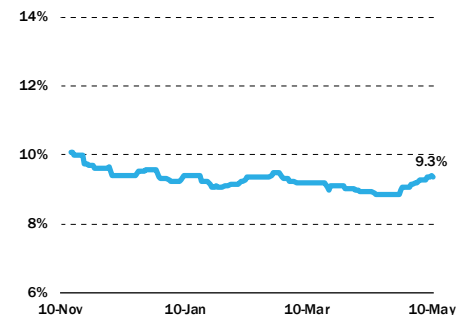
Source: Bloomberg, Eavex Research

RAILUA 21s



Source: Bloomberg, Eavex Research

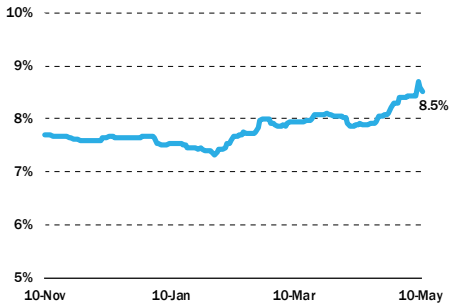
DTEK 24s



Source: Bloomberg, Eavex Research

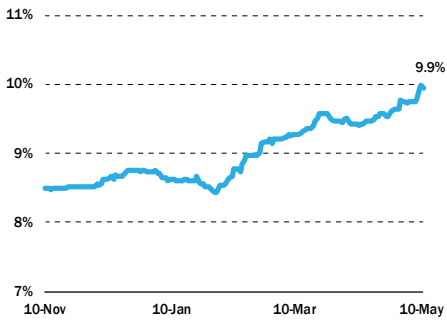
Selected Banking Issues

OSCHADBANK 23s



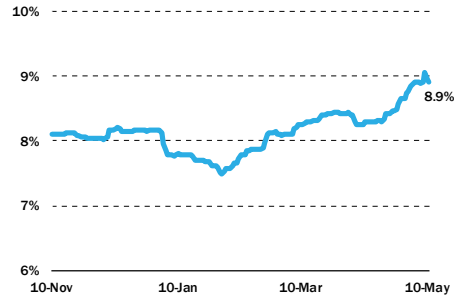
Source: Bloomberg, Eavex Research

UKREXIMBANK 23s



Source: Bloomberg, Eavex Research

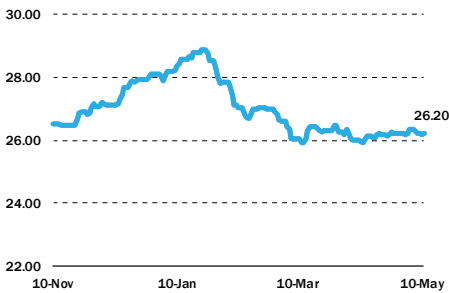
OSCHADBANK 25s



Source: Bloomberg, Eavex Research

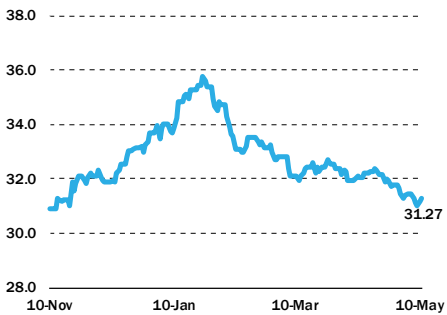
Currency

USD/UAH



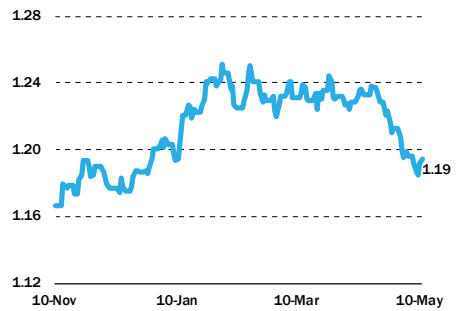
Source: Bloomberg, Eavex Research

EUR/UAH



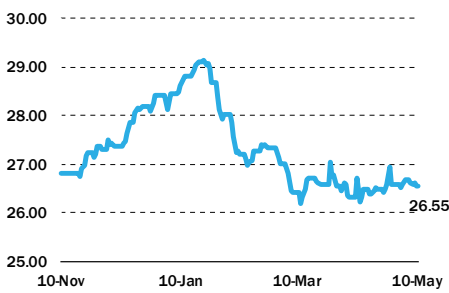
Source: Bloomberg, Eavex Research

EUR/USD



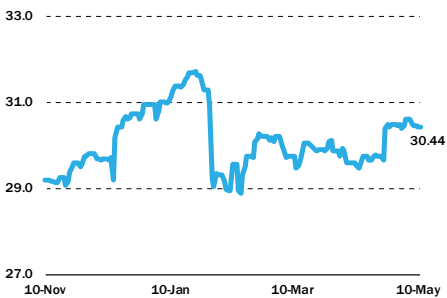
Source: Bloomberg, Eavex Research

1M NDF



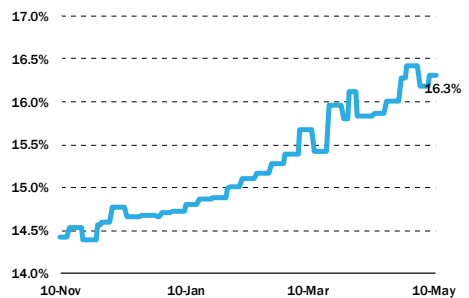
Source: Bloomberg, Eavex Research

12M NDF



Source: Bloomberg, Eavex Research

12M NDF IMPLIED YIELD



Source: Bloomberg, Eavex Research

US Media Says Kyiv Ended Cooperation With Trump-Russia Prosecutor

by Will Ritter
w.ritter@eavex.com.ua

NEWS

The New York Times newspaper wrote earlier this month that the Ukrainian government has stopped exchanging information with Robert Mueller, the special prosecutor assigned to investigate whether the campaign of US President Trump illegally colluded with Russian government and/or business interests in 2016. The article alleged that the decision to halt the cooperation was made in order to secure the sales from the US of Javelin anti-tank missiles to Ukraine's armed forces. In particular, the NYT stated that 4 investigations in Ukraine relating to political consultant Paul Manafort, the Trump campaign manager who is facing money laundering and other charges in the US, were suspended by the Prosecutor General's office in April. The article cited the prosecutor handling those investigations, Serhiy Horbatiuk, as saying that he now has no authority to continue them. The most significant case against Manafort in Ukraine concerns the tracing of multi-million dollar payments made to New York law firm Skadden Arps in 2012 for a report that detailed alleged criminal activity by former prime minister (and current Batkivshchyna party leader) Yulia Tymoshenko, who was in jail at the time on corruption charges.

COMMENTARY

One of the biggest mysteries in the ongoing Trump-Russia investigation is whether prosecutor Robert Mueller has miscalculated by focusing so intensely on Paul Manafort's Ukrainian activities, or whether Mueller might actually have discovered some new information about direct ties between Manafort and the Kremlin that have not yet been made public. A major error made by the US media, in our view, is the constant portrayal of Manafort's political work done for ex-President Yanukovich and his patron industrialist Rinat Akhmetov as being work done for Russian interests; in fact, the interests of Yanukovich and the Kremlin diverged quite sharply at the time of Manafort's peak activity during 2010-13. In any case, it is perfectly logical that President Poroshenko would follow whatever strategy is necessary to avoid running afoul of the Trump administration, as Kyiv simply cannot afford to be on Washington's bad side in the current tough economic, diplomatic, and military environment.

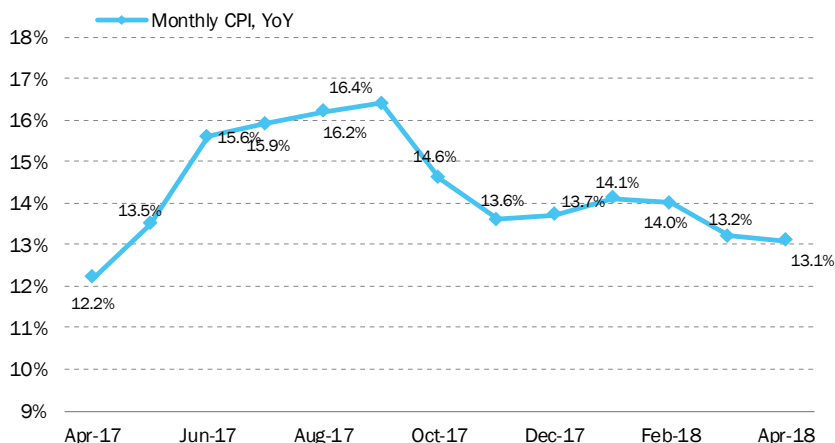
Ukraine's Headline Inflation Flat Near 13% in April

by Dmitry Churin
d.churin@eavex.com.ua

NEWS

Ukraine's State Statistics Committee reported that rolling 12-month consumer inflation stood at 13.1% YoY in April, which was little-changed from March's CPI inflation of 13.2% YoY. On a month-on-month basis the CPI increased by 0.8% in April, meaning that headline inflation inched down due to a comparison base change rather than an actual decline in consumer prices. UkrStat also reported that the CPI was at 13.6% YoY for the aggregate period of 4M18.

UKRAINE'S ROLLING 12-MONTH CPI & PPI INFLATION



Source: State Statistics Committee

COMMENTARY

Ukraine's consumer price index continues to perform more or less in line with our expectations, while remaining higher than the government's target of 9.0% for this year.

In the individual CPI basket components, the highest price growth was registered in shell eggs (+93% YoY) and garbage disposal services (+41.6% YoY). A decline was observed only in sugar prices (-17.8% YoY). The weakness in sugar prices has had a negative impact on Ukraine's top sugar producer Astarta (AST), with the stock having dropped by 12% YtD amid an overall positive trend in Ukrainian agro stocks.

A possible increase in the natural gas heating price for households is a big uncertainty for this year's inflation level; in case the government links the household gas price to import parity, then overall utility prices could rise by 20% by the end of the year.

Market-determined gas pricing is one of the conditions Ukraine must meet to qualify for its next IMF loan disbursement, but the government has vowed not to raise prices for households for political reasons, leaving the IMF loan in suspension.

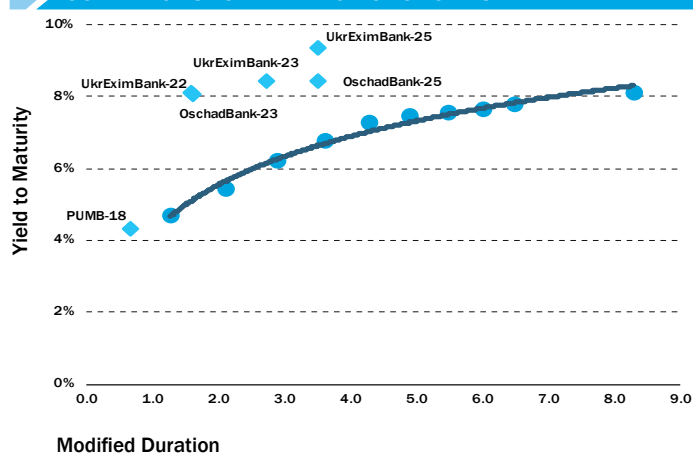
UKRAINIAN EUROBONDS

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	102.8	103.3	0.2%	5.5%	5.1%	-20.7	1.2	7.75%	1 Sept 2019	1,744	USD	Caa2/B-/B-
Ukraine, 2020	102.7	103.5	-0.1%	6.5%	6.1%	4.5	2.1	7.75%	1 Sept 2020	1,780	USD	Caa2/B-/B-
Ukraine, 2021	102.3	103.1	0.4%	6.9%	6.7%	-15.9	2.8	7.75%	1 Sept 2021	1,409	USD	Caa2/B-/B-
Ukraine, 2022	101.2	101.9	0.8%	7.4%	7.2%	-22.1	3.6	7.75%	1 Sept 2022	1,384	USD	Caa2/B-/B-
Ukraine, 2023	100.0	100.7	0.8%	7.7%	7.6%	-18.7	4.2	7.75%	1 Sept 2023	1,355	USD	Caa2/B-/B-
Ukraine, 2024	98.5	99.5	0.9%	8.1%	7.9%	-19.1	4.8	7.75%	1 Sept 2024	1,339	USD	Caa2/B-/B-
Ukraine, 2025	97.8	98.8	0.9%	8.2%	8.0%	-16.5	5.4	7.75%	1 Sept 2025	1,329	USD	Caa2/B-/B-
Ukraine, 2026	97.3	98.3	1.0%	8.2%	8.0%	-15.9	5.9	7.75%	1 Sept 2026	1,318	USD	Caa2/B-/B-
Ukraine, 2027	97.0	98.0	1.2%	8.2%	8.1%	-18.2	6.4	7.75%	1 Sept 2027	1,307	USD	Caa2/B-/B-
Ukraine, 2032	91.4	92.4	1.8%	8.4%	8.3%	-21.1	8.2	7.375%	25 Sept 2032	3,000	USD	//B-
Ukraine, GDP-linked	67.8	68.8	1.0%	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	0.5	6.00%	14 Jul 2019	18	USD	//
Kernel, 2022	103.2	104.2	0.7%	7.7%	7.4%	-24	3.1	8.75%	31 Jan 2022	500	USD	/B/B+
MHP, 2020	107.1	108.4	-0.1%	4.3%	3.6%	2.5	1.7	8.25%	2 Apr 2020	750	USD	/B-/B-
MHP, 2024	106.6	107.1	0.0%	6.4%	6.3%	-0.3	4.8	7.75%	10 May 2024	500	USD	//
MHP, 2026	96.4	97.2	-0.1%	7.6%	7.4%	2.4	5.9	6.95%	4 Apr 2026	550	USD	/B/B
Avangardco, 2018	19.7	23.2	-3.8%	0%	0%	0	0.1	10.00%	29 Oct 2018	206	USD	//
UkrLandFarming, 2018	21.0	24.1		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	106.0	107.0	-0.2%	9.4%	9.2%	4.9	4.5	10.75%	12 Dec 2024	1,275	USD	//
Metinvest, 2021	100.0	102.0	0.0%	7.4%	6.8%	-0.2	n/a	9.37%	31 Dec 2021	1,197	USD	//B
Metinvest, 2023	97.1	97.9	0.7%	8.5%	8.3%	-18.0	4.0	7.75%	23 Apr 2023	945	USD	//B
Metinvest, 2026	96.7	97.7	1.7%	9.1%	8.9%	-29.2	5.6	8.50%	23 Apr 2026	648	USD	//B
Ferrexpo, 2019	102.9	103.9	0.0%	7.0%	5.9%	-11.9	0.8	10.375%	07 Apr 2019	186	USD	Caa3/CCC/CC
Ferrexpo, 2019	102.9	103.9	0.1%	7.0%	5.8%	-15.3	0.8	10.375%	07 Apr 2019	161	USD	Caa3/CCC/CC
UZ Rail, 2018	103.5	104.4	0.0%	8.6%	8.3%	-0.9	1.5	9.50%	21 May 2018	500	USD	/CCC+/CCC
Interepipe, 2017	29.5	34.4	0.0%	n/a	n/a	51.1	n/a	10.25%	2 Aug 2017	200	USD	IN DEFAULT
JKX Oil&Gas, 2020	85.1	95.1	0.0%	24.9%	17.3%	4.6	1.4	14.00%	19 Feb 2020	16	USD	//
Bank Eurobonds												
PUMB, 2018	102.8	104.8	0.0%	6.4%	3.3%	-11.5	0.6	11.00%	31 Dec 2018	252	USD	//
PrivatBank, 2018-2	28.0	38.0	0.0%	n/a	n/a	n/a	n/a	10.25%	23 Jan 2018	200	USD	IN DEFAULT
PrivatBank, 2021	10.4	12.9	0.0%	n/a	n/a	n/a	1.2	11.00%	09 Feb 2021	220	USD	IN DEFAULT
PrivatBank, 2018	29.0	29.6	-2.7%	n/a	n/a	n/a	n/a	10.88%	28 Feb 2018	175	USD	IN DEFAULT
UkrEximBank, 2022	103.4	104.3	0.1%	8.6%	8.3%	-4.5	n/a	9.625%	27 Apr 2022	750	USD	Caa3//CCC
UkrEximBank, 2023	97.4	99.2	-0.7%	10.2%	9.7%	18.9	4.0	7.51%	9 Feb 2023	125	USD	Caa3//CCC
UkrEximBank, 2025	104.0	104.9	0.2%	8.9%	8.8%	-4.2	3.0	9.75%	22 Jan 2025	500	USD	Caa3//CCC
Oschadbank, 2023	102.9	103.8	-0.3%	8.6%	8.4%	8.3	1.5	8.25%	10 Mar 2023	700	USD	Caa3//CCC
Oschadbank, 2025	103.1	104.1	0.0%	9.0%	8.8%	-0.5	2.6	8.88%	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

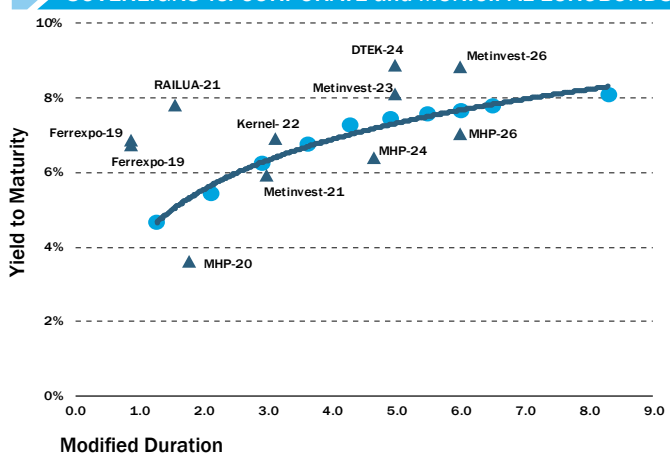
¹ Moody's/S&P/Fitch

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			17.50%	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

Eavex Capital

7 Klovsky uzviz, 16th Floor
Carnegie Center
Kyiv, 01021, Ukraine

Telephone: +38 044 590 5454

Facsimile: +38 044 590 5464

E-mail: office@eavex.com.ua

Web-page: www.eavex.com.ua

Yuriy Yakovenko

Chairman of the Board

yuriy.yakovenko@eavex.com.ua

SALES & TRADING

Pavel Korovitskiy

Managing Director

Equity and Fixed Income

p.korovitskiy@eavex.com.ua

Alexander Klymchuk

Equity and Fixed Income

a.klymchuk@eavex.com.ua

Evgen Klymchuk

Fixed Income Sales and Trading

e.klymchuk@eavex.com.ua

Serhiy Scherbaniuk

Equity Trading

s.shcherbaniuk@eavex.com.ua

RESEARCH

Dmitry Churin

Head of Research

d.churin@eavex.com.ua

Will Ritter

Research editor

w.ritter@eavex.com.ua

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