

Trends

Ukrainian sovereign Eurobonds declined in value amid a broad sell-off after Fitch Ratings assigned a 'B-' Long-Term Foreign-Currency Issuer Default Rating for the country which was at least one notch below expectations. The rating agency highlighted Ukraine's high public debt burden and structural weaknesses.

In other news, there was information that unusually hot and dry weather across almost all Ukrainian regions has not yet damaged grain crops but there is no reason to expect a bumper harvest of early spring grains this year. Ukraine is expected to harvest around 62mn tonnes of grain in 2018.

The country's longest outstanding Eurobonds, Ukraine-32s, dropped by 2.8% to 89.7/90.7 (8.6%/8.5%) and the shortest outstanding issue maturing in 14-months sank 0.8% to 102.6/103.1 (5.7%/5.3%). The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) lost 0.7% to close at 67.1/68.1 cents on the dollar.

Debt papers of steel&mining group Metinvest with maturity in 2026 placed in April decreased by 1.4% to 95.2/96.1 (9.4%/9.2%). Metinvest-21s plunged by 3.9% to 100.0/102.0 (7.4%/6.8%). DTEK-24s declined by 1.0% to 106.3/107.3 (9.4%/9.2%) and Kernel-22s slipped by 1.9% to 102.5/103.4 (8.0%/7.7%).

Low liquidity Eurobonds of E&P company JXN Oil&Gas with maturity in 2020 ignored announcement that the company returned to drilling in Ukraine after an almost three-year break. The issue were unchanged at 85.0/95.0 (24.8%/17.3%).

Quasi-sovereign Eurobonds of state banks again lagged performance of the sovereign issues. OschadBank-25s shed by 1.2% to 103.8/104.7 (9.0%/8.8%) with a prospect of further decline this week. The bonds did not react on the bank's 1Q18 financial report.

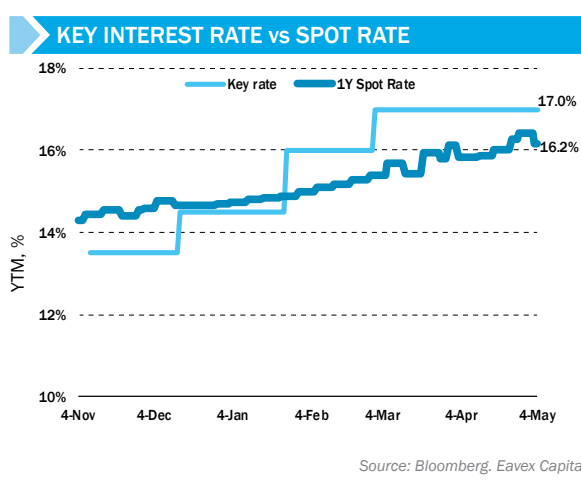
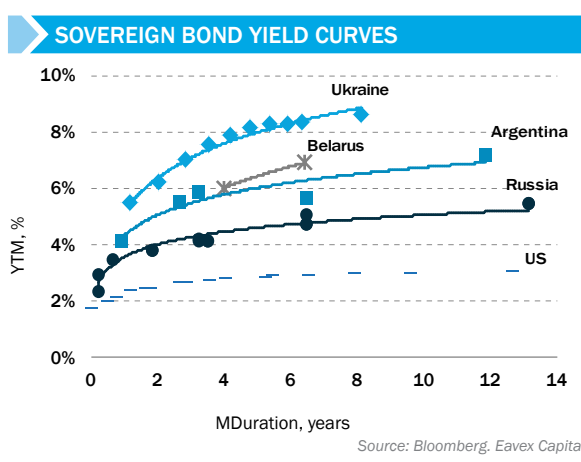
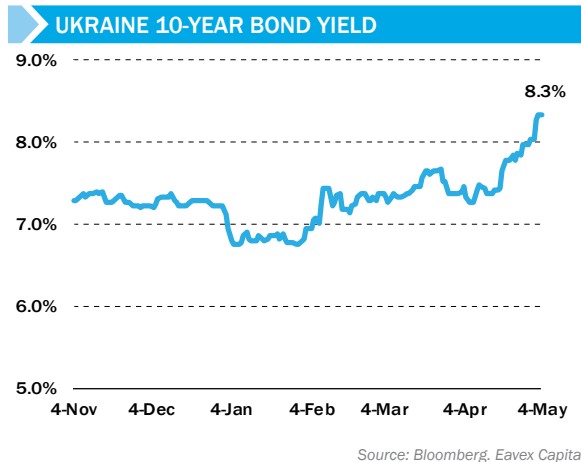
The yield on the government's 1-year UAH-denominated treasuries were unchanged at bid/ask of 17.90%/16.20%.

The hryvnia gave up 0.5% against the dollar to close at 26.34 UAH/USD. Meanwhile the National Bank said that Ukraine's foreign currency reserves grew by USD 229mn to USD 18.4bn in April.

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

Highlights

- > People's Front Could Back Groyzman for President
- > OschadBank's 1Q18 Profit Down 26% YoY to UAH 41mn
- > UkrEximBank's Net Profit Fell 20% YoY to UAH 258mn in 1Q18



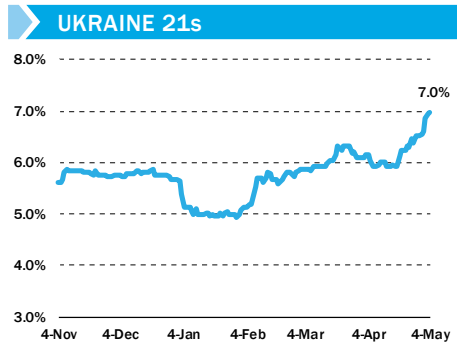
CURRENCY				
	Last, UAH	1W chg.	1M chg.	YTD
USD/UAH	26.34	0.5%	0.3%	-6.3%
EUR/UAH	31.47	-1.0%	-2.4%	-6.6%
EUR/USD	1.20	-1.4%	-2.6%	-0.4%

Source: Bloomberg, Eavex Capital

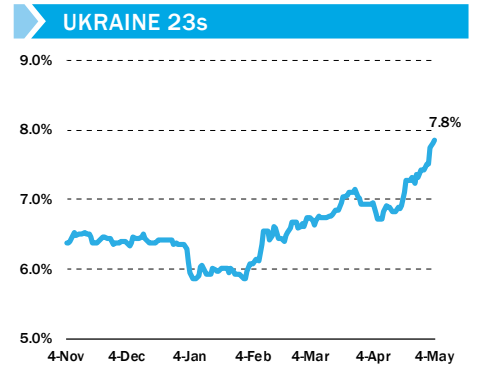
Selected Sovereign Issues



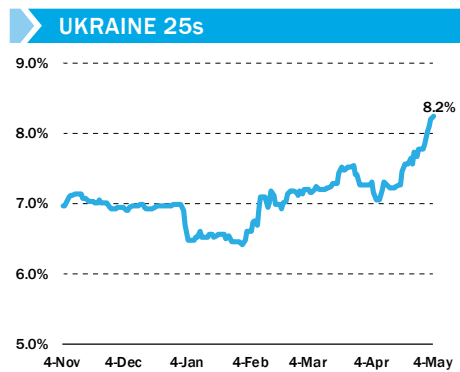
Source: Bloomberg, Eavex Research



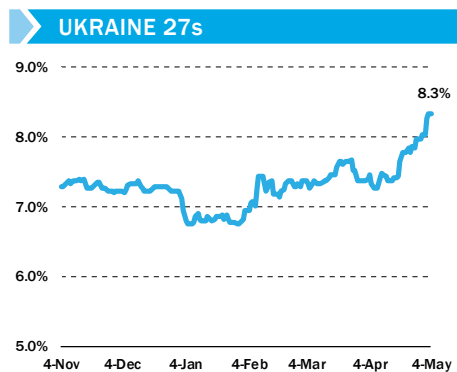
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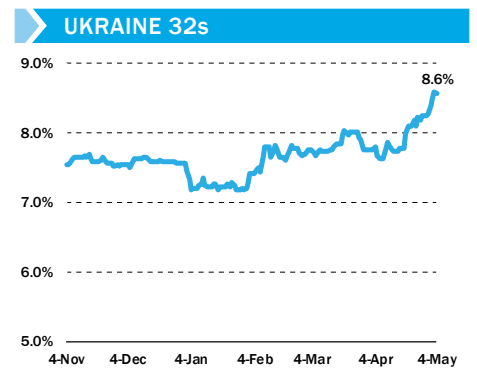
Source: Bloomberg, Eavex Research



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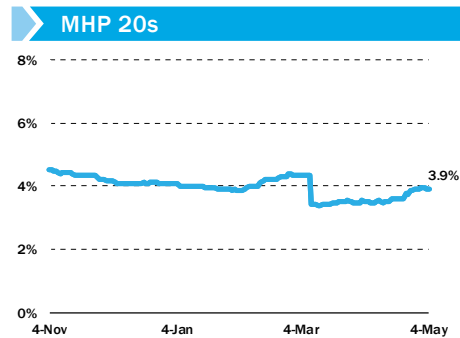


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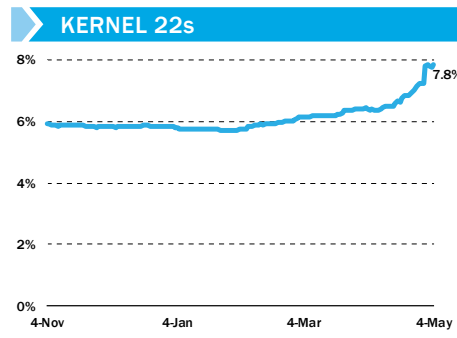


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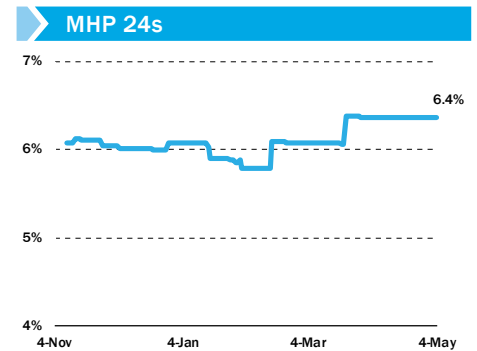
Selected Corporate Issues



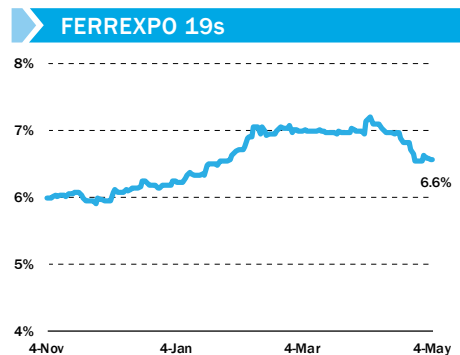
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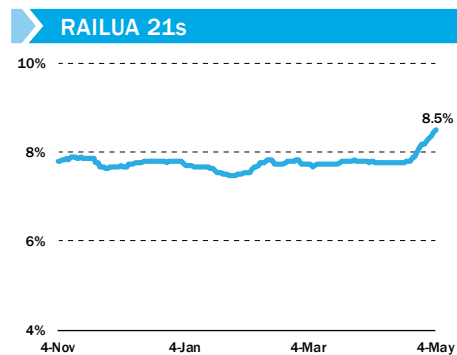
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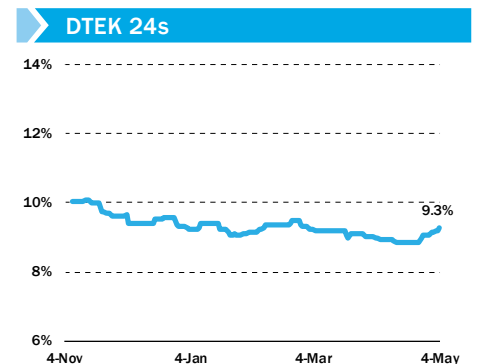
Source: Bloomberg, Eavex Research



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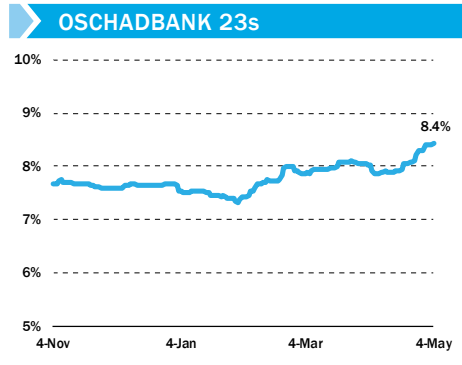


Source: Bloomberg, Eavex Research

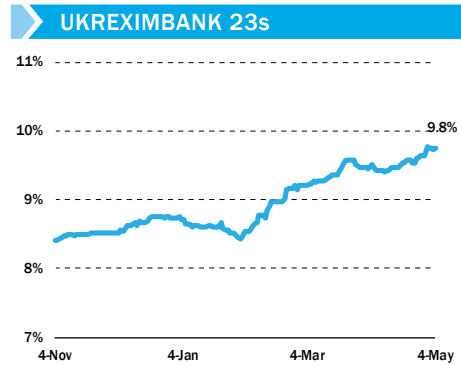


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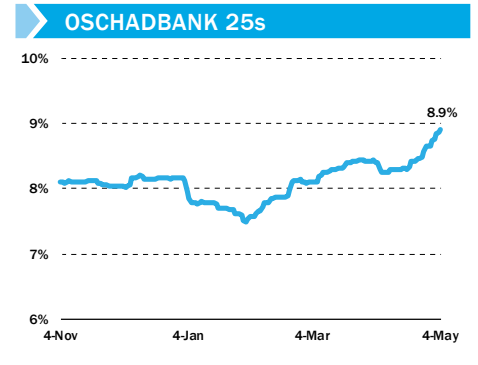
Selected Banking Issues



Source: Bloomberg, Eavex Research

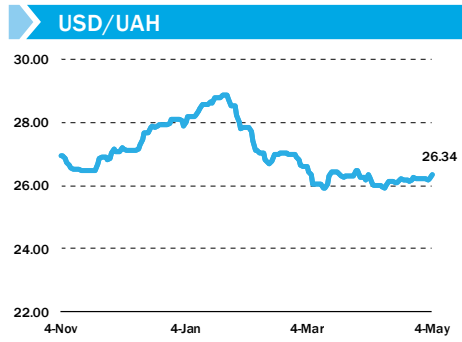


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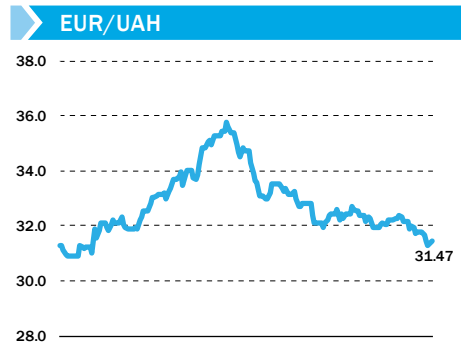


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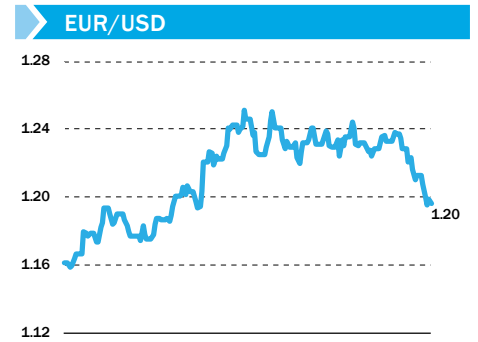
Currency



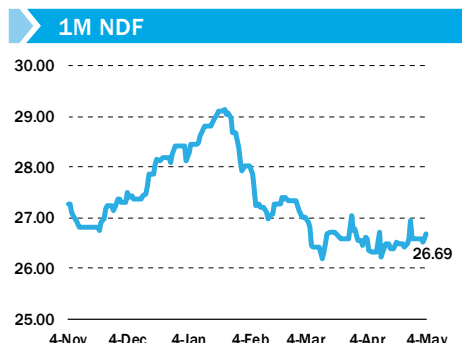
Source: Bloomberg, Eavex Research



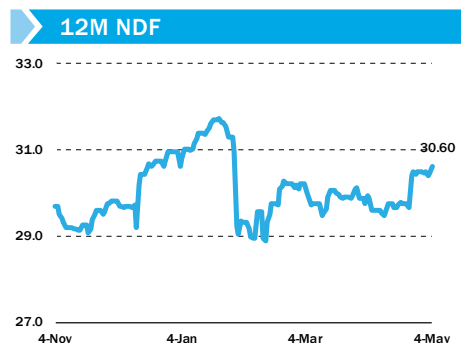
Source: Bloomberg, Eavex Research



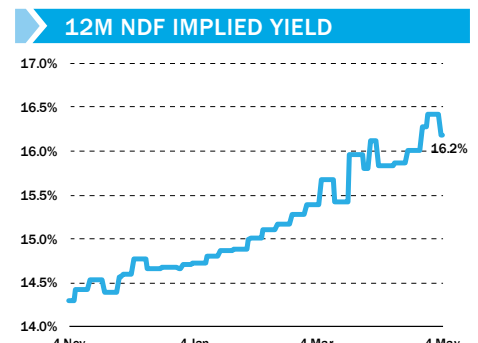
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People's Front Could Back Groysman for President

by Will Ritter
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NEWS

The most powerful politicians in the governing People's Front party are considering backing current Prime Minister Volodymyr Groysman for president in the March 2019 election, a source at the Kyiv Post English-language newspaper wrote over the weekend. The source said that this possibility was revealed by a member of Interior Minister Arseniy Avakov's team during the latter's visit to Washington last week. The People's Front is the junior coalition partner in power with the presidentially-aligned BPP bloc. Avakov, former Prime Minister Arseniy Yatseniuk, and former Acting President Oleksandr Turchinov were the founders of the People's Front, which broke away from Yulia Tymoshenko's Batkivschyna party in 2014 and came second to the BPP in the parliamentary election held later that year.

COMMENTARY

The injection of Groysman's name into the presidential race is a major development. Avakov is effectively the second-most powerful man in Ukraine, and he and his party will likely play an outsized role in determining the presidential election outcome. If true, this news represents a significant blow to both President Poroshenko and Tymoshenko, who has also reportedly sought the backing of Avakov and of industrialist power broker Igor Kolomoisky. Groysman, the prime minister since April 2016, has the advantage of strong name recognition while representing a younger generation of leaders less tainted by Ukraine's long era of post-Soviet corruption. With Poroshenko looking more unelectable by the day, we suspect that various business clans have been seeking out a reliable center-right candidate strong enough to defeat the unpredictable left-leaning populist Tymoshenko, who likely could only prevail in a run-off against a weak opponent due to her own very high negative ratings. While there are still a few months before the campaign begins in earnest, we think that Poroshenko has only a short window of time left to reverse his slide and demonstrate to the major players, both in Ukraine and in the West, that he is capable of beating Tymoshenko. If Poroshenko is unable to improve his standing by the autumn, we would expect him to decline to run for re-election and perhaps to fall in line behind Groysman (his former protege) or another candidate rather than repeating the humiliating experience of Victor Yushchenko, who garnered only 5% of the vote when he stood for re-election in 2010. We believe that any attempt by Poroshenko to extend his tenure in power by altering Ukraine's constitution to cancel the presidential election would be very poorly received throughout the Western world and that such an idea is therefore a non-starter.

OschadBank's 1Q18 Profit Down 26% YoY to UAH 41mn

by Dmitry Churin
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NEWS

State-owned OschadBank, Ukraine's second-largest financial institution by assets, reported that its net profit fell 26% YoY to UAH 41mn (USD 1.5mn) in 1Q18, according to financials released last week. The bank's gross interest income rose 2.0% YoY to UAH 4.95bn while net interest income grew by 5.9% YoY to UAH 1.49bn in the period. The bank released UAH 944mn in provisions for loan impairment in 1Q18 as overall asset quality improved. Administrative expenses rose 22% YoY to UAH 1.84bn. On the balance sheet side, Oschad's loan portfolio decreased by 3.5% YtD to UAH 71.9bn while its securities portfolio nearly reached the UAH 100bn level as the bank remained one of the biggest buyer of Ukraine's treasury bonds. Oschad's total assets have shrunk by 3.0% YtD to UAH 226bn (USD 8.5bn).

COMMENTARY

It was strange that OschadBank saw a decline in profit despite a notable gain from released bad loan reserves. Oschad's costly business model led to a negative operating cash flow before change in assets of UAH 268mn in 1Q18. However, the net operating cash flow was positive at UAH 195mn.

OschadBank remained well positioned in term of capital adequacy, with its equity-to-asset ratio at 13.6% as of Mar 31.

OschadBank's 2025 Eurobonds are quoted at 103.2/104.1 (9.0%/8.8%), i.e. nearly identical to those of its sister state-owned institution UkrEximBank.

UkrEximBank's Net Profit Fell 20% YoY to UAH 258mn in 1Q18

by Dmitry Churin
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NEWS

Government-owned UkrEximBank reported a drop in its net profit by 20% YoY to UAH 258mn (USD 9.7mn) in 1Q18. According to financials released last week, the bank's gross interest income declined by 7.1% YoY and net interest income fell 23% YoY to UAH 588mn in the period.

UkrEximBank's total assets decreased by 6.5% YtD to UAH 159bn (USD 6.0bn).

COMMENTARY

In our view, UkrExim had a poor performance in 1Q18, as it saw a 10% decrease in its loan portfolio in the period, which accounted for the reduction in assets. UkrExim also reported that its equity-to-asset ratio declined from 8.2% at the start of the year to 5.3% as of Mar 31. This means that it is highly likely that the government will once again need to inject capital into UkrExim.

EXIM-25 Eurobonds, which we view as a quasi-sovereign issue, are quoted at 103.8/104.7 (9.0%/8.8%).

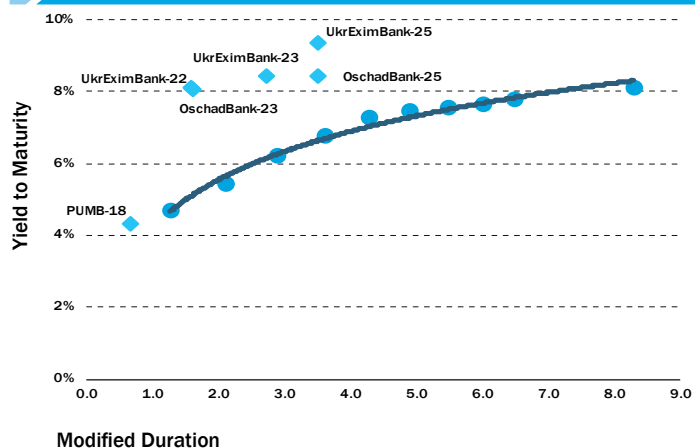
UKRAINIAN EUROBONDS

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	102.6	103.1	-0.8%	5.7%	5.3%	63.9	1.2	7.75%	1 Sept 2019	1,744	USD	Caa2/B-/B-
Ukraine, 2020	102.9	103.6	-1.1%	6.4%	6.0%	50.0	2.1	7.75%	1 Sept 2020	1,780	USD	Caa2/B-/B-
Ukraine, 2021	101.9	102.6	-1.3%	7.1%	6.9%	46.1	2.9	7.75%	1 Sept 2021	1,409	USD	Caa2/B-/B-
Ukraine, 2022	100.4	101.1	-1.7%	7.6%	7.4%	47.3	3.6	7.75%	1 Sept 2022	1,384	USD	Caa2/B-/B-
Ukraine, 2023	99.2	99.9	-1.7%	7.9%	7.8%	40.7	4.2	7.75%	1 Sept 2023	1,355	USD	Caa2/B-/B-
Ukraine, 2024	97.6	98.6	-2.2%	8.3%	8.0%	45.6	4.8	7.75%	1 Sept 2024	1,339	USD	Caa2/B-/B-
Ukraine, 2025	96.9	97.9	-2.5%	8.3%	8.1%	45.9	5.4	7.75%	1 Sept 2025	1,329	USD	Caa2/B-/B-
Ukraine, 2026	96.4	97.4	-2.4%	8.4%	8.2%	41.2	5.9	7.75%	1 Sept 2026	1,318	USD	Caa2/B-/B-
Ukraine, 2027	95.8	96.8	-2.4%	8.4%	8.2%	36.8	6.4	7.75%	1 Sept 2027	1,307	USD	Caa2/B-/B-
Ukraine, 2032	89.7	90.7	-2.8%	8.6%	8.5%	33.1	8.1	7.375%	25 Sept 2032	3,000	USD	//B-
Ukraine, GDP-linked	67.1	68.1	-0.7%	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	102.5	103.4	-1.9%	8.0%	7.7%	61	3.1	8.75%	31 Jan 2022	500	USD	/B/B+
MHP, 2020	107.0	108.7	-0.1%	4.3%	3.5%	-0.9	1.8	8.25%	2 Apr 2020	750	USD	/B-/B-
MHP, 2024	106.6	107.1	0.0%	6.4%	6.3%	-0.3	4.6	7.75%	10 May 2024	500	USD	//
MHP, 2026	96.6	97.3	-1.5%	7.5%	7.4%	25.2	5.9	6.95%	4 Apr 2026	550	USD	/B/B
Avangardco, 2018	20.8	23.9	0.0%	0%	0%	0	0.1	10.00%	29 Oct 2018	206	USD	//
UkrLandFarming, 2018	21.1	24.0		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	106.3	107.3	-1.0%	9.4%	9.2%	22.7	4.5	10.75%	12 Dec 2024	1,275	USD	//
Metinvest, 2021	100.0	102.0	-3.9%	7.4%	6.8%	124.1	n/a	9.37%	31 Dec 2021	1,197	USD	//B
Metinvest, 2023	96.4	97.3	-1.0%	8.7%	8.4%	26.0	4.0	7.75%	23 Apr 2023	945	USD	//B
Metinvest, 2026	95.2	96.1	-1.4%	9.4%	9.2%	25.2	5.6	8.50%	23 Apr 2026	648	USD	//B
Ferrexpo, 2019	102.8	103.8	-0.1%	7.1%	6.0%	1.6	0.9	10.375%	07 Apr 2019	186	USD	Caa3/CCC/CC
Ferrexpo, 2019	102.8	103.8	-0.1%	7.1%	6.0%	0.8	0.9	10.375%	07 Apr 2019	161	USD	Caa3/CCC/CC
UZ Rail, 2018	103.5	104.4	-0.9%	8.7%	8.3%	31.6	1.5	9.50%	21 May 2018	500	USD	/CCC+/CCC
Interepipe, 2017	29.5	34.4	0.0%	n/a	n/a	51.9	n/a	10.25%	2 Aug 2017	200	USD	IN DEFAULT
JKX Oil&Gas, 2020	85.1	95.1	0.1%	24.8%	17.3%	2.2	1.5	14.00%	19 Feb 2020	16	USD	//
Bank Eurobonds												
PUMB, 2018	102.8	104.8	-0.4%	6.4%	3.4%	39.3	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	1.3	11.00%	09 Feb 2021	220	USD	IN DEFAULT
PrivatBank, 2018	28.9	31.3	-0.4%	n/a	n/a	n/a	n/a	10.88%	28 Feb 2018	175	USD	IN DEFAULT
UkrEximBank, 2022	103.3	104.1	-0.9%	8.6%	8.4%	26.6	n/a	9.625%	27 Apr 2022	750	USD	Caa3//CCC
UkrEximBank, 2023	98.1	99.9	-0.4%	10.0%	9.5%	11.6	4.0	7.51%	9 Feb 2023	125	USD	Caa3//CCC
UkrEximBank, 2025	103.8	104.7	-1.2%	9.0%	8.8%	24.9	3.0	9.75%	22 Jan 2025	500	USD	Caa3//CCC
Oschadbank, 2023	103.3	104.2	-0.5%	8.5%	8.3%	13.0	1.5	8.25%	10 Mar 2023	700	USD	Caa3//CCC
Oschadbank, 2025	103.2	104.1	-1.2%	9.0%	8.8%	24.1	2.7	8.88%	20 Mar 2025	500	USD	Caa3//CCC
Municipal Eurobonds												
City of Kyiv, 2015	88.1	90.0		n/a	n/a	n/a	n/a	8.00%	6 Nov 2015	101	USD	IN DEFAULT

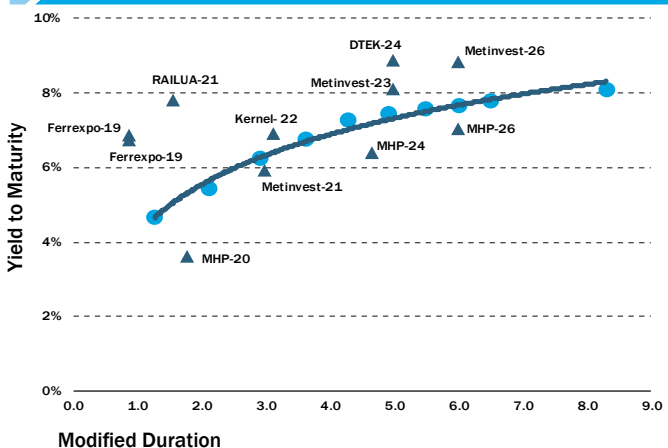
¹ Moody's/S&P/Fitch

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

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