

Trends

Ukrainian sovereign Eurobonds last week remained within the narrow trading boundaries that prevailed during most of September. An absence of a final decision from the IMF regarding continuation of the existing support program placed some uncertainty on sustainability of Ukraine's overall USD 74.9bn outstanding public debt. The government continues to hesitate on key reform requirements, and there were rumors that Kyiv has asked the IMF for a possible repackaging of undrawn funds from the existing USD 17.5bn Extended Fund Facility (EFF) agreed in 2015 into a USD 5-6bn Stand-By Arrangement, which would represent a de-facto reduction in the program scale. Ukraine has received USD 8.4bn from the IMF so far under the EFF. In major political developments, President Poroshenko reportedly had a one-on-one meeting with his US counterpart Donald Trump at the UN General Assembly in New York which lasted around 20 minutes. No details about the meeting's content have been made public.

The country's longest outstanding Eurobonds with maturity in 2032 ended unchanged for the week at 86.5/87.5 (9.1%/9.0%) while the benchmark medium term issue, Ukraine-23s, were quoted at 97.8/98.6 (8.3%/8.1%). The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) traded at 52.7/53.7 cents on the dollar.

In corporate sector debt papers, Metinvest-26s declined by 0.5% to 93.0/94.6 (9.6%/9.5%) after the company said it would raise wages for its workers by 15% starting from October. The Eurobonds of state-owned Ukrainian Railways (RAILUA-21s) inched up 0.2% to 100.6/101.6 (9.6%/9.3%). MHP-26s edged down by 0.3% to 93.4/94.0 (8.1%/8.0%) amid news that the company is seeking to acquire Perutnina Ptuj, a well-established and vertically integrated poultry producer in southeastern Europe.

Quasi-sovereign UkrEximBank-22s gained 0.3% to 101.7/102.2 (9.1%/8.9%) and OschadBank-25s were unchanged at 99.5/100.5 (9.6%/9.5%).

The yield on the government's 1-year UAH-denominated treasuries rose further after the National Bank increased its key policy rate by 50 bps to 18.00% back in early September. The yield for domestic bonds now stands at bid/ask of 19.50%/17.75%. The Finance Ministry placed a small amount of 1-year UAH-denominated notes at 18.50% and 2-year USD-denominated bonds at 5.95%.

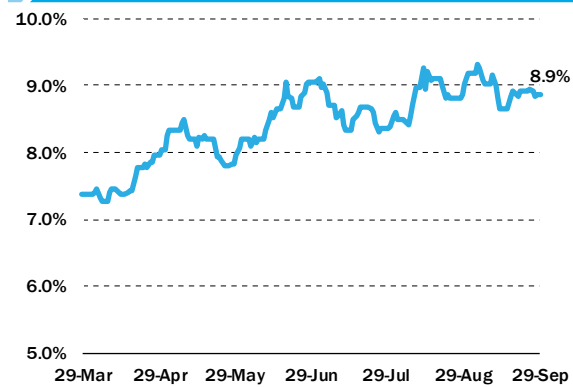
On the interbank currency market, the hryvnia inched down by 0.6% against the dollar, ending the week at 28.20 UAH/USD.

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

Highlights

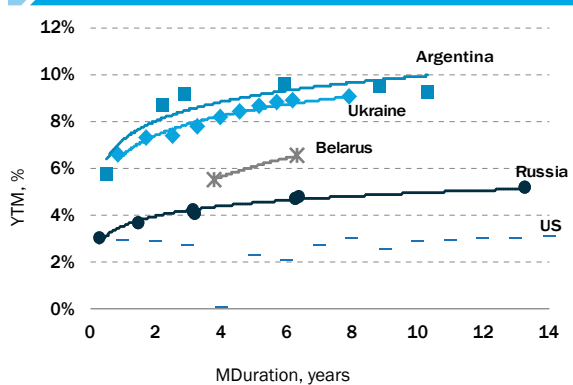
- > Election 2019: Baloga Ignites Talk of Grytsenko-Vakarchuk Alliance
- > Industrial Output Shows Unexpected 0.5% YoY Drop in August

UKRAINE 10-YEAR BOND YIELD



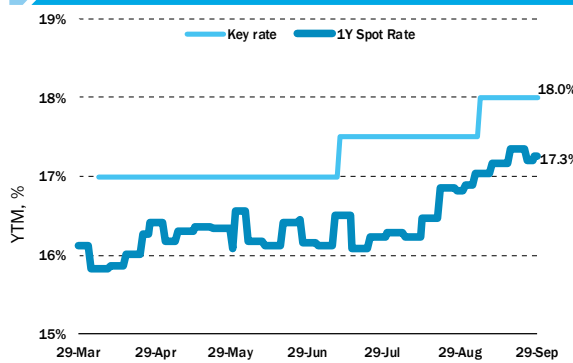
Source: Bloomberg, Eavex Capital

SOVEREIGN BOND YIELD CURVES



Source: Bloomberg, Eavex Capital

KEY INTEREST RATE vs SPOT RATE



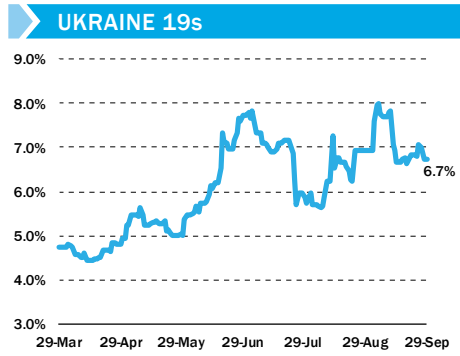
Source: Bloomberg, Eavex Capital

CURRENCY

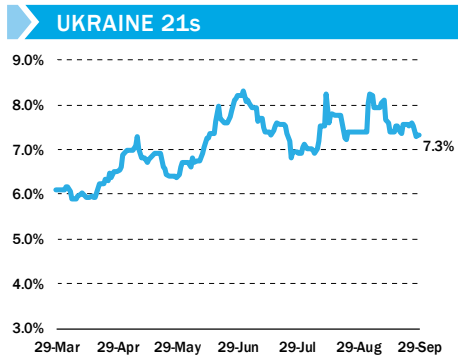
	Last, UAH	1W chg.	1M chg.	YTD
USD/UAH	28.24	0.6%	0.4%	0.5%
EUR/UAH	32.76	-0.6%	-0.5%	-2.7%
EUR/USD	1.16	-1.2%	-0.9%	-3.3%

Source: Bloomberg, Eavex Capital

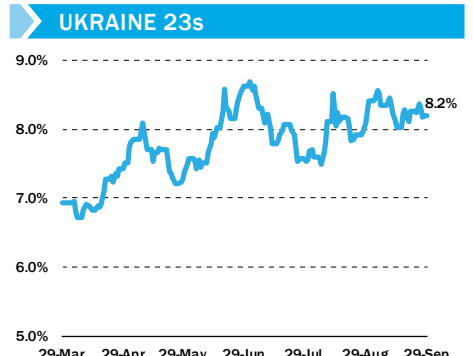
Selected Sovereign Issues



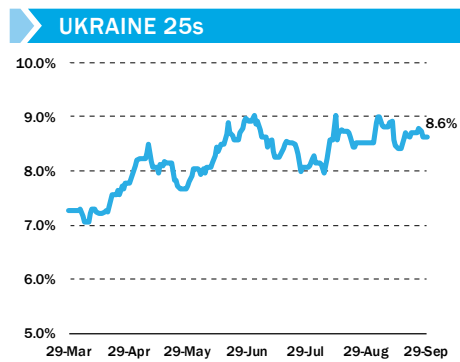
Source: Bloomberg, Eavex Research



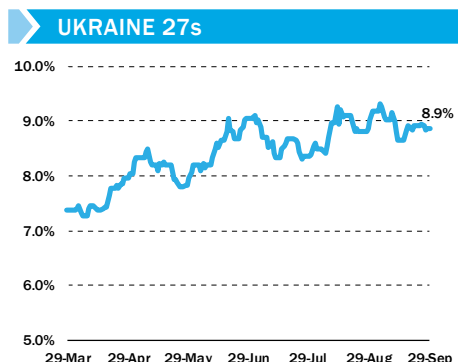
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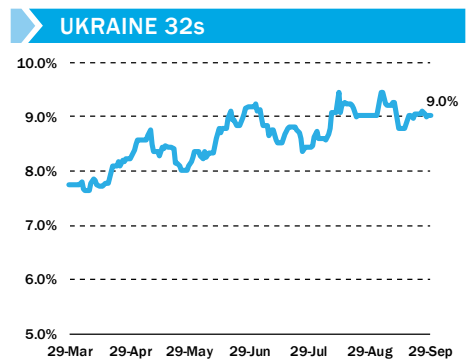
Source: Bloomberg, Eavex Research



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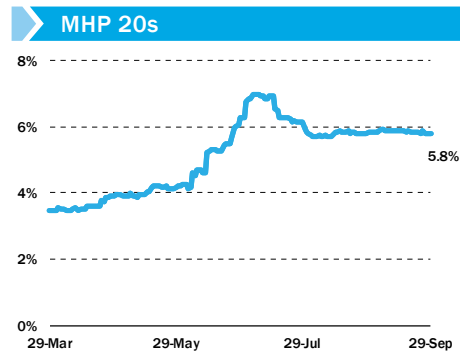


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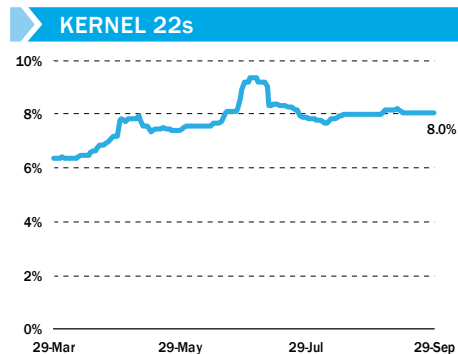


Source: Bloomberg, Eavex Research

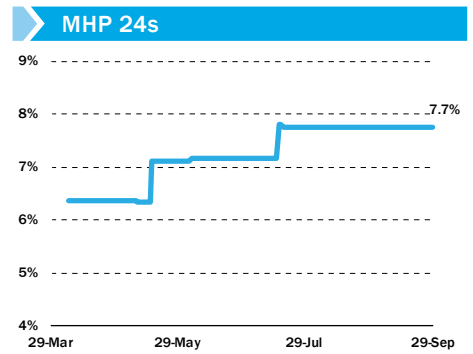
Selected Corporate Issues



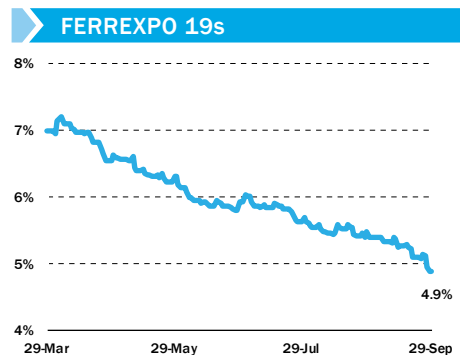
Source: Bloomberg, Eavex Research



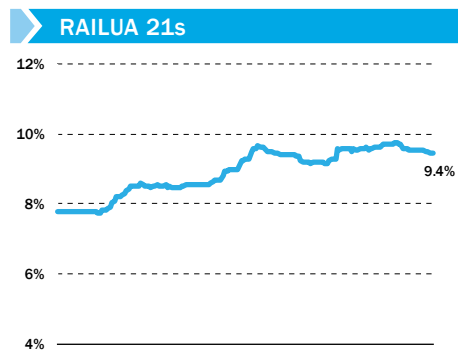
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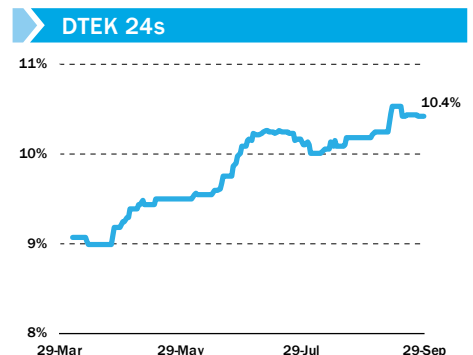
Source: Bloomberg, Eavex Research



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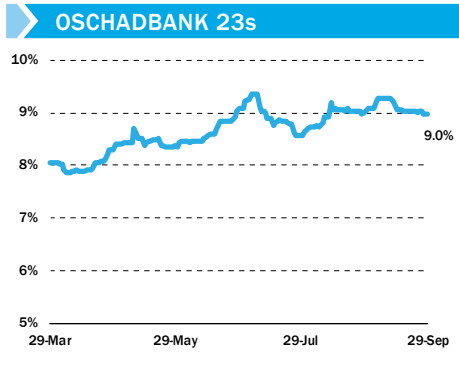


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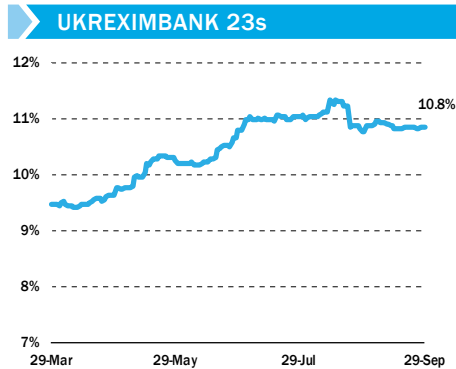


Source: Bloomberg, Eavex Research

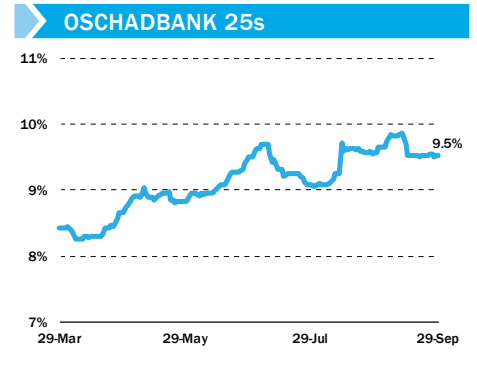
Selected Banking Issues



Source: Bloomberg, Eavex Research

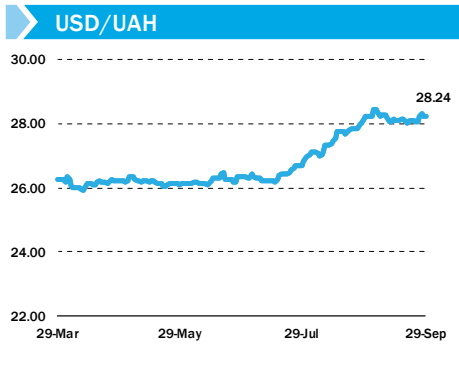


Source: Bloomberg, Eavex Research

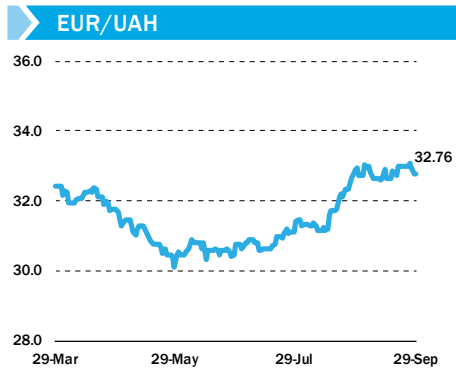


Source: Bloomberg, Eavex Research

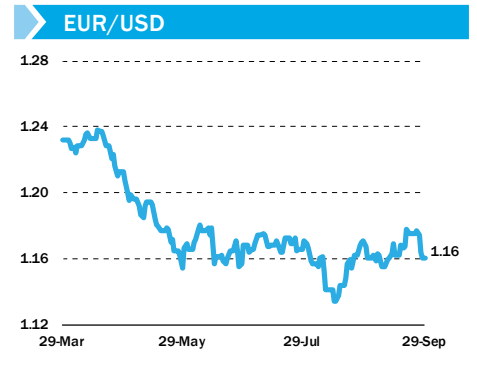
Currency



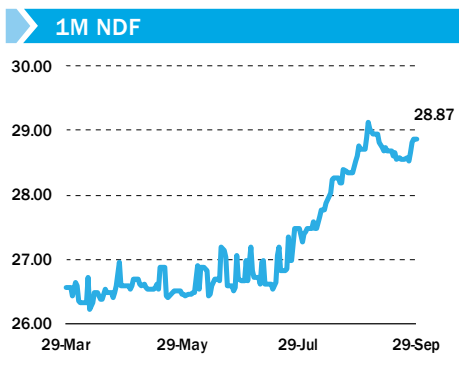
Source: Bloomberg, Eavex Research



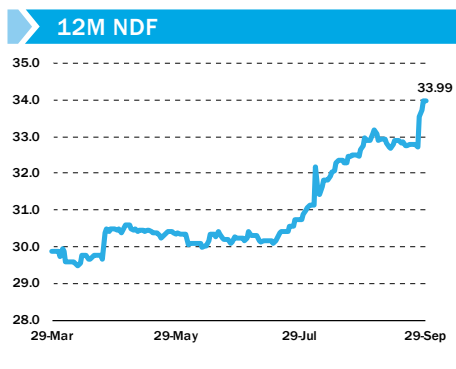
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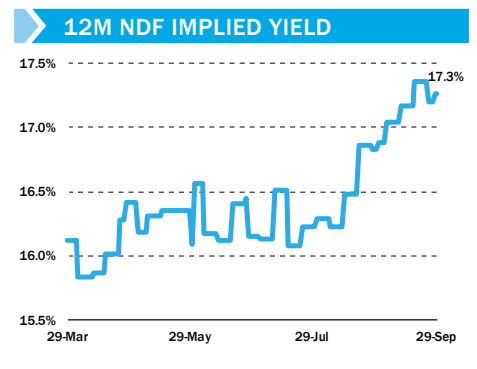
Source: Bloomberg, Eavex Research



Source: Bloomberg, Eavex Research



Source: Bloomberg, Eavex Research



Source: Bloomberg, Eavex Research

Election 2019: Baloga Ignites Talk of Grytsenko-Vakarchuk Alliance

by Will Ritter
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NEWS

Western Ukrainian oligarch and veteran political power broker Victor Baloga called on presidential candidate Anatoliy Grytsenko to form an alliance with popular music celebrity Sviatoslav Vakarchuk and Lviv mayor Andriy Sadoviy, in an interview published on the Ukrayinska Pravda news site on Monday (Oct 1). Baloga has reportedly been working with Grytsenko, who was Ukraine's defense minister a decade ago during the Yuschenko administration, on political strategy, but he denied holding the position of campaign manager. The latest polling shows that Batkivschyna opposition party leader Yulia Tymoshenko continues to lead the presidential race, but with weak support numbers that are only in the mid-teens; second place in these polls is variously occupied by President Poroshenko, Grytsenko, and Russian-language comedian Volodymir Zelenskiy. Pop star Vakarchuk has been repeatedly teased as a dark horse candidate for more than a year, but has still made no announcement about his intentions. The first round of Ukraine's presidential election is currently scheduled for 31 Mar 2019.

COMMENTARY

Baloga is one of the most experienced players in Ukrainian politics, and his comments carry considerable weight. Grytsenko is in a unique spot, as we believe that his chances to win the presidency are slim, but that Poroshenko will absolutely need Grytsenko's conservative voters to win re-election if he faces the left-leaning Tymoshenko in a run-off. Allying with Vakarchuk and Lviv Mayor Sadoviy, whose own national "reformist" party Samopomich has collapsed in a rubble of populism and militarism, would put Grytsenko in a much stronger position in terms of what he could expect to receive from Poroshenko in exchange for an eventual endorsement. A Grytsenko-Sadoviy-Vakarchuk project would likely be a major player in the parliamentary election due in late 2019. There are also developments of interest on the pro-Russian side of the campaign, with the two largest pro-Russian parties, the Opposition Bloc and For Life, reported to be in merger talks amid the challenge presented by comedian Zelenskiy's unconventional bid. A victory in the national vote by any pro-Russian candidate looks highly unlikely, but at this early stage, surprises can't be ruled out. Overall, the presidential campaign is unfolding a bit more slowly than we predicted; this may be because the major players believe that the date of the vote will be pushed back from March until June in order to give Poroshenko a full 5 years in office as stipulated by the Constitution.

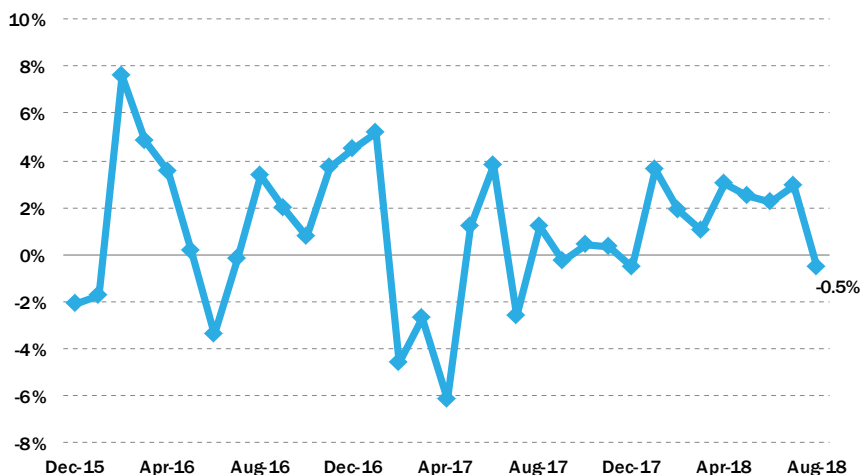
Industrial Output Shows Unexpected 0.5% YoY Drop in August

by Dmitry Churin
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NEWS

Ukraine's nationwide industrial production declined by 0.5% year-on-year in August after 2.9% YoY growth in July and a growth of 2.2% YoY in June, according to data from the State Statistics Committee released last week. In the extraction sector, there was a 2.3% YoY output increase in August after a rise of 4.5% YoY in July. The manufacturing sector index edged down by 0.5% YoY while the utility sector's output slumped by 6.4% YoY in August. Year-to-date through August, overall industrial production in Ukraine has risen by 2.2% YoY.

UKRAINE'S MONTHLY INDUSTRIAL PRODUCTION INDEX, YOY



Source: State Statistics Committee

COMMENTARY

The surprising element in the August data is that manufacturing sector output declined, and this is the main reason behind the overall decrease in the industrial index for the month. In our view, the trend of declining output in the utility sector is actually a positive signal that Ukraine's economy and industry are now consuming less electricity thanks to better energy efficiency. Several years ago the country's economy was distorted in the energy sphere due to extremely cheap subsidized electricity pricing. With the liberalization of electricity prices since 2014, most businesses have turned to energy saving technologies. In individual sub-sectors which form the manufacturing output index, the steel production index rose by 1.7% YoY in August while the machinery sub-sector's output fell 1.5% YoY. However, the machinery index's year-to-date gain remains firm at 4.8% YoY (it had risen by more than 7% during full-year 2017).

In some other encouraging macroeconomic data measuring Ukraine's year-to-date performance, UkrStat said that the government's agricultural production index rose 2.0% YoY, the construction index moved up by 5.7% YoY, and retail sales increased by 5.4% YoY in the January-August period.

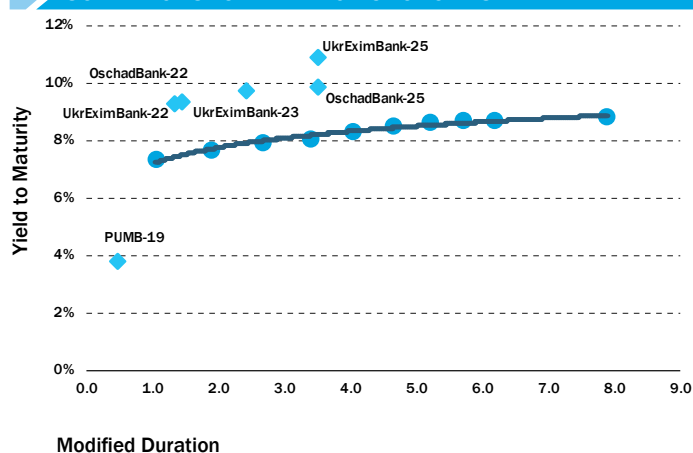
UKRAINIAN EUROBONDS

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	100.5	101.3	0.1%	7.2%	6.3%	-10.7	0.9	7.75%	1 Sept 2019	1,744	USD	Caa2/B-/B-
Ukraine, 2020	100.4	101.3	0.1%	7.5%	7.0%	-8.6	1.7	7.75%	1 Sept 2020	1,780	USD	Caa2/B-/B-
Ukraine, 2021	100.7	101.4	0.6%	7.5%	7.2%	-22.2	2.6	7.75%	1 Sept 2021	1,409	USD	Caa2/B-/B-
Ukraine, 2022	99.6	100.3	0.6%	7.9%	7.6%	-16.6	3.3	7.75%	1 Sept 2022	1,384	USD	Caa2/B-/B-
Ukraine, 2023	97.8	98.6	0.3%	8.3%	8.1%	-7.0	4.0	7.75%	1 Sept 2023	1,355	USD	Caa2/B-/B-
Ukraine, 2024	96.7	97.7	0.4%	8.5%	8.2%	-9.1	4.6	7.75%	1 Sept 2024	1,339	USD	Caa2/B-/B-
Ukraine, 2025	95.0	96.0	0.4%	8.7%	8.5%	-8.3	5.2	7.75%	1 Sept 2025	1,329	USD	Caa2/B-/B-
Ukraine, 2026	93.7	94.7	0.4%	8.9%	8.7%	-6.6	5.7	7.75%	1 Sept 2026	1,318	USD	Caa2/B-/B-
Ukraine, 2027	92.7	93.7	0.2%	9.0%	8.8%	-3.8	6.2	7.75%	1 Sept 2027	1,307	USD	Caa2/B-/B-
Ukraine, 2032	86.5	87.5	0.2%	9.1%	9.0%	-2.7	7.9	7.38%	25 Sept 2032	3,000	USD	/B-
Ukraine, GDP-linked	52.7	53.7	1.4%	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	0.2	6.00%	14 Jul 2019	18	USD	//
Kernel, 2022							2.8	8.75%	31 Jan 2022	500	USD	/B/B+
MHP, 2020	103.0	104.0	0.0%	6.1%	5.4%	-5.3	1.4	8.25%	2 Apr 2020	750	USD	/B-/B-
MHP, 2024	99.8	100.3	0.0%	7.8%	7.7%	0.0	4.3	7.75%	10 May 2024	500	USD	//
MHP, 2026	93.1	94.1	0.2%	8.2%	8.0%	-2.7	5.7	6.95%	4 Apr 2026	550	USD	/B/B
Avangardco, 2018				0%	0%	0	0.0	10.00%	29 Oct 2018	206	USD	//
UkrLandFarming, 2018	20.2	24.4		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	101.1	102.1	0.1%	10.5%	10.3%	-1.3	4.6	10.75%	12 Dec 2024	1,275	USD	//
Metinvest, 2021	100.0	102.0	0.0%	7.4%	6.7%	-0.2	n/a	7.50%	31 Dec 2021	1,197	USD	//B
Metinvest, 2023	95.7	96.7	1.3%	8.9%	8.6%	-33.4	3.7	7.75%	23 Apr 2023	945	USD	//B
Metinvest, 2026	95.1	95.9	1.5%	9.4%	9.3%	-27.7	5.2	8.50%	23 Apr 2026	648	USD	//B
Ferrexpo, 2019	102.3	103.3	-0.1%	5.8%	3.8%	-0.1	0.5	10.38%	07 Apr 2019	186	USD	Caa3/CCC/CC
Ferrexpo, 2019	102.3	103.3	0.0%	5.8%	3.9%	-21.2	0.5	10.38%	07 Apr 2019	161	USD	Caa3/CCC/CC
UZ Rail, 2018	100.6	101.6	0.2%	9.6%	9.3%	-6.8	1.2	9.88%	21 May 2018	500	USD	/CCC+/CCC
Interepipe, 2017	29.5	34.3	0.0%	n/a	n/a	55.0	n/a	10.25%	2 Aug 2017	200	USD	IN DEFAULT
JKX Oil&Gas, 2020	85.1	95.1	0.0%	27.5%	18.1%	1.5	1.2	14.00%	19 Feb 2020	16	USD	//
Bank Eurobonds												
PUMB, 2018	100.7	102.5	-0.3%	8.1%	0.9%	72.9	0.2	11.00%	31 Dec 2018	252	USD	//
PrivatBank, 2018-2	20.0	30.0	0.0%	n/a	n/a	n/a	n/a	10.25%	23 Jan 2018	200	USD	IN DEFAULT
PrivatBank, 2021	9.0	14.1	0.0%	n/a	n/a	n/a	1.2	11.00%	09 Feb 2021	220	USD	IN DEFAULT
PrivatBank, 2018	22.6	25.0	-3.1%	n/a	n/a	n/a	n/a	10.88%	28 Feb 2018	175	USD	IN DEFAULT
UkrEximBank, 2022	101.8	102.7	0.1%	9.0%	8.7%	-3.4	n/a	9.63%	27 Apr 2022	750	USD	Caa3//CCC
UkrEximBank, 2023	94.7	96.8	0.1%	11.2%	10.5%	-0.2	4.0	9.00%	9 Feb 2023	125	USD	Caa3//CCC
UkrEximBank, 2025	100.4	101.3	0.1%	9.7%	9.5%	-3.0	2.8	9.75%	22 Jan 2025	500	USD	Caa3//CCC
Oschadbank, 2023	100.9	101.8	0.1%	9.1%	8.9%	-3.8	1.2	9.38%	10 Mar 2023	700	USD	Caa3//CCC
Oschadbank, 2025	100.0	101.0	0.0%	9.6%	9.4%	0.4	2.3	9.63%	20 Mar 2025	500	USD	Caa3//CCC
Municipal Eurobonds												
City of Kyiv, 2015				n/a	n/a	n/a	n/a	8.00%	6 Nov 2015	101	USD	IN DEFAULT

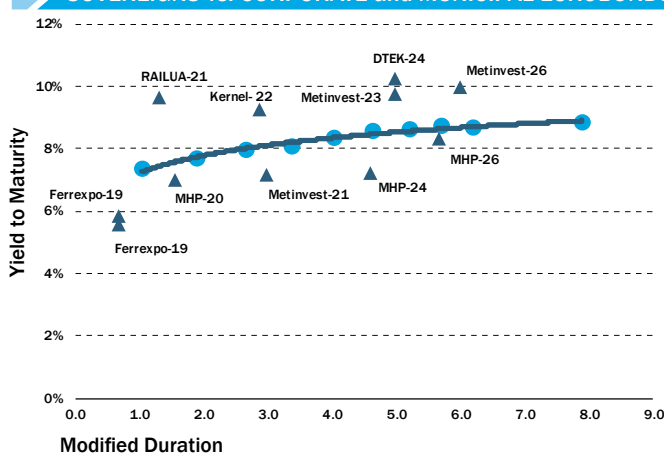
¹ Moody's/S&P/Fitch

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			19.30%	17.80%	n/a	n/a	S/A	10 Apr .2019	n/a
VAT Bonds									
UA4000185151			19.50%	17.75%	1.9	9.50%	S/A	8 Jul 2019	3,577
UA4000185557			19.50%	17.75%	1.9	9.50%	S/A	22 Jul 2019	2,171
UA4000186159			19.50%	17.75%	1.9	9.50%	S/A	20 Aug 2019	955

Source: Bloomberg, Cbonds, Eavex Research

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