

**Trends**

Ukrainian sovereign Eurobonds were little-changed last week, as news that Kyiv will finally renew its cooperation with the IMF with a scaled-down USD 3.9bn “standby” loan program arrived too late on Friday to have a substantial effect on trading. Globally, investors’ attitude to emerging market debt improved after Turkey received 3x over-subscription for its new USD 2bn Eurobond. The 5-year Turkish issue was placed with a yield of 7.5%.

In Ukrainian related developments, the country’s Parliament has adopted the 2019 national budget in the first (preliminary) reading. The bill proposes a moderate deficit of 2.3% of GDP and is based on a consumer inflation forecast of 7.4%. Parliament also passed a bill in the first reading that establishes medium-term national budget planning for the country. The document should help to provide more confidence in the government’s debt servicing strategy.

Ukraine’s benchmark long-term bonds, Ukraine-27s, inched up 0.3% to close at 91.9/92.9 (9.1%/8.9%). The country’s longest outstanding issue with maturity in 2032 was flat at 84.9/85.9 (9.3%/9.2%), and Ukraine-19s (due 10 months from now) were also unchanged at 100.5/101.3 (7.1%/6.2%). Meanwhile, the VRI derivatives (linked to Ukraine’s future GDP growth with expiration in 2040) rebounded by 3.5% to 52.2/53.2 cents on the dollar after a sharp drop earlier this month.

In the corporate sector, Kernel-22s were unchanged at 101.4/102.0 (8.2%/8.0%) ahead of the company’s annual report to be released today. Metinvest-26s rose 0.7% to 95.1/95.5 (9.4%/9.3%).

The Eurobonds of state-owned behemoth Ukrainian Railways with maturity in 2021, RailUA-21s, have not reacted yet to news that Parliament refused to adopt a bill which allows private locomotives to be used for freight railway transportation. The bill was developed in cooperation with Ukrainian institutional supporters from the EU but was not convincing enough for MPs. The RailUA-21s issue finished at 100.3/100.9 (9.7%/9.5%).

In banking debt, the twin quasi-sovereign issues UkrEximBank-25s and OschadBank-23s were little-changed at 100.0/100.9 (9.7%/9.5%) and 100.9/101.5 (9.1%/9.0%) respectively.

Quotes for the government’s 1-year UAH-denominated treasuries rose by 25 bps to bid/ask of 20.00%/18.00%, widening the bid/ask spread amid their low liquidity on the secondary market. The Finance Ministry was active in placing USD-denominated bonds on the domestic market last week, selling 9-month issues at a yield of 7.00% that raised USD 242mn, as well as a 2-year issue at a yield of 7.50% in the amount of USD 25mn.

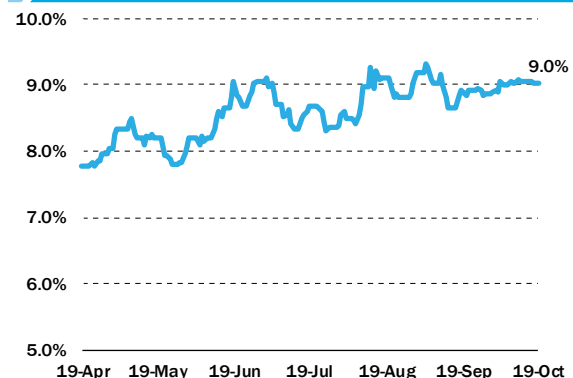
On the currency front, the hryvnia gave back 0.7% to 28.14 UAH/USD after strengthening moderately against the dollar over the previous two weeks.

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

**Highlights**

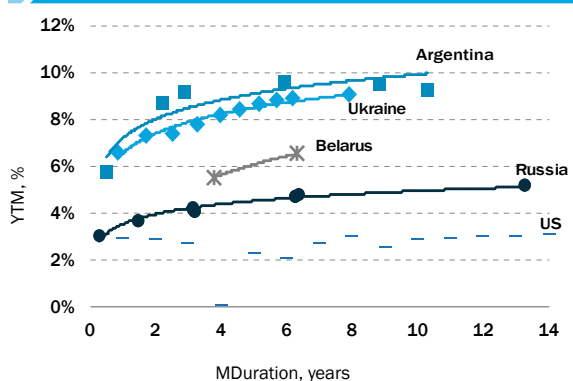
- Trump Says US Pulling Out of Nuclear Treaty with Russia
- MHP Reports 20% YoY Sales Rise for 3Q Due To Low Comparison Base

**UKRAINE 10-YEAR BOND YIELD**



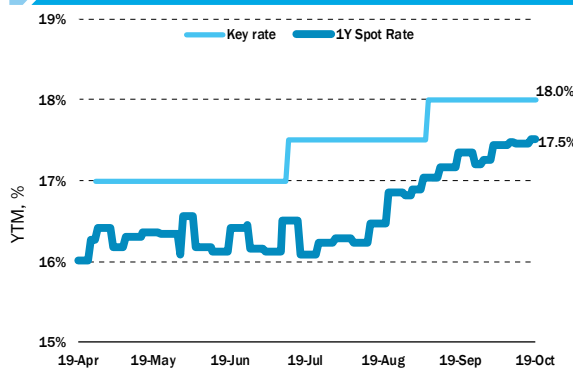
Source: Bloomberg, Eavex Capital

**SOVEREIGN BOND YIELD CURVES**



Source: Bloomberg, Eavex Capital

**KEY INTEREST RATE vs SPOT RATE**



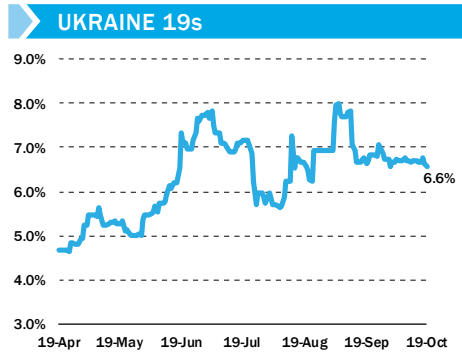
Source: Bloomberg, Eavex Capital

**CURRENCY**

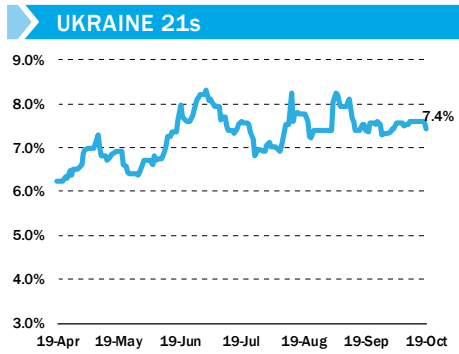
	Last, UAH	1W chg.	1M chg.	YTD
USD/UAH	28.14	0.7%	0.3%	0.1%
EUR/UAH	32.39	0.3%	-1.0%	-3.8%
EUR/USD	1.15	-0.4%	-1.4%	-4.1%

Source: Bloomberg, Eavex Capital

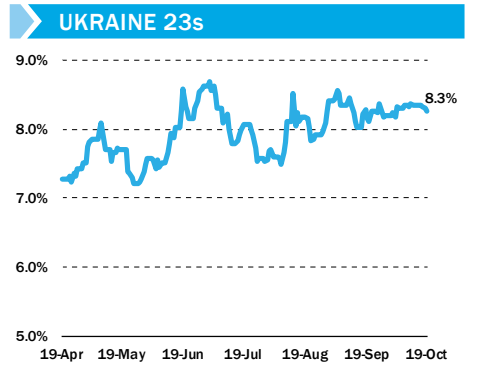
Selected Sovereign Issues



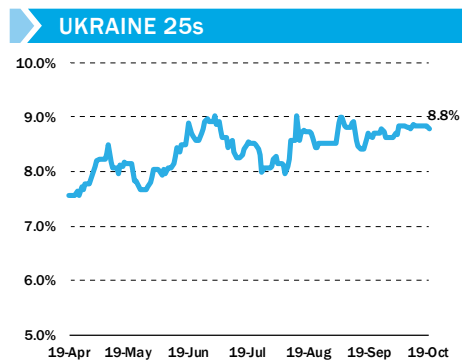
Source: Bloomberg, Eavex Research



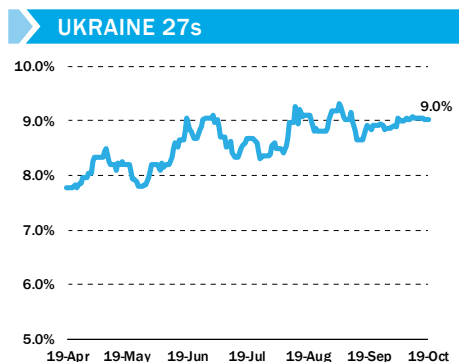
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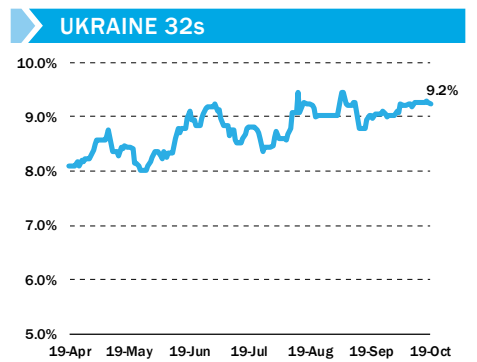
Source: Bloomberg, Eavex Research



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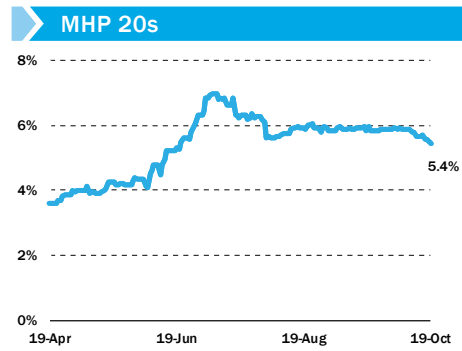


Source: Bloomberg, Eavex Research

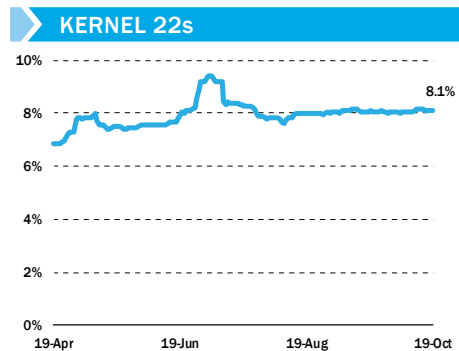


Source: Bloomberg, Eavex Research

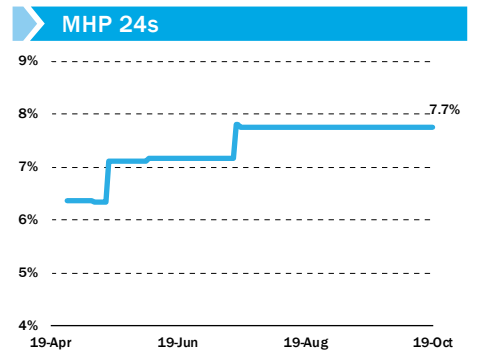
Selected Corporate Issues



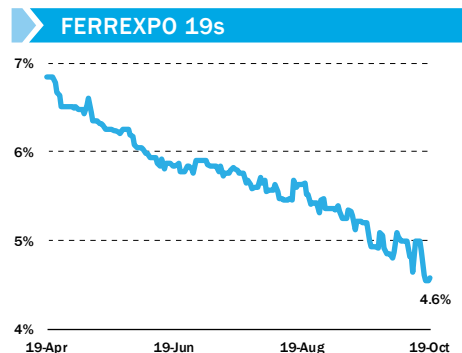
Source: Bloomberg, Eavex Research



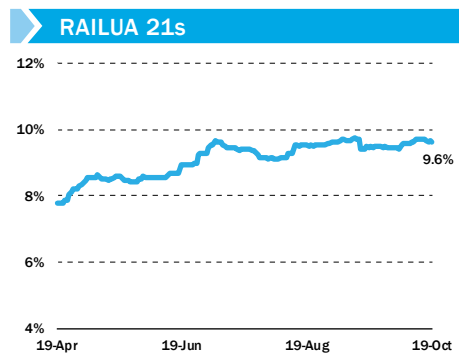
Source: Bloomberg, Eavex Research



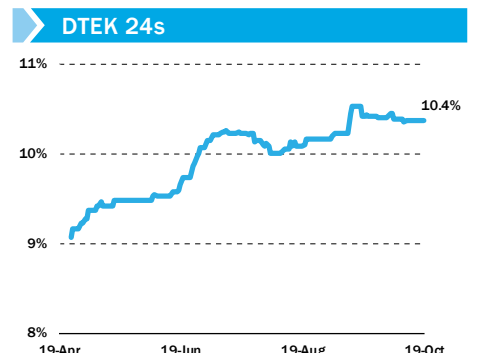
Source: Bloomberg, Eavex Research



Source: Bloomberg, Eavex Research

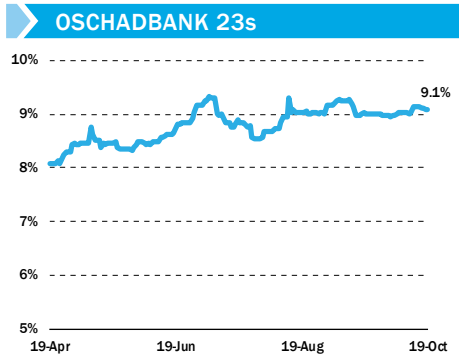


Source: Bloomberg, Eavex Research

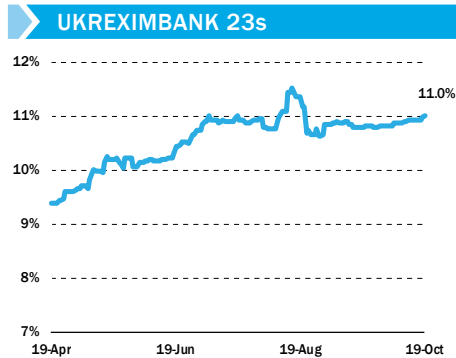


Source: Bloomberg, Eavex Research

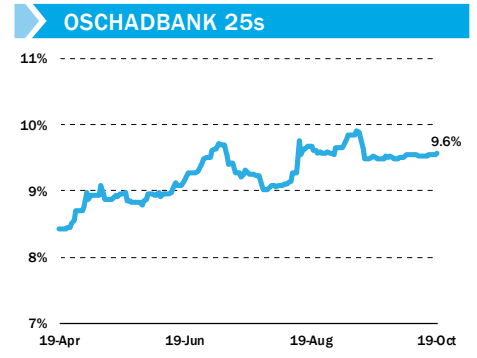
Selected Banking Issues



Source: Bloomberg, Eavex Research

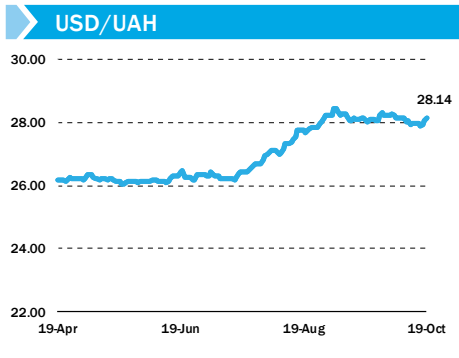


Source: Bloomberg, Eavex Research

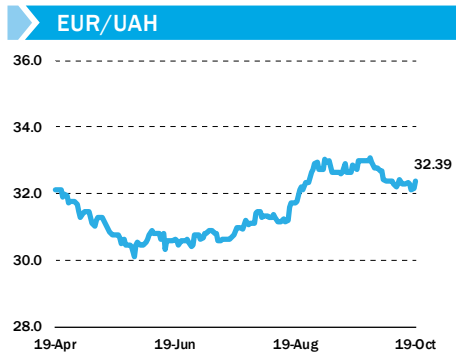


Source: Bloomberg, Eavex Research

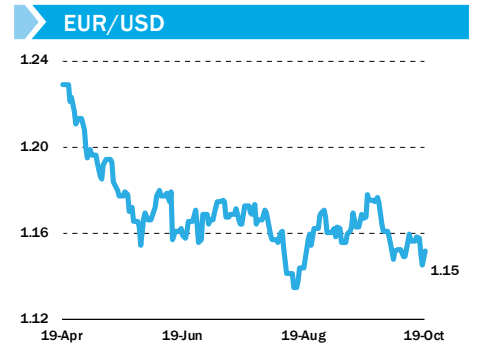
Currency



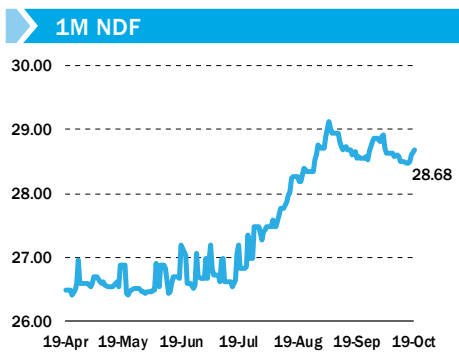
Source: Bloomberg, Eavex Research



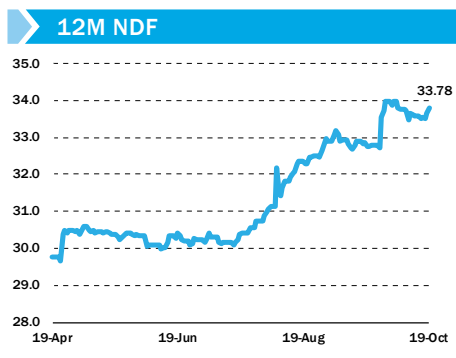
Source: Bloomberg, Eavex Research



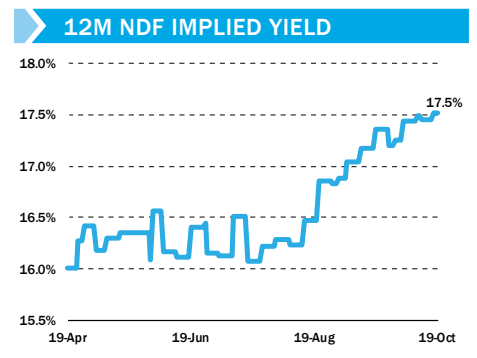
Source: Bloomberg, Eavex Research



Source: Bloomberg, Eavex Research



Source: Bloomberg, Eavex Research



Source: Bloomberg, Eavex Research

## Trump Says US Pulling Out of Nuclear Treaty with Russia

by Will Ritter  
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### NEWS

US President Trump announced on Saturday (Oct 20) that the United States intends to withdraw from the Intermediate Nuclear Forces (INF) treaty signed with Russia (then the Soviet Union) in 1987. The treaty bans the deployment of land-based nuclear-armed missiles with any range between roughly 500 and 5000km, thus leaving long-range missiles as each side's main land-based deterrent. The US has repeatedly accused Russia of violating the INF rules by deploying nuclear missiles in its westernmost province of Kaliningrad since 2014. Trump also complained that China, which is not a signatory to the INF, is exploiting the limitation on US missiles in the Far East to US disadvantage.

### COMMENTARY

Except for the escape of the Soviet satellite countries in Central Europe from the grip of Russian imperialism, The INF treaty's drastic reduction of nuclear arsenals was probably the single most tangible benefit that the West received from its so-called "victory" in the Cold War, which was (wrongly, in our view) declared over at the end of 1991. The apparent scrapping of the INF therefore indicates that relations between the US and Russia have deteriorated back to a level not seen since the Brezhnev era in the early 1980s. However, Trump's decision to withdraw from the nuclear treaty might actually be in Moscow's interest, as it could destabilize Europe by splitting the NATO alliance along hawkish and dovish lines; Germany has already criticized Trump's move, and we suspect that a number of other European governments will follow. Although the Obama administration had also accused Russia of INF violations, it adhered to a policy of staying in the treaty on the assumption that US nuclear deterrence against Russia remained satisfactory and that pulling out of the INF might only aggravate the situation further. For Ukraine, this development is quite tricky in diplomatic terms, as President Poroshenko will likely support the hawkish US position, thereby putting him at odds with most of the EU.

## MHP Reports 20% YoY Sales Rise for 3Q Due To Low Comparison Base

by Dmitry Churin  
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### NEWS

London-listed MHP (MHPC), Ukraine's largest poultry producer, reported a 19% YoY increase in its sales volume to 160,800 tonnes in 3Q18, according to an operational update published on Oct 18. MHP also said its UAH-denominated pricing for poultry rose by 2% in the quarter compared to a year earlier, and added that its production facilities continued to operate at full capacity. For 2018 overall (through September), the company reported that poultry sales volume is up by 7% YoY to 449,200 tonnes. Exports accounted for 48% of the volume in the period, up from 42% a year ago. In the sunflower oil segment, the 9M18 sales volume was down 1% YoY to 240,900 tonnes, with all of the sales being exports. MHP's grain segment saw a positive result, with this year's wheat harvest edging up by 0.7% to 295,900 tonnes despite overall lower harvest numbers in Ukraine compared to 2017. The yield for wheat was 6.1 tonnes per hectare this year compared to 6.0 tonnes per hectare in 2017 and 6.5 tonnes in 2016. MHP is operating a land bank of 365,000 hectares in Ukraine this year, a 30,000 hectare increase from 2017.

MHP OPERATIONAL UPDATE						
Poultry	3Q18	3Q17	Change	9M18	9M17	Change
Sales volume, tonnes	160,778	134,885	+19%	449,215	419,080	+7%
Price per 1 kg net VAT	40.38	39.72	+2%	39.66	34.06	+16%

Source: Companies' data

### COMMENTARY

The large 19% YoY sales volume increase in 3Q was mainly derived from an anomalously low comparison base from 3Q17, when the company saw a 13% YoY decline in sales volume due to low poultry inventories. Therefore, we assume that the sales volume increase would have been around 5% YoY under a normal comparison base. In the bigger picture, MHP's sales volume is up by 7% YoY for 2018 (Jan-Sept); the company launched the production sites of its so-called "Phase 2" facilities at the Vinnytsia poultry complex in May. Additionally, MHP said it has increased production of heavier chickens thanks to the new rearing sites at Phase 2. In USD terms, MHP's average achieved poultry price increased by 9% YoY in 9M18, the update reported. If this rise is borne out, it should bring some organic growth in both the company's top and the bottom lines. MHP's financial results for the third quarter and 9M18 are due on Nov 14.

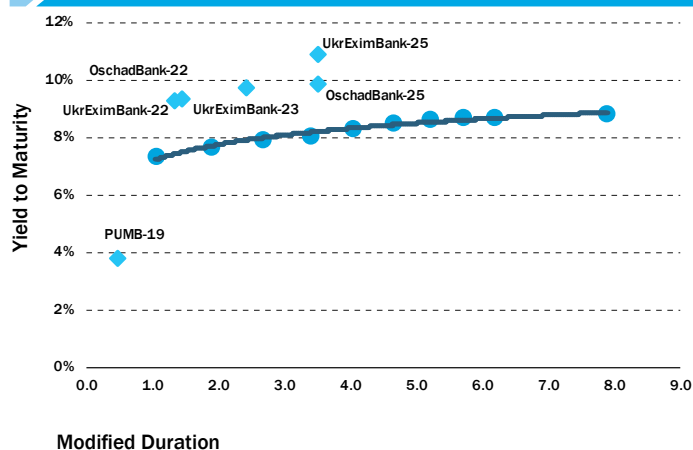
**UKRAINIAN EUROBONDS**

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 <sup>1</sup>
<b>Sovereign Eurobonds</b>												
Ukraine, 2019	100.6	101.3	0.1%	7.0%	6.1%	-11.1	0.8	7.75%	1 Sept 2019	1,744	USD	Caa2/B-/B-
Ukraine, 2020	100.9	101.4	0.6%	7.2%	6.9%	-36.1	1.7	7.75%	1 Sept 2020	1,780	USD	Caa2/B-/B-
Ukraine, 2021	100.4	101.1	0.4%	7.6%	7.3%	-14.8	2.5	7.75%	1 Sept 2021	1,409	USD	Caa2/B-/B-
Ukraine, 2022	99.2	100.0	0.2%	8.0%	7.7%	-5.9	3.2	7.75%	1 Sept 2022	1,384	USD	Caa2/B-/B-
Ukraine, 2023	97.7	98.4	0.4%	8.3%	8.1%	-9.5	3.9	7.75%	1 Sept 2023	1,355	USD	Caa2/B-/B-
Ukraine, 2024	96.0	97.0	0.4%	8.6%	8.4%	-7.4	4.5	7.75%	1 Sept 2024	1,339	USD	Caa2/B-/B-
Ukraine, 2025	94.2	95.2	0.2%	8.9%	8.7%	-4.5	5.1	7.75%	1 Sept 2025	1,329	USD	Caa2/B-/B-
Ukraine, 2026	93.0	94.0	0.4%	9.0%	8.8%	-6.8	5.6	7.75%	1 Sept 2026	1,318	USD	Caa2/B-/B-
Ukraine, 2027	91.9	92.9	0.3%	9.1%	8.9%	-4.4	6.1	7.75%	1 Sept 2027	1,307	USD	Caa2/B-/B-
Ukraine, 2032	85.1	86.1	0.4%	9.3%	9.2%	-4.6	7.8	7.38%	25 Sept 2032	3,000	USD	//B-
Ukraine, GDP-linked	52.2	53.2	3.5%	n/a	n/a	n/a	na	0.00%	31 May 2040	3,214	USD	/B-/
<b>Corporate Eurobonds</b>												
Agroton, 2019	16.0	20.6	0.0%	0%	0%	0	0.2	6.00%	14 Jul 2019	18	USD	//
Kernel, 2022	101.5	102.1	0.1%	8.2%	8.0%	-2	2.8	8.75%	31 Jan 2022	500	USD	/B/B+
MHP, 2020	103.4	104.3	0.3%	5.7%	5.1%	-22.0	1.3	8.25%	2 Apr 2020	750	USD	/B-/B-
MHP, 2024	99.8	100.3	0.0%	7.8%	7.7%	0.1	4.3	7.75%	10 May 2024	500	USD	//
MHP, 2026	93.3	93.7	0.6%	8.2%	8.1%	-10.6	5.6	6.95%	4 Apr 2026	550	USD	/B/B
Avangardco, 2018	21.0	22.2	-1.9%	0%	0%	0	0.0	10.00%	29 Oct 2018	206	USD	//
UkrLandFarming, 2018	20.3	22.1		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	101.2	102.2	0.0%	10.5%	10.3%	-0.1	4.5	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	96.0	96.2	0.8%	8.8%	8.8%	-21.5	3.7	7.75%	23 Apr 2023	945	USD	//B
Metinvest, 2026	95.3	95.7	0.9%	9.4%	9.3%	-15.9	5.4	8.50%	23 Apr 2026	648	USD	//B
Ferrexpo, 2019	102.0	103.1	0.0%	5.9%	3.4%	-14.0	0.4	10.38%	07 Apr 2019	186	USD	Caa3/CCC/CC
Ferrexpo, 2019	102.3	102.9	0.1%	5.3%	3.9%	-41.8	0.4	10.38%	07 Apr 2019	161	USD	Caa3/CCC/CC
UZ Rail, 2018	100.3	100.9	0.2%	9.7%	9.5%	-7.6	1.1	9.88%	21 May 2018	500	USD	/CCC+/CCC
Interepipe, 2017	30.0	33.4	0.0%	n/a	n/a	62.8	n/a	10.25%	2 Aug 2017	200	USD	IN DEFAULT
JKX Oil&Gas, 2020	85.2	95.2	0.0%	27.8%	18.1%	0.0	1.1	14.00%	19 Feb 2020	16	USD	//
<b>Bank Eurobonds</b>												
PUMB, 2018	101.0	101.7	-0.1%	5.3%	2.1%	-10.4	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	9.2	12.0	0.2%	n/a	n/a	n/a	1.1	11.00%	09 Feb 2021	220	USD	IN DEFAULT
PrivatBank, 2018	22.4	25.0	0.0%	n/a	n/a	n/a	n/a	10.88%	28 Feb 2018	175	USD	IN DEFAULT
UkrEximBank, 2022	101.8	102.2	0.2%	9.0%	8.9%	-6.0	n/a	9.63%	27 Apr 2022	750	USD	Caa3//CCC
UkrEximBank, 2023	94.8	96.4	-0.1%	11.3%	10.8%	9.1	4.0	9.00%	9 Feb 2023	125	USD	Caa3//CCC
UkrEximBank, 2025	100.3	100.7	0.2%	9.7%	9.6%	-3.7	2.7	9.75%	22 Jan 2025	500	USD	Caa3//CCC
Oschadbank, 2023	100.7	101.3	0.2%	9.2%	9.0%	-4.6	1.1	9.38%	10 Mar 2023	700	USD	Caa3//CCC
Oschadbank, 2025	100.0	100.5	-0.1%	9.6%	9.5%	2.4	2.3	9.63%	20 Mar 2025	500	USD	Caa3//CCC
<b>Municipal Eurobonds</b>												
City of Kyiv, 2015				n/a	n/a	n/a	n/a	8.00%	6 Nov 2015	101	USD	IN DEFAULT

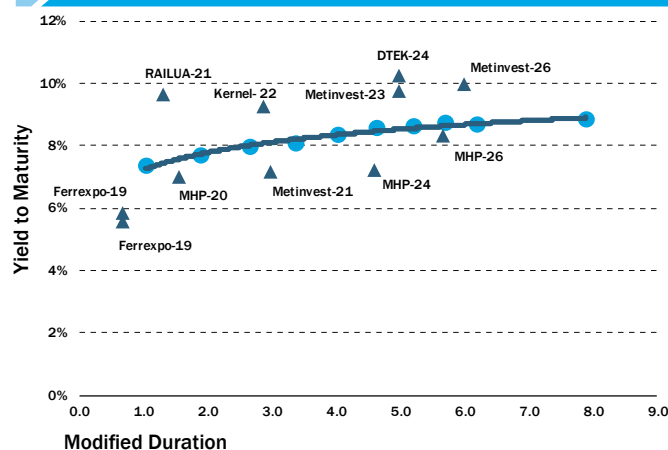
<sup>1</sup> Moody's/S&P/Fitch

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
<b>UAH denominated Bonds</b>									
UA80426			19.50%	17.80%	n/a	n/a	S/A	10 Apr .2019	n/a
<b>VAT Bonds</b>									
UA4000185151			20.00%	18.00%	1.9	9.50%	S/A	8 Jul 2019	3,577
UA4000185557			20.00%	18.00%	1.9	9.50%	S/A	22 Jul 2019	2,171
UA4000186159			20.00%	18.00%	1.9	9.50%	S/A	20 Aug 2019	955

Source: Bloomberg, Cbonds, Eavex Research

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