

Trends

Ukrainian sovereign Eurobonds ended lower last week amid ongoing concerns about when the country will actually receive a USD 1.3bn loan installment from the IMF previously expected by the end of May. The Washington-based fund said it intends send its monitoring mission to Kyiv within the next two weeks. Ukraine continues to have significant external financing needs and requires stable access to foreign funding, as the country needs to redeem USD 1.6bn in foreign currency debt by the end of this month. Total debt servicing and repayments for 2019 are estimated at USD 5.1bn.

The longest outstanding sovereigns, Ukraine-32s declined by 1.0% last week to close at 87.5/88.5 (9.1%/9.0%), while medium-term Ukraine-24s were 0.4% lower at 94.1/95.1 (9.4%/9.1%). The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) edged down by 0.3% to 63.8/64.8 cents on the dollar.

In corporate Ukrainian Eurobonds, Kernel-22s dropped by 0.8% to 99.9/101.4 (9.0%/8.3%) and MHP-26s were little-changed at 90.8/91.8 (8.9%/8.7%). The DTEK-24s issue fell 0.9% to 96.0/97.5 (10.4%/10.0%).

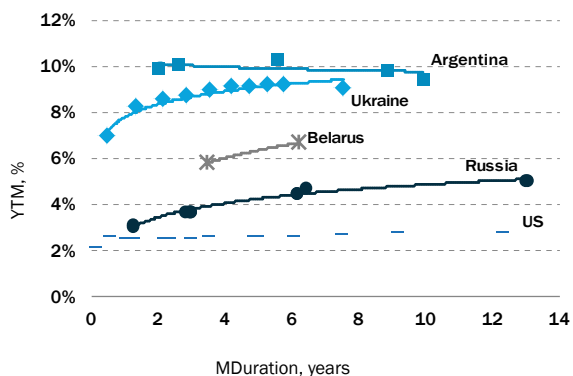
In quasi-sovereign banking issues, OschadBank-23s saw only a marginal drop of 0.2%, to 98.4/99.4 (10.5%/9.9%), after JP Morgan downgraded the Eurobonds of state-owned OschadBank (due in 2023 and 2025) and UkreximBank (due in 2022 and 2025) from "neutral" to "underweight".

On the local bond market, quotes for the government's 1-year UAH-denominated treasuries stood at bid/ask of 19.50%/18.00%. The Finance Ministry sold 1-year local UAH-denominated bonds at 18.33% on May 7. MinFin also placed UAH-denominated 4-year bonds at 16.00%, signaling that market hryvnia interest rates are starting to follow the lead of the NBU's rate cut last month.

The hryvnia once again demonstrated unexpected strength, gaining 1.1% to 26.20 UAH/USD. The local currency's impressive performance was especially surprising after the NBU said Ukraine's foreign currency reserves decreased by 0.5% to USD 20.5bn in April. On the positive side, the National Bank said it was able to make USD 300mn in net purchases of hard currencies from the interbank market last month. Currently the forex reserves cover 3.4-months of future imports, which is widely viewed as a sufficient level of reserves for the country

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

SOVEREIGN BOND YIELD CURVES



Source: Bloomberg, Eavex Capital

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	17.5%	-0.5 p.p.	-0.5 p.p.
Ukraine-2024	9.4%	0.1 p.p.	-1.1 p.p.
Ukraine-2032	9.1%	0.1 p.p.	-1.0 p.p.

CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	26.20	-1.1%	-5.3%
EUR/UAH	29.45	-0.3%	-7.1%

Source: Eavex Capital

Highlights

- > Giuliani Cancels Ukraine Trip after Zelensky Refuses to Meet Him
- > Ukraine's Consumer Inflation Inches Up to 8.8% YoY in April

Giuliani Cancels Ukraine Trip after Zelensky Refuses to Meet Him

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

NEWS

US President Trump's personal lawyer Rudolph Giuliani canceled a highly-publicized trip to Kyiv after incoming president Volodymyr Zelenskiy refused to meet with him, the British newspaper The Independent reported on Saturday (May 11). Giuliani had planned the trip to encourage Zelenskiy to continue Ukrainian investigations into two key topics for US domestic politics: first, whether the son of US Democratic politician Joseph Biden was involved in improper influence activities while working on the board of Ukrainian gas extraction company Burisma Holdings; and second, whether MP Serhiy Leschenko and elements in Ukraine's National Anti-Corruption Bureau (NABU) conspired to feed damaging information about former Trump campaign manager Paul Manafort to the Democratic Party's national committee and/or US media outlets. Anonymous sources close to Zelenskiy said he did not wish to get involved in a matter which he believes concerns US domestic politics. Giuliani had previously met this year with General Prosecutor Yuriy Lutsenko, who had opened the investigations. The issue has received wide coverage in pro-Trump media in the United States.

COMMENTARY

It appears that Giuliani, possibly acting on the instructions of Trump himself, intended to ask Zelenskiy to allow Lutsenko to stay on as General Prosecutor so that Lutsenko could continue these investigations. Yet Giuliani seemed to be unaware of the obvious core problem with this strategy: Lutsenko is one of the most discredited officials in Ukraine. He has a dismal, even non-existent, record of fighting domestic corruption, and Zelenskiy previously made a public promise to fire him as soon as he becomes president in early June. The US media coverage of this issue over the past couple of months has been fueled by what we consider to be dodgy reporting from US journalist John Solomon which has been published in the center-right US news outlet The Hill. Our concern is that Solomon's articles have relied extensively on testimony from Lutsenko and from his predecessor at the PGO, Victor Shokin, a figure who is held in even lower regard than Lutsenko by anti-corruption watchdogs. Also, as we have stated previously, if there was indeed some type of collusion between Leschenko/NABU and pro-Democratic US media, Trump should be grateful for the incompetence of the operation, as it diverted attention away from Trump's own history of pro-Russian statements and toward the consulting activity of Manafort, who functioned as an expendable lightning rod. Manafort ended up paying a high personal price with a 7-year prison sentence for tax evasion, but US special prosecutor Robert Mueller was unable to tie any of Manafort's activities to a larger conspiracy with Russia involving Trump himself. Although we believe that Zelenskiy made the proper decision to decline to get involved in this story, there is a risk that Trump, who has never been particularly friendly to Ukraine, could see it as a justification to take future actions detrimental to Ukrainian interests. This is especially the case now that key pro-Ukrainian Republican establishment figures have been forced out of the Trump administration and been replaced by officials with worldviews nearer to Trump's own.

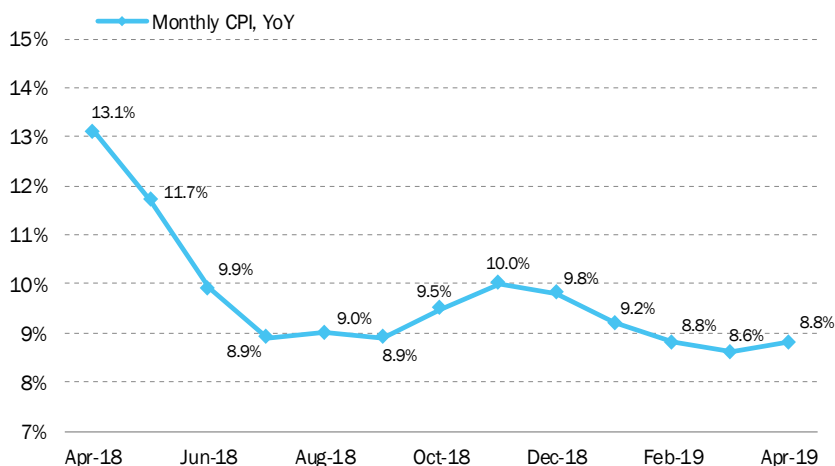
Ukraine's Consumer Inflation Inches Up to 8.8% YoY in April

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

NEWS

Ukraine's State Statistics Committee (UkrStat) reported that rolling 12-month consumer inflation rose slightly, to 8.8% in April from 8.6% in March and 8.8% in February, according to official data released on May 8. UkrStat said that CPI inflation during the month of April alone was 1.0% MoM after 0.9% MoM for March. For 4M19 (a slightly different measurement of full-year inflation than the 12-month rolling figure) the CPI index growth was unchanged from March at 8.9% YoY.

UKRAINE'S ROLLING 12-MONTH CPI



Source: State Statistics Committee

COMMENTARY

The actual inflation figure of 8.8% YoY for April came in above our forecast of 8.1% because of an unexpected 12.6% MoM surge in vegetable prices last month which was caused by lower harvest inventories and higher prices for imported vegetables (food staple prices carry a very heavy weight in the UkrStat CPI basket). Meanwhile, the utility service component of the CPI rose by only 0.2% MoM, restraining overall inflation from a more considerable acceleration in April.

Currently we expect that inflation in May will come in at 0.4% MoM, which would pull headline inflation back down to 8.3%. The National Bank has a forecast that consumer inflation in the country will slow to 6.3% by the year-end.

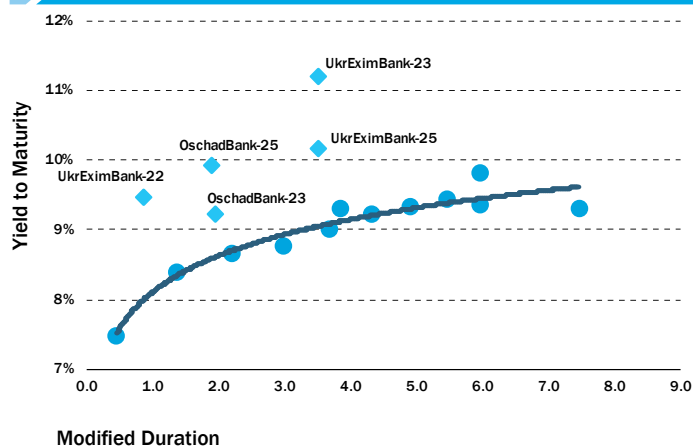
SELECTED UKRAINIAN EURO BONDS

Issue	Price Bid	Price Ask	Price ch., W/W, %	YTM Bid, %	YTM Ask, %	Coupon	Maturity Date	Volume USD mn	Currency	Ratings ¹
Sovereign Eurobonds										
Ukraine, 2020	95.5	96.3	0.0%	9.1%	8.9%	7.75%	1 Sept 2020	1,365	USD	Caa1/B-/B-
Ukraine, 2024	94.1	95.1	-0.4%	9.4%	9.1%	7.75%	1 Sept 2024	1,339	USD	Caa1/B-/B-
Ukraine, 2028	102.1	103.1	-0.5%	9.6%	9.5%	9.75%	1 Nov 2028	1,600	USD	Caa1/B-/B-
Ukraine, 2032	87.5	88.5	-1.0%	9.1%	9.0%	7.38%	25 Sept 2032	3,000	USD	Caa1//B-
Ukraine, GDP-linked	63.8	64.8	-0.3%	2.2%	2.1%	0.00%	31 May 2040	3,214	USD	/B-/
Corporate Eurobonds										
Kernel, 2022	99.9	101.4	-0.8%	9.0%	8.3%	8.75%	31 Jan 2022	500	USD	/B/B+
MHP, 2026	90.8	91.8	-0.1%	8.9%	8.7%	6.95%	4 Apr 2026	550	USD	B3/B/B
DTEK, 2024	96.0	97.5	-0.9%	10.4%	10.0%	10.75%	12 Dec 2024	1,275	USD	//
Metinvest, 2026	97.8	98.8	0.0%	9.1%	8.9%	8.50%	23 Apr 2026	648	USD	B3//B
UZ Rail, 2021	98.5	101.5	0.0%	11.6%	8.5%	9.88%	15 Sept 2021	350	USD	/CCC+/CCC
Bank Eurobonds										
UkrEximBank, 2022	100.0	101.0	n/a	9.9%	9.2%	9.63%	27 Apr 2022	750	USD	Caa3//CCC
UkrEximBank, 2023	92.8	94.8	-0.1%	12.6%	11.0%	9.00%	9 Feb 2023	125	USD	Caa3//CCC
UkrEximBank, 2025	97.4	98.4	0.1%	11.1%	10.7%	9.75%	22 Jan 2025	500	USD	Caa3//CCC
Oschadbank, 2023	98.4	99.4	-0.2%	10.5%	9.9%	9.38%	10 Mar 2023	700	USD	Caa3//CCC
Oschadbank, 2025	99.0	99.7	0.0%	10.4%	10.0%	9.63%	20 Mar 2025	500	USD	Caa3//CCC

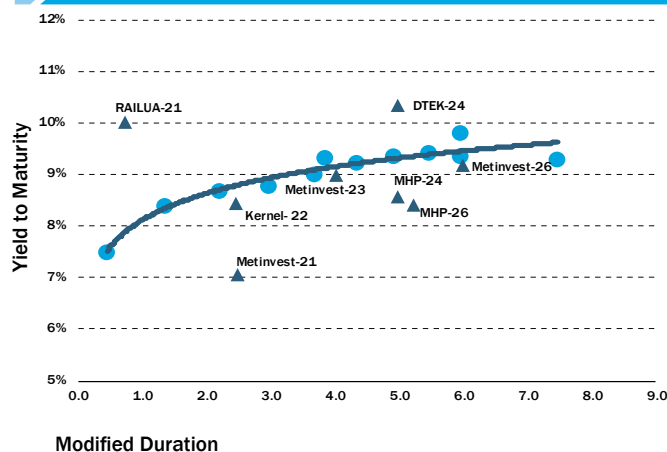
¹ Moody's/S&P/Fitch

Source: TR Data, Eavex Research

SOVEREIGNS vs. BANKING EURO BONDS



SOVEREIGNS vs. CORPORATE and MUNICIPAL EURO BONDS



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									
UA4000195580			19.50%	18.00%	n/a	n/a	S/A	04 Sept 2019	n/a
UA4000196620			19.50%	18.00%	n/a	n/a	S/A	15 Jan 2020	n/a
UA4000200174			19.60%	18.30%	n/a	n/a	S/A	20 Jan 2021	n/a
UAH denominated Bonds									
UA4000201743			7.50%	5.15%	n/a	5.65%	S/A	22 Jul 2021	USD 83mn

Source: TR Data, 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

RESEARCH

Dmitry Churin

Head of Research

d.churin@eavex.com.ua

Will Ritter

Research editor

w.ritter@eavex.com.ua

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