

Trends

Ukrainian sovereign Eurobonds saw only light activity last week, with the 2024 issue edging down by 0.4% to 94.5/95.5 (9.3%/9.0%) and the longest outstanding bond, Ukraine-32s, inching up by 0.2% to close at 88.5/89.3 (9.0%/8.9%).

Among the most-discussed topics about Ukraine was a statement from Russian President Putin that Ukraine's future natural gas supply fully depends on maintaining the transit of Russian gas to West/Central Europe. The CEO of Ukraine's state energy giant Naftogaz Andriy Kobolev responded that Putin's statement is "the start of negotiations". Ukraine's contract for Russian natural gas transit to Europe expires at the end of this year, with no understanding about what the terms of the new contract could be. However, there are some optimistic expectations that Moscow will be unable to terminate gas transit through Ukraine starting in 2020 as alternative pipelines, in particular the Nord Stream-2 to Germany, are not ready. Kobolev said he hopes the parties will be forced to come to an agreement based on European rules. The operation under European rules would allow Ukraine to switch its gas transmission points to the east side of the pipeline from the current locations on western (EU) border, which hurts Ukrainian energy interests.

In corporate Ukrainian Eurobonds, quotes for the Metinvest-26 issue declined by 1.5% to 97.8/99.8 (9.1%/8.9%) and DTEK-24s fell 0.7% to 96.8/98.3 (10.2%/9.8%).

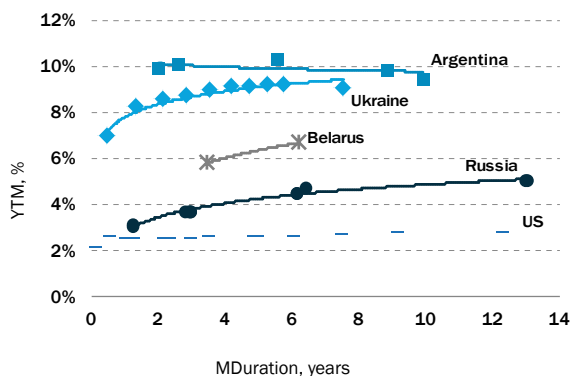
In quasi-sovereign banking issues, OschadBank-25s dropped by 0.8% to 98.8/99.8 (10.5%/9.9%).

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 did not conduct any domestic bond auctions during the holiday-shortened 2-day working week in the country.

The hryvnia was essentially inactive over the week. The national currency inched down 0.3% against the dollar to close at 26.50 UAH/USD.

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	9.3%	0.2 p.p.	-1.2 p.p.
Ukraine-2032	9.0%	0.1 p.p.	-1.1 p.p.

CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	26.50	0.3%	-4.3%
EUR/UAH	29.54	-0.1%	-6.8%

Source: Eavex Capital

Highlights

- > Zelenskiy Still Hagglng with MPs Over Inauguration Date

Zelenskiy Still Haggling with MPs Over Inauguration Date

by Will Ritter
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NEWS

Incoming president Volodymir Zelenskiy requested an inauguration date of May 19 at a meeting with top Ukrainian parliamentarians on Saturday (May 4), but he was rebuffed by Parliament Speaker Andriy Parubiy, who offered a date of May 28. The difference is significant because after May 27, Zelenskiy would be legally barred from dismissing Parliament and calling an early election. The election is currently scheduled to take place at the end of October. By law, Zelenskiy must be inaugurated within 30 days of the official certification of results, which falls on June 1. No further clarity on the issue is likely until the next meeting of Parliament on May 14. If he were to take office on May 19, Zelenskiy would legally be able to disband Parliament prior to May 27 because of the absence of a working 226-MP coalition in the legislature (due to several prior defections from President Poroshenko's BPP bloc). If the coalition formally collapses, there is a 30-day waiting period for a new coalition, followed by a 60-day campaign period.

COMMENTARY

In our view, it is not a promising sign that Zelenskiy is already getting stonewalled by Parliament before he even takes office. The protracted haggling makes Zelenskiy look ineffective, which is the major concern heading into his presidency, as there is no doubt that he is well-intentioned. It seems to us that Zelenskiy is wasting too much of his early political capital on uncertainty over the parliamentary election; at this point, we don't believe that moving the election up by (at most) a couple of months would be worth the trouble. We also note that the summer is a bad time for elections in Ukraine, as many people are on vacation and not present in their voting districts; out of 14 national elections in Ukraine's history (7 presidential and 7 parliamentary), only one - the 1994 presidential vote won by Leonid Kuchma - was held in summer. Clearly, Speaker Parubiy and the ruling (in coalition with the BPP) People's Front faction that he leads have little incentive to give up their power early in order to aid the prospects of a rival party - Zelenskiy's Servant of the People party - in the next election. In terms of where Zelenskiy intends to position his party, we have been quite surprised by his initial confrontational statements toward the Russian regime of President Putin. Although it is encouraging to see that Zelenskiy intends to play on a pro-Ukrainian field, this is likely to cost him in electoral terms, as Zelenskiy's most committed voter base is in the Russophone cities of southeastern Ukraine. If this strategy continues, by October Servant of the People could be expected to lose significant support to the more traditional pro-Russian parties, Opposition Bloc and Za Zhyttia, which it would be hard-pressed to make up in support from pro-Western Ukrainophone voters.

Unfortunately, we are all too able to envision a scenario in which Zelenskiy lacks strong representation in Parliament and sees his presidential powers stripped away by Ukraine's longstanding political-business clans via so-called "constitutional reform" in the coming year.

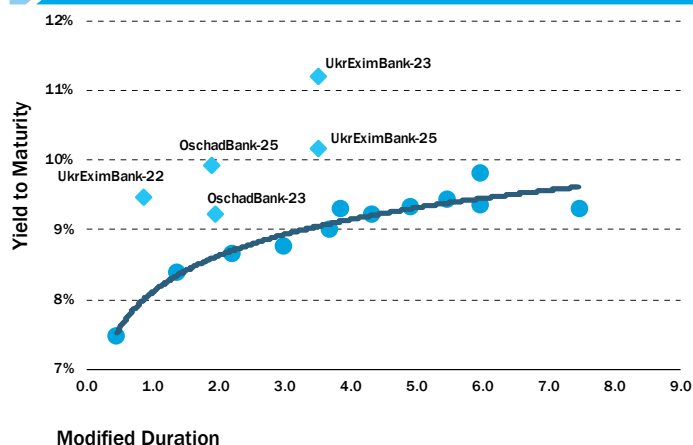
SELECTED UKRAINIAN EUROBONDS

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	94.5	95.5	-0.5%	9.3%	9.0%	7.75%	1 Sept 2024	1,339	USD	Caa1/B-/B-
Ukraine, 2028	102.5	103.5	4.3%	9.5%	9.4%	9.75%	1 Nov 2028	1,600	USD	Caa1/B-/B-
Ukraine, 2032	88.5	89.3	0.2%	9.0%	8.9%	7.38%	25 Sept 2032	3,000	USD	Caa1//B-
Ukraine, GDP-linked	64.0	65.0	0.3%	2.1%	2.1%	0.00%	31 May 2040	3,214	USD	/B-/
Corporate Eurobonds										
				0.0%	0.0%					
Kernel, 2022	100.7	102.2	0.0%	8.6%	8.0%	8.75%	31 Jan 2022	500	USD	/B/B+
MHP, 2026	91.0	92.0	-0.7%	8.9%	8.7%	6.95%	4 Apr 2026	550	USD	B3/B/B
DTEK, 2024	96.8	98.3	-0.7%	10.2%	9.8%	10.75%	12 Dec 2024	1,275	USD	//
Metinvest, 2026	97.8	98.8	-1.5%	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	n/a	n/a		n/a	n/a	9.63%	27 Apr 2022	750	USD	Caa3//CCC
UkrEximBank, 2023	92.9	94.9	-0.3%	12.4%	10.8%	9.00%	9 Feb 2023	125	USD	Caa3//CCC
UkrEximBank, 2025	97.3	98.3	-1.1%	11.2%	10.7%	9.75%	22 Jan 2025	500	USD	Caa3//CCC
Oschadbank, 2023	98.6	99.6	-1.0%	10.4%	9.8%	9.38%	10 Mar 2023	700	USD	Caa3//CCC
Oschadbank, 2025	98.8	99.8	-0.8%	10.5%	9.9%	9.63%	20 Mar 2025	500	USD	Caa3//CCC

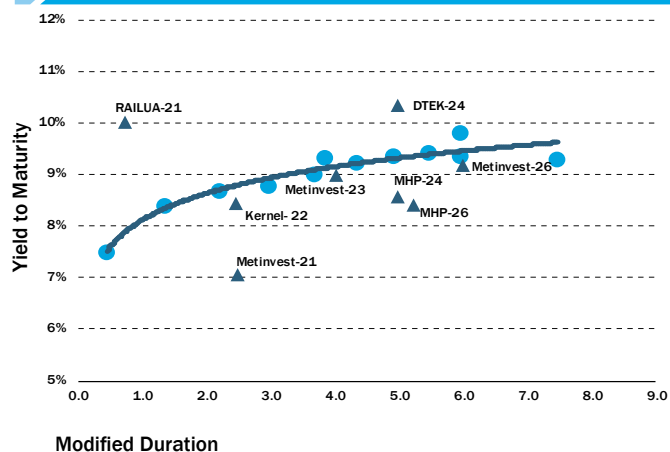
¹ Moody's/S&P/Fitch

Source: TR Data, 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									
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

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