

Trends

Quotes for Ukrainian sovereign Eurobonds rallied for the second week in a row, finding aggressive purchases from risk-tolerant investors who cheered the US presidential election victory of Joseph Biden over incumbent Donald Trump. Big gains were seen despite a national budget deficit projected at 6.0% of GDP for 2021. Meanwhile, cooperation with the IMF is on hold, as only 4 out of 10 structural requirements have been implemented so far in relation to the approval of the next payout from the lender.

The Ukraine-28s issue advanced by an impressive 4.5% to 113.4 (7.6% YtM), and medium-term benchmark issue Ukraine-25s was similarly up by 4.3% to 106.5 (6.3% YtM). The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) rose 2.9% to 89.8 cents on the dollar. Preliminary estimates from the Economics Ministry said that Ukraine's GDP dropped by 3.6% YoY in 3Q20 and by 5.5% YoY in 9M20.

In corporate Eurobonds, the recently placed Kernel-27s issue started to trade at 99.5/100.5 (6.9%/6.8%). Kernel-22s, which are going to be refinanced with proceeds from the new bond, edged up by 0.4% to 104.3 (5.1% YtM). EUR-denominated NaftoGaz-24s added 1.6% to 94.5 (8.4% YtM) and MHP-29s grew by 1.0% to 96.5 (6.8% YtM).

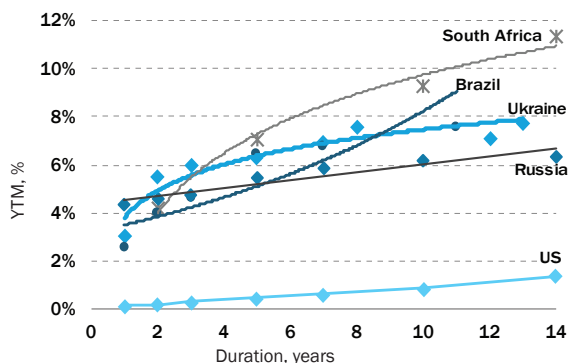
UkrEximBank-23s declined by 0.8% to 98.2 (8.7% YtM) after the bank posted a net loss of UAH 329mn for 3Q20, bringing its total loss for 9M20 to UAH 2.25bn. OschadBank-25s rose by 1.7% to 103.5 (8.1% YtM) as the bank reported a net profit of UAH 1.14bn for 3Q20 and UAH 4.74bn for 9M20.

At the primary auction for UAH-denominated treasuries, there was once again a standoff where the Finance Ministry refused to increase its offered yield while market players were unwilling to accept a 10.3% coupon for a 1-year bond. The report from the auction said there were bids for 1-year bonds at a yield range of 10.75-11.50%. Instead, the Finance Ministry raised UAH 1.9bn mainly from placing a 4-month bond at 7.50%. The bid side for 1-year UAH-bond on the secondary market was at 11.5% over the week while the ask side was at 9.7%.

The hryvnia moved up by a notable 1.3% to 28.15 UAH/USD amid the broad weakness of the dollar against other currencies. The National Bank reported last week that its foreign currency reserves declined by USD 400mn to USD 26.1bn in October. It is estimated that the reserves currently cover 4.4-months of future imports, which indicates a comfortable level.

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

SOVEREIGN BOND YIELD CURVES



Source: Bloomberg, Eavex Capital

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	6.0%	0.0 p.p.	-7.5 p.p.
UAH 1-year bond	11.5%/9.7%	+0.1 p.p.	+0.3 p.p.
Ukraine-2025	7.6%	0.3 p.p.	1.0 p.p.
Ukraine-2028	8.7%	0.3 p.p.	1.7 p.p.

CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	28.15	-1.3%	18.8%
EUR/UAH	33.39	0.5%	26.4%

Source: Eavex Capital

Highlights

- > Zelenskiy Quick to Congratulate Biden After Narrow Victory Over Trump

Zelenskiy Quick to Congratulate Biden After Narrow Victory Over Trump

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NEWS

Democratic Party challenger and former Vice President Joseph Biden narrowly defeated Republican Party incumbent Donald Trump in the US presidential election last Tuesday (Nov 3), official state results show. All major US media organizations declared Biden the winner on Saturday (Nov 7) after a long counting process. In the US “electoral votes” points system, Biden won 4 key states by a margin of less than 1%, with the likely final electoral vote tally at 306 for Biden to 232 for Trump, and he also leads in the national popular vote by 75.4 million to 71.1 million. President Zelenskiy was quick to join key European allies of the US in congratulating Biden on Saturday after the media announcements, writing on his social media account, “Ukraine is optimistic about the future of the strategic partnership with the United States... our friendship becomes only stronger.”

COMMENTARY

Trump over-performed pre-election polling by several percent, making the vote closer than expected, but Biden had enough of a cushion that he was ultimately able to emerge as the victor with little ambiguity. In our view, a Biden presidency will offer Ukraine, and indeed most of Europe, more predictable, friendly, and stable relations with Washington. Although US-Ukraine relations have avoided any major disasters during Trump’s tenure, we believe this is largely because of revelations at the start of Trump’s term about his pro-Russian sympathies which kept him on the defensive in regard to Russia and Ukraine for much of his time in office. This situation prevented Trump from lifting US sanctions and making any deals with the Kremlin that would have sold out Ukraine’s security and sovereignty. Indeed, Ukraine is fortunate that it was the Obama/Biden administration, and not the Trump administration, that was in power during the period and aftermath of the 2014 EuroMaidan pro-Western uprising, as the outcome could have been much different without unyielding US support. The coordinated economic sanctions imposed by the Obama administration and the European Union in the autumn of 2014 turned out to be quite successful in deterring further Russian military aggression against Ukraine. Meanwhile, the highlight of the Trump administration’s support for Kyiv was a largely symbolic deal to sell a batch of Javelin missiles to the country’s armed forces while maintaining some of the Obama-era Russia sanctions (reportedly against Trump’s wishes). We think the Zelenskiy administration should not expect any major initiatives from the Biden administration in its early days, as Biden will be preoccupied with the domestic issues on which he ran his successful campaign. However, we will not be surprised if Zelenskiy becomes one of the first foreign leaders invited to visit the White House in the Biden presidency.

SELECTED UKRAINIAN EURO BONDS

Issue	Indicative Price	Price ch., W/W, %	YTM, %	Coupon	Maturity Date	Volume USD mn	Currency	Ratings ¹
Sovereign Eurobonds								
Ukraine, 2021	103.7	0.4%	3.1%	7.75%	1 Sept 2021	974	USD	B3/B/B
Ukraine, 2025	106.5	4.3%	6.3%	7.75%	1 Sept 2024	1,328	USD	B3/B/B
Ukraine, 2028	113.4	4.5%	7.6%	9.75%	1 Nov 2028	1,600	USD	B3/B/B
Ukraine, 2032	102.2	7.0%	7.1%	7.38%	25 Sept 2032	3,000	USD	B3//B
Ukraine, GDP-linked	89.8	2.9%			31 May 2040	3,214	USD	/B/
Corporate Eurobonds								
Kernel, 2022	104.3	0.4%	5.1%	8.75%	31 Jan 2022	500	USD	/B/BB-
MHP, 2026	101.5	1.2%	6.7%	6.95%	4 Apr 2026	550	USD	B3/B/B
MHP, 2029	96.5	1.0%	6.8%	6.25%	19 Sept 2029	350	USD	B3/B/B
DTEK, 2024	65.8	-0.3%	n/a	10.75%	12 Dec 2024	1,275	USD	//
Metinvest, 2026	102.3	1.6%	8.1%	8.50%	23 Apr 2026	648	USD	B3/B/BB-
NaftoGaz, 2024	96.0	1.6%	8.4%	7.125%	19 Jul 2024	600	EUR	//
Bank Eurobonds								
UkrEximBank, 2023	98.2	-0.8%	8.7%	9.00%	9 Feb 2023	125	USD	B3//B
UkrEximBank, 2025	103.2	0.2%	7.2%	9.75%	22 Jan 2025	600	USD	B3//B
Oschadbank, 2023	101.9	0.0%	8.0%	9.38%	10 Mar 2023	700	USD	B2//B
Oschadbank, 2025	103.5	1.7%	8.1%	9.63%	20 Mar 2025	250	USD	B2//B

¹ Moody's/S&P/Fitch

Source: Boerse-Berlin, Boerse-Stuttgart. cbonds, TR Data, Eavex Research

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									
UA4000195176			11.0%	9.5%	n/a	n/a	S/A	11 Aug 2021	n/a
UA4000204556			11.5%	9.7%	n/a	n/a	S/A	17 Nov 2021	n/a
UA4000203236			11.5%	10.0%	n/a	n/a	S/A	05 Jan 2022	n/a
UA4000204002			11.5%	10.2%	n/a	n/a	S/A	11 May 2022	n/a
UA4000201255			12.5%	10.5%	n/a	n/a	S/A	24 May 2023	n/a
UA4000204150			13.0%	10.9%	n/a	n/a	S/A	26 Feb 2025	n/a
UAH denominated Bonds									
UA4000204853			4.0%	3.0%	n/a	n/a	S/A	29 Jul 2021	USD 350mn

Source: TR Data, Eavex Research

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