

## Trends

Ukrainian sovereign Eurobonds ended mixed last week having no particular reaction to the news that the IMF mission has completed its first review of a USD 15.6bn loan program for Ukraine, and the country has met the required conditions, paving the way for a payout of around USD 900mn. The IMF said that overall, Ukrainian macroeconomic and financial stability have been maintained, thanks to prudent policymaking as well as continuous and timely external support. Nevertheless, major challenges persist: the fiscal deficit remains very high, entailing continued large financing needs covered by external grants and highly concessional loans. Protecting core functions of the state under existing financing constraints will continue to require the authorities to navigate difficult policy tradeoffs. Repealing amendments to revenue mobilization legislation under Martial law, as appropriate, while avoiding new measures that might erode tax revenues will be crucial.

The long-term Ukrainian debt issue with maturity in 2034 declined by 1.1% to 17.4 (50% YTM) while Ukraine-26s gained by 7.7% to 19.7 (96% YTM). The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) were unchanged at 25 cents on the dollar.

Eurobonds of steel&mining group Metinvest-26s rose by 0.9% to 64.6 (29% YTM) and quotes for quasi-sovereign issue NaftoGaz-26s surged by 22% to 24.8 (73% YTM).

The Finance Ministry placed an equivalent of UAH 11.3bn of government bonds last week including a 1-year USD-denominated domestic bond for USD 110mn at 4.85%. The offered yield for UAH-denominated bond with maturity in 2026 remained unchanged at 19.75%. Similar government bonds on the exchange market have indicative bid/ask quotes with yields of 22.5%/20.1%.

On the currency market, the hryvnia gained by 1.1% against the dollar on the cash market to close at 37.20 UAH/USD. Meanwhile, the National Bank continued to inject hard currency into the interbank market to balance the demand. The regulator sold USD 442mn from the FX reserves last week.

## Highlights

- Sullivan: US Expects "Strategically Significant" Gains from Ukraine Offensive

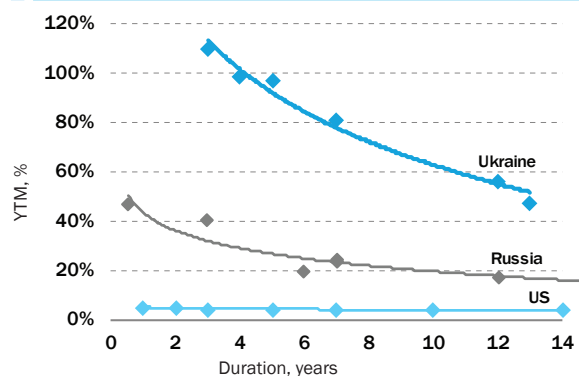
The National Bank of Ukraine has opened a special fundraising account to support the Armed Forces of Ukraine. Please find more at the National Bank's official website under the link below:

[www.bank.gov.ua/en/about/support-the-armed-forces](http://www.bank.gov.ua/en/about/support-the-armed-forces)

The National Bank also opened fundraising account for Humanitarian Assistance to Ukrainians. Please see details under the link below:

[www.bank.gov.ua/en/about/humanitarian-aid-to-ukraine](http://www.bank.gov.ua/en/about/humanitarian-aid-to-ukraine)

### SOVEREIGN BOND YIELD CURVES



Source: Bloomberg, Eavex Capital

### FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	0.0 p.p.
UAH 1-year	18.5%	0.0 p.p.	+2.5 p.p.
Ukraine-2026	96.1%	-4.6 p.p.	14.4 p.p.
Ukraine-2034	49.5%	1.2 p.p.	4.1 p.p.

### CASH EXCHANGE RATES

	Last, UAH	1W chg.	YTD
USD/UAH	37.20	-1.1%	-8.4%
EUR/UAH	40.38	-1.1%	-5.0%

Source: Eavex Capital

## Sullivan: US Expects “Strategically Significant” Gains from Ukraine Offensive

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

### NEWS

US National Security Council director Jake Sullivan said that the Biden administration believes that “this [planned] counteroffensive will allow Ukraine to take strategically significant territory back from Russia”, in remarks which aired on Sunday (Jun 4) on US television outlet CNN. Sullivan declined to specify the areas which he expects Ukraine to recapture, saying “exactly how much [territory], in which places, will be up to the situation on the ground as the Ukrainians get this counteroffensive under way”. When asked whether the Biden administration expects Ukraine to enter negotiations on a peace deal or armistice by the end of 2023, Sullivan answered that “I am not going to put a timetable on it... but what I will say is this: President Zelenskiy himself has said that this war will end, ultimately, in diplomacy”. Meanwhile, on the ground, Ukrainian airstrikes were reported on Russian positions in the occupied cities of Melitopol and Berdyansk in Zaporizhia province in the south of the country over the weekend, while Russia was reported to have made minor gains at Mariynka on the front lines near Donetsk city.

### COMMENTARY

Jake Sullivan is a rather unpopular figure in the pro-Ukrainian information space, as he is often viewed as the architect of the Biden administration’s sometimes-lukewarm stance on supporting President Zelenskiy’s war aims. These latest comments, which are conspicuously absent of any references to “Ukrainian victory” or the full restoration of Ukraine’s internationally recognized borders, are unlikely to improve Sullivan’s standing. In general, dissatisfaction with the Biden administration among Ukraine hawks appears to be on the rise, with the potential for confrontation within the West growing over what the desired endgame scenario of the war is. Sullivan’s refusal to put a timetable on negotiations confirms our view that, barring a sudden collapse of the Putin regime, hostilities are now likely to continue into 2024 or even beyond. We believe that the US is focused on helping Ukraine to make a successful push toward Berdyansk on the Azov seacoast, a movement which would cut off Russian supplies to the occupied parts of Kherson and Zaporizhia provinces, likely resulting in their liberation. With the fighting season lasting approximately until early- or mid-November, Ukraine has around 5 months to make these gains, we think.

SELECTED UKRAINIAN EURO BONDS								
Issue	Indicative Price	Price change in one week	YTM, %	Coupon	Maturity Date	Volume USD mn	Currency	Ratings <sup>1</sup>
<b>Sovereign Eurobonds</b>								
Ukraine, 2024	16.9	-0.6%	375%	7.75%	1 Sept 2024	912	USD	Caa3/CCC/CC
Ukraine, 2026	19.7	7.7%	96%	7.75%	1 Sept 2026	1,339	USD	Caa3/CCC/CC
Ukraine, 2028	16.2	-3.0%	76%	7.75%	1 Sept 2028	1,318	USD	Caa3/CCC/CC
Ukraine, 2030	17.2	-4.4%	71%	9.75%	1 Nov 2030	1,600	USD	Caa3/CCC/CC
Ukraine, 2034	17.4	-1.1%	50%	7.38%	25 Sept 2034	3,000	USD	Caa3/CCC/CC
Ukraine, GDP-linked	25.0	0.0%			31 May 2040	3,239	USD	//
<b>Corporate Eurobonds</b>								
MHP, 2026	51.1	3.2%	39%	6.95%	4 Apr 2026	550	USD	//
Kernel, 2027	53.7	0.8%	25%	6.75%	27 Oct 2027	300	USD	//
DTEK Energy, 2027	41.9	19.7%	34%	5.00%	31 Dec 2027	1,645	USD	//
Metinvest, 2026	64.6	0.9%	29%	8.50%	23 Apr 2026	648	USD	Caa3//CCC
Metinvest, 2029	45.0	0.0%	27%	7.75%	17 Oct 2029	500	USD	Caa3//CCC
NaftoGaz, 2026	24.8	22.2%	73%	7.625%	8 Nov 2026	500	USD	//
Ukrainian Railways, 2026	20.0	5.3%	96%	8.25%	9 Jul 2026	500	USD	//C
<b>Bank Eurobonds</b>								
UkrEximBank, 2025	46.4	0.0%	60%	9.75%	22 Jan 2025	600	USD	//
OschadBank, 2025	81.6	4.1%	26%	9.38%	20 Mar 2025	150	USD	//

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

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

## Eavex Capital

7 Klovsky uzviz, 16th Floor  
Carnegie Center  
Kyiv, 01021, Ukraine

Telephone: +38 044 590 5454  
E-mail: [research@eavex.com.ua](mailto:research@eavex.com.ua)  
Web-page: [www.eavex.com.ua](http://www.eavex.com.ua)

Yuriy Yakovenko  
**Chairman of the Board**

**SALES & TRADING**  
Pavel Korovitskiy  
**Managing Director**  
**Equity and Fixed Income**  
[p.korovitsky@eavex.com.ua](mailto:p.korovitsky@eavex.com.ua)

**RESEARCH**  
Dmitry Churin  
**Head of Research**  
[d.churin@eavex.com.ua](mailto:d.churin@eavex.com.ua)

Investing in emerging markets' securities may entail certain risks. There may be limited information available on such securities. Securities of emerging markets' companies may be less liquid and their prices more volatile than securities of comparable developed markets' companies. In addition, exchange rate movements may have an adverse effect on the value of an investment.

This document is based on data we deem to be reliable, though we do not guarantee its accuracy or completeness and make no warranties regarding results from its usage. Forecasts are estimates by specialists working for us, and actual events may turn out to be fundamentally different due to unforeseen circumstances. This document is provided for information purposes only.

Copyright 2023 Eavex Capital. All rights reserved.

Securities and Stock Market State Commission licence, issued 06.10.2015