EAVEX capital

Fixed Income Weekly Monitor

August 3, 2026

Trends

Ukraine Eurobonds Hold Firm Despite Escalating Russian Attacks

Ukraine's sovereign Eurobond market was relatively calm despite intensified Russian missile and drone attacks on Kyiv and other cities. The benchmark Ukraine-2029 bond rose 0.6% to 84.3 cents on the dollar, implying a yield to maturity of 15.0%. Indicative pricing for the Ukraine-2035 issue was unchanged at 68.2 cents on the dollar, corresponding to a yield of 12.8%.

Russia has used glide bombs to smash Ukrainian towns and cities since it invaded its neighbor more than four years ago. The weapons are Soviet-era bombs retrofitted with guidance systems and can carry up to 6,600 pounds of explosives, leaving huge craters. Ukraine has no effective countermeasures against them.

Other large-scale damage of civilian areas of Ukraine has resulted from Russian ballistic missiles, and late Sunday President Volodymyr Zelenskyy made another urgent plea for countries to send Ukraine more U.S.-made Patriot air defense systems.

Only Patriot interceptors can reliably stop ballistic missiles, but they are in short supply due to the Iran war.

U.S. President Donald Trump last week appeared to back off from his earlier commitment to give Ukraine a license to make Patriots itself. He said Friday that the licensing matter is still under discussion and said he hasn't made a final decision.

Zelenskyy has suggested an alternative to Trump whereby Elon Musk allows Ukraine to use Starlink satellites to target ballistic missile launch sites inside Russia. Officials haven't publicly said whether that is being considered.

Russia attacked Ukraine with 181 long-range strike drones overnight from Sunday to Monday, according to the Ukrainian air force. It said air defenses jammed and intercepted 163 drones, but 14 caused damage at 13 locations.

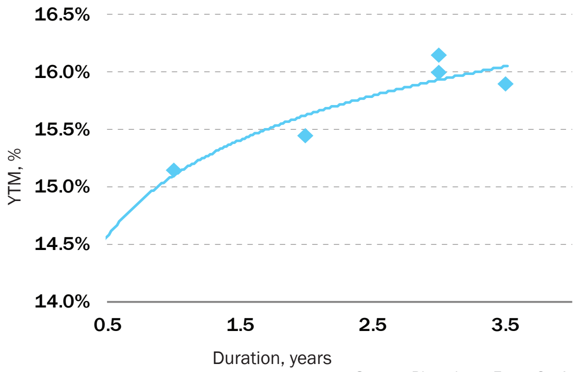
Highlights

- Kyiv Protests Continue over Zelenskiy's Fedorov Firing
- Ukraine's Central Bank Surprises Markets With 50-Basis-Point Rate Hike

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

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

UAH-DENOMINATED BOND YIELD CURVE



Source: Bloomberg. Eavex Capital

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	15.5%	0.5 p.p.	0.0 p.p.
UAH 1-year bond yield	15.1%	0.0 p.p.	-1.3 p.p.
Ukraine-2029 yield	15.0%	-0.1 p.p.	-3.0 p.p.
Ukraine-2036 yield	12.6%	0.0 p.p.	-1.9 p.p.

OFFICIAL EXCHANGE RATES

	Last, UAH	1W chg.	YTD
USD/UAH	44.69	-0.3%	5.4%
EUR/UAH	51.27	0.4%	2.8%

Source: Eavex Capital

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Kyiv Protests Continue over Zelenskiy's Fedorov Firing

by Will Ritter
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NEWS

An estimated 15,000 people turned out in central Kyiv on Friday (Jul 31) to demand the reinstatement of former Defense Minister Mykhailo Fedorov, who was dismissed by President Zelenskiy in mid-July.

Ukrainian media called Friday's action the largest political protest in the capital since the EuroMaidan revolution in 2014. The demonstrations have been occurring on a daily basis for more than two weeks. Fedorov was removed by Zelenskiy after only 6 months in the job, with the presidential office citing conflict between Fedorov and AFU Commander Oleksander Syrskiy as the reason for the dismissal.

After the initial protests against the decision began, Zelenskiy also fired Syrskiy. Fedorov was replaced by former acting Security Service (SBU) director Yevhen Khmara, while Syrskiy's post has been taken up by Gen. Mykhailo Drapatiy.

Meanwhile, the US publication The Atlantic reported that Zelenskiy had failed to secure a meeting with industrialist Elon Musk during Zelenskiy's visit to Washington last week to request the use of the Musk-owned Starlink system to target Russian missile launchers. Fedorov, a former technology entrepreneur, has reportedly been in regular contact with Musk since the start of the full-scale war in 2022.

COMMENTARY

Most explanations of Fedorov's firing are focused on his disruption of financial flows in military procurement amid the 10s of billions of euros in fresh European security aid being disbursed this year.

Due to his high profile in both Ukrainian and Western media, Fedorov is also being viewed as a possible political competitor to Zelenskiy, which we believe was a likely factor in the president's decision to remove the popular minister.

After the backlash, Zelenskiy was forced to fire his loyalist Syrskiy from the top military post in an attempt to quell the criticism coming from both Ukrainian civil society and Ukraine's European allies. Zelenskiy had been able to use the unpopular Syrskiy as a lightning rod for public anger against the conduct of the war; Syrskiy's departure is likely to expose Zelenskiy himself to rising public dissatisfaction going forward, we think.

It now appears that there will be no serious peace negotiations before the start of the winter, that no Ukrainian elections are on the horizon, and that the Putin regime will be able to use windfalls from high oil prices to ramp up Russian missile production.

This implies that Ukraine will need to acquire additional air defense systems and overhaul its military recruitment and mobilization system in order to continue to repel Russian aggression for at least another 8 to 10 months. The mobilization issue in particular will require Zelenskiy's direct leadership and involvement, we believe.

Ukraine's Central Bank Surprises Markets With 50-Basis-Point Rate Hike

by Dmitry Churin
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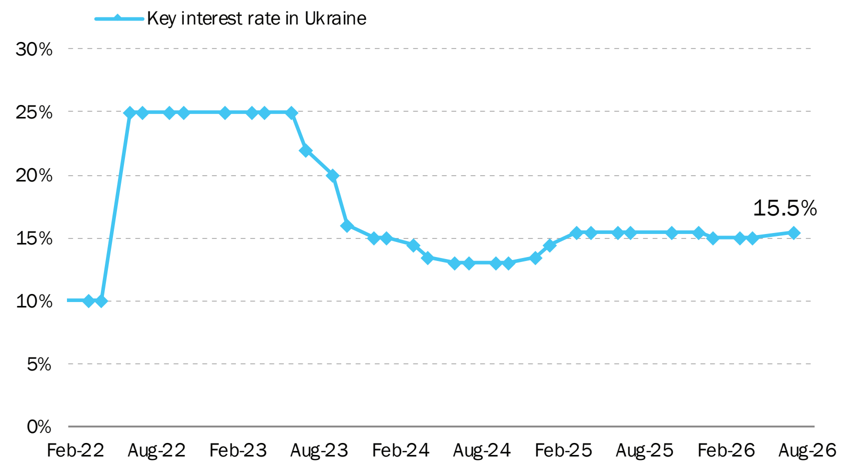
NEWS

The National Bank of Ukraine unexpectedly raised its key policy rate by 50 basis points to 15.5%, tightening monetary policy as it seeks to curb inflationary pressures and support the hryvnia.

The decision was approved at the central bank's monetary policy committee meeting on July 30. The NBU also increased its overnight lending and deposit rates by 50 basis points to 19.5% and 15.5%, respectively.

The central bank's updated forecast suggests the key policy rate could be raised once more this year to 16.0%.

NATIONAL BANK KEY POLICY RATE



Source: National Bank of Ukraine

COMMENTARY

The NBU's decision came as a surprise to the market, with policymakers citing a deterioration in the inflation outlook. The central bank revised its year-end inflation forecast upward to 10.0% from 9.4%, prompting a more hawkish policy stance aimed at containing price growth and preserving exchange-rate stability.

The move had an immediate impact on the foreign-exchange market. The hryvnia had weakened to as much as UAH 45 per U.S. dollar in interbank trading last Wednesday, before recovering to UAH 44.63 per dollar by Friday following the rate increase.

While tighter monetary policy should help anchor inflation expectations, much of Ukraine's current inflationary pressure stems from external supply-side factors. Higher global oil prices are feeding through the economy via increased transportation and logistics costs, pushing up consumer prices across a broad range of goods.

Market attention is now shifting to the banking sector and the government's domestic debt market. Investors will be watching whether commercial banks respond by raising deposit rates, improving the attractiveness of hryvnia savings.

Another key test will come at the Finance Ministry's next domestic bond auction. The government had been gradually reducing yields on hryvnia-denominated domestic government bonds (OVDP), but the NBU's policy tightening is likely to force an adjustment. The yield on one-year OVDP is expected to rise from 15.15% to around 15.5%, broadly in line with the new policy rate.

SELECTED UKRAINIAN EUROBONDS

Issue	Indicative Price	Price change in one week	YTM, %	Coupon	Maturity Date	Volume USD mn	Currency	Ratings[1]
Sovereign Eurobonds								
Ukraine, 2029	84.3	0.6%	15.0%	4.50%	1 Feb 2029	1,168	USD	Ca/CCC+/CCC
Ukraine, 2030 (B)	72.8	1.0%	9.5%	-	1 Feb 2030	531	USD	Ca/CCC+/CCC
Ukraine, 2034	69.4	0.1%	13.0%	4.50%	1 Feb 2034	3,150	USD	Ca/CCC+/CCC
Ukraine, 2035	68.2	-0.1%	12.9%	4.50%	1 Feb 2035	2,946	USD	Ca/CCC+/CCC
Ukraine, 2036	67.5	0.1%	12.6%	4.50%	1 Feb 2036	2,456	USD	Ca/CCC+/CCC
Corporate Eurobonds								
MHP, 2029	104.0	0.2%	8.9%	10.5%	28 Jul 2029	550	USD	//
Kernel, 2027	94.6	0.0%	11.6%	6.75%	27 Oct 2027	300	USD	//
DTEK Energy, 2027	90.0	0.4%	15.4%	5.00%	31 Dec 2027	1,645	USD	//
UkrEnergo, 2028	98.3	0.2%	7.8%	6.875%	09 Nov 2028	825	USD	//
Metinvest, 2029	93.5	0.0%	10.1%	7.75%	17 Oct 2029	500	USD	Caa3//CCC
NaftoGaz, 2033	89.6	3.7%	n/a	6.00%	15 Jan 2033	500	USD	//
Ukrainian Railways, 2026	83.9	0.0%	n/a	8.25%	9 Jul 2026	500	USD	//

[1] *Moody's/S&P/Fitch*

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

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