

Trends

Ukrainian sovereign Eurobonds finished mixed last week, showing no reaction to signals from the Federal Reserve about a winding down of its USD 120bn in monthly government bond buying. US monetary policy is likely running ahead of central banks in Europe and Japan, which can also be expected to reduce their stimulus activities in 2022.

In Ukrainian developments, the country's state energy operator UkrEnergO tapped the international market with a so called "green" Eurobonds issue. UkrEnergO placed a debut USD 825mn 5-year Eurobond at 6.875%. The EBRD acted as an anchor investor, allocating USD 75mn. The issue has a sovereign guarantee. The proceeds will be used to repay the government's debt to private renewable energy producers accrued in 2020-2021.

The long-term Ukraine-32s bonds edged up by 0.4% to 103.2 (7.1% YtM) while Ukraine-26s declined by 0.6% to 107.3 (6.2% YtM). The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) dropped by 1.5% to 103.9 cents on the dollar.

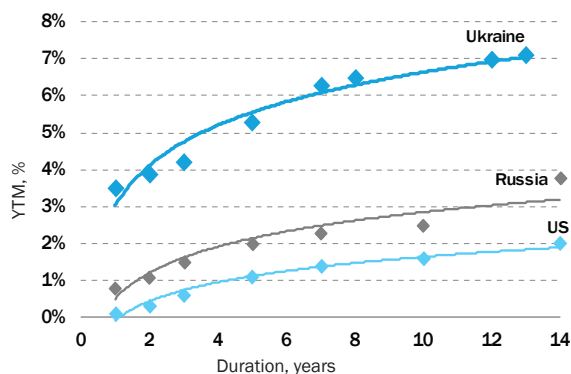
Corporate Eurobonds were broadly lower over the week, with MHP-29s decreasing by 1.8% to 99.7 (6.4% YtM) and Metinvest-26s declining by 1.2% to 111.0 (5.6% YtM). The "green" EUR-denominated DTEK-2024 bonds traded at 98.4 (9.3% YtM).

The regular domestic bond auction brought in UAH 6.7bn in proceeds last Tuesday, which considerably exceeded the average proceeds seen both in September and October. The half-year UAH-denominated bonds were placed for an amount of UAH 2.8bn at a yield of 10.50%. The 1-year treasuries were offered again at 11.50% while 3-year debt papers were sold at 12.70%. On the secondary market bid/ask quotes for the 1-year domestic bond stood at 12.2%/11.3%.

The hryvnia saw a substantial rise of 0.6% against the dollar to 26.11 UAH/USD, driven by news that Ukrainian foreign reserves increased by nearly USD 1bn in October to USD 29.7bn. This figure implies coverage of an equivalent of 3.9 months of the country's future imports.

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	8.5%	0.0 p.p.	+2.5 p.p.
UAH 1-year bond	12.2%/11.3%	0.0 p.p.	+0.6 p.p.
Ukraine-2025	5.9%	0.4 p.p.	1.0 p.p.
Ukraine-2028	6.9%	-0.1 p.p.	0.6 p.p.

CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	26.11	-0.6%	-7.6%
EUR/UAH	30.10	-1.4%	-13.4%

Source: Eavex Capital

Highlights

- > Ukraine Gets 3mn Moderna Vaccine Doses from UN Fund; New COVID Cases Drop to 13,000

Ukraine Gets 3mn Moderna Vaccine Doses from UN Fund; New COVID Cases Drop to 13,000

by Will Ritter
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NEWS

Ukraine's Health Ministry received 3 million new doses of the Moderna COVID-19 vaccine free of charge this weekend from the United Nations, US-government funded news outlet Radio Free Europe reported. This brings the total number of COVID vaccine doses that Ukraine has gotten from the UN's charitable fund to 7.4mn. Given that the cost of the Moderna vaccine is around USD 25 per dose, this represents roughly USD 75mn in aid. Meanwhile, Ukraine's daily COVID case count fell to some 13,000 on Sunday (Nov 7), down from highs above 25,000 from Nov 3-5 amid signs that the current wave of infections has peaked and that the numbers could begin to decline in the coming weeks. In Kyiv on Wednesday (Nov 3), several thousand demonstrators gathered in front of Parliament to protest against tough restrictions and vaccination requirements for employees in private shops, which have hit small businesses particularly hard, with many forcibly shut down by authorities since the beginning of November. Some 12,000 deaths have been blamed on COVID-19 in Ukraine in the last 20 days.

COMMENTARY

Ukraine's COVID vaccination rate has been increasing notably after sitting at only about 15% in early October. Doses have been averaging near 200,000 per day this month, but this is coming at a heavy cost to small businesses, as vaccine skepticism in the country is quite high, in line with the trend seen in other countries of Eastern Europe. The entry into Ukraine of the Moderna vaccine, which is often reported to be more effective than the other major brands, could provide some additional short-term support to the numbers. However, in our view of the bigger picture, Ukraine's national vaccination rate will probably top out at not much above 50%, implying that COVID infection waves of varying intensity are likely to occur indefinitely into the future, with another seasonal peak possibly coming in late winter/early spring similar to the pattern seen last year. Like the rest of the Western world, we think that Ukraine will eventually need to learn to cope with the permanent presence of COVID-19, given that the vaccines are not entirely effective or permanent, and that some significant percentage of unvaccinated populations in democratic countries (ranging from about 15-40%, depending on the country) is unavoidable from a political standpoint. We note that in the US, several large states succeeded last week in blocking the Biden administration's workplace vaccine mandates in court, in what is likely to become an ongoing legal and political conundrum.

SELECTED UKRAINIAN EURO BONDS								
Issue	Indicative Price	Price ch., W/W, %	YTM, %	Coupon	Maturity Date	Volume USD mn	Currency	Ratings ¹
Sovereign Eurobonds								
Ukraine, 2022	103.3	-0.2%	3.7%	7.75%	1 Sept 2022	1,384	USD	B3/B/B
Ukraine, 2026	107.3	-0.6%	6.2%	7.75%	1 Sept 2026	1,318	USD	B3/B/B
Ukraine, 2028	116.1	0.1%	6.9%	9.75%	1 Nov 2028	1,600	USD	B3/B/B
Ukraine, 2032	103.2	0.4%	7.1%	7.38%	25 Sept 2032	3,000	USD	B3/B/B
Ukraine, GDP-linked	103.9	-1.5%			31 May 2040	3,214	USD	/B/
Corporate Eurobonds								
Kernel, 2027	105.3	-1.4%	5.7%	6.75%	27 Oct 2027	300	USD	/B+/
MHP, 2026	105.0	-0.9%	5.7%	6.95%	4 Apr 2026	550	USD	B3/B/B
MHP, 2029	99.7	-1.8%	6.4%	6.25%	19 Sept 2029	350	USD	B3/B/B
DTEK Energy, 2027	61.2	-0.2%	15.1%	5.00%	31 Dec 2027	1,645	USD	//
Metinvest, 2026	111.0	-1.2%	5.6%	8.50%	23 Apr 2026	648	USD	B2/B/BB-
Metinvest, 2029	105.2	-1.4%	6.8%	7.75%	17 Oct 2029	500	USD	B2/B/BB-
NaftoGaz, 2024	99.0	-1.2%	7.4%	7.125%	19 Jul 2024	600	EUR	//
Ukrainian Railways	102.9	-0.3%	7.1%	8.25%	9 Jul 2024	500	USD	//
Bank Eurobonds								
UkrEximBank, 2023	100.0	0.0%	6.8%	9.00%	9 Feb 2023	125	USD	B3//B
UkrEximBank, 2025	105.0	-0.1%	6.5%	9.75%	22 Jan 2025	600	USD	B3//B
Oschadbank, 2023	103.0	-0.1%	5.5%	9.38%	10 Mar 2023	700	USD	B2//B
Oschadbank, 2025	106.9	0.4%	5.9%	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)	Coupon Period	Maturity Date	Volume UAH mn
UAH denominated Bonds							
UA4000203236			10.7%	9.7%	S/A	05 Jan 2022	10,887
UA4000204002	102.7	103.8	12.0%	11.0%	S/A	11 May 2022	12,917
UA4000218325	99.6	100.1	12.1%	11.2%	S/A	20 Jul 2022	13,415
UA4000199210	102.7	103.6	12.3%	11.3%	S/A	12 Oct 2022	14,993
UA4000201255	104.8	105.9	13.0%	12.3%	S/A	24 May 2023	6,470
UA4000201255	93.3	94.8	13.5%	12.7%	S/A	22 May 2024	18,105
UA4000204150	107.2	109.6	13.6%	12.7%	S/A	26 Feb 2025	41,080
UA4000207518	86.3	89.5	13.8%	12.8%	S/A	20 May 2027	7,018
USD denominated Bonds							
UA4000218333	99.9	100.4	3.8%	3.2%	S/A	14 Jul 2022	USD 336mn

Source: TR Data, Eavex Research

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