

Trends

Quotes for Ukrainian sovereign Eurobonds recouped some of their recent big losses last week after the US and European allies threatened to impose harsh sanctions on Russia if it takes aggressive action against Ukraine, reassuring investors who were looking for signs of stability. Russian officials have denied any plans for an invasion, and say the border troops are there for military exercises.

The benchmark long-term Ukraine-32s Eurobonds bounced back by 3.8% to 96.0 (8.1% YtM) after their plunge of 7.5% during the preceding week. The medium-term issue Ukraine-26s rose 1.4% to 101.7 (7.3% YtM), while the VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) advanced by 5.2% to 94.5 cents on the dollar.

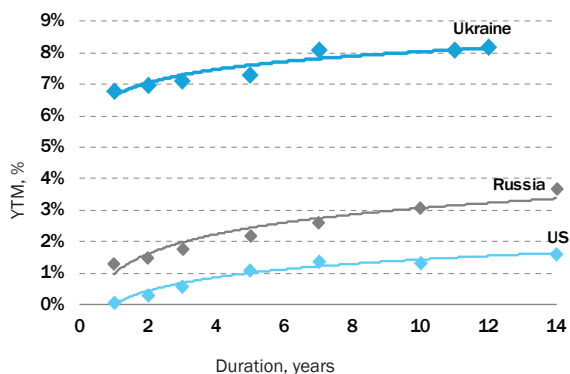
In the corporate Eurobonds, notable downward momentum was seen in the debt papers issued by companies owned by the richest Ukrainian industrialist, Rinat Akhmetov, amid his public conflict with President Zelenskiy. Quotes for Metinvest-29s dropped by 2.7% to 93.5 (9.0%) after the government imposed a higher tax burden for the iron ore industry. Metinvest-26s declined by 1.1% to 100.9 (8.4% YtM). In other corporate issues, quasi-sovereign EUR-denominated NaftoGaz-24s gained 1.3% to 93.2 (10.2% YtM) and UkrEximBank-25s edged up by 0.4% to 100.2 (9.7% YtM).

There were a healthy USD 12.7bn in proceeds from a placement of government bonds last week. The 1-year debt papers were sold at 11.65% and treasuries with maturity in May 2027 were offered at 13.25%. A rare issuance of EUR-denominated domestic bonds for EUR 56mn were at 2.35% for the half-year bond. On the secondary market, bid/ask quotes for the 1-year domestic bond remained at 12.5%/11.6%. This Thursday (Dec 9), the National Bank will hold an interest rate policy meeting, and we project that the regulator will increase the key refinancing rate by 50 bps from 8.5% to 9.0%.

On the currency front, the hryvnia declined by 0.7% to 27.34 UAH/USD amid the ongoing stability concerns posed by Russia. The National Bank defended the domestic currency, selling USD 150mn from its reserves during the week to prevent a steeper drop.

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	12.5%/11.6%	0.0 p.p.	+0.9 p.p.
Ukraine-2025	7.5%	-0.2 p.p.	2.6 p.p.
Ukraine-2028	8.1%	-0.6 p.p.	1.8 p.p.

CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	27.34	0.7%	-3.3%
EUR/UAH	30.87	0.8%	-11.1%

Source: Eavex Capital

Highlights

- > Putin Demanding No-NATO Guarantee for Ukraine Ahead of Biden Call

Putin Demanding No-NATO Guarantee for Ukraine Ahead of Biden Call

by Will Ritter
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NEWS

US and Russian Presidents Biden and Putin are due to hold a teleconference call on Tuesday (Dec 7) to discuss key bilateral issues, including Russia's current military buildup along Ukraine's northern and eastern borders. The Kremlin has stated that Putin is seeking a guarantee from Biden that Ukraine will not be admitted to the NATO military alliance. Separately, the German tabloid news outlet Bild published what it said were detailed plans for a massive Russian invasion and occupation of some two-thirds of Ukrainian territory which would dwarf the 2014 operations in Crimea and the Donbass. Both Biden and top US diplomat Tony Blinken emphasized the high costs which the Kremlin would have to pay for any new military aggression against Ukraine.

COMMENTARY

Ukraine's sovereign Eurobonds bounced back quite strongly last week, with investors seemingly reassured after the threat of US sanctions against Russia was made clear and the upcoming Biden-Putin summit call was announced. A large-scale Russian military invasion of Ukraine would trigger the most dangerous war in Europe since 1945, with swift and devastating consequences for the Russian economy. We therefore assume that the Putin regime is using its military presence along Ukraine's border as a heavyweight bluffing tactic, and that the grandiose invasion plans are perhaps being leaked to Western media for augmented effect by Russian sources. Putin is deliberately placing Biden in a difficult position, as he knows that Biden cannot be seen as giving Russia veto power over NATO membership decisions, while at the same time, Ukraine is highly unlikely to be allowed into NATO in any case due to opposition from the large Western European member-states. So Putin's headline demand of no NATO for Ukraine is probably just a cover for some other objectives, including forcing Kyiv to implement the unfavorable Minsk agreements relating to the Donbass conflict. The real Kremlin playbook, we continue to believe, is not to directly invade and occupy, but rather to destabilize internally, using such means as encouraging radical Ukrainian nationalism and anger over COVID-19 restrictions, as well as exploiting the dissatisfaction of Eastern Ukrainian oligarchs Igor Kolomoyskiy and Rinat Akhmetov with the government of President Zelenskiy.

SELECTED UKRAINIAN EUROBONDS								
Issue	Indicative Price	Price ch., W/W, %	YTM, %	Coupon	Maturity Date	Volume USD mn	Currency	Ratings ¹
Sovereign Eurobonds								
Ukraine, 2022	100.7	0.0%	6.8%	7.75%	1 Sept 2022	1,384	USD	B3/B/B
Ukraine, 2026	101.7	1.4%	7.3%	7.75%	1 Sept 2026	1,318	USD	B3/B/B
Ukraine, 2028	109.6	2.9%	8.1%	9.75%	1 Nov 2028	1,600	USD	B3/B/B
Ukraine, 2032	96.0	3.8%	8.1%	7.38%	25 Sept 2032	3,000	USD	B3/B/B
Ukraine, GDP-linked	94.5	5.2%			31 May 2040	3,214	USD	/B/
Corporate Eurobonds								
Kernel, 2027	100.6	-0.8%	6.7%	6.75%	27 Oct 2027	300	USD	/B+/
MHP, 2026	100.5	0.5%	6.9%	6.95%	4 Apr 2026	550	USD	B3/B/B
MHP, 2029	92.8	0.0%	7.6%	6.25%	19 Sept 2029	350	USD	B3/B/B
DTEK Energy, 2027	54.4	8.4%	17.9%	5.00%	31 Dec 2027	1,645	USD	//
Metinvest, 2026	100.9	-1.1%	8.4%	8.50%	23 Apr 2026	648	USD	B2/B/BB-
Metinvest, 2029	93.5	-2.7%	9.0%	7.75%	17 Oct 2029	500	USD	B2/B/BB-
NaftoGaz, 2024	93.2	1.3%	10.2%	7.125%	19 Jul 2024	600	EUR	//
Ukrainian Railways	95.0	0.0%	10.5%	8.25%	9 Jul 2024	500	USD	//
Bank Eurobonds								
UkrEximBank, 2023	98.5	0.0%	8.3%	9.00%	9 Feb 2023	125	USD	B3//B
UkrEximBank, 2025	100.2	0.4%	9.7%	9.75%	22 Jan 2025	600	USD	B3//B
Oschadbank, 2023	99.5	0.0%	8.2%	9.38%	10 Mar 2023	700	USD	B2//B
Oschadbank, 2025	100.9	-0.8%	8.9%	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							
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	101.3	102.4	12.5%	11.6%	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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