

Trends

Quotes for Ukrainian sovereign Eurobonds were notably lower last week after Prime Minister Denis Shmygal said that the country's budget deficit would reach USD 5 bn in the coming months, making financial aid from Western countries more necessary than ever. Meanwhile, the US promised USD 800mn more in weapons for Ukraine as the Russian invasion enters its third month and Russian forces threaten to take the southern city of Mariupol and hammer the capital Kyiv with missile strikes. Sending weapons is critical for Ukraine to defend itself against an unjust and devastating Russian invasion. But it only serves an immediate need, and it's narrow in scope; defensive support doesn't address the great humanitarian devastation Russia is causing in population centers as part of its military strategy. The US and its allies have promised humanitarian and economic aid, which must be part of its long-term support for Ukraine. So far there is a rough estimate that the invasion led to direct damages of USD 80bn to Ukraine.

Among the sovereign Eurobonds issues, Ukraine-28s dropped by 8.9% to 36.0 (38.6% YTM) and the 10-year benchmark issue fell 8.1% to 34.1 (27.6% YTM). The shortest bond due in September decreased by 2.0% to 59.1 (316%YTM).

The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) lost 10% to close at 27 cents on the dollar.

Corporate Eurobonds were largely mixed with MHP-26s gaining by 7.4% to 49.1 (31.8% YTM) while Ukraine Railways (RAILUA-24s) fell 8.1% to 24.8 (111% YTM). In the banking names, there was a surprising 52% leap in indicative quotes for UkrExim-23s to 32.2 (323% YTM). UkrExim-25s advanced by 11% to 20.0 (112% YTM).

The Finance Ministry placed UAH 6.1bn in the special government bonds to fill the national budget gap. The yield for the 1-year debt paper was offered at 11%. Local and foreign investors can purchase the special Ukrainian bonds through licensed brokers or banks.

The cash hryvnia exchange rate was in the wide trading corridor of 30.70 - 31.90 UAH/USD (bid/ask) last week.

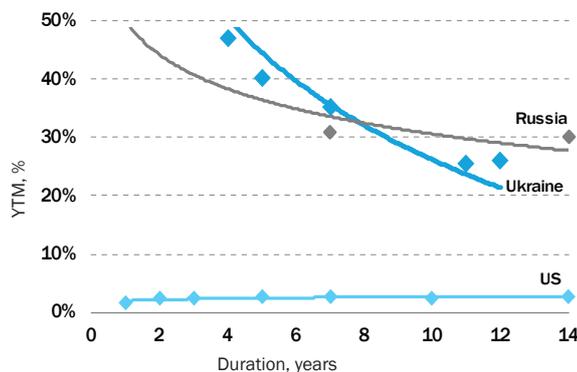
The National Bank of Ukraine has opened a special fundraising account to support the Armed Forces of Ukraine. Please find more at the National Bank's official website under the link below:

www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-spetsrahnok-dlya-zboru-koshtiv-na-potrebi-armiji

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

www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-rahunok-dlya-gumanitarnoyi-dopomogi-ukrayintsyam-postrajdalim-vid-rosiyskoyi-agresiyi

SOVEREIGN BOND YIELD CURVES



Source: Bloomberg, Eavex Capital

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	10.0%	0.0 p.p.	+1.0 p.p.
UAH 1-year war bond	11.0%	0.0 p.p.	0.0 p.p.
Ukraine-2026	39.5%	-0.8 p.p.	30.6 p.p.
Ukraine-2032	27.6%	2.1 p.p.	18.4 p.p.

CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	31.60	-2.8%	15.7%
EUR/UAH	34.13	-3.4%	10.2%

Source: Eavex Capital

Highlights

POLITICS AND ECONOMICS

- Peace Process Appears Dead as Kyiv, Moscow Maintain Hard Lines

Peace Process Appears Dead as Kyiv, Moscow Maintain Hard Lines

by Will Ritter
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NEWS

Last week saw multiple developments that appeared to move the 7-week-old Ukraine-Russia war further away from a negotiated settlement and toward a protracted conflict. Foreign Minister Dmytro Kuleba admitted in a US national media appearance on Sunday (Apr 17) that there have been no high-level talks taking place between the two countries since the meetings in Istanbul last month. Also appearing on US national television on Sunday, Prime Minister Dennis Shmygal said that Ukrainian forces in the besieged southeastern city of Mariupol will not surrender to the Russians despite extremely difficult circumstances; these forces are holed up in the Rinat-Akhmetov-owned Azovstal steel plant, with the Russians reportedly now in control of the rest of the city. Although Mariupol is receiving the most media coverage, there are also reports of extreme destruction in the Ukrainian-controlled Donbass cities of Severodonetsk and Lysichansk in Lugansk province, with a major oil refinery having been bombed in the latter. In the Russian-occupied southern province of Kherson, there were unconfirmed reports that Russia is planning a referendum on creating a separatist “people’s republic” on around May 10, which would be exactly 8 years to the day after such unsanctioned referendums were held in the occupied parts of Donetsk and Lugansk in 2014 that formally set up the DNR and LNR.

COMMENTARY

The key difficulty for Ukraine right now, in our view, is that despite Russia’s re-focusing of its assault onto the Donbass, Central and Western Ukraine remain vulnerable to airstrikes. However, given the Zelenskiy government’s successes in public relations, backing for Ukraine in most Western countries continues to be enthusiastic, and there are now some suggestions that the US might step in militarily with air support in case Russia were to attempt a repeat of its brutal March occupation of parts of Central Ukraine, when wide-ranging war crimes against civilians were committed. Importantly, the mere threat of such a move by the US could act as a deterrent against an attempt by the Putin regime to return to the Ukrainian heartland. Nonetheless, the military situation in Eastern Ukraine looks bad, with Russia on the verge of controlling the entire Azov coastline, as well as parts of the western Donbass that were held by Ukraine after 2014 and parts of eastern Kharkiv province, including the strategic town of Izyum. The Zelenskiy administration’s refusal to formally cede the territory lost in 2014 (DNR/LNR & Crimea) precludes Putin coming back to the negotiating table, we suppose, especially in light of the additional territory that Russia has now captured. It is important to understand that Western sanctions will likely take several years to crush the Russian economy, and with scant chances for regime change in Moscow in the near term, Ukraine cannot continue a full-scale war for such a long period without direct Western military support, we think.

SELECTED UKRAINIAN EURO BONDS								
Issue	Indicative Price	Price change since Mar 7	YTM, %	Coupon	Maturity Date	Volume USD mn	Currency	Ratings ¹
Sovereign Eurobonds								
Ukraine, 2022	59.1	-2.0%	316.0%	7.75%	1 Sept 2022	1,384	USD	//
Ukraine, 2026	38.3	-1.3%	39.5%	7.75%	1 Sept 2026	1,318	USD	//
Ukraine, 2028	36.0	-8.9%	38.6%	9.75%	1 Nov 2028	1,600	USD	//
Ukraine, 2032	34.1	-8.1%	27.6%	7.38%	25 Sept 2032	3,000	USD	//
Ukraine, GDP-linked	27.0	-10.0%			31 May 2040	3,214	USD	//
Corporate Eurobonds								
MHP, 2026	49.1	7.4%	31.8%	6.95%	4 Apr 2026	550	USD	//
Kernel, 2027	53.3	0.4%	22.2%	6.75%	27 Oct 2027	300	USD	//
DTEK Energy, 2027	11.2	-18.2%	83.8%	5.00%	31 Dec 2027	1,645	USD	//
Metinvest, 2026	44.9	8.5%	36.8%	8.50%	23 Apr 2026	648	USD	//
Metinvest, 2029	23.0	0.0%	46.0%	7.75%	17 Oct 2029	500	USD	//
NaftoGaz, 2024	20.0	0.0%	129.0%	7.125%	19 Jul 2024	600	EUR	//
Ukrainian Railways	24.8	-8.1%	111.0%	8.25%	9 Jul 2024	500	USD	//
Bank Eurobonds								
UkrEximBank, 2023	32.2	52.6%	323.0%	9.00%	9 Feb 2023	125	USD	//
UkrEximBank, 2025	20.0	11.1%	112.0%	9.75%	22 Jan 2025	600	USD	//
Oschadbank, 2023	28.7	-2.4%	334.0%	9.38%	10 Mar 2023	700	USD	//

¹ Moody's/S&P/Fitch

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

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