

Trends

Indicative quotes for Ukrainian sovereign Eurobonds increased last week after information Russia was pulling back some of its troops back from areas around the Ukrainian capital Kyiv, and appears to be ramping up military operations in the eastern part of Ukraine. Kremlin vastly underestimated Ukrainians' resolve to defend their homeland. And a Russian military trained for open spaces has also struggled with the basic realities of urban warfare. Even a finely orchestrated military would be challenged by the block-to-block fighting required to secure Kyiv. The Russian army has failed to even surround the city.

Ukrainian sovereign Eurobonds with maturity in 2032 advanced by 20% over the week to close at 40.0 cents on the dollar implying a yield of 23.7%. However, the bond remained quite illiquid as the bid/ask spread stood at almost 10%. The bid was at 39.9 while the ask was at 44.0. The issue had bottomed at just 18 cents on the dollar on Mar 8. In contrast, the bond traded at 70.0 on Feb 23, one day before Russia invaded the country. The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) jumped by 32.6% to 30.5 cents on the dollar.

DTEK Energy proposed that the company would pay the coupon on its Eurobonds in part paying 3.5% Cash Interest for the interest periods ending on 31 March 2022 and 30 June 2022 while the remaining 4% interest for such interest period would be paid in the form of PIK Interest. DTEK Energy will shortly launch a consent solicitation to seek such consent from its bondholders for the proposal. DTEK Energy-27s issue rose by 45% from 13.0 cents to 18.9 cents on the dollar implying 67% YTM. Kernel-27s traded at 52.2 cents on the dollar last week (24% YTM).

Metinvest-26s issue rebounded by 13.4% to 42.3 (42.9% YTM) and MHP-26s added 18.8% to close at 46.1 (34.2% YTM).

The Finance Ministry continued the practice of placement of special UAH-denominated bonds. The primary auction held on Mar 29 brought in UAH 3.3bn to the national budget. There were two issues offered to investors, namely the 1-month bond at a yield of 10.0% and the 1-year bond at 11.0% YTM. The government started to promote investments in the special bond among foreign investors. Non-residents can purchase the special UAH-denominated bond on the Ukrainian Exchange through licensed brokers.

The indicative hryvnia exchange rate on the cash market remained at 33.00 UAH/USD during the week.

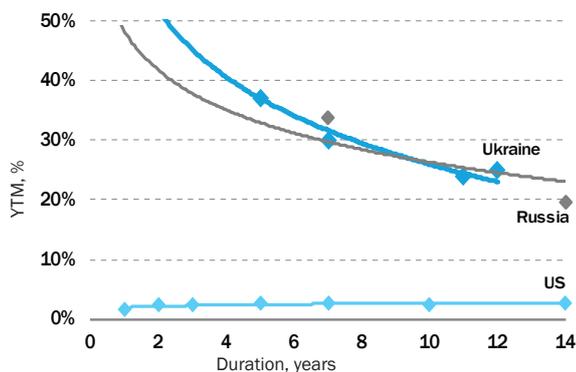
The National Bank of Ukraine has opened a special fundraising account to support the Armed Forces of Ukraine. Please find more at the National Bank's official website under the link below:

www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-spetsrahunok-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 bond	n/a	n/a	n/a
Ukraine-2026	36.9%	-7.0 p.p.	28.0 p.p.
Ukraine-2032	23.7%	-4.3 p.p.	14.5 p.p.

CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	33.00	0.0%	20.8%
EUR/UAH	36.30	0.0%	17.2%

Source: Eavex Capital

Highlights

POLITICS AND ECONOMICS

- Russian Retreat from Central Ukraine Signals New Phase of War

Russian Retreat from Central Ukraine Signals New Phase of War

by Will Ritter
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NEWS

Russian military forces have abandoned their positions around suburban Kyiv over the last week, with the Ukrainian government declaring on Saturday (Apr 2) that all of Kyiv oblast (province) is now entirely liberated from occupation. International and domestic media have reported on brutal war crimes committed in the suburb of Bucha, just west of the capital, which had been occupied by the Russians for 4 weeks. The Russians also pulled back from Chernihiv northeast of Kyiv, which has been one of the most savagely-hit cities in the war. Further east in the provincial capital of Sumy, the encirclement of the city was broken by Ukrainian forces at the town of Trostyanets, and the situation is reported to be improving. The Kremlin stated that it is shifting its military focus away from Kyiv and toward capturing additional territory in the Donbass region of Eastern Ukraine.

COMMENTARY

The Ukrainian government should beware of the possibility that the Kremlin's statements about focusing on the Donbass could be a ruse aimed at relaxing the defense of Kyiv, which is by the far the most important target of the Putin regime's aggression. Nonetheless, it appears that the war is entering a more protracted phase, with President Zelenskiy refusing to yield to Moscow's demands on the Donbass, and Western governments reluctant to try to force Zelenskiy into a settlement. The Putin regime seems to have belatedly realized the difficulty of capturing any territory at all in the majority Ukrainian-speaking central provinces of the country; Russian fascist ideology considers Central Ukrainians to be wayward Russians, whereas Western Ukrainians are considered to be non-Russian foreign enemies. Refugees have begun returning to central and western areas, with some 400,000 Ukrainians reported to have come back from Poland, where many faced difficult living conditions and unaffordably high expenses. Despite the withdrawal from north-central areas, the Russians have still gained considerable new territory in the southeast along the Azov seacoast in Zaporizhia and Kherson provinces, and reclaiming these areas by military means will be problematic for Ukraine, we think. The bottom line is that although Western governments have shown that they will go to great lengths to protect Kyiv and the western half of the country from Putin's imperial ambitions, their commitment to making heavy economic sacrifices to help Ukraine keep control over the Donbass is not as clear. When the Ukraine-Russia story is presented to the West as a battle to defend the existence of a nation, it sells very well; but if it becomes simply about fighting over some land, the narrative is less compelling, 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	59.9	17.5%	289.0%	7.75%	1 Sept 2022	1,384	USD	//
Ukraine, 2026	42.0	18.3%	36.9%	7.75%	1 Sept 2026	1,318	USD	//
Ukraine, 2028	46.6	33.1%	29.9%	9.75%	1 Nov 2028	1,600	USD	//
Ukraine, 2032	40.0	19.8%	23.7%	7.38%	25 Sept 2032	3,000	USD	//
Ukraine, GDP-linked	30.5	32.6%			31 May 2040	3,214	USD	//
Corporate Eurobonds								
MHP, 2026	46.1	18.8%	34.2%	6.95%	4 Apr 2026	550	USD	//
DTEK Energy, 2027	18.9	45.4%	67.0%	5.00%	31 Dec 2027	1,645	USD	//
Metinvest, 2026	42.3	13.4%	42.9%	8.50%	23 Apr 2026	648	USD	//
Metinvest, 2029	15.0	0.0%	66.7%	7.75%	17 Oct 2029	500	USD	//
NaftoGaz, 2024	20.0	0.0%	125.0%	7.125%	19 Jul 2024	600	EUR	//
Ukrainian Railways	25.0	-16.7%	108.0%	8.25%	9 Jul 2024	500	USD	//
Bank Eurobonds								
UkrEximBank, 2023	21.1	0.5%	550.0%	9.00%	9 Feb 2023	125	USD	//
UkrEximBank, 2025	18.0	-15.1%	120.0%	9.75%	22 Jan 2025	600	USD	//
Oschadbank, 2023	27.6	4.5%	327.0%	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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