

Trends

Ukraine's GDP-Linked Notes Rally on Swap Terms While Sovereigns Retreat

Ukraine's GDP-linked warrants — in technical default since June — jumped 8.1% over the week to 98.9 cents on the dollar from 91.5 cents. The rally was sparked by a Finance Ministry proposal to swap outstanding warrants for a new eurobond on a 1-to-1.34 basis. Investors who tender would receive USD 1.34 in new notes for each dollar of warrant notional, plus a 5-cent consent fee. The exchange requires approval from 75% of holders.

Ukrainian sovereign eurobonds, meanwhile, fell about 4% on average after Russia effectively rejected calls to halt its war. The 2036 notes slid 5% to 53.5 cents, implying a yield of about 15.9%.

Corporate eurobonds also retreated. MHP's 2026 notes dropped 3.6% to 94.7 cents, pushing the implied yield to around 27%.

Russia unleashed a major missile and drone barrage on Ukraine overnight into Saturday (Dec 6), after U.S. and Ukrainian officials said they'll meet on Saturday for a third day of talks aimed at ending the nearly four-year-old war. Ukrainian President Volodymyr Zelenskyy said that energy facilities were the main targets of the attacks, also noting that a drone strike had "burned down" the train station in the city of Fastiv, located in the Kyiv region.

Moscow does not appear to have made any concessions, and continues to carry out massive bombardments of Ukraine.

In the cash FX market, the hryvnia strengthened 0.4% to 42.25 per dollar after the central bank reported record foreign-exchange reserves, boosting expectations it can continue selling hard currency on the interbank market to meet excess demand.

Highlights

- > Weakened Zelenskiy Still Without Admin Head after Yermak Firing
- > Ukraine's FX Reserves Hit Record USD 54.7bn on EU Funding Boost

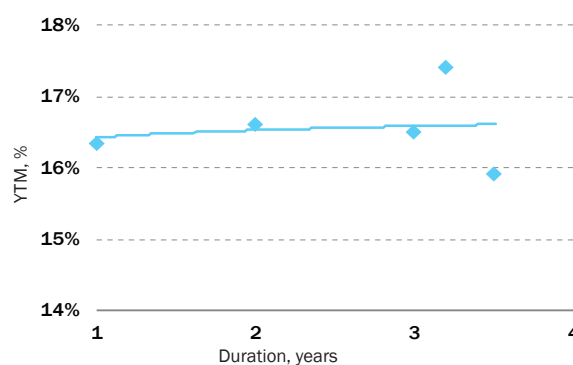
The National Bank of Ukraine has opened a special fundraising account to support the Armed Forces of Ukraine. Please find more at the National Bank's official website under the link below:

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%	0.0 p.p.	2.0 p.p.
UAH 1-year bond yield	16.4%	0.0 p.p.	0.0 p.p.
Ukraine-2029 yield	21.0%	1.8 p.p.	5.1 p.p.
Ukraine-2036 yield	15.9%	0.9 p.p.	1.5 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W chg.	YTD
USD/UAH	42.25	-0.4%	0.0%
EUR/UAH	49.37	0.7%	11.4%

Source: Eavex Capital

Weakened Zelenskiy Still Without Admin Head after Yermak Firing

by Will Ritter
w.ritter@eavex.com.ua

NEWS

President Zelenskiy's administration remains without a new head of office more than a week after longtime top aide Andriy Yermak was fired last month. Domestic outlet Ukrayinska Pravda reported today (Dec 8) that Zelenskiy has hesitated to appoint the initial favorite to replace Yermak, Digital Transformation Minister Mykhailo Fedorov, due to the latter's "radical views on personnel purges", and is looking at additional candidates. These include current Defense Minister Dennis Shmyhal, head of military intelligence (HUR) Kyrylo Budanov, presidential military affairs head Pavlo Palisa, deputy foreign minister Serhiy Kislytsia, and former ambassador to Washington Oksana Markarova.

Yermak was fired on Nov 28 immediately after investigators from the NABU anti-corruption agency raided his apartment, amid a reported lobbying campaign by officials across the Zelenskiy government to have him removed.

Ukrayinska Pravda wrote that the anti-Yermak effort was spearheaded by the majority faction head in Parliament, David Arakhamia, but also included Yermak's own allies such as Prime Minister Yulia Svyridenko and Parliament Speaker Ruslan Stefanchuk. The outlet also stated that in the days leading up to his firing, Yermak was attempting to have the Ukrainian Security Service (SBU) arrest Arakhamia on treason charges. Following the dismissal, Zelenskiy removed Yermak from his membership on the National Security & Defense Council (RNBO) and the presidential war council (known as the Stavka).

COMMENTARY

It remains to be seen how well Zelenskiy will manage to withstand the apparent sudden fall of his key partner in governance for the last 6 years, especially given the possibility that Yermak may soon be charged by NABU with involvement in corruption schemes.

The initial indications are that Zelenskiy's administration will be weakened at the expense of Ukraine's other branches of government, i.e. the Cabinet of Ministers (currently led by Svyridenko) and Parliament, with Arakhamia likely to enjoy a substantial rise in influence.

With Fedorov's candidacy to replace Yermak seemingly on the rocks, we expect Zelenskiy to make the less controversial choice of Shmyhal or Kislytsia, either of whom would likely be well-received by Western governments.

The reconfigured state apparatus could be in place for at least 6 months, as elections are not on the horizon due to the stalled peace process.

Ukraine's negotiations with Russia (with the Trump administration mediating) are hung up on the Putin regime's demand that Ukraine abandon the heavily-fortified cities of Slavyansk and Kramatorsk (Donetsk province) without a fight. If Zelenskiy refuses, Putin has claimed that he can continue the war and capture the cities by military force. Neither the Trump administration nor Trump himself have taken a public position on this key territorial issue in the talks.

Ukraine’s FX Reserves Hit Record USD 54.7bn on EU Funding Boost

by Dmitry Churin
d.churin@eavex.com.ua

NEWS

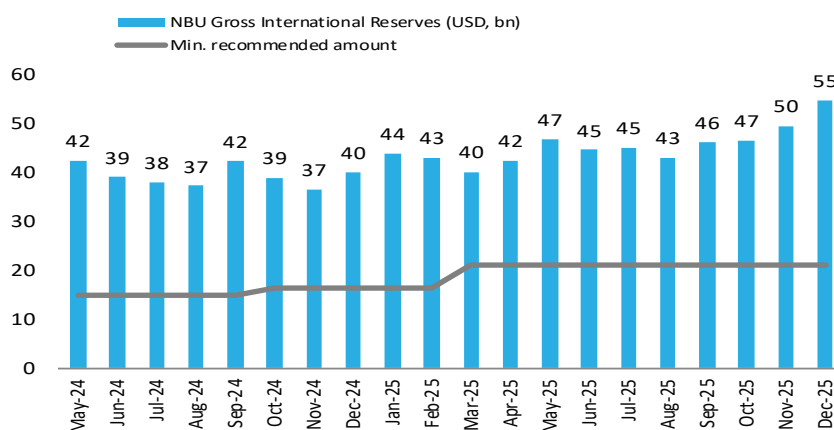
Ukraine’s international reserves climbed to a fresh all-time high of USD 54.7bn in November, after rising by USD 5.2bn during the month, the National Bank reported.

The central bank received USD 8.1bn in foreign currency inflows, including USD 6.9bn in support from the European Union. Revaluation gains added another USD 582mn to the total.

Reserve outflows reached USD 3.5bn, driven mainly by USD 2.7bn in net FX sales on the interbank market.

Ukraine’s current reserve stockpile covers 5.6 months of future imports – well above the commonly recommended minimum of three months.

UKRAINE’S FX RESERVES, USD bn



Source: National Bank of Ukraine

COMMENTARY

The jump in reserves reflects accumulated external financial support, much of which is expected to be used to cover next year’s budget shortfall.

A strong reserve position should allow the central bank to maintain its strategy of a managed flexible exchange rate. Between January and November, the National Bank spent a record USD 31.4bn on FX interventions to keep the hryvnia broadly stable against the dollar throughout the year.

Still, uncertainty over the scale of external financing in 2026 – coupled with the IMF’s signals that some depreciation may be warranted – raises the risk of a shift in the National Bank’s exchange-rate approach.

The base case assumes the central bank could allow the hryvnia to weaken by roughly 10% next year, taking the official rate to around 46.4 per dollar by end-2026.

The draft state budget is built on an assumed average exchange rate of 45.7 per dollar for 2026.

SELECTED UKRAINIAN EURO BONDS								
Issue	Indicative Price	Price change in one week	YTM, %	Coupon	Maturity Date	Volume USD mn	Currency	Ratings ¹
Sovereign Eurobonds								
Ukraine, 2029	68.3	-3.9%	21.0%	4.50%	1 Feb 2029	1,168	USD	Ca/SD/RD
Ukraine, 2030 (B)	53.6	-1.8%	16.2%	-	1 Feb 2030	531	USD	Ca/SD/RD
Ukraine, 2034	54.9	-4.9%	16.6%	4.50%	1 Feb 2034	3,150	USD	Ca/SD/RD
Ukraine, 2035	54.1	-4.8%	16.2%	4.50%	1 Feb 2035	2,946	USD	Ca/SD/RD
Ukraine, 2036	53.2	-5.0%	15.9%	4.50%	1 Feb 2036	2,456	USD	Ca/SD/RD
Ukraine, GDP-linked	98.9	8.1%			31 May 2040	3,239	USD	//
Corporate Eurobonds								
MHP, 2026	94.7	-3.6%	27.5%	6.95%	4 Apr 2026	550	USD	//
Kernel, 2027	91.0	-0.1%	12.3%	6.75%	27 Oct 2027	300	USD	//
DTEK Energy, 2027	65.4	-1.7%	33%	5.00%	31 Dec 2027	1,645	USD	//
Metinvest, 2026	88.9	0.1%	46%	8.50%	23 Apr 2026	648	USD	Caa3//CCC
Metinvest, 2029	74.3	-1.1%	17.4%	7.75%	17 Oct 2029	500	USD	Caa3//CCC
NaftoGaz, 2026	73.5	-5.9%	20.7%	7.625%	8 Nov 2026	500	USD	//
Ukrainian Railways, 2026	72.5	0.0%	86%	8.25%	9 Jul 2026	500	USD	/CC/C

¹ Moody's/S&P/Fitch

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

Eavex Capital

7 Klovsky uzviz, 16th Floor
Carnegie Center
Kyiv, 01021, Ukraine

Telephone: +38 044 590 5454

E-mail: research@eavex.com.ua

Web-page: www.eavex.com.ua

Yuriy Yakovenko

Chairman of the Board

SALES & TRADING

Pavlo Korovitskiy

Managing Director

Equity and Fixed Income

p.korovitskiy@eavex.com.ua

RESEARCH

Dmytro Churin

Head of Research

d.churin@eavex.com.ua

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