

Bond Waits as Ukraine Settles Its March Debts

By [The Moscow Times](#)

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Ukraine can wait until market conditions are right for a planned sale of dollar-denominated bonds as it has sufficient funds to cover debt payments, First Deputy Prime Minister Valery Khoroshkovsky said Monday.

“We will wait for a window,” Khoroshkovsky, who was appointed last week, said in an interview in Brussels. “We repaid \$1 billion of debts in February. We have to repay approximately the same amount in March, and even if we do not issue eurobonds, we will pay it easily.”

Ukraine is also in talks to borrow cash from Russian banks and plans to refinance a \$2 billion loan from VTB Group that matures in June, said Khoroshkovsky, who served previously as finance minister.

President Viktor Yanukovich appointed Khoroshkovsky Feb. 22, part of Cabinet changes

before parliamentary elections in October.

The Finance Ministry picked JPMorgan Chase, Morgan Stanley and Russia's VTB Capital and Troika Dialog, which is controlled by Sberbank, to manage a potential eurobond sale, according to a Feb. 3 statement.

Ukraine's 6.25 percent government bonds due to 2016 fell, pushing the yield up to 8.54 percent from 8.49 percent on Feb. 24.

The government plans to borrow 12.15 billion hryvna (\$1.52 billion) abroad in March, the Finance Ministry said Feb. 9.

Ukraine will only proceed with a eurobond sale if market conditions are "favorable," Halyna Pakhachuk, head of the Finance Ministry's financial policy and government debt management department, said Feb. 16.

There are "good" signs that the government can refinance its VTB loan, which was granted by Russia's second-biggest bank in June 2010 for six months and carries an interest rate of 6.7 percent, Khoroshkovsky said. Ukraine agreed on its first six-month extension in December 2010 and had an option to prolong it two more times, according to the agreement.

"I'm skeptical on a loan from Russian banks," Alexander Valchyshen, head of research at Investment Capital Ukraine in Kiev, said Monday by e-mail. "A much more logical way is tapping the eurobond market if there's a chance."

Khoroshkovsky served as finance minister from Jan. 18. He had previously been in charge of Ukraine's security service. He replaced Andriy Klyuev, who was named secretary of the National Defense and Security Council.

Khoroshkovsky will lead talks with the International Monetary Fund on a \$15.6 billion loan program that's been frozen since last March as well as negotiations to strengthen ties with the European Union.

Before it resumes disbursements, the IMF has demanded the government raise utility tariffs for households to trim the state's budget gap. IMF financing for Ukraine will depend on the country's adherence to democratic principles, U.S. Assistant Secretary of State Philip Gordon said in a televised interview with Ukrainian channel TVi on Feb. 12.

The EU delayed the signing of an association agreement, planned for December, because of the imprisonment of opposition leader Yulia Tymoshenko.

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