



Focus
Ukraine

Scope
**Economics, bonds, equity &
FX markets**

Research team
**Alexander Valchyshen
Taras Kotovych**

Daily Insight

FX reserves rise in March thanks to IMF

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TUESDAY, 7 APRIL 2015

UX Index (3 months to 7 Apr 2015)



Source: UX.

Key market indicators (as of 6 Apr 2015)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	23.4500	+3.30	+48.23
USD/UAH (1Y NDF)	27.4800	+0.00	+48.94
EUR/USD	1.0922	-0.43	-9.72
USD/RUB	55.4630	-2.13	-8.68
KievPRIME O/N (%)	23.15	-23bp	+425bp
KievPRIME 1M (%)	28.10	-15bp	+820bp

SOVEREIGN EUROBONDS: yields and spreads

Ukraine 15, Eurobond (%)	281.66	+150bp	+21,989bp
Ukraine 17, Eurobond (%)	58.33	+6bp	+3,058bp
Ukraine 22, Eurobond (%)	25.44	+0bp	+919bp
Ukraine 23, Eurobond (%)	23.69	+0bp	+812bp
Ukraine 5Y CDS	N/A		

EQUITIES

Stock market indices

UX (Ukraine)	1,036.77	-0.81	+0.34
MSCI World	431.35	+0.85	+3.41
MSCI EM	1,005.86	+1.16	+5.18
RTS (Russia)	971.08	+4.40	+23.37
WIG-20 (Poland)	N/A		
S&P 500 (USA)	2,080.62	+0.66	+1.05

Notes: Chg – percentage change, if not otherwise indicated;
[1] – total traded volume for stocks listed in
green- or red-shaded box means gain or loss, respectively,
of the index or security.

Sources: Bloomberg, UX, Investment Capital Ukraine LLC.

Economics: News & Comments

Inflation soars in March

The March statistical report on inflation indicated a further acceleration of on-year inflation to levels not seen since the mid-1990s. The headline consumer price index rose 10.8% MoM and the producer price index increased a similar 10.5% MoM. In the year-on-year terms, headline CPI spiked to 45.8% YoY and PPI escalated to 51.7% YoY. Among consumer goods, food inflation in March was most profound as sugar prices rose 39.2% MoM, sunflower oil added 32.1% MoM, and bread products increased 22.7% MoM.

In this environment, the tight regulatory regime will continue as it is premature for authorities to loosen capital controls and tight administrative measures over FX operations.

Alexander Valchyshen, Kiev, +38044 2200120 ext.721

Bonds: News & Comments

Liquidity continues to recover

Broader banking sector liquidity continued to recover yesterday, up UAH1.65bn to UAH52.60bn, as banks' correspondent accounts with the NBU increase UAH1.54bn to UAH25.83bn and total CDs outstanding rose UAH0.11bn to UAH16.39bn. Total local currency debt repayments scheduled for the next 30 days remained steady at UAH1038bn.

KyivPrime interest rates slightly declined: the KyivPrime ON interest rate fell 23bp to 23.15% while the KyivPrime 1M interest rate slid 15bp to 28.10%.

Investment implications: After significant outflows that occurred last week, liquidity recovered without significant inflows from the NBU and the MoF. Banks' correspondent accounts with the NBU and CDs outstanding could increase together to about UAH50.0bn through the end of this week.

Taras Kotovych, Kiev, +38044 2200120 ext.724

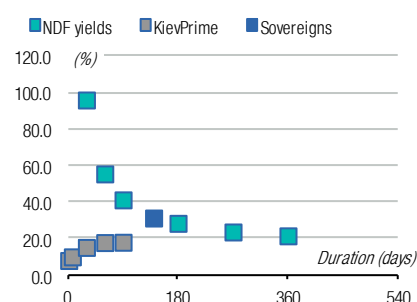
Eurobonds increase slightly

Following the MoF's announcement that the Cabinet of Ministers adopted a specific resolution and list of debt which should be included in the debt restructuring, prices of Ukrainian Eurobonds slightly rose. While some bond prices had fallen below 40 over the last several weeks, they rose above this level yesterday. Ukrainian Eurobonds were in the range of 40.25-45 at yesterday's close, remaining low ahead of the official start of debt restructuring talks.

Taras Kotovych, Kiev, +38044 2200120 ext.724

Yield curve of the local bond market

(as of market close on 6 Apr 2015)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 6 Apr 2015)

	Last	Daily	Weekly	MoM	YTD
		chg (%)	chg (%)	chg (%)	chg (%)

MONEY MARKET KIEV PRIME RATES (%)

O/n	23.15	-23bp	+40bp	+190bp	+425bp
1wk	25.70	-55bp	+12bp	+220bp	+670bp
1m	28.10	-15bp	+43bp	+110bp	+820bp
2m	26.00	-25bp	+33bp	+200bp	+600bp
3m	26.00	-25bp	+33bp	+200bp	+600bp

LIQUIDITY WIDE MEASUREMENT (UAHm)

CB acc's ¹	N/A	N/A	N/A	N/A	N/A
CDs ²	N/A	N/A	N/A	N/A	N/A
Sovgns ³	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A

HOLDERS OF UAH SOVEREIGN BONDS (UAHm)

C.bank	338,139	-0.01	-1.53	+0.05	+6.29
Banks	104,226	-0.48	+1.91	-6.84	+11.55
Resid's ⁴	31,704	+38.96	+38.49	+7.86	+29.14
Non-res ⁵	27,071	-0.69	-0.67	-0.60	+25.66
Total	501,140	+1.66	+1.08	-1.05	+9.50

NDF IMPLIED YIELDS (%)

3m	N/A	N/A	N/A	N/A	N/A
6m	N/A	N/A	N/A	N/A	N/A
9m	N/A	N/A	N/A	N/A	N/A
1yr	N/A	N/A	N/A	N/A	N/A

LOCAL CURRENCY UAH SOVEREIGN BOND YIELDS (%)

Mar '13	N/A	N/A	N/A	N/A	N/A
Jan '14	N/A	N/A	N/A	N/A	N/A
Aug '15 ⁶	N/A	N/A	N/A	N/A	N/A

EUROBONDS USD SOVEREIGN BOND YIELDS (%)

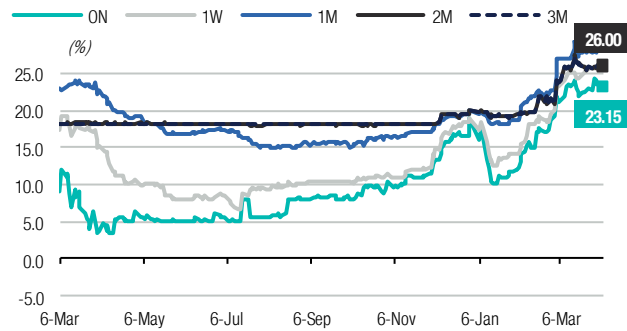
CDS 5yr	N/A	N/A	N/A	N/A	N/A
Jun '16	105.08	+27bp	+302bp	+18bp	+68bp
Jul '17	58.33	+6bp	-175bp	+336bp	+31bp
Sep '20	30.49	+1bp	-85bp	+94bp	+12bp
Sep '21	29.61	+1bp	-91bp	+119bp	+11bp
Sep '22	25.44	+0bp	-114bp	+68bp	+919bp
Feb '23	23.69	+0bp	-63bp	+12bp	+812bp

Notes: [1] banks' account balance at NBU; [2] certificates of deposits issued by NBU; [3] UAH sovereign bonds due next 30 days; [4] residents; [5] non-residents; [6] VAT bond.

Sources: Bloomberg, Investment Capital Ukraine LLC.

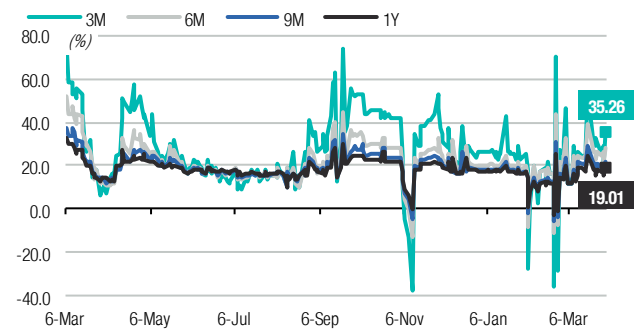
Chart page: Local bond market & Eurobond markets

Chart 1. Kiev Prime rates (%), last 12-month period



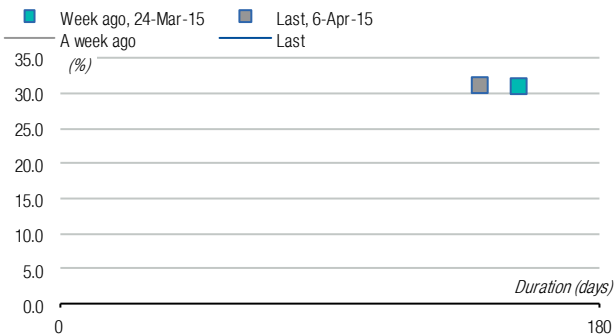
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 2. UAH NDF implied yields (%), last 12-month period



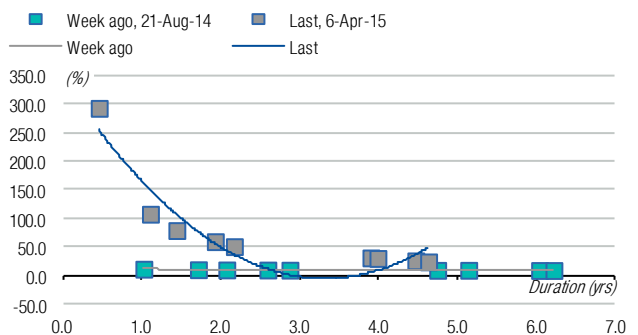
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 6 Apr 2015



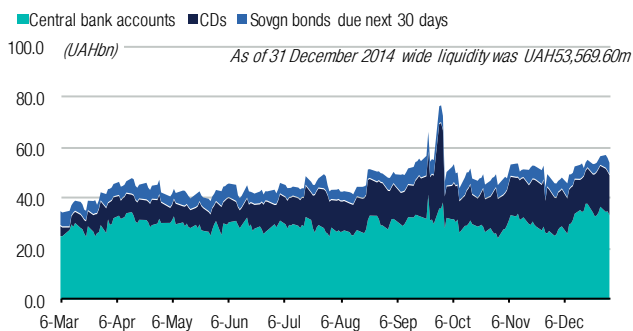
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 6 Apr 2015



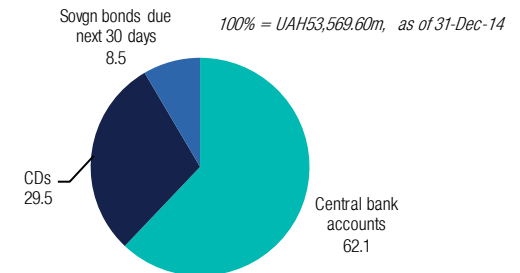
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 5. Banking sector liquidity (UAHbn), last 12-month period



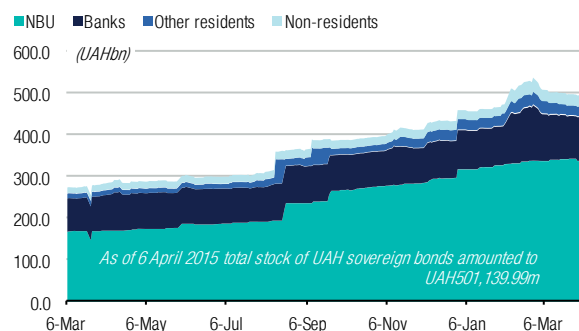
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 6 Apr 2015



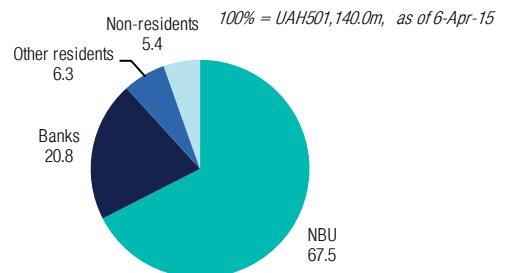
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 7. Holders of sovereign bonds (UAHbn), last 12 months



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 8. Domestic sovereign debt (%) as of 6 Apr 2015



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Table 1. Ukrainian stocks (closing prices as of 6-Apr-2015)

Company	Bloomberg Ticker	Listing	Share price performance (% change)					Valuation (US\$)			Free float (FF) & Liquidity						P/E			EV/EBITDA			EV/Sales			Ratios	
			Last price	Daily	MoM	YTD	YoY	Last price	Market cap (m)	EV (m)	FF (%)	FF mkt cap (US\$m)	Last day turnover (US\$ 000)	3M avg. turnover (US\$ 000)	FF share traded (%)	FF turnover (days)	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	P/B (x)	Debt/ Assets (%)
ENERGY																											
Centrenergo	CEEN UK	Kiev, UX	8.01 UAH	+0.0	-0.2	+6.2	+49.1	0.34	126.3	118.3	21.7	27.4	5.0	32.6	0.11	911	6.1	62.6	Neg.	0.2	6.2	Neg.	0.4	0.2	0.3	1.1	16.3
Donbasenergo	DOEN UK	Kiev, UX	22.36 UAH	+0.0	-25.3	-32.2	-45.0	0.95	22.6	56.5	14.2	3.2	12.2	4.5	0.25	402	1.0	0.9	Neg.	0.1	1.2	17.4	0.2	0.1	0.3	0.8	25.1
Zakhidenergo	ZAEN UK	Kiev, PFTS	177.70 UAH	+0.0	+9.7	+20.0	+39.9	7.59	97.0	105.2	5.0	4.9	0.0	1.0	0.05	1,987	3.9	N/A	N/A	0.7	N/A	N/A	0.2	N/A	N/A	1.6	0.0
METALLURGY																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	+0.0	-4.8	-4.8	-61.1	0.00	15.2	1,238.0	3.9	0.6	0.0	0.5	0.06	1,602	Neg.	Neg.	N/A	Neg.	Neg.	N/A	2.0	1.1	N/A	N/A	85.7
Avdiyivsky Cok...	AVDK UK	Kiev, UX	1.45 UAH	+0.0	+3.2	-16.4	-51.2	0.06	12.0	-14.7	4.0	0.5	0.0	1.1	0.10	1,036	Neg.	Neg.	Neg.	Neg.	0.3	0.3	Neg.	Neg.	Neg.	0.1	0.1
Azovstal	AZST UK	Kiev, UX	0.80 UAH	+0.0	-1.2	+7.4	+12.2	0.03	143.6	119.8	4.1	5.9	24.8	6.7	0.16	612	Neg.	Neg.	N/A	Neg.	5.1	N/A	0.1	0.1	N/A	0.3	0.0
Yasynivsky Cok...	YASK UK	Kiev, UX	0.30 UAH	+0.0	-14.3	+7.1	-53.2	0.01	3.5	4.0	9.0	0.3	0.0	0.1	0.00	30,432	Neg.	Neg.	9.1	0.0	Neg.	Neg.	0.0	0.0	0.0	0.1	0.0
Yenakievo Steel	ENMZ UK	Kiev, UX	18.35 UAH	+0.0	+3.4	-12.4	-46.5	0.78	8.3	2.6	9.4	0.8	3.1	2.3	0.15	670	Neg.	Neg.	N/A	0.5	0.1	N/A	0.0	0.0	N/A	0.8	0.0
FINANCIAL SERVICES																											
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.10 UAH	+0.0	-11.3	-0.8	-43.2	0.00	121.8	N/A	3.8	4.7	7.8	9.7	0.28	351	2.8	Neg.	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	0.5	22.4
Ukrsotsbank	USCB UK	Kiev, UX	0.11 UAH	+0.0	+0.0	-15.5	-32.0	0.00	115.9	N/A	4.5	5.2	0.0	0.4	0.01	16,625	Neg.	6.1	6.4	N/A	N/A	N/A	N/A	N/A	N/A	0.2	28.2

Notes: mln - millions; FF - free float; n/a - not available; neg. - negative; a company name (the left column of the table) is shortened to fit the column and hence in some cases is not displayed in full; *** - P/E is above 10,000x. Sources: Bloomberg, ICU.

FX: News & Comments

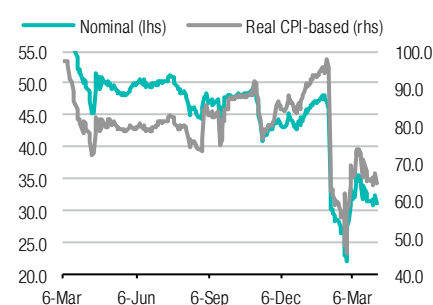
FX reserves rise in March thanks to IMF programme

The NBU reported yesterday that its FX reserves as of the end of March rose from US\$5.6bn to US\$10.0bn as a result of the US\$4.9bn IMF tranche and the CAD200m Canadian government loan. The net volume of FX market interventions was a US\$200m surplus following US\$0.9bn in debt repayments. Despite the increase in FX reserves, market sentiment still remains negative toward hryvnia-denominated assets and we expect tight FX regulation for the remainder of 2015.

Alexander Valchyshen, Kiev, +38044 2200120 ext.242

ICU's UAH trade-weighted indices

(Last 12-month history to 7 Apr 2015)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 6 Apr 2015)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
USD/UAH MARKET (HRYVNIA per US DOLLAR)					
Spot mkt	23.4500	+3.30	-0.64	-0.21	+48.23
NBU avg	23.3048	-0.87	-0.59	+1.78	+47.79
Ttl vlm ¹	159.29	-39.35	-28.38	-19.21	-63.03
\$ volume ²	122.79	-42.80	-17.68	-21.39	-65.34
NDF 3M	25.2800	+0.60	+0.76	+4.51	+50.03
NDF 6M	26.4800	+0.00	+0.15	+4.71	+52.18
NDF 1Y	27.4800	+0.00	+0.15	+5.73	+48.94
TRADE-WEIGHTED INDICES (TWIs, points)					
UAH nom'l	31.024	-3.68	-0.86	-2.94	-30.23
UAH real CPI	64.434	-3.68	-0.86	-2.94	-25.66
UAH real PPI	88.258	-3.68	-0.86	-2.94	-25.05
USD nom'l	96.777	+0.24	-1.22	-0.86	+7.21
FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs					
USD/RUB	55.4630	-2.13	-3.57	-8.22	-8.68
EUR/USD	1.0922	-0.43	+0.82	+0.72	-9.72
USD/CNY	N/A	N/A	N/A	N/A	N/A
USD/PLN	3.7312	+0.82	-1.14	-2.06	+5.29
USD/TRY	2.5710	-0.06	-1.41	-2.00	+10.11
USD/BYR	14,550.00	-1.36	-0.61	-2.84	+32.27
USD/KZT	185.6900	-0.01	-0.02	+0.17	+1.83
OTHER MAJOR CURRENCIES					
USD/JPY	119.5400	+0.48	-0.44	-1.07	-0.20
GBP/USD	1.4880	-0.27	+0.47	-1.04	-4.47
USD/CHF	0.9587	+0.74	-0.86	-2.77	-3.58
AUD/USD	0.7592	-0.54	-0.81	-1.61	-7.13
USD/CAD	1.2482	-0.02	-1.52	-1.12	+7.41
USD/BRL	3.1261	+0.10	-3.21	+2.03	+17.63
USD/KRW	1,085.03	-0.73	-1.81	-1.25	-0.55
COMMODITIES					
Gold(\$/oz)	1,214.85	+1.00	+2.43	+4.08	+2.53
WTI crude ³	52.14	+0.00	+7.11	+5.10	-2.12
Brent crd ³	57.09	+5.22	+4.20	-3.81	+2.39
Urals crd ³	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB ⁴	220.02	+1.82	+2.69	-0.05	-4.32

Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU [website](#) and Bloomberg (type: ALLX UTWI <GO>).

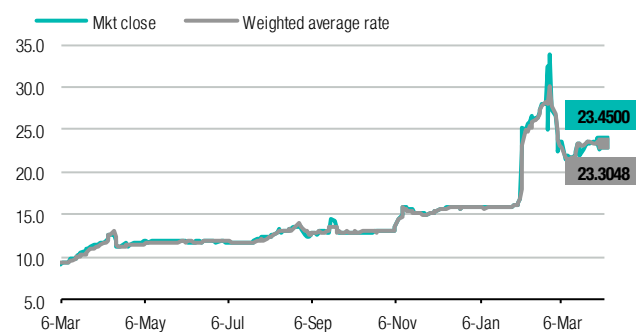
Section on FX market is continued on next page.

Notes: [1] trading volume in all foreign currencies (US\$m); [2] trading volume in the pair USD/UAH (US\$m); [3] crude oil price (USD per barrel); [4] the Thomson Reuters/Jefferies CRB Index. A green-/red-shaded box means gain or loss, respectively, of the investment into the asset. Currencies are gaining when their exchange rates strengthen versus USD.

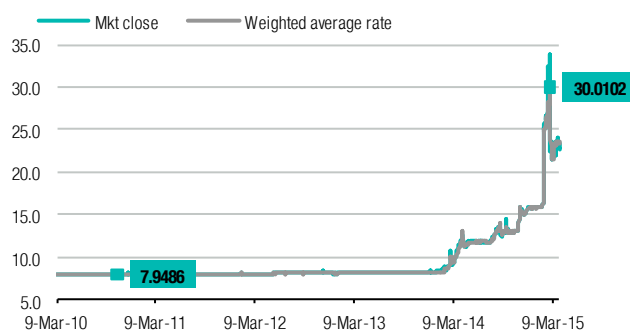
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart page #1: Foreign-exchange market

Chart 9. Spot market rates USD/UAH: last 12-month and 5-year periods (UAH per USD, left and right respectively)

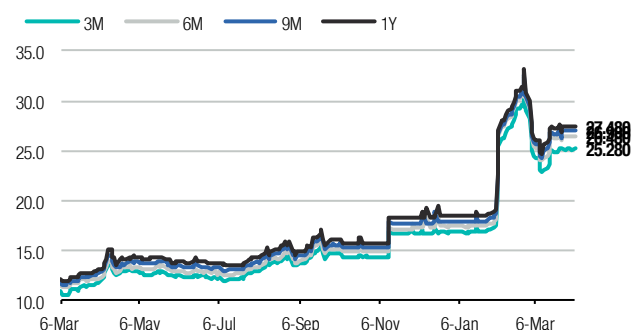


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

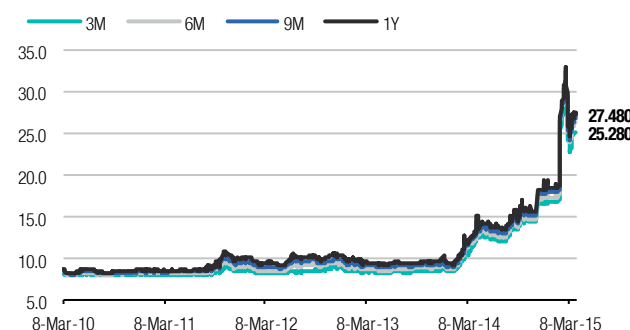


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 10. NDF market rates USD/UAH: last 12-month and 5-year periods (UAH per USD, left and right respectively)

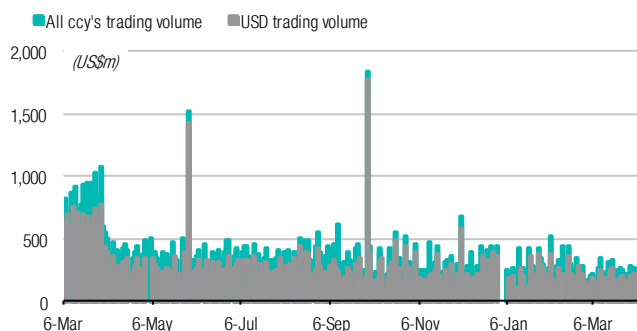


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

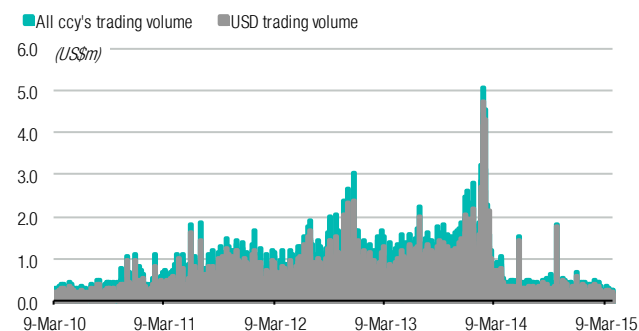


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 11. Trading volume: last 12-month and 5-year periods (US\$m, left and right respectively)



Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 12. 30D MA* ratio of FX market turnover to merchandise trade: last 12m and 5yr periods (% , left and right respectively)



Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

Chart page #2: ICU's UAH trade-weighted indices

The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology published in the [Quarterly Report "Keep the music playing"](#) dated 31 January 2013 and, then, updated, in the [Quarterly Report "Muddling through no more"](#) dated 14 August 2013.

Chart 13. Nominal and CPI-based real TWIs of UAH, history of last 12-month period

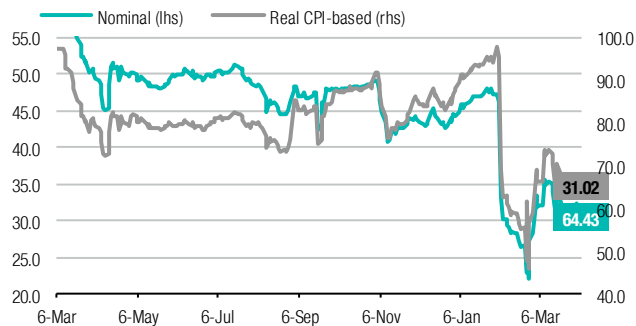


Chart 14. Nominal, CPI- and PPI-based TWIs of UAH, history of last 5-year period

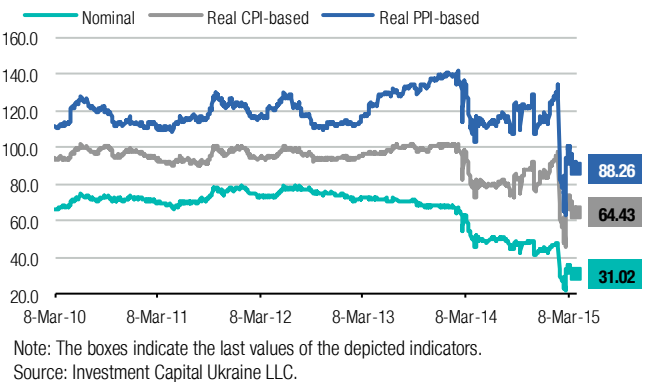


Chart 15. Deviation of UAH trade-weighted indices from their 5-year moving averages: last 12-month and 5-year periods (% , left and right respectively)

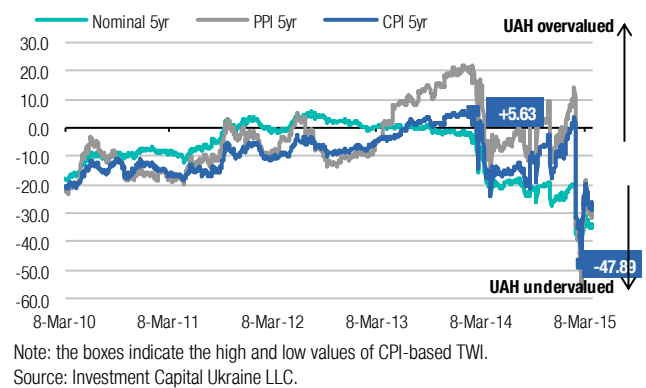
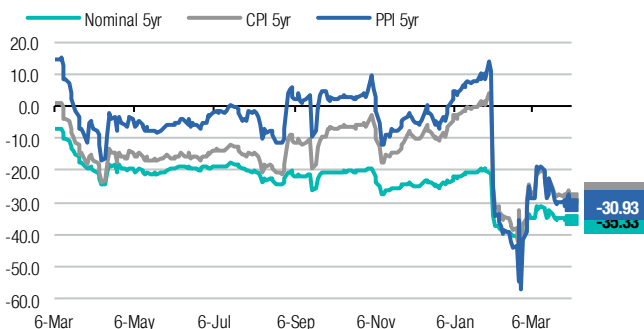
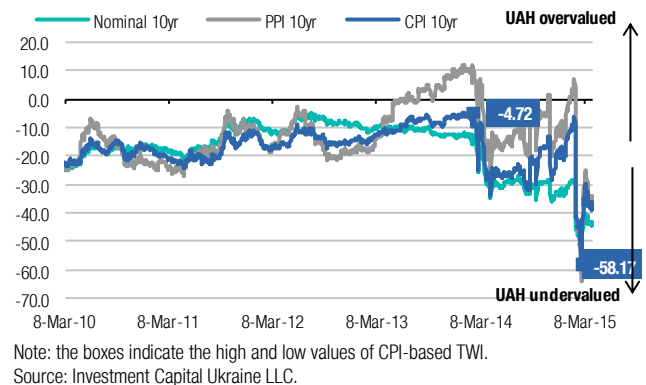
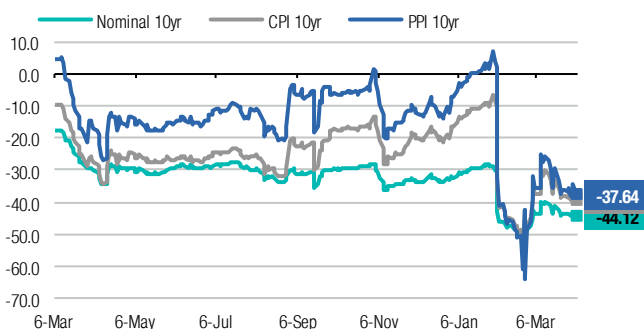


Chart 16. Deviation of UAH trade-weighted indices from their 10-year moving averages: last 12-month and 5-year periods (% , left and right respectively)



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Disclosures

ANALYST CERTIFICATION

This research publication has been prepared by the analyst(s), whose name(s) appear on the front page of this publication. The analyst(s) hereby certifies that the views expressed within this publication accurately reflect her/his own views about the subject financial instruments or issuers and no part of her/his compensation was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views within this research publication.

EQUITY RATING DEFINITIONS

Buy: Forecasted 12-month total return greater than 20%

Hold: Forecasted 12-month total return 0% to 20%

Sell: Forecasted 12-month total return less than 0%

Note: total return is share price appreciation to a target price in relative terms plus forecasted dividend yield.

DEBT RATING DEFINITIONS

Buy: Forecasted 12-month total return significantly greater than that of relevant benchmark

Hold: Forecasted 12-month total return is in line with or modestly deviates from relevant benchmark

Sell: Forecasted 12-month total return significantly less than that of relevant benchmark



11th floor, LEONARDO Business Centre
19-21 Bogdan Khmelnytsky Street
Kiev, 01030 Ukraine
Phone/Fax +38 044 2200120

CORPORATE FINANCE TEL. +38 044 2200120

Makar Paseniuk, Managing Director
makar.paseniuk@icu.ua

Ruslan Kilmukhametov, Director
ruslan.kilmukhametov@icu.ua

SALES AND TRADING TEL. +38 044 2201621

Konstantin Stetsenko, Managing Director
konstantin.stetsenko@icu.ua

Sergiy Byelyayev, Fixed-Income Trading
sergiy.byelyayev@icu.ua

Vitaliy Sivach, Fixed-Income & FX Trading
vitaliy.sivach@icu.ua

Vlad Sinani, Director,
Strategy and Corporate Development
vlad.sinani@icu.ua

Julia Pecheritsa,
Ukraine and CIS International Sales
julia.pecheritsa@icu.ua

Yevgeniya Gryshchenko,
Fixed-Income Sales
yevgeniya.gryshchenko@icu.ua

RESEARCH DEPARTMENT TEL. +38 044 2200120

Alexander Valchyshen
Head of Research
alexander.valchyshen@icu.ua

Alexander Martynenko
Head of corporate research
alexander.martynenko@icu.ua

Bogdan Vorotilin
Financial analyst (Food & Agribusiness)
bogdan.vorotilin@icu.ua

Taras Kotovych
Senior financial analyst (Sovereign debt)
taras.kotovych@icu.ua

Mykhaylo Demkiv
Financial analyst (Banks)
mykhaylo.demkiv@icu.ua

Lee Daniels, Rolfe Haas
Editors

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