



Focus  
**Ukraine**

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

Research team  
**Alexander Valchyshen**

# Daily Insight

## FX rate likely becoming secondary

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**TUESDAY, 14 APRIL 2015**

### UX Index (3 months to 14 Apr 2015)



Source: UX.

### Key market indicators (as of 10 Apr 2015)

	Last	Daily chg (%)	YTD chg (%)
<b>FX &amp; MONEY RATES</b>			
USD/UAH	23.4000	+0.43	+47.91
USD/UAH (1Y NDF)	26.8800	+1.03	+45.69
EUR/USD	1.0604	-0.52	-12.35
USD/RUB	53.5858	+3.12	-11.77
KievPRIME O/N (%)	24.00	+112bp	+510bp
KievPRIME 1M (%)	28.38	+13bp	+848bp

### SOVEREIGN EUROBONDS: yields and spreads

Ukraine 15, Eurobond (%)	295.17	+162bp	+23,340bp
Ukraine 17, Eurobond (%)	60.79	+6bp	+3,303bp
Ukraine 22, Eurobond (%)	26.64	+0bp	+1,039bp
Ukraine 23, Eurobond (%)	24.51	+0bp	+894bp
Ukraine 5Y CDS	4,236bp	-138bp	+2,037bp

### EQUITIES

<b>Stock market indices</b>			
UX (Ukraine)	1,016.28	-0.80	-1.65
MSCI World	435.93	+0.44	+4.51
MSCI EM	1,034.59	+0.58	+8.19
RTS (Russia)	999.38	-0.40	+26.97
WIG-20 (Poland)	2,443.62	+0.07	+5.51
S&P 500 (USA)	2,092.43	-0.46	+1.63

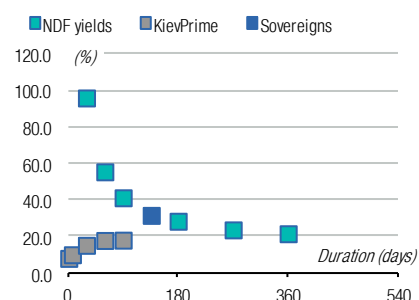
Notes: Chg – percentage change, if not otherwise indicated;  
[1] – total traded volume for stocks listed in  
green- or red-shaded box means gain or loss, respectively,  
of the index or security.

Sources: Bloomberg, UX, Investment Capital Ukraine LLC.

# Bonds: News & Comments

## Yield curve of the local bond market

(as of market close on 10 Apr 2015)



Sources: Bloomberg, Investment Capital Ukraine LLC.

## Bond market indicators (as of 10 Apr 2015)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>MONEY MARKET KIEV PRIME RATES (%)</b>					
O/n	24.00	+112bp	+62bp	+225bp	+510bp
1wk	26.00	-13bp	-25bp	+200bp	+700bp
1m	28.38	+13bp	+13bp	+138bp	+848bp
2m	26.25	-25bp	+0bp	+25bp	+625bp
3m	26.25	-25bp	+0bp	+25bp	+625bp
<b>LIQUIDITY WIDE MEASUREMENT (UAHm)</b>					
CB acc's <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
CDs <sup>2</sup>	N/A	N/A	N/A	N/A	N/A
Sovgns <sup>3</sup>	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>HOLDERS OF UAH SOVEREIGN BONDS (UAHm)</b>					
C.bank	339,129	+0.29	+0.29	+0.35	+6.60
Banks	104,093	-0.19	-0.61	-6.54	+11.41
Resid's <sup>4</sup>	30,726	-3.07	+34.67	+4.69	+25.16
Non-res <sup>5</sup>	27,166	-0.27	-0.34	+0.61	+26.10
<b>Total</b>	<b>501,114</b>	<b>-0.05</b>	<b>+1.65</b>	<b>-0.90</b>	<b>+9.50</b>
<b>NDF IMPLIED YIELDS (%)</b>					
3m	22.18	-889bp	-13ppt	-660bp	-416bp
6m	21.56	-42bp	-661bp	-327bp	+125bp
9m	17.48	+110bp	-443bp	-89bp	-72bp
1yr	15.67	+69bp	-334bp	-64bp	-168bp
<b>LOCAL CURRENCY UAH SOVEREIGN BOND YIELDS (%)</b>					
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 <sup>6</sup>	N/A	N/A	N/A	N/A	N/A
<b>EUROBONDS USD SOVEREIGN BOND YIELDS (%)</b>					
CDS 5yr	4,236	-138bp	-34ppt	+517bp	+20bp
Jun '16	106.03	+27bp	+188bp	+19bp	+69bp
Jul '17	60.79	+6bp	+41bp	+978bp	+33bp
Sep '20	29.83	+1bp	+5bp	+26bp	+11bp
Sep '21	30.88	+1bp	+5bp	+383bp	+12bp
Sep '22	26.64	+0bp	+3bp	+304bp	+10bp
Feb '23	24.51	+0bp	+3bp	+228bp	+894bp

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 &amp; Eurobond markets

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

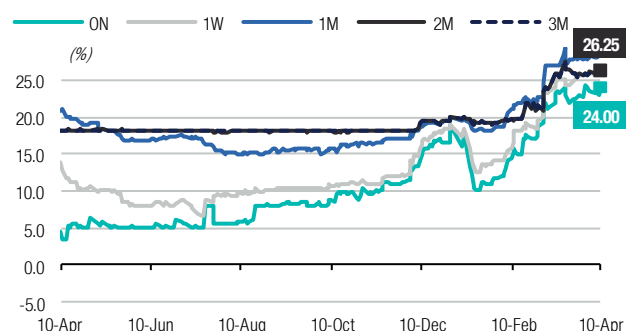


Chart 2. UAH NDF implied yields (%), last 12-month period

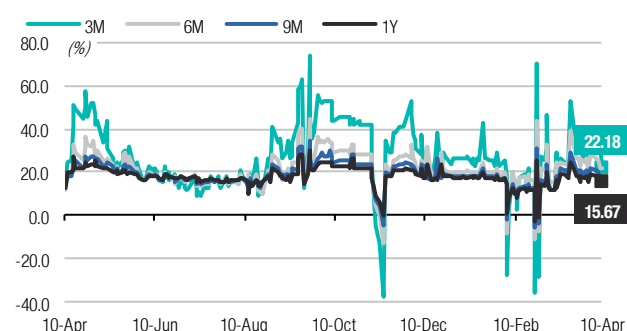


Chart 3. UAH sovereign yield curve (%) as of 10 Apr 2015

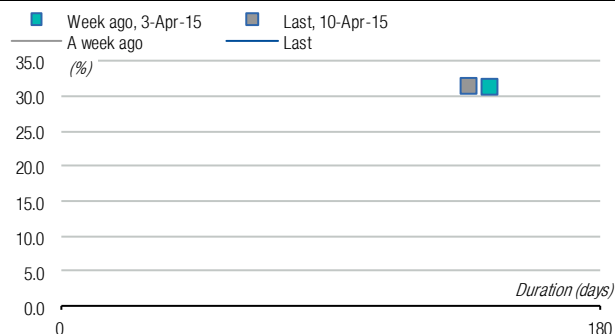


Chart 4. USD sovereign yield curve (%) as of 10 Apr 2015

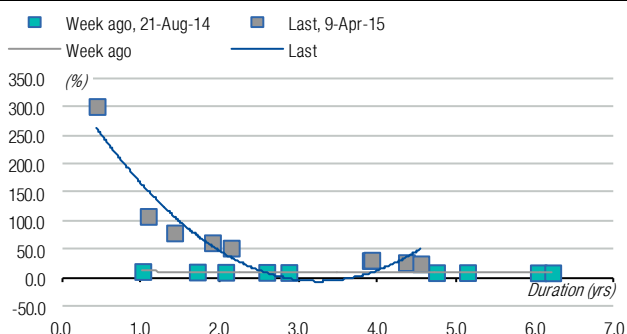


Chart 5. Banking sector liquidity (UAHbn), last 12-month period

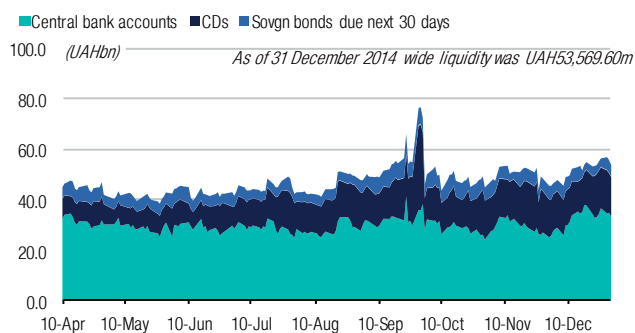


Chart 6. Breakdown of liquidity pool (%) as of 10 Apr 2015

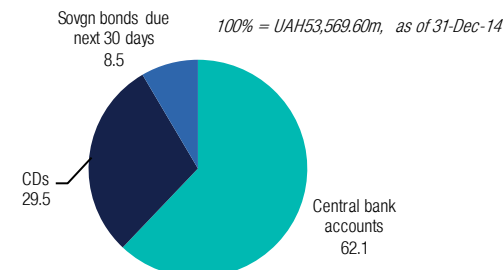


Chart 7. Holders of sovereign bonds (UAHbn), last 12 months

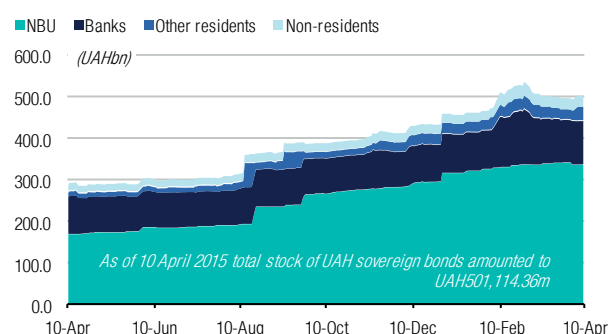


Chart 8. Domestic sovereign debt (%) as of 10 Apr 2015

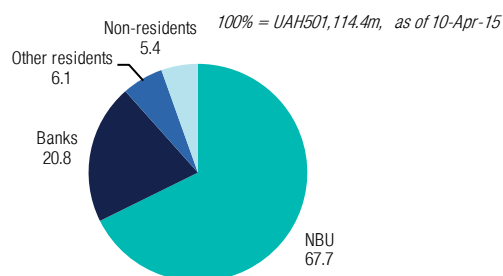


Table 1. Ukrainian stocks (closing prices as of 10-Apr-2015)

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 (%)
<b>ENERGY</b>																											
Centrenergo	CEEN UK	Kiev, UX	7.89 UAH	-0.8	-3.6	+4.6	+37.0	0.35	129.3	120.9	21.7	28.1	14.2	33.5	0.09	1,075	6.0	61.2	Neg.	0.2	6.2	Neg.	0.4	0.2	0.3	1.1	16.3
Donbasenergo	DOEN UK	Kiev, UX	22.00 UAH	-3.0	-18.8	-33.3	-48.7	0.98	23.1	58.3	14.2	3.3	1.1	4.6	0.23	436	1.0	0.9	Neg.	0.1	1.2	17.3	0.2	0.1	0.3	0.8	25.1
Zakhidenergo	ZAEN UK	Kiev, PFTS	174.00 UAH	+0.0	+7.0	+17.5	+39.2	7.72	98.7	107.2	5.0	4.9	3.5	1.1	0.05	1,928	3.8	N/A	N/A	0.7	N/A	N/A	0.2	N/A	N/A	1.5	0.0
<b>METALLURGY</b>																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	+0.0	-1.5	-8.3	-63.2	0.00	15.2	1,285.4	3.9	0.6	0.0	0.5	0.06	1,638	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	2.0	1.8	4.4	N/A	85.7
Avdiyivsky Cok...	AVDK UK	Kiev, UX	1.36 UAH	-0.9	-2.7	-21.3	-57.1	0.06	11.8	-16.0	4.0	0.5	21.3	1.4	0.29	351	Neg.	Neg.	Neg.	Neg.	0.3	0.3	Neg.	Neg.	Neg.	0.1	0.1
Azovstal	AZST UK	Kiev, UX	0.79 UAH	-0.6	+2.9	+6.3	+8.9	0.04	147.7	122.9	4.1	6.1	0.8	6.8	0.15	679	Neg.	1.8	2.8	Neg.	0.8	1.1	0.1	0.1	0.1	0.3	0.0
Yasynivsky Cok...	YASK UK	Kiev, UX	0.28 UAH	+6.9	-19.8	+0.0	-59.1	0.01	3.4	3.9	9.0	0.3	0.1	0.1	0.01	13,945	Neg.	Neg.	8.5	0.0	Neg.	Neg.	0.0	0.0	0.0	0.1	0.0
Yenakievo Steel	ENMZ UK	Kiev, UX	17.58 UAH	-1.6	+4.6	-16.1	-52.2	0.78	8.2	2.4	9.4	0.8	0.0	2.3	0.13	754	Neg.	Neg.	Neg.	0.4	0.1	0.0	0.0	0.0	0.0	0.8	0.0
<b>FINANCIAL SERVICES</b>																											
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.09 UAH	-0.9	-6.9	-1.4	-43.9	0.00	125.9	N/A	3.8	4.8	18.0	10.2	0.28	360	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	+1.9	-15.5	-31.3	0.00	120.4	N/A	4.5	5.4	0.0	0.4	0.00	24,504	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

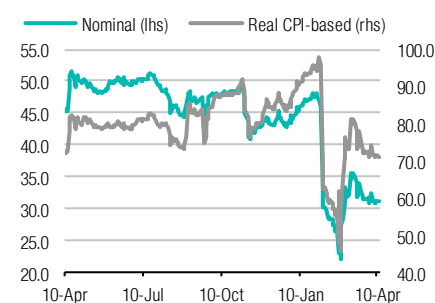
## FX rate likely becoming secondary to domestic public attention

For the second consecutive year, the run-up to the upcoming period of two national holidays - Labor Day on May 1 and Victory Day on May 9 - is characterized by market uncertainty. Last year, Russian militant strongholds in the eastern regions marked the launch of the Donbas war. This year, given the ongoing standoff between Ukraine and Russia at Donbas, a possible new offensive by the pro-Kremlin militants and collapse of the Minsk II agreement continues to be a threat. This is unfounded as Russian assets--from Eurobonds to the ruble--rallied recently, indicating that investors believe that Minsk II is holding successfully. Bloomberg reports that US hedge funds have been buying Russian assets which we believe were extremely undervalued before the rally. Such an immediate disregard of prolonged high geopolitical risk overshadowed by a recent market rally is strikingly controversial. In either regard, the hryvnia's FX rate is less likely to dominate market headline news over the next few weeks than are developments of the sovereign debt restructuring. While the restructuring should be settled by the second IMF program review this June, market consensus is that the negotiations are unlikely to proceed smoothly. The IMF itself said it would not insist on rushing to complete talks by this June and will assist Ukrainian authorities in gradually restoring FX reserves. On top of this, the recent Russian market rally benefits the hryvnia as the ruble's increased value has the effect of a relative devaluation of the hryvnia; this should quell domestic devaluation fears by market participants.

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### ICU's UAH trade-weighted indices

(Last 12-month history to 14 Apr 2015)



Source: Investment Capital Ukraine LLC.

### FX market indicators (as of 10 Apr 2015)

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

#### USD/UAH MARKET (HRYVNIA per US DOLLAR)

Spot mkt	23.4000	+0.43	+3.08	+8.84	+47.91
NBU avg	22.8820	-2.36	-2.67	+5.27	+45.11
Ttl vlm <sup>1</sup>	265.63	-6.17	+1.14	+0.07	-38.35
\$ volume <sup>2</sup>	194.93	-16.47	-9.20	-16.87	-44.98
NDF 3M	24.6800	-1.64	-1.79	+7.16	+46.47
NDF 6M	25.8800	+0.24	-2.27	+7.25	+48.74
NDF 1Y	26.8800	+1.03	-2.18	+8.26	+45.69

#### TRADE-WEIGHTED INDICES (TWIs, points)

UAH nom'l	31.118	+0.53	-3.39	-12.23	-30.02
UAH real CPI	71.384	+0.53	-3.39	-12.23	-17.64
UAH real PPI	88.524	+0.53	-3.39	-12.23	-24.83
USD nom'l	99.338	+0.18	+2.89	+0.73	+10.05

#### FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs

USD/RUB	53.5858	+3.12	-5.44	-14.20	-11.77
EUR/USD	1.0604	-0.52	-3.33	-0.88	-12.35
USD/CNY	6.2087	+0.05	+0.23	-0.85	+0.05
USD/PLN	3.7932	+0.45	+2.50	-2.45	+7.04
USD/TRY	2.6286	+0.32	+2.18	-0.36	+12.57
USD/BYR	14,300.00	-1.04	-3.05	-4.56	+30.00
USD/KZT	185.8100	+0.09	+0.06	+0.29	+1.90

#### OTHER MAJOR CURRENCIES

USD/JPY	120.2200	-0.30	+1.05	-0.75	+0.37
GBP/USD	1.4632	-0.55	-1.93	-2.91	-6.07
USD/CHF	0.9791	+0.15	+2.88	-2.04	-1.53
AUD/USD	0.7682	-0.13	+0.64	+0.73	-6.03
USD/CAD	1.2566	-0.10	+0.66	-0.97	+8.13
USD/BRL	3.0754	+0.58	-1.52	-0.84	+15.72
USD/KRW	1,092.68	+0.01	-0.03	-2.67	+0.16

#### COMMODITIES

Gold(\$/oz)	1,207.57	+1.08	+0.39	+3.94	+1.92
WTI crude <sup>3</sup>	51.64	+1.67	+0.00	+6.94	-3.06
Brent crd <sup>3</sup>	57.34	+2.72	+5.68	+2.61	+2.83
Urals crd <sup>3</sup>	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB <sup>4</sup>	217.12	+0.46	+0.48	+0.50	-5.58

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.

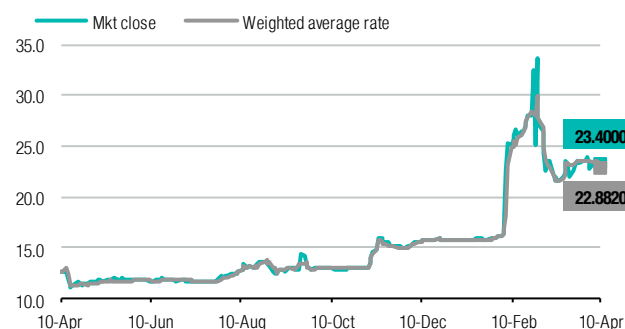
Sources: Bloomberg, Investment Capital Ukraine LLC.

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>).

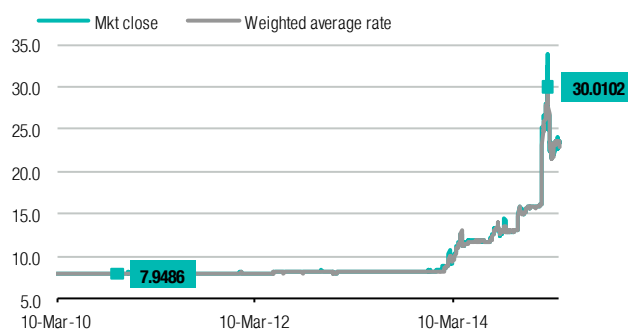
**Section on FX market is continued on next page.**

## 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)

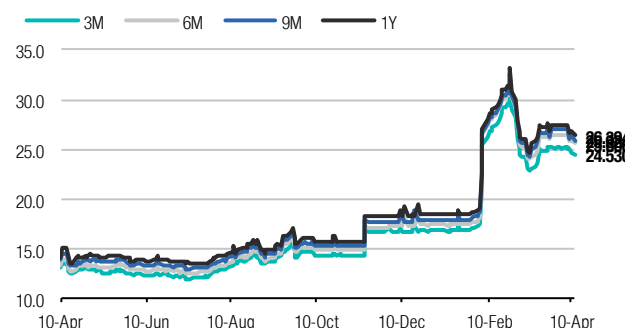


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

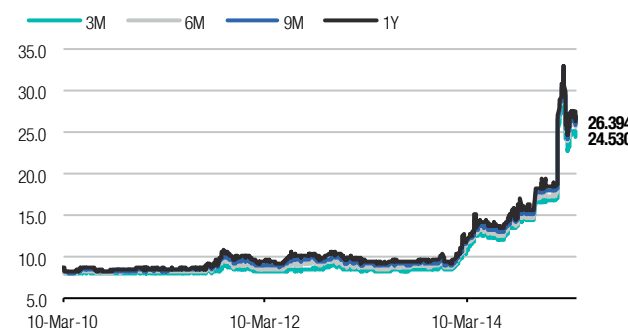


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

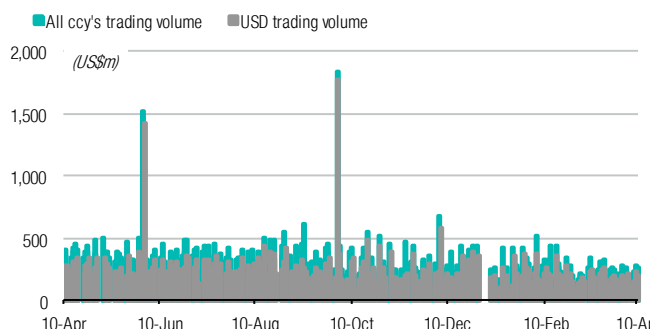


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

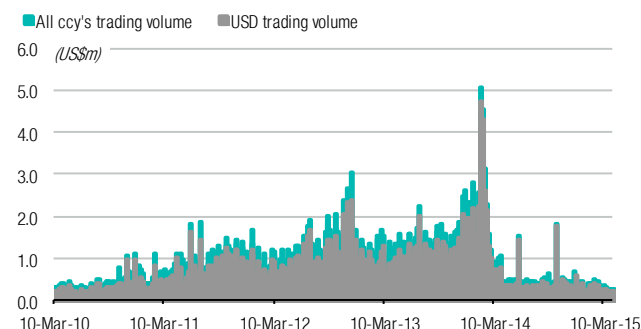


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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)

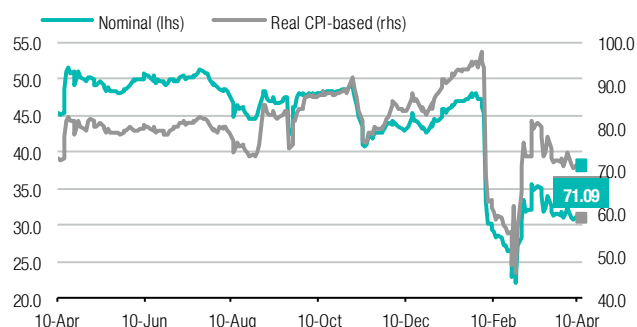


Note: \* 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

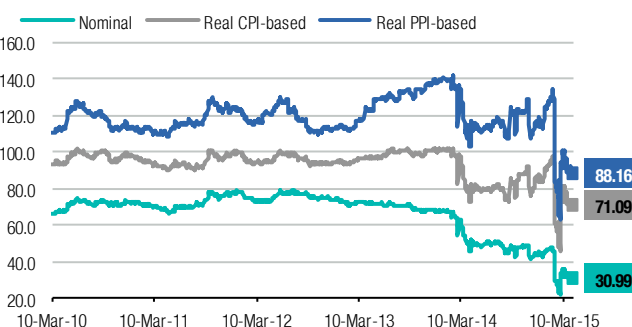
## Chart page #2: ICU's UAH trade-weighted indices

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.

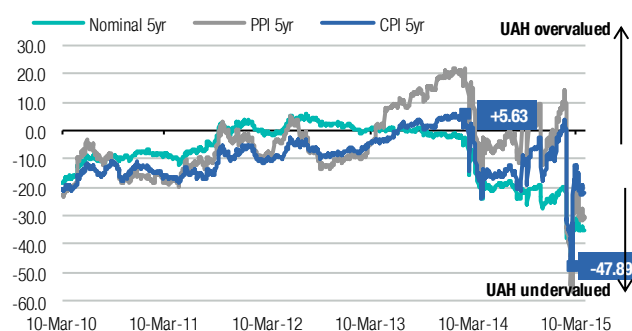
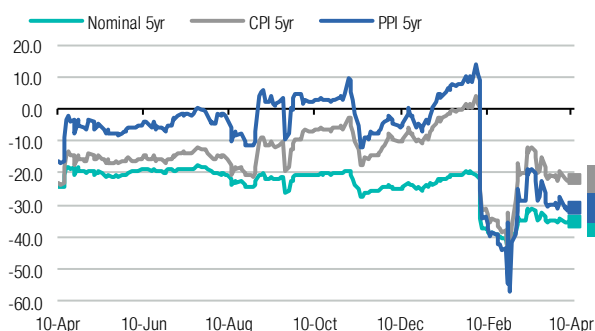
**Chart 13. Nominal and CPI-based real TWIs of UAH, history of last 12-month period**



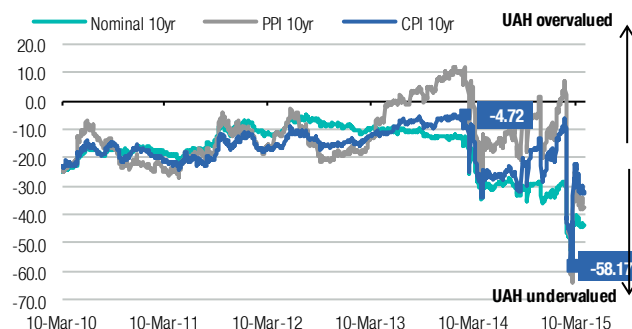
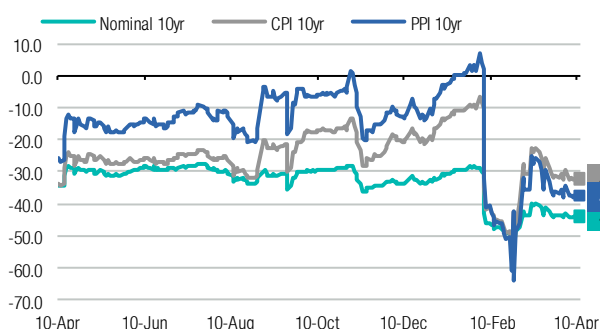
**Chart 14. Nominal, CPI- and PPI-based TWIs of UAH, history of last 5-year period**



**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



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