



Focus  
**Ukraine**

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

Research team  
**Alexander Valchyshen  
Taras Kotovych**

# Daily Insight

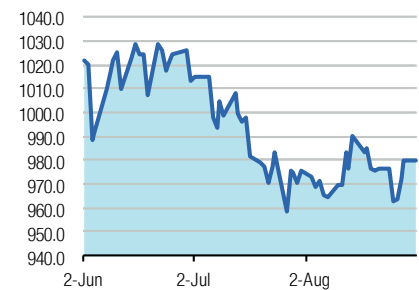
## Parliament passes changes to Constitution

**TUESDAY, 1 SEPTEMBER 2015**

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**UX Index (3 months to 1 Sep 2015)**



Source: UX.

**Key market indicators (as of 31 Aug 2015)**

	Last	Daily chg (%)	YTD chg (%)
<b>FX &amp; MONEY RATES</b>			
USD/UAH	22.2500	+4.95	+40.64
USD/UAH (1Y NDF)	25.0760	-0.95	+35.91
EUR/USD	1.1211	+0.23	-7.33
USD/RUB	64.2249	-1.51	+5.74
KievPRIME O/N (%)	19.40	+27bp	+50bp
KievPRIME 1M (%)	24.00	+0bp	+410bp
<b>SOVEREIGN EUROBONDS: yields and spreads</b>			
Ukraine 15, Eurobond (%)	688.95	+3,220bp	+62,718bp
Ukraine 17, Eurobond (%)	29.58	+3bp	+183bp
Ukraine 22, Eurobond (%)	14.30	+0bp	-195bp
Ukraine 23, Eurobond (%)	13.69	+0bp	-188bp
Ukraine 5Y CDS	1,223bp	+1bp	-977bp
<b>EQUITIES</b>			
<b>Stock market indices</b>			
UX (Ukraine)	979.78	-0.06	-5.18
MSCI World	396.73	-0.71	-4.89
MSCI EM	818.73	-0.19	-14.39
RTS (Russia)	833.60	+0.44	+5.90
WIG-20 (Poland)	2,163.71	+0.87	-6.57
S&P 500 (USA)	1,972.18	-0.84	-4.21

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

### **Parliament passes changes to Constitution despite short rioting**

Following yesterday's amendments to Ukraine's Constitution that adopted Western versions as elements of the Minsk 2 agreement to which many MPs were opposed, several members of the opposition, from the Svoboda party in particular, led hundreds of protestors outside the parliament. Although the amendments were backed by core parties of the coalition and by opposition, the minor coalition partners who refused to back the law fomented the protest. A crowd outside of parliament became violent toward riot police, resulting in the death of one law enforcement officer and the wounding of many others after a grenade was detonated into the crowd. Police made several arrests, including that of the man, reportedly a Svoboda party member, who allegedly threw the grenade. We anticipate a sweeping investigation to contain the fallout from yesterday's events. Most likely, the Svoboda party will suffer as public sentiment should turn negative after it failed to form a faction in the parliament following the past year's elections. Although this event has apparently faded, we expect further attempts to destabilize Ukraine this fall, possibly instigated by the Kremlin, which authorities should be able to contain.

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# Bonds: News & Comments

## Liquidity declines

Last week's month-end tax payments caused banking sector liquidity to fall significantly yesterday, down UAH1.84bn to UAH68.48bn, while for the first time since the beginning of the month that it fell below UAH70.0bn. Banks' correspondent accounts with the NBU rose UAH1.01bn to UAH23.49bn while total CDs outstanding fell UAH2.86bn to UAH44.99bn.

**Investment implications: Yesterday's liquidity indicators reflect all of last Friday's cash-flows and the last day of month-end tax payments. Today, the Ukrainian Treasury should report the cash balance at the MoF's accounts in local currency, which most likely should be at a high level, as seen in recent months. At the same time, banks' liquidity could begin to recover due to new budget expenditures.**

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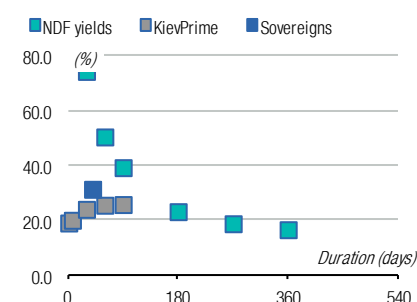
## Prices steady after rebound

Prices of Ukrainian Eurobonds significantly rose last Friday to about 71.25-72.00 on news of the debt restructuring terms set by the ad-hoc committee and approved by the government. However, prices remained mostly steady, without any reaction to news from Ukraine. The next step in the debt deal could be seen today if the government will approve and submit to the parliament draft of legislation. The new revision to the launch of new VRI instruments which are not in the current law. At the same time, the current level of prices could be seen as being slow, particularly to parliament members who are voting, which could cause a slight increase if will be positive and law will be revised.

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## Yield curve of the local bond market

(as of market close on 31 Aug 2015)



Sources: Bloomberg, Investment Capital Ukraine LLC.

## Bond market indicators (as of 31 Aug 2015)

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

### MONEY MARKET KIEV PRIME RATES (%)

O/n	19.40	+27bp	+27bp	-10bp	+50bp
1wk	20.10	+10bp	-3bp	-40bp	+110bp
1m	24.00	+0bp	+0bp	+0bp	+410bp
2m	25.60	+10bp	-3bp	+10bp	+560bp
3m	25.70	+7bp	-5bp	-5bp	+570bp

### LIQUIDITY WIDE MEASUREMENT (UAHm)

CB acc's <sup>1</sup>	23,486	+4.50	-0.11	+5.73	-29.37
CDs <sup>2</sup>	0	+0.00	+0.00	+0.00	-100.0
Sovgns <sup>3</sup>	6,443	+9.47	+9.22	+15.81	+42.18
<b>Total</b>	<b>29,929</b>	<b>+5.54</b>	<b>+1.76</b>	<b>-7.75</b>	<b>-44.13</b>

### HOLDERS OF UAH SOVEREIGN BONDS (UAHm)

C.bank	366,194	-0.01	-0.11	+0.99	+15.11
Banks	80,788	-0.29	-2.71	-2.27	-13.53
Resid's <sup>4</sup>	21,007	+0.06	-0.99	-6.95	-14.43
Non-res <sup>5</sup>	21,198	-0.50	-4.69	-3.24	-1.61
<b>Total</b>	<b>489,187</b>	<b>-0.07</b>	<b>-0.79</b>	<b>-0.11</b>	<b>+6.89</b>

### 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 <sup>6</sup>	N/A	N/A	N/A	N/A	N/A

### EUROBONDS USD SOVEREIGN BOND YIELDS (%)

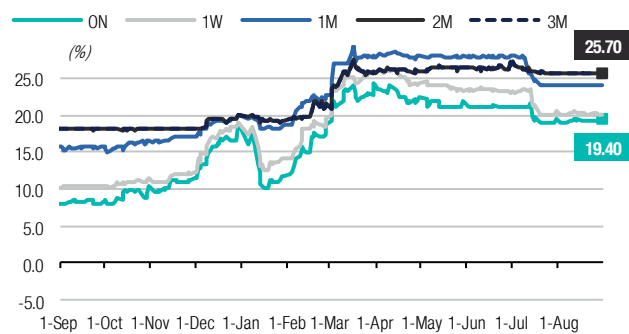
CDS 5yr	1,223	+1bp	-11ppt	-767bp	-977bp
Jun '16	55.42	+19bp	-36ppt	-34ppt	+19bp
Jul '17	29.58	+3bp	-15ppt	-16ppt	+183bp
Sep '20	16.22	+0bp	-629bp	-698bp	-263bp
Sep '21	16.08	+0bp	-486bp	-597bp	-246bp
Sep '22	14.30	+0bp	-473bp	-504bp	-195bp
Feb '23	13.69	+0bp	-432bp	-475bp	-188bp

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.

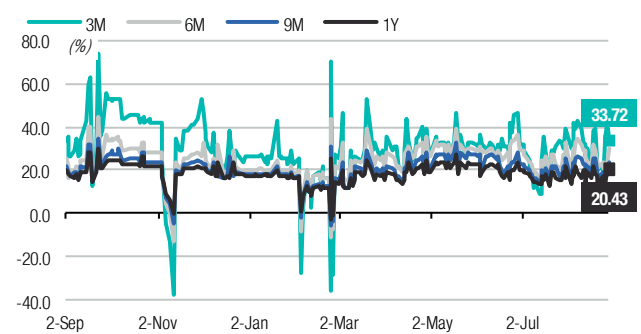
Chart page: Local bond market & Eurobond markets

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



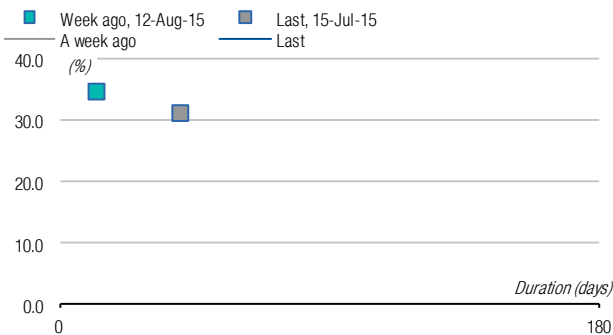
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



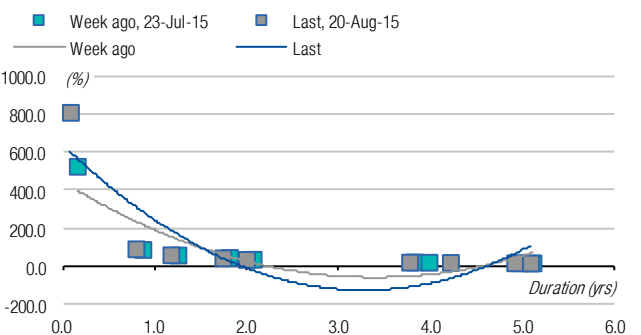
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 31 Aug 2015



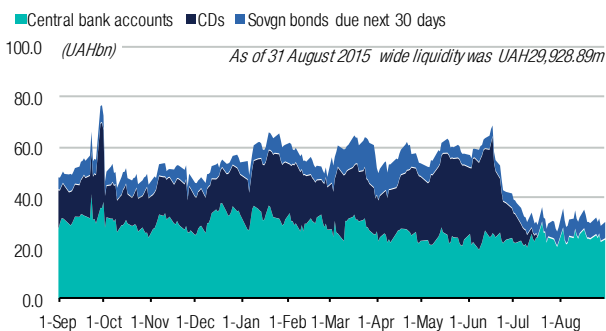
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 31 Aug 2015



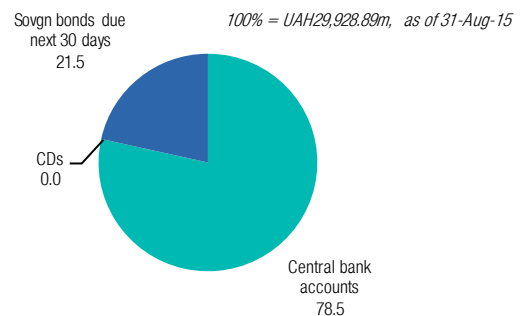
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



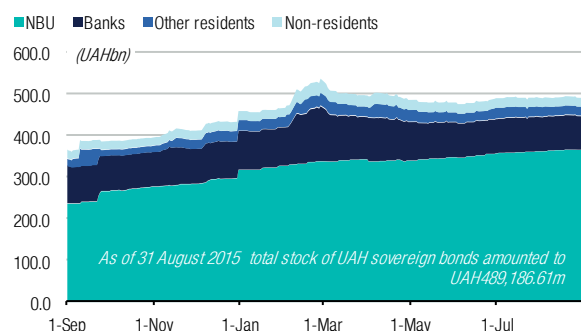
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 31 Aug 2015



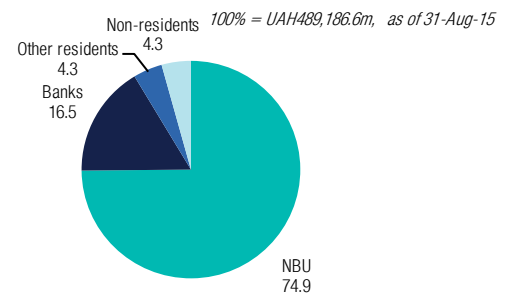
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 31 Aug 2015



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

Table 1. Ukrainian stocks (closing prices as of 31-Aug-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	7.39 UAH	-0.1	-0.7	-2.1	-4.9	0.34	123.9	133.0	21.7	26.9	9.3	15.7	0.04	2,842	38.6	Neg.	6.2	0.4	Neg.	N/A	0.4	0.3	0.2	1.3	4.2	
Coal Energy	CLE PW	Warsaw	0.64 PLN	-1.5	-1.5	+3.2	+16.4	0.17	7.7	80.2	25.0	1.9	0.1	1.8	0.10	969	Neg.	N/A	N/A	11.0	N/A	N/A	0.7	N/A	N/A	0.3	56.9	
Donbasenergo	DOEN UK	Kiev, UX	19.76 UAH	+1.2	-2.9	-40.1	-42.6	0.90	21.2	31.4	14.2	3.0	24.4	4.4	0.24	423	4.6	Neg.	N/A	0.0	9.1	N/A	0.1	0.2	N/A	0.4	13.6	
Zakhidenergo	ZAEN UK	Kiev, PFTS	130.00 UAH	+0.0	-23.5	-12.2	+0.0	5.90	75.5	109.7	5.0	3.8	0.0	0.1	0.00	46,313	Neg.	N/A	N/A	0.1	N/A	N/A	0.2	N/A	N/A	0.6	11.6	
<b>METALLURGY</b>																												
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	+1.5	+8.3	-7.6	-58.6	0.00	15.7	1,880.4	3.9	0.6	0.1	0.4	0.02	5,323	Neg.	Neg.	N/A	0.6	Neg.	N/A	2.8	6.3	N/A	N/A	145.5	
Avdiyivsky Cok...	AVDK UK	Kiev, UX	1.00 UAH	-10.4	+2.3	-42.0	-64.6	0.05	8.9	8.3	4.0	0.4	0.5	1.2	0.41	245	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.0	0.0	N/A	0.0	0.0	
Azovstal	AZST UK	Kiev, UX	0.78 UAH	-0.9	+0.6	+4.4	-1.8	0.04	148.5	97.6	4.1	6.1	1.2	3.2	0.02	5,284	3.6	2.8	N/A	0.0	0.9	N/A	0.1	0.1	N/A	0.2	0.0	
Yasynivsky Cok...	YASK UK	Kiev, UX	0.32 UAH	+0.0	+33.3	+14.3	-46.7	0.01	4.0	4.7	9.0	0.4	0.0	0.3	0.01	10,491	Neg.	9.7	N/A	Neg.	Neg.	N/A	0.1	0.0	N/A	0.1	0.0	
Yenakievo Steel	ENMZ UK	Kiev, UX	16.77 UAH	+1.0	-1.4	-20.0	-54.0	0.76	8.0	0.4	9.4	0.8	0.3	2.9	0.26	380	Neg.	Neg.	N/A	0.0	0.0	N/A	0.0	0.0	N/A	0.2	0.0	
<b>FOOD AND AGRIBUSINESS</b>																												
AgroGeneration	ALAGR FP	EN Paris	0.47 EUR	+0.0	-6.0	+9.3	-46.0	0.53	49.0	97.8	34.0	16.7	0.9	35.9	0.25	396	Neg.	N/A	N/A	Neg.	N/A	N/A	1.3	N/A	N/A	1.0	35.9	
Agroliga	AGL PW	Warsaw	10.60 PLN	+0.0	-11.6	+17.8	-38.4	2.82	4.3	5.1	16.7	0.7	0.0	1.6	0.16	608	1.2	N/A	N/A	1.5	N/A	N/A	0.3	N/A	N/A	0.4	5.7	
Agroton	AGT PW	Warsaw	1.06 PLN	+1.9	-13.8	-13.8	-43.3	0.28	6.1	33.5	26.2	1.6	3.5	15.0	0.83	120	Neg.	N/A	N/A	1.5	N/A	N/A	0.6	N/A	N/A	0.1	33.4	
Astarta Holdin...	AST PW	Warsaw	29.75 PLN	-9.8	-16.5	+48.8	-13.6	7.93	198.2	430.8	31.0	61.5	70.4	72.7	0.10	966	Neg.	1,271.9	3.3	3.6	3.9	3.8	1.1	1.1	1.0	0.8	49.6	
IMC	IMC PW	Warsaw	5.21 PLN	-1.7	-3.5	-8.1	-36.8	1.39	43.5	151.9	23.9	10.4	5.5	12.6	0.05	1,971	Neg.	3.4	1.4	2.7	2.6	2.8	1.1	0.9	0.8	1.6	69.8	
Kernel Holding...	KER PW	Warsaw	41.72 PLN	+0.5	-4.7	+46.6	+71.0	11.12	885.8	1,360.0	58.8	520.6	987.6	1,321.8	0.27	377	Neg.	6.4	4.5	6.1	3.4	3.8	0.6	0.6	0.6	1.0	39.1	
KSG Agro	KSG PW	Warsaw	1.01 PLN	-1.9	+4.1	-9.8	+94.2	0.27	4.0	69.1	34.4	1.4	3.6	10.9	1.42	71	Neg.	0.2	N/A	6.9	N/A	N/A	2.1	0.6	N/A	N/A	67.4	
Milkiland	MLK PW	Warsaw	0.97 PLN	-3.0	-28.1	-34.5	-77.2	0.26	8.1	123.4	20.0	1.6	6.0	14.2	1.22	82	Neg.	Neg.	Neg.	9.0	5.1	6.4	0.4	0.5	0.5	0.1	42.5	
<b>CONSTRUCTION</b>																												
TMM	TR61 GF	Frankfurt	0.02 EUR	+0.0	-56.1	-77.5	-90.6	0.02	1.1	93.9	13.1	0.1	0.0	0.1	0.06	1,758	Neg.	N/A	N/A	Neg.	N/A	N/A	3.6	N/A	N/A	0.0	41.9	
<b>FINANCIAL SERVICES</b>																												
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.09 UAH	-0.5	+6.8	-4.5	-28.7	0.00	124.8	N/A	3.8	4.8	2.9	5.3	0.11	903	N/A	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.7	N/A
Ukrsotsbank	USCB UK	Kiev, UX	0.10 UAH	-2.4	+11.1	-23.2	-41.5	0.00	112.1	N/A	4.5	5.0	6.8	1.0	0.01	6,870	Neg.	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.4	38.2

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

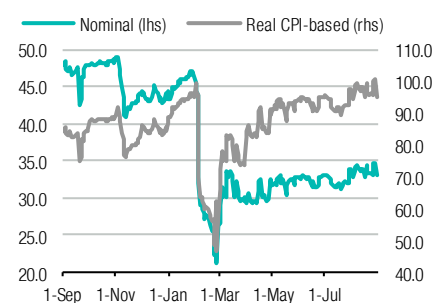
## UAH drops while global markets remain shaky

As the NBU did not intervene yesterday into the local FX market. Should no one take action, the UAH rate could slide as much as 4.95%. However, the FX abroad has extended their high volatility as investors absorb more news and data on major global market developments, thus allowing for consensus to build behind the idea that Fed will hold rates steady this month and postpone the rate increase to December or next year altogether. Crude oil surged by a massive daily gain of 6.24%, pushing up the currencies of commodity-dependent currencies. The euro that substitutes the Russian ruble as its major currency of the hryvnia trade weighted basket rose 0.23% to 1.1211. The hryvnia's TWI declined by 5.17%.

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### ICU's UAH trade-weighted indices

(Last 12-month history to 1 Sep 2015)



Source: Investment Capital Ukraine LLC.

### FX market indicators (as of 31 Aug 2015)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>USD/UAH MARKET (HRYVNIA per US DOLLAR)</b>					
Spot mkt	22.2500	+4.95	+0.11	+4.83	+40.64
NBU avg	21.8054	+2.93	-1.31	+3.21	+38.28
Ttl vlm <sup>1</sup>	230.31	-24.34	-1.30	-1.56	-46.55
\$ volume <sup>2</sup>	170.63	-20.33	+5.78	+4.03	-51.84
NDF 3M	24.0461	+4.70	+2.73	+3.37	+42.71
NDF 6M	24.5000	+0.75	-1.04	-0.45	+40.80
NDF 1Y	25.0760	-0.95	-2.65	-2.09	+35.91
<b>TRADE-WEIGHTED INDICES (TWIs, points)</b>					
UAH nom'l	32.954	-5.17	-0.93	-2.26	-25.89
UAH real CPI	95.121	-5.17	-0.93	-2.26	+9.91
UAH real PPI	114.394	-5.17	-0.93	-2.26	-2.86
USD nom'l	95.824	-0.29	+2.67	-1.55	+6.15
<b>FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs</b>					
USD/RUB	64.2249	-1.51	-9.40	+4.08	+5.74
EUR/USD	1.1211	+0.23	-3.51	+2.07	-7.33
USD/CNY	6.3790	-0.17	-0.39	+2.73	+2.80
USD/PLN	3.7756	+0.21	+3.03	+0.12	+6.55
USD/TRY	2.9149	-0.30	-0.93	+5.20	+24.84
USD/BYR	17,453.00	-0.57	+4.13	+14.40	+58.66
USD/KZT	240.5200	+0.00	+5.79	+28.07	+31.90
<b>OTHER MAJOR CURRENCIES</b>					
USD/JPY	121.2300	-0.39	+2.38	-2.15	+1.21
GBP/USD	1.5345	-0.30	-2.73	-1.77	-1.49
USD/CHF	0.9673	+0.37	+3.98	+0.10	-2.72
AUD/USD	0.7113	-0.84	-0.60	-2.67	-12.99
USD/CAD	1.3140	-0.45	-1.11	+0.37	+13.07
USD/BRL	3.6205	+1.09	+1.91	+5.82	+36.23
USD/KRW	1,182.90	+0.77	-1.34	+1.08	+8.43
<b>COMMODITIES</b>					
Gold(\$/oz)	1,134.80	+0.11	-1.76	+3.56	-4.22
WTI crude <sup>3</sup>	49.20	+8.80	+29.17	+4.41	-7.64
Brent crd <sup>3</sup>	51.28	+6.24	+25.87	+1.40	-8.03
Urals crd <sup>3</sup>	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB <sup>4</sup>	202.09	+2.53	+8.52	-0.24	-12.12

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.

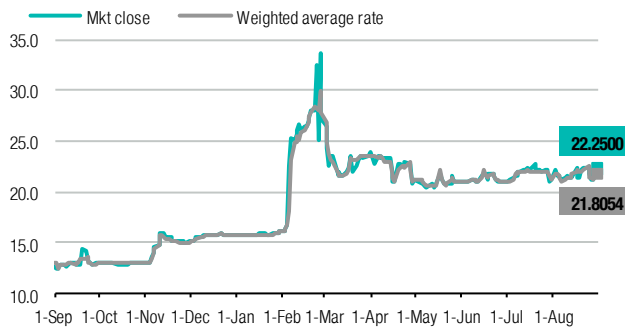
Sources: Bloomberg, Investment Capital Ukraine LLC.

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>).

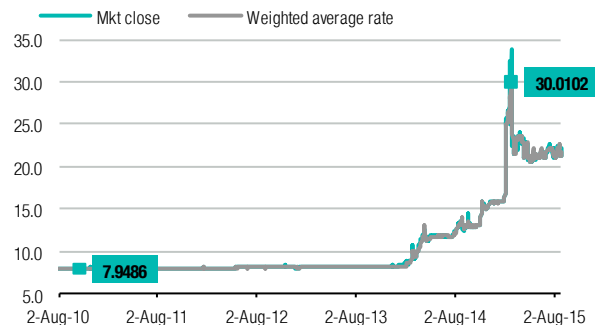
Section on FX market is continued on next page.

### 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)**

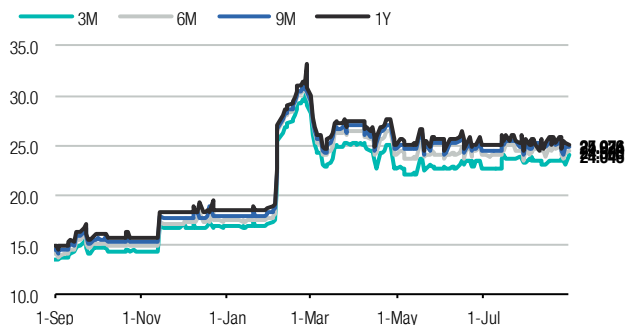


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

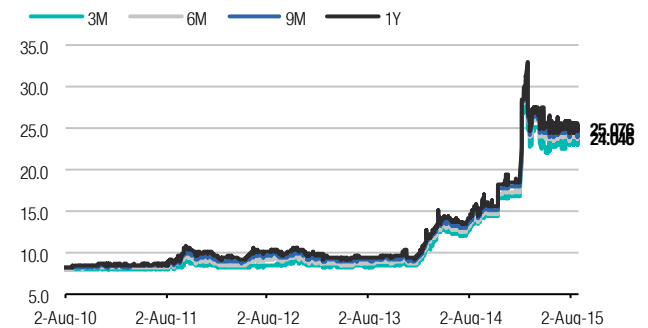


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

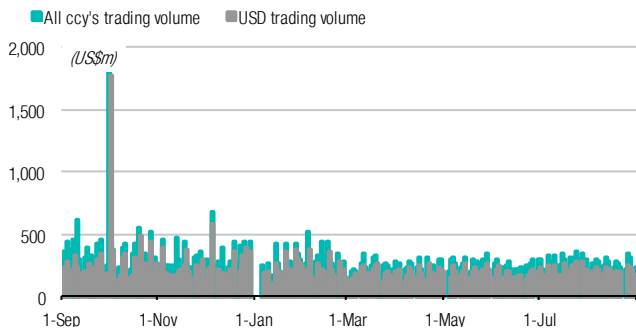


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

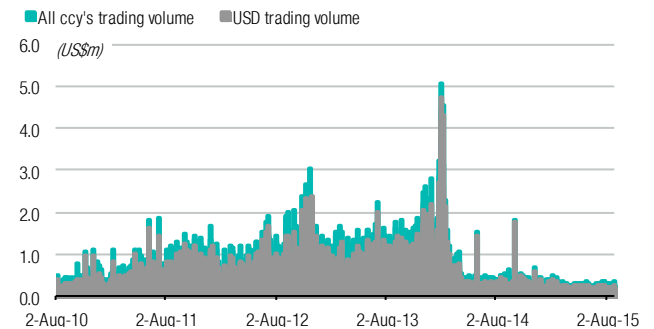


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

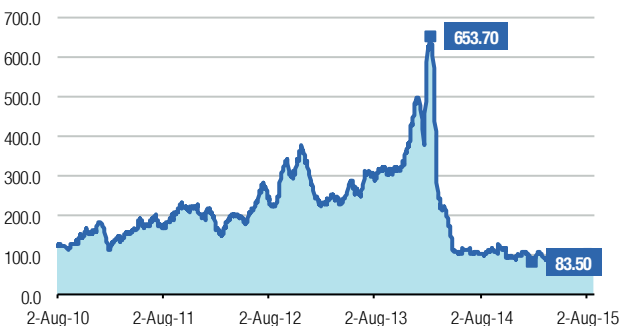


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)**

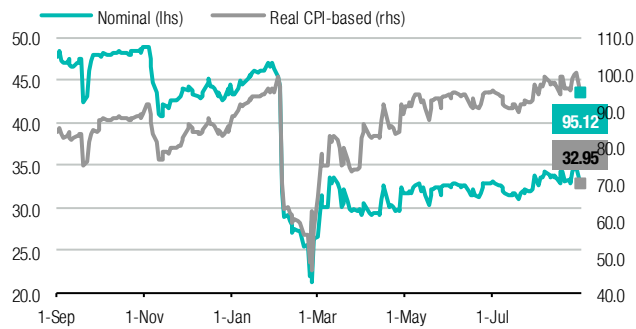


Note: \* 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

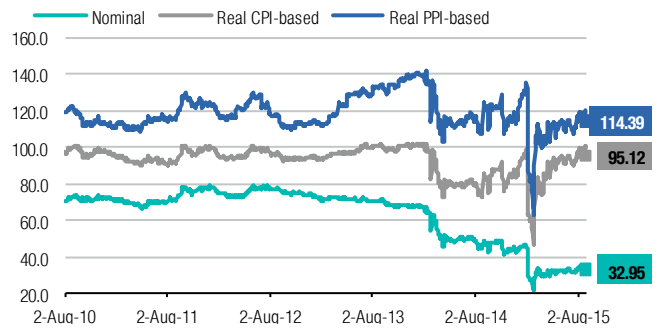
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



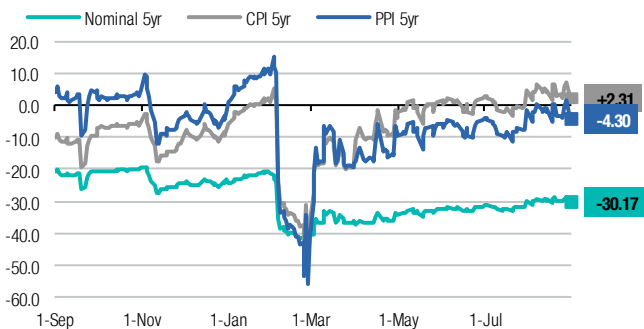
Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

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

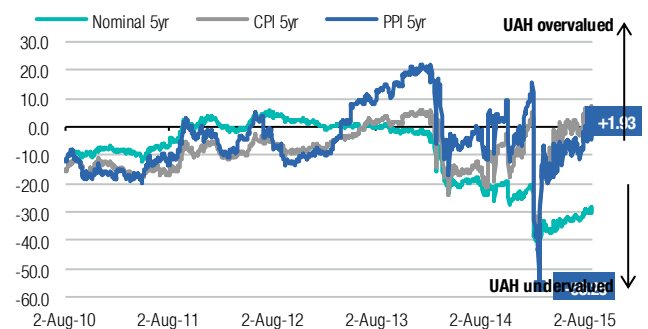


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

**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)**

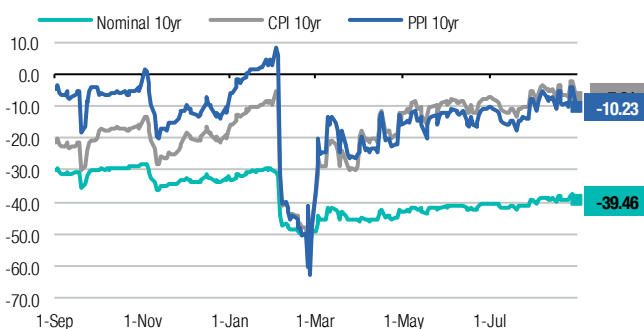


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

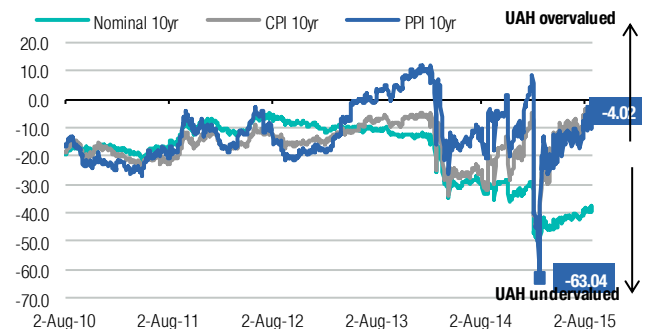


Note: the boxes indicate the high and low values of CPI-based TWI.  
Source: Investment Capital Ukraine LLC.

**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)**



Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.



Note: the boxes indicate the high and low values of CPI-based TWI.  
Source: Investment Capital Ukraine LLC.



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## Disclosures

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**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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