

Daily Insight

Russia rejects debt restructuring

Contents

Bonds: News & Comments	2
Liquidity down slightly.....	2
Russia rejects debt restructuring	2
Chart page: Local bond market & Eurobond markets.....	3
FX: News & Comments	5
Chart page #1: Foreign-exchange market.....	6
Chart page #2: ICU's UAH trade-weighted indices.....	7

THURSDAY, 15 OCTOBER 2015

UX Index (3 months to 15 Oct 2015)



Source: UX.

Key market indicators (as of 13 Oct 2015)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	21.5000	-0.92	+35.90
USD/UAH (1Y NDF)	25.7500	-0.77	+39.57
EUR/USD	1.1379	+0.18	-5.94
USD/RUB	63.0733	+1.71	+3.85
KievPRIME O/N (%)	18.55	+0bp	-35bp
KievPRIME 1M (%)	22.38	+0bp	+248bp
SOVEREIGN EUROBONDS: yields and spreads			
Ukraine 15, Eurobond (%)	N/A	+0bp	-5,346bp
Ukraine 17, Eurobond (%)	25.85	+5bp	-190bp
Ukraine 22, Eurobond (%)	12.87	+1bp	-338bp
Ukraine 23, Eurobond (%)	12.33	+1bp	-324bp
Ukraine 5Y CDS	0bp	+0bp	-2,199bp
EQUITIES			
Stock market indices			
UX (Ukraine)	844.23	-0.46	-18.30
MSCI World	401.80	-0.84	-3.67
MSCI EM	854.29	-1.26	-10.67
RTS (Russia)	866.52	-1.13	+10.09
WIG-20 (Poland)	2,123.43	-0.47	-8.31
S&P 500 (USA)	1,994.24	-0.47	-3.14

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

Liquidity down slightly

Total CDs outstanding declined UAH1.75bn to UAH59.17bn on Tuesday after the NBU sold UAH9.39bn of new CDs at Monday's tender. Banks' correspondent accounts with the NBU rose only UAH0.84bn on Tuesday to UAH22.84bn. This reallocation and outflows resulted in a UAH0.92bn of banking sector liquidity decline to UAH82.01bn.

Investment implications: Due to yesterday's public holiday, 30-day and 3-month CDs were not offered. Because of this, ON or 14-day CDs could increase in volume next Wednesday. At the same time, liquidity could see a reallocation of funds with an expected low volatility of the total volume of banking sector liquidity.

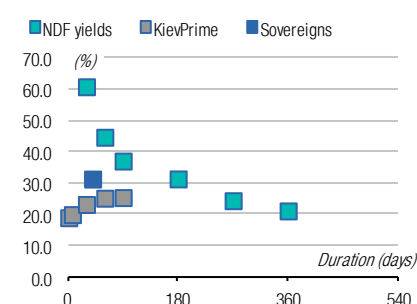
Russia rejects debt restructuring

Russian officials declared yesterday that they reject the terms of the debt exchange operation offered by Ukraine and expect the scheduled repayment at the end of December. Yesterday's exchange vote could be successful for some if not all Eurobonds except, of course, for the Russian bond maturing this December. We expect to hear the results today at 10:00 Kyiv time when the Prime Minister and Minister of Finance will have a press conference, as announced yesterday.

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Yield curve of the local bond market

(as of market close on 13 Oct 2015)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 13 Oct 2015)

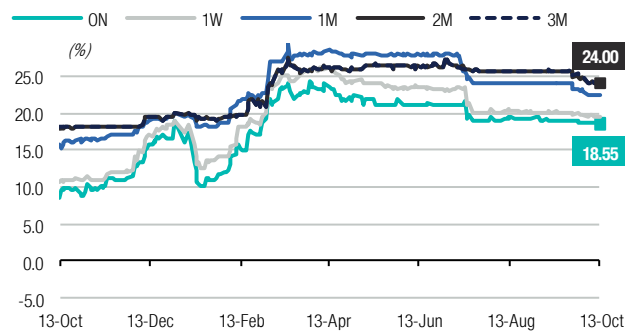
	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
MONEY MARKET KIEV PRIME RATES (%)					
0/n	18.55	+0bp	-1bp	-45bp	-35bp
1wk	19.55	+0bp	-1bp	-55bp	+55bp
1m	22.38	+0bp	-12bp	-162bp	+248bp
2m	24.00	+0bp	+0bp	-160bp	+400bp
3m	24.00	+0bp	+0bp	-170bp	+400bp
LIQUIDITY WIDE MEASUREMENT (UAHm)					
CB acc's ¹	22,838	+3.81	+1.52	-14.79	-31.32
CDs ²	59,173	-2.88	+3.61	+28.10	+274.8
Sovgns ³	6,007	+0.00	+2.21	+25.36	+32.56
Total	88,018	-1.03	+2.96	+13.15	+64.31
HOLDERS OF UAH SOVEREIGN BONDS (UAHm)					
C.bank	369,026	-0.02	-0.05	+1.08	+16.00
Banks	81,505	+0.89	+1.92	+0.22	-12.77
Resid's ⁴	20,723	-0.14	-1.08	-1.79	-15.59
Non-res ⁵	21,657	+1.23	+2.33	+0.07	+0.53
Total	492,911	+0.18	+0.33	+0.77	+7.70
NDF IMPLIED YIELDS (%)					
3m	56.25	-145bp	+27bp	+27bp	+30bp
6m	33.02	-67bp	+548bp	+576bp	+13bp
9m	25.50	-42bp	+362bp	+388bp	+730bp
1yr	20.77	-31bp	+152bp	+177bp	+341bp
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	0	+0bp	+0bp	-11ppt	-22ppt
Jun '16	51.01	+24bp	+141bp	+333bp	+14bp
Jul '17	25.85	+5bp	+28bp	-42bp	-190bp
Sep '20	13.16	+1bp	+6bp	-147bp	-568bp
Sep '21	13.95	+1bp	+6bp	-48bp	-459bp
Sep '22	12.87	+1bp	+4bp	-16bp	-338bp
Feb '23	12.33	+1bp	+4bp	-15bp	-324bp

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.

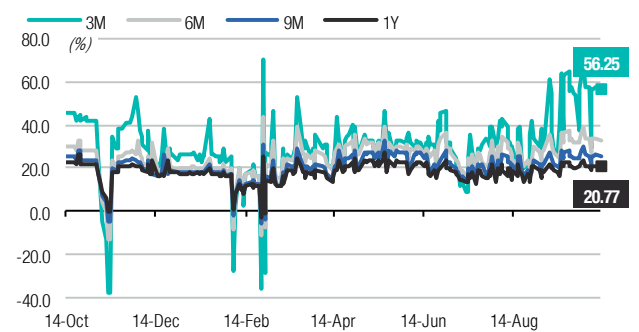
Chart page: Local bond market & Eurobond markets

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



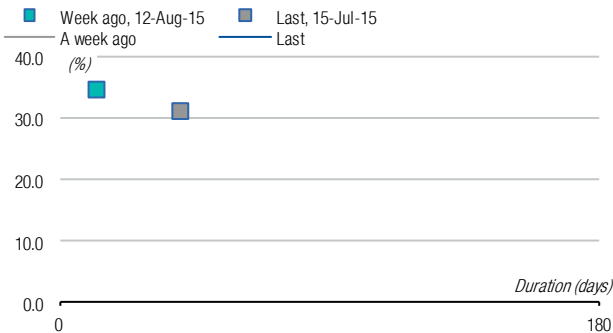
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



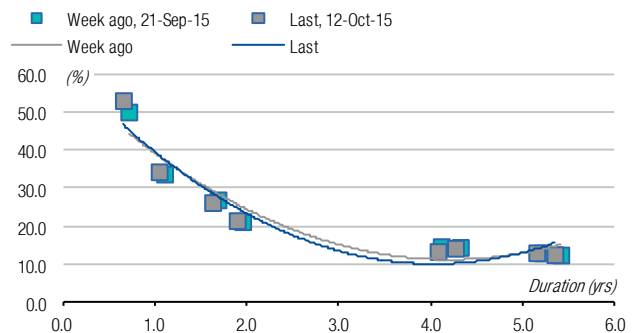
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 13 Oct 2015



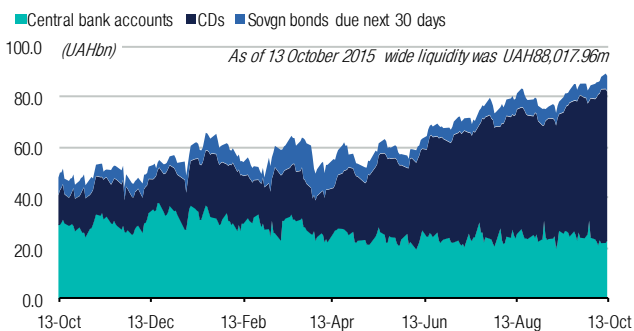
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 13 Oct 2015



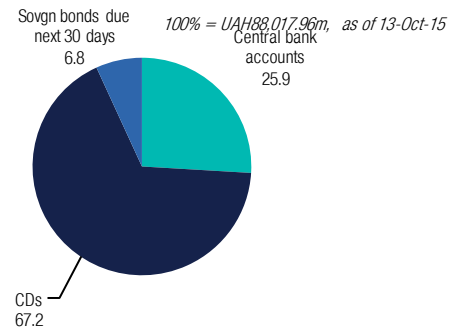
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



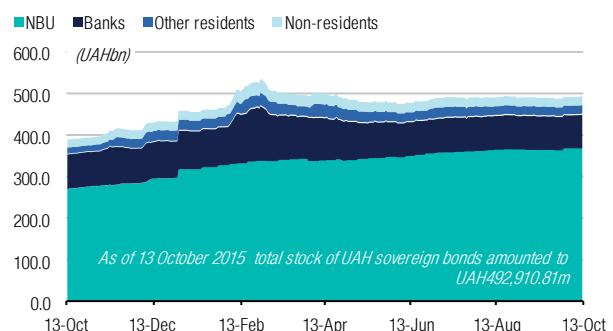
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 13 Oct 2015



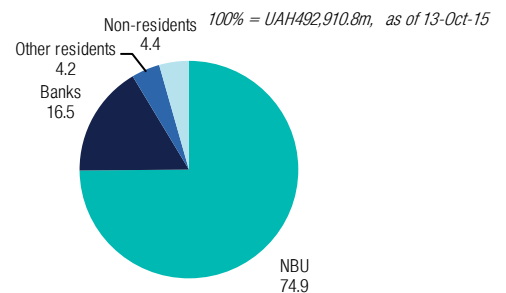
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 13 Oct 2015



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

Table 1. Ukrainian stocks (closing prices as of 13-Oct-2015)

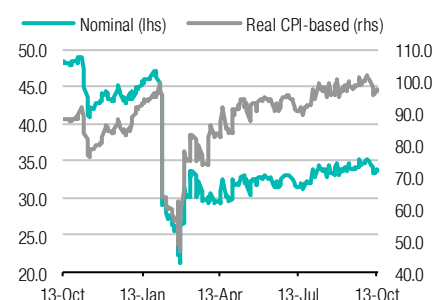
Company	Bloomberg Ticker	Listing	Share price performance (% change)				Valuation (US\$)			Free float (FF) & Liquidity					P/E			EV/EBITDA			EV/Sales			Ratios				
			Last price	Daily	MoM	YTD	YoY	Last price	Market cap (m)	EV (m)	FF (%)	FF mkt cap (US\$m)	Last day turnover (US\$ 000)	3M avg. turnover (US\$ 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	5.45 UAH	-0.5	-23.8	-27.8	-28.4	0.25	94.2	103.6	21.7	20.4	42.9	11.4	0.09	1,089	28.5	6.6	4.6	0.3	2.9	N/A	0.3	0.2	0.2	0.9	4.2	
Donbasenergo	DOEN UK	Kiev, UX	18.30 UAH	-1.5	-5.2	-44.5	-41.5	0.86	20.2	30.7	14.2	2.9	0.5	3.4	0.08	1,309	4.3	Neg.	N/A	0.0	Neg.	N/A	0.1	0.2	N/A	0.3	13.6	
Zakhidenergo	ZAEN UK	Kiev, PFTS	120.00 UAH	-7.7	-7.7	-19.0	-25.0	5.62	71.8	107.1	5.0	3.6	10.7	0.2	0.01	7,492	Neg.	N/A	N/A	0.1	N/A	N/A	0.2	N/A	N/A	0.5	11.6	
METALLURGY																												
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	-6.6	-6.5	-11.7	-49.6	0.00	15.4	1,937.1	3.9	0.6	0.9	0.2	0.03	2,972	Neg.	Neg.	N/A	0.7	Neg.	N/A	2.8	6.8	N/A	N/A	145.5	
Avdiyivsky Cok...	AVDK UK	Kiev, UX	1.18 UAH	-1.8	+2.0	-32.0	-55.7	0.06	10.7	10.1	4.0	0.4	1.1	1.1	0.18	566	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.0	0.0	N/A	0.0	0.0	
Azovstal	AZST UK	Kiev, UX	0.72 UAH	-1.9	-6.4	-3.4	-1.4	0.03	141.7	89.1	4.1	5.8	4.7	1.5	0.03	3,491	3.3	2.6	N/A	0.0	0.8	N/A	0.1	0.1	N/A	0.2	0.0	
Yasynivsky Cok...	YASK UK	Kiev, UX	0.25 UAH	+0.0	-7.4	-10.7	-37.5	0.01	3.2	3.9	9.0	0.3	0.0	1.0	0.95	106	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.0	0.0	N/A	0.1	0.0	
Yenakievo Steel	ENMZ UK	Kiev, UX	16.15 UAH	-2.1	-5.0	-22.9	-46.5	0.76	8.0	0.1	9.4	0.7	0.1	2.3	0.33	300	Neg.	Neg.	N/A	0.0	0.0	N/A	0.0	0.0	N/A	0.2	0.0	
FOOD AND AGRIBUSINESS																												
IMC	IMC PW	Warsaw	6.60 PLN	+0.0	+30.4	+16.4	-8.3	1.79	56.1	156.6	23.9	13.4	10.3	5.2	0.04	2,772	Neg.	3.1	1.8	2.7	2.8	2.9	1.1	1.0	0.9	2.1	69.8	
FINANCIAL SERVICES																												
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.08 UAH	+4.9	-5.8	-13.6	-35.0	0.00	116.3	N/A	3.8	4.4	8.6	6.2	0.23	436	N/A	6.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.6	N/A
Ukrsotsbank	USCB UK	Kiev, UX	0.09 UAH	+0.0	-15.0	-30.1	-32.6	0.00	105.1	N/A	4.5	4.7	0.1	0.7	0.02	5,312	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

ICU's UAH trade-weighted indices

(Last 12-month history to 15 Oct 2015)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 13 Oct 2015)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
USD/UAH MARKET (HRYVNIA per US DOLLAR)					
Spot mkt	21.5000	-0.92	+1.11	-1.41	+35.90
NBU avg	21.9328	+0.53	+3.14	+1.08	+39.09
Ttl vlm ¹	318.01	+40.49	+0.72	+25.73	-26.20
\$ volume ²	236.18	+144.6	+4.30	+22.01	-33.34
NDF 3M	24.5000	-0.81	+7.47	+4.79	+45.40
NDF 6M	25.0000	-0.79	+3.53	+1.09	+43.68
NDF 1Y	25.7500	-0.77	+2.40	+0.08	+39.57
TRADE-WEIGHTED INDICES (TWIs, points)					
UAH nom'l	33.808	+1.48	-1.75	-0.93	-23.97
UAH real CPI	97.588	+1.48	-1.75	-0.93	+12.76
UAH real PPI	117.361	+1.48	-1.75	-0.93	-0.34
USD nom'l	94.759	-0.09	-0.73	-0.46	+4.97
FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs					
USD/RUB	63.0733	+1.71	-0.56	-7.24	+3.85
EUR/USD	1.1379	+0.18	+0.95	+0.36	-5.94
USD/CNY	6.3410	+0.28	-0.24	-0.53	+2.18
USD/PLN	3.7191	-0.04	-1.13	+0.22	+4.95
USD/TRY	2.9585	+1.08	+0.02	-2.87	+26.70
USD/BYR	17,290.00	+0.82	-1.82	-2.92	+57.18
USD/KZT	275.6500	+0.18	+0.99	+4.78	+51.17
OTHER MAJOR CURRENCIES					
USD/JPY	119.7500	-0.24	-0.40	-0.70	-0.03
GBP/USD	1.5248	-0.65	+0.14	-1.17	-2.11
USD/CHF	0.9578	-0.53	-0.93	-1.18	-3.67
AUD/USD	0.7245	-1.59	+1.10	+2.16	-11.38
USD/CAD	1.3039	+0.32	+0.04	-1.70	+12.20
USD/BRL	3.8934	+3.46	+1.06	+0.58	+46.50
USD/KRW	1,149.66	+0.49	-1.42	-2.94	+5.38
COMMODITIES					
Gold(\$/oz)	1,168.80	+0.43	+1.88	+5.51	-1.36
WTI crude ³	46.66	-0.93	-3.85	+4.55	-12.41
Brent crd ³	48.43	-2.50	-5.91	+2.15	-13.15
Urals crd ³	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB ⁴	199.46	-0.13	-0.34	+1.39	-13.26

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>).

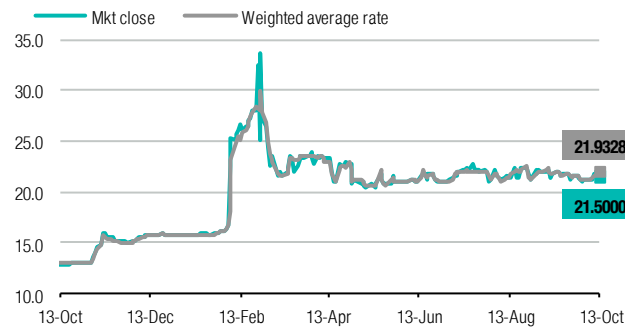
Section on FX market is continued on next page.

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.

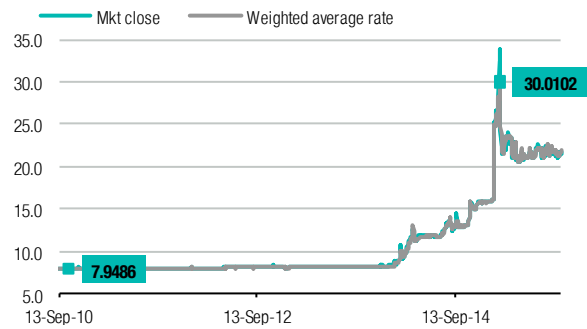
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

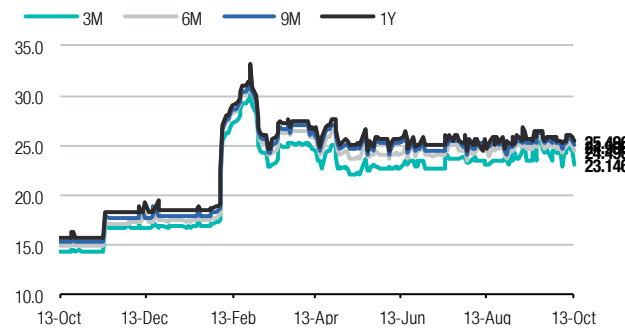


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

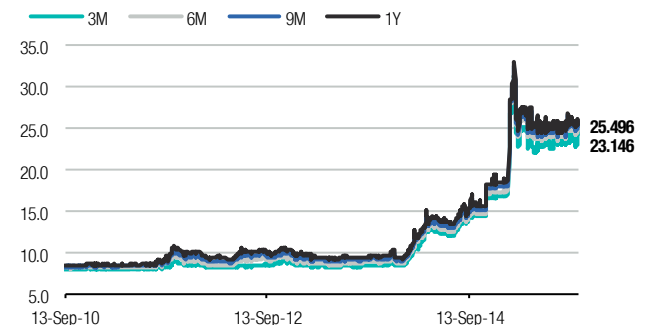


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

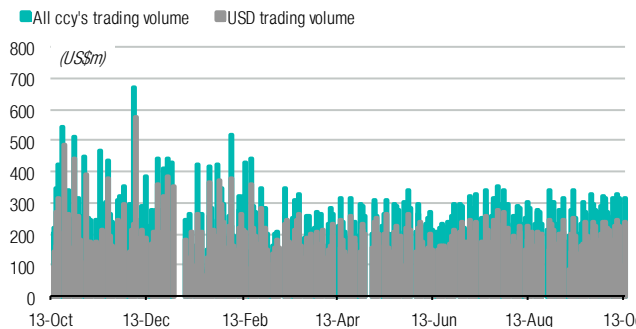


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

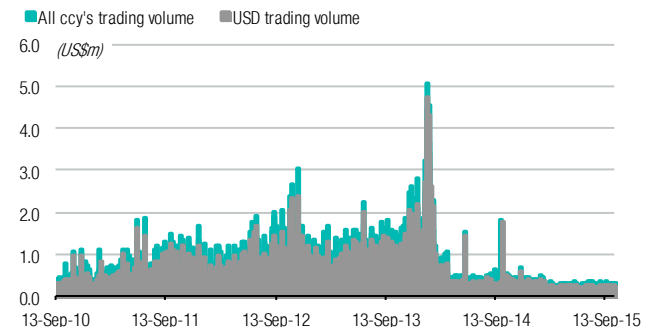


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

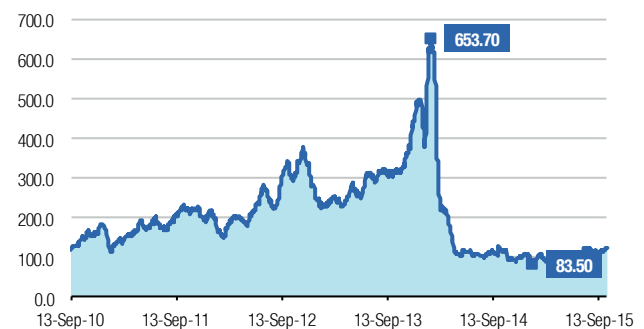
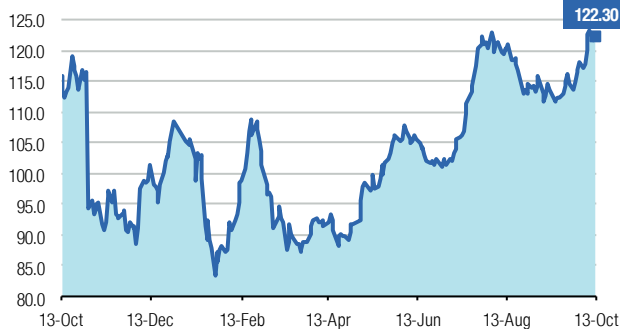


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

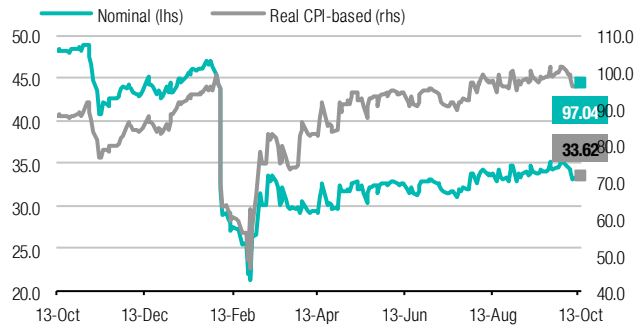


Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

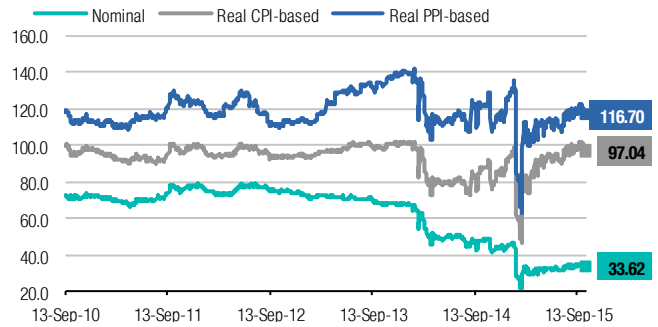
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



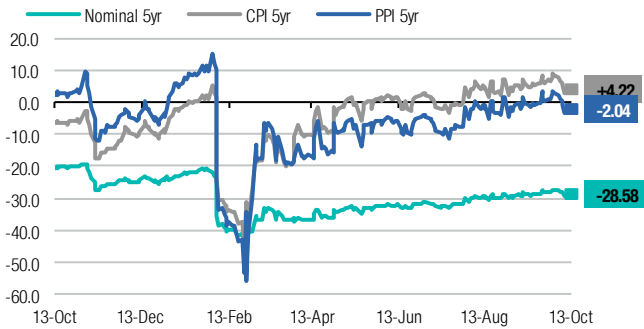
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

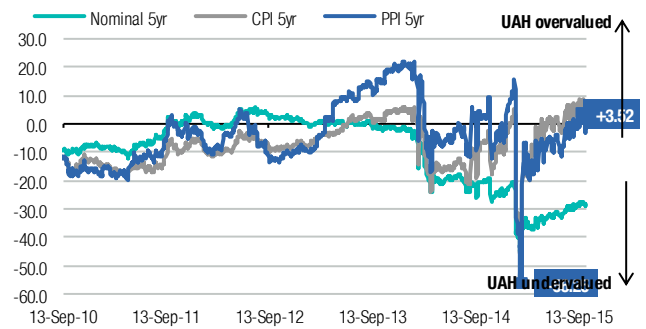


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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)

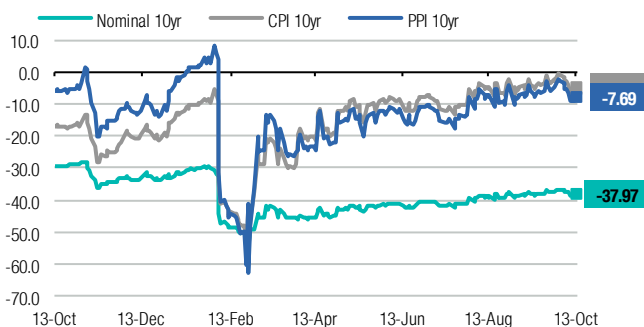


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

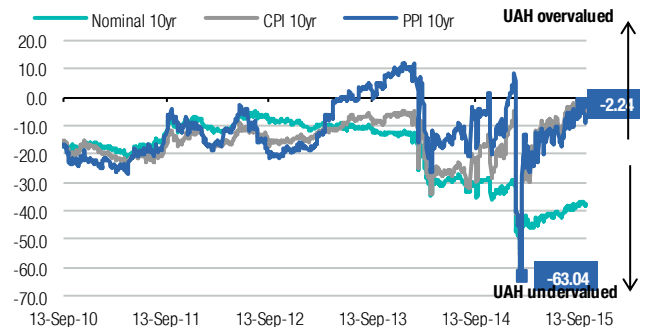


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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

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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