



Focus
Ukraine

Scope
Economics, bonds, equity & FX markets

Research team
**Alexander Valchyshen
Taras Kotovych**

Daily Insight

US-Eurozone divergence gets new momentum

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THURSDAY, 3 DECEMBER 2015

UX Index (3 months to 3 Dec 2015)



Source: UX.

Key market indicators (as of 2 Dec 2015)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	23.3950	-2.40	+47.88
USD/UAH (1Y NDF)	27.8430	-0.93	+50.91
EUR/USD	1.0569	-0.60	-12.64
USD/RUB	66.8485	+0.27	+10.06
KievPRIME O/N (%)	19.00	-10bp	+10bp
KievPRIME 1M (%)	22.70	+0bp	+280bp
SOVEREIGN EUROBONDS: yields and spreads			
Ukraine 15, Eurobond (%)	N/A	+0bp	-5,343bp
Ukraine 17, Eurobond (%)	28.88	+2bp	+113bp
Ukraine 22, Eurobond (%)	0.00	-1,305bp	-1,625bp
Ukraine 23, Eurobond (%)	0.00	-1,165bp	-1,556bp
Ukraine 5Y CDS	0bp	+0bp	-2,199bp
EQUITIES			
Stock market indices			
UX (Ukraine)	705.44	-0.39	-31.73
MSCI World	N/A		
MSCI EM	N/A		
RTS (Russia)	833.94	-0.62	+5.95
WIG-20 (Poland)	1,886.22	-1.96	-18.55
S&P 500 (USA)	2,100.81	-0.09	+2.04

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 continues to decline

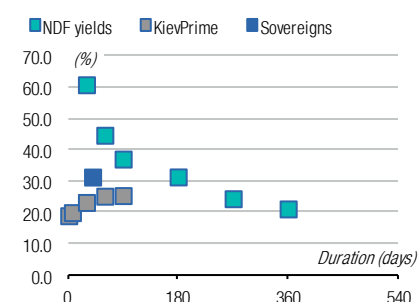
Banking sector liquidity once more declined yesterday, down UAH0.66bn to UAH87.64bn, as banks' correspondent accounts with the NBU fell UAH1.64bn to UAH25.30bn while total CDs outstanding rose UAH0.98bn to UAH62.34bn yesterday.

Investment implications: This month's decline in liquidity most likely was caused by outflows and FX market sales. At the same time, the reallocation of liquidity to CDs indicates that liquidity should continue to recover.

Taras Kotovych, Kiev, +38044 2200120 ext.724

Yield curve of the local bond market

(as of market close on 2 Dec 2015)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 2 Dec 2015)

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

MONEY MARKET KIEV PRIME RATES (%)

O/n	19.00	-10bp	+0bp	+40bp	+10bp
1wk	20.10	+0bp	-3bp	+50bp	+110bp
1m	22.70	+0bp	-11bp	+45bp	+280bp
2m	23.80	+0bp	-8bp	+40bp	+380bp
3m	24.00	+0bp	-13bp	+40bp	+400bp

LIQUIDITY WIDE MEASUREMENT (UAHm)

CB acc's ¹	25,298	-6.09	-6.40	+13.06	-23.92
CDs ²	62,340	+1.60	-2.59	-2.57	+294.9
Sovgns ³	8,588	-12.76	-5.73	+8.68	+89.52
Total	96,226	-1.95	-3.91	+2.09	+79.63

HOLDERS OF UAH SOVEREIGN BONDS (UAHm)

C.bank	374,294	+0.00	+0.00	+0.93	+17.66
Banks	84,619	-0.19	-0.27	+1.80	-9.43
Resid's ⁴	21,233	-0.15	+0.12	+0.69	-13.51
Non-res ⁵	22,698	-0.38	-0.39	+0.22	+5.36
Total	502,844	-0.06	-0.06	+1.03	+9.87

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 (%)

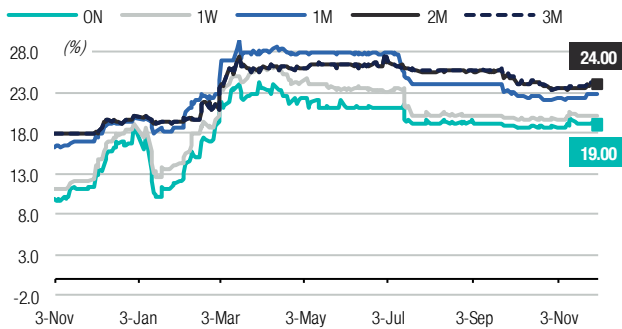
CDS 5yr	0	+0bp	+0bp	+0bp	-22ppt
Jun '16	66.53	+15bp	+15bp	+10bp	+30bp
Jul '17	28.88	+2bp	+47bp	+205bp	+113bp
Sep '20	13.98	+42bp	+42bp	+63bp	-487bp
Sep '21	14.22	+43bp	+43bp	+8bp	-432bp
Sep '22	0.00	-13ppt	-13ppt	-13ppt	-16ppt
Feb '23	0.00	-12ppt	-12ppt	-12ppt	-16ppt

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.

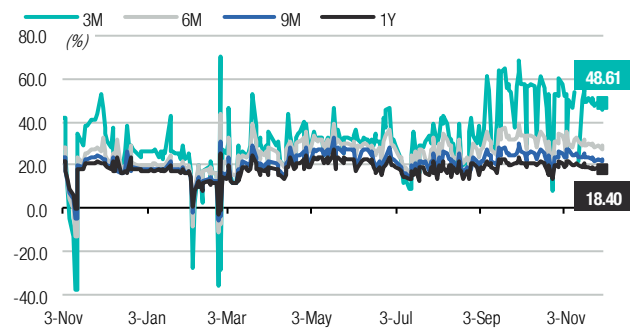
Chart page: Local bond market & Eurobond markets

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



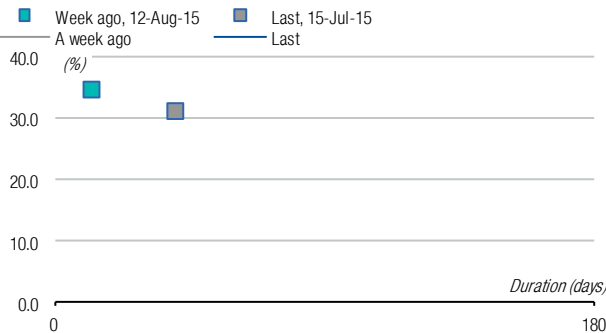
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



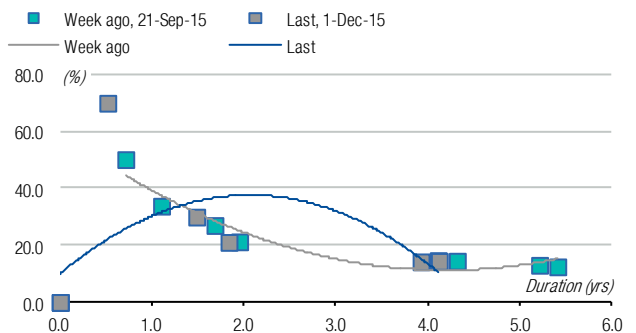
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 2 Dec 2015



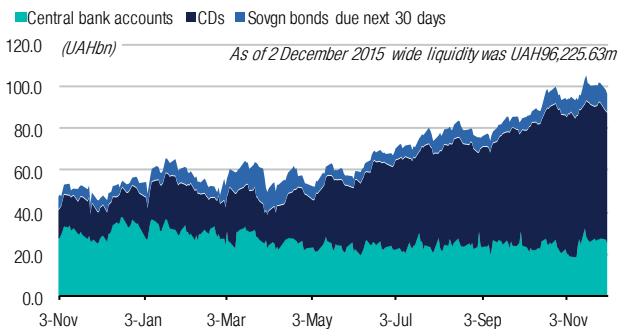
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 2 Dec 2015



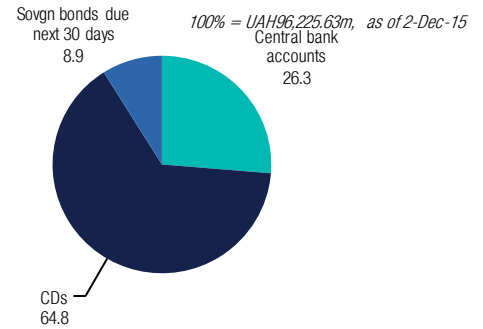
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



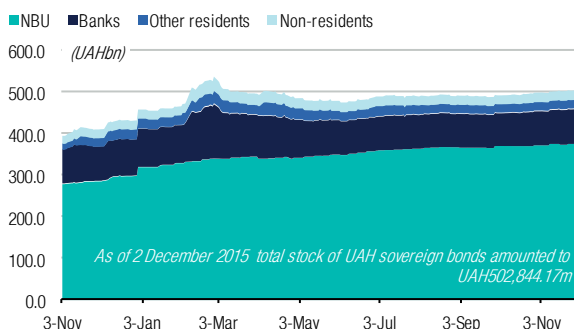
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 2 Dec 2015



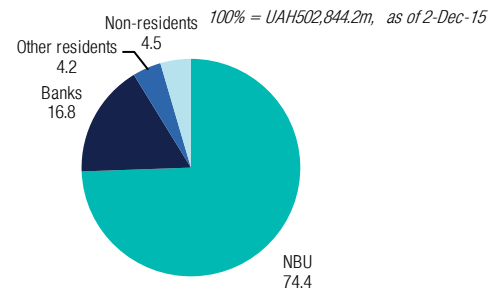
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 2 Dec 2015



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

Table 1. Ukrainian stocks (closing prices as of 2-Dec-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	4.44 UAH	+0.2	-17.7	-41.2	-41.1	0.19	70.1	58.2	21.7	15.2	16.1	9.9	0.07	1,419	23.2	5.2	4.3	0.2	1.7	1.7	0.2	0.1	0.1	0.7	4.2	
Donbasenergo	DOEN UK	Kiev, UX	16.55 UAH	+2.2	-5.4	-49.8	-48.2	0.71	16.7	27.3	14.2	2.4	8.5	1.6	0.06	1,749	3.9	Neg.	N/A	0.0	N/A	N/A	0.1	0.2	N/A	0.3	13.6	
Zakhidenergo	ZAEN UK	Kiev, PFTS	85.00 UAH	+0.0	-10.5	-42.6	-44.8	3.63	46.5	79.7	5.0	2.3	0.0	0.7	0.06	1,662	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	+9.4	+6.7	-20.0	-36.7	0.00	12.8	1,767.9	3.9	0.5	0.0	0.2	0.02	5,923	Neg.	Neg.	N/A	0.6	Neg.	N/A	2.8	6.8	N/A	N/A	145.5	
Avdiyivsky Cok...	AVDK UK	Kiev, UX	1.08 UAH	+1.3	-0.4	-37.7	-43.6	0.05	9.0	8.0	4.0	0.4	0.1	0.8	0.17	601	Neg.	N/A	N/A	Neg.	N/A	N/A	0.0	N/A	N/A	0.0	0.0	
Azovstal	AZST UK	Kiev, UX	0.41 UAH	-2.2	-29.2	-45.4	-42.8	0.02	73.1	13.7	4.1	3.0	0.1	4.0	0.39	259	1.9	1.5	N/A	0.0	N/A	N/A	0.0	0.0	N/A	0.1	0.0	
Yasynivsky Cok...	YASK UK	Kiev, UX	0.33 UAH	+0.0	+32.0	+17.9	+0.3	0.01	3.9	4.5	9.0	0.3	0.9	2.1	0.15	659	Neg.	Neg.	N/A	Neg.	N/A	N/A	0.1	0.0	N/A	0.1	0.0	
Yenakievo Steel	ENMZ UK	Kiev, UX	16.30 UAH	+3.5	-0.6	-22.2	-24.9	0.70	7.4	-7.4	9.4	0.7	1.4	1.3	0.05	1,858	Neg.	Neg.	N/A	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.2	0.0	
FINANCIAL SERVICES																												
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.08 UAH	-1.4	+5.0	-14.7	-21.3	0.00	104.9	N/A	3.8	4.0	5.8	7.2	0.22	449	N/A	5.7	5.7	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	+17.5	-27.8	-37.3	0.00	99.1	N/A	4.5	4.4	1.2	0.6	0.01	11,593	Neg.	Neg.	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

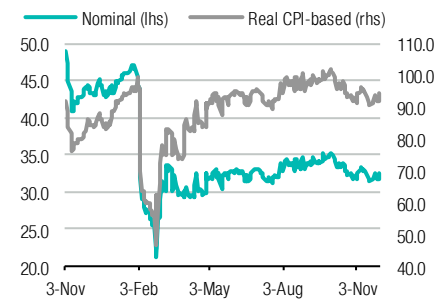
US-Eurozone divergence gets new momentum

Yesterday, the widely discussed monetary divergence between the US and Eurozone economies was boosted by two events. First, consumer inflation in the Euro area was reported at 0.1% YoY, just below expectations of 0.2%. Such a low reading on inflation once again underlines that ECB monetary stimulus should be increased. Second, US Federal Reserve Chairperson Yellen, in a public speech, said that the US economy is strong and that inflation is expected to accelerate, giving a clear signal that the Fed will increase its policy rate this month. Overall, both reports forced the USD and euro in opposite directions. The dollar index (DXY) was above the 100 point threshold again this week, hitting its highest level since 2003. Meanwhile, the euro slipped 0.6% to 1.0569. This FX market move caused the RUB to decline 0.27%. The hryvnia's market rate rose 2.4% yesterday while its trade weighted value was up 2.7%.

Alexander Valchyshen, Kiev, +38044 2200120 ext.242

ICU's UAH trade-weighted indices

(Last 12-month history to 3 Dec 2015)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 2 Dec 2015)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
USD/UAH MARKET (HRYVNIA per US DOLLAR)					
Spot mkt	23.3950	-2.40	-1.76	+1.50	+47.88
NBU avg	23.6477	-0.81	-0.52	+2.75	+49.97
Ttl vlm ¹	295.93	+12.66	+5.16	+8.82	-31.32
\$ volume ²	225.77	+35.83	+3.19	+12.81	-36.27
NDF 3M	26.5930	-0.97	+0.05	+0.92	+57.82
NDF 6M	27.0930	-0.95	+0.05	+0.91	+55.71
NDF 1Y	27.8430	-0.93	+0.05	+0.88	+50.91
TRADE-WEIGHTED INDICES (TWIs, points)					
UAH nom'l	32.567	+2.71	+2.48	+1.79	-26.76
UAH real CPI	94.003	+2.71	+2.48	+1.79	+8.62
UAH real PPI	113.050	+2.71	+2.48	+1.79	-4.00
USD nom'l	100.330	+0.54	+0.54	+3.51	+11.15
FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs					
USD/RUB	66.8485	+0.27	+2.00	+5.02	+10.06
EUR/USD	1.0569	-0.60	-0.52	-4.06	-12.64
USD/CNY	6.3987	+0.00	+0.15	+0.97	+3.11
USD/PLN	4.0466	+0.49	+0.68	+4.63	+14.19
USD/TRY	2.8899	-0.03	+0.05	+2.32	+23.76
USD/BYR	18,030.00	-0.27	-0.59	+3.26	+63.91
USD/KZT	307.8000	+0.05	+0.23	+9.44	+68.80
OTHER MAJOR CURRENCIES					
USD/JPY	123.4400	+0.46	+0.57	+2.22	+3.06
GBP/USD	1.4954	-0.85	-1.16	-3.00	-4.00
USD/CHF	1.0295	+0.35	+0.75	+4.31	+3.54
AUD/USD	0.7330	+0.10	+1.08	+2.56	-10.34
USD/CAD	1.3336	-0.16	+0.35	+1.85	+14.76
USD/BRL	3.8537	+0.02	+2.89	-0.05	+45.01
USD/KRW	1,164.38	+0.54	+1.83	+2.41	+6.73
COMMODITIES					
Gold(\$/oz)	1,056.35	-1.21	-1.38	-6.83	-10.85
WTI crude ³	41.10	-1.79	-1.65	-10.92	-22.85
Brent crd ³	43.15	-0.76	-3.34	-9.71	-22.61
Urals crd ³	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB ⁴	182.34	-1.11	-1.81	-6.45	-20.71

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.

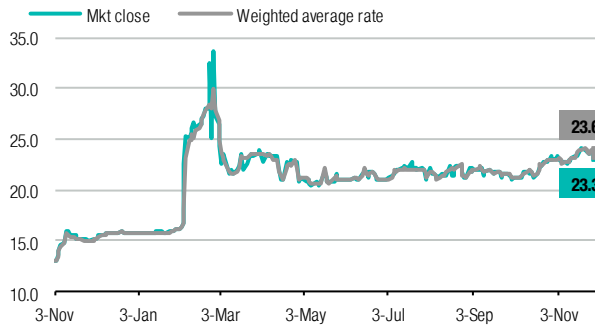
Sources: Bloomberg, Investment Capital Ukraine LLC.

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>).

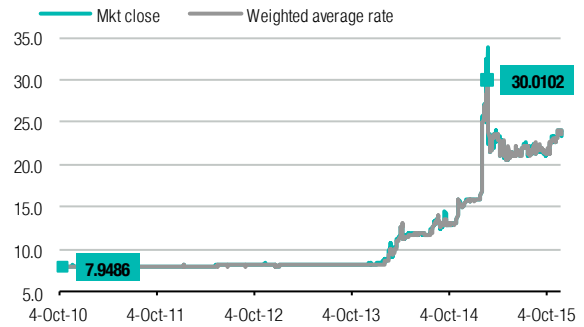
Section on FX market is continued on next page.

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)

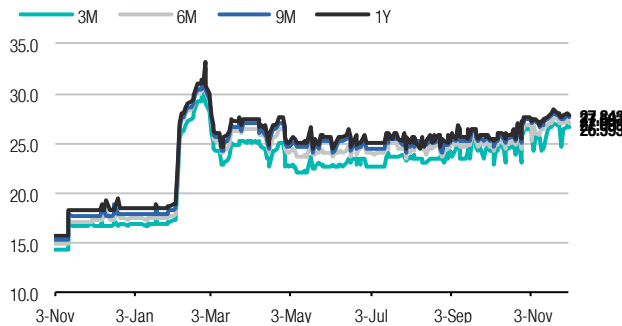


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

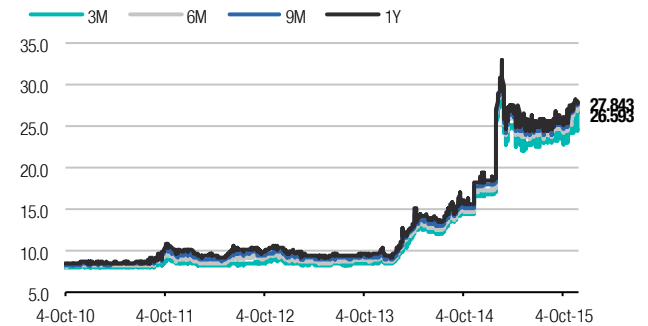


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

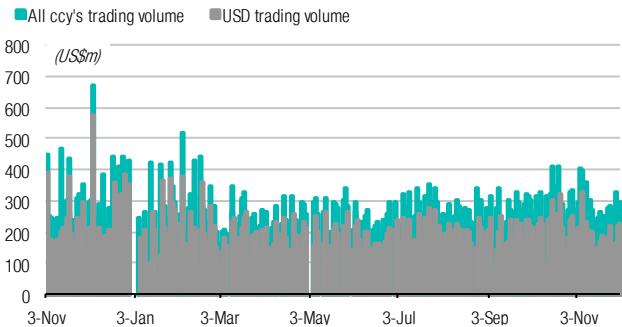


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

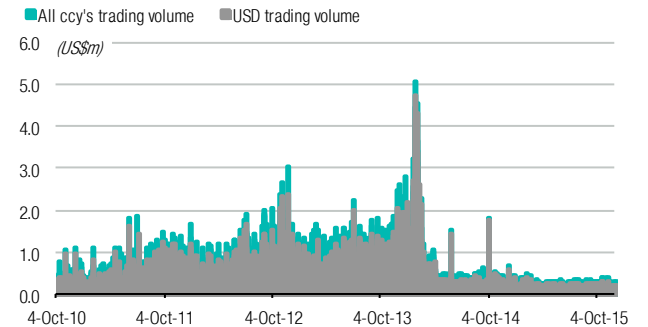


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

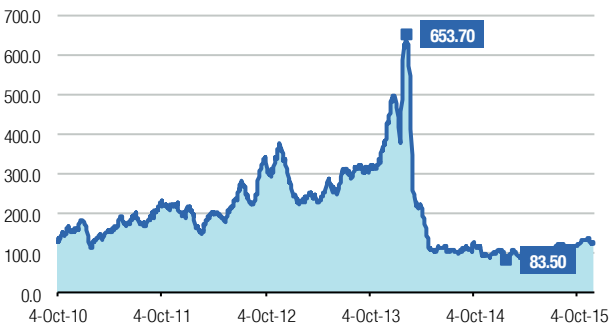


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

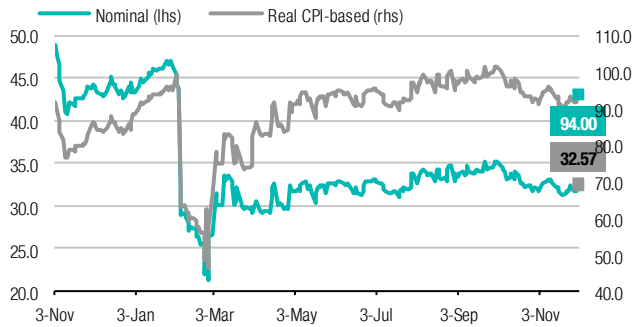


Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

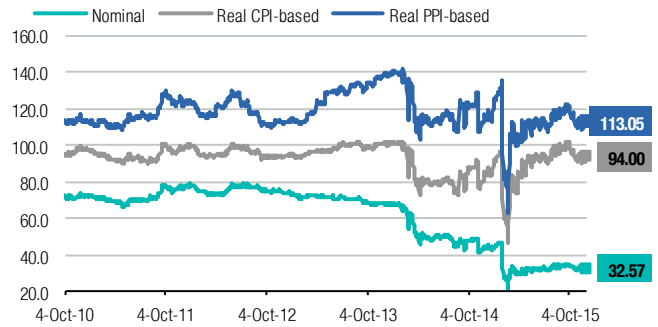
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



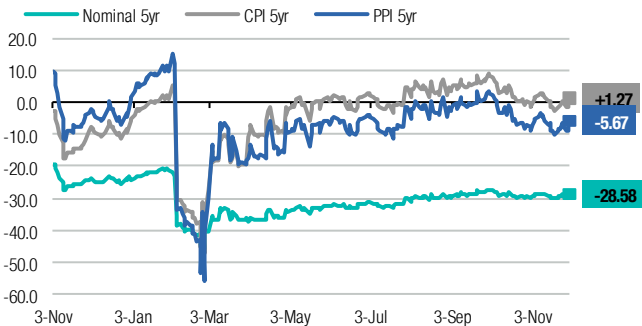
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

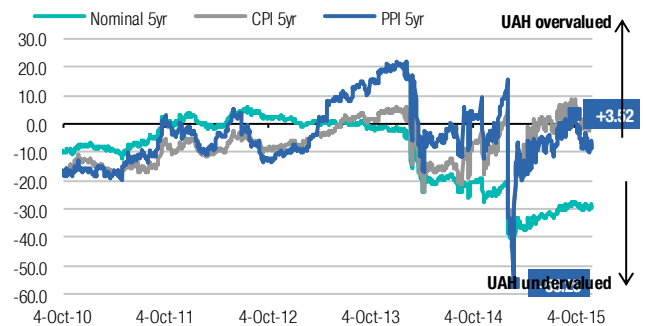


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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)

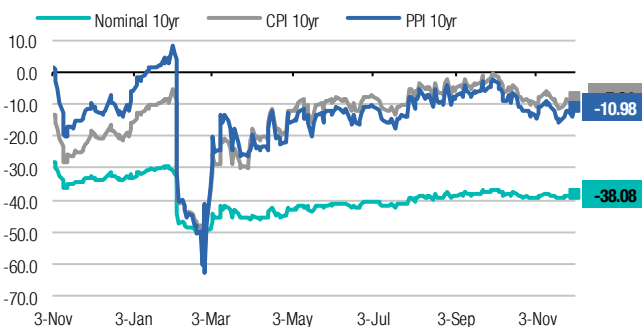


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

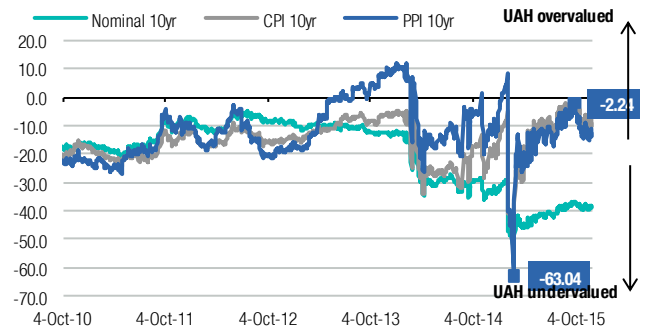


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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

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

WEB www.icu.ua



@ICU_UA

CORPORATE FINANCE

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

Ivan Shvydanenko, Vice President
ivan.shvydanenko@icu.ua

Roman Nikitov, ACCA Director
roman.nikitov@icu.ua

Yuriy Kamarytskyi, Vice President
yuriy.kamarytskyi@icu.ua


Ruslan Kilmukhametov, Director
ruslan.kilmukhametov@icu.ua

Ruslan Patlavsky, Vice President
ruslan.patlavsky@icu.ua

STRATEGY AND CORPORATE DEVELOPMENT

Vlad Sinani, Director
vlad.sinani@icu.ua

SALES AND TRADING

Konstantin Stetsenko 
Managing Director
konstantin.stetsenko@icu.ua

Liliya Kubytyovych 
Asset Management Product Sales
liliya.kubytyovych@icu.ua


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

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


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


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

RESEARCH DEPARTMENT

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

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

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

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

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

Lee Daniels, Rolfe Haas
Editors

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