

Daily Insight

Liquidity continues to increase

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MONDAY, 28 DECEMBER 2015

UX Index (3 months to 28 Dec 2015)



Source: UX.

Key market indicators (as of 25 Dec 2015)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	22.8945	-0.02	+44.72
USD/UAH (1Y NDF)	25.4962	-6.09	+38.19
EUR/USD	1.0960	-0.03	-9.41
USD/RUB	70.3763	+0.13	+15.87
KievPRIME O/N (%)	18.86	-3bp	-4bp
KievPRIME 1M (%)	22.31	+1bp	+241bp
SOVEREIGN EUROBONDS: yields and spreads			
Ukraine 15, Eurobond (%)	N/A	+0bp	-5,343bp
Ukraine 17, Eurobond (%)	29.14	+26bp	+139bp
Ukraine 22, Eurobond (%)	12.32	-1bp	-393bp
Ukraine 23, Eurobond (%)	11.85	+0bp	-371bp
Ukraine 5Y CDS	0bp	+0bp	-2,199bp
EQUITIES			
Stock market indices			
UX (Ukraine)	665.84	-1.56	-35.56
MSCI World	402.13	-0.03	-3.59
MSCI EM	804.29	+0.03	-15.90
RTS (Russia)	772.94	-1.04	-1.80
WIG-20 (Poland)	N/A		
S&P 500 (USA)	2,060.99	-0.16	+0.10

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 increase

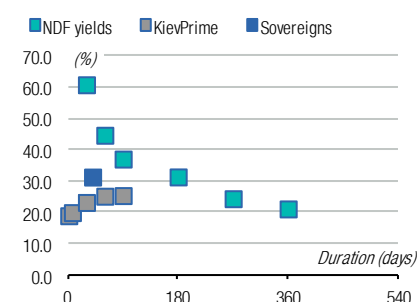
Banking sector liquidity was up UAH3.42bn to UAH106.36bn last Friday, including a slight increase of UAH0.97bn to UAH30.74bn of banks' correspondent accounts. Total CDs outstanding rose UAH2.44bn to UAH75.62bn.

Investment implications: Liquidity continued to increase last week, most likely due to month-end tax payments scheduled this week and to the acceleration of MoF expenditures for local budgets to before the end of the year. We could see a slight decline in liquidity and reallocation of funds from CDs to banks' accounts to keep their level at about UAH25-30bn.

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Yield curve of the local bond market

(as of market close on 25 Dec 2015)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 25 Dec 2015)

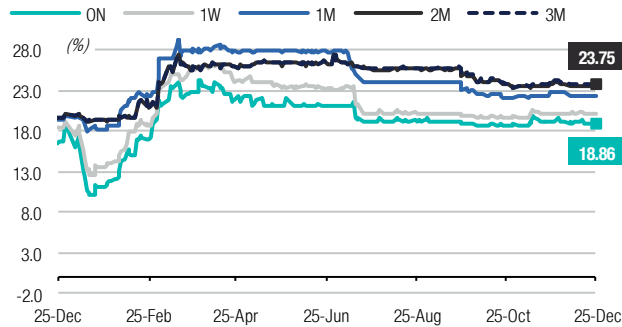
	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
MONEY MARKET KIEV PRIME RATES (%)					
O/n	18.86	-3bp	-3bp	-14bp	-4bp
1wk	20.06	+1bp	-14bp	-7bp	+106bp
1m	22.31	+1bp	+1bp	-50bp	+241bp
2m	23.50	+0bp	+0bp	-38bp	+350bp
3m	23.75	+5bp	+5bp	-38bp	+375bp
LIQUIDITY WIDE MEASUREMENT (UAHm)					
CB acc's ¹	30,742	+3.27	-2.90	+13.74	-7.55
CDs ²	75,618	+3.34	+8.24	+18.15	+379.0
Sovgns ³	4,279	+0.00	-5.59	-53.03	-5.56
Total	110,639	+3.19	+4.33	+10.49	+106.5
HOLDERS OF UAH SOVEREIGN BONDS (UAHm)					
C.bank	379,790	+0.00	+1.32	+1.47	+19.38
Banks	80,180	+0.24	-0.42	-5.50	-14.18
Resid's ⁴	20,960	-1.17	-2.32	-1.16	-14.62
Non-res ⁵	21,616	-0.12	-1.95	-5.14	+0.33
Total	502,546	-0.02	+0.74	-0.12	+9.81
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	67.67	+114bp	+0bp	+16bp	+31bp
Jul '17	29.14	+26bp	+0bp	+72bp	+139bp
Sep '20	14.02	+4bp	+0bp	+46bp	-483bp
Sep '21	14.22	+0bp	+0bp	+43bp	-432bp
Sep '22	12.32	-1bp	+2bp	+3bp	-393bp
Feb '23	11.85	+0bp	+2bp	+20bp	-371bp

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.

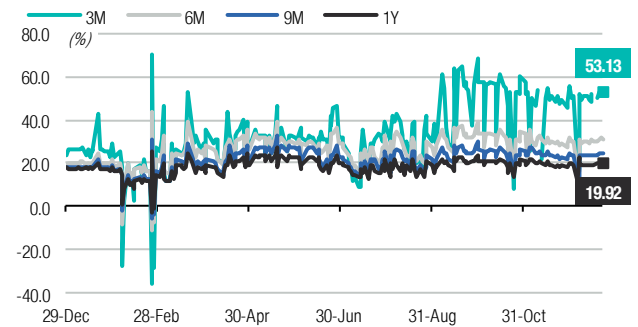
Chart page: Local bond market & Eurobond markets

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



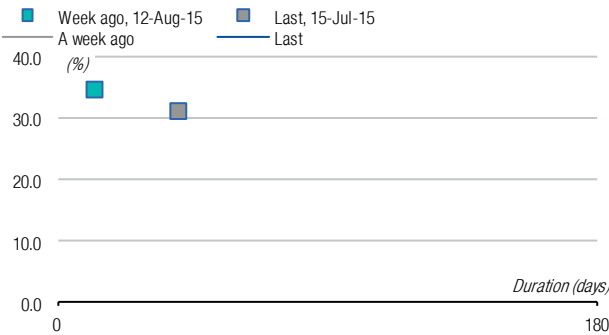
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



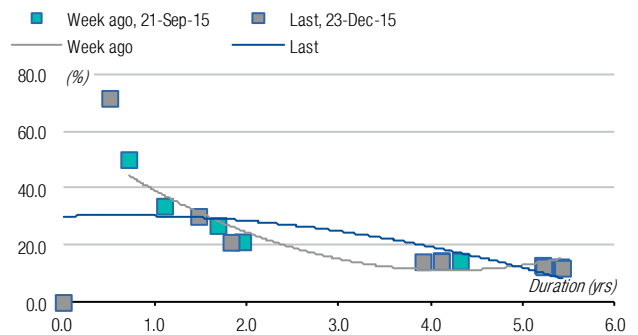
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 25 Dec 2015



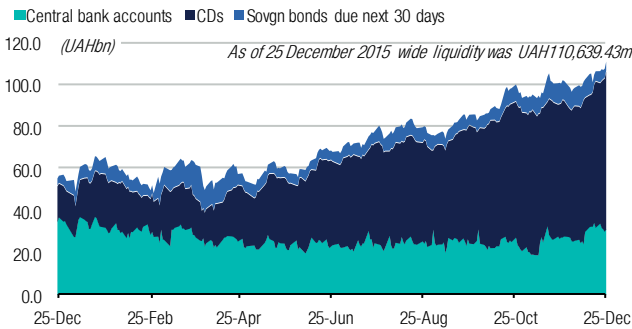
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 25 Dec 2015



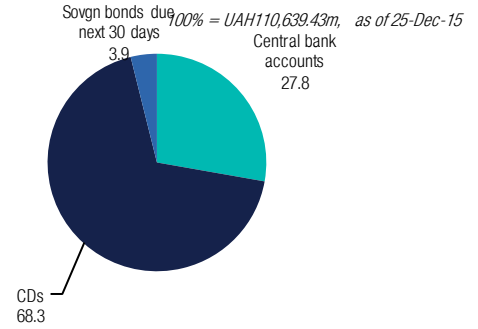
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



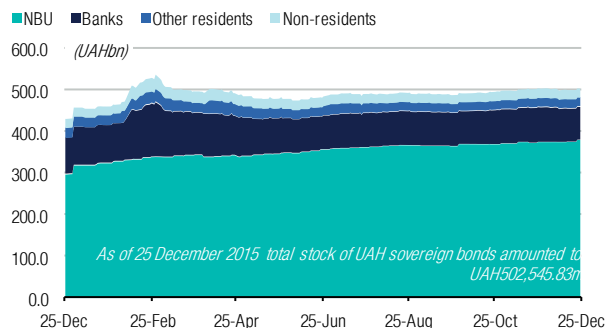
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 25 Dec 2015



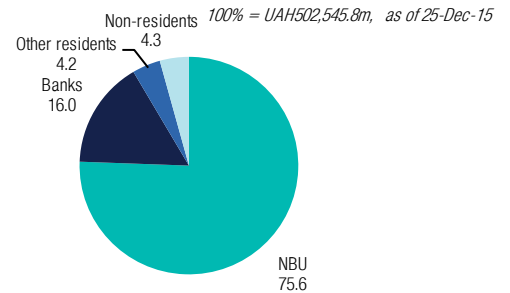
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 25 Dec 2015



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

Table 1. Ukrainian stocks (closing prices as of 25-Dec-2015)

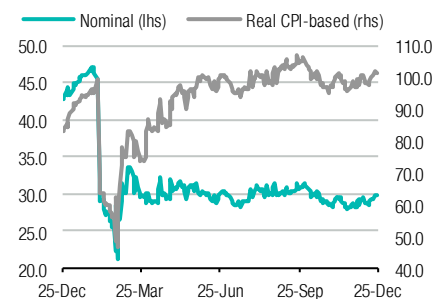
Company	Bloomberg Ticker	Listing	Share price performance (% change)				Valuation (US\$)			Free float (FF) & Liquidity					P/E			EV/EBITDA			EV/Sales			Ratios			
			Last price	Daily	MoM	YTD	YoY	Last price	Market cap (m)	EV (m)	FF (%)	FF mkt cap (US\$m)	Last day turnover (US\$ 000)	3M avg. turnover (US\$ 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	4.60 UAH	+0.3	+1.3	-39.1	-37.1	0.20	74.1	62.0	21.7	16.1	11.5	11.4	0.08	1,306	24.0	Neg.	5.3	0.2	Neg.	1.8	0.2	0.2	0.1	0.7	4.2
Donbasenergo	DOEN UK	Kiev, UX	14.71 UAH	-1.7	-11.4	-55.4	-54.0	0.64	15.2	26.0	14.2	2.2	2.7	2.0	0.15	683	3.4	Neg.	N/A	0.0	N/A	N/A	0.1	0.1	N/A	0.3	13.6
Zakhidenergo	ZAEN UK	Kiev, PFTS	89.00 UAH	-7.3	-4.3	-39.9	-42.2	3.89	49.7	83.7	5.0	2.5	0.4	0.9	0.04	2,631	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	-2.8	-10.7	-26.9	-26.3	0.00	11.9	1,805.0	3.9	0.5	0.0	0.2	0.06	1,804	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	1.05 UAH	-0.2	-1.6	-39.3	-39.0	0.05	8.9	8.0	4.0	0.4	0.0	0.9	0.36	279	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	0.38 UAH	-5.8	-10.5	-49.5	-46.4	0.02	69.0	8.3	4.1	2.8	0.1	3.8	0.06	1,687	1.7	1.3	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	+0.0	+17.9	+37.5	0.01	3.9	4.6	9.0	0.4	0.0	4.4	1.72	58	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	13.33 UAH	-4.1	-18.2	-36.4	-37.3	0.58	6.1	-8.9	9.4	0.6	0.1	0.6	0.14	705	Neg.	Neg.	N/A	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.2	0.0
FINANCIAL SERVICES																											
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.07 UAH	-1.1	-13.4	-23.2	-22.0	0.00	96.5	N/A	3.8	3.7	3.8	7.6	0.24	412	N/A	5.2	5.1	N/A	N/A	N/A	N/A	N/A	N/A	0.6	N/A
Ukrsotsbank	USCB UK	Kiev, UX	0.11 UAH	+0.0	+11.7	-19.3	-18.2	0.00	113.1	N/A	4.5	5.1	0.0	0.7	0.03	3,659	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

ICU's UAH trade-weighted indices

(Last 12-month history to 28 Dec 2015)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 25 Dec 2015)

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

USD/UAH MARKET (HRYVNIA per US DOLLAR)

Spot mkt	22.8945	-0.02	-2.43	-3.86	+44.72
NBU avg	23.1375	+0.75	-1.74	-2.67	+46.73
Ttl vlm ¹	217.10	-36.72	-25.60	-22.86	-49.62
\$ volume ²	137.77	-45.53	-34.25	-37.03	-61.11
NDF 3M	26.1500	+0.97	+0.00	-1.62	+55.19
NDF 6M	26.6500	+0.95	-1.08	-1.59	+53.16
NDF 1Y	25.4962	-6.09	-7.93	-8.39	+38.19

TRADE-WEIGHTED INDICES (TWIs, points)

UAH nom'l	29.651	+0.03	+1.54	+4.69	-33.32
UAH real CPI	101.442	+0.03	+1.54	+4.69	+17.22
UAH real PPI	133.377	+0.03	+1.54	+4.69	+13.26
USD nom'l	97.847	-0.14	-0.98	-1.95	+8.39

FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs

USD/RUB	70.3763	+0.13	-1.40	+7.39	+15.87
EUR/USD	1.0960	-0.03	+0.93	+3.16	-9.41
USD/CNY	6.4759	-0.01	-0.05	+1.36	+4.36
USD/PLN	3.8600	-0.16	-2.51	-3.96	+8.93
USD/TRY	2.9124	-0.22	-0.44	+0.83	+24.73
USD/BYR	18,368.00	+0.29	+0.10	+1.27	+66.98
USD/KZT	328.7500	+0.79	-3.52	+7.06	+80.29

OTHER MAJOR CURRENCIES

USD/JPY	120.3300	-0.08	-1.30	-1.96	+0.46
GBP/USD	1.4913	+0.02	-0.13	-1.43	-4.26
USD/CHF	0.9882	+0.09	-0.56	-3.29	-0.61
AUD/USD	0.7280	+0.23	+1.95	+0.39	-10.95
USD/CAD	1.3824	+0.02	-0.75	+4.02	+18.96
USD/BRL	N/A	N/A	N/A	N/A	N/A
USD/KRW	1,169.91	+0.19	-1.11	+2.31	+7.23

COMMODITIES

Gold(\$/oz)	1,075.88	-0.03	+1.73	+0.44	-9.20
WTI crude ³	N/A	-100.0	+0.00	-100.0	-100.0
Brent crd ³	36.49	+0.00	+3.05	-18.26	-34.56
Urals crd ³	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB ⁴	N/A	N/A	N/A	N/A	N/A

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.

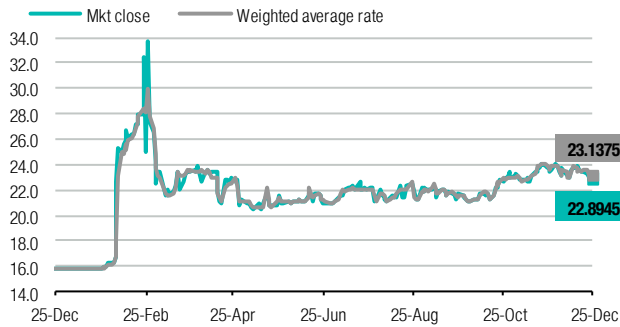
Sources: Bloomberg, Investment Capital Ukraine LLC.

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>).

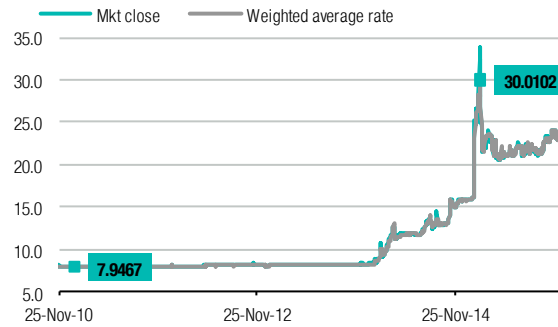
Section on FX market is continued on next page.

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)

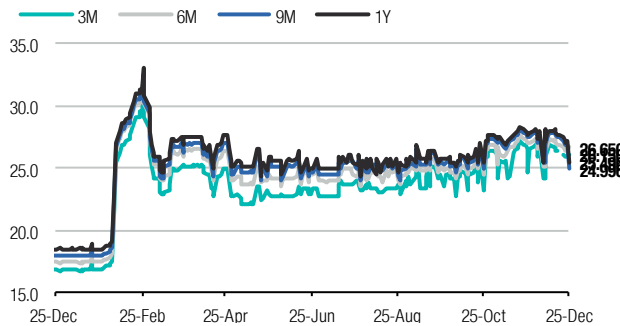


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

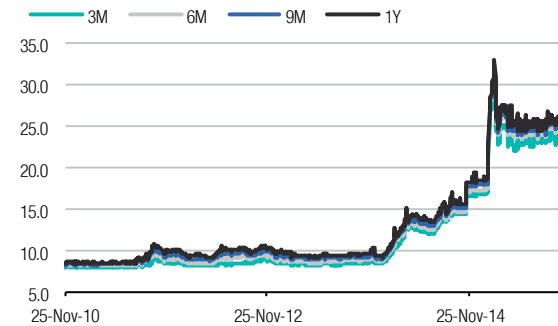


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

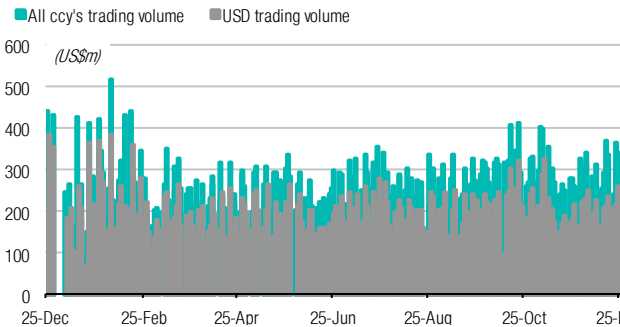


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

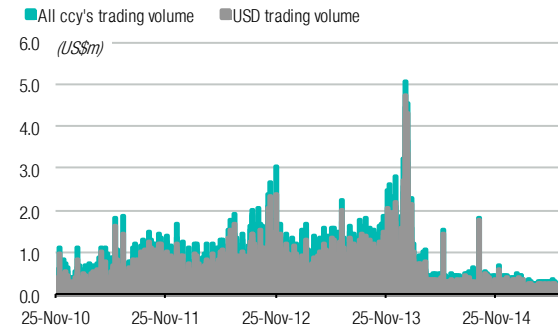


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

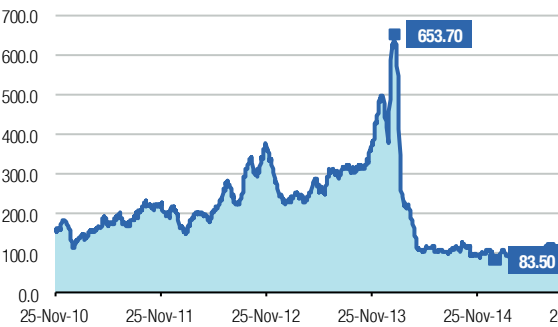
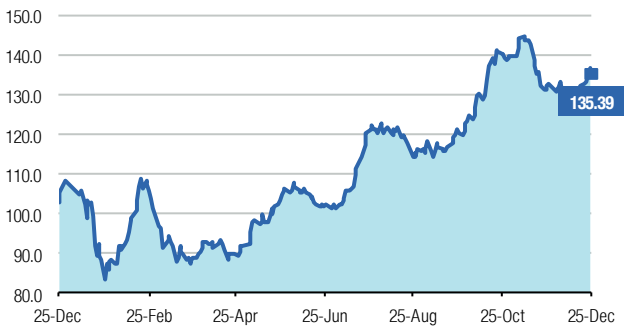


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

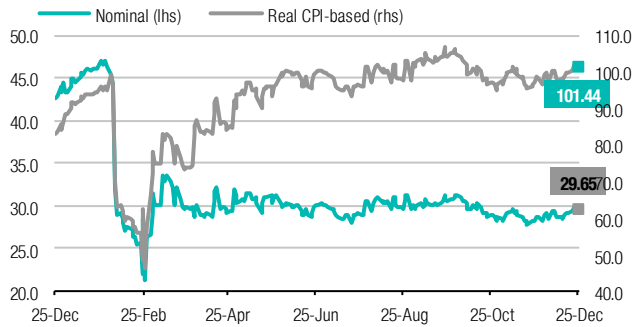


Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

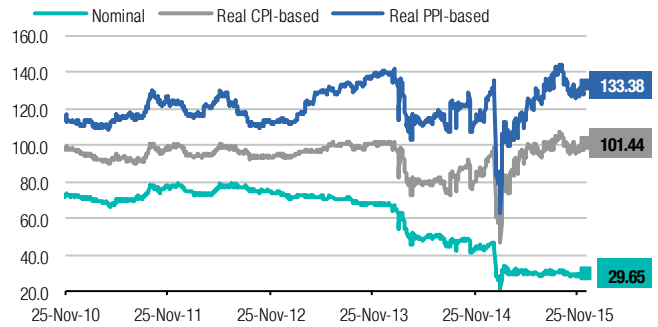
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



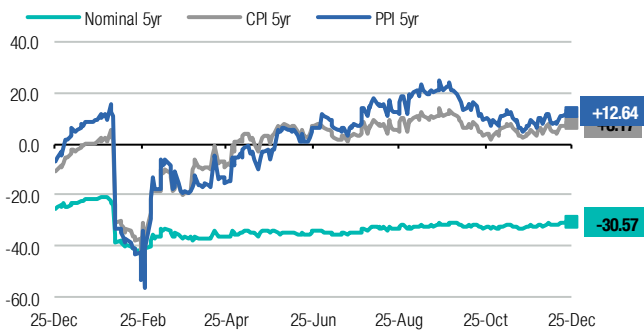
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

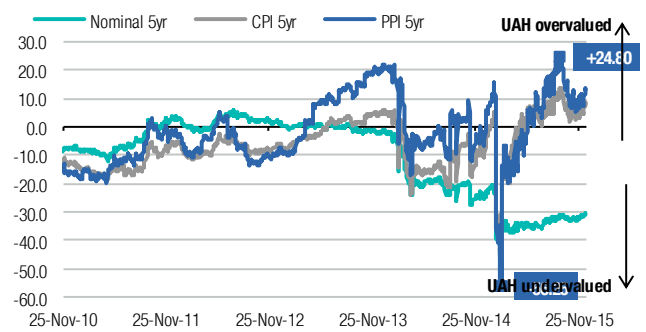


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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)

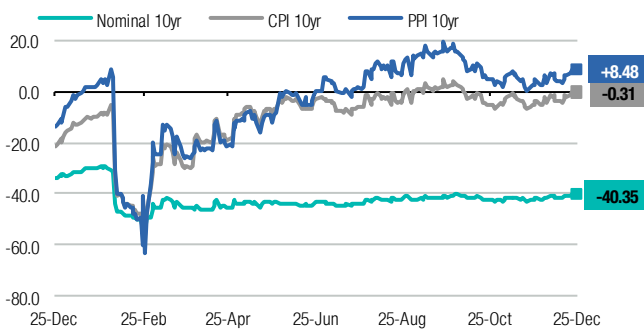


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

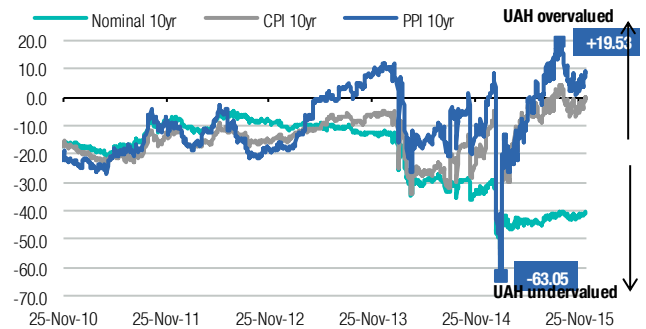


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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



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