



Focus  
**Ukraine**

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

Research team  
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Taras Kotovych**

# Daily Insight

## Primary auction cancelled

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THURSDAY, 10 MARCH 2016

### UX Index (3 months to 10 Mar 2016)



Source: UX.

### Key market indicators (as of 9 Mar 2016)

	Last	Daily chg (%)	YTD chg (%)
<b>FX &amp; MONEY RATES</b>			
USD/UAH	26.0000	-0.95	+8.21
USD/UAH (1Y NDF)	30.0500	-0.83	+17.86
EUR/USD	1.0999	-0.11	+1.26
USD/RUB	71.0975	-2.42	-1.96
KievPRIME O/N (%)	19.44	+19bp	+38bp
KievPRIME 1M (%)	22.25	-5bp	+0bp
<b>SOVEREIGN EUROBONDS: yields and spreads</b>			
Ukraine 15, Eurobond (%)	N/A	+0bp	+0bp
Ukraine 17, Eurobond (%)	29.14	+26bp	+0bp
Ukraine 22, Eurobond (%)	12.32	-1bp	+0bp
Ukraine 23, Eurobond (%)	11.85	+0bp	+0bp
Ukraine 5Y CDS	N/A		
<b>EQUITIES</b>			
<b>Stock market indices</b>			
UX (Ukraine)	628.54	+3.41	-8.36
MSCI World	385.10	+0.27	-3.57
MSCI EM	787.69	-0.05	-0.81
RTS (Russia)	835.64	-0.43	+10.38
WIG-20 (Poland)	1,878.59	+0.11	+1.05
S&P 500 (USA)	1,989.26	+0.51	-2.68

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 declines

Banking sector liquidity yesterday fell UAH4.69bn to UAH100.66bn, the largest decline this year and the lowest level since mid-December 2015. Banks' correspondent accounts with the NBU rose UAH1.87bn to UAH37.45bn while total CDs outstanding fell UAH6.56bn to UAH63.21bn.

**Investment implications: Liquidity routinely declines during first ten days of the month, but less so than it has this month. The current decline appears to be a combination of some outflows via the FX market, Naftogaz FX purchases from the NBU, and possibly bank repayments of a new portion of loans to the NBU.**

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## Primary auction cancelled

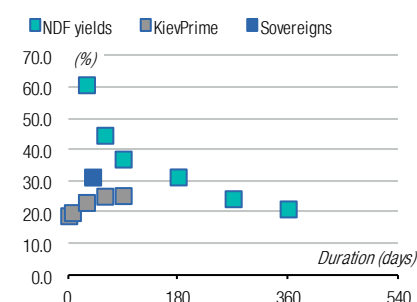
The MoF rejected a single bid received yesterday and cancelled the auction. Although the MoF sold 2-year bonds at 19.70% earlier this year (20.70% YTM), the last two recent offerings of this bond attracted bids at 19.80%, possibly a market attempt to force the MoF to increase the bond's interest rate.

**Investment implications: The MoF continues to maintain its yield curve levels to control the cost of funding and debt servicing. Should the MoF increase the bond's interest rate in a re-offering, the bond's price will decrease, which will be accounted for during the current budget year.**

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## Yield curve of the local bond market

(as of market close on 9 Mar 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

## Bond market indicators (as of 9 Mar 2016)

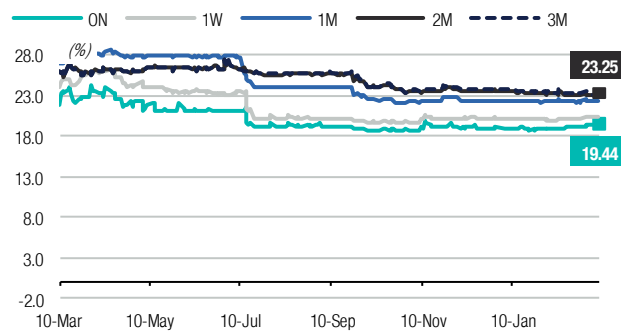
	Last	Daily	Weekly	MoM	YTD
		chg (%)	chg (%)	chg (%)	chg (%)
<b>MONEY MARKET KIEV PRIME RATES (%)</b>					
O/n	19.44	+19bp	+6bp	+63bp	+38bp
1wk	20.38	+13bp	+0bp	+42bp	+38bp
1m	22.25	-5bp	-5bp	+5bp	+0bp
2m	23.13	+13bp	+0bp	-2bp	-37bp
3m	23.25	+12bp	-13bp	-10bp	-50bp
<b>LIQUIDITY WIDE MEASUREMENT (UAHm)</b>					
CB acc's <sup>1</sup>	37,455	-3.98	+0.77	+15.96	-6.49
CDs <sup>2</sup>	63,208	-27.71	-35.48	-46.64	-47.35
Sovgns <sup>3</sup>	3,677	+0.00	-7.29	-48.86	-22.32
<b>Total</b>	<b>104,340</b>	<b>-18.21</b>	<b>-22.76</b>	<b>-31.09</b>	<b>-34.35</b>
<b>HOLDERS OF UAH SOVEREIGN BONDS (UAHm)</b>					
C.bank	388,555	+0.00	+0.00	-0.37	+2.30
Banks	115,975	+0.69	-0.98	+1.61	+42.18
Resid's <sup>4</sup>	11,625	-1.16	-1.54	+0.59	-44.63
Non-res <sup>5</sup>	23,766	+0.99	-1.99	+2.01	+6.54
<b>Total</b>	<b>539,922</b>	<b>+0.17</b>	<b>-0.34</b>	<b>+0.17</b>	<b>+6.98</b>
<b>NDF IMPLIED YIELDS (%)</b>					
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
<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	N/A	N/A	N/A	N/A	N/A
Jun '16	67.67	+114bp	+0bp	+0bp	+0bp
Jul '17	29.14	+26bp	+0bp	+0bp	+0bp
Sep '20	14.02	+4bp	+0bp	+0bp	+0bp
Sep '21	14.22	+0bp	+0bp	+0bp	+0bp
Sep '22	12.32	-1bp	+0bp	+0bp	+0bp
Feb '23	11.85	+0bp	+0bp	+0bp	+0bp

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.

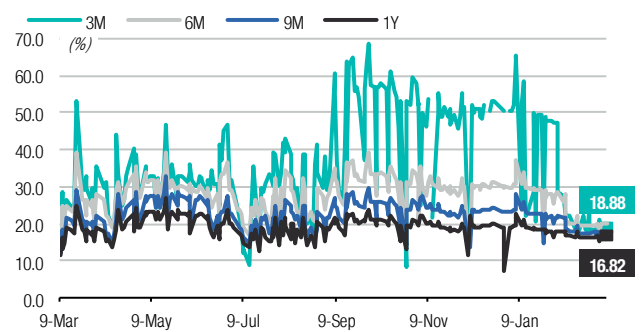
Chart page: Local bond market & Eurobond markets

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



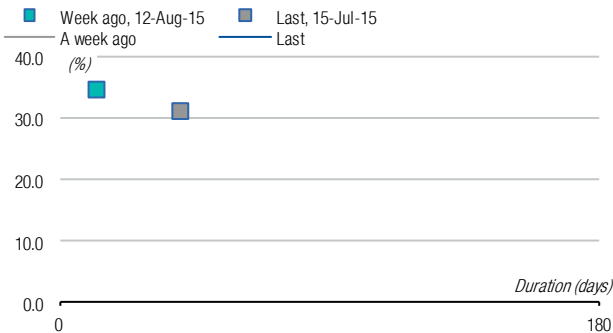
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



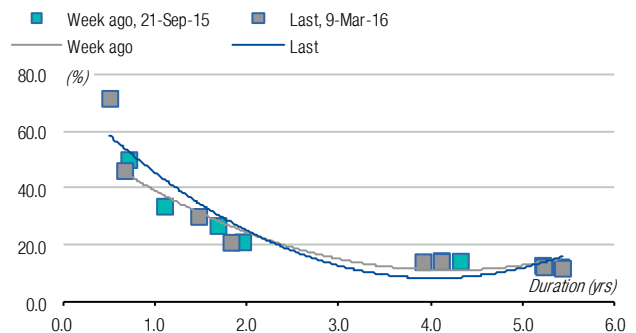
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 9 Mar 2016



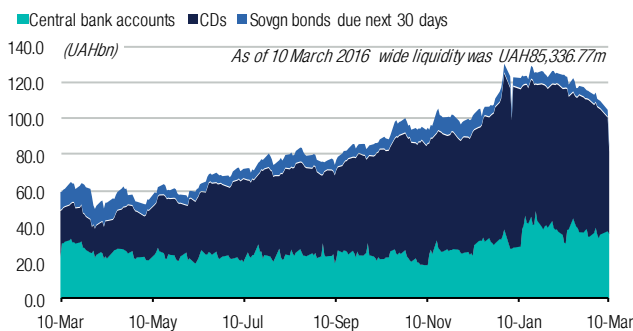
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 9 Mar 2016



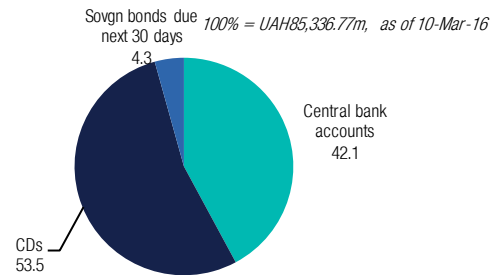
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



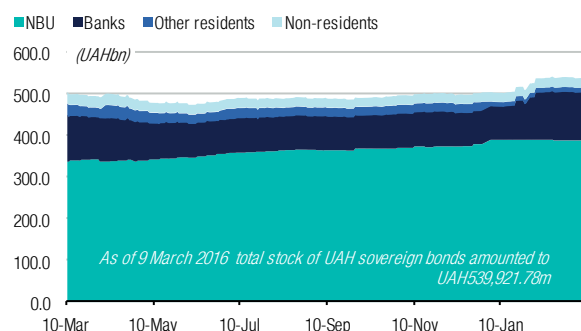
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 9 Mar 2016



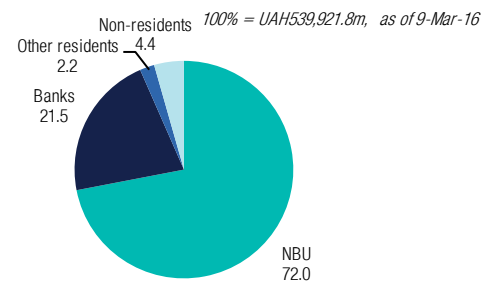
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 9 Mar 2016



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

Table 1. Ukrainian stocks (closing prices as of 9-Mar-2016)

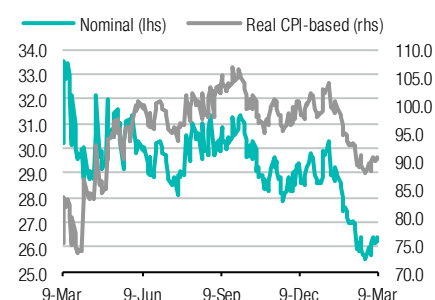
Company	Bloomberg Ticker	Listing	Share price performance (% change)				Valuation (US\$)			Free float (FF) & Liquidity					P/E			EV/EBITDA			EV/Sales			Ratios			
			Last price	Daily	MoM	YTD	YoY	Last price	Market cap (m)	EV (m)	FF (%)	FF mkt cap (US\$m)	Last day turnover (US\$ 000)	3M avg. turnover (US\$ 000)	FF share traded (%)	FF turnover (days)	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	P/B (x)	Debt/Assets (%)
<b>ENERGY</b>																											
Cadogan Petrol...	CAD LN	London	9.88 GBp	+0.0	-2.5	+21.5	+8.2	0.14	32.4	-16.7	40.2	13.0	0.0	17.4	0.00	20,352	Neg.	Neg.	12.0	2.4	Neg.	Neg.	Neg.	Neg.	Neg.	0.4	15.3
Centrenergo	CEEN UK	Kiev, UX	5.20 UAH	+0.0	+18.6	+14.0	-34.5	0.20	73.2	62.6	21.7	15.9	13.8	9.0	0.04	2,311	27.2	Neg.	5.2	0.2	Neg.	1.8	0.2	0.2	0.1	0.8	4.2
Coal Energy	CLE PW	Warsaw	0.65 PLN	+0.0	+25.0	+22.6	+1.6	0.17	7.4	78.9	25.0	1.9	0.1	2.0	0.21	482	Neg.	N/A	N/A	10.8	N/A	N/A	0.7	N/A	N/A	0.3	56.9
Donbasenergo	DOEN UK	Kiev, UX	13.00 UAH	+0.0	-13.2	-17.5	-55.2	0.50	11.7	21.1	14.2	1.7	0.4	1.2	0.05	1,983	3.0	Neg.	N/A	0.0	N/A	N/A	0.1	0.1	N/A	0.2	13.6
JKX Oil & Gas	JKX LN	London	25.50 GBp	+0.0	+2.0	-6.4	-26.6	0.36	62.2	72.9	47.2	29.3	0.0	9.7	0.04	2,382	Neg.	Neg.	Neg.	Neg.	3.7	2.9	0.5	0.7	1.0	0.2	9.9
Regal Petroleum	RPT LN	London	2.75 GBp	+0.0	+3.8	-26.7	-40.5	0.04	12.5	-20.9	80.9	10.1	0.6	4.4	0.01	12,753	2.2	N/A	N/A	Neg.	N/A	N/A	Neg.	Neg.	N/A	0.2	0.0
Sadova Group	SGR PW	Warsaw	0.23 PLN	+0.0	-23.3	-23.3	-36.1	0.06	2.5	43.9	25.0	0.6	0.6	0.7	0.31	325	Neg.	N/A	N/A	Neg.	N/A	N/A	17.3	N/A	N/A	N/A	137.6
Zakhidenergo	ZAEN UK	Kiev, PFTS	84.00 UAH	+0.0	+12.0	+0.0	-47.5	3.20	40.9	70.6	5.0	2.0	0.0	0.7	0.02	5,727	Neg.	N/A	N/A	0.1	N/A	N/A	0.2	N/A	N/A	0.5	11.6
<b>METALLURGY</b>																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	+0.0	-29.1	-12.8	-31.6	0.00	9.5	1,573.8	3.9	0.4	0.8	0.2	0.09	1,175	Neg.	Neg.	N/A	0.5	Neg.	N/A	2.8	6.8	N/A	N/A	145.5
Avdiyivsky Cok...	AVDK UK	Kiev, UX	1.10 UAH	+0.0	-2.3	-0.1	-21.9	0.04	8.2	7.3	4.0	0.3	0.1	0.8	0.01	7,726	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	0.28 UAH	+0.0	-2.1	-29.8	-64.8	0.01	45.0	-8.0	4.1	1.8	0.3	0.9	0.05	2,035	1.3	1.0	N/A	Neg.	N/A	N/A	Neg.	Neg.	N/A	0.0	0.0
Ferrexpo PLC	FXPO LN	London	38.50 GBp	+0.0	+90.1	+79.1	-20.9	0.55	321.8	978.4	22.4	72.1	791.7	503.2	0.75	134	9.7	23.7	6.5	3.1	6.2	5.8	1.0	1.1	1.1	0.7	61.1
Yasynivsky Cok...	YASK UK	Kiev, UX	0.21 UAH	+0.0	-16.8	-9.6	-40.6	0.01	2.2	2.7	9.0	0.2	0.1	3.1	1.97	51	Neg.	Neg.	N/A	Neg.	N/A	N/A	0.0	0.0	N/A	0.0	0.0
Yenakievo Steel	ENMZ UK	Kiev, UX	9.24 UAH	+0.0	-27.6	-34.0	-47.0	0.35	3.7	-9.4	9.4	0.3	0.1	0.3	0.11	891	Neg.	Neg.	N/A	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.1	0.0
<b>FOOD AND AGRIBUSINESS</b>																											
AgroGeneration	ALAGR FP	EN Paris	0.33 EUR	+0.0	-8.3	-17.5	-31.3	0.36	35.6	90.7	34.0	12.1	2.7	9.2	0.04	2,500	Neg.	Neg.	2.2	4.4	4.5	3.0	1.3	1.4	1.1	0.5	83.5
Agroliga	AGL PW	Warsaw	13.48 PLN	+0.0	+17.2	+18.5	+49.9	3.43	5.3	6.5	16.7	0.9	3.3	2.0	0.37	267	1.7	N/A	N/A	1.8	N/A	N/A	0.4	N/A	N/A	0.5	10.7
Agroton	AGT PW	Warsaw	0.97 PLN	+0.0	-7.6	-4.0	-23.0	0.25	5.3	32.1	26.2	1.4	0.1	6.4	0.45	221	Neg.	N/A	N/A	1.4	N/A	N/A	0.5	N/A	N/A	0.1	33.4
Astarta Holdin...	AST PW	Warsaw	34.00 PLN	+0.0	+21.3	-1.4	+44.0	8.65	216.2	439.0	31.0	67.1	106.9	19.3	0.04	2,582	Neg.	18.2	4.3	3.7	3.4	3.8	1.1	1.4	1.2	0.9	49.6
Avangard	AVGR LI	London Intl	0.68 USD	+0.0	-15.0	-45.6	-74.3	0.68	43.4	334.1	21.7	9.4	0.0	1.2	0.02	6,518	Neg.	Neg.	Neg.	2.6	8.8	N/A	0.8	1.2	1.0	0.1	33.1
Kernel Holding...	KER PW	Warsaw	54.90 PLN	+0.0	+23.4	+14.1	+73.4	13.96	1,112.7	1,574.8	58.8	653.9	1,899.1	2,213.8	0.23	435	10.4	5.4	4.8	4.0	4.5	4.3	0.7	0.7	0.6	1.2	32.0
KSG Agro	KSG PW	Warsaw	0.93 PLN	+0.0	+3.3	+0.0	-12.3	0.24	3.6	66.8	34.4	1.2	0.7	2.2	0.21	474	Neg.	N/A	N/A	6.7	N/A	N/A	2.1	N/A	N/A	N/A	67.4
MHP	MHPC LI	London Intl	8.50 USD	+0.0	+6.3	-8.6	-6.1	8.50	898.2	2,070.8	22.3	200.5	144.7	394.7	0.10	1,012	Neg.	3.6	3.2	5.3	4.7	4.0	1.8	1.6	1.4	1.3	47.0
Milkiland	MLK PW	Warsaw	1.32 PLN	+0.0	-12.6	-7.0	-56.6	0.34	10.5	126.2	20.0	2.1	3.2	9.0	0.52	191	Neg.	Neg.	Neg.	9.2	25.0	13.9	0.4	0.6	0.6	0.1	42.5
Ovostar Union	OVO PW	Warsaw	93.95 PLN	+0.0	+2.9	+3.8	+38.2	23.90	143.4	153.0	25.0	35.8	4.4	8.3	0.05	2,024	5.7	6.2	7.6	5.2	6.0	6.5	2.0	2.0	1.6	1.7	9.4
<b>CONSTRUCTION</b>																											
TMM	TR61 GF	Frankfurt	0.03 EUR	-23.1	-57.1	-57.1	-64.3	0.03	1.7	94.6	13.1	0.2	0.0	0.8	0.97	103	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	0.07 UAH	+0.0	-2.8	-9.0	-35.1	0.00	78.2	N/A	3.8	3.0	0.5	3.8	0.17	579	N/A	Neg.	3.2	N/A	N/A	N/A	N/A	N/A	N/A	0.5	N/A
Ukrsotsbank	USCB UK	Kiev, UX	0.07 UAH	+0.0	-36.2	-29.2	-31.7	0.00	65.8	N/A	4.5	2.9	0.0	1.5	0.08	1,242	Neg.	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.3	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 10 Mar 2016)



Source: Investment Capital Ukraine LLC.

## FX market indicators (as of 9 Mar 2016)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>USD/UAH MARKET (HRYVNIA per US DOLLAR)</b>					
Spot mkt	26.0000	-0.95	-2.26	+0.29	+8.21
NBU avg	26.1828	-1.19	-2.34	+0.92	+10.05
Ttl vlm <sup>1</sup>	274.18	-13.00	-4.05	-0.41	-24.52
\$ volume <sup>2</sup>	199.38	-8.16	+3.01	+10.46	-20.58
NDF 3M	27.2000	-0.91	-2.16	-0.46	+0.00
NDF 6M	28.5500	-0.87	-2.06	-2.97	+3.71
NDF 1Y	30.0500	-0.83	-1.96	-0.41	+17.86
<b>TRADE-WEIGHTED INDICES (TWIs, points)</b>					
UAH nom'l	26.366	+0.38	+0.93	-2.53	-7.80
UAH real CPI	90.690	+0.38	+0.93	-2.53	-7.44
UAH real PPI	120.085	+0.38	+0.93	-2.53	-7.80
USD nom'l	97.173	-0.04	-1.06	+1.15	-1.48
<b>FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs</b>					
USD/RUB	71.0975	-2.42	-2.68	-10.78	-1.96
EUR/USD	1.0999	-0.11	+1.21	-2.60	+1.26
USD/CNY	6.5130	+0.13	-0.58	-0.93	+0.30
USD/PLN	3.9285	+0.07	-1.24	-0.12	+0.14
USD/TRY	2.8919	-0.78	-1.15	-1.64	-0.87
USD/BYR	20,980.00	-0.94	-1.96	-4.61	+12.63
USD/KZT	344.7000	-0.07	-0.63	-4.50	+1.20
<b>OTHER MAJOR CURRENCIES</b>					
USD/JPY	113.3500	+0.65	-0.11	-1.53	-5.71
GBP/USD	1.4217	+0.01	+0.99	-1.76	-3.52
USD/CHF	0.9973	+0.16	+0.05	+2.52	-0.48
AUD/USD	0.7486	+0.63	+2.62	+5.88	+2.74
USD/CAD	1.3248	-1.20	-1.26	-4.46	-4.27
USD/BRL	3.6898	-1.73	-5.25	-5.48	-6.84
USD/KRW	1,216.19	+0.79	-0.92	+0.74	+3.50
<b>COMMODITIES</b>					
Gold(\$/oz)	1,253.21	-0.65	+1.07	+5.39	+18.07
WTI crude <sup>3</sup>	38.29	+4.90	+10.47	+37.04	+3.37
Brent crd <sup>3</sup>	39.88	+2.36	+8.58	+31.27	+11.55
Urals crd <sup>3</sup>	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB <sup>4</sup>	172.22	+1.62	+4.62	+9.99	-2.23

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>).

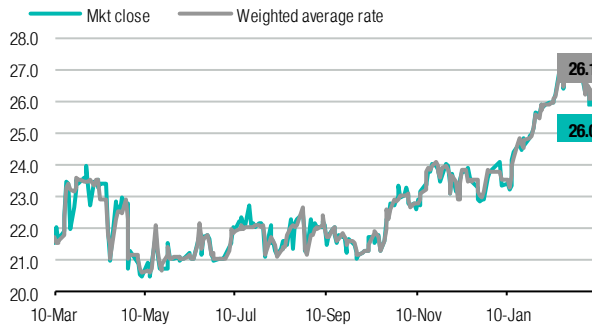
Section on FX market is continued on next page.

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.

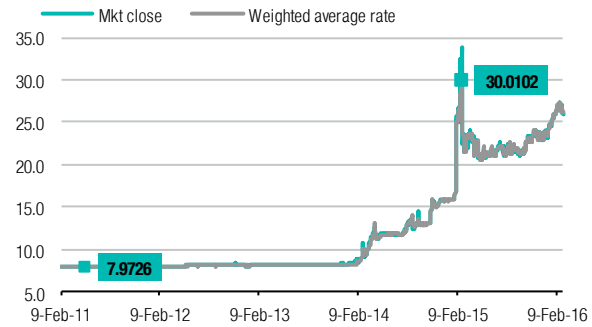
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

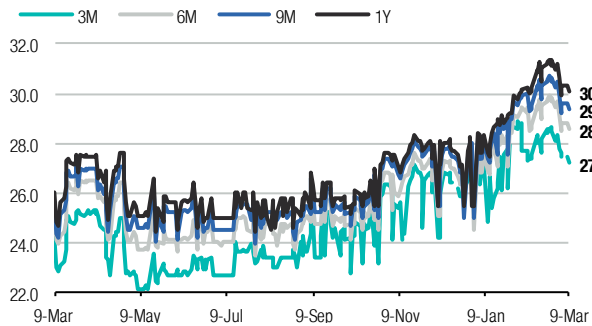


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

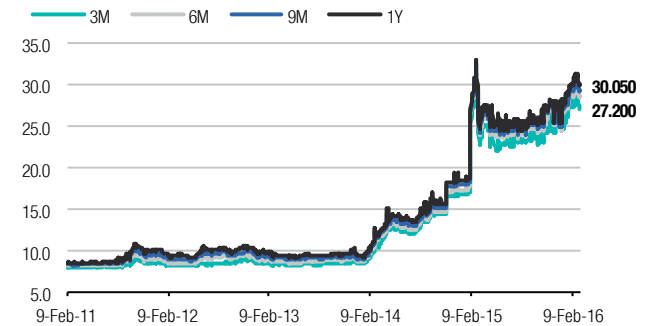


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

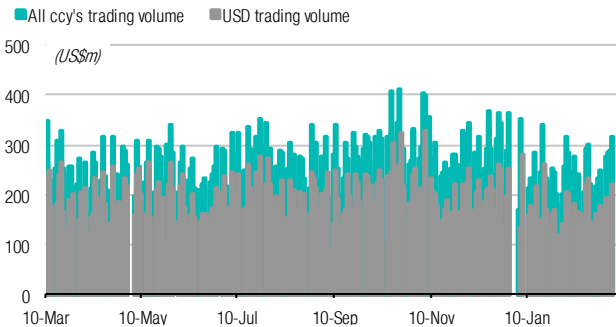


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

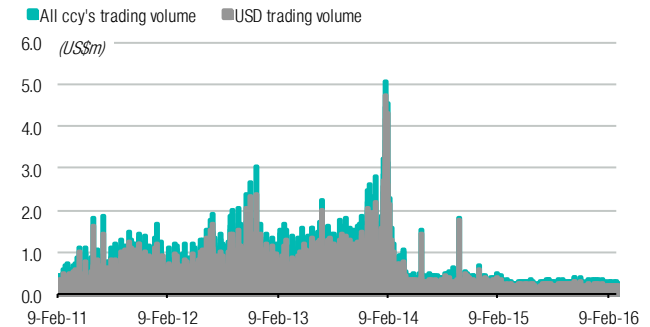


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

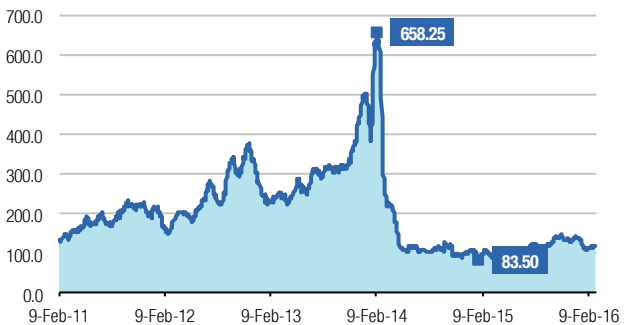


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

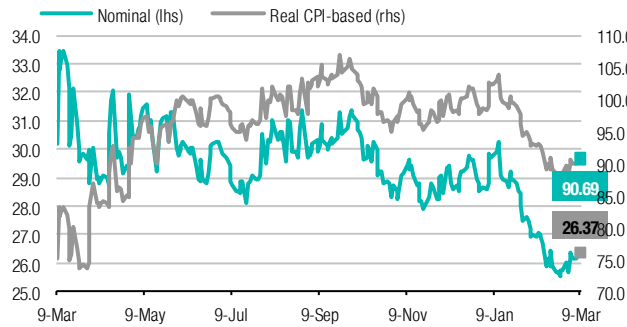


Note: \* 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

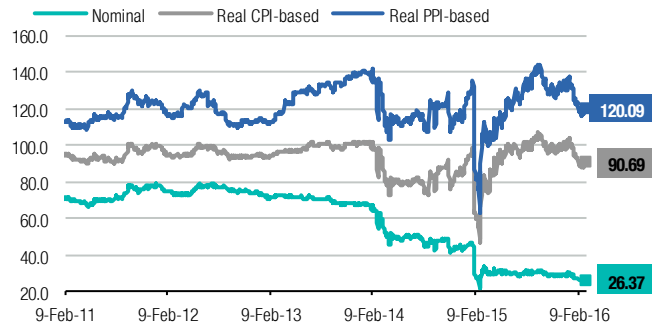
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



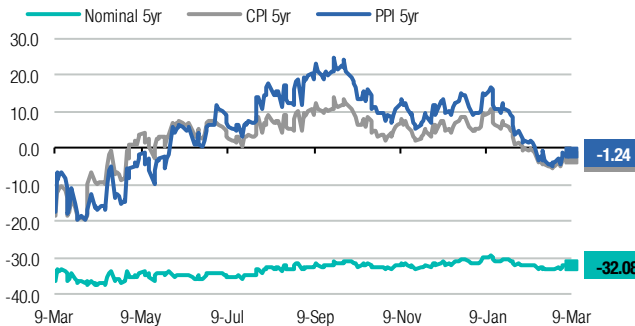
Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

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

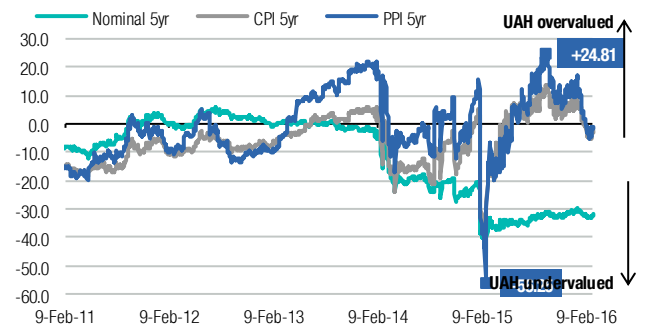


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

**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)**

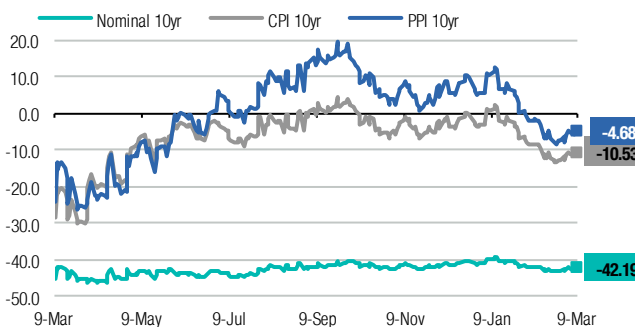


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

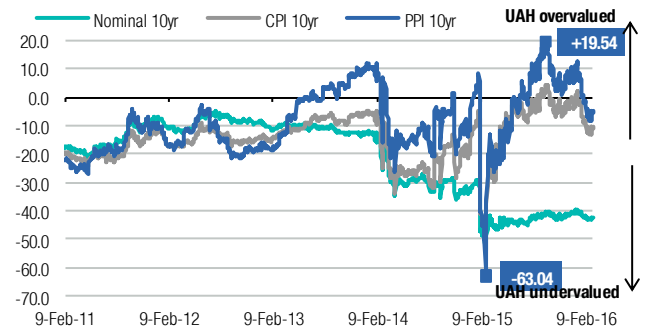


Note: the boxes indicate the high and low values of CPI-based TWI.  
Source: Investment Capital Ukraine LLC.

**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

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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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