

# Daily Insight

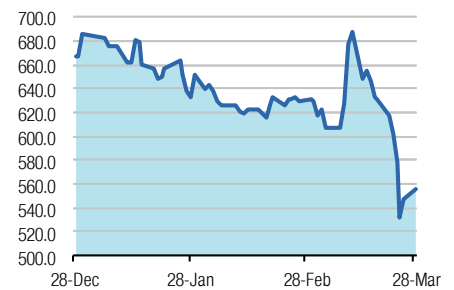
## Liquidity recovery and reallocation

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TUESDAY, 29 MARCH 2016

### UX Index (3 months to 29 Mar 2016)



Source: UX.

### Key market indicators (as of 28 Mar 2016)

	Last	Daily chg (%)	YTD chg (%)
<b>FX &amp; MONEY RATES</b>			
USD/UAH	26.2000	+0.96	+9.04
USD/UAH (1Y NDF)	30.2500	+1.51	+18.65
EUR/USD	1.1196	+0.26	+3.07
USD/RUB	68.5484	+0.55	-5.48
KievPRIME O/N (%)	19.25	-13bp	+19bp
KievPRIME 1M (%)	22.25	+0bp	+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)	555.33	+1.51	-19.03
MSCI World	392.65	+0.22	-1.68
MSCI EM	813.04	+0.09	+2.38
RTS (Russia)	851.67	-1.22	+12.50
WIG-20 (Poland)	N/A		
S&P 500 (USA)	2,037.05	+0.05	-0.34

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 recovery and reallocation

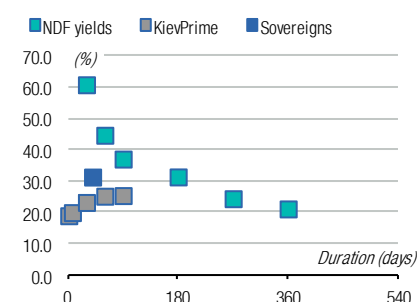
Banking sector liquidity slightly recovered yesterday as banks appear to have accumulated funds prior to the tax payments that end this week and in preparation for this week's outflows. Total liquidity rose UAH2.03bn to UAH99.66bn as banks' correspondent accounts with the NBU up UAH3.11bn to UAH39.23bn and total CDs outstanding declined UAH1.07bn to UAH60.43bn.

**Investment implications: Liquidity should decline slightly as budget expenditures will be not accelerated and next month will begin with a greater treasury account balance. We expect liquidity to decline today, possibly with a new reallocation of funds to banks' accounts from CDs to allow timely payments.**

**Taras Kotovych, Kiev, +38044 2200120 ext.724**

## Yield curve of the local bond market

(as of market close on 28 Mar 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

## Bond market indicators (as of 28 Mar 2016)

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

### MONEY MARKET KIEV PRIME RATES (%)

O/n	19.25	-13bp	+0bp	+20bp	+19bp
1wk	20.25	-6bp	-6bp	+10bp	+25bp
1m	22.25	+0bp	+0bp	-5bp	+0bp
2m	23.00	-13bp	-13bp	-10bp	-50bp
3m	23.00	-25bp	-25bp	-30bp	-75bp

### LIQUIDITY WIDE MEASUREMENT (UAHm)

CB acc's <sup>1</sup>	39,229	+2.59	-4.22	+16.62	+4.64
CDs <sup>2</sup>	46,812	-9.65	-24.68	-43.90	-51.27
Sovgns <sup>3</sup>	11,552	+0.00	+24.24	+166.2	+144.1
<b>Total</b>	<b>97,592</b>	<b>-3.59</b>	<b>-12.45</b>	<b>-17.64</b>	<b>-27.62</b>

### HOLDERS OF UAH SOVEREIGN BONDS (UAHm)

C.bank	387,293	+0.00	+0.00	-0.33	+1.97
Banks	107,226	-0.32	-0.21	-8.66	+31.45
Resid's <sup>4</sup>	11,160	-0.12	-5.49	-5.81	-46.85
Non-res <sup>5</sup>	23,443	-0.63	-0.60	-4.15	+5.10
<b>Total</b>	<b>529,122</b>	<b>-0.10</b>	<b>-0.19</b>	<b>-2.43</b>	<b>+4.84</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 (%)

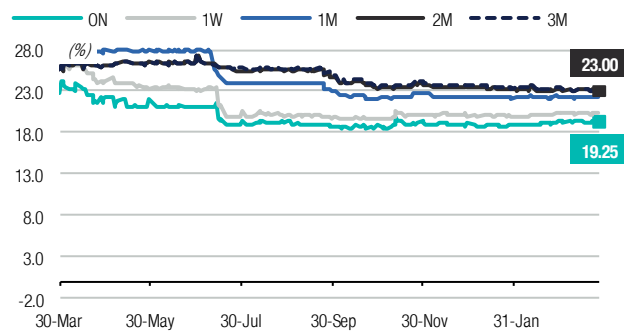
CDS 5yr	N/A	N/A	N/A	N/A	N/A
Jun '16	67.67	+114bp	+0bp	+0bp	+0bp
Jul '17	29.14	+26bp	+0bp	+0bp	+0bp
Sep '20	14.02	+4bp	+0bp	+0bp	+0bp
Sep '21	14.22	+0bp	+0bp	+0bp	+0bp
Sep '22	12.32	-1bp	+0bp	+0bp	+0bp
Feb '23	11.85	+0bp	+0bp	+0bp	+0bp

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.

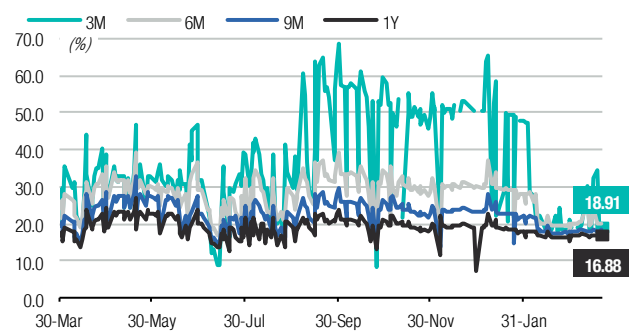
Chart page: Local bond market & Eurobond markets

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



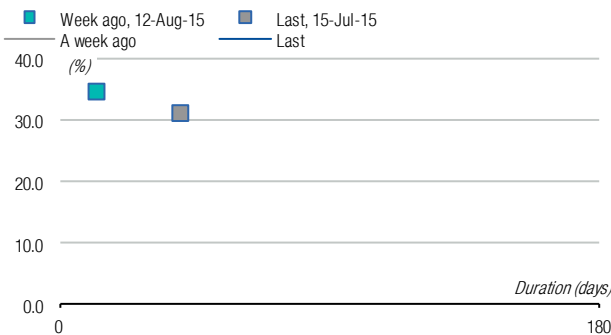
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



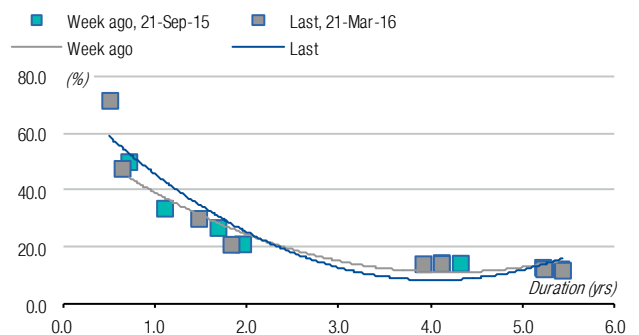
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 28 Mar 2016



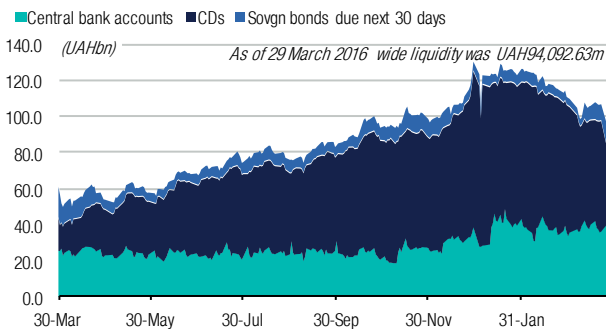
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 28 Mar 2016



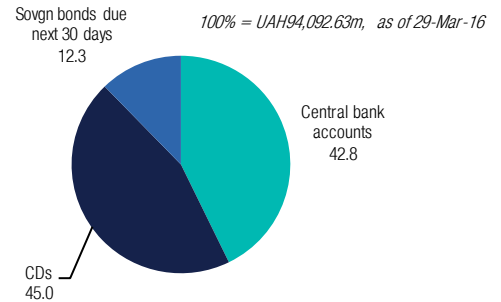
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



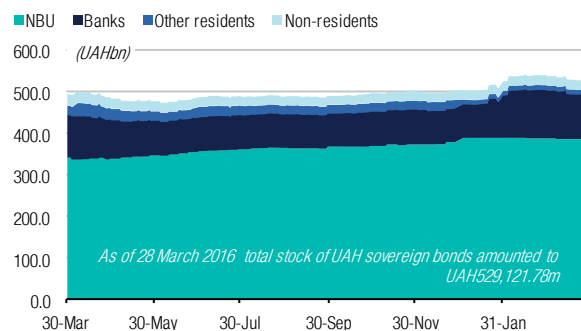
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 28 Mar 2016



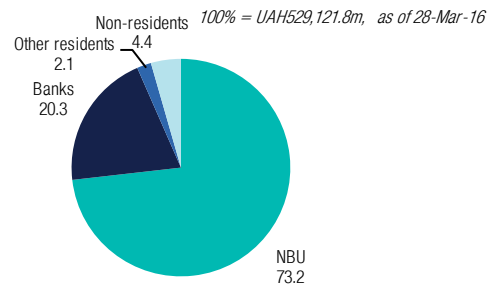
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 28 Mar 2016



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

Table 1. Ukrainian stocks (closing prices as of 28-Mar-2016)

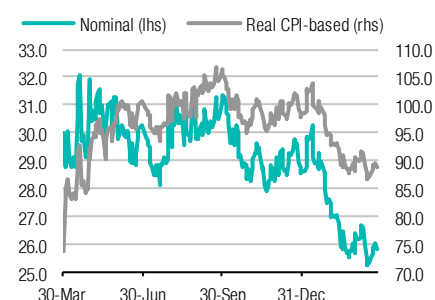
Company	Bloomberg Ticker	Listing	Share price performance (% change)				Valuation (US\$)			Free float (FF) & Liquidity					P/E			EV/EBITDA			EV/Sales			Ratios			
			Last price	Daily	MoM	YTD	YoY	Last price	Market cap (m)	EV (m)	FF (%)	FF mkt cap (US\$m)	Last day turnover (US\$ 000)	3M avg. turnover (US\$ 000)	FF share traded (%)	FF turnover (days)	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	P/B (x)	Debt/Assets (%)
<b>ENERGY</b>																											
Centrenergo	CEEN UK	Kiev, UX	4.81 UAH	+0.0	+6.1	+5.5	-38.3	0.18	67.2	56.7	21.7	14.6	15.5	9.1	0.11	951	25.2	Neg.	4.9	0.2	Neg.	1.6	0.2	0.2	0.1	0.8	4.2
Donbasenergo	DOEN UK	Kiev, UX	13.76 UAH	+0.0	-2.0	-12.7	-39.0	0.52	12.3	21.7	14.2	1.8	0.4	1.1	0.08	1,224	3.2	Neg.	N/A	0.0	N/A	N/A	0.1	0.1	N/A	0.3	13.6
Zakhidenergo	ZAEN UK	Kiev, PFTS	61.00 UAH	+0.0	-27.4	-27.4	-63.1	2.31	29.5	59.0	5.0	1.5	0.1	0.5	0.05	1,849	Neg.	N/A	N/A	0.1	N/A	N/A	0.1	N/A	N/A	0.4	11.6
<b>METALLURGY</b>																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	+0.0	-52.0	-46.1	-50.8	0.00	5.9	1,559.7	3.9	0.2	0.0	0.1	0.18	568	Neg.	Neg.	N/A	0.5	Neg.	N/A	2.8	5.5	N/A	N/A	145.5
Avdiyivsky Cok...	AVDK UK	Kiev, UX	1.07 UAH	+0.0	-1.3	-3.1	-20.3	0.04	7.9	7.0	4.0	0.3	0.9	0.6	0.10	999	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	0.22 UAH	+0.0	-25.9	-45.8	-70.8	0.01	34.5	-18.1	4.1	1.4	0.5	1.0	0.12	842	1.0	0.8	N/A	Neg.	N/A	N/A	Neg.	Neg.	N/A	0.0	0.0
Yasynivsky Cok...	YASK UK	Kiev, UX	0.20 UAH	+0.0	-12.3	-13.0	-46.9	0.01	2.1	2.6	9.0	0.2	0.2	1.5	0.28	354	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	7.45 UAH	+0.0	-24.4	-46.8	-58.6	0.28	3.0	-10.1	9.4	0.3	0.3	0.2	0.13	768	Neg.	Neg.	N/A	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.1	0.0
<b>FINANCIAL SERVICES</b>																											
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.06 UAH	+0.0	-13.2	-19.0	-35.3	0.00	142.0	N/A	3.8	5.4	8.6	3.0	0.11	873	N/A	Neg.	5.9	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	-27.0	-34.2	-40.1	0.00	190.4	N/A	4.5	8.5	0.0	1.3	0.01	8,674	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 29 Mar 2016)



Source: Investment Capital Ukraine LLC.

## FX market indicators (as of 28 Mar 2016)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>USD/UAH MARKET (HRYVNIA per US DOLLAR)</b>					
Spot mkt	26.2000	+0.96	-0.57	-4.03	+9.04
NBU avg	26.2801	+0.80	-1.21	-2.86	+10.46
Ttl vlm <sup>1</sup>	236.60	-16.49	+10.75	-4.22	-34.87
\$ volume <sup>2</sup>	160.02	-18.34	+12.79	+2.16	-36.26
NDF 3M	27.4000	+0.55	-4.16	-3.86	+0.00
NDF 6M	28.7500	+0.52	-0.52	-3.69	+4.44
NDF 1Y	30.2500	+1.51	-0.49	-3.51	+18.65
<b>TRADE-WEIGHTED INDICES (TWIs, points)</b>					
UAH nom'l	25.791	-0.98	+1.00	+0.33	-9.81
UAH real CPI	88.712	-0.98	+1.00	+0.33	-9.46
UAH real PPI	117.467	-0.98	+1.00	+0.33	-9.81
USD nom'l	95.943	-0.34	+0.69	-2.25	-2.73
<b>FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs</b>					
USD/RUB	68.5484	+0.55	+1.05	-10.18	-5.48
EUR/USD	1.1196	+0.26	-0.40	+2.40	+3.07
USD/CNY	6.5075	-0.13	+0.35	-0.50	+0.21
USD/PLN	3.8006	-0.43	+0.30	-5.00	-3.12
USD/TRY	2.8687	-0.25	+0.24	-4.23	-1.66
USD/BYR	20,163.00	+0.01	-0.21	-6.17	+8.25
USD/KZT	339.9900	-0.89	-1.59	-2.67	-0.18
<b>OTHER MAJOR CURRENCIES</b>					
USD/JPY	113.4500	+0.33	+1.34	-0.48	-5.63
GBP/USD	1.4254	+0.86	-0.80	+2.76	-3.27
USD/CHF	0.9738	-0.39	+0.40	-2.31	-2.82
AUD/USD	0.7545	+0.51	-0.44	+5.88	+3.55
USD/CAD	1.3187	-0.63	+0.66	-2.41	-4.71
USD/BRL	3.6273	-1.39	+0.22	-9.32	-8.42
USD/KRW	1,165.94	-0.28	+0.21	-5.82	-0.78
<b>COMMODITIES</b>					
Gold(\$/oz)	1,221.78	+0.44	-1.76	-0.07	+15.11
WTI crude <sup>3</sup>	39.39	+0.00	-1.30	+20.16	+6.34
Brent crd <sup>3</sup>	39.29	-0.63	-3.11	+13.00	+9.90
Urals crd <sup>3</sup>	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB <sup>4</sup>	172.57	+0.22	-2.15	+6.74	-2.03

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>).

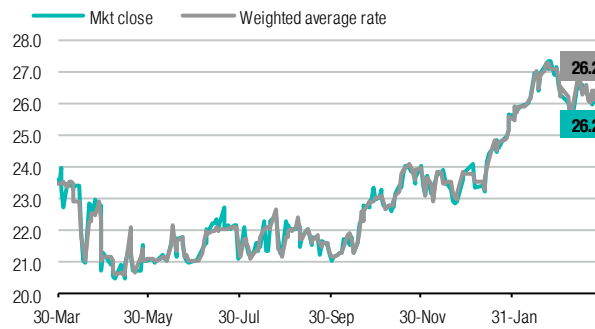
Section on FX market is continued on next page.

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.

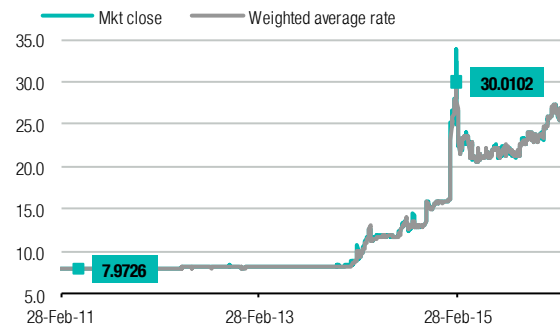
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

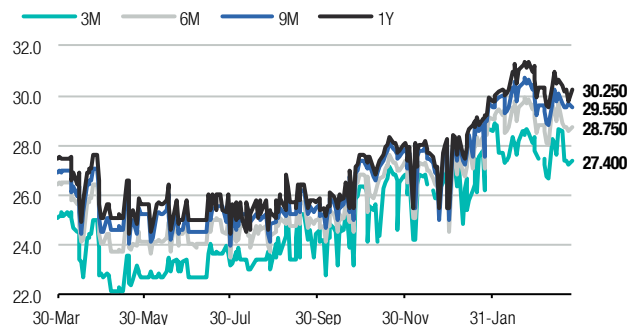


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

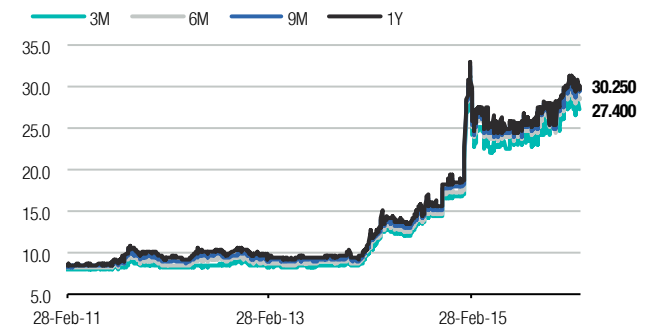


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

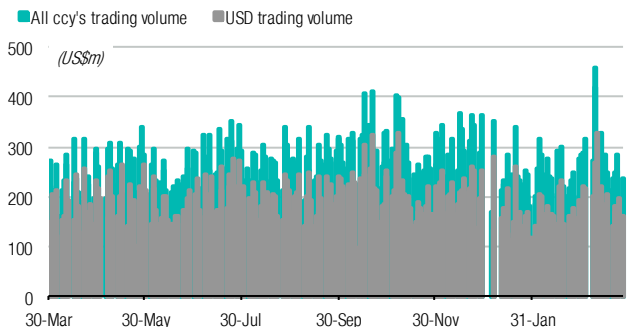


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

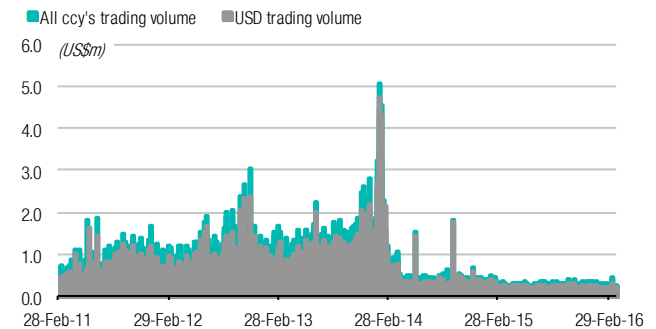


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

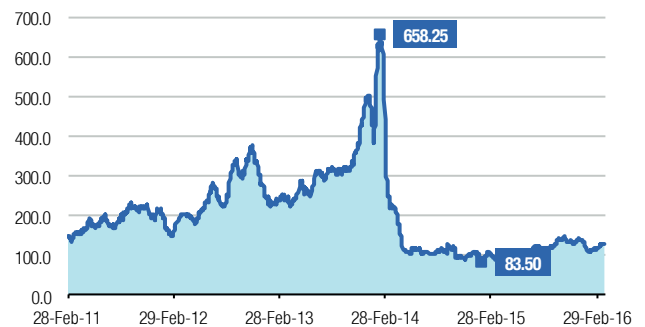
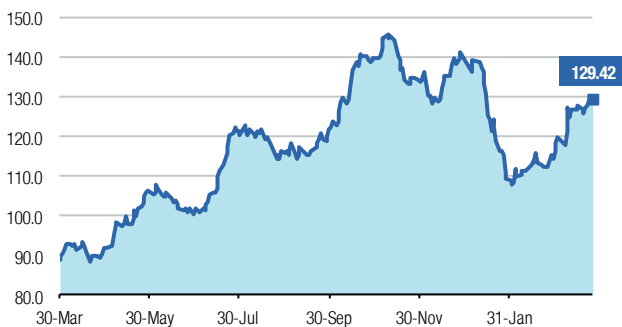


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

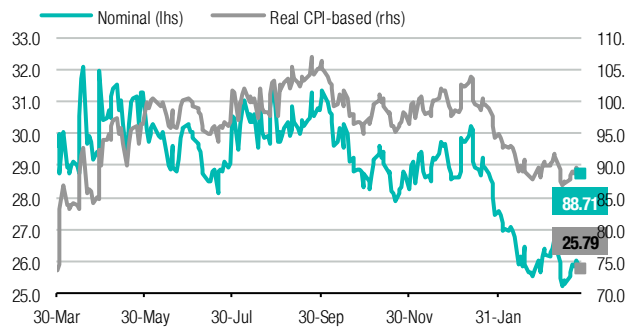


Note: \* 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

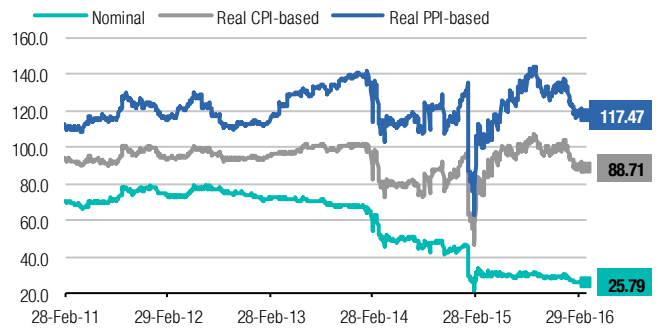
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



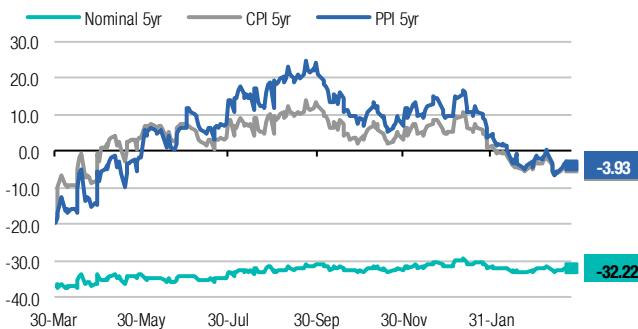
Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

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

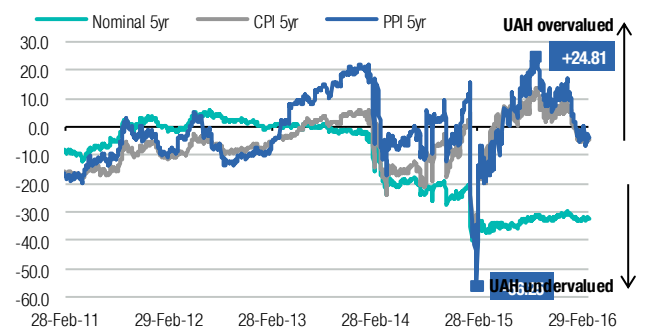


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

**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)**

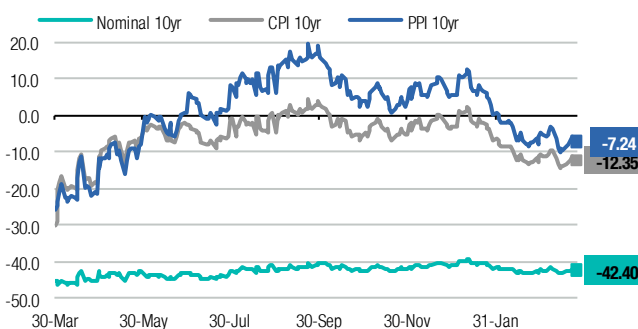


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

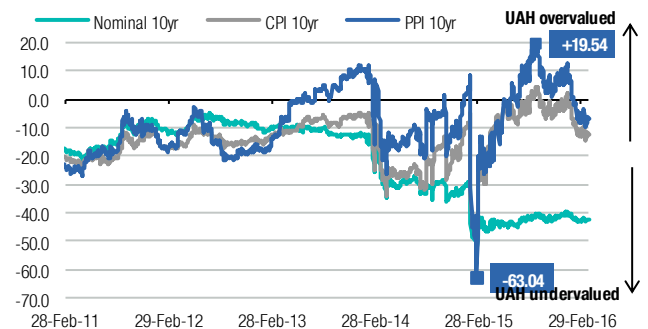


Note: the boxes indicate the high and low values of CPI-based TWI.  
Source: Investment Capital Ukraine LLC.

**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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