



Focus  
**Ukraine**

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

Research team  
**Taras Kotovych**

# Daily Insight

## Liquidity declines

### Contents

<b>Bonds: News &amp; Comments</b>	<b>2</b>
Liquidity declines .....	2
Chart page: Local bond market & Eurobond markets .....	3
<b>FX: News &amp; Comments</b>	<b>5</b>
Chart page #1: Foreign-exchange market .....	6
Chart page #2: ICU's UAH trade-weighted indices .....	7

**THURSDAY, 2 JUNE 2016**

### UX Index (3 months to 2 Jun 2016)



Source: UX.

### Key market indicators (as of 1 Jun 2016)

	Last	Daily chg (%)	YTD chg (%)
<b>FX &amp; MONEY RATES</b>			
USD/UAH	25.0750	-0.38	+4.36
USD/UAH (1Y NDF)	29.1250	-0.34	+14.23
EUR/USD	1.1188	+0.55	+3.00
USD/RUB	67.1100	+1.51	-7.46
KievPRIME O/N (%)	N/A		
KievPRIME 1M (%)	N/A		

### SOVEREIGN EUROBONDS: yields and spreads

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	696bp	+0bp	+0bp

### EQUITIES

#### Stock market indices

UX (Ukraine)	N/A	-100.00	-100.00
MSCI World	402.18	+0.00	+0.71
MSCI EM	807.22	+0.00	+1.65
RTS (Russia)	N/A	-100.00	-100.00
WIG-20 (Poland)	1,759.49	-4.63	-5.36
S&P 500 (USA)	2,099.33	+0.00	+2.71

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

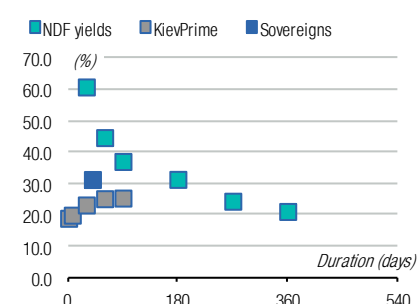
Yesterday, banking sector liquidity fell UAH3.85bn to UAH94.15bn, similar to the beginning of last month when liquidity fell UAH3.90bn to UAH97.59bn. With a UAH0.50bn loan repayment by Oschadbank, and probably no outflows via the FX market, the NBU injected some local currency via an FX auction. Banks' correspondent accounts with the NBU fell UA4.83bn to UAH37.01bn while total CDs outstanding was up a mere UAH0.98bn to UAH57.14bn.

**Investment implications:** Today, liquidity should decline again due to yesterday's settlement of new government bonds after Tuesday's auction. The NBU probably covered only a part of these funds via FX auctions.

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## Yield curve of the local bond market

(as of market close on 1 Jun 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

## Bond market indicators (as of 1 Jun 2016)

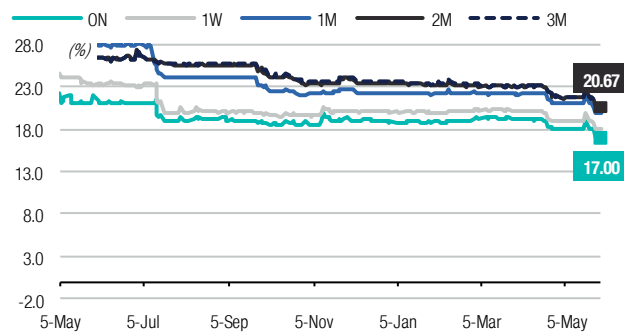
	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>MONEY MARKET KIEV PRIME RATES (%)</b>					
O/n	N/A	N/A	N/A	N/A	N/A
1wk	N/A	N/A	N/A	N/A	N/A
1m	N/A	N/A	N/A	N/A	N/A
2m	N/A	N/A	N/A	N/A	N/A
3m	N/A	N/A	N/A	N/A	N/A
<b>LIQUIDITY WIDE MEASUREMENT (UAHm)</b>					
CB acc's <sup>1</sup>	37,011	-11.54	-6.16	-3.64	-3.77
CDs <sup>2</sup>	57,139	+1.74	+1.71	-9.42	-34.17
Sovgns <sup>3</sup>	9,006	-26.56	-0.25	+14.90	+90.26
<b>Total</b>	<b>103,156</b>	<b>-6.44</b>	<b>-1.43</b>	<b>-5.65</b>	<b>-20.64</b>
<b>HOLDERS OF UAH SOVEREIGN BONDS (UAHm)</b>					
C.bank	379,943	+0.00	+0.00	-0.96	+0.03
Banks	132,908	-0.03	+6.39	+7.15	+62.94
Resid's <sup>4</sup>	14,069	-0.18	-4.28	-0.69	-33.00
Non-res <sup>5</sup>	22,550	-0.08	+0.04	+0.00	+1.09
<b>Total</b>	<b>549,470</b>	<b>-0.02</b>	<b>+1.36</b>	<b>+0.93</b>	<b>+8.87</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	696	+0bp	-19bp	+0bp	+0bp
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.

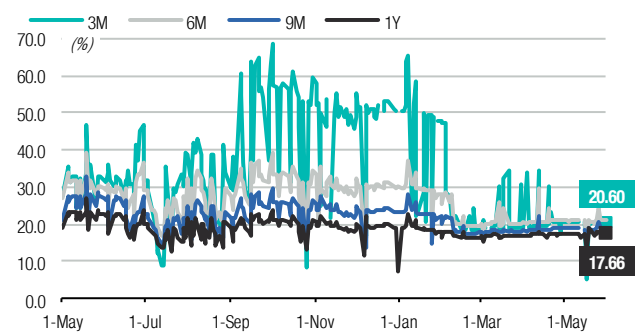
## Chart page: Local bond market &amp; Eurobond markets

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



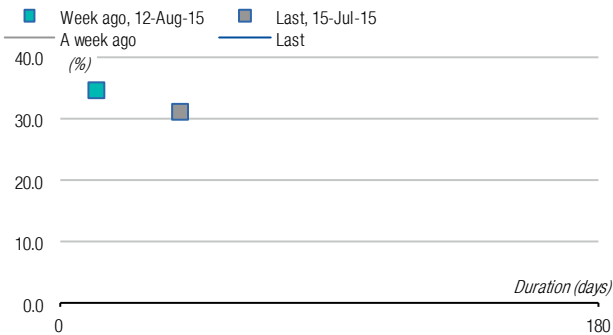
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



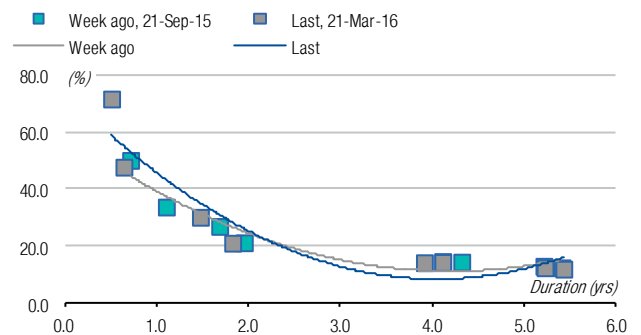
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 1 Jun 2016



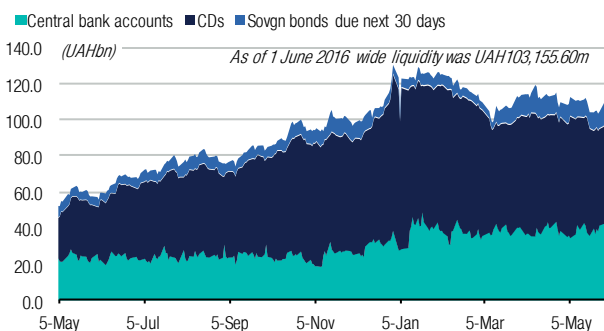
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 1 Jun 2016



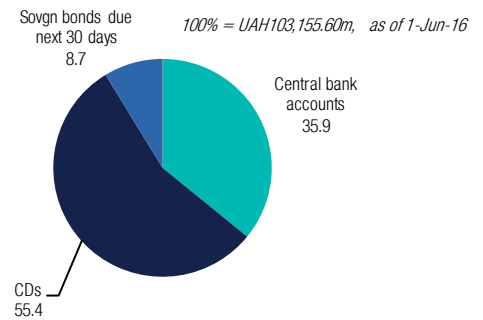
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



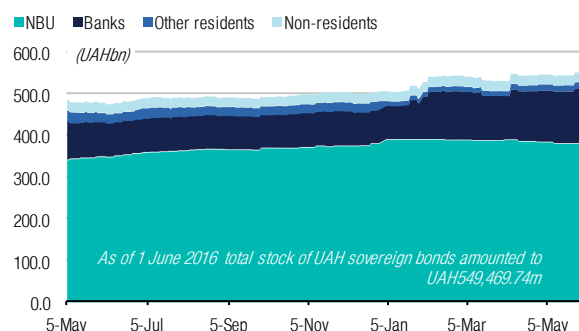
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 1 Jun 2016



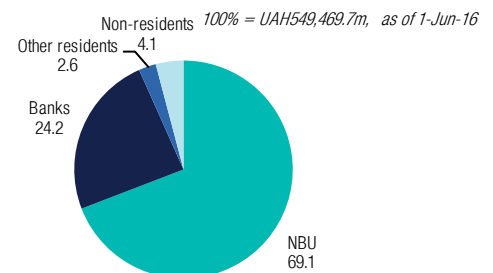
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 1 Jun 2016



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

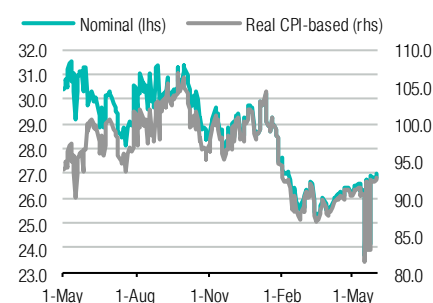
Table 1. Ukrainian stocks (closing prices as of 1-Jun-2016)

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 (%)

# FX: News & Comments

## ICU's UAH trade-weighted indices

(Last 12-month history to 2 Jun 2016)



Source: Investment Capital Ukraine LLC.

## FX market indicators (as of 1 Jun 2016)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>USD/UAH MARKET</b> (HRYVNIA per US DOLLAR)					
Spot mkt					
NBU avg					
Ttl vlm <sup>1</sup>					
\$ volume <sup>2</sup>					
NDF 3M					
NDF 6M					
NDF 1Y					
<b>TRADE-WEIGHTED INDICES</b> (TWIs, points)					
UAH nom'l					
UAH real CPI					
UAH real PPI					
USD nom'l					
<b>FX RATES OF KEY CURRENCIES</b> THAT SHAPE UAH's TWIs					
USD/RUB					
EUR/USD					
USD/CNY					
USD/PLN					
USD/TRY					
USD/BYR					
USD/KZT					
<b>OTHER MAJOR CURRENCIES</b>					
USD/JPY					
GBP/USD					
USD/CHF					
AUD/USD					
USD/CAD					
USD/BRL					
USD/KRW					
<b>COMMODITIES</b>					
Gold(\$/oz)					
WTI crude <sup>3</sup>					
Brent crd <sup>3</sup>					
Urals crd <sup>3</sup>					
TR/J CRB <sup>4</sup>					

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>).

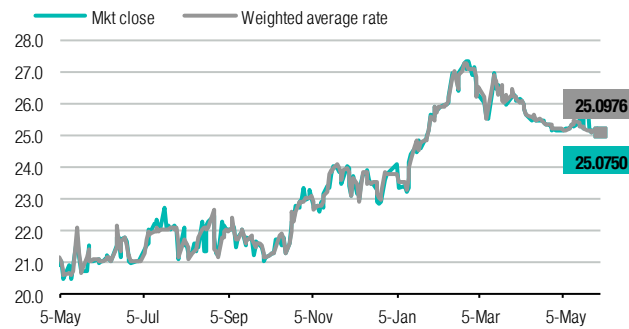
Section on FX market is continued on next page.

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.

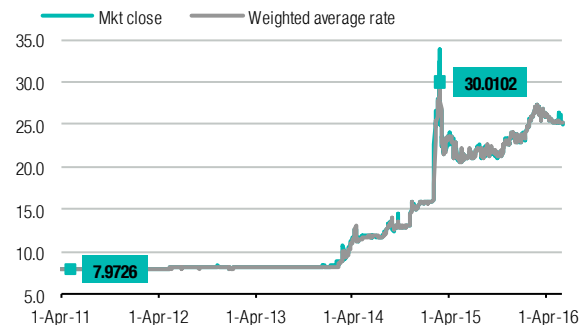
Sources: Bloomberg, Investment Capital Ukraine LLC.

## 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)

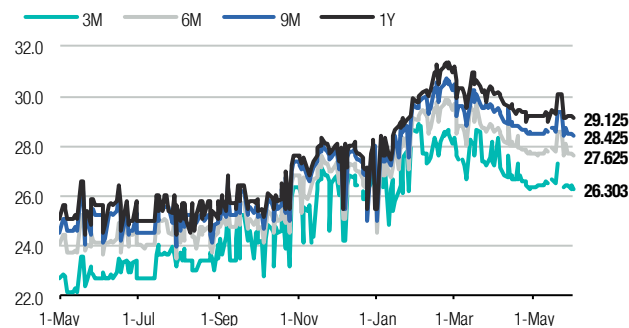


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

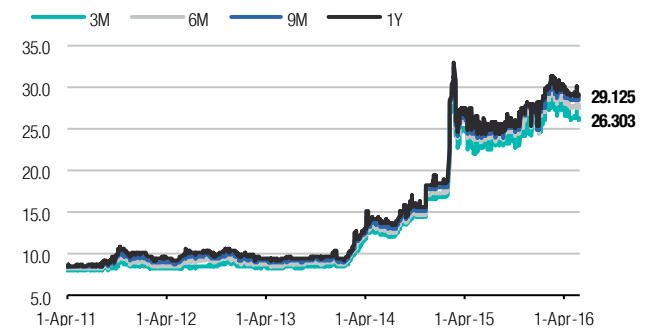


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

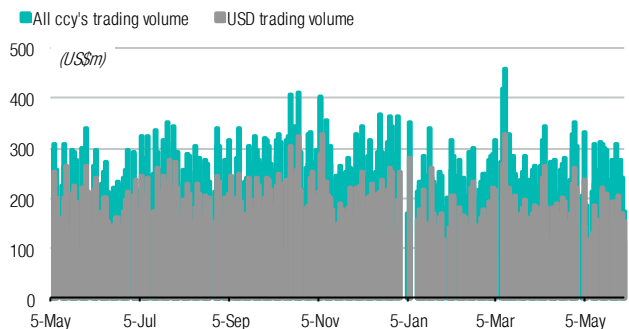


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

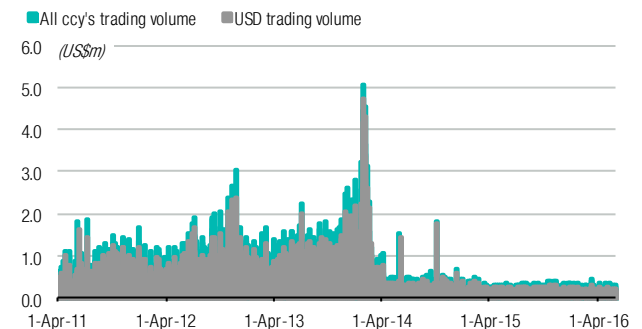


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

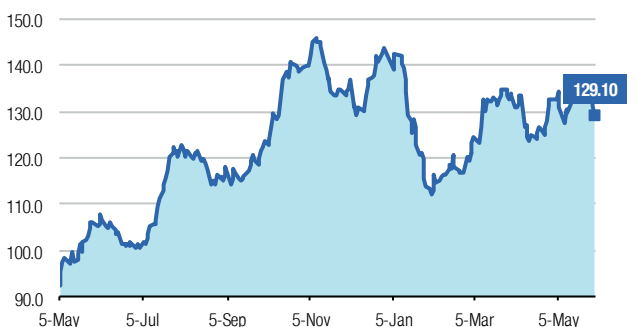


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

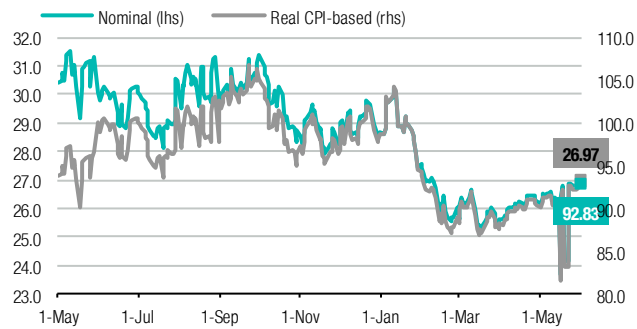


Note: \* 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

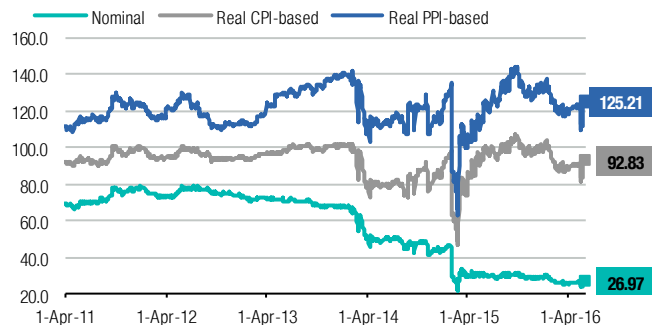
## Chart page #2: ICU's UAH trade-weighted indices

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>).

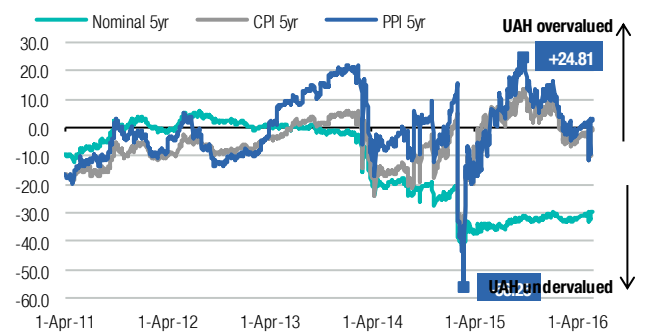
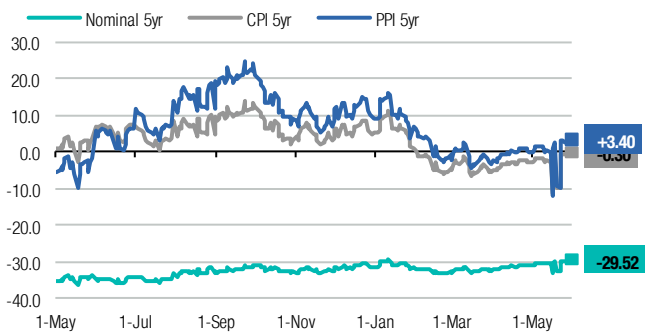
**Chart 13. Nominal and CPI-based real TWIs of UAH, history of last 12-month period**



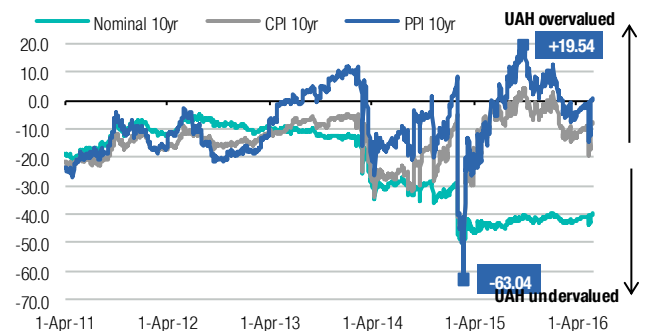
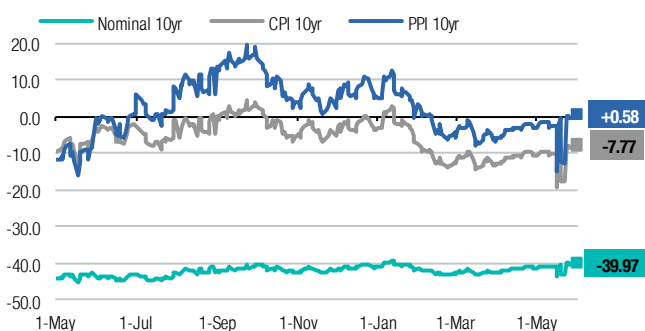
**Chart 14. Nominal, CPI- and PPI-based TWIs of UAH, history of last 5-year period**



**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)**



**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)**



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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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