



Focus
Ukraine

Scope
Economics, bonds, equity & FX markets

Research team
Taras Kotovych

Daily Insight

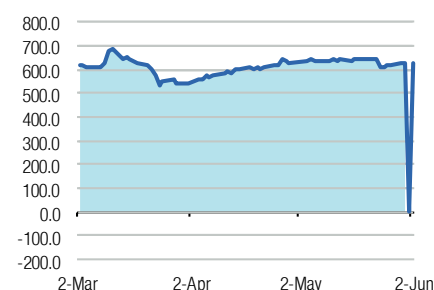
Bondholders' portfolios change

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FRIDAY, 3 JUNE 2016

UX Index (3 months to 3 Jun 2016)



Source: UX.

Key market indicators (as of 2 Jun 2016)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	25.0000	-0.30	+4.05
USD/UAH (1Y NDF)	29.0500	-0.26	+13.94
EUR/USD	1.1151	-0.33	+2.66
USD/RUB	66.9285	-0.27	-7.71
KievPRIME O/N (%)	17.00	+0bp	-206bp
KievPRIME 1M (%)	20.00	+0bp	-225bp
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)	631.15	+0.00	-7.98
MSCI World	402.49	+0.08	+0.78
MSCI EM	809.34	+0.26	+1.91
RTS (Russia)	885.93	+0.00	+17.03
WIG-20 (Poland)	1,762.28	+0.16	-5.21
S&P 500 (USA)	2,105.26	+0.28	+3.00

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

Bond purchases cause liquidity to decline

The settlement on Wednesday of UAH1.39bn of new bonds caused banking sector liquidity to decline UAH1.46bn to UAH92.69bn, the lowest level since December 2015. Banking sector liquidity slid UAH0.06bn to UAH36.95bn while total CDs outstanding declined UAH1.40bn. At the same time, local currency debt repayments of UAH3.26bn on Wednesday received by the NBU (see comment below) had no impact on liquidity. Banks decreased CDs outstanding to purchase new bonds at currently very attractive interest rates.

Investment implications: Liquidity could recover today as large outflows are scheduled and the NBU once more purchased FX providing nearly UAH0.30bn of local currency funds into the banking system.

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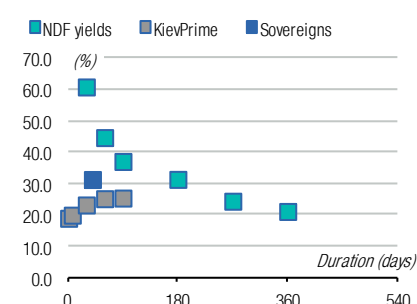
Bondholders' portfolios change

After the MoF sold UAH1.4bn of new bonds and repaid UAH2.0bn in local currency bonds, bondholders' portfolios changed slightly. The NBU appears to have received all of the funds from the debt redemption, decreasing its portfolio by UAH1.24bn to UAH378.70bn, while banks increased their portfolio by UAH0.69bn to UAH133.60bn yesterday. Other residents and non-residents decreased their portfolios by UAH0.20bn and UAH0.06bn, respectively. These movements also depend on local currency strengthening, while a portion of the bonds purchased by the NBU could have been purchased from the secondary market. Most likely the NBU purchased a new portion of bonds from the DGF or from collateral for loans that were not repaid.

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Yield curve of the local bond market

(as of market close on 2 Jun 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 2 Jun 2016)

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

MONEY MARKET KIEV PRIME RATES (%)

O/n	17.00	+0bp	-100bp	-100bp	-206bp
1wk	18.00	+0bp	-67bp	-100bp	-200bp
1m	20.00	+0bp	-50bp	-100bp	-225bp
2m	20.67	+0bp	-83bp	-133bp	-283bp
3m	20.67	+0bp	-83bp	-133bp	-308bp

LIQUIDITY WIDE MEASUREMENT (UAHm)

CB acc's ¹	36,949	+0.98	-2.35	-2.86	-2.99
CDs ²	55,737	-18.72	-18.73	-28.18	-47.81
Sovgns ³	9,006	-1.82	-2.06	+12.81	+86.81
Total	101,691	-10.07	-11.19	-16.35	-29.65

HOLDERS OF UAH SOVEREIGN BONDS (UAHm)

C.bank	378,704	-0.33	-0.33	-1.29	-0.29
Banks	133,599	+0.52	+5.92	+7.71	+63.79
Resid's ⁴	13,873	-1.39	-0.58	-2.07	-33.93
Non-res ⁵	22,496	-0.24	-0.13	-0.25	+0.85
Total	548,673	-0.15	+1.13	+0.79	+8.72

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 (%)

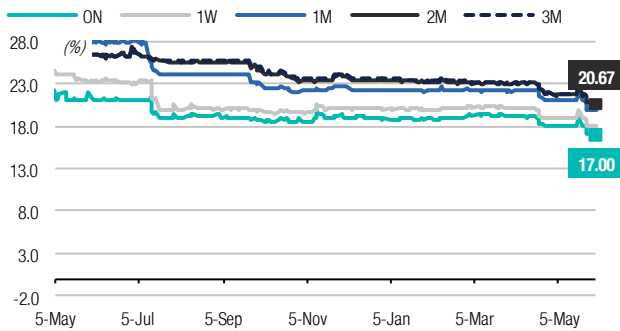
CDS 5yr	696	+0bp	-20bp	+0bp	+0bp
Jun '16	67.67	+114bp	+0bp	+0bp	+0bp
Jul '17	29.14	+26bp	+0bp	+0bp	+0bp
Sep '20	14.02	+4bp	+0bp	+0bp	+0bp
Sep '21	14.22	+0bp	+0bp	+0bp	+0bp
Sep '22	12.32	-1bp	+0bp	+0bp	+0bp
Feb '23	11.85	+0bp	+0bp	+0bp	+0bp

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.

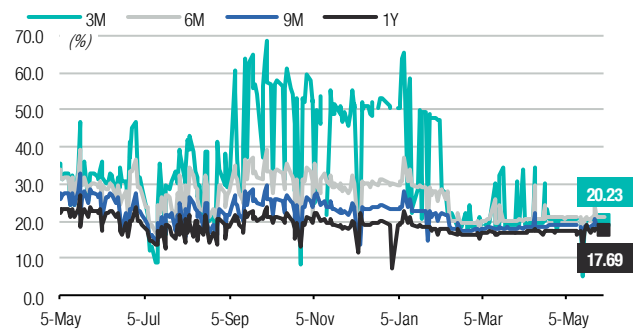
Chart page: Local bond market & Eurobond markets

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



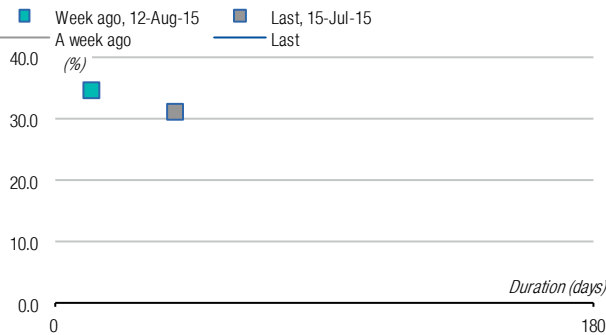
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



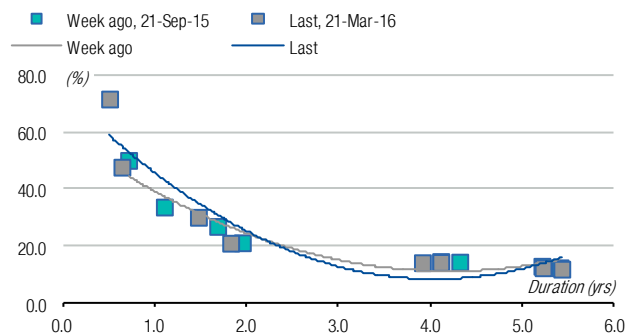
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 2 Jun 2016



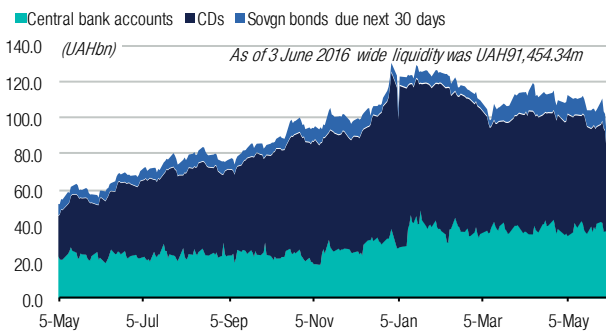
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 2 Jun 2016



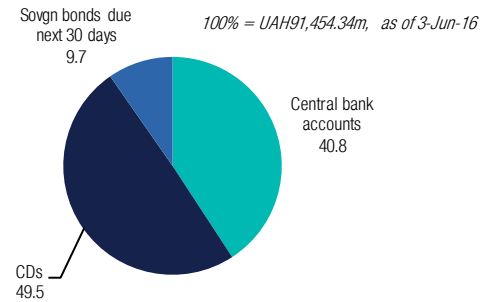
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



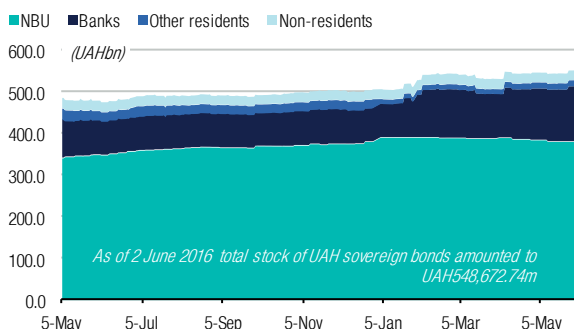
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 2 Jun 2016



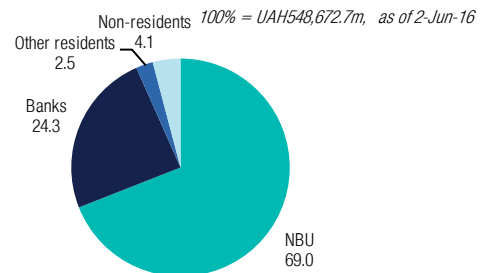
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 2 Jun 2016



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

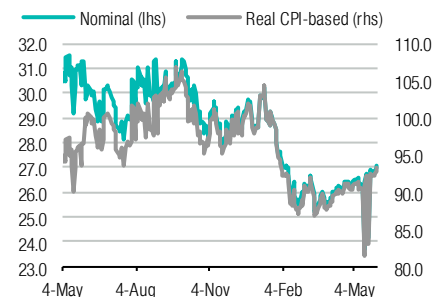
Table 1. Ukrainian stocks (closing prices as of 2-Jun-2016)

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

FX: News & Comments

ICU's UAH trade-weighted indices

(Last 12-month history to 3 Jun 2016)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 2 Jun 2016)

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

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>).

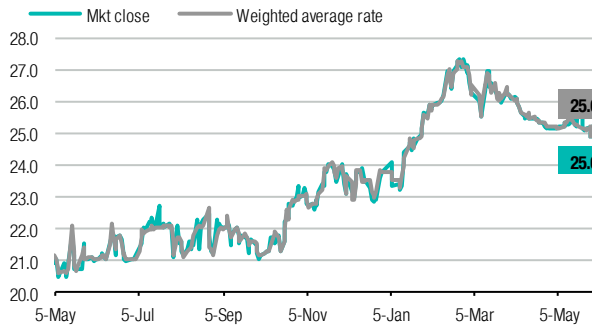
Section on FX market is continued on next page.

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.

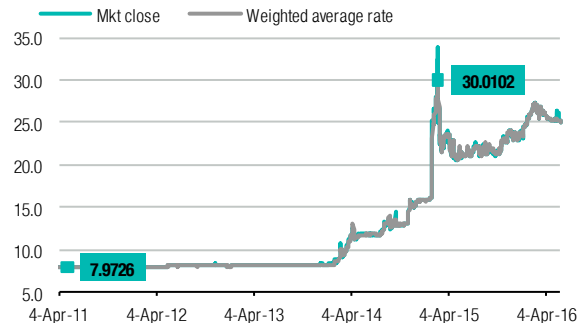
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

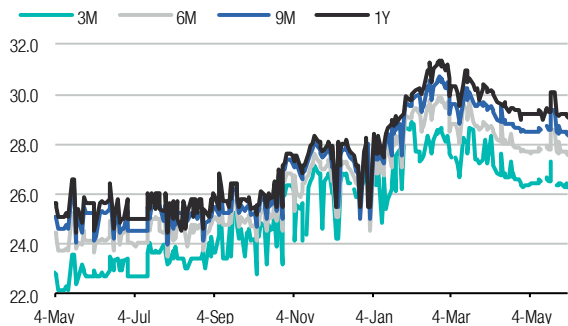


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

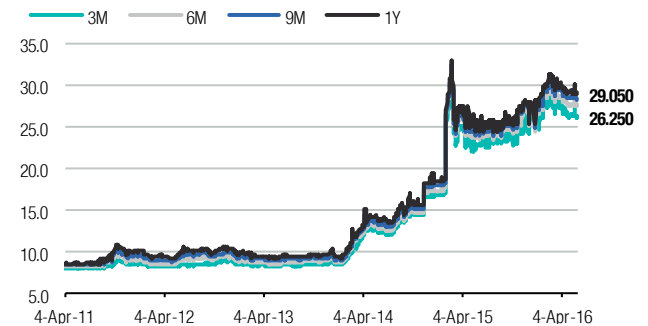


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

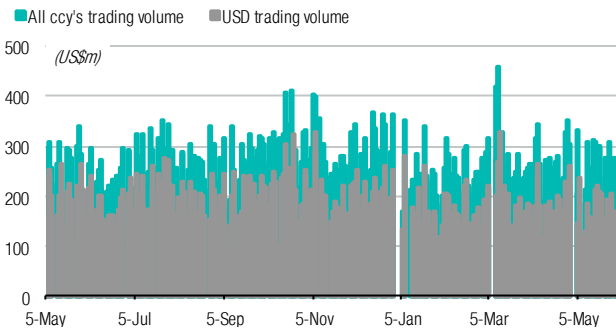


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

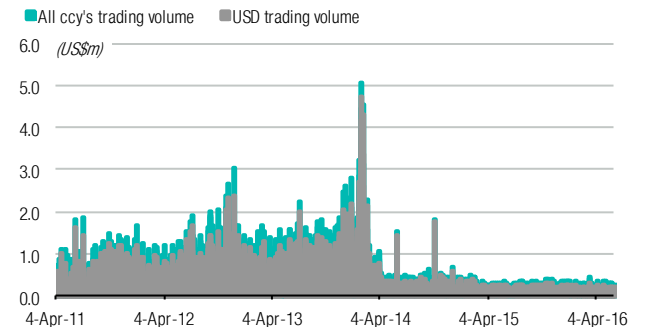


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

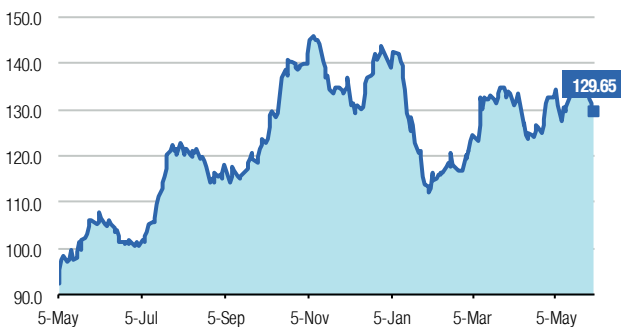


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

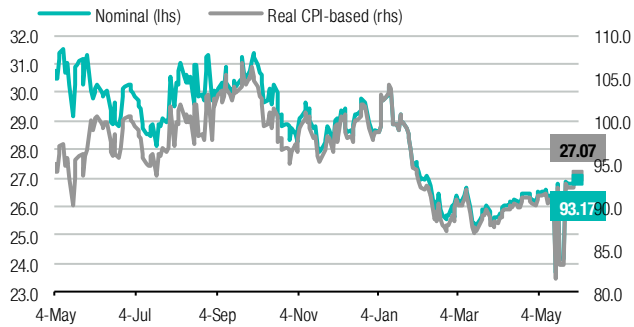


Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

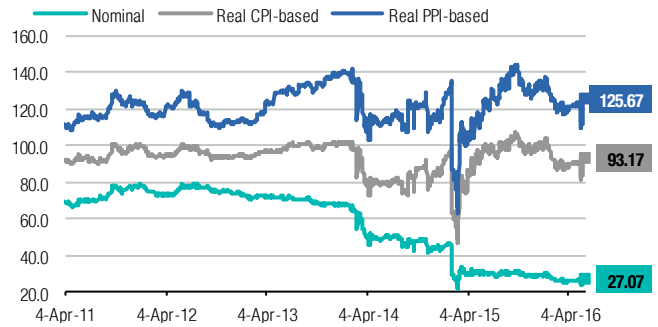
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



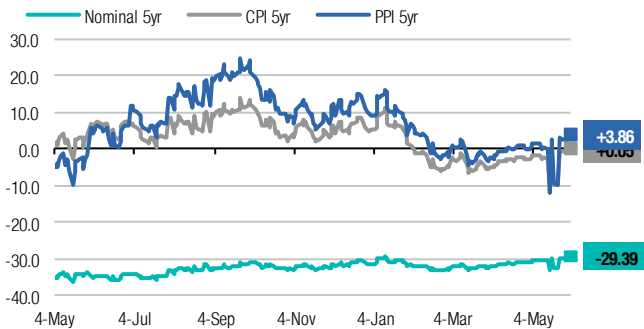
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

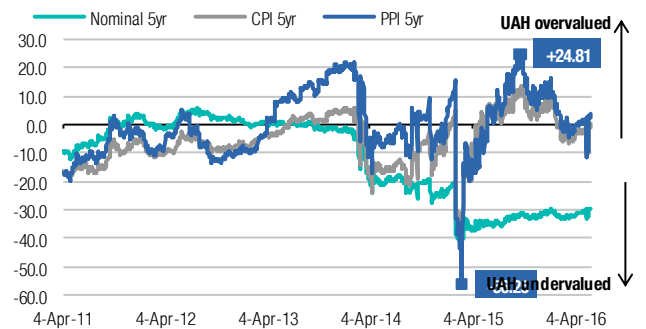


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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)

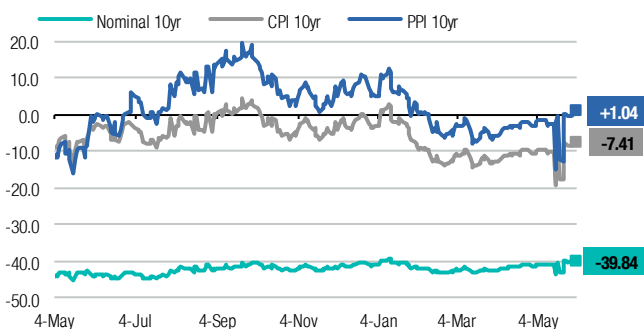


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

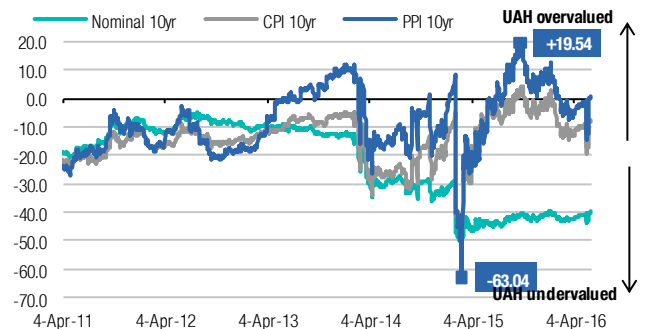


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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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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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