



Focus  
**Ukraine**

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

Research team  
**Taras Kotovych**

# Daily Insight

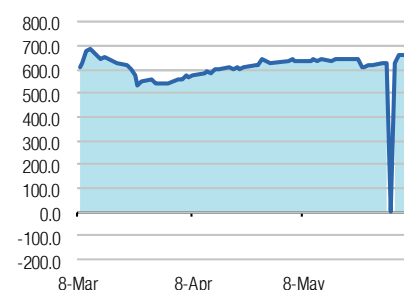
## Liquidity recovers with reallocation

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WEDNESDAY, 8 JUNE 2016

### UX Index (3 months to 8 Jun 2016)



Source: UX.

### Key market indicators (as of 7 Jun 2016)

	Last	Daily chg (%)	YTD chg (%)
<b>FX &amp; MONEY RATES</b>			
USD/UAH	24.9700	+0.06	+3.92
USD/UAH (1Y NDF)	29.0200	+1.11	+13.82
EUR/USD	1.1358	+0.03	+4.57
USD/RUB	64.6457	-0.96	-10.86
KievPRIME O/N (%)	17.00	+0bp	-206bp
KievPRIME 1M (%)	20.00	+0bp	-225bp
<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	696bp	+0bp	+0bp
<b>EQUITIES</b>			
<b>Stock market indices</b>			
UX (Ukraine)	665.01	+0.42	-3.04
MSCI World	408.26	+0.58	+2.23
MSCI EM	835.90	+1.54	+5.26
RTS (Russia)	948.87	+2.81	+25.34
WIG-20 (Poland)	1,832.79	+1.98	-1.42
S&P 500 (USA)	2,112.13	+0.13	+3.34

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 recovers with reallocation

Banking sector liquidity was up UAH1.47bn to UAH95.66bn yesterday, including a significant reallocation of funds to CDs. Banks' correspondent accounts with the NBU fell UAH2.98bn to UAH32.62bn as total CDs outstanding increased UAH4.45bn to UAH63.05bn.

**Investment implications:** Liquidity recovered UAH0.9bn from the NBU via the FX market and should continue to increase further. The NBU (via FX auction) purchased US\$57.3m at UAH24.97/USD exchange rate yesterday, and the settlement of yesterday's primary auction should have little impact on liquidity. At the end of week, liquidity could rise to about UAH98bn.

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## Volume and interest rates decline

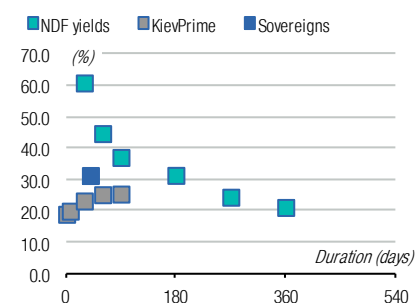
Yesterday's primary auction collected only UAH0.36bn of demand, which was concentrated at long-term end of yield curve, for 12-month and 2-year bonds. Compared with previous auctions, demand was insufficient. The MoF accepted the main part of demand but received only UAH0.31bn of budget proceeds. Only one bid was submitted (and accepted) for 12-month bonds, that being for UAH175.0m at 16.85%, the same as the cut-off interest rate last week. The 2-year bonds received six bids at 16.90-17.20%, for a total of UAH182.95m, but the MoF accepted only bids with interest rates below 17.00% and non-competitive bids at a 16.99% weighted average interest rate. The MoF sold UAH157.95m of 2-year bonds at par value.

**Investment implications:** Because of the significant amount of bonds sold during the previous two weeks, and bondholders currently trying to change their portfolios to optimize profitability, preferring more profitable bonds issued earlier this year, demand appears to be decreasing. The next two auctions could see larger demand for 2-year and 3-year bonds, especially if anticipations of further interest rates cuts by the NBU increase, supporting demand for bonds with higher interest rates.

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## Yield curve of the local bond market

(as of market close on 7 Jun 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

## Bond market indicators (as of 7 Jun 2016)

	Last	Daily chg (%)	Weekly chg (%)	MoM chg (%)	YTD chg (%)
<b>MONEY MARKET KIEV PRIME RATES (%)</b>					
O/n	17.00	+0bp	+0bp	-100bp	-206bp
1wk	18.00	+0bp	+0bp	-100bp	-200bp
1m	20.00	+0bp	+0bp	-100bp	-225bp
2m	20.25	+0bp	-42bp	-142bp	-325bp
3m	20.50	+0bp	-17bp	-117bp	-325bp
<b>LIQUIDITY WIDE MEASUREMENT (UAHm)</b>					
CB acc's <sup>1</sup>	32,615	-0.93	-22.77	-6.07	-15.99
CDs <sup>2</sup>	63,047	-25.64	-16.52	-30.61	-45.99
Sovgns <sup>3</sup>	12,236	-27.58	-27.73	-13.39	+87.22
<b>Total</b>	<b>107,898</b>	<b>-18.39</b>	<b>-20.14</b>	<b>-21.52</b>	<b>-32.26</b>
<b>HOLDERS OF UAH SOVEREIGN BONDS (UAHm)</b>					
C.bank	378,701	+0.00	-0.33	-1.29	-0.29
Banks	133,058	-0.08	+0.08	+7.39	+63.12
Resid's <sup>4</sup>	14,107	+0.44	+0.09	-0.52	-32.81
Non-res <sup>5</sup>	22,404	-0.06	-0.73	-0.26	+0.44
<b>Total</b>	<b>548,269</b>	<b>-0.01</b>	<b>-0.23</b>	<b>+0.75</b>	<b>+8.64</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	+0bp	+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

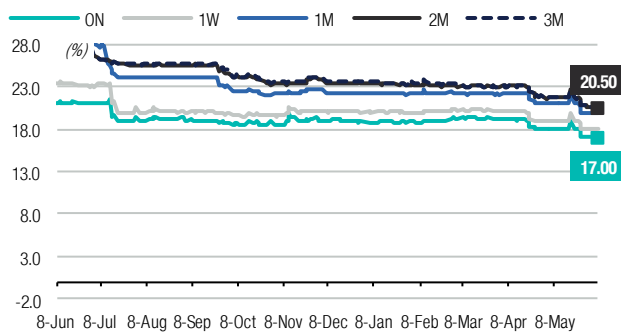


Chart 2. UAH NDF implied yields (%), last 12-month period

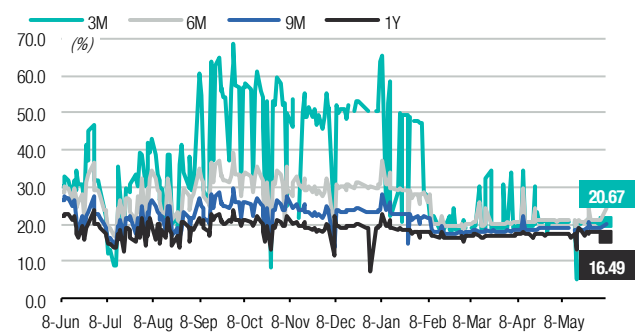


Chart 3. UAH sovereign yield curve (%) as of 7 Jun 2016

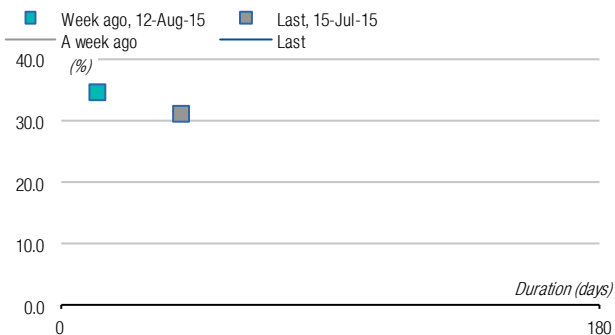


Chart 4. USD sovereign yield curve (%) as of 7 Jun 2016

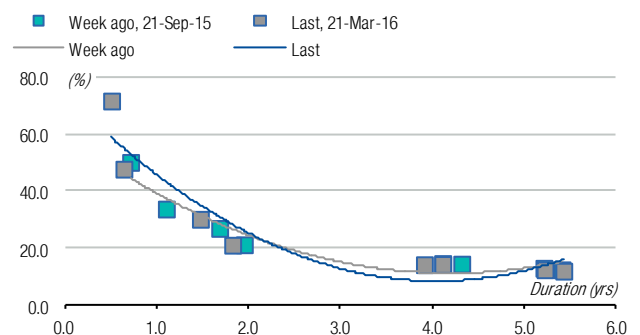


Chart 5. Banking sector liquidity (UAHbn), last 12-month period

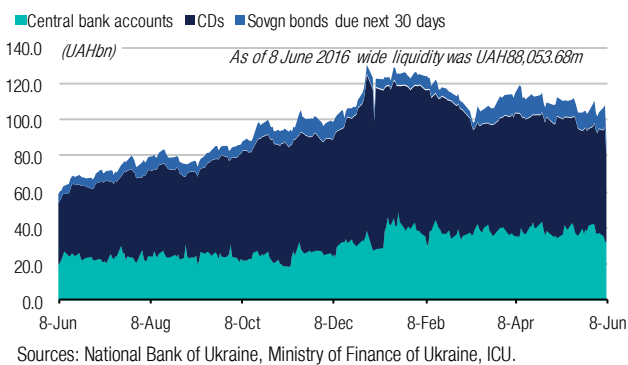


Chart 6. Breakdown of liquidity pool (%) as of 7 Jun 2016

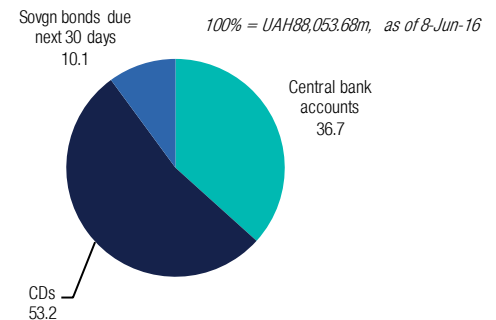


Chart 7. Holders of sovereign bonds (UAHbn), last 12 months

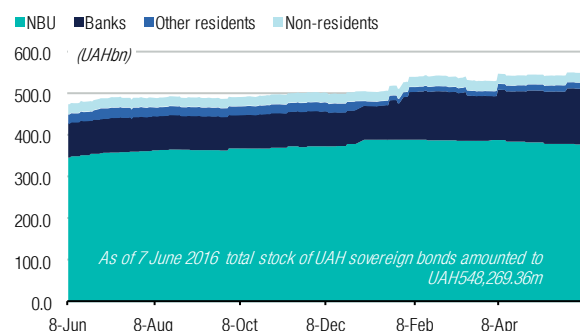


Chart 8. Domestic sovereign debt (%) as of 7 Jun 2016

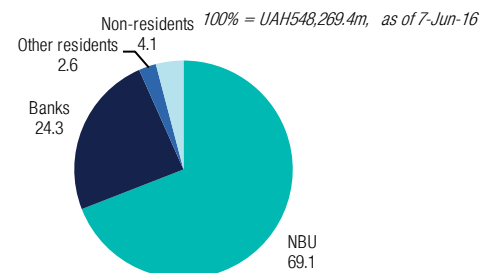


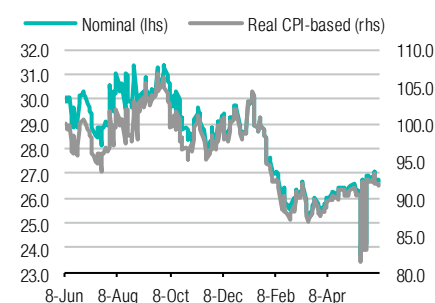
Table 1. Ukrainian stocks (closing prices as of 7-Jun-2016)

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)	FF 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 8 Jun 2016)



Source: Investment Capital Ukraine LLC.

## FX market indicators (as of 7 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)

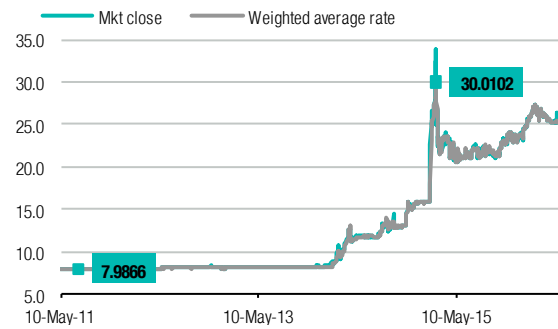
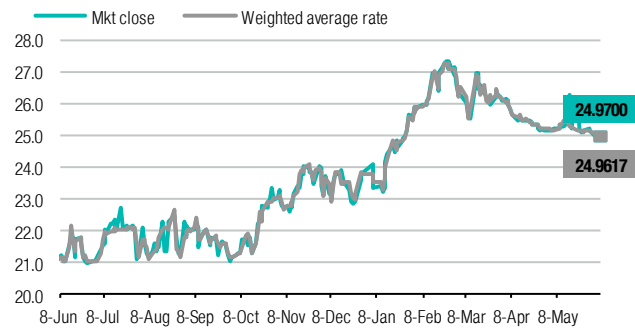


Chart 10. NDF market rates USD/UAH: last 12-month and 5-year periods (UAH per USD, left and right respectively)

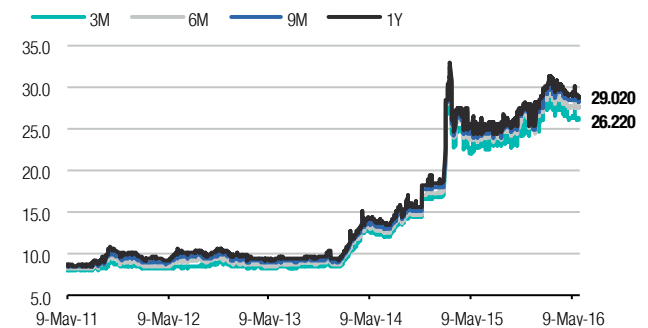
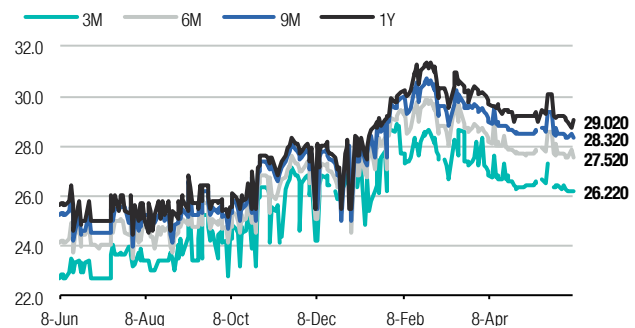


Chart 11. Trading volume: last 12-month and 5-year periods (US\$m, left and right respectively)

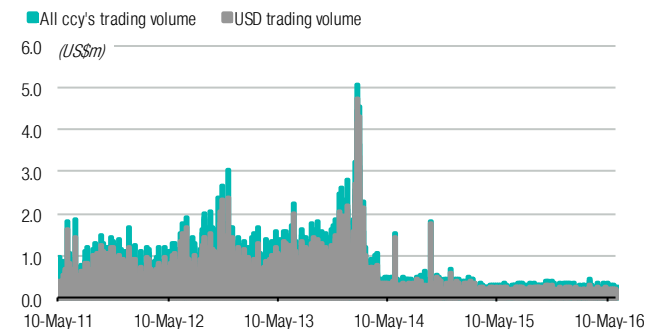
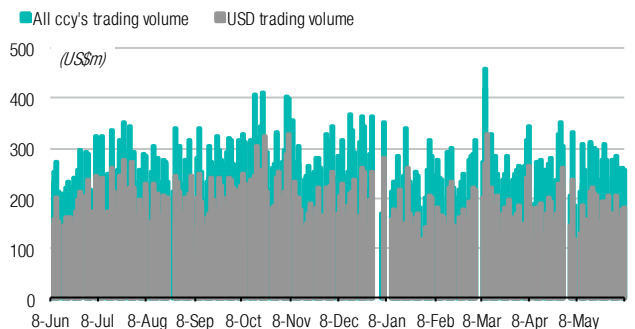
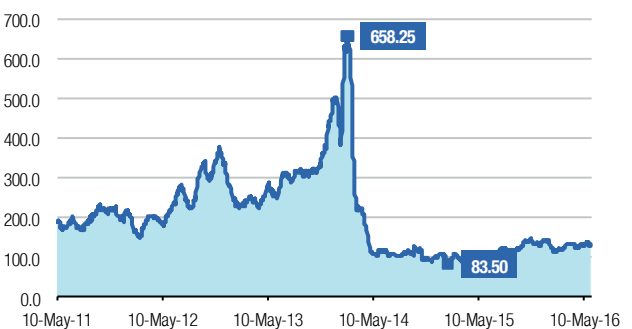


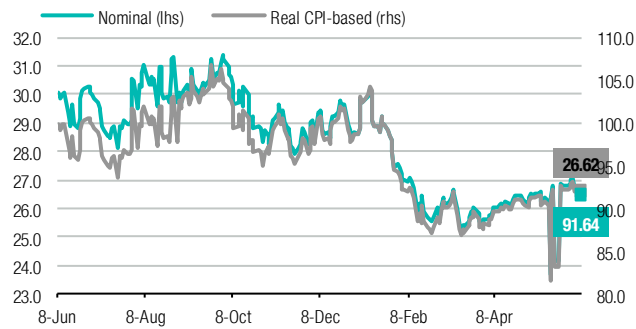
Chart 12. 30D MA\* ratio of FX market turnover to merchandise trade: last 12m and 5yr periods (% , left and right respectively)



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

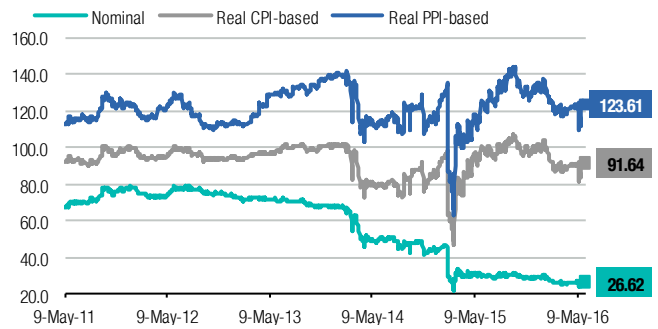
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



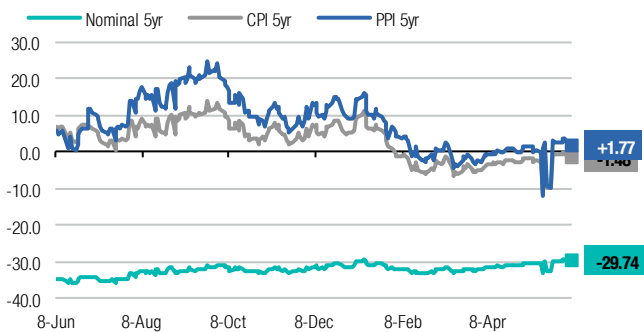
Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

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

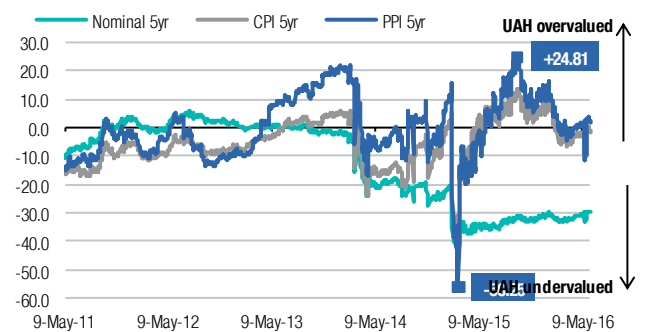


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

**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)**

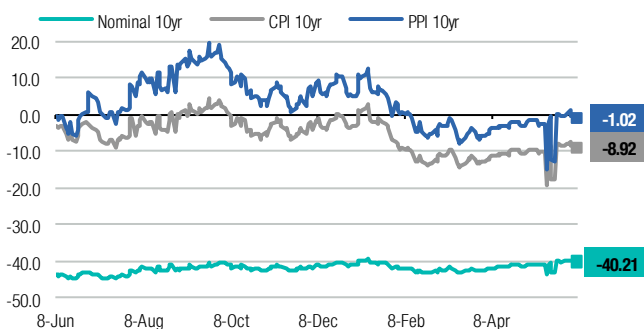


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

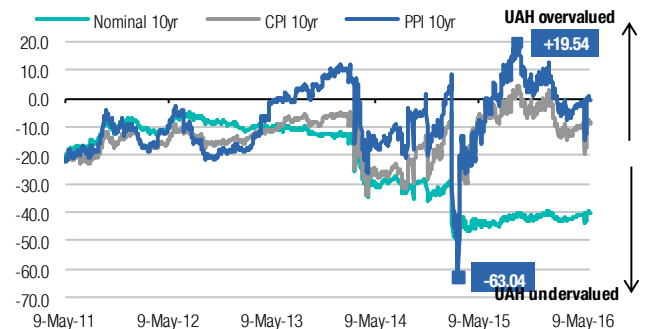


Note: the boxes indicate the high and low values of CPI-based TWI.  
Source: Investment Capital Ukraine LLC.

**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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