



Focus
Ukraine

Scope
Economics, bonds, equity & FX markets

Research team
Taras Kotovych

Daily Insight

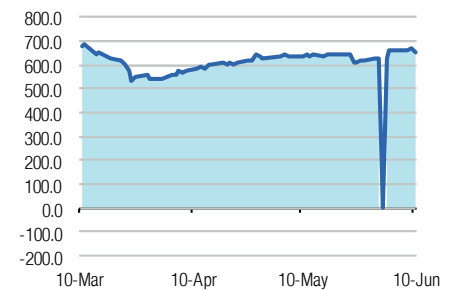
Liquidity steady

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MONDAY, 13 JUNE 2016

UX Index (3 months to 13 Jun 2016)



Source: UX.

Key market indicators (as of 10 Jun 2016)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	24.9950	-0.04	+4.02
USD/UAH (1Y NDF)	29.0450	-0.04	+13.92
EUR/USD	1.1251	-0.57	+3.58
USD/RUB	65.4900	+1.82	-9.69
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	N/A		
EQUITIES			
Stock market indices			
UX (Ukraine)	658.06	-1.30	-4.05
MSCI World	401.37	-1.41	+0.50
MSCI EM	823.82	-1.58	+3.74
RTS (Russia)	924.65	-2.76	+22.14
WIG-20 (Poland)	1,782.02	-1.77	-4.15
S&P 500 (USA)	2,096.07	-0.92	+2.55

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 steady

Banking sector liquidity remained steady last Friday with a slight increase of UAH0.17bn to UAH98.23bn as funds were reallocated from banks' accounts to CDs. Banks' correspondent accounts with the NBU slid UAH0.64bn to UAH34.03bn while total CDs outstanding rose UAH0.82bn to UAH64.20bn.

Investment implications: With no significant outflows while the NBU provides support via the FX the market, liquidity remained steady, within reach of UAH100bn. Most likely, this level will not be crossed as banks could purchase a new large portion of 3-year bonds at the MoF's Tuesday primary auction (see comment below).

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Primary auction announced

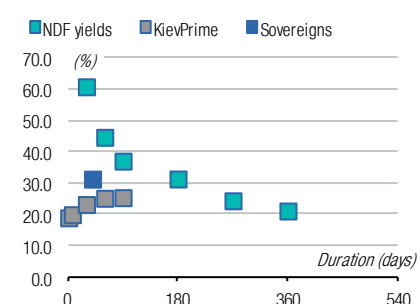
Possibly motivated by the recent successful primary auction results, the MoF decided to introduce 5-year bonds in addition to the 2-year and 3-year bonds routinely offered since the beginning of the year. This offering will be added at the two auctions scheduled for this week and next week.

Investment implications: Last week, the MoF sold 2-year bonds at the 17% cut-off interest rate. And two weeks ago, it sold 3-year bonds at the weighted-average interest rate of 17.32%. The MoF should be very satisfied if demand enables them to lower the 3-year bond cut-off rate to 17.30% or below. As the 5-year bond offering is new, we anticipate that the coupon rate will be at most 50bp higher than that for the 3-year bond. Factoring in the recent softening of FX regulations, the NBU could decrease its key rate once again at the end of the month, providing incentive for banks to purchase longer maturity bonds. We expect bids for the 5-year bond to come in at 17.5-17.9%.

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Yield curve of the local bond market

(as of market close on 10 Jun 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 10 Jun 2016)

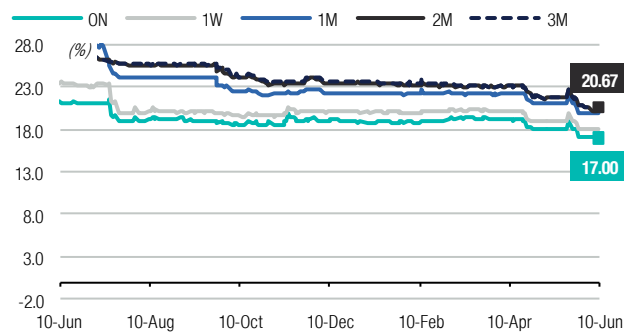
	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
MONEY MARKET KIEV PRIME RATES (%)					
0/n	17.00	+0bp	+0bp	-100bp	-206bp
1wk	18.00	+0bp	+0bp	-100bp	-200bp
1m	20.00	+0bp	+0bp	-100bp	-225bp
2m	20.50	+0bp	+0bp	-117bp	-300bp
3m	20.67	-8bp	+0bp	-100bp	-308bp
LIQUIDITY WIDE MEASUREMENT (UAHm)					
CB acc's ¹	34,031	+11.78	+1.95	+4.05	-1.10
CDs ²	64,204	-25.91	-17.56	-25.38	-45.19
Sovgns ³	8,861	+42.47	+42.79	+29.29	+166.7
Total	107,096	-8.28	-5.41	-10.75	-24.43
HOLDERS OF UAH SOVEREIGN BONDS (UAHm)					
C.bank	378,701	+0.00	+0.00	-1.29	-0.29
Banks	131,261	+0.10	-1.55	+5.92	+60.92
Resid's ⁴	14,204	+0.25	+1.32	-0.37	-32.35
Non-res ⁵	22,442	+0.21	-0.07	-0.24	+0.61
Total	546,608	+0.04	-0.35	+0.42	+8.31
NDF IMPLIED YIELDS (%)					
3m	20.63	-1bp	-6bp	+17bp	+0bp
6m	21.18	+0bp	-7bp	+18bp	-873bp
9m	18.99	+0bp	-8bp	+17bp	-425bp
1yr	17.68	+0bp	-10bp	+17bp	+10bp
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	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.

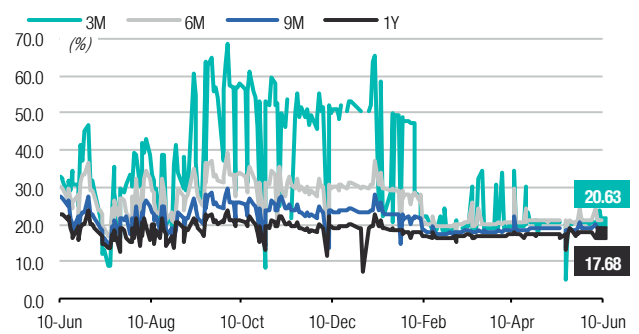
Chart page: Local bond market & Eurobond markets

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



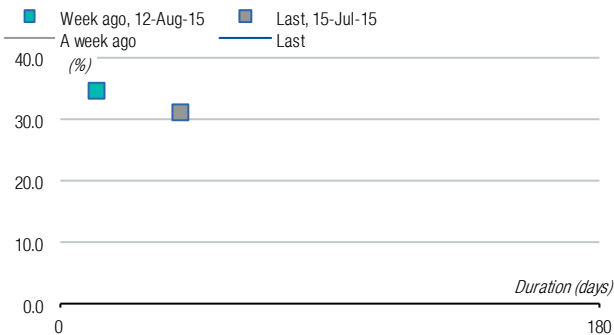
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



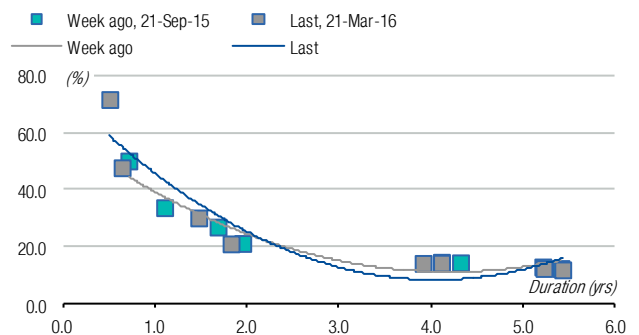
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 10 Jun 2016



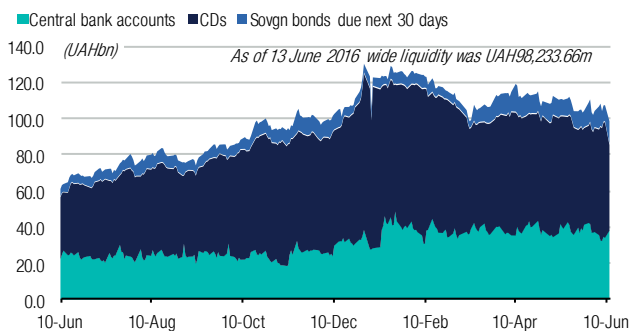
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 10 Jun 2016



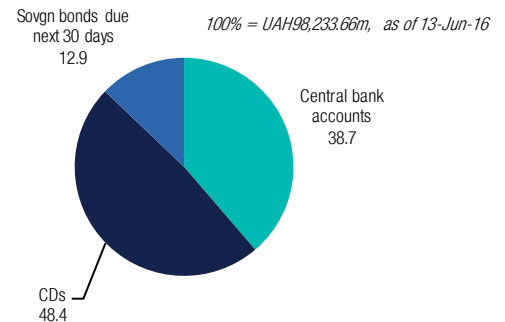
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



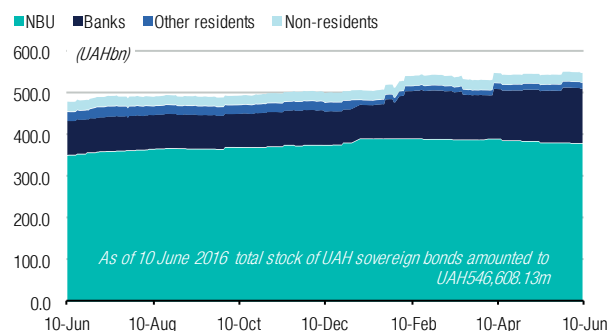
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 10 Jun 2016



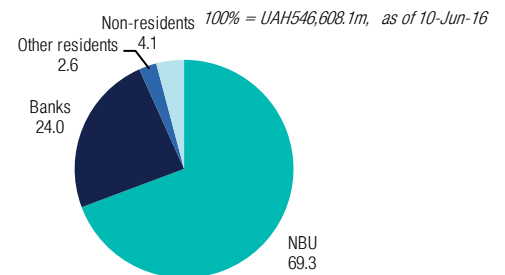
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 10 Jun 2016



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

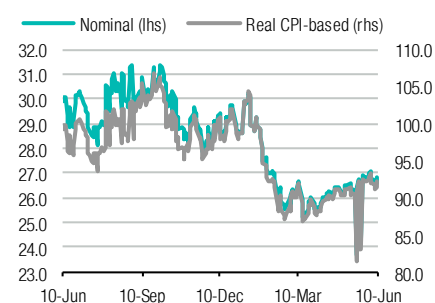
Table 1. Ukrainian stocks (closing prices as of 10-Jun-2016)

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 13 Jun 2016)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 10 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>).

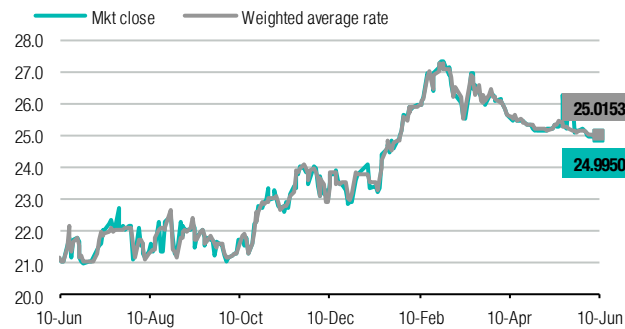
Section on FX market is continued on next page.

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.

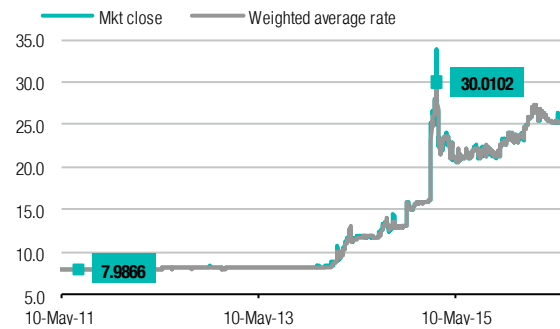
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

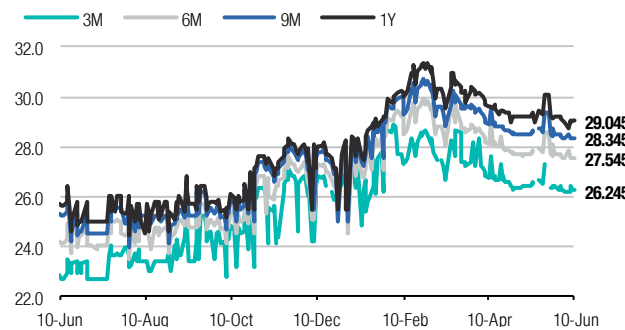


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

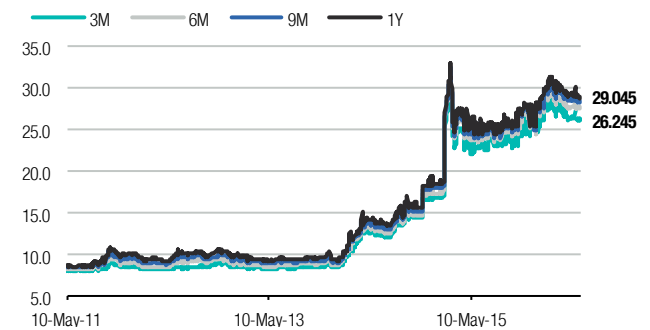


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

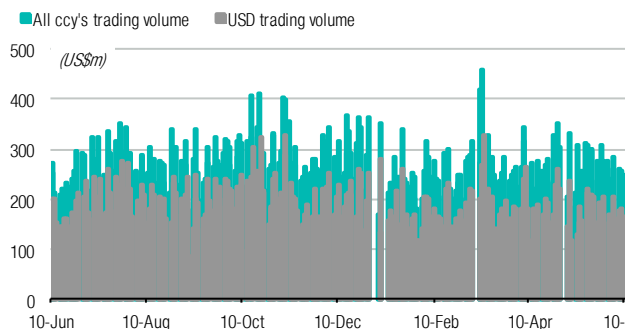


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

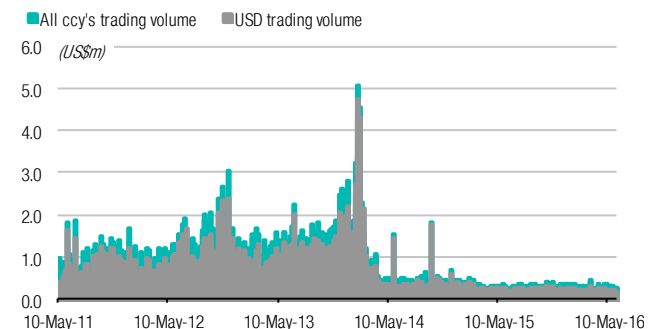


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

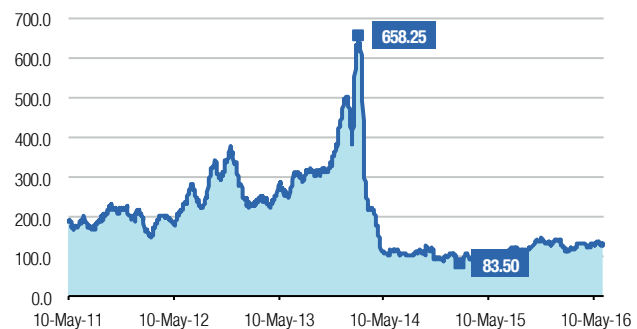


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

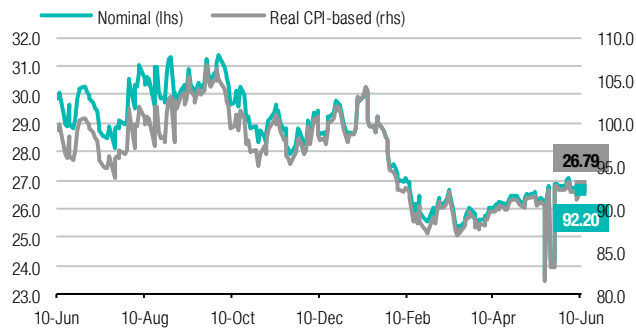


Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

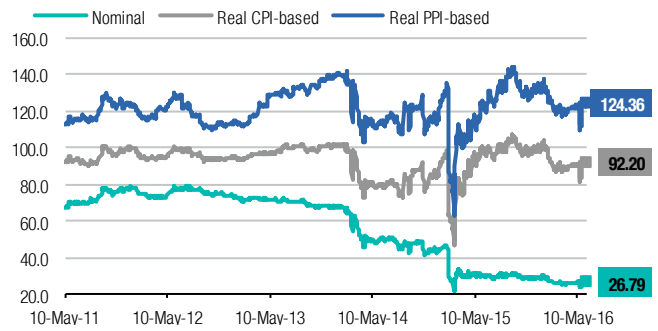
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



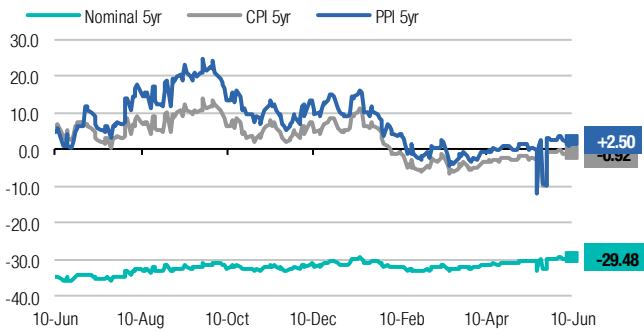
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

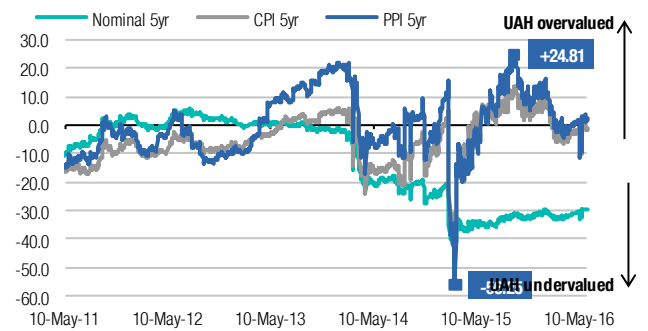


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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)

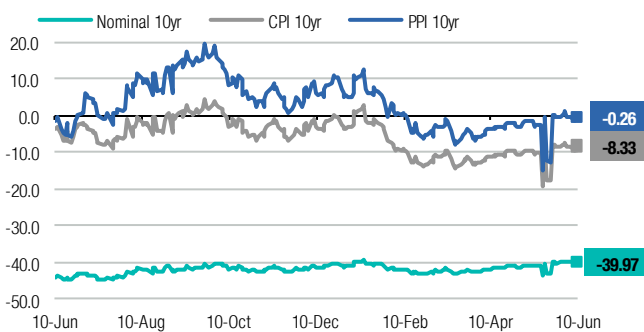


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

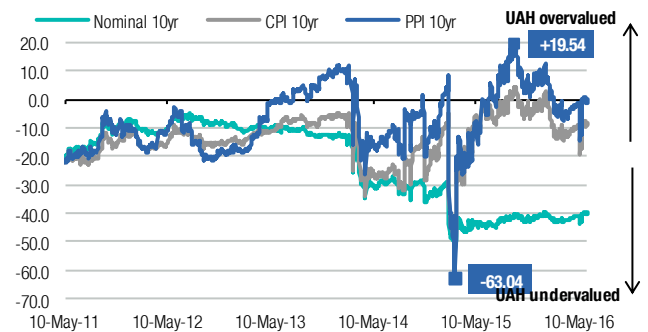


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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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