



Focus  
**Ukraine**

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

Research team  
**Alexander Valchyshen**

# Daily Insight

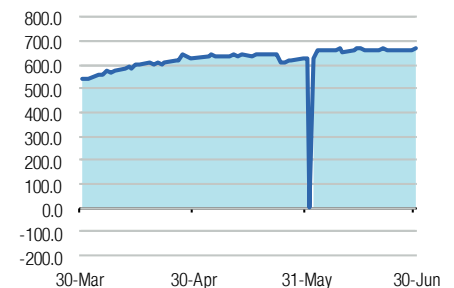
## What Brexit means for Ukraine's economy

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FRIDAY, 1 JULY 2016

### UX Index (3 months to 1 Jul 2016)



Source: UX.

### Key market indicators (as of 30 Jun 2016)

	Last	Daily chg (%)	YTD chg (%)
<b>FX &amp; MONEY RATES</b>			
USD/UAH	24.8300	-0.36	+3.34
USD/UAH (1Y NDF)	28.8800	-0.31	+13.27
EUR/USD	1.1106	-0.17	+2.25
USD/RUB	63.8735	+0.24	-11.92
KievPRIME O/N (%)	15.17	-33bp	-389bp
KievPRIME 1M (%)	18.67	-16bp	-358bp
<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)	674.57	+2.46	-1.65
MSCI World	399.29	+1.19	-0.02
MSCI EM	834.10	+1.49	+5.03
RTS (Russia)	930.77	-0.06	+22.95
WIG-20 (Poland)	1,750.69	-0.31	-5.83
S&P 500 (USA)	2,098.86	+1.36	+2.69

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.

# Economics: News & Comments

## What Brexit means for Ukraine's economy

Only a few days after the UK's national referendum on its EU membership, referred to as the Brexit, as a slim majority voted in favor of departing, there is a great deal of market and media guessing as to the UK's next move and its implications. The following is our take on the Brexit's impact on Ukraine's economy.

### The Brexit's political economy

It is widely accepted that the Brexit was a protest vote against the immigrant crisis in Europe, Brussels' bureaucracy, and the ever-growing powers that the EU imposed on member states. We believe that this is just a part of the story. The backbone of the Brexit fundamentally signals that the slow-growth environment and fiscal austerity measures implemented by both EU member states and the UK have failed to resolve the nearly chronic issue of high unemployment and stagnant incomes. In macroeconomic terms, the UK's move provides little gain: it was not a full EU member and was sovereign in purely monetary terms. In theory, it may enjoy greater sovereignty over fiscal policy, foreign trade and immigration, but the UK's Conservative party-led administration has been adhering to an austerity stance from the very first day in office and does not differ from the fiscal stance propagated by Brussels' EU officials. In terms of fiscal sovereignty, the Brexit appears to be a pointless exercise. It may be different if the next general elections in the UK bring forward politicians that abandon austerity in favor of a more stimulative fiscal policy, but this option is quite distant. In terms of foreign trade sovereignty, rising trade flows are far less likely than a growing tide of trade protectionism as domestic demand for goods is shrinking, rather than expanding, in many areas of the global economy. The same appears to be occurring in services as well. While global trade flows are anticipated to be recovering soon, the onset of this happening is repeatedly postponed. Because of this, over the short-term, the Brexit has much more of a political than a macroeconomic impact, but over the medium- to long-term, the Brexit has a further reaching impact that goes beyond the UK's borders.

### The Brexit as a minor event uncovers bigger issues

The Brexit was more about British domestic economic dissatisfaction over employment and stagnant incomes than over the EU immigrant crisis and Brussels' "notorious bureaucracy that limit national sovereign powers". Following the Global Financial Crisis of 2007-08 (GFC), growth rates have been sub-par and many nations continue to experience stagnant growth or endure multi-year recessions. Such a popular outburst of dissatisfaction amid poor economic conditions may spread to other countries if authorities allow referendum votes to occur. The recent Financial Times column by Wolfgang Münchau "Italy may be the next domino to fall" outlines Italy's referendum scheduled for this in October that may produce yet another fracture within the EU. On top of this, the core nations of the EU—Germany and France—are having general elections within next 15-months with federal elections in Germany in October 2017 and the presidential election in France in May 2017.

In our view, general public dissatisfaction with post-GFC economic conditions is widespread. In the developed economies, elections and referendum votes allow the public to express their sentiment. However, in EM economies, authorities are more often accused of corruption (prime examples include Ukraine and Brazil, with Argentina is a less clear example of this) or they survive by exploiting nationalism and foreign military interventions

(as exemplified by Russia's waging a military intervention into Ukraine's territories of Crimea and Donbas).

All in all, the Brexit underlines post-GFC pandemic slow-growth. The UK's departure from the EU has created an internal (home-grown) shock to the economies which could be cured by more monetary policy remedy (low interest rates for longer, more QE if needed).

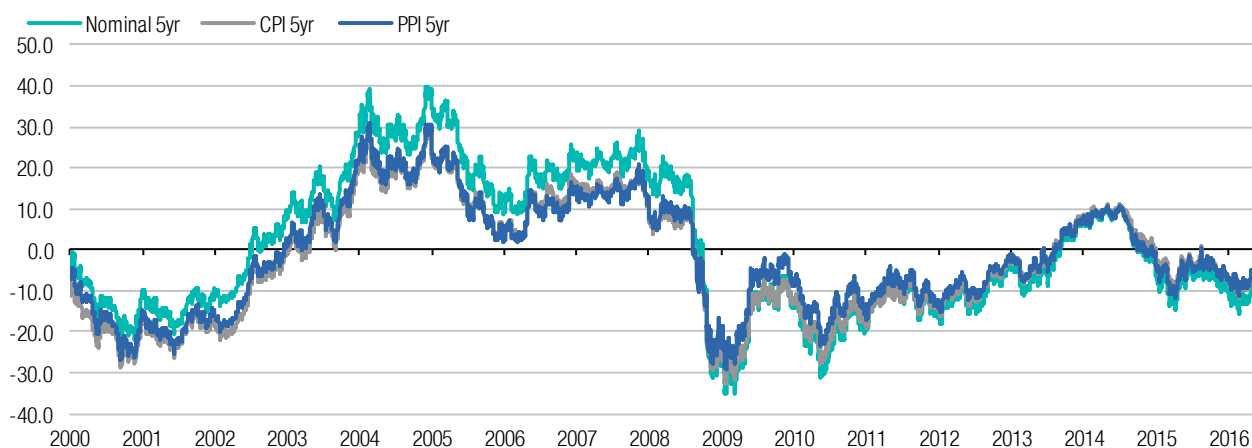
### What financial markets tell us post-Brexit

The financial market reaction was particularly wild in the FX market as the British pound's nominal rate to the US dollar declined to a multi-year low of 1.32 early this week and recovered to 1.34.

Our FX analysis of the British pound's performance based upon real trade-weighted indices says that GBP's devaluation in the wake of Brexit was not dramatic (see chart below). In the past, GBP devaluations yielded by far greater misalignments – namely, from late 2000 and early 2001 years and over 2002, in late 2008 and early 2009, and in 2010. While there could be more FX market pressure on the GBP, it is unlikely to produce a greater misalignment by real TWIs than now. As Chart 8 and Chart 9 (on pp.6-7) show, the GBP's current misalignment is less than some EM currencies suffered over the course of 2014-15 when the USD strengthened on the back of expectations over monetary policy normalization by the US Federal Reserve. Quite noteworthy, the US dollar index (DXY) appreciated in the wake of the Brexit to 95 points, which is still not a dramatic move for the dollar as its important threshold of strength would be DXY appreciation above the 100-point threshold. We believe that if the DXY would have broken the 100-point threshold, it would become an emergency to the Fed. Hence, our base macro scenario does envisage the DXY at 100 or higher going forward.

**Chart 1. ICU's real TWI-based analysis of British pound (GBP): misalignment of the currency\***

Daily history from 1 January 2000 through 29 June 2016



Note: Difference between trade-weighted index and its five-year moving average. Source: ICU.

The sovereign bond market reaction to the Brexit was noteworthy, too. Despite credit rating agencies downgrading the UK government, yield declines underlined investors' demand for UK government bonds: the 2-year bond yield dropped as low as 0.10% on Thursday from 0.52% before the referendum; the 10-year bond yield declined to 0.86% from 1.37%. In the Eurozone, German bond yields also dropped, albeit into negative territory (see the charts below): its 2-year bond yield has been negative since late 2014, while its 10-year bond yield dropped below zero for the first time post-Brexit. This means that bond markets treat UK government debt as default-free and its economy as monetary sovereign – this stance will

not change any time soon unless the UK loses its sovereignty in monetary terms (which is unrealistic). Hence, UK gilts should yield low single digit and even moving closer to zero as the economic malaise persists. In the Eurozone, German bonds are considered to be default-free despite the fact that all EU member states are not monetary sovereign (but rather are subject to the ECB). However, the rest of the EU members, especially the so-called PIGS (Portugal, Italy, Greece, Spain), have no privilege of the German economy and hence their 10-year sovereign bond yields have a tendency to tilt up during economic shocks. However, ECB assurances that it would support the bond markets allow PIGS government bond yields to stay within the single-digit area, but the risk of macroeconomic conditions deteriorating further could push their bond yields higher again.

All in all, financial market sentiment indicates prevailing expectations that central banks (BoE, ECB, the Fed, BoJ, etc.) will provide liquidity support to their financial systems if needed. This may provide liquidity spillovers to EM FX by creating some appreciation pressure on them (especially on FX deemed as undervalued, see Chart 8 and Chart 9 on pp.6-7).

#### **Macro issues remain**

In our view, Brexit underlines the macro issues of the core Eurozone member states. While not sovereign in monetary terms, they are constrained by Brussels' fiscal rules. UK-related issues are minor in relation to the Eurozone. Its unemployment is low, like in Germany. While its current account deficit is too large, Germany's surplus is also too large (see Chart 6). The UK's trade balance is not a huge issue as its currency (GBP) is a natural buffer. In contrast, weak EU members with high unemployment rates recently turned their economies from external deficits (in terms of current account balance) to surplus economies. They achieved this via internal devaluations as sizable domestic demand contraction was highly painful for the public. Low growth is a more serious risk for the Eurozone than for the UK.

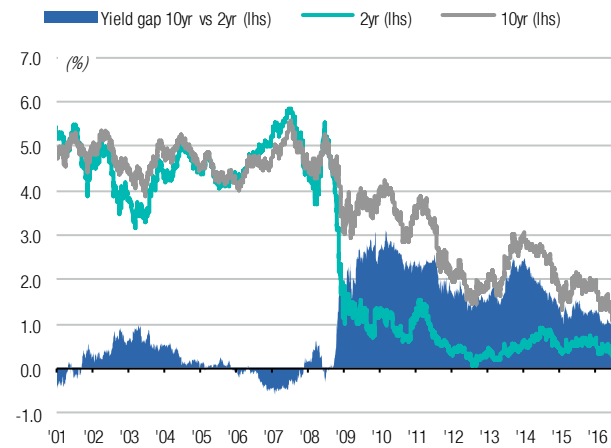
#### **Ukraine: Low growth expected**

For Ukraine, the Brexit marks sluggish economic conditions. Eurozone issues have particularly had an impact Russia and Turkey which depend on trade flows from the EU. For Ukraine's economy, it will be quite difficult to grow higher than 3-4% in real terms going forward, which could be unfortunate for the holders of Ukraine's VRIs issued under the sovereign debt restructuring. The Brexit pushed key central banks (Fed, BoE, ECB, BoJ) for renewed cautiousness, implying that the USD is likely to weaken, which is positive for EM FX for the rest of 2016 and early 2017. Most likely, ICU will review its USD/UAH forecast for a slightly better hryvnia during the next macro update. Disinflation should take hold globally, including in EM economies, alongside low-growth trends and Ukraine's economy will experience the same. Hence, we expect UAH interest rates to decline gradually.

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**Chart 2. UK government 2- and 10-year bond yields (%)**

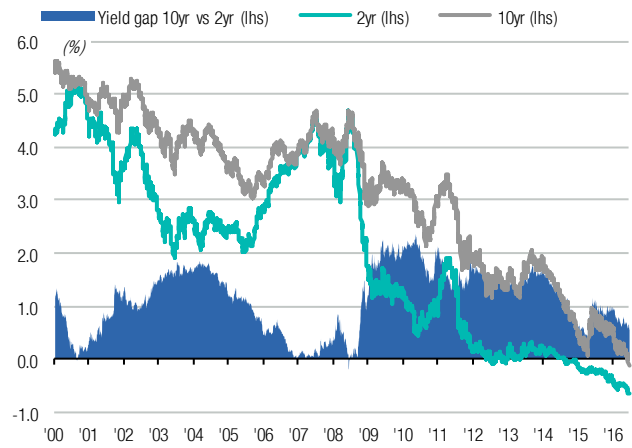
Daily history through 30 June 2016



Source: Bloomberg.

**Chart 3. Germany government 2- and 10-year bond yields (%)**

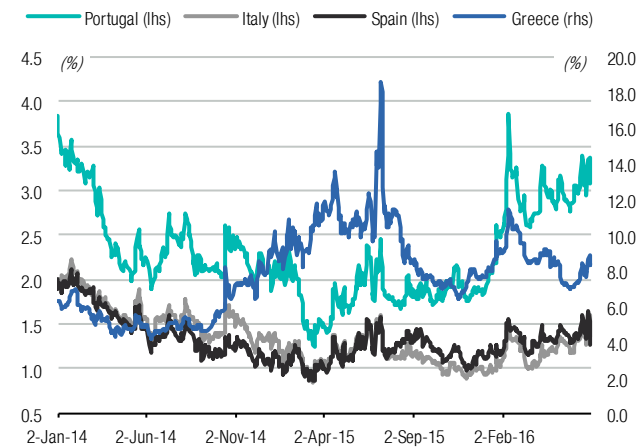
Daily history through 30 June 2016



Source: Bloomberg.

**Chart 4. PIGS bond yield spread over German bond yield (ppt)**

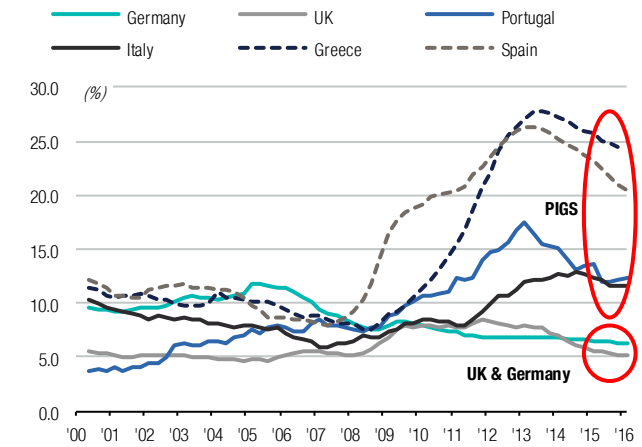
Daily history from 1 January 2014 through 30 June 2016



Source: Bloomberg.

**Chart 5. Unemployment rate (%): PIGS vs. UK, Germany**

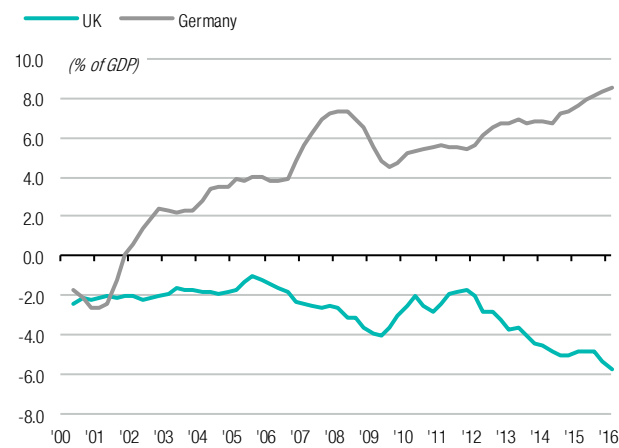
Quarterly data



Source: Bloomberg.

**Chart 6. Current account deficits: UK vs. Germany (% of GDP)**

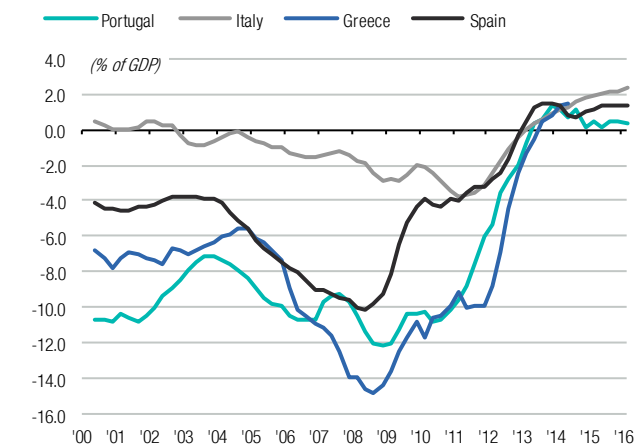
Quarterly data



Source: Bloomberg.

**Chart 7. Current account deficits: PIGS (% of GDP)**

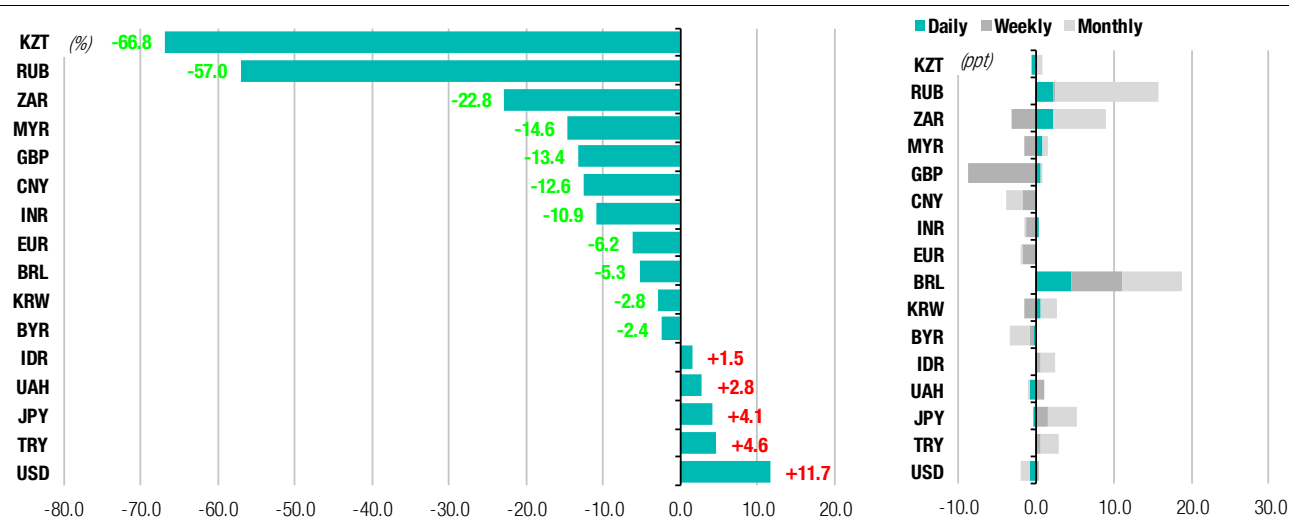
Quarterly data



Source: Bloomberg.

Chart 8. ICU's TWI analysis of the selected range of currencies

Data is as of 29 June 2016, data based on PPI-based real trade-weighted indices, see Table 1



Source: ICU.

Table 1. ICU's TWI analysis of the selected range of currencies

Country	Currency	Currency text ID	FX rate to US dollar	PPI-based misalignment of the currency			
				as of 29 June	Daily <sup>1</sup>	Weekly <sup>2</sup>	Monthly <sup>3</sup>
United States	840	USD	1	11.70294	-0.73	0.42	-1.23
Turkey	792	TRY	2.89	4.613954	0.18	0.56	2.21
Japan	392	JPY	102.83	4.092657	-0.17	1.57	3.64
Ukraine	980	UAH	24.92	2.804787	-0.77	1.04	-0.01
Indonesia	360	IDR	13157	1.476243	0.17	0.45	1.97
Belarus	974	BYR	20041	-2.43171	-0.34	-0.48	-2.37
Korea, South	410	KRW	1160.04	-2.79432	0.76	-1.38	1.93
Brazil	986	BRL	3.2206	-5.34487	4.54	6.58	7.69
Eurozone	978	EUR	1.1125	-6.18395	0.30	-1.66	-0.24
India	356	INR	67.685	-10.9421	0.45	-1.20	-0.25
China	156	CNY	6.6368	-12.5768	0.06	-1.66	-2.14
United Kingdom	826	GBP	1.3429	-13.3599	0.66	-8.59	0.21
Malaysia	458	MYR	4.0405	-14.6312	0.91	-1.41	0.67
South Africa	710	ZAR	14.7927	-22.8209	2.29	-3.13	6.87
Russia	643	RUB	63.7187	-57.0371	2.25	0.25	13.32
Kazakhstan	398	KZT	339.25	-66.8479	-0.42	0.16	0.78

Notes: [1] daily change versus the value as of 28 June 2016; [2] weekly change less daily change; [3] monthly change less weekly and daily changes

Sources: ICU.

Chart 9. ICU's TWI analysis of the selected range of currencies

Data is as of 29 June 2016, data based on PPI-based real trade-weighted indices

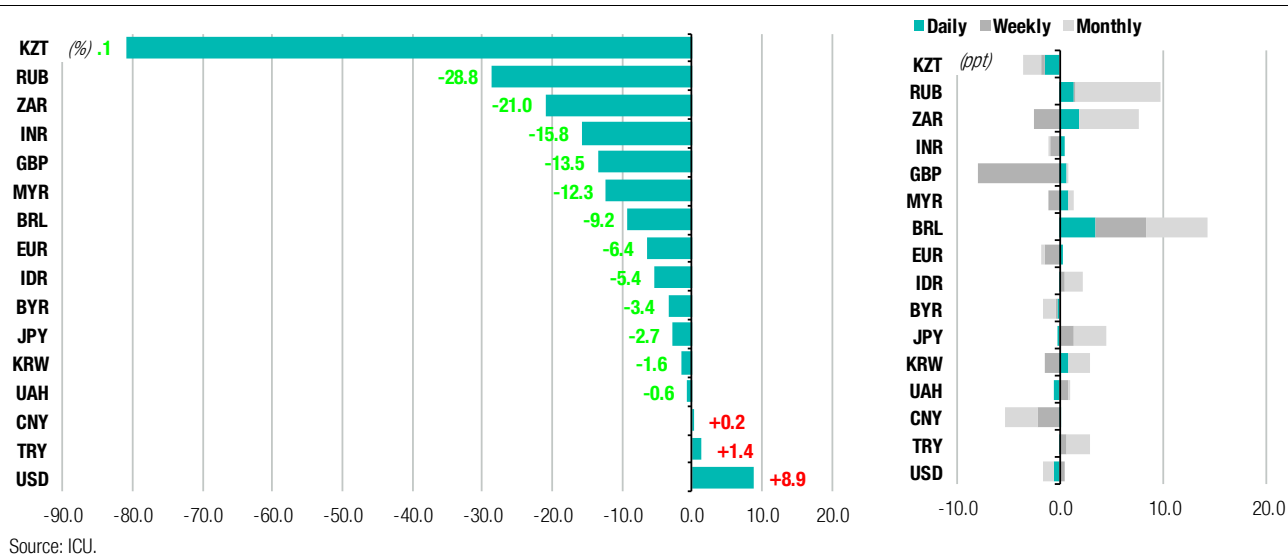


Table 2. ICU's TWI analysis of the selected range of currencies

Country	Currency	Currency text ID	FX rate to US dollar	CPI-based misalignment of the currency			
				as of 29 June	Daily <sup>1</sup>	Weekly <sup>2</sup>	Monthly <sup>3</sup>
United States	840	USD	1	8.858416	-0.63	0.37	-0.99
Turkey	792	TRY	2.89	1.371059	0.17	0.53	2.10
China	156	CNY	6.6368	0.194934	0.05	-2.16	-3.11
Ukraine	980	UAH	24.92	-0.62026	-0.57	0.80	0.14
Korea, South	410	KRW	1160.04	-1.62789	0.83	-1.51	2.05
Japan	392	JPY	102.83	-2.69729	-0.13	1.30	3.11
Belarus	974	BYR	20041	-3.40292	-0.19	-0.26	-1.28
Indonesia	360	IDR	13157	-5.36795	0.14	0.38	1.67
Eurozone	978	EUR	1.1125	-6.39857	0.28	-1.56	-0.20
Brazil	986	BRL	3.2206	-9.16463	3.39	4.94	5.88
Malaysia	458	MYR	4.0405	-12.2783	0.74	-1.15	0.50
United Kingdom	826	GBP	1.3429	-13.5256	0.61	-7.90	0.20
India	356	INR	67.685	-15.817	0.42	-1.03	-0.01
South Africa	710	ZAR	14.7927	-21.0375	1.87	-2.55	5.66
Russia	643	RUB	63.7187	-28.756	1.35	0.20	8.10
Kazakhstan	398	KZT	339.25	-81.0717	-1.52	-0.38	-1.75

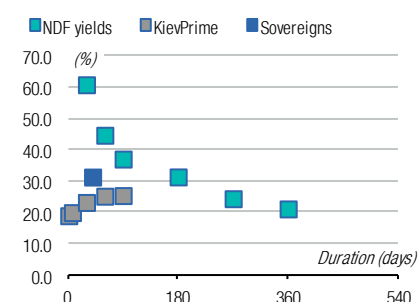
Notes: [1] daily change versus the value as of 28 June 2016; [2] weekly change less daily change; [3] monthly change less weekly and daily changes

Sources: ICU.

# Bonds: News & Comments

## Yield curve of the local bond market

(as of market close on 30 Jun 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

## Bond market indicators (as of 30 Jun 2016)

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

### MONEY MARKET KIEV PRIME RATES (%)

O/n	15.17	-33bp	-183bp	-183bp	-389bp
1wk	16.67	-16bp	-116bp	-133bp	-333bp
1m	18.67	-16bp	-116bp	-133bp	-358bp
2m	19.25	-17bp	-117bp	-158bp	-425bp
3m	19.58	-17bp	-100bp	-125bp	-417bp

### LIQUIDITY WIDE MEASUREMENT (UAHm)

CB acc's <sup>1</sup>	42,950	+5.29	+25.25	+6.87	+17.58
CDs <sup>2</sup>	25,284	-28.14	-63.81	-66.30	-79.07
Sovgns <sup>3</sup>	9,987	+0.00	-13.77	-18.55	+111.0
<b>Total</b>	<b>78,222</b>	<b>-6.19</b>	<b>-25.04</b>	<b>-32.37</b>	<b>-43.55</b>

### HOLDERS OF UAH SOVEREIGN BONDS (UAHm)

C.bank	377,286	-0.37	-0.37	-0.70	-0.67
Banks	133,196	-0.29	+0.58	+0.25	+63.29
Resid's <sup>4</sup>	14,447	-2.27	-2.11	+2.49	-31.19
Non-res <sup>5</sup>	22,319	-0.07	-0.16	-1.00	+0.05
<b>Total</b>	<b>547,248</b>	<b>-0.39</b>	<b>-0.18</b>	<b>-0.40</b>	<b>+8.43</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	N/A	+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

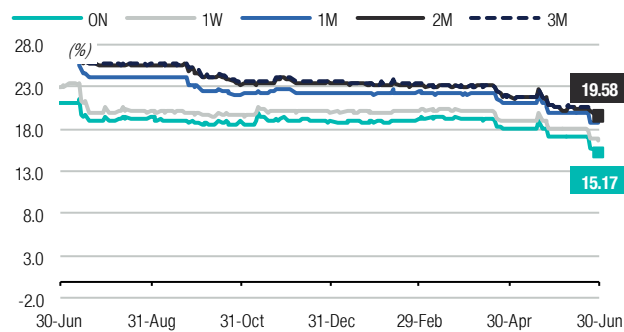
Notes: [1] banks' account balance at NBU; [2] certificates of deposits issued by NBU; [3] UAH sovereign bonds due next 30 days; [4] residents; [5] non-residents; [6] VAT bond.

Sources: Bloomberg, Investment Capital Ukraine LLC.



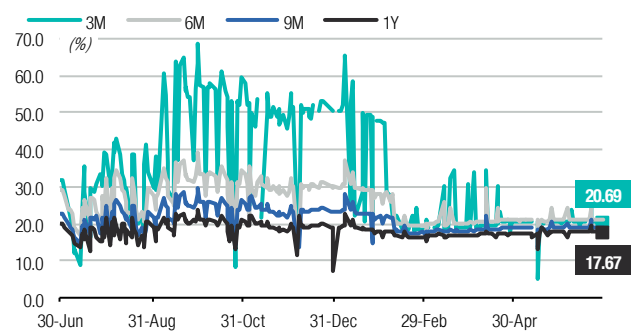
Chart page: Local bond market & Eurobond markets

Chart 10. Kiev Prime rates (%), last 12-month period



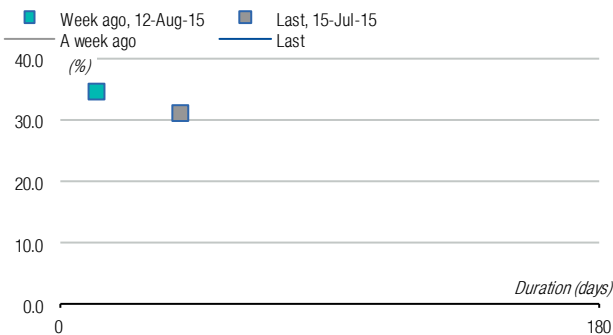
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 11. UAH NDF implied yields (%), last 12-month period



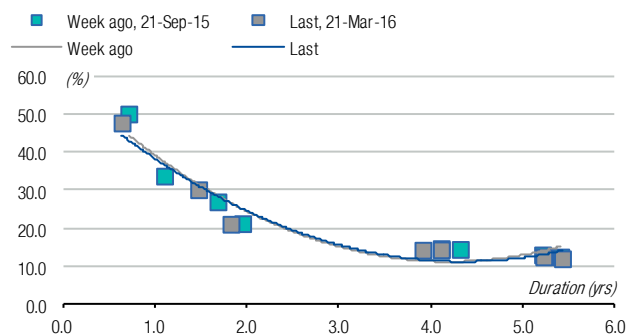
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 12. UAH sovereign yield curve (%) as of 30 Jun 2016



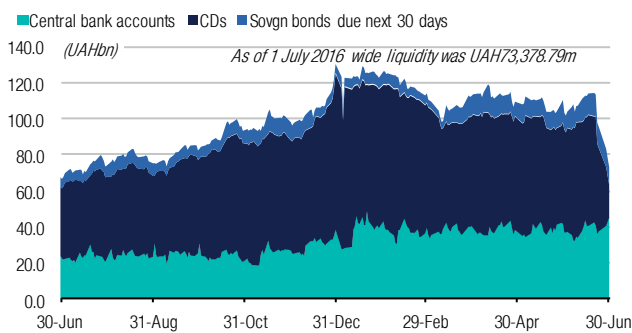
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 13. USD sovereign yield curve (%) as of 30 Jun 2016



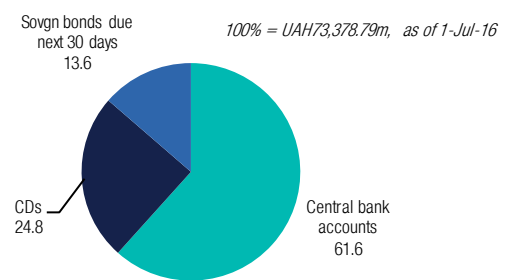
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 14. Banking sector liquidity (UAHbn), last 12-month period



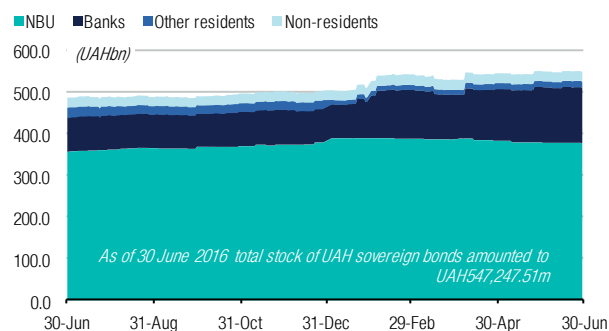
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 15. Breakdown of liquidity pool (%) as of 30 Jun 2016



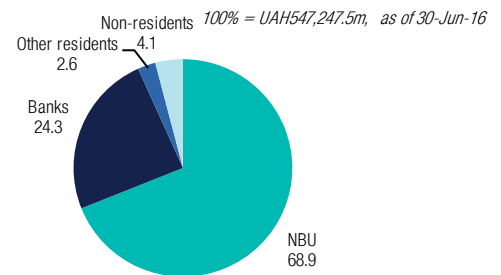
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 16. Holders of sovereign bonds (UAHbn), last 12 months



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

Chart 17. Domestic sovereign debt (%) as of 30 Jun 2016



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

Table 3. Ukrainian stocks (closing prices as of 30-Jun-2016)

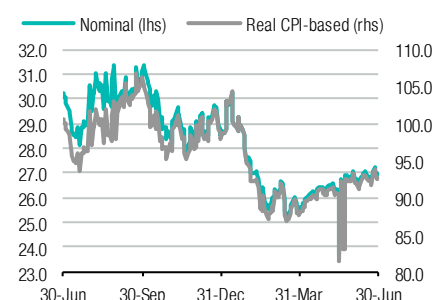
Company	Bloomberg Ticker	Listing	Share price performance (% change)					Valuation (US\$)			Free float (FF) & Liquidity					P/E			EV/EBITDA			EV/Sales			Ratios		
			Last price	Daily	MoM	YTD	YoY	Last price	Market cap (m)	EV (m)	FF (%)	FF mkt cap (US\$m)	Last day turnover (US\$ 000)	3M avg. turnover (US\$ 000)	FF share traded (%)	FF turnover (days)	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	P/B (x)	Debt/Assets (%)
<b>ENERGY</b>																											
Cadogan Petrol...	CAD LN	London	7.13 GBp	+0.0	-13.6	-12.3	-29.6	0.09	21.9	-14.3	40.2	8.8	0.0	9.4	0.01	6,849	Neg.	8.1	8.8	1.6	Neg.	Neg.	Neg.	Neg.	Neg.	0.4	17.5
Centrenergo	CEEN UK	Kiev, UX	7.65 UAH	+2.7	+15.6	+67.8	-1.0	0.31	113.3	101.5	21.7	24.6	19.2	16.5	0.05	2,044	129.4	8.1	N/A	0.3	2.9	N/A	0.4	0.2	N/A	1.1	3.4
Donbasenergo	DOEN UK	Kiev, UX	13.00 UAH	+2.4	-5.8	-17.5	-40.5	0.52	12.3	18.2	14.2	1.8	1.9	2.2	0.08	1,259	Neg.	N/A	N/A	0.1	N/A	N/A	0.1	N/A	N/A	0.2	4.2
JKX Oil & Gas	JKX LN	London	16.25 GBp	+0.0	-24.4	-40.4	-40.9	0.22	37.1	45.5	47.2	17.5	6.5	6.6	0.03	2,970	Neg.	Neg.	Neg.	Neg.	1.8	N/A	0.5	0.6	0.7	0.2	13.0
Regal Petroleum	RPT LN	London	3.76 GBp	+7.4	+29.7	+0.3	-20.8	0.05	16.0	-17.0	80.9	13.0	0.4	3.5	0.03	2,988	Neg.	N/A	N/A	Neg.	N/A	N/A	Neg.	N/A	N/A	0.2	0.0
Zakhidenergo	ZAEN UK	Kiev, PFTS	50.00 UAH	+0.0	+0.0	-40.5	-70.1	2.00	25.6	56.8	5.0	1.3	1.8	0.3	0.02	4,452	Neg.	N/A	N/A	0.1	N/A	N/A	0.1	N/A	N/A	0.3	11.6
<b>METALLURGY</b>																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	+24.4	-17.8	-49.7	-57.3	0.00	5.8	2,476.4	3.9	0.2	0.2	0.1	0.04	2,515	Neg.	N/A	N/A	15.1	N/A	N/A	7.9	N/A	N/A	N/A	192.1
Avdiyivsky Cok...	AVDK UK	Kiev, UX	0.81 UAH	+44.4	-2.4	-26.4	-29.3	0.03	6.3	5.4	4.0	0.3	11.5	1.1	0.38	263	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	0.25 UAH	+6.4	-4.6	-37.5	-68.1	0.01	42.1	-6.5	4.1	1.7	18.6	1.6	0.11	943	Neg.	N/A	N/A	Neg.	N/A	N/A	Neg.	N/A	N/A	0.0	0.0
Ferrexpo PLC	FXPO LN	London	32.50 GBp	+3.2	+9.2	+51.2	-51.1	0.43	254.3	1,121.8	22.4	57.0	154.5	388.9	0.37	272	7.7	2.2	2.8	8.1	4.3	5.7	1.2	1.3	1.3	1.0	73.7
Yasynivsky Cok...	YASK UK	Kiev, UX	0.10 UAH	+0.0	-24.8	-56.5	-61.2	0.00	1.1	1.7	9.0	0.1	0.0	0.0	0.03	2,930	Neg.	N/A	N/A	Neg.	N/A	N/A	0.0	N/A	N/A	0.0	0.0
Yenakievo Steel	ENMZ UK	Kiev, UX	5.03 UAH	-22.6	-53.4	-64.1	-70.4	0.20	2.1	-11.7	9.4	0.2	5.0	0.3	0.27	365	Neg.	Neg.	N/A	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.1	0.0
<b>FOOD AND AGRIBUSINESS</b>																											
AgroGeneration	ALAGR FP	EN Paris	0.33 EUR	+0.0	-5.7	-17.5	-23.3	0.37	36.3	74.5	34.0	12.3	0.2	40.5	0.14	737	Neg.	11.7	3.6	4.0	3.4	2.9	1.1	1.2	1.0	0.5	40.7
Agroliga	AGL PW	Warsaw	15.20 PLN	+2.8	+0.7	+33.6	+35.7	3.84	5.9	7.1	16.7	1.0	3.6	2.4	0.10	1,004	1.9	N/A	N/A	2.0	N/A	N/A	0.4	N/A	N/A	0.6	10.7
Agroton	AGT PW	Warsaw	1.14 PLN	+1.8	-7.3	+12.9	+0.0	0.29	6.2	20.2	26.2	1.6	0.0	6.5	0.13	763	Neg.	N/A	N/A	0.9	N/A	N/A	0.5	N/A	N/A	0.1	32.4
Astarta Holdin...	AST PW	Warsaw	47.00 PLN	+1.8	+12.8	+36.2	+59.3	11.89	297.1	446.7	31.0	92.2	35.4	98.4	0.03	3,024	16.8	3.9	3.2	3.4	3.5	3.2	1.3	1.2	1.0	1.2	41.5
Avangard	AVGR LI	London Intl	0.87 USD	-1.1	-9.8	-30.4	-29.0	0.87	55.6	383.7	21.7	12.1	12.5	7.8	0.10	1,014	Neg.	5.1	N/A	Neg.	7.8	N/A	1.7	1.4	N/A	0.3	53.9
IMC	IMC PW	Warsaw	7.30 PLN	-0.5	+4.3	+22.3	+62.2	1.85	57.8	143.9	23.9	13.8	2.0	17.7	0.09	1,133	3.9	2.8	2.5	2.2	2.9	3.1	1.0	1.0	0.8	1.0	56.8
Kernel Holding...	KER PW	Warsaw	53.00 PLN	+0.3	-1.9	+10.2	+38.4	13.40	1,068.0	1,506.8	58.8	627.7	2,520.7	1,368.5	0.25	403	10.0	4.8	4.4	3.8	4.3	4.0	0.6	0.7	0.6	1.1	32.0
KSG Agro	KSG PW	Warsaw	1.54 PLN	-1.9	-7.8	+65.6	+140.6	0.39	5.8	69.1	34.4	2.0	0.6	16.5	0.59	169	Neg.	N/A	N/A	6.9	N/A	N/A	2.1	N/A	N/A	N/A	67.4
MHP	MHPC LI	London Intl	9.20 USD	+1.1	+3.3	-1.1	-8.9	9.20	972.1	2,225.1	22.3	217.0	459.5	380.4	0.06	1,720	Neg.	5.2	4.0	4.9	5.4	5.0	1.9	1.7	1.6	1.7	61.6
Milkiland	MLK PW	Warsaw	1.63 PLN	+1.9	-8.4	+14.8	+5.2	0.41	12.9	129.8	20.0	2.6	0.6	12.2	0.17	591	Neg.	Neg.	Neg.	9.4	14.2	8.5	0.6	0.6	0.6	0.1	42.5
<b>CONSTRUCTION</b>																											
TMM	TR61 GF	Frankfurt	0.01 EUR	+0.0	-28.6	-85.7	-33.3	0.01	0.6	93.4	13.1	0.1	0.0	0.1	0.23	429	Neg.	N/A	N/A	Neg.	N/A	N/A	3.6	N/A	N/A	0.0	41.9
<b>FINANCIAL SERVICES</b>																											
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.09 UAH	+0.8	+20.1	+18.2	-1.5	0.00	219.3	N/A	3.8	8.4	4.2	5.2	0.06	1,571	Neg.	8.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.8	14.4
Ukrsofsbank	USCB UK	Kiev, UX	0.06 UAH	-2.9	-10.0	-36.2	-24.1	0.00	291.3	N/A	4.5	13.0	0.3	0.7	0.00	43,484	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.4	24.3

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 1 Jul 2016)



Source: Investment Capital Ukraine LLC.

## FX market indicators (as of 30 Jun 2016)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>USD/UAH MARKET (HRYVNIA per US DOLLAR)</b>					
Spot mkt	24.8300	-0.36	-0.04	-1.37	+3.34
NBU avg	24.8284	-0.10	-0.22	-1.34	+4.36
Ttl vlm <sup>1</sup>	475.27	+51.39	+58.30	+72.27	+30.83
\$ volume <sup>2</sup>	322.00	+62.21	+75.99	+90.27	+28.26
NDF 3M	26.0800	-0.34	-0.04	-0.65	+0.00
NDF 6M	27.3800	-0.33	-0.04	-1.24	-0.54
NDF 1Y	28.8800	-0.31	-0.03	-1.18	+13.27
<b>TRADE-WEIGHTED INDICES (TWIs, points)</b>					
UAH nom'l	26.979	+0.37	+1.23	+0.72	-5.66
UAH real CPI	92.862	+0.37	+1.23	+0.72	-5.22
UAH real PPI	125.253	+0.37	+1.23	+0.72	-3.94
USD nom'l	96.143	+0.39	+2.79	+0.65	-2.52
<b>FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs</b>					
USD/RUB	63.8735	+0.24	+0.33	-2.54	-11.92
EUR/USD	1.1106	-0.17	-2.45	-0.29	+2.25
USD/CNY	6.6480	+0.17	+1.02	+0.98	+2.38
USD/PLN	3.9420	-0.78	+2.80	-0.14	+0.49
USD/TRY	2.8777	-0.43	+0.85	-2.60	-1.35
USD/BYR	20,100.00	+0.29	+1.73	+1.60	+7.91
USD/KZT	339.1800	-0.02	+1.37	+0.92	-0.42
<b>OTHER MAJOR CURRENCIES</b>					
USD/JPY	103.2000	+0.36	-2.79	-7.13	-14.16
GBP/USD	1.3311	-0.88	-10.53	-9.08	-9.67
USD/CHF	0.9760	-0.38	+1.88	-1.63	-2.60
AUD/USD	0.7451	+0.00	-2.13	+3.73	+2.26
USD/CAD	1.2924	-0.09	+1.34	-0.96	-6.61
USD/BRL	3.2130	-0.24	-3.73	-9.99	-18.88
USD/KRW	1,151.80	-0.71	+0.12	-3.36	-1.98
<b>COMMODITIES</b>					
Gold(\$/oz)	1,322.20	+0.24	+5.20	+9.67	+24.57
WTI crude <sup>3</sup>	48.33	-3.11	-1.79	+0.00	+30.48
Brent crd <sup>3</sup>	48.42	-0.53	-2.28	-1.47	+35.44
Urals crd <sup>3</sup>	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB <sup>4</sup>	192.57	-1.06	-0.49	+3.46	+9.33

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>).

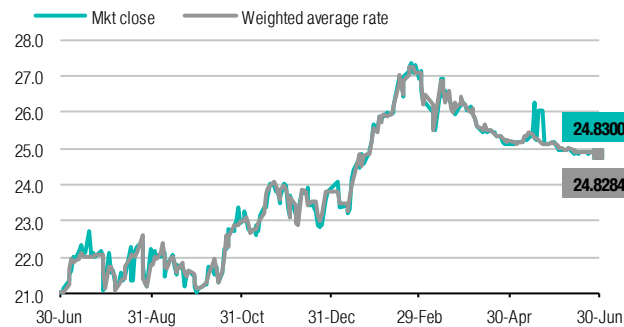
Section on FX market is continued on next page.

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.

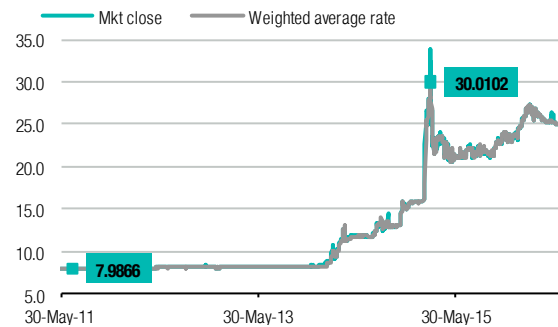
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart page #1: Foreign-exchange market

**Chart 18. Spot market rates USD/UAH: last 12-month and 5-year periods (UAH per USD, left and right respectively)**

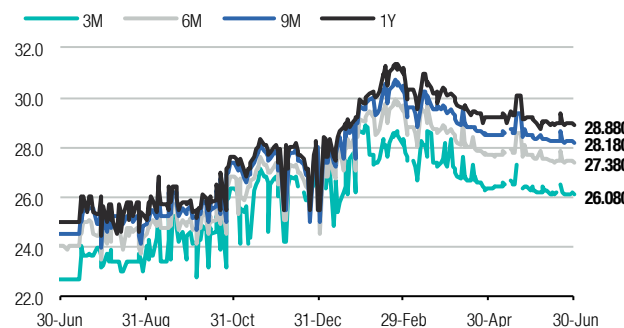


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

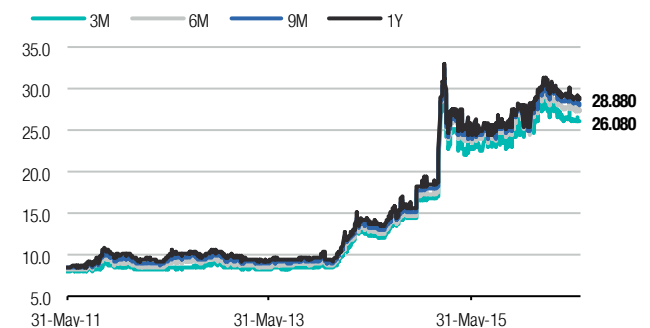


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 19. NDF market rates USD/UAH: last 12-month and 5-year periods (UAH per USD, left and right respectively)**

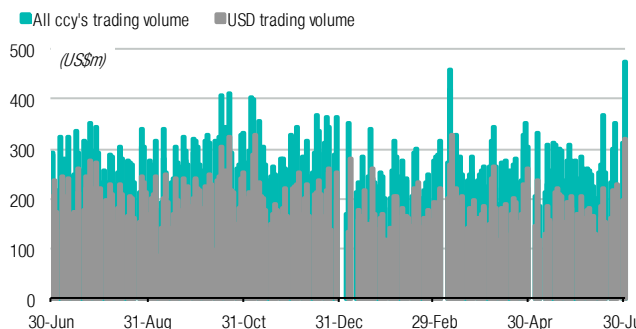


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

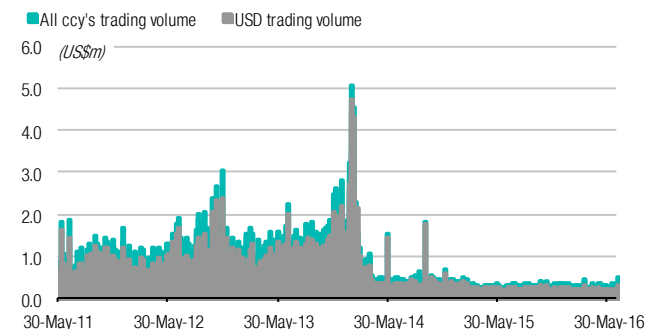


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

**Chart 20. Trading volume: last 12-month and 5-year periods (US\$m, left and right respectively)**

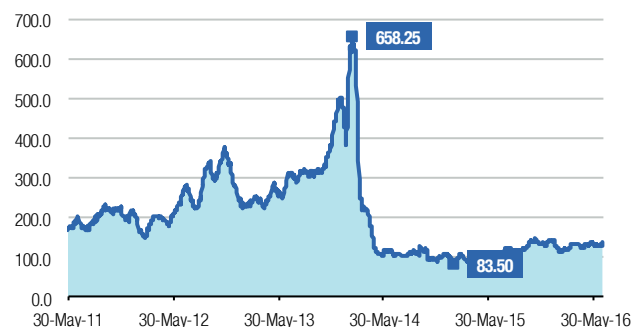


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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

**Chart 21. 30D MA\* ratio of FX market turnover to merchandise trade: last 12m and 5yr periods (% , left and right respectively)**

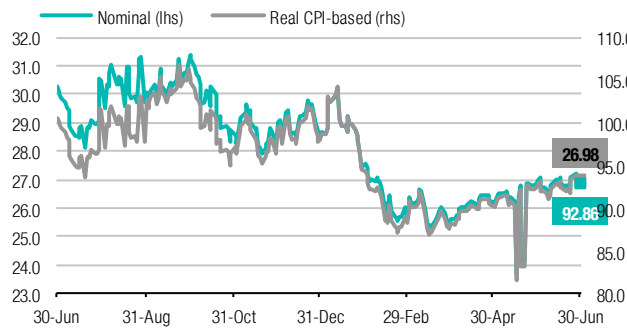


Note: \* 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

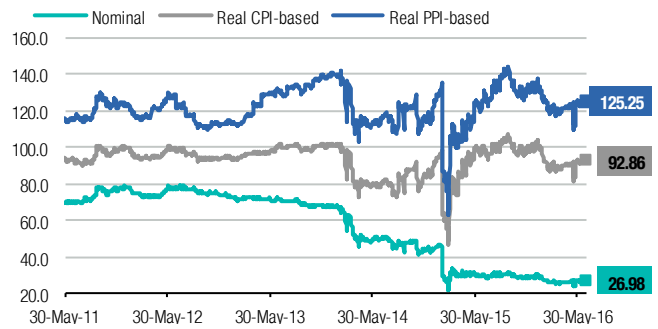
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

**Chart 22. Nominal and CPI-based real TWIs of UAH, history of last 12-month period**



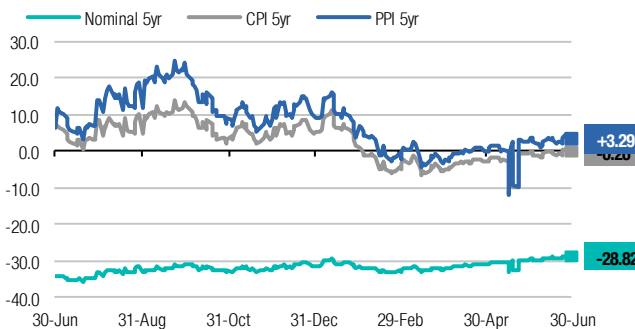
Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

**Chart 23. Nominal, CPI- and PPI-based TWIs of UAH, history of last 5-year period**

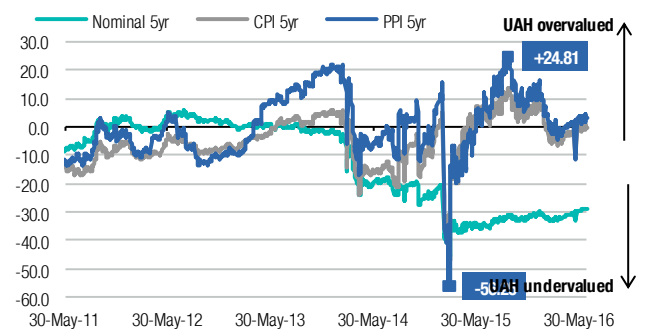


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

**Chart 24. Deviation of UAH trade-weighted indices from their 5-year moving averages: last 12-month and 5-year periods (% , left and right respectively)**

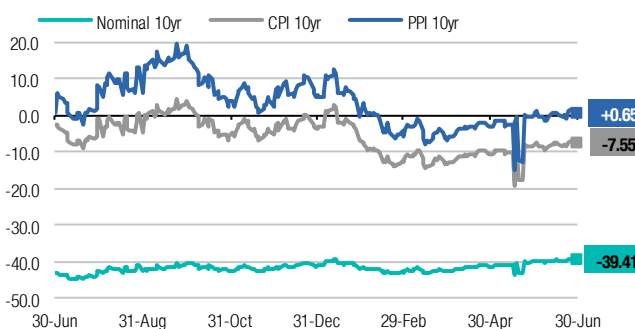


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

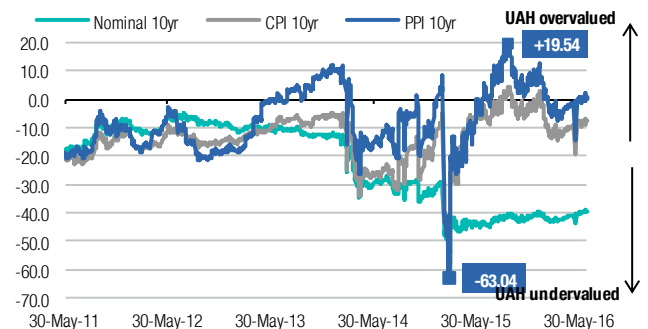


Note: the boxes indicate the high and low values of CPI-based TWI.  
Source: Investment Capital Ukraine LLC.

**Chart 25. 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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**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

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