



Focus
Ukraine

Scope
Economics, bonds, equity & FX markets

Research team
Taras Kotovych

Daily Insight

Liquidity stable

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MONDAY, 4 JULY 2016

UX Index (3 months to 4 Jul 2016)



Source: UX.

Key market indicators (as of 1 Jul 2016)

| | Last | Daily chg (%) | YTD chg (%) |
|--|----------|---------------|-------------|
| FX & MONEY RATES | | | |
| USD/UAH | 24.8225 | -0.03 | +3.31 |
| USD/UAH (1Y NDF) | 28.8730 | -0.02 | +13.24 |
| EUR/USD | 1.1136 | +0.27 | +2.52 |
| USD/RUB | 63.7746 | -0.15 | -12.06 |
| KievPRIME O/N (%) | 15.08 | -9bp | -398bp |
| KievPRIME 1M (%) | 18.67 | +0bp | -358bp |
| 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 | 744bp | +0bp | +0bp |
| EQUITIES | | | |
| Stock market indices | | | |
| UX (Ukraine) | 688.65 | +2.09 | +0.41 |
| MSCI World | 401.07 | +0.45 | +0.43 |
| MSCI EM | 839.25 | +0.62 | +5.68 |
| RTS (Russia) | 933.32 | +0.27 | +23.29 |
| WIG-20 (Poland) | 1,744.56 | -0.35 | -6.16 |
| S&P 500 (USA) | 2,102.95 | +0.19 | +2.89 |

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 stable

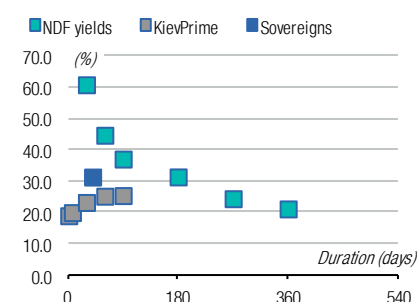
July started with UAH94.78bn of banking sector liquidity, down UAH0.32bn from the day before as it recovered UAH0.31bn to UAH95.09bn on Saturday. At the same time, liquidity remained concentrated in CDs, with a significant reallocation at the end of June to banks' correspondent accounts with the NBU. Total CDs outstanding at the end of last month fell to UAH52.156bn. July started with UAH49.56bn of total CDs outstanding, while banks' correspondent accounts with the NBU rose to UAH45.22bn.

Investment implications: This week should start with liquidity recovering slightly and then possibly declining at the end of the week due to routine natural gas purchases. Banking sector liquidity should remain above UAH90bn but is unlikely to rise above UAH100bn this week.

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Yield curve of the local bond market

(as of market close on 1 Jul 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 1 Jul 2016)

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

MONEY MARKET KIEV PRIME RATES (%)

| | | | | | |
|-----|-------|------|--------|--------|--------|
| 0/n | 15.08 | -9bp | -67bp | -292bp | -398bp |
| 1wk | 16.67 | +0bp | -8bp | -233bp | -333bp |
| 1m | 18.67 | +0bp | -8bp | -233bp | -358bp |
| 2m | 19.25 | +0bp | -100bp | -275bp | -425bp |
| 3m | 19.58 | +0bp | -67bp | -242bp | -417bp |

LIQUIDITY WIDE MEASUREMENT (UAHm)

| | | | | | |
|-----------------------|----------------|--------------|--------------|--------------|---------------|
| CB acc's ¹ | 45,222 | -1.43 | +18.68 | +16.05 | +15.89 |
| CDs ² | 49,556 | +1.94 | -15.99 | -19.92 | -41.80 |
| Sovgns ³ | 9,987 | +0.00 | -13.77 | +27.42 | +111.0 |
| Total | 104,765 | +0.30 | -3.84 | -3.89 | -19.17 |

HOLDERS OF UAH SOVEREIGN BONDS (UAHm)

| | | | | | |
|----------------------|----------------|--------------|--------------|--------------|--------------|
| C.bank | 377,285 | +0.00 | -0.37 | -1.66 | -0.67 |
| Banks | 133,126 | -0.02 | -0.38 | +7.30 | +63.17 |
| Resid's ⁴ | 14,448 | +0.09 | -2.22 | +2.08 | -31.13 |
| Non-res ⁵ | 22,297 | -0.03 | -0.23 | -1.15 | -0.07 |
| Total | 547,156 | +0.00 | -0.42 | +0.50 | +8.41 |

NDF IMPLIED YIELDS (%)

| | | | | | |
|-----|-------|------|------|-------|--------|
| 3m | 20.78 | +1bp | +8bp | +28bp | +0bp |
| 6m | 21.33 | +1bp | +9bp | +27bp | -859bp |
| 9m | 19.09 | +1bp | +8bp | +24bp | -415bp |
| 1yr | 17.74 | +0bp | +7bp | +20bp | +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 (%)

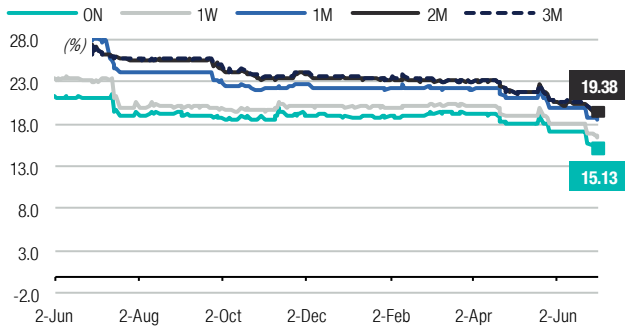
| | | | | | |
|---------|-------|--------|------|------|------|
| CDS 5yr | 744 | +0bp | +0bp | +0bp | +0bp |
| Jun '16 | N/A | +114bp | +0bp | +0bp | +0bp |
| Jul '17 | 29.14 | +26bp | +0bp | +0bp | +0bp |
| Sep '20 | 14.02 | +4bp | +0bp | +0bp | +0bp |
| Sep '21 | 14.22 | +0bp | +0bp | +0bp | +0bp |
| 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.

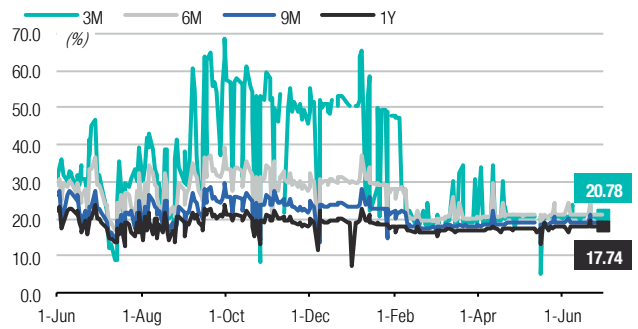
Chart page: Local bond market & Eurobond markets

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



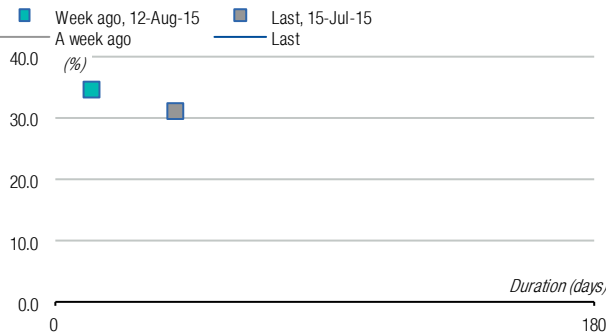
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



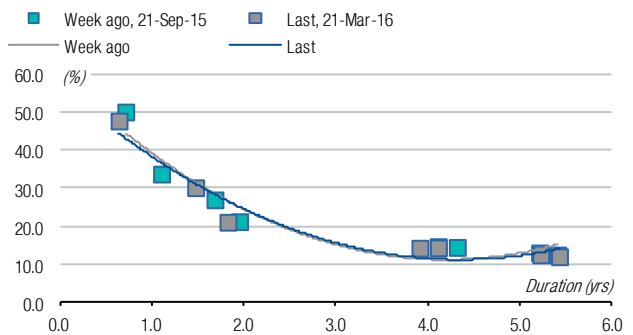
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



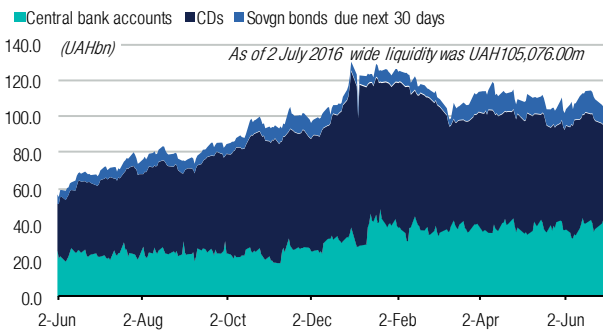
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



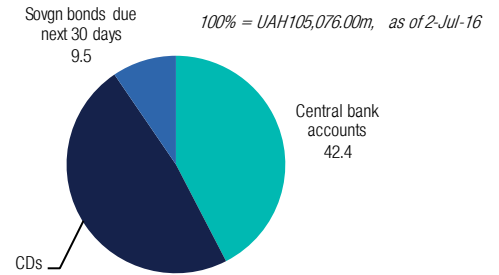
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



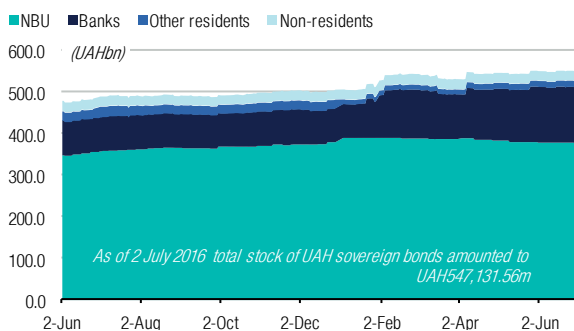
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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



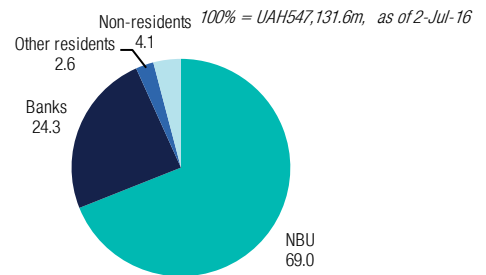
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 Jul 2016



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

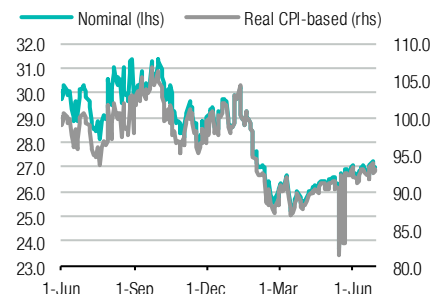
Table 1. Ukrainian stocks (closing prices as of 1-Jul-2016)

| 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 4 Jul 2016)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 1 Jul 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>).

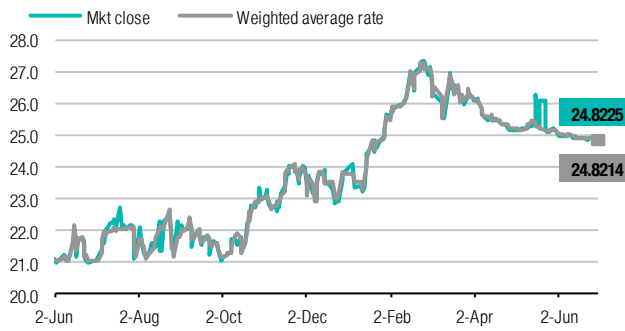
Section on FX market is continued on next page.

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.

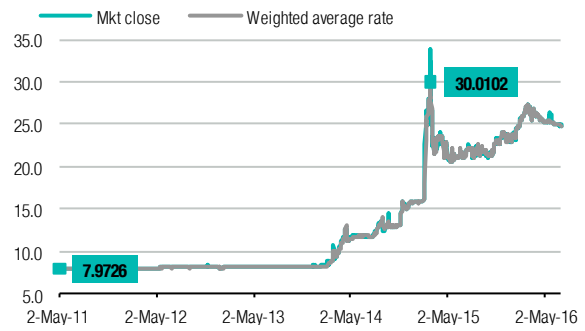
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

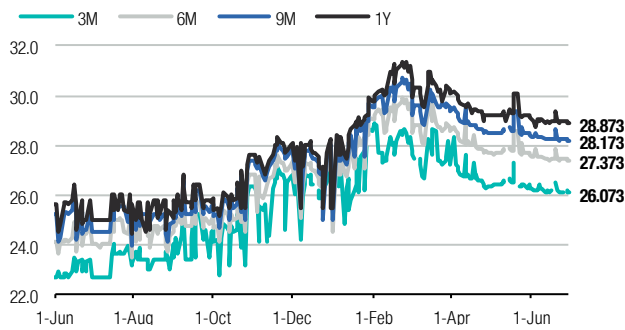


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

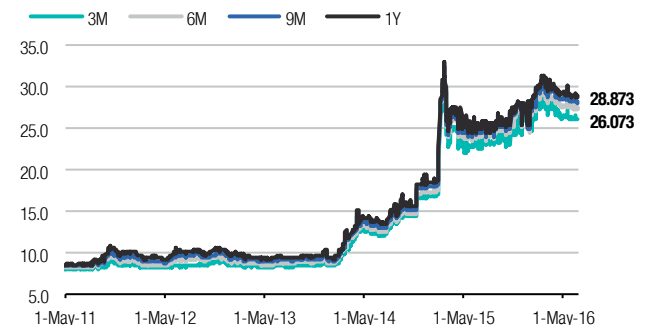


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

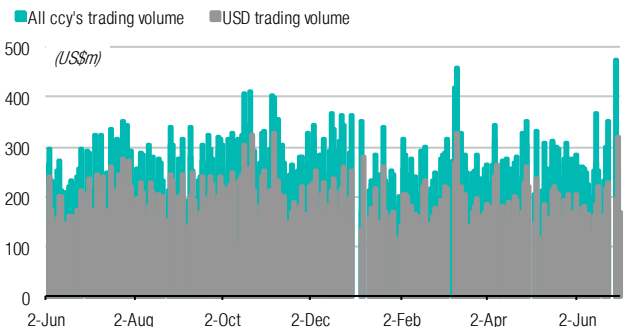


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

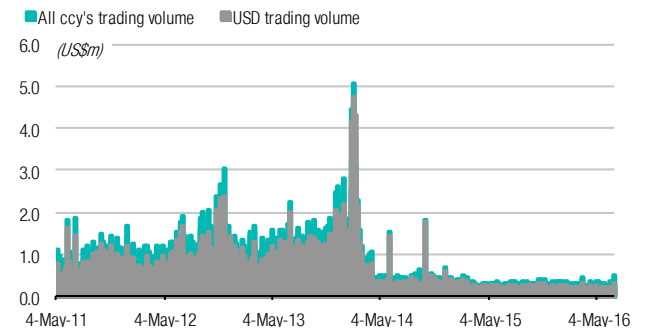


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

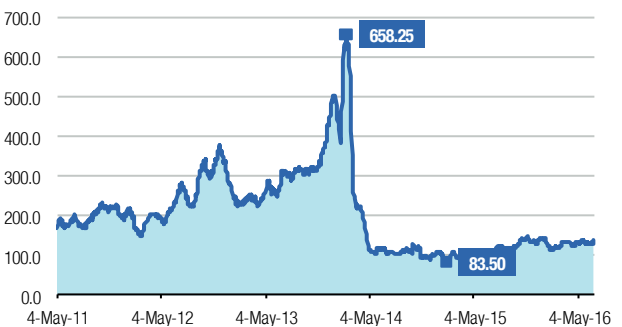
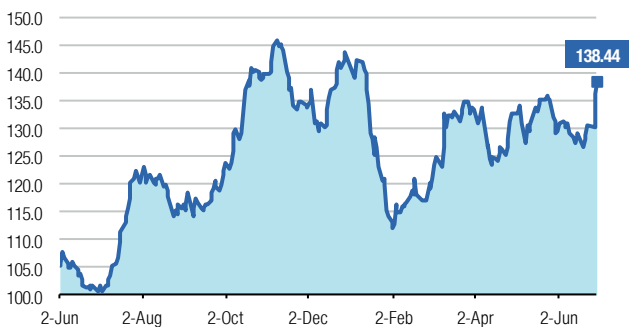


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

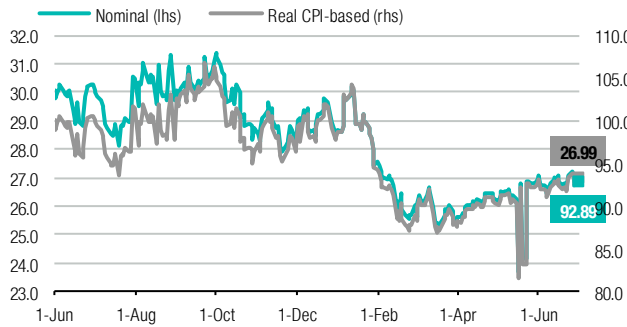


Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

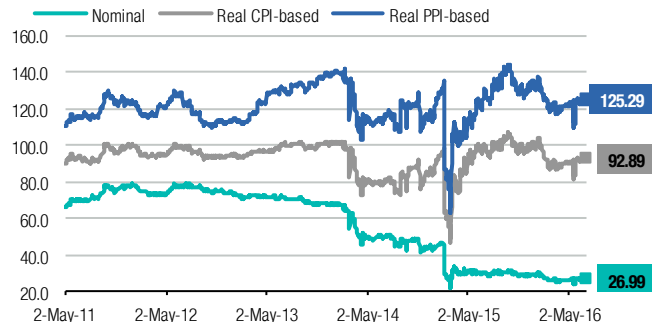
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



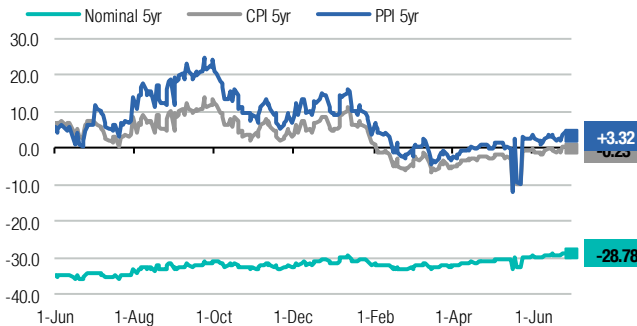
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

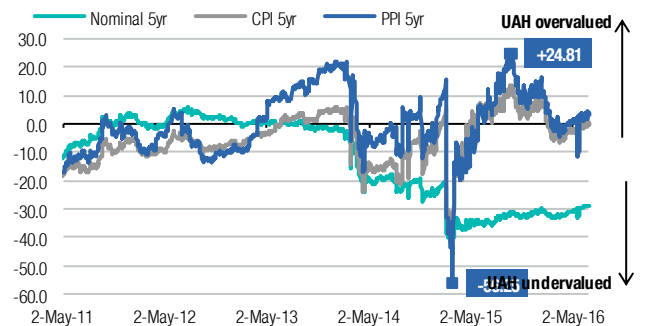


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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)

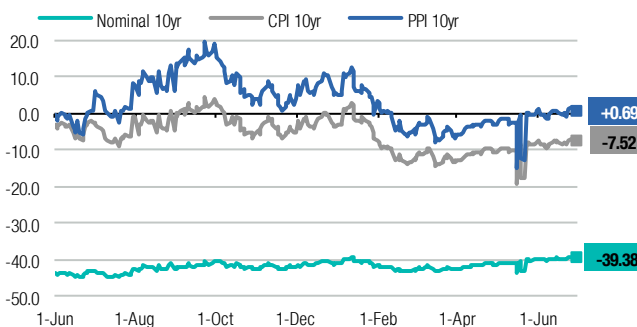


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

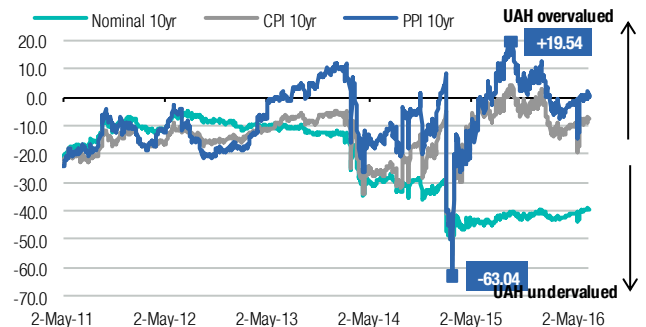


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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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