



Focus  
**Ukraine**

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

Research team  
**Taras Kotovych**

# Daily Insight

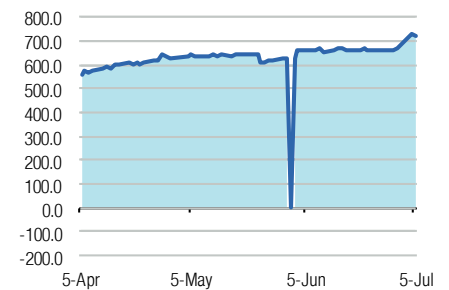
## Liquidity steady

### Contents

<b>Bonds: News &amp; Comments</b>	<b>2</b>
Liquidity steady.....	2
Non-competitive bids dominate .....	2
Chart page: Local bond market & Eurobond markets .....	3
<b>FX: News &amp; Comments</b>	<b>5</b>
Chart page #1: Foreign-exchange market.....	6
Chart page #2: ICU's UAH trade-weighted indices.....	7

WEDNESDAY, 6 JULY 2016

### UX Index (3 months to 6 Jul 2016)



Source: UX.

### Key market indicators (as of 5 Jul 2016)

	Last	Daily chg (%)	YTD chg (%)
<b>FX &amp; MONEY RATES</b>			
USD/UAH	24.8300	+0.04	+3.34
USD/UAH (1Y NDF)	28.8800	+0.03	+13.27
EUR/USD	1.1076	-0.70	+1.97
USD/RUB	64.4094	+0.44	-11.19
KievPRIME O/N (%)	15.08	+0bp	-398bp
KievPRIME 1M (%)	18.67	+0bp	-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	744bp	+0bp	+0bp
<b>EQUITIES</b>			
<b>Stock market indices</b>			
UX (Ukraine)	720.66	-1.39	+5.07
MSCI World	397.51	-0.97	-0.46
MSCI EM	831.68	-1.39	+4.73
RTS (Russia)	925.23	-1.66	+22.22
WIG-20 (Poland)	1,715.95	-0.50	-7.70
S&P 500 (USA)	2,088.55	-0.68	+2.18

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 slid UAH0.07bn to UAH95.80bn yesterday, maintaining the balance at UAH95bn since the beginning of the month. The NBU provided less than UAH0.50bn of funds via the FX auction on Monday which mostly covered that day's outflows. At the same time, banks purchased a significant volume of CDs, increasing purchases of 14-days CDs from UAH1.11bn last Saturday to UAH5.53bn on Monday. As a result, total CDs outstanding rose UAH5.57bn to UAH58.37bn, the largest amount since the end of June, while banks' correspondent accounts with the NBU fell UAH37.43bn.

**Investment implications:** Banks continued to increase CDs in their portfolios, which could result in a reallocation of liquidity today. Banks also purchased UAH0.29bn of bonds yesterday (see comment below) with settlement day today, which should slightly reduce liquidity in tomorrow's indicators. Because of this, liquidity should not rise significantly this week, but instead could decline to about UAH91-92bn at the end of the week. All said, this decline should have little impact on interest rates.

**Taras Kotovych, Kiev, +38044 2200120 ext.724**

## Non-competitive bids dominate

After the NBU decreased its key interest rate at the end of June, with even lower interest rates at the auction being uncertain, investor demand at yesterday's auction was tepid at best. It appears that bidders preferred to submit non-competitive bids, and almost 80% of their demand was fulfilled.

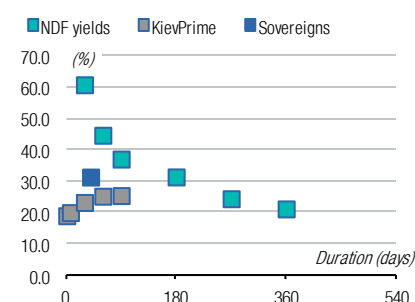
Actually, the MoF was forced to accept some competitive bids to adjust the weighted average interest rate to the level needed to accept non-competitive bids and receive funds for the state budget. As a result, 9-month bond interest rates declined 25bp to 16.50%, 12-month bond rates fell 74bp to 16.11%, and the 5-year bond rate slid only 10bp to 16.65% as demand for this bond appeared to be the most conservative.

**Investment implications:** However, total demand was paltry in contrast to that seen at previous auctions, particularly as state-owned banks appear to not participate in this auction. The MoF collected a total of 17 bids for a total of UAH514.85m, but accepted only 14 of them for a total of UAH293.85m, including UAH233.5m of non-competitive bids (all par value).

**Taras Kotovych, Kiev, +38044 2200120 ext.724**

## Yield curve of the local bond market

(as of market close on 5 Jul 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

## Bond market indicators (as of 5 Jul 2016)

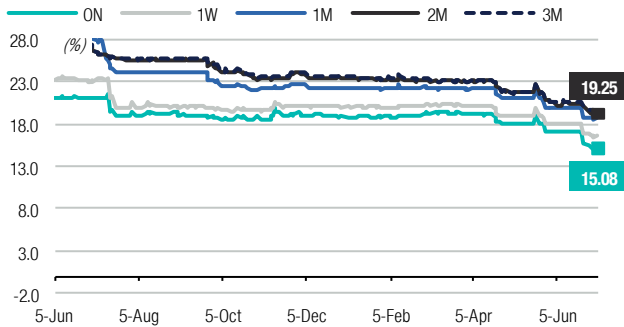
	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>MONEY MARKET KIEV PRIME RATES (%)</b>					
O/n	15.08	+0bp	-67bp	-192bp	-398bp
1wk	16.67	+0bp	-8bp	-133bp	-333bp
1m	18.67	+0bp	-8bp	-133bp	-358bp
2m	18.92	+0bp	-133bp	-158bp	-458bp
3m	19.25	+0bp	-100bp	-142bp	-450bp
<b>LIQUIDITY WIDE MEASUREMENT (UAHm)</b>					
CB acc's <sup>1</sup>	37,429	-13.09	-0.35	+0.32	-2.68
CDs <sup>2</sup>	58,369	+10.55	-2.93	+1.15	-32.75
Sovgns <sup>3</sup>	10,761	-4.24	-7.08	+21.70	+127.4
<b>Total</b>	<b>106,560</b>	<b>-0.51</b>	<b>-2.48</b>	<b>+2.60</b>	<b>-18.03</b>
<b>HOLDERS OF UAH SOVEREIGN BONDS (UAHm)</b>					
C.bank	377,284	+0.00	-0.37	-0.37	-0.67
Banks	133,069	-0.02	-0.40	-0.19	+63.13
Resid's <sup>4</sup>	14,472	+0.05	-2.14	+3.23	-31.08
Non-res <sup>5</sup>	22,287	-0.02	-0.25	-0.76	-0.09
<b>Total</b>	<b>547,112</b>	<b>+0.00</b>	<b>-0.42</b>	<b>-0.25</b>	<b>+8.41</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	744	+0bp	+0bp	+49bp	+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.

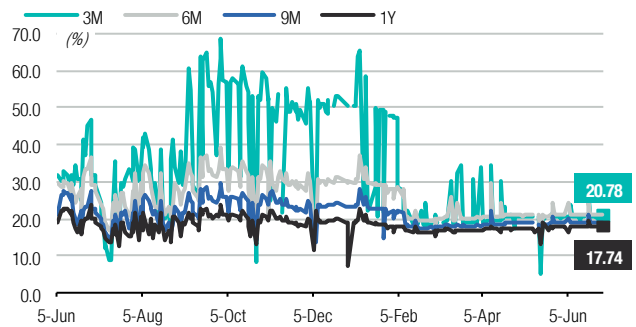
Chart page: Local bond market & Eurobond markets

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



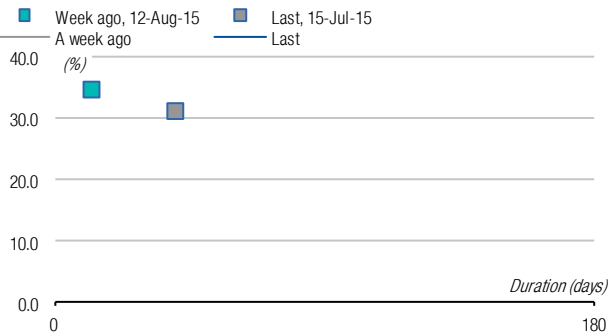
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



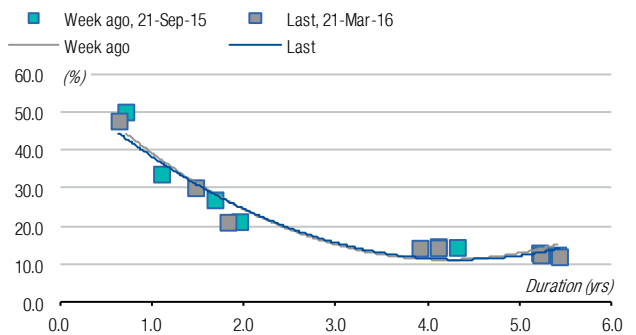
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 5 Jul 2016



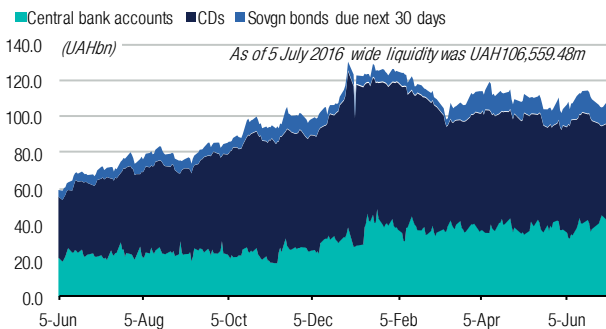
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 5 Jul 2016



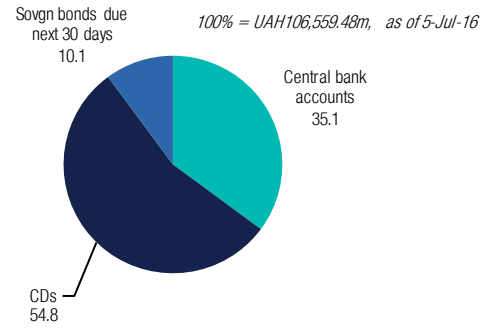
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



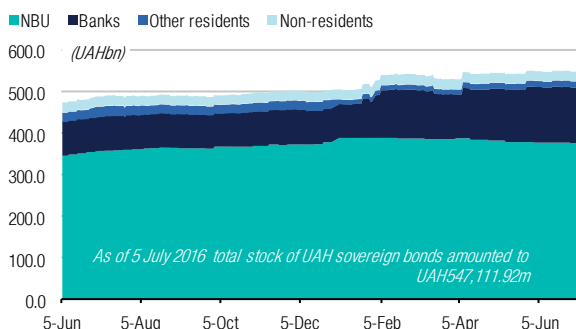
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 5 Jul 2016



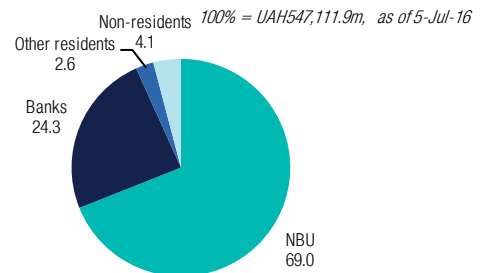
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 5 Jul 2016



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

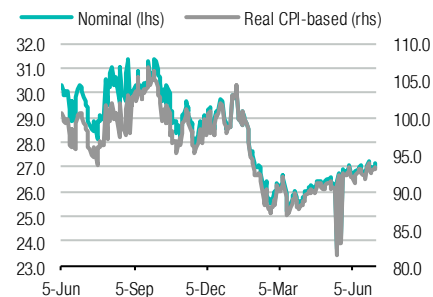
**Table 1. Ukrainian stocks (closing prices as of 5-Jul-2016)**

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 6 Jul 2016)



Source: Investment Capital Ukraine LLC.

## FX market indicators (as of 5 Jul 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>).

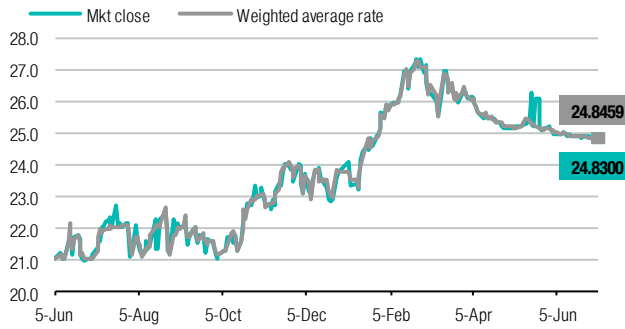
Section on FX market is continued on next page.

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.

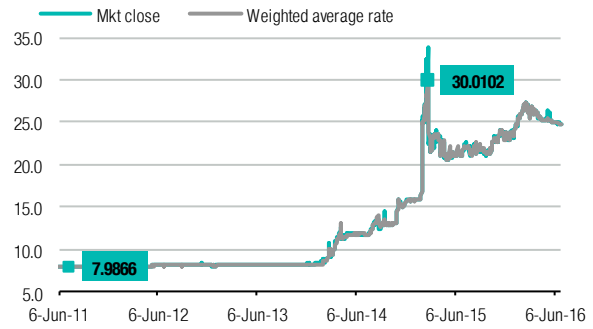
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

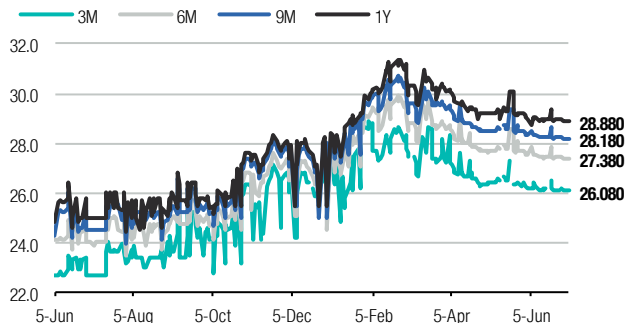


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

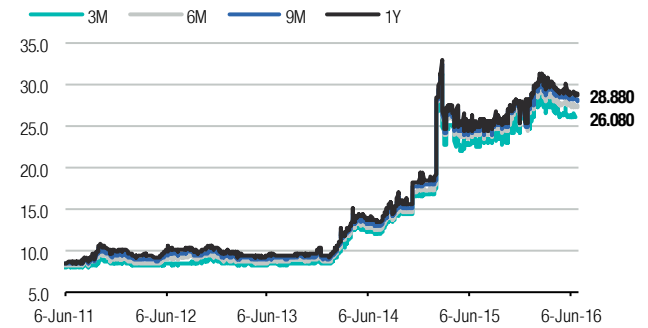


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

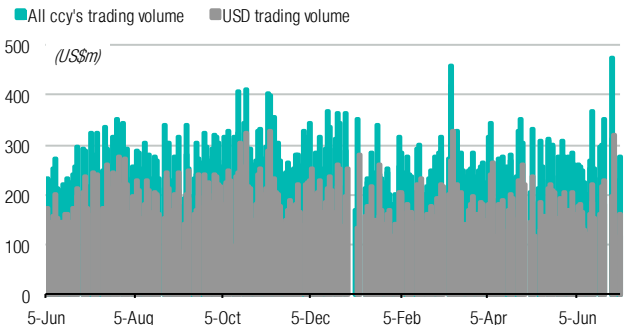


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

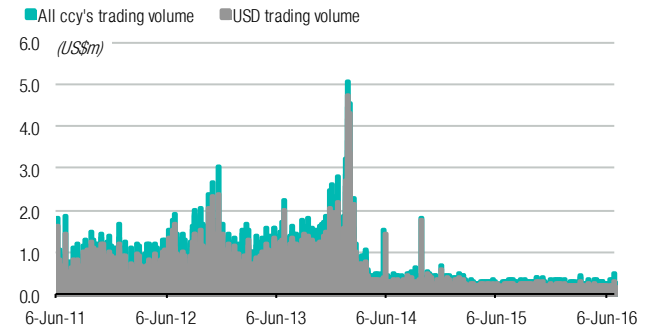


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

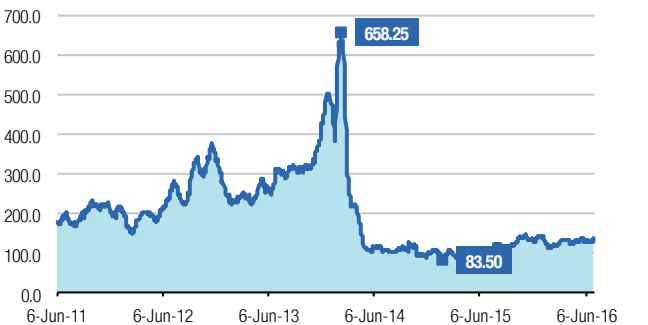
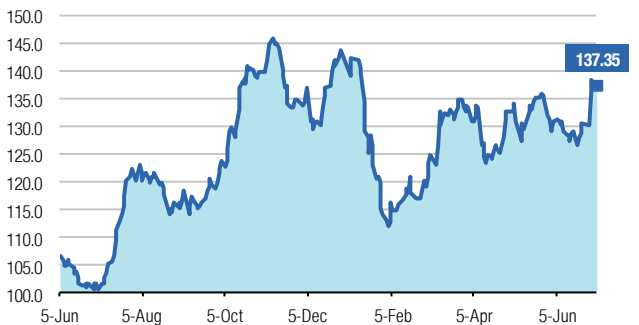


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

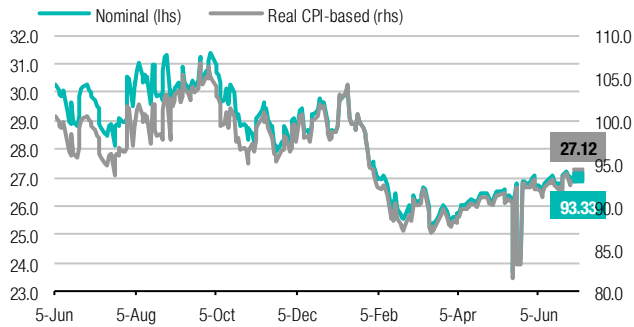


Note: \* 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

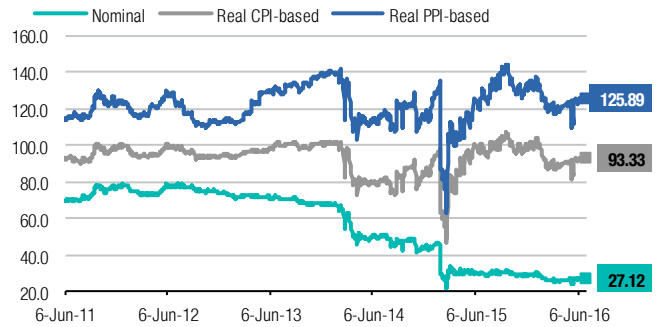
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



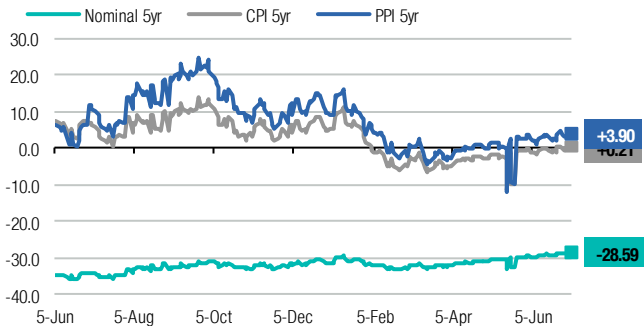
Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

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

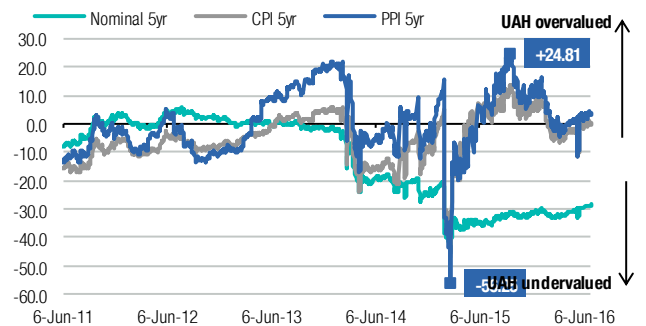


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

**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)**

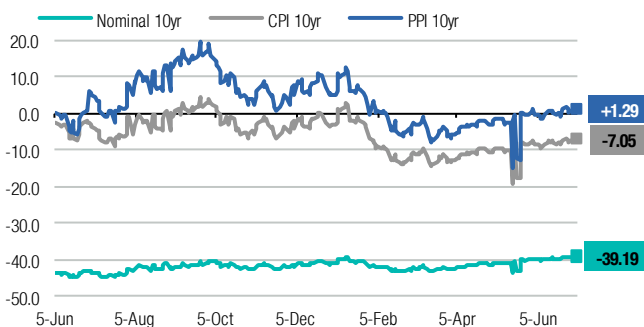


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

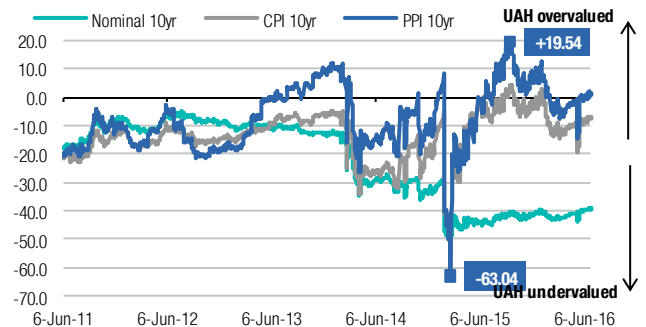


Note: the boxes indicate the high and low values of CPI-based TWI.  
Source: Investment Capital Ukraine LLC.

**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.

This page is intentionally left blank



# Disclosures

## ANALYST CERTIFICATION

This research publication has been prepared by the analyst(s), whose name(s) appear on the front page of this publication. The analyst(s) hereby certifies that the views expressed within this publication accurately reflect her/his own views about the subject financial instruments or issuers and no part of her/his compensation was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views within this research publication.

## 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



11th floor, LEONARDO Business Centre  
19-21 Bogdan Khmelnytsky Street  
Kiev, 01030 Ukraine  
Phone/Fax +38 044 2200120

**WEB** [www.icu.ua](http://www.icu.ua)



@ICU\_UA

## CORPORATE FINANCE

**Makar Paseniuk, CFA**, Managing Director  
makar.paseniuk@icu.ua

**Ivan Shvydanenko**, Director  
ivan.shvydanenko@icu.ua

**Roman Nikitov, ACCA** Director  
roman.nikitov@icu.ua

**Yuriy Kamarytskyi**, Vice President  
yuriy.kamarytskyi@icu.ua

**Ruslan Kilmukhametov**, Director  
ruslan.kilmukhametov@icu.ua

**Ruslan Patlavsky**, Director  
ruslan.patlavsky@icu.ua

## STRATEGY AND CORPORATE DEVELOPMENT

**Vlad Sinani**, Director  
vlad.sinani@icu.ua

## SALES AND TRADING

**Konstantin Stetsenko**   
Managing Director  
konstantin.stetsenko@icu.ua

**Liliya Kubytovych**   
Asset Management Product Sales  
liliya.kubytovych@icu.ua

**Sergiy Byelyayev**  
Fixed-Income Trading  
sergiy.byelyayev@icu.ua

**Yevgeniya Gryshchenko**  
Fixed-Income Sales  
yevgeniya.gryshchenko@icu.ua

**Vitaliy Sivach**   
Fixed-Income & FX Trading  
vitaliy.sivach@icu.ua

## RESEARCH DEPARTMENT

**Alexander Valchyshen**   
Head of Research  
alexander.valchyshen@icu.ua

**Taras Kotovych**   
Senior financial analyst (Sovereign debt)  
taras.kotovych@icu.ua

**Alexander Martynenko**   
Head of corporate research  
alexander.martynenko@icu.ua

**Mykhaylo Demkiv**   
Financial analyst (Banks)  
mykhaylo.demkiv@icu.ua

**Bogdan Vorotilin**   
Financial analyst (Food & Agribusiness)  
bogdan.vorotilin@icu.ua

**Lee Daniels, Rolfe Haas**  
Editors

Investment Capital Ukraine LLC is regulated by Securities and Stock Market State Commission of Ukraine (license numbers: dealer activity AE 263019, broker activity AE 263018, underwriting activity AE 263020 dated 11 April 2013).

## DISCLAIMER

This research publication has been prepared by Investment Capital Ukraine LLC solely for information purposes for its clients. It does not constitute an investment advice or an offer or solicitation for the purchase or sale of any financial instrument. While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, Investment Capital Ukraine makes no representation that it is accurate or complete. The information contained herein is subject to change without notice. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of Investment Capital Ukraine LLC. All rights are reserved. Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates. Past performance is not indicative of future results. Investors should make their own investigations and investment decisions without relying on this report. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this report.



**Additional information is available upon request.**