



Focus
Ukraine

Scope
Economics, bonds, equity & FX markets

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Daily Insight

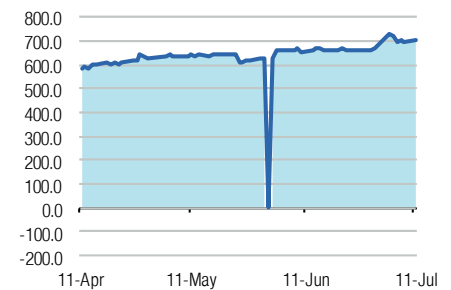
Share capital up, insider lending down

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TUESDAY, 12 JULY 2016

UX Index (3 months to 12 Jul 2016)



Source: UX.

Key market indicators (as of 11 Jul 2016)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	24.8500	+0.00	+3.42
USD/UAH (1Y NDF)	28.9000	+0.00	+13.35
EUR/USD	1.1058	+0.06	+1.80
USD/RUB	64.2444	+0.60	-11.41
KievPRIME O/N (%)	15.00	+0bp	-406bp
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	N/A		
EQUITIES			
Stock market indices			
UX (Ukraine)	708.81	+1.38	+3.35
MSCI World	404.88	+0.97	+1.38
MSCI EM	846.73	+2.16	+6.62
RTS (Russia)	941.35	+0.75	+24.35
WIG-20 (Poland)	1,745.43	+2.35	-6.12
S&P 500 (USA)	2,137.16	+0.34	+4.56

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

Share capital up, insider lending down

In June, regulatory capital rose by UAH2.4bn, or 1.9% MoM, as the result of a capital injection and positive P&L dynamics. The simultaneous 1.9% MoM decline of risk-weighted assets caused the regulatory capital adequacy ratio to rise 0.5ppt to 13.0%.

Insider lending has drastically decreased from 35.6% of the regulatory capital in May to 25.3% in June, only marginally higher than the maximum 25% that is permitted. According to our estimates, the recognized exposure to related parties has decreased in June by UAH12.4bn to UAH32.2bn. We believe that banks in which the NBU has identified excessively high insider exposure during asset quality review are taking steps to decrease it.

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Bonds: News & Comments

Primary auction announcement

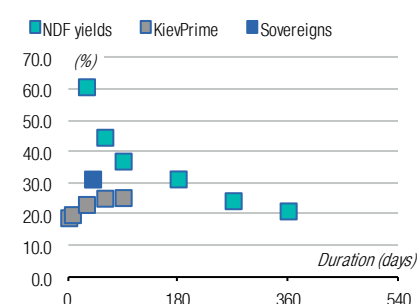
The MoF will offer four local currency denominated bonds today, three of which will be zero-coupon bonds with maturities up to one year and one 2-year coupon-bearing bond. Most likely, demand will be concentrated at the 2-year maturity but short-term bonds should see some demand, albeit smaller.

Investment implications: The reduction of key interest rates by the NBU at the end of June should continue to have an effect on the primary bond market. 12-month bonds were sold last week at a 16.11% weighted average interest rate and should be the main benchmark for this auction. 12-month bonds could be sold at about 16% while 6-month and 9-month bonds could be sold if interest rates decline significantly from last week's auction, particularly because the MoF rejected a large portion of demand due to high interest rates. The MoF should be interested to sell 2-year bonds at interest rates no higher than 16.50%, depending on market demand for this maturity which could prevent a significant decrease in the interest rate, but the MoF could choose bids at the lowest rates.

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Yield curve of the local bond market

(as of market close on 11 Jul 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 11 Jul 2016)

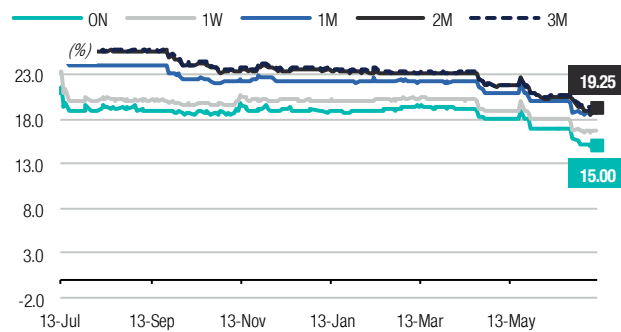
	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
MONEY MARKET KIEV PRIME RATES (%)					
O/n	15.00	+0bp	-8bp	-200bp	-406bp
1wk	16.67	+0bp	+0bp	-133bp	-333bp
1m	18.67	+0bp	+0bp	-133bp	-358bp
2m	18.92	+0bp	+0bp	-158bp	-458bp
3m	19.25	+0bp	+0bp	-142bp	-450bp
LIQUIDITY WIDE MEASUREMENT (UAHm)					
CB acc's ¹	42,604	+20.15	-1.08	+25.19	+10.77
CDs ²	0	+0.00	+0.00	+0.00	+0.00
Sovgns ³	9,736	+24.13	-13.36	+9.87	+105.7
Total	52,340	+20.87	-3.62	+22.03	+21.17
HOLDERS OF UAH SOVEREIGN BONDS (UAHm)					
C.bank	375,285	+0.00	-0.53	-0.90	-1.19
Banks	133,476	+0.08	+0.29	+1.69	+63.63
Resid's ⁴	14,033	-0.32	-2.98	-1.21	-33.17
Non-res ⁵	22,305	+0.08	+0.06	-0.61	-0.01
Total	545,099	+0.01	-0.37	-0.28	+8.01
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 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	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.

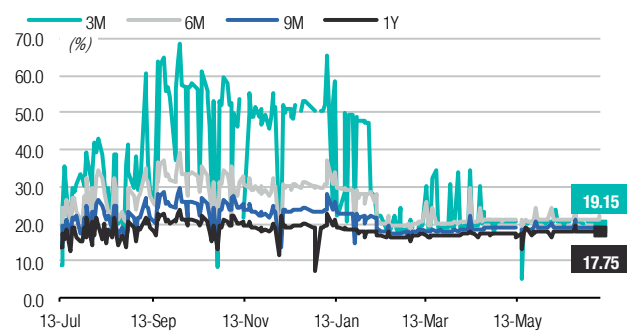
Chart page: Local bond market & Eurobond markets

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



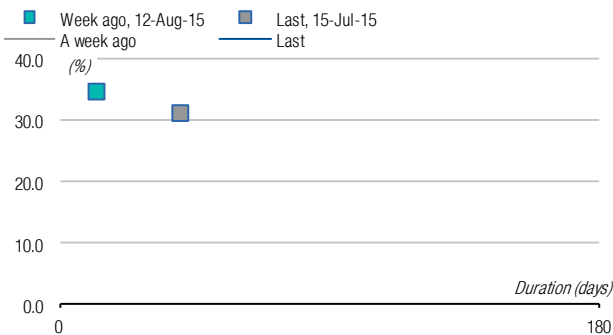
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



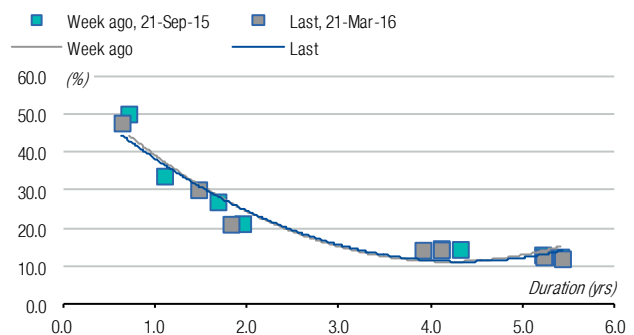
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 11 Jul 2016



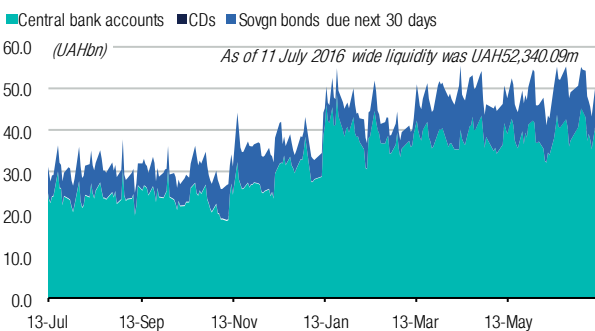
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 11 Jul 2016



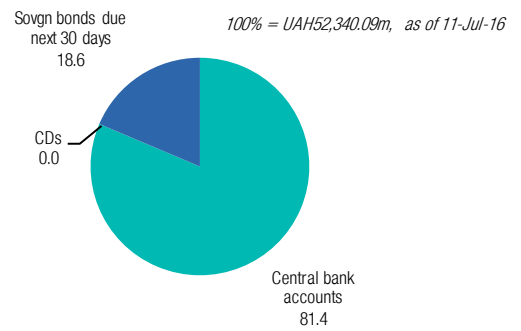
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



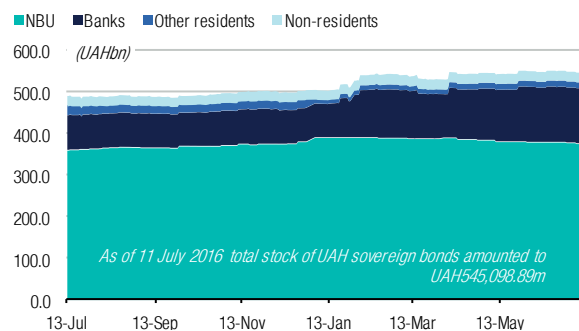
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 11 Jul 2016



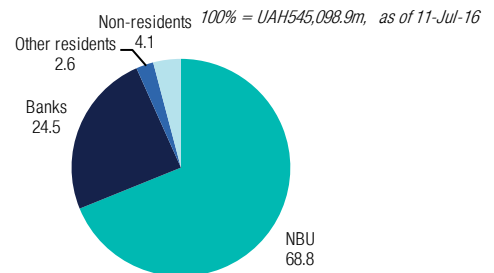
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 11 Jul 2016



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

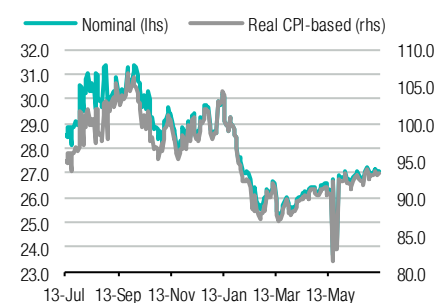
Table 1. Ukrainian stocks (closing prices as of 11-Jul-2016)

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 12 Jul 2016)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 11 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>).

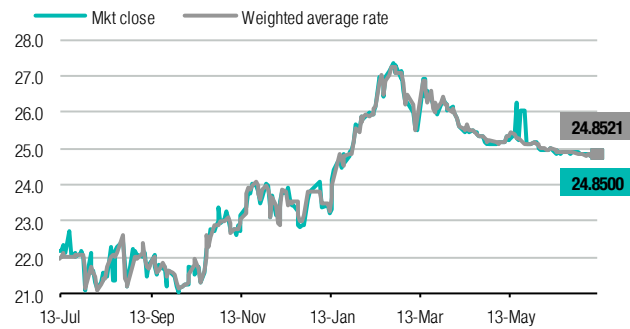
Section on FX market is continued on next page.

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.

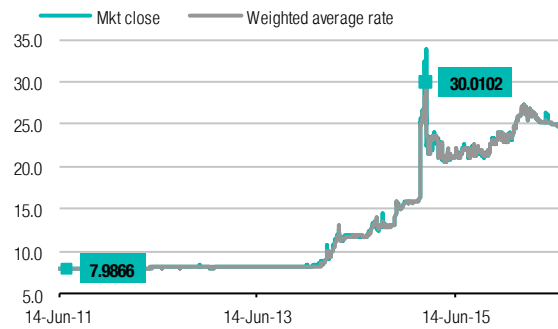
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

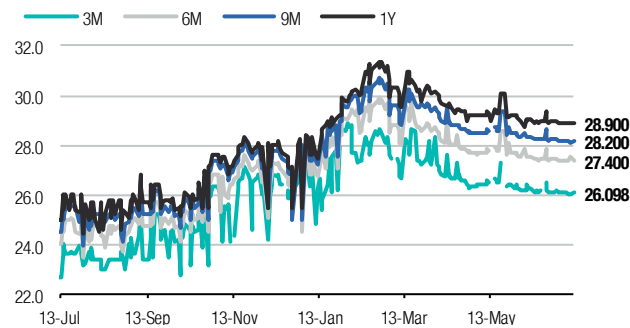


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

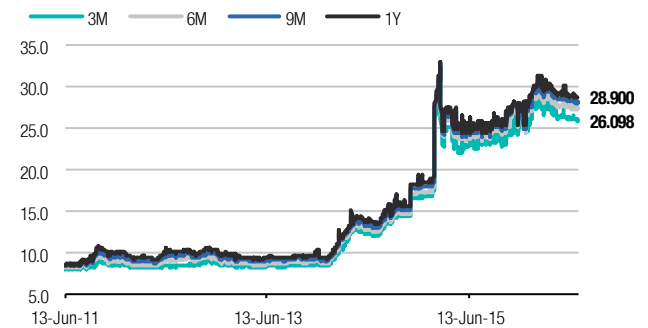


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

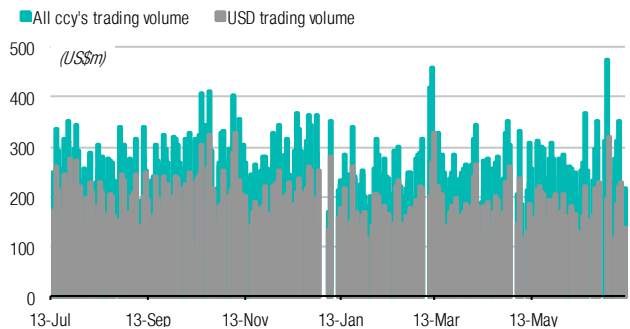


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

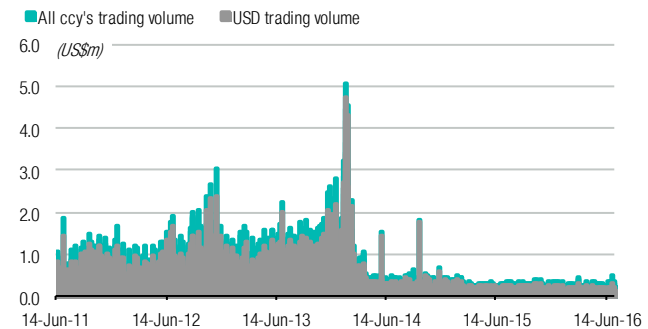


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

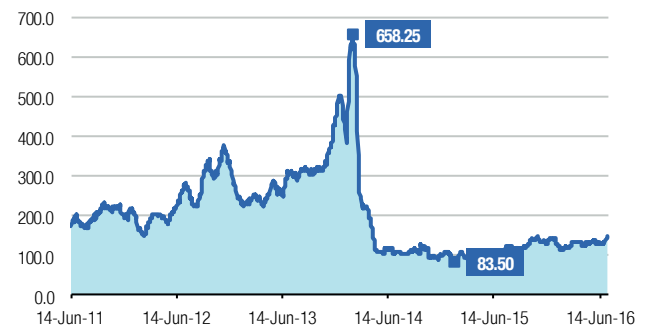


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

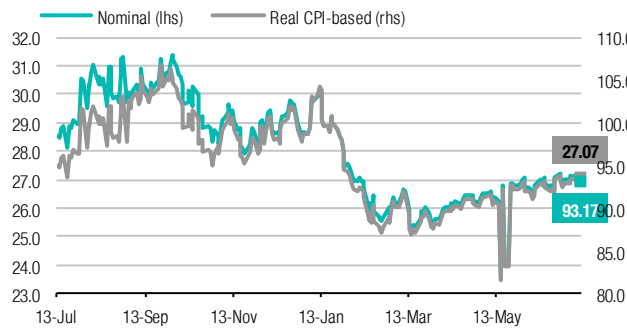


Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

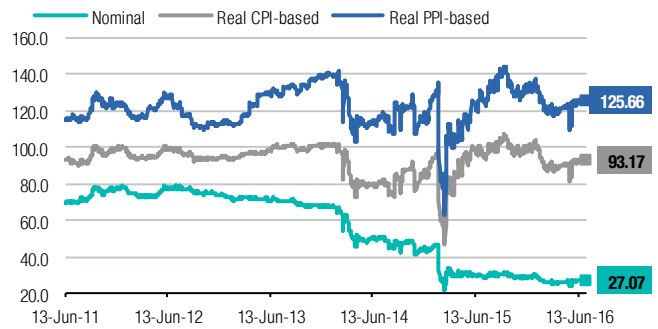
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



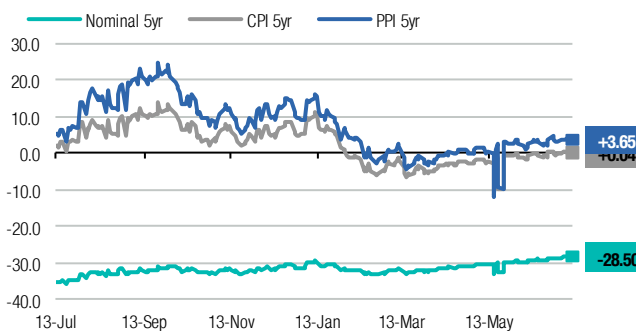
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

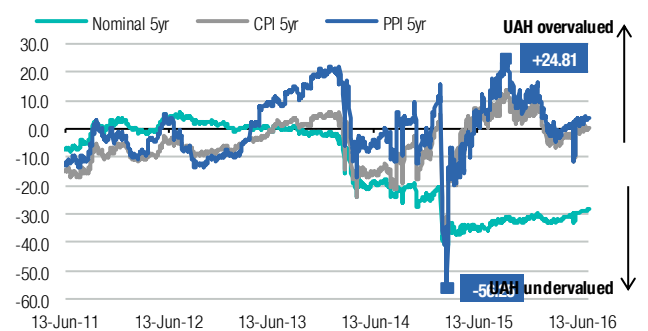


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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)

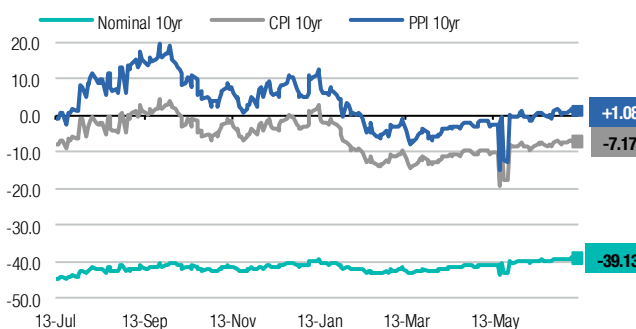


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

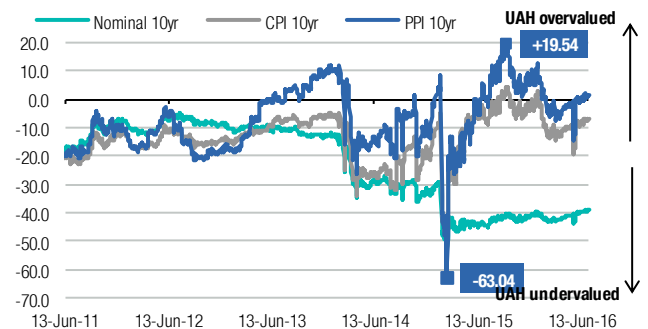


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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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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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