

Daily Insight

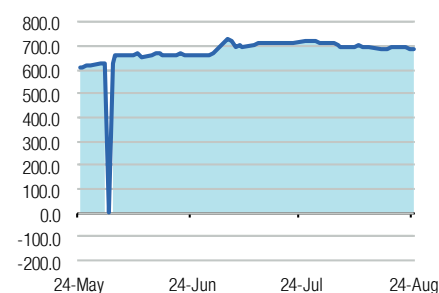
Liquidity continues to decline

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THURSDAY, 25 AUGUST 2016

UX Index (3 months to 25 Aug 2016)



Source: UX.

Key market indicators (as of 24 Aug 2016)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	25.3400	+0.00	+5.46
USD/UAH (1Y NDF)	29.3900	+0.00	+15.27
EUR/USD	1.1264	-0.36	+3.70
USD/RUB	65.2590	+1.00	-10.01
KievPRIME O/N (%)	N/A		
KievPRIME 1M (%)	N/A		
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	641bp	+0bp	+0bp
EQUITIES			
Stock market indices			
UX (Ukraine)	692.33	+0.00	+0.94
MSCI World	419.28	-0.50	+4.99
MSCI EM	896.75	-1.08	+12.92
RTS (Russia)	958.04	-1.46	+26.55
WIG-20 (Poland)	1,786.32	-0.24	-3.92
S&P 500 (USA)	2,175.44	-0.52	+6.43

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 continues to decline

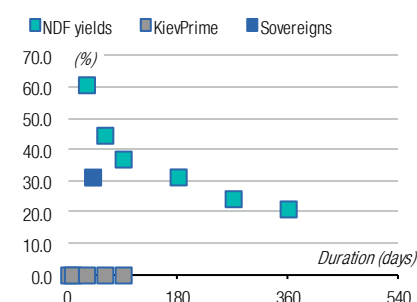
On Tuesday, total CDs outstanding fell another UAH1.88bn to UAH45.37bn, the lowest level since the end of August 2015. At the same time, banks' correspondent accounts with the NBU rose a slight UAH0.45bn to UAH36.48bn on Tuesday. As a result, banking sector liquidity declined UAH1.43bn to UAH81.85bn.

Investment implications: Liquidity continued to decline as a result of month-end tax payments and minimal injections from the NBU via FX auctions. Banks continued to withdraw funds from CDs to meet funding needs. Over the next few business days, liquidity could decline further as funds reallocate from CDs to banks' accounts. The MoF should make its debt repayments today. The postponement of payments due to the public holiday also should have a negative impact on liquidity.

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Yield curve of the local bond market

(as of market close on 24 Aug 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 24 Aug 2016)

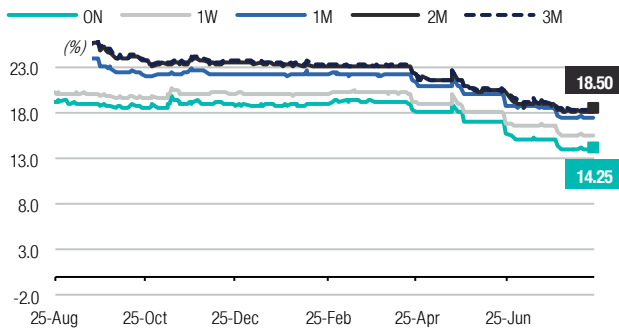
	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
MONEY MARKET KIEV PRIME RATES (%)					
O/n	N/A	N/A	N/A	N/A	N/A
1wk	N/A	N/A	N/A	N/A	N/A
1m	N/A	N/A	N/A	N/A	N/A
2m	N/A	N/A	N/A	N/A	N/A
3m	N/A	N/A	N/A	N/A	N/A
LIQUIDITY WIDE MEASUREMENT (UAHm)					
CB acc's ¹	N/A	N/A	N/A	N/A	N/A
CDs ²	N/A	N/A	N/A	N/A	N/A
Sovgns ³	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A
HOLDERS OF UAH SOVEREIGN BONDS (UAHm)					
C.bank	N/A	N/A	N/A	N/A	N/A
Banks	N/A	N/A	N/A	N/A	N/A
Resid's ⁴	N/A	N/A	N/A	N/A	N/A
Non-res ⁵	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A
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	641	+0bp	+0bp	-104bp	+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.

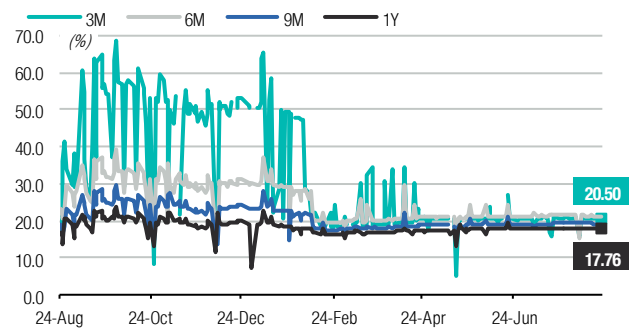
Chart page: Local bond market & Eurobond markets

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



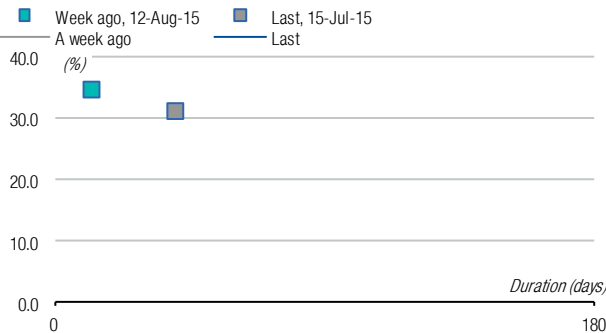
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



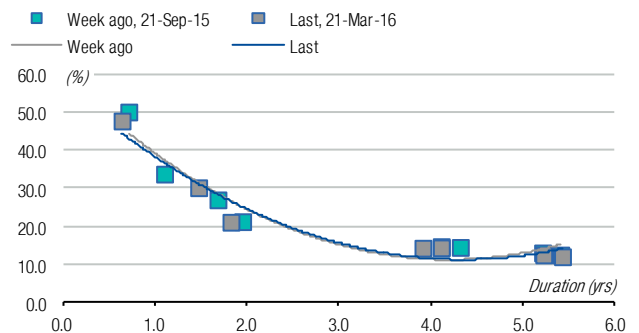
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 24 Aug 2016



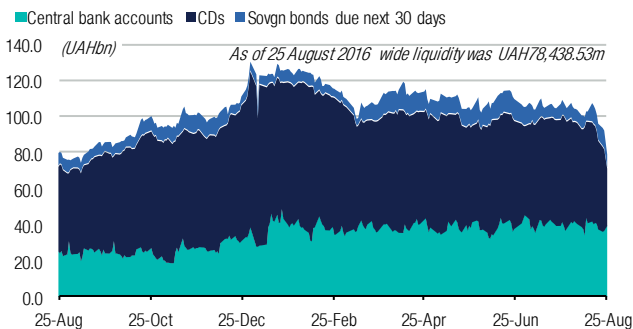
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 24 Aug 2016



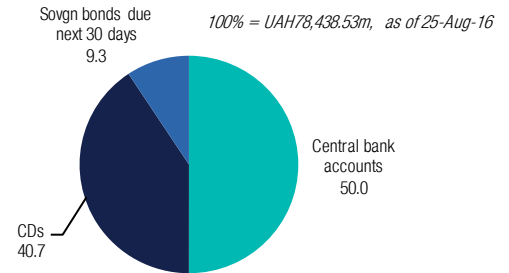
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



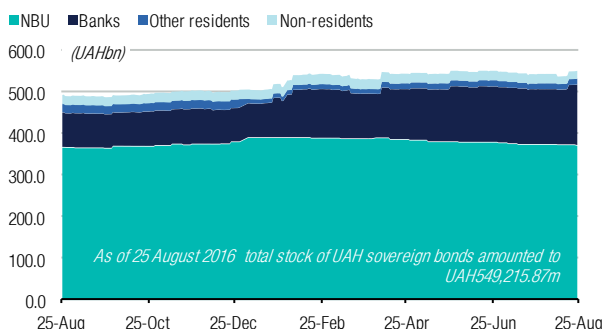
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 24 Aug 2016



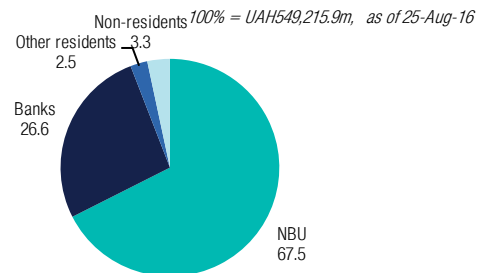
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 24 Aug 2016



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

Table 1. Ukrainian stocks (closing prices as of 24-Aug-2016)

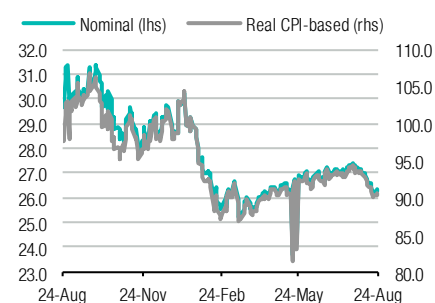
Company	Bloomberg Ticker	Listing	Share price performance (% change)				Valuation (US\$)			Free float (FF) & Liquidity					P/E			EV/EBITDA			EV/Sales			Ratios			
			Last price	Daily	MoM	YTD	YoY	Last price	Market cap (m)	EV (m)	FF (%)	FF mkt cap (US\$m)	Last day turnover (US\$ 000)	3M avg. turnover (US\$ 000)	FF share traded (%)	FF turnover (days)	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	P/B (x)	Debt/Assets (%)
ENERGY																											
Cadogan Petrol...	CAD LN	London	7.75 GBp	+0.0	-1.6	-4.6	-23.5	0.10	23.7	-12.5	40.2	9.5	0.0	1.4	0.01	15,791	Neg.	N/A	N/A	1.4	N/A	N/A	Neg.	N/A	N/A	0.4	17.5
Coal Energy	CLE PW	Warsaw	0.55 PLN	+0.0	+3.8	+3.8	-20.3	0.14	6.5	78.5	25.0	1.6	0.2	0.6	0.05	2,187	Neg.	N/A	N/A	10.8	N/A	N/A	0.7	N/A	N/A	0.2	56.9
JKX Oil & Gas	JKX LN	London	19.50 GBp	+0.0	+0.0	-28.4	+20.0	0.26	44.3	49.7	47.2	20.9	0.0	4.7	0.02	5,468	Neg.	Neg.	Neg.	Neg.	2.0	N/A	0.6	0.7	0.7	0.2	13.0
Regal Petroleum	RPT LN	London	2.99 GBp	+9.3	-23.0	-20.4	-23.1	0.04	12.7	-20.3	80.9	10.2	0.5	2.1	0.01	19,300	Neg.	N/A	N/A	Neg.	N/A	N/A	Neg.	N/A	N/A	0.2	0.0
Sadova Group	SGR PW	Warsaw	0.18 PLN	+28.6	+0.0	-40.0	-40.0	0.05	2.0	43.2	25.0	0.5	1.0	0.5	0.21	486	Neg.	N/A	N/A	Neg.	N/A	N/A	41.7	N/A	N/A	N/A	239.6
METALLURGY																											
Ferrexpo PLC	FXPO LN	London	78.00 GBp	+0.6	+100.0	+262.8	+37.4	1.03	607.3	1,359.4	22.4	136.0	831.4	1,073.7	1.34	74	18.4	4.4	5.8	9.8	4.9	6.6	1.4	1.5	1.6	2.1	73.7
FOOD AND AGRIBUSINESS																											
AgroGeneration	ALAGR FP	EN Paris	0.35 EUR	+0.0	+9.4	-12.5	-25.5	0.39	39.2	78.0	34.0	13.3	46.6	42.6	0.43	231	Neg.	9.7	2.4	4.2	3.9	2.7	1.2	1.1	0.9	0.5	40.7
Agroliga	AGL PW	Warsaw	13.50 PLN	-1.5	-12.8	+18.6	+27.4	3.53	5.4	6.7	16.7	0.9	1.6	0.9	0.20	513	1.7	N/A	N/A	1.8	N/A	N/A	0.4	N/A	N/A	0.5	10.7
Agroton	AGT PW	Warsaw	2.51 PLN	+0.8	+61.9	+148.5	+139.0	0.66	14.2	28.2	26.2	3.7	8.3	76.7	5.08	20	Neg.	N/A	N/A	1.2	N/A	N/A	0.7	N/A	N/A	0.3	32.4
Astarta Holdin...	AST PW	Warsaw	50.25 PLN	+0.5	+2.8	+45.7	+69.1	13.14	328.4	484.5	31.0	101.9	331.1	75.0	0.18	571	18.3	4.3	3.4	3.6	3.3	3.2	1.4	1.2	1.1	1.0	41.5
Avangard	AVGR LI	London Intl	0.51 USD	+0.0	-36.3	-59.2	-36.3	0.51	32.6	360.7	21.7	7.1	1.7	5.4	0.12	830	Neg.	3.0	N/A	Neg.	7.4	N/A	1.6	1.3	N/A	0.2	53.9
IMC	IMC PW	Warsaw	7.15 PLN	+0.0	+5.1	+19.8	+43.3	1.87	58.5	144.7	23.9	14.0	1.1	14.3	0.16	626	3.9	2.9	2.6	2.2	2.7	3.2	1.0	1.0	0.8	1.0	56.8
Kernel Holding...	KER PW	Warsaw	58.35 PLN	-0.3	-3.1	+21.3	+50.0	15.26	1,215.6	1,654.6	58.8	714.5	490.0	1,850.3	0.19	540	11.4	5.5	5.0	4.2	4.6	4.3	0.7	0.7	0.7	1.3	32.0
KSG Agro	KSG PW	Warsaw	1.93 PLN	-2.5	+4.9	+107.5	+119.3	0.50	7.6	70.9	34.4	2.6	8.4	27.6	2.04	49	Neg.	N/A	N/A	7.1	N/A	N/A	2.2	N/A	N/A	N/A	67.4
MHP	MHPC LI	London Intl	9.50 USD	+1.1	+5.6	+2.2	+3.3	9.50	1,003.8	2,273.3	22.3	224.1	1.8	332.6	0.22	455	Neg.	5.9	4.1	5.0	5.5	5.1	1.9	1.7	1.6	1.3	61.6
Milkiland	MLK PW	Warsaw	2.10 PLN	-1.4	+17.3	+47.9	+133.3	0.55	17.2	134.0	20.0	3.4	9.1	25.9	1.90	53	Neg.	Neg.	Neg.	Neg.	15.0	8.6	0.6	0.7	0.6	0.4	57.6
Ovostar Union	OVO PW	Warsaw	90.00 PLN	-1.1	-4.3	-0.6	+16.9	23.53	141.2	149.7	25.0	35.3	3.8	36.3	0.32	311	4.6	5.1	5.7	4.3	4.5	4.5	1.9	1.8	1.6	1.9	16.9
TRANSPORTATION																											
KDM Shipping	KDM PW	Warsaw	1.80 PLN	-5.3	+7.1	-60.7	-28.0	0.47	4.4	-11.3	10.9	0.5	0.0	0.9	0.22	459	Neg.	N/A	N/A	3.9	N/A	N/A	Neg.	N/A	N/A	0.1	8.9
CONSTRUCTION																											
TMM	TR61 GF	Frankfurt	0.01 EUR	+0.0	+0.0	-85.7	-64.3	0.01	0.6	93.5	13.1	0.1	0.0	0.1	0.01	11,308	Neg.	N/A	N/A	Neg.	N/A	N/A	3.6	N/A	N/A	0.0	41.9

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 25 Aug 2016)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 24 Aug 2016)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
USD/UAH MARKET (HRYVNIA per US DOLLAR)					
Spot mkt	25.3400	+0.00	+0.96	+2.32	+5.46
NBU avg	N/A	N/A	N/A	N/A	N/A
Ttl vlm ¹	N/A	N/A	N/A	N/A	N/A
\$ volume ²	N/A	N/A	N/A	N/A	N/A
NDF 3M	26.5622	-0.11	+0.81	+2.08	+0.00
NDF 6M	27.8900	+0.00	+0.87	+2.11	+1.32
NDF 1Y	29.3900	+0.00	+0.82	+2.00	+15.27
TRADE-WEIGHTED INDICES (TWIs, points)					
UAH nom'l	26.328	+0.41	-0.31	-3.67	-7.93
UAH real CPI	90.619	+0.41	-0.31	-3.67	-7.51
UAH real PPI	122.228	+0.41	-0.31	-3.67	-6.26
USD nom'l	94.786	+0.26	+0.07	-2.75	-3.90
FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs					
USD/RUB	65.2590	+1.00	+1.72	+0.71	-10.01
EUR/USD	1.1264	-0.36	-0.22	+2.61	+3.70
USD/CNY	6.6590	+0.27	+0.37	-0.31	+2.55
USD/PLN	3.8258	+0.35	+0.72	-3.79	-2.48
USD/TRY	2.9517	-0.05	+0.99	-3.73	+1.18
USD/BYR	19,550.00	+0.55	+0.80	-1.40	+4.96
USD/KZT	339.5000	-0.15	-0.73	-1.02	-0.32
OTHER MAJOR CURRENCIES					
USD/JPY	100.4500	+0.21	+0.17	-5.35	-16.44
GBP/USD	1.3232	+0.26	+1.46	+0.94	-10.21
USD/CHF	0.9670	+0.38	+0.51	-2.04	-3.50
AUD/USD	0.7613	-0.03	-0.55	+2.02	+4.49
USD/CAD	1.2927	+0.11	+0.65	-1.52	-6.59
USD/BRL	3.2249	-0.32	+0.58	-0.97	-18.58
USD/KRW	1,122.00	+0.58	+1.23	-1.10	-4.52
COMMODITIES					
Gold(\$/oz)	1,324.15	-1.00	-1.82	+0.13	+24.75
WTI crude ³	46.47	-2.48	-0.68	+6.85	+25.46
Brent crd ³	48.37	-0.62	-1.41	+8.89	+35.30
Urals crd ³	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB ⁴	185.75	-1.40	-0.62	+1.56	+5.45

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>).

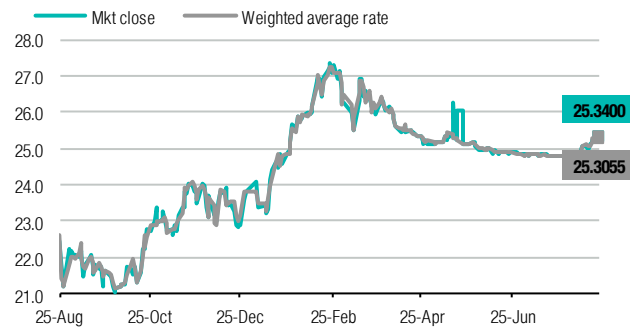
Section on FX market is continued on next page.

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.

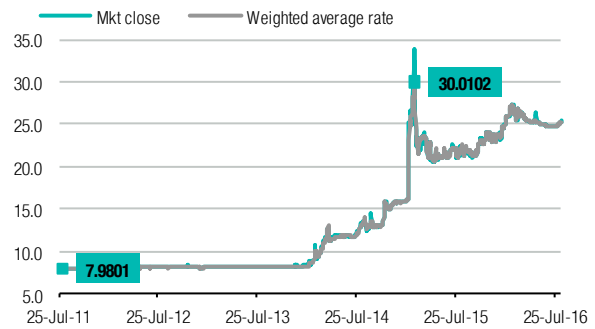
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

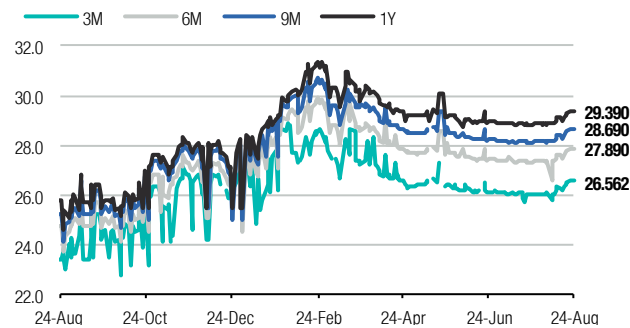


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

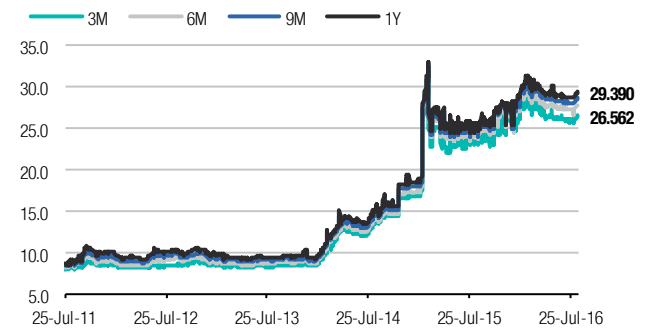


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

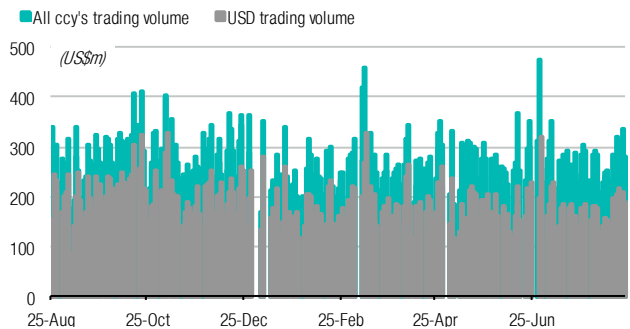


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

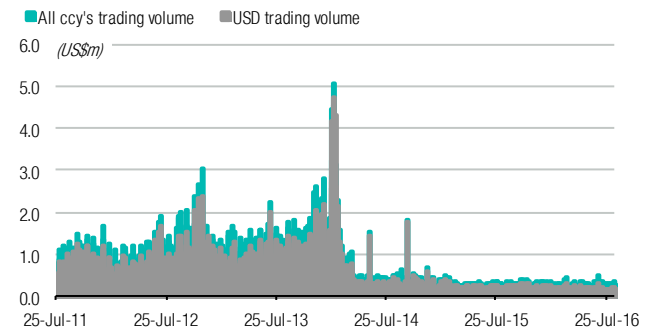


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

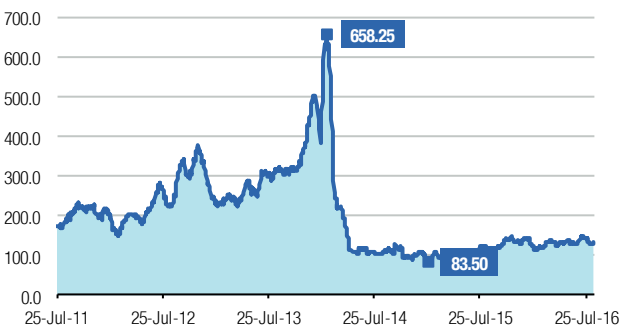
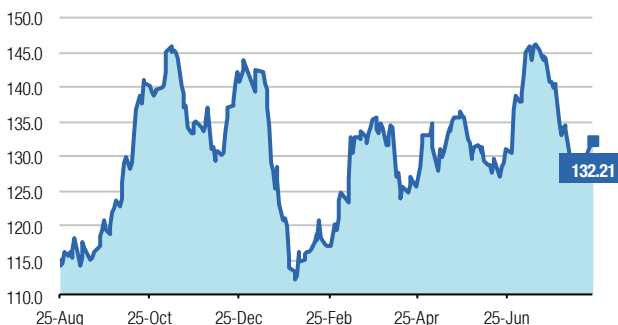


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

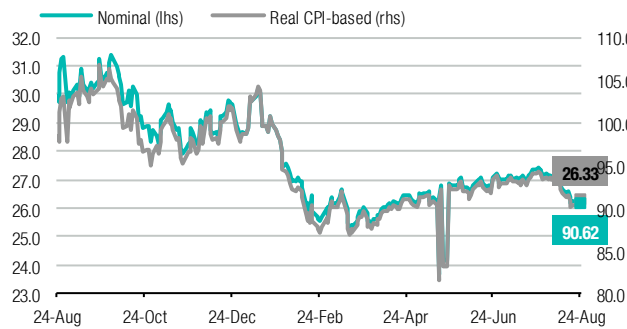


Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

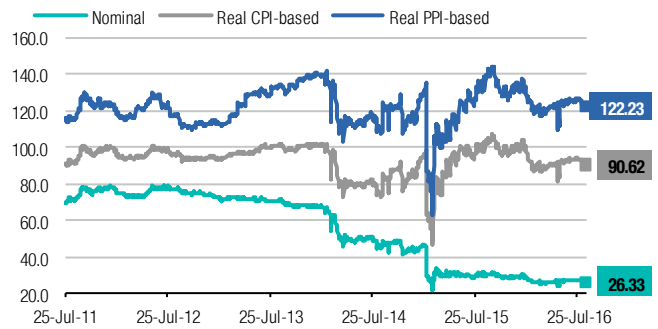
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



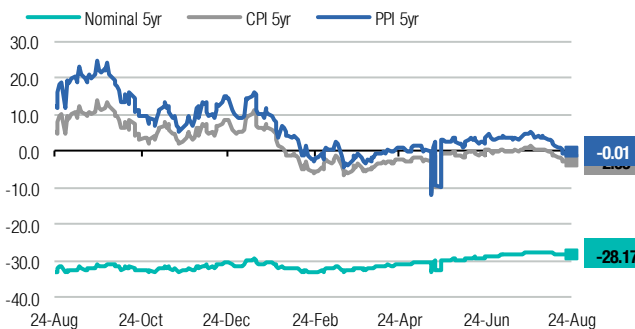
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

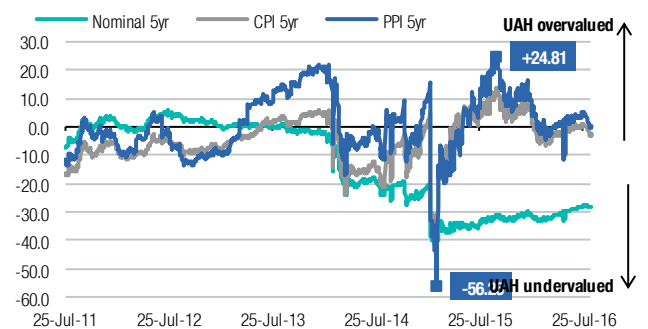


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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)

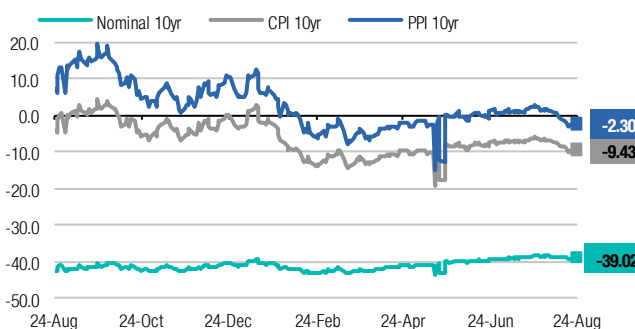


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

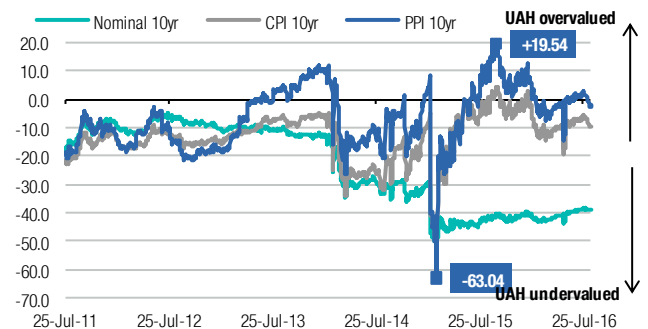


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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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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



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