

Daily Insight

NBU approves UAH38bn payment to the

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Economics: News & Comments **Ошибка! Закладка не определена.**

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Bonds: News & Comments **2**

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FX: News & Comments **5**

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WEDNESDAY, 26 OCTOBER 2016

UX Index (3 months to 26 Oct 2016)



Source: UX.

Key market indicators (as of 25 Oct 2016)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	25.6600	+0.04	+6.79
USD/UAH (1Y NDF)	29.7150	+0.05	+16.55
EUR/USD	1.0889	+0.06	+0.25
USD/RUB	62.1126	-0.18	-14.35
KievPRIME O/N (%)	14.08	-9bp	-498bp
KievPRIME 1M (%)	17.33	-17bp	-492bp
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	663bp	+0bp	+0bp
EQUITIES			
Stock market indices			
UX (Ukraine)	837.30	+3.01	+22.08
MSCI World	413.90	-0.27	+3.64
MSCI EM	918.25	-0.02	+15.63
RTS (Russia)	1,002.26	+0.85	+32.39
WIG-20 (Poland)	1,785.59	+0.16	-3.96
S&P 500 (USA)	2,143.16	-0.38	+4.85

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 down slightly

Despite receiving UAH4.54bn in net budget revenues on Monday, banking sector liquidity declined only UAH0.42bn to UAH79.39bn yesterday with no injections from the NBU. The MoF most likely used these revenues to provide funds for budget expenditures, covering most of the outflows while a large volume of funds were reallocated to CDs. Banks' correspondent accounts with the NBU fell UAH1.77bn to UAH41.90bn, while total CDs outstanding was up UAH1.35bn to UAH37.49bn.

Investment implications: Today liquidity is expected to rise, probably above UAH80bn, as the NBU purchased US\$15.8m of US dollars, providing UAH0.40bn of funds, while the Treasury paid a UAH1.76bn VAT refund. If the MoF does not absorb liquidity via revenues without similar expenditures, liquidity should rise.

NBU approves UAH38bn payment to the budget

Yesterday, the council of the NBU approved a UAH38.2bn payment to the budget from last year's surplus. These payments are to be divided into several tranches per MoF approval. Through the end of the year, we estimate that the MoF will pay the NBU about UAH18bn in bond redemptions and servicing (starting yesterday) and UAH4.0bn to the market (including state-owned banks). We expect that the NBU will try to make these payments to the budget minimizing the impact on the exchange rate and inflation.

Auction results: Euro-denominated bonds sold at 4%

Yesterday's primary auction included an offering of 2-year EUR-denominated bonds that have not been offered since October 2014. Demand and this auction was low, and there was some demand for local currency bonds.

The EUR-denominated bonds attracted 11 bids for a total of EUR143.39m, below the demand for USD-denominated bonds earlier this year. The Euro is less used than the US dollar in Ukraine in international transactions with a much lower share used in current account operations.

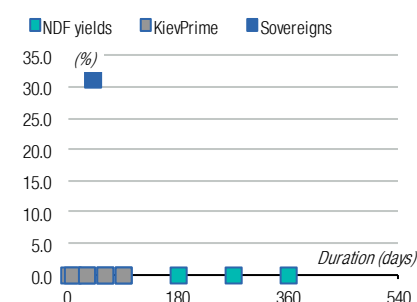
Demand for the EUR-denominated bond was submitted at 4.00-5.99%, with a percentage in non-competitive bids. The MoF rejected all bids with interest rates above 4.00%, satisfying 98.6% of demand in seven bids for EUR141.34m in proceeds.

The MoF accepted all bids for 9-month and 3-year local currency bonds at the same levels as seen at previous auctions, raising an additional UAH309.76m of proceeds.

Taras Kotovych

Yield curve of the local bond market

(as of market close on 25 Oct 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 25 Oct 2016)

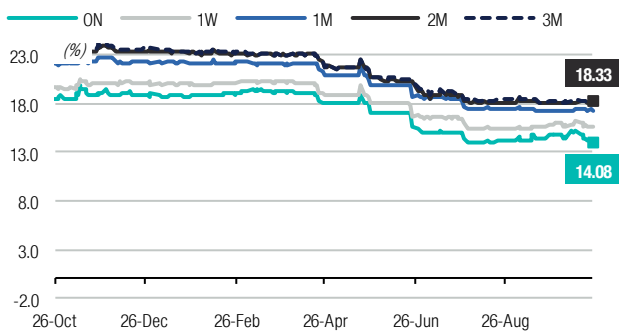
	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
MONEY MARKET KIEV PRIME RATES (%)					
0/n	14.08	-9bp	-75bp	-42bp	-498bp
1wk	15.58	-9bp	-42bp	-17bp	-442bp
1m	17.33	-17bp	-17bp	+8bp	-492bp
2m	18.33	+0bp	+0bp	+33bp	-517bp
3m	18.33	+0bp	+0bp	+33bp	-542bp
LIQUIDITY WIDE MEASUREMENT (UAHm)					
CB acc's ¹	41,897	+0.69	-4.20	+4.89	+9.68
CDs ²	37,490	-16.43	-5.84	-9.45	-63.91
Sovgns ³	11,513	-7.98	-19.61	+20.27	+124.6
Total	90,900	-7.47	-7.05	+0.58	-35.29
HOLDERS OF UAH SOVEREIGN BONDS (UAHm)					
C.bank	365,341	+0.00	-0.45	-0.46	-3.81
Banks	152,726	+0.03	-0.21	+1.54	+87.23
Resid's ⁴	13,655	-0.80	-0.49	-1.18	-34.97
Non-res ⁵	18,481	-0.08	-0.50	-1.25	-17.15
Total	550,202	-0.01	-0.39	+0.04	+9.02
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	663	+0bp	+0bp	+2bp	+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.

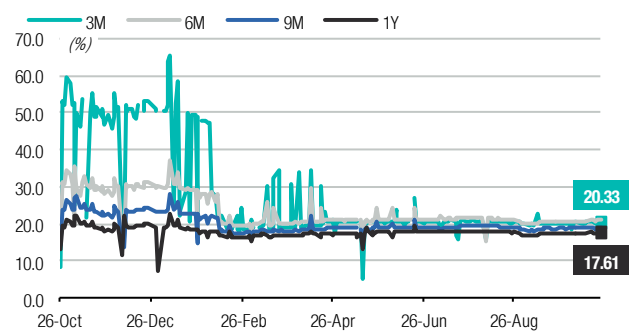
Chart page: Local bond market & Eurobond markets

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



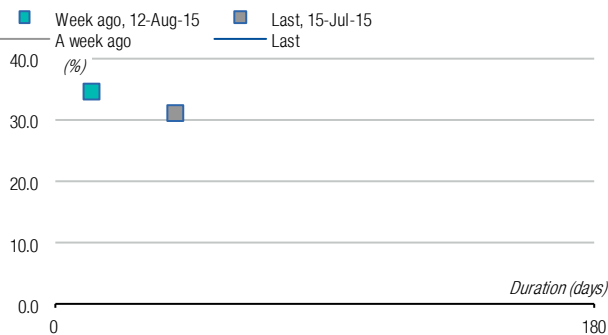
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



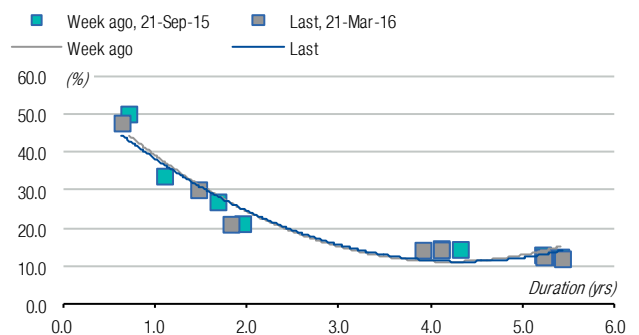
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 25 Oct 2016



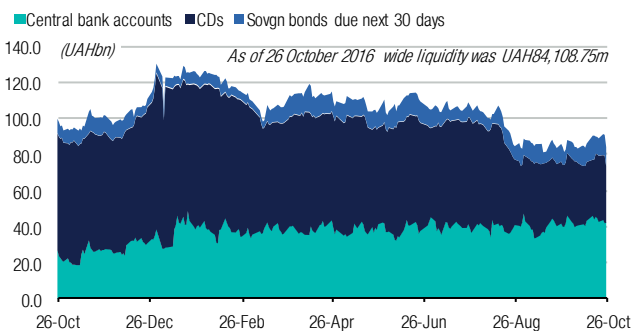
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 25 Oct 2016



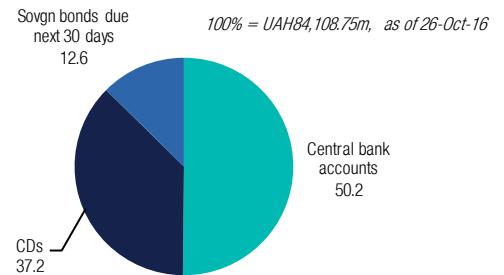
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



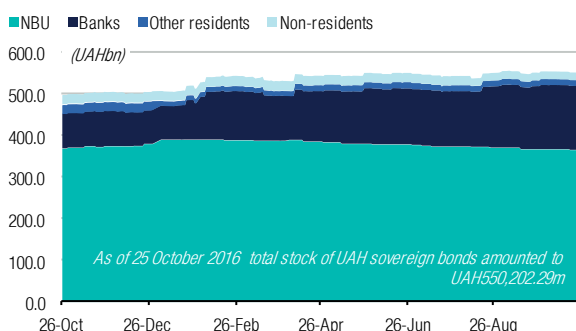
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 25 Oct 2016



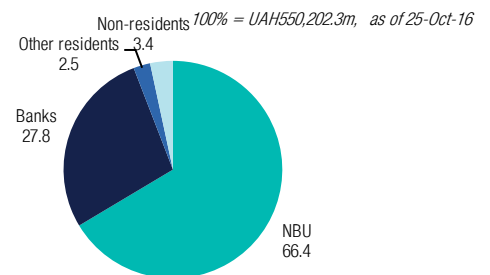
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 25 Oct 2016



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

Table 1. Ukrainian stocks (closing prices as of 25-Oct-2016)

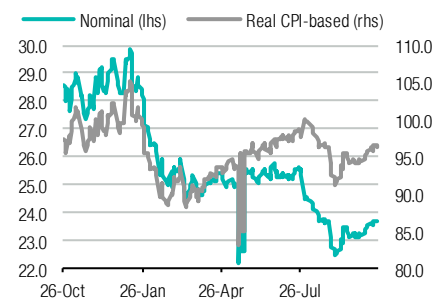
Company	Bloomberg Ticker	Listing	Share price performance (% change)				Valuation (US\$)			Free float (FF) & Liquidity					P/E			EV/EBITDA			EV/Sales			Ratios			
			Last price	Daily	MoM	YTD	YoY	Last price	Market cap (m)	EV (m)	FF (%)	FF mkt cap (US\$m)	Last day turnover (US\$ 000)	3M avg. turnover (US\$ 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	9.88 GBp	+0.0	+43.6	+21.5	-7.1	0.12	27.8	-12.5	40.2	11.2	8.4	6.2	0.11	883	Neg.	N/A	N/A	1.4	N/A	N/A	Neg.	N/A	N/A	0.5	17.5
Centrenerg	CEEN UK	Kiev, UX	10.76 UAH	+4.5	+6.2	+136.0	+100.4	0.42	155.0	136.4	21.7	33.6	30.1	13.8	0.03	3,181	181.9	6.0	6.5	0.4	3.1	3.3	0.5	0.4	0.3	1.2	3.4
Coal Energy	CLE PW	Warsaw	1.40 PLN	+0.0	+97.2	+164.2	+97.2	0.35	15.9	87.9	25.0	4.0	0.4	13.2	0.85	118	Neg.	N/A	N/A	12.1	N/A	N/A	0.8	N/A	N/A	0.6	56.9
Donbasenergo	DOEN UK	Kiev, UX	12.45 UAH	-0.8	-7.8	-21.0	-29.7	0.49	11.5	22.7	14.2	1.6	0.1	1.4	0.08	1,219	Neg.	N/A	N/A	0.1	N/A	N/A	0.1	N/A	N/A	0.6	4.2
JKX Oil & Gas	JKX LN	London	17.25 GBp	+0.0	-9.2	-36.7	-36.1	0.21	36.0	41.5	47.2	17.0	0.5	3.9	0.04	2,308	Neg.	Neg.	Neg.	Neg.	2.8	N/A	0.5	0.6	0.6	0.2	13.0
Regal Petroleum	RPT LN	London	3.74 GBp	+0.0	+7.9	-0.4	-17.0	0.05	14.6	-18.5	80.9	11.8	0.0	1.0	0.01	13,548	Neg.	Neg.	7.3	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	0.2	0.0
Sadova Group	SGR PW	Warsaw	0.42 PLN	-6.7	+121.1	+40.0	+40.0	0.11	4.6	45.7	25.0	1.1	4.1	4.9	1.34	75	Neg.	N/A	N/A	Neg.	N/A	N/A	44.1	N/A	N/A	N/A	239.6
Zakhidenergo	ZAEN UK	Kiev, PFTS	60.00 UAH	+0.0	N/A	N/A	N/A	2.34	29.9	60.3	5.0	1.5	0.0	N/A	N/A	N/A	Neg.	N/A	N/A	0.1	N/A	N/A	0.1	N/A	N/A	0.4	11.6
METALLURGY																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	-3.5	-13.7	-26.3	-30.9	0.00	8.2	2,412.1	3.9	0.3	0.0	0.2	0.02	6,120	Neg.	Neg.	Neg.	14.7	25.1	22.7	7.9	7.1	7.4	N/A	192.1
Ferrexpo PLC	FXPO LN	London	114.25 GBp	+2.9	+48.4	+431.4	+198.7	1.39	818.0	1,570.1	22.4	183.2	2,947.3	2,585.7	1.54	65	24.8	5.4	7.2	11.3	5.4	6.7	1.6	1.7	1.7	2.8	73.7
Yasynivsky Cok...	YASK UK	Kiev, UX	0.20 UAH	+0.0	+0.5	-13.0	-20.0	0.01	2.1	2.4	9.0	0.2	0.0	0.3	0.26	388	Neg.	N/A	N/A	Neg.	N/A	N/A	0.1	N/A	N/A	0.1	0.0
FOOD AND AGRIBUSINESS																											
AgroGeneration	ALAGR FP	EN Paris	0.29 EUR	+0.0	-12.1	-27.5	-38.3	0.32	31.6	80.4	34.0	10.8	164.1	51.9	0.77	131	Neg.	24.2	2.0	4.4	4.5	2.9	1.3	1.1	1.0	0.4	40.7
Agroliga	AGL PW	Warsaw	14.58 PLN	-0.1	-8.1	+28.1	-5.6	3.68	5.7	6.9	16.7	0.9	4.2	1.6	0.10	994	1.9	N/A	N/A	1.9	N/A	N/A	0.4	N/A	N/A	0.5	10.7
Agrotron	AGT PW	Warsaw	2.65 PLN	-0.7	-19.0	+162.4	+92.0	0.67	14.5	23.1	26.2	3.8	24.8	121.7	1.21	83	Neg.	1.8	1.6	1.0	1.5	1.2	0.5	0.7	0.6	0.3	32.4
Astarta Holdin...	AST PW	Warsaw	54.01 PLN	-0.9	+2.1	+56.6	+62.7	13.63	340.7	497.2	31.0	105.7	43.2	183.2	0.07	1,439	19.6	4.1	3.8	3.8	3.3	3.4	1.5	1.3	1.2	1.0	41.5
Avangard	AVGR LI	London Intl	0.50 USD	-21.9	-33.3	-60.0	-54.5	0.50	31.9	371.0	21.7	6.9	4.3	5.4	0.02	4,616	Neg.	Neg.	0.8	Neg.	Neg.	10.6	1.6	2.9	2.2	0.2	53.9
IMC	IMC PW	Warsaw	6.80 PLN	-2.2	+0.1	+13.9	+1.5	1.72	53.7	133.8	23.9	12.8	17.2	18.0	0.15	657	3.6	2.7	2.1	2.0	2.4	2.8	1.0	1.0	0.9	0.9	56.8
Kernel Holding...	KER PW	Warsaw	61.60 PLN	+0.9	-1.1	+28.1	+17.0	15.54	1,238.5	1,677.5	58.8	727.9	1,437.2	1,372.5	0.17	581	11.6	5.8	2.2	4.2	4.9	4.5	0.7	0.8	0.7	1.3	32.0
KSG Agro	KSG PW	Warsaw	1.90 PLN	-1.6	-6.4	+104.3	+59.7	0.48	7.2	70.5	34.4	2.5	4.5	28.1	0.40	252	Neg.	N/A	N/A	7.0	N/A	N/A	2.2	N/A	N/A	N/A	67.4
MHP	MHPC LI	London Intl	9.47 USD	+1.3	+1.3	+1.8	+1.8	9.47	1,000.7	2,270.2	22.3	223.3	260.0	357.6	0.11	943	Neg.	7.2	4.8	5.0	5.6	5.2	1.9	1.9	1.7	1.3	61.6
Milkiland	MLK PW	Warsaw	1.82 PLN	-2.2	-13.3	+28.2	-15.0	0.46	14.4	131.6	20.0	2.9	29.3	29.2	0.67	149	Neg.	Neg.	Neg.	Neg.	17.0	8.8	0.6	0.8	0.6	0.4	57.6
CONSTRUCTION																											
TMM	TR61 GF	Frankfurt	0.01 EUR	+0.0	+0.0	-85.7	-16.7	0.01	0.6	55.6	13.1	0.1	0.0	0.0	N/A	N/A	Neg.	N/A	N/A	Neg.	N/A	N/A	6.2	N/A	N/A	0.0	44.0
FINANCIAL SERVICES																											
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.12 UAH	+2.7	+6.0	+65.0	+62.5	0.00	298.0	N/A	3.8	11.4	3.9	4.9	0.04	2,442	Neg.	5.0	5.8	N/A	N/A	N/A	N/A	N/A	N/A	1.1	14.4
Ukrsofsbank	USCB UK	Kiev, UX	0.10 UAH	+2.7	+5.6	-3.9	+5.7	0.00	427.3	N/A	4.5	19.1	0.4	0.3	0.00	116,793	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.5	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 26 Oct 2016)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 25 Oct 2016)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
USD/UAH MARKET (HRYVNIA per US DOLLAR)					
Spot mkt	25.6600	+0.04	+0.11	-1.23	+6.79
NBU avg	25.5953	-0.18	-0.26	-1.52	+7.59
Ttl vlm ¹	329.11	+27.24	-6.45	+7.36	-9.40
\$ volume ²	222.85	+33.24	-8.78	+8.30	-11.23
NDF 3M	26.9210	+0.06	+0.06	-1.17	+0.00
NDF 6M	28.2150	+0.05	+0.05	-1.10	+2.50
NDF 1Y	29.7150	+0.05	+0.05	-1.05	+16.55
TRADE-WEIGHTED INDICES (TWIs, points)					
UAH nom'l	23.658	-0.12	+0.11	+2.34	-16.63
UAH real CPI	96.294	-0.12	+0.11	+2.34	-2.02
UAH real PPI	127.152	-0.12	+0.11	+2.34	-3.51
USD nom'l	98.719	-0.04	+0.84	+3.40	+0.09
FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs					
USD/RUB	62.1126	-0.18	-0.68	-3.07	-14.35
EUR/USD	1.0889	+0.06	-0.84	-3.00	+0.25
USD/CNY	6.7804	+0.08	+0.59	+1.66	+4.42
USD/PLN	3.9650	+0.00	+0.91	+3.48	+1.07
USD/TRY	3.0710	-0.29	-0.79	+3.44	+5.27
USD/BYR	18,985.00	-0.29	-1.05	-1.50	+1.92
USD/KZT	330.0600	+0.08	-0.47	-2.32	-3.09
OTHER MAJOR CURRENCIES					
USD/JPY	104.2200	+0.04	+0.34	+3.17	-13.31
GBP/USD	1.2188	-0.41	-0.89	-6.00	-17.29
USD/CHF	0.9943	+0.08	+0.44	+2.46	-0.78
AUD/USD	0.7646	+0.46	-0.26	+0.30	+4.94
USD/CAD	1.3351	+0.49	+1.85	+1.36	-3.53
USD/BRL	3.1127	-0.31	-2.35	-4.05	-21.41
USD/KRW	1,133.35	+0.20	+0.35	+2.81	-3.55
COMMODITIES					
Gold(\$/oz)	1,273.73	+0.73	+0.89	-4.78	+20.00
WTI crude ³	49.51	-1.22	-1.55	+11.69	+33.67
Brent crd ³	48.28	-2.74	-4.11	+7.62	+35.05
Urals crd ³	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB ⁴	189.35	-0.05	-0.23	+3.41	+7.50

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.

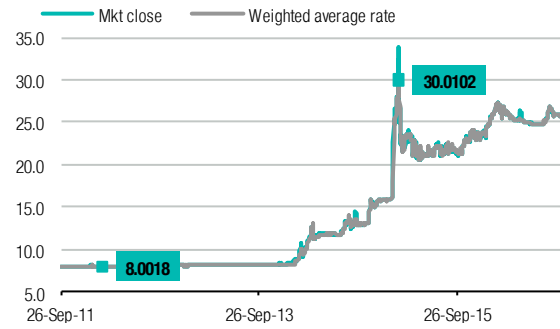
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

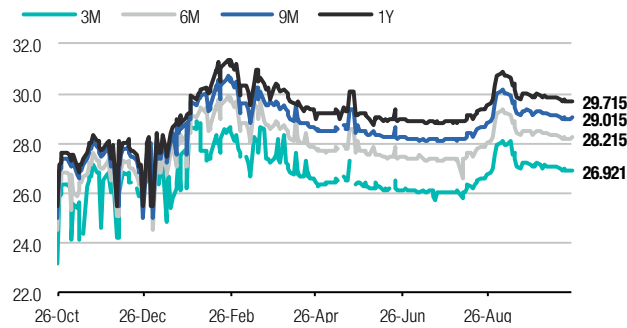


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

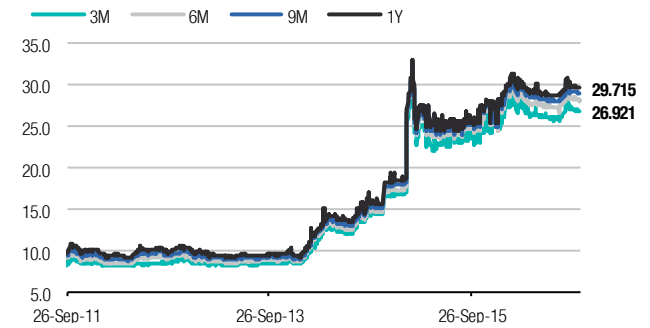


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

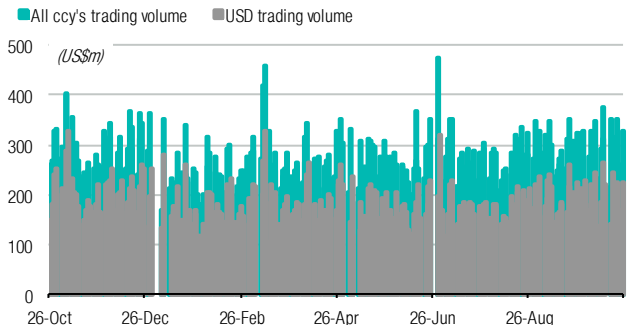


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

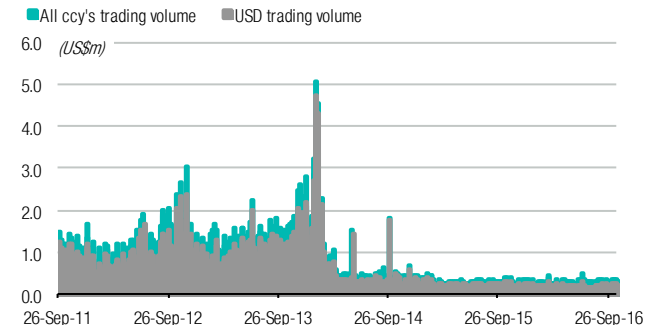


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

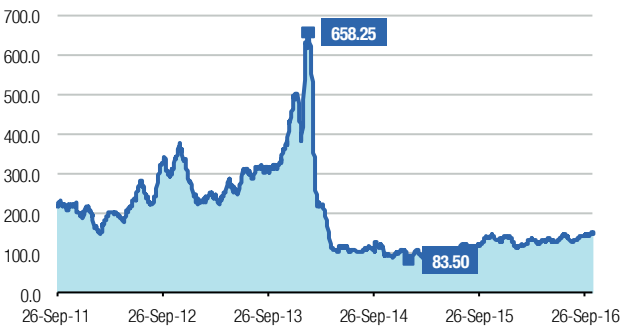
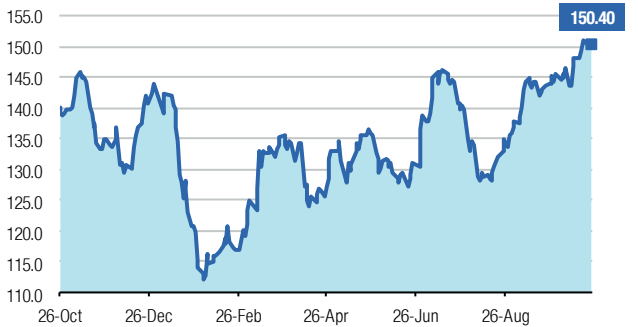


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

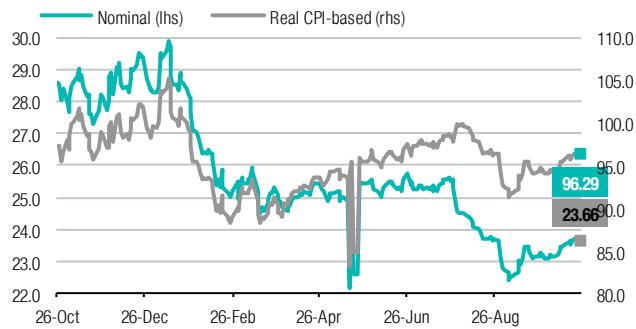


Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

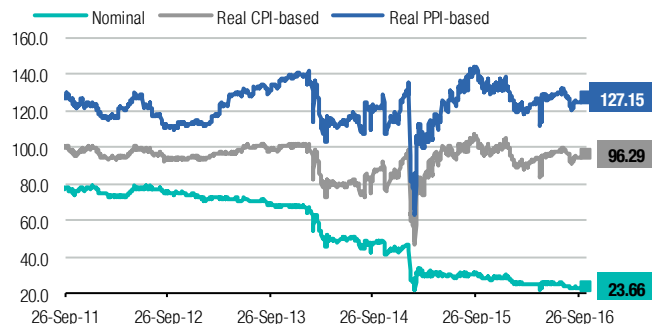
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



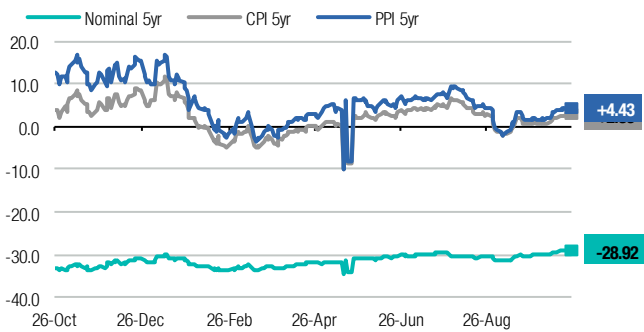
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

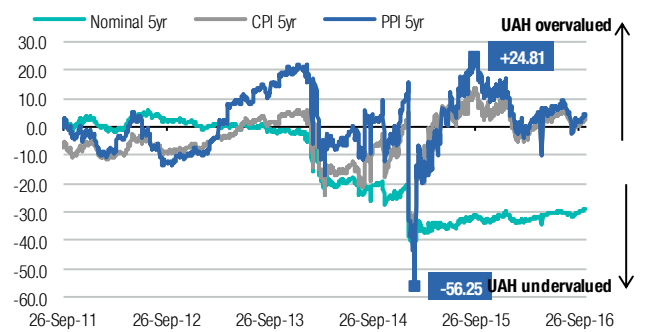


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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)

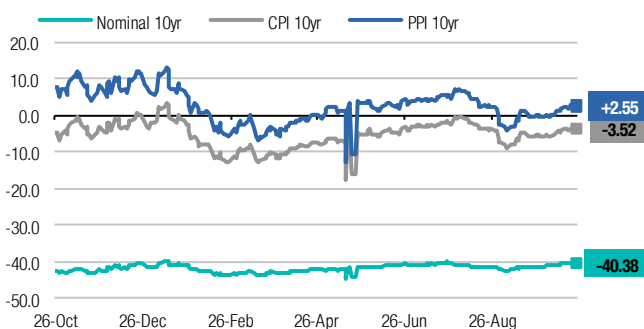


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

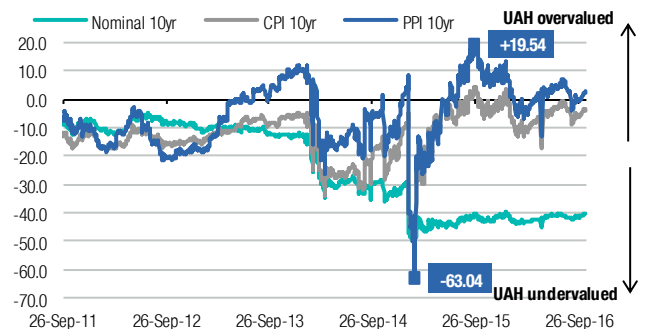


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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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