



Focus
Ukraine

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

Research team
Taras Kotovych

Daily Insight

Liquidity up

Contents

Bonds: News & Comments	2
Liquidity up	2
Auction announcement.....	2
Chart page: Local bond market & Eurobond markets	3
FX: News & Comments	5
Chart page #1: Foreign-exchange market	6
Chart page #2: ICU's UAH trade-weighted indices	7

MONDAY, 14 NOVEMBER 2016

UX Index (3 months to 14 Nov 2016)



Source: UX.

Key market indicators (as of 11 Nov 2016)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	25.6500	+0.35	+6.75
USD/UAH (1Y NDF)	29.6850	+0.21	+16.43
EUR/USD	1.0855	-0.35	-0.06
USD/RUB	65.8368	+0.22	-9.22
KievPRIME O/N (%)	13.33	-34bp	-573bp
KievPRIME 1M (%)	16.50	-17bp	-575bp

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	633bp	+0bp	+0bp

EQUITIES

Stock market indices

UX (Ukraine)	837.63	-1.23	+22.13
MSCI World	409.47	-0.55	+2.53
MSCI EM	849.10	-3.03	+6.92
RTS (Russia)	970.15	-2.38	+28.15
WIG-20 (Poland)	N/A		
S&P 500 (USA)	2,164.45	-0.14	+5.90

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 up

Banking sector liquidity was up UAH1.08bn to UAH82.47bn last Friday as banks' correspondent accounts with the NBU rose UAH4.59bn to UAH39.26bn while total CDs outstanding was down UAH3.51bn to UAH43.21bn.

Investment implications: Liquidity did not see any significant support via FX auctions or a VAT refund, but was up last week. There were no significant outflows to need support liquidity without inflows from the MoF and NBU.

Taras Kotovych, Kiev, +38044 2200120 ext.724

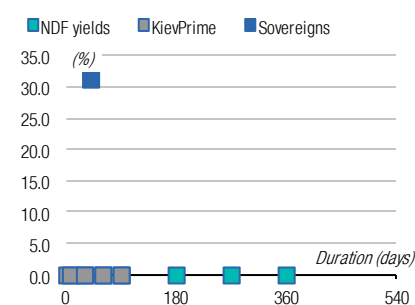
Auction announcement

The MoF will offer the usual set of bonds tomorrow, including three zero-coupon bonds with maturities from six to 12 months, as well as a 3-year coupon-bearing bond. However, this auction could be cancelled if demand for these bonds is insufficient or interest rates come in above the MoF's expectations. Last week, the MoF did not sell 2-year bonds at 15.65%, as interest rates were expected to decline below that level due to the NBU key rate cut. The rates did not decline as anticipated and remained unchanged. Because of this, interest rates could be above expectations or demand could be insufficient, causing the bond auctions to be canceled.

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Yield curve of the local bond market

(as of market close on 11 Nov 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 11 Nov 2016)

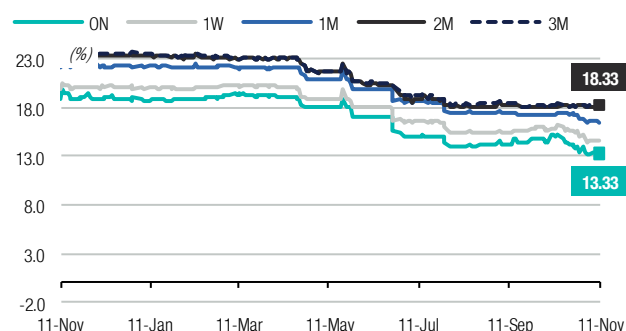
	Last	Daily chg (%)	Weekly chg (%)	MoM chg (%)	YTD chg (%)
MONEY MARKET KIEV PRIME RATES (%)					
O/n	13.33	-34bp	+8bp	-184bp	-573bp
1wk	14.67	+0bp	+0bp	-116bp	-533bp
1m	16.50	-17bp	-17bp	-85bp	-575bp
2m	18.17	+17bp	+17bp	+17bp	-533bp
3m	18.33	+0bp	+0bp	+0bp	-542bp
LIQUIDITY WIDE MEASUREMENT (UAHm)					
CB acc's ¹	39,261	+6.26	+19.81	+1.01	+8.47
CDs ²	39,054	-13.51	-30.23	+3.56	-61.08
Sovgns ³	12,264	+7.57	+16.61	+20.65	+179.7
Total	90,579	-2.09	-6.20	+4.52	-31.76
HOLDERS OF UAH SOVEREIGN BONDS (UAHm)					
C.bank	363,046	+0.00	-0.41	-1.08	-4.41
Banks	155,709	-0.07	-0.61	+1.63	+90.89
Resid's ⁴	13,821	+0.82	+0.53	-0.24	-34.17
Non-res ⁵	10,776	+0.06	-0.17	-42.07	-51.69
Total	543,353	+0.00	-0.44	-1.69	+7.66
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	633	+0bp	+0bp	-31bp	+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.

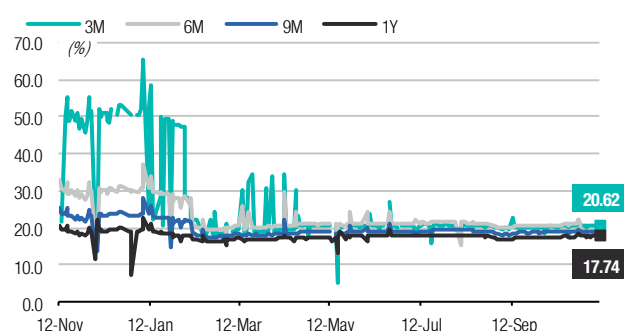
Chart page: Local bond market & Eurobond markets

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



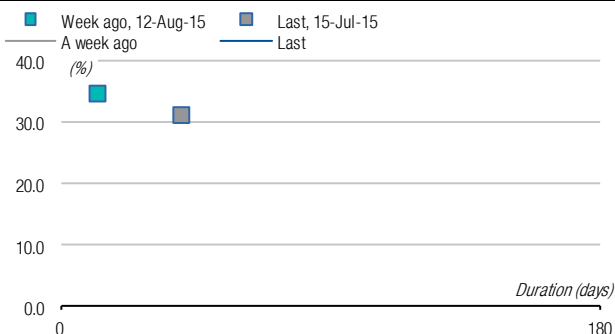
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



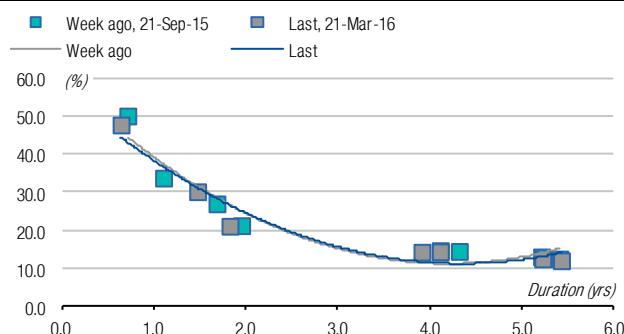
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



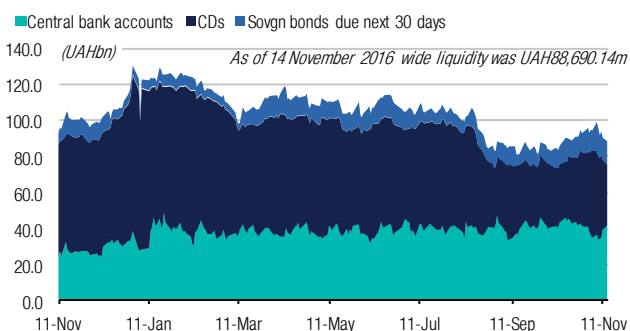
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



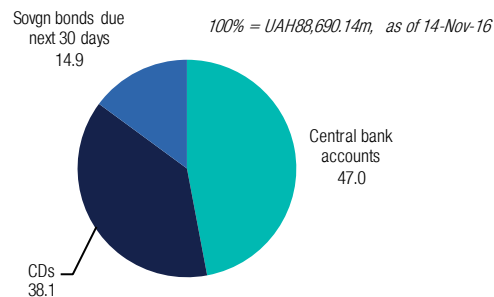
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



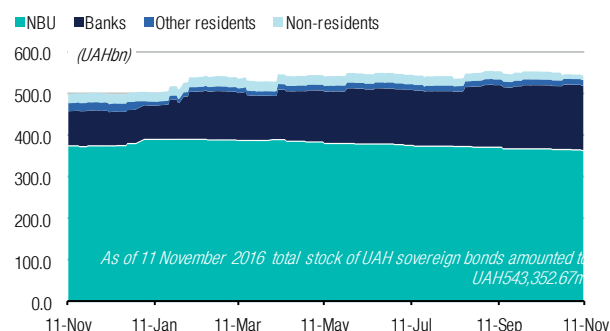
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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



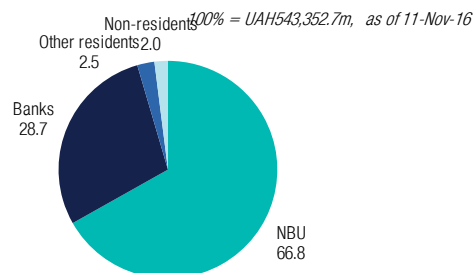
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 Nov 2016



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

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

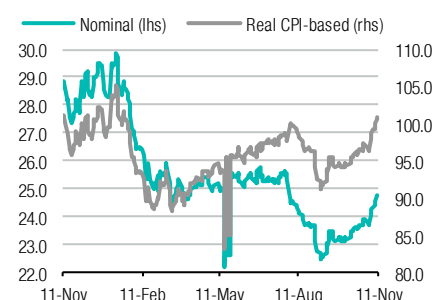
Company	Bloomberg Ticker	Listing	Share price performance (% change)					Valuation (US\$)			Free float (FF) & Liquidity						P/E			EV/EBITDA			EV/Sales			Ratios	
			Last price	Daily	MoM	YTD	YoY	Last price	Market cap (m)	EV (m)	FF (%)	FF mkt cap (US\$m)	Last day turnover (US\$ 000)	3M avg. turnover (US\$ 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	10.50 GBp	+0.0	+5.0	+29.2	+15.1	0.13	30.3	-10.0	40.2	12.2	0.0	11.2	0.13	797	Neg.	N/A	N/A	1.1	N/A	N/A	Neg.	N/A	N/A	0.6	17.5
Centrenergo	CEEN UK	Kiev, UX	10.91 UAH	+0.0	+2.9	+139.2	+114.4	0.42	156.7	138.1	21.7	34.0	2.7	12.5	0.03	3,287	184.4	6.1	6.6	0.4	3.1	3.4	0.5	0.4	0.4	1.2	3.4
Donbasenergo	DOEN UK	Kiev, UX	11.59 UAH	+0.0	-12.7	-26.5	-31.4	0.45	10.7	11.6	14.2	1.5	0.2	1.4	0.13	764	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	16.50 GBp	+0.0	-4.3	-39.4	-42.1	0.21	35.4	40.8	47.2	16.7	0.0	3.6	0.01	9,160	Neg.	Neg.	Neg.	Neg.	2.7	N/A	0.5	0.6	0.6	0.2	13.0
Regal Petroleum	RPT LN	London	3.76 GBp	+0.0	+0.3	+0.3	-3.0	0.05	15.1	-18.0	80.9	12.2	0.1	1.1	0.01	7,327	Neg.	Neg.	7.5	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	0.2	0.0
Zakhidenergo	ZAEN UK	Kiev, PFTS	63.50 UAH	+0.0	N/A	N/A	N/A	2.47	31.6	158.6	5.0	1.6	0.0	N/A	N/A	N/A	Neg.	N/A	N/A	Neg.	N/A	N/A	0.3	N/A	N/A	N/A	9.3
METALLURGY																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	+0.0	-2.3	-28.1	-30.4	0.00	8.0	2,404.9	3.9	0.3	0.0	0.1	0.03	3,569	Neg.	Neg.	Neg.	14.7	25.0	22.7	7.9	7.1	7.4	N/A	192.1
Ferrexpo PLC	FXPO LN	London	112.00 GBp	+0.9	+14.6	+420.9	+267.2	1.40	823.0	1,575.1	22.4	184.4	796.4	3,522.1	3.62	28	24.9	5.3	6.6	11.4	5.3	5.8	1.6	1.7	1.7	2.8	73.7
Yasynivsky Cok...	YASK UK	Kiev, UX	0.23 UAH	+0.0	+15.0	+0.0	-7.6	0.01	2.4	2.8	9.0	0.2	0.0	0.3	0.02	5,399	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	+3.6	-6.5	-27.5	-32.6	0.31	31.2	79.3	34.0	10.6	2.2	44.5	0.42	235	Neg.	24.2	2.0	4.3	4.5	2.9	1.3	1.1	1.0	0.4	40.7
Avangard	AVGR LI	London Intl	0.45 USD	+0.0	+5.9	-64.0	-72.7	0.45	28.7	367.8	21.7	6.2	5.0	5.3	0.08	1,227	Neg.	Neg.	0.7	Neg.	Neg.	10.5	1.6	2.8	2.2	0.2	53.9
MHP	MHPC LI	London Intl	9.05 USD	+0.0	-2.7	-2.7	-3.7	9.05	956.3	2,225.8	22.3	213.4	67.9	252.5	0.12	844	Neg.	6.9	4.6	4.9	5.5	5.1	1.9	1.8	1.7	1.2	61.6
CONSTRUCTION																											
TMM	TR61 GF	Frankfurt	0.01 EUR	+0.0	+0.0	-85.7	-33.3	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	0.13 UAH	+0.0	+7.6	+77.5	+79.2	0.01	319.6	N/A	3.8	12.2	6.4	6.0	0.05	2,008	Neg.	5.4	6.3	N/A	N/A	N/A	N/A	N/A	N/A	1.2	14.4
Ukrsotsbank	USCB UK	Kiev, UX	0.08 UAH	+0.0	-18.2	-21.1	-12.4	0.00	349.8	N/A	4.5	15.7	0.1	0.2	0.00	36,935	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.4	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 14 Nov 2016)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 11 Nov 2016)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
USD/UAH MARKET (HRYVNIA per US DOLLAR)					
Spot mkt	25.6500	+0.35	+0.29	-0.58	+6.75
NBU avg	25.6304	+0.20	+0.21	-0.86	+7.73
Ttl vlm ¹	112.21	-13.78	-34.67	-61.43	-69.11
\$ volume ²	79.61	-16.97	-39.34	-57.36	-68.29
NDF 3M	26.9005	+0.27	+0.23	-0.58	+0.00
NDF 6M	27.9230	+0.24	+0.45	-1.51	+1.43
NDF 1Y	29.6850	+0.21	+0.20	-0.55	+16.43
TRADE-WEIGHTED INDICES (TWIs, points)					
UAH nom'l	24.752	+0.15	+2.22	+5.90	-12.78
UAH real CPI	100.746	+0.15	+2.22	+5.90	+2.51
UAH real PPI	133.031	+0.15	+2.22	+5.90	+0.95
USD nom'l	99.060	+0.28	+2.06	+1.40	+0.43
FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs					
USD/RUB	65.8368	+0.22	+2.16	+5.02	-9.22
EUR/USD	1.0855	-0.35	-2.57	-1.80	-0.06
USD/CNY	6.8120	+0.09	+0.82	+1.34	+4.90
USD/PLN	4.0724	+1.50	+4.82	+5.08	+3.81
USD/TRY	3.2488	-0.06	+2.91	+5.35	+11.37
USD/BYR	19,512.00	+2.03	+2.48	+2.02	+4.75
USD/KZT	341.3900	+0.92	+0.87	+3.24	+0.23
OTHER MAJOR CURRENCIES					
USD/JPY	106.6500	-0.17	+3.42	+3.03	-11.29
GBP/USD	1.2596	+0.33	+0.63	+3.90	-14.52
USD/CHF	0.9880	+0.12	+2.02	-0.08	-1.41
AUD/USD	0.7546	-0.88	-1.66	+0.09	+3.57
USD/CAD	1.3542	+0.54	+1.03	+2.09	-2.15
USD/BRL	3.4023	+0.27	+5.13	+6.47	-14.10
USD/KRW	1,164.66	+1.26	+1.85	+3.95	-0.89
COMMODITIES					
Gold(\$/oz)	1,227.85	-2.47	-5.88	-1.99	+15.68
WTI crude ³	43.41	-2.80	-1.50	-14.53	+17.20
Brent crd ³	43.77	-2.78	-3.95	-14.36	+22.43
Urals crd ³	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB ⁴	180.74	-1.42	-0.97	-4.45	+2.61

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>).

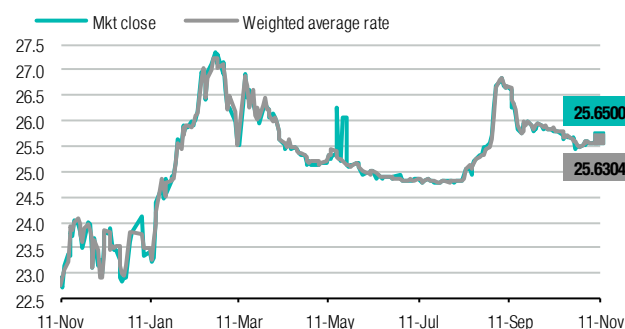
Section on FX market is continued on next page.

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.

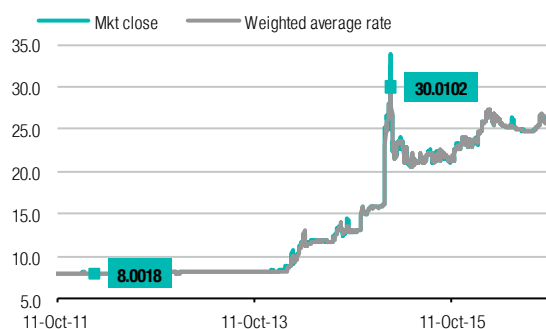
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

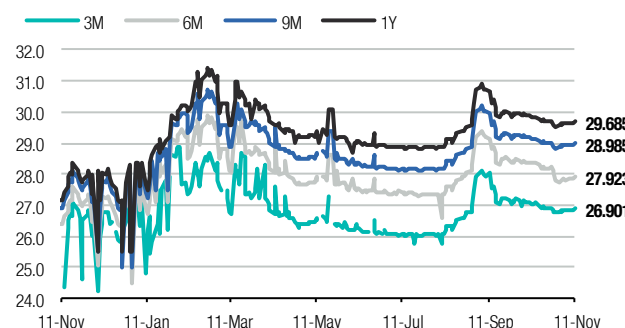


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

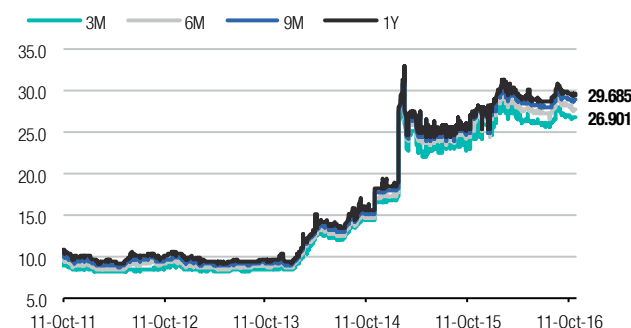


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

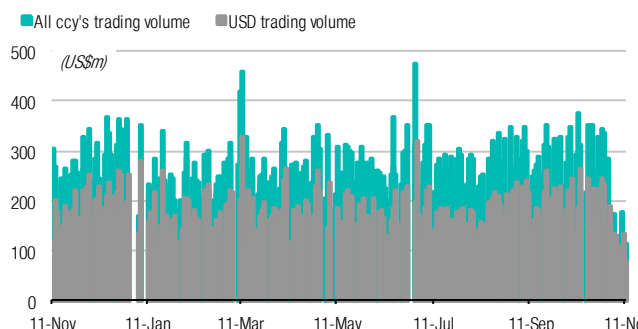


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

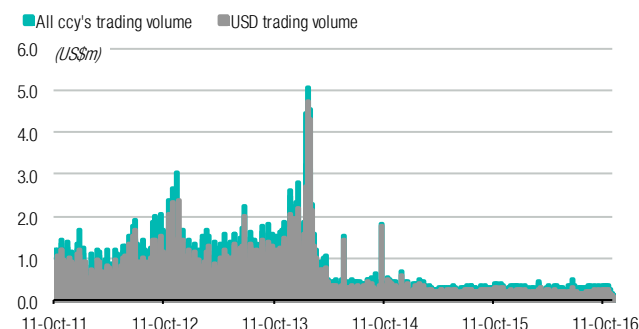


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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)

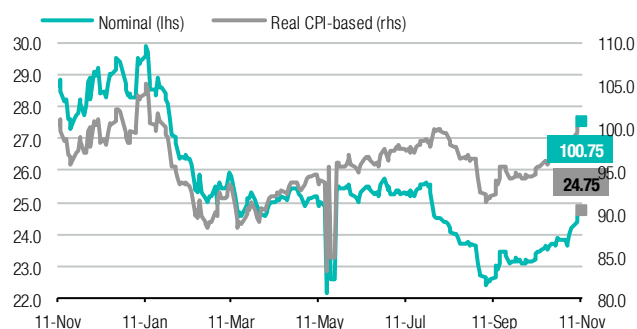


Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

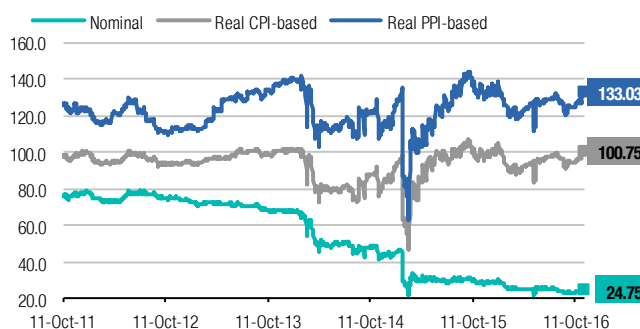
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



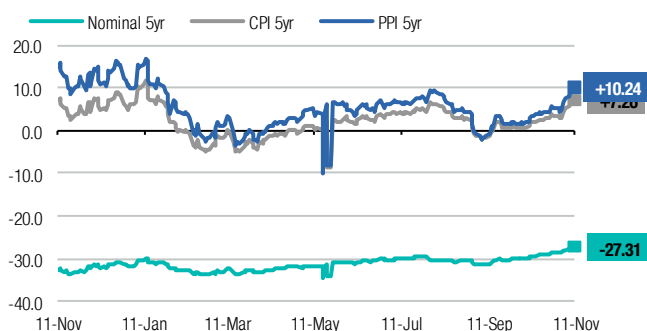
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

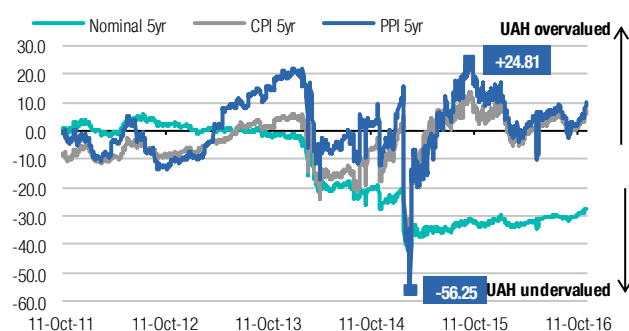


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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)

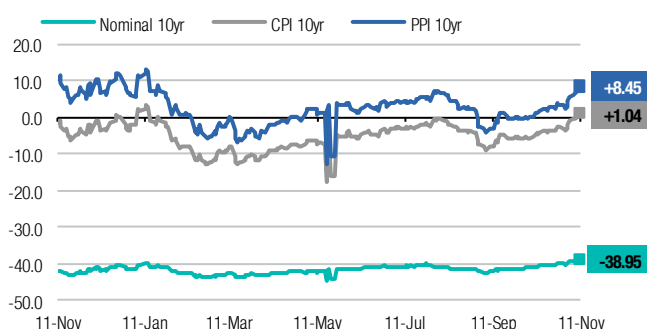


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

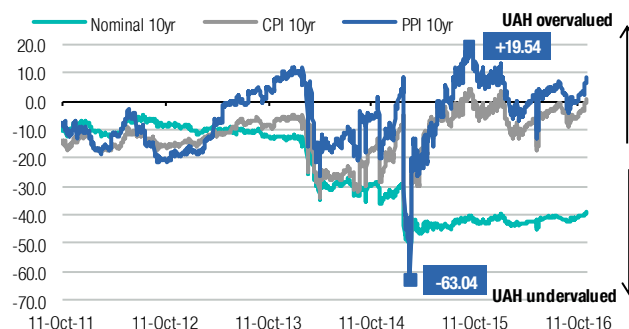


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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

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



@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 Kubytovykh
Asset Management Product Sales
liliya.kubytovykh@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

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

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

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

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

Lee Daniels, Rolfe Haas
Editors

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