

# Daily Insight

## Banking sector liquidity at UAH74bn

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TUESDAY, 29 NOVEMBER 2016

### UX Index (3 months to 29 Nov 2016)



Source: UX.

### Key market indicators (as of 28 Nov 2016)

	Last	Daily chg (%)	YTD chg (%)
<b>FX &amp; MONEY RATES</b>			
USD/UAH	25.6250	-0.49	+6.65
USD/UAH (1Y NDF)	29.6925	-0.26	+16.46
EUR/USD	1.0614	+0.24	-2.28
USD/RUB	64.8717	+0.07	-10.55
KievPRIME O/N (%)	13.42	-8bp	-564bp
KievPRIME 1M (%)	16.67	+0bp	-558bp
<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	633bp	+0bp	+0bp
<b>EQUITIES</b>			
<b>Stock market indices</b>			
UX (Ukraine)	797.10	-0.25	+16.22
MSCI World	413.64	-0.32	+3.58
MSCI EM	863.17	+0.86	+8.69
RTS (Russia)	1,018.18	-0.03	+34.49
WIG-20 (Poland)	1,776.30	-1.11	-4.46
S&P 500 (USA)	2,201.72	-0.53	+7.72

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

## Primary auction announcement

The MoF announced for today its scheduled auction of the routine set of zero-coupon bonds similar to recent weeks and a 5-year coupon bond. With banking sector liquidity at record lows for the year (see comment below), demand is expected to be minimal despite the budget having received significant tax payments last week. The MoF has no funding needs as debt repayments will be received primarily by the NBU. As a result, investors prefer secondary market bonds with higher yields. They will most likely revert to primary market bonds if they offer maturities that are unavailable on the secondary market.

**Investment implications: The MoF could receive bids for bonds maturing next September or for 5-year bonds, most likely at the same or similar rates as were sold recently.**

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## Banking sector liquidity at UAH74bn

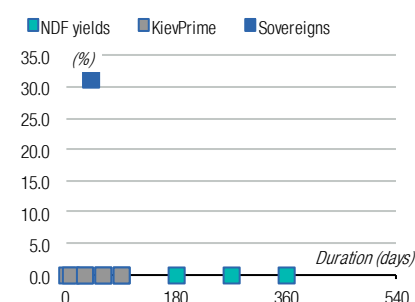
Last Friday, the budget received UAH8.28bn, the largest amount this month, including UAH7.98bn from taxes and customs. However, like last Thursday, this had no impact on liquidity, which rose only UAH0.16bn yesterday to UAH74.19bn, including a slight reallocation of funds from banks' accounts to CDs. Total CDs outstanding rose UAH0.59bn to 31.62bn while banks' correspondent accounts with the NBU slid UAH0.42bn to UAH42.57bn.

**Investment implications: Large budget revenues covered large expenditures, keeping liquidity steady. If the MoF continues to offset revenues with expenditures, liquidity could remain steady. However, most likely it will decline due to fund accumulation at the treasury account to increase the end of the month balance.**

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## Yield curve of the local bond market

(as of market close on 28 Nov 2016)



Sources: Bloomberg, Investment Capital Ukraine LLC.

## Bond market indicators (as of 28 Nov 2016)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)

### MONEY MARKET KIEV PRIME RATES (%)

O/n	13.42	-8bp	-25bp	-8bp	-564bp
1wk	14.67	+0bp	+0bp	-41bp	-533bp
1m	16.67	+0bp	+0bp	-25bp	-558bp
2m	18.17	+0bp	+0bp	-16bp	-533bp
3m	18.33	+0bp	+0bp	+0bp	-542bp

### LIQUIDITY WIDE MEASUREMENT (UAHm)

CB acc's <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
CDs <sup>2</sup>	N/A	N/A	N/A	N/A	N/A
Sovgns <sup>3</sup>	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

### HOLDERS OF UAH SOVEREIGN BONDS (UAHm)

C.bank	360,646	+0.00	-0.28	-1.29	-5.05
Banks	156,222	+0.30	-0.49	-0.17	+91.52
Resid's <sup>4</sup>	13,837	-0.22	+1.73	-0.05	-34.10
Non-res <sup>5</sup>	10,157	+0.47	-0.71	-5.68	-54.47
<b>Total</b>	<b>540,861</b>	<b>+0.09</b>	<b>-0.30</b>	<b>-1.02</b>	<b>+7.17</b>

### 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 <sup>6</sup>	N/A	N/A	N/A	N/A	N/A

### EUROBONDS USD SOVEREIGN BOND YIELDS (%)

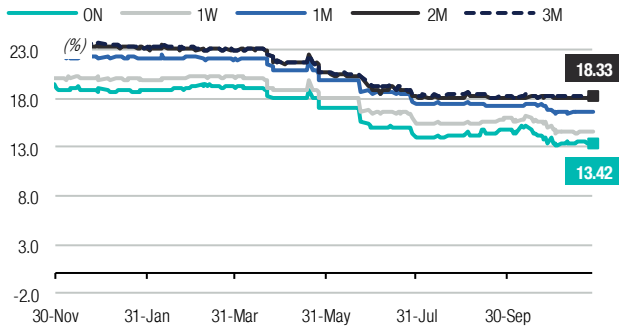
CDS 5yr	633	+0bp	+0bp	+0bp	+0bp
Jun '16	N/A	+114bp	+0bp	+0bp	+0bp
Jul '17	29.14	+26bp	+0bp	+0bp	+0bp
Sep '20	14.02	+4bp	+0bp	+0bp	+0bp
Sep '21	14.22	+0bp	+0bp	+0bp	+0bp
Sep '22	12.32	-1bp	+0bp	+0bp	+0bp
Feb '23	11.85	+0bp	+0bp	+0bp	+0bp

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.

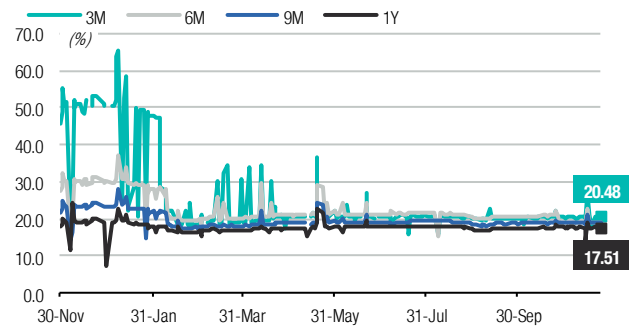
Chart page: Local bond market & Eurobond markets

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



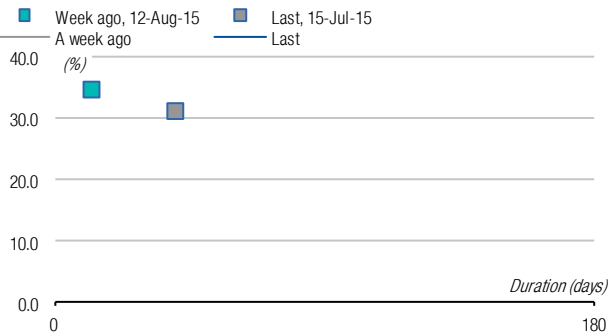
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



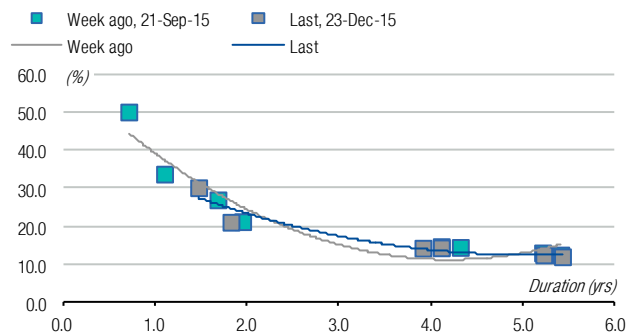
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 28 Nov 2016



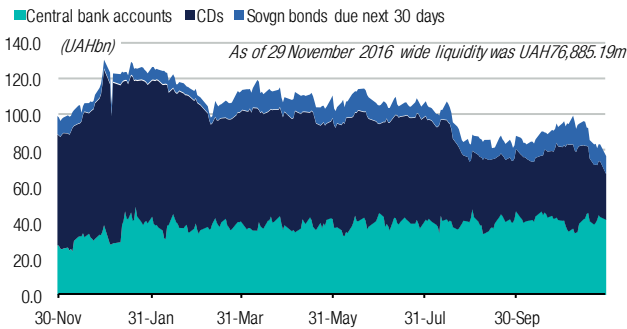
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 28 Nov 2016



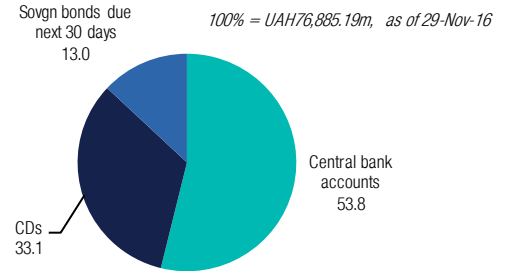
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



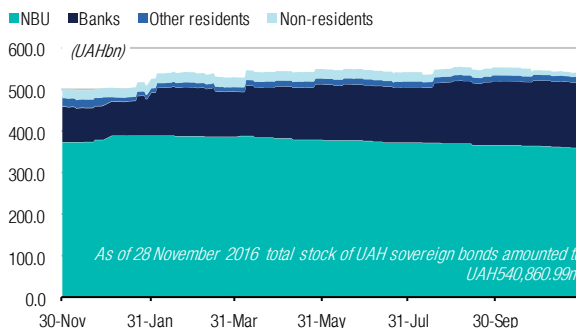
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 28 Nov 2016



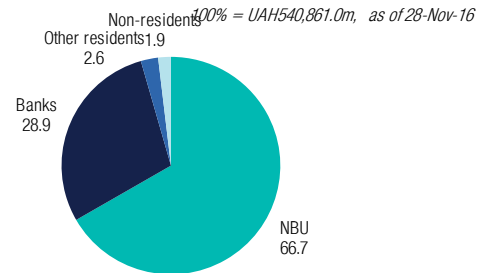
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 28 Nov 2016



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

Table 1. Ukrainian stocks (closing prices as of 28-Nov-2016)

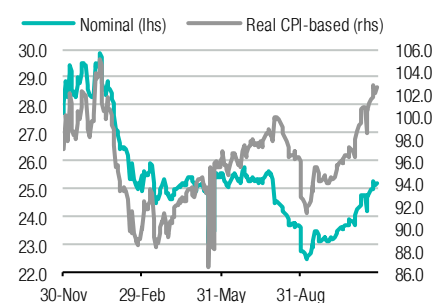
Company	Bloomberg Ticker	Listing	Share price performance (% change)				Valuation (US\$)			Free float (FF) & Liquidity					P/E			EV/EBITDA			EV/Sales			Ratios			
			Last price	Daily	MoM	YTD	YoY	Last price	Market cap (m)	EV (m)	FF (%)	FF mkt cap (US\$m)	Last day turnover (US\$ 000)	3M avg. turnover (US\$ 000)	FF share traded (%)	FF turnover (days)	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	P/B (x)	Debt/Assets (%)
<b>ENERGY</b>																											
Cadogan Petrol...	CAD LN	London	10.50 GBP	+0.0	+5.0	+29.2	+20.0	0.13	30.1	-10.2	40.2	12.1	0.0	11.1	0.04	2,769	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	10.36 UAH	-1.0	-5.7	+127.2	+128.4	0.40	149.2	130.6	21.7	32.4	8.8	11.0	0.02	4,325	175.2	5.7	6.3	0.4	2.9	3.2	0.5	0.4	0.3	1.1	3.4
Coal Energy	CLE PW	Warsaw	1.16 PLN	-13.4	-17.1	+118.9	+93.3	0.28	12.5	84.5	25.0	3.1	2.3	11.7	0.18	554	Neg.	N/A	N/A	11.6	N/A	N/A	0.8	N/A	N/A	0.5	56.9
Donbasenergo	DOEN UK	Kiev, UX	11.00 UAH	+0.1	-9.5	-30.2	-33.7	0.43	10.1	11.1	14.2	1.4	0.0	1.6	0.18	551	Neg.	N/A	N/A	0.1	N/A	N/A	0.1	N/A	N/A	0.5	4.2
JXK Oil & Gas	JXK LN	London	17.25 GBP	+0.0	+0.0	-36.7	-38.4	0.21	36.7	42.2	47.2	17.3	0.0	4.1	0.02	5,605	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	+0.0	-0.4	-1.8	0.05	14.9	-18.2	80.9	12.0	0.0	1.0	0.01	10,774	Neg.	Neg.	7.4	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	0.2	0.0
Sadova Group	SGR PW	Warsaw	0.40 PLN	-4.8	-16.7	+33.3	+33.3	0.10	4.1	45.3	25.0	1.0	1.1	4.6	0.19	524	Neg.	N/A	N/A	Neg.	N/A	N/A	43.7	N/A	N/A	N/A	239.6
Zakhidenergo	ZAEN UK	Kiev, PFTS	60.00 UAH	-1.3	N/A	N/A	N/A	2.34	29.9	157.2	5.0	1.5	0.1	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
<b>METALLURGY</b>																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.01 UAH	+0.0	+1.2	-27.2	-31.8	0.00	8.1	2,411.1	3.9	0.3	0.0	0.1	0.02	4,658	Neg.	Neg.	Neg.	14.7	25.1	22.7	7.9	7.1	7.4	N/A	192.1
Ferrexpo PLC	FXPO LN	London	132.50 GBP	+6.2	+27.4	+516.3	+414.6	1.64	967.6	1,719.6	22.4	216.7	5,262.4	4,676.0	2.39	42	29.3	5.6	5.6	12.4	5.6	5.4	1.8	1.9	1.8	3.3	73.7
Yasynivsky Cok...	YASK UK	Kiev, UX	0.23 UAH	+0.0	+15.0	+0.0	-30.3	0.01	2.5	2.8	9.0	0.2	0.0	0.3	0.02	5,504	Neg.	N/A	N/A	Neg.	N/A	N/A	0.1	N/A	N/A	0.1	0.0
<b>FOOD AND AGRIBUSINESS</b>																											
AgroGeneration	ALAGR FP	EN Paris	0.30 EUR	-3.2	+7.1	-25.0	-31.8	0.32	31.9	79.3	34.0	10.8	25.2	51.0	0.51	194	Neg.	25.0	2.1	4.3	4.6	2.9	1.3	1.1	1.0	0.4	40.7
Agroliga	AGL PW	Warsaw	14.79 PLN	-2.7	+2.1	+30.0	+9.0	3.55	5.5	6.6	16.7	0.9	0.4	1.2	0.06	1,584	1.9	N/A	N/A	1.8	N/A	N/A	0.4	N/A	N/A	0.5	10.7
Agrotron	AGT PW	Warsaw	3.12 PLN	+2.3	+16.9	+208.9	+197.1	0.75	16.2	24.8	26.2	4.2	35.7	88.8	1.86	54	Neg.	2.0	1.8	1.1	1.7	1.2	0.6	0.7	0.6	0.3	32.4
Astarta Holdin...	AST PW	Warsaw	52.36 PLN	+2.6	-1.8	+51.8	+45.2	12.55	313.8	478.8	31.0	97.3	23.5	131.2	0.06	1,737	18.6	3.9	3.6	3.7	3.2	3.3	1.4	1.2	1.2	1.0	41.5
Avangard	AVGR LI	London Intl	0.47 USD	+0.0	-4.1	-62.4	-70.6	0.47	30.0	369.1	21.7	6.5	0.0	6.5	0.16	618	Neg.	Neg.	0.8	Neg.	Neg.	10.5	1.6	2.8	2.2	0.2	53.9
IMC	IMC PW	Warsaw	7.28 PLN	+0.0	+2.0	+21.9	+15.6	1.75	54.6	134.7	23.9	13.0	11.4	21.8	0.14	709	3.7	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	62.00 PLN	-0.8	+0.2	+28.9	+27.9	14.86	1,184.3	1,468.9	58.8	696.1	69.2	1,168.6	0.12	846	5.3	2.1	5.2	4.2	3.9	4.0	0.7	0.6	0.6	1.2	22.7
KSG Agro	KSGO PW	Warsaw	2.14 PLN	-0.9	+7.5	+130.1	+116.2	0.51	7.7	71.0	34.4	2.6	3.6	21.7	1.06	95	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	8.82 USD	+0.2	-9.1	-5.2	-7.5	8.82	932.0	2,117.8	22.3	208.0	79.3	245.7	0.11	923	Neg.	6.8	4.6	4.6	5.2	4.9	1.8	1.7	1.6	1.3	61.6
Milkiland	MLK PW	Warsaw	1.77 PLN	-1.1	-1.7	+24.6	+10.6	0.42	13.3	127.4	20.0	2.7	1.9	15.8	0.47	211	Neg.	Neg.	Neg.	Neg.	16.3	8.7	0.6	0.8	0.6	0.4	57.6
<b>TRANSPORTATION</b>																											
KDM Shipping	KDM PW	Warsaw	1.67 PLN	+1.2	+1.2	-63.5	-64.1	0.40	3.7	-12.0	10.9	0.4	1.3	0.4	0.03	3,004	Neg.	N/A	N/A	4.1	N/A	N/A	Neg.	N/A	N/A	0.1	8.9
<b>CONSTRUCTION</b>																											
TMM	TR61 GF	Frankfurt	0.01 EUR	+0.0	+0.0	-85.7	-44.4	0.01	0.5	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
<b>FINANCIAL SERVICES</b>																											
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.13 UAH	-0.2	-0.3	+66.1	+47.0	0.00	299.8	N/A	3.8	11.5	0.1	6.2	0.07	1,379	Neg.	5.1	5.9	N/A	N/A	N/A	N/A	N/A	N/A	1.1	14.4
Ukrsootsbank	USCB UK	Kiev, UX	0.07 UAH	-9.1	-23.5	-29.2	-25.5	0.00	314.8	N/A	4.5	14.1	0.1	0.3	0.00	27,447	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 29 Nov 2016)



Source: Investment Capital Ukraine LLC.

## FX market indicators (as of 28 Nov 2016)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>USD/UAH MARKET (HRYVNIA per US DOLLAR)</b>					
Spot mkt	25.6250	-0.49	-0.41	+0.57	+6.65
NBU avg	25.6595	-0.25	-0.48	+0.64	+7.86
Ttl vlm <sup>1</sup>	118.98	-28.49	-15.05	-64.50	-67.25
\$ volume <sup>2</sup>	95.89	-36.22	-14.85	-58.81	-61.80
NDF 3M	26.9390	-0.28	-0.19	+0.73	+0.00
NDF 6M	27.9295	-0.40	-0.39	+0.55	+1.46
NDF 1Y	29.6925	-0.26	-0.31	+0.55	+16.46
<b>TRADE-WEIGHTED INDICES (TWIs, points)</b>					
UAH nom'l	25.187	+0.41	+1.01	+5.70	-11.24
UAH real CPI	102.520	+0.41	+1.01	+5.70	+4.31
UAH real PPI	135.372	+0.41	+1.01	+5.70	+2.72
USD nom'l	101.330	-0.16	+0.28	+3.03	+2.74
<b>FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs</b>					
USD/RUB	64.8717	+0.07	+1.40	+3.13	-10.55
EUR/USD	1.0614	+0.24	-0.15	-3.38	-2.28
USD/CNY	6.9153	-0.05	+0.33	+2.01	+6.49
USD/PLN	4.1664	-0.19	+0.01	+5.49	+6.21
USD/TRY	3.4154	-1.04	+1.61	+9.93	+17.08
USD/BYR	19,663.00	+0.19	+0.99	+3.11	+5.56
USD/KZT	340.2700	+0.30	+0.52	+1.88	-0.10
<b>OTHER MAJOR CURRENCIES</b>					
USD/JPY	111.9400	-1.13	+1.01	+6.87	-6.89
GBP/USD	1.2416	-0.49	-0.62	+1.90	-15.74
USD/CHF	1.0127	-0.14	+0.39	+2.49	+1.06
AUD/USD	0.7482	+0.52	+1.53	-1.54	+2.69
USD/CAD	1.3412	-0.79	-0.04	+0.10	-3.09
USD/BRL	3.3876	-0.78	+1.07	+5.84	-14.47
USD/KRW	1,170.30	-0.59	-1.38	+2.23	-0.41
<b>COMMODITIES</b>					
Gold(\$/oz)	1,193.99	+0.85	-1.67	-6.39	+12.49
WTI crude <sup>3</sup>	47.08	+5.18	-0.86	-3.33	+27.11
Brent crd <sup>3</sup>	47.59	+2.17	-0.96	-0.79	+33.12
Urals crd <sup>3</sup>	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB <sup>4</sup>	187.76	+1.09	+0.24	-0.76	+6.59

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>).

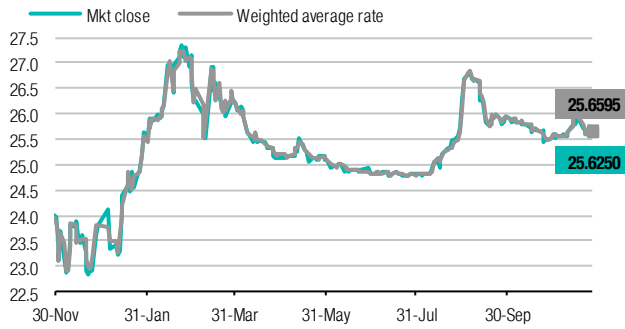
Section on FX market is continued on next page.

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.

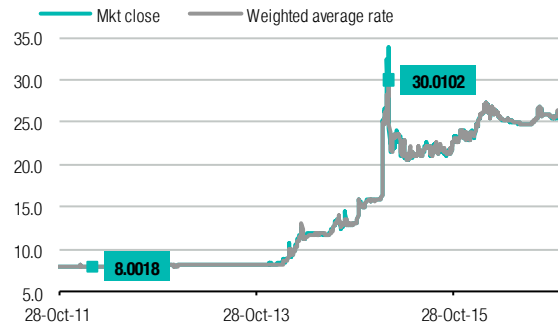
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

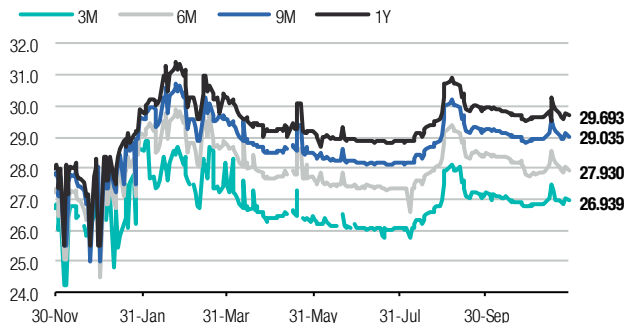


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

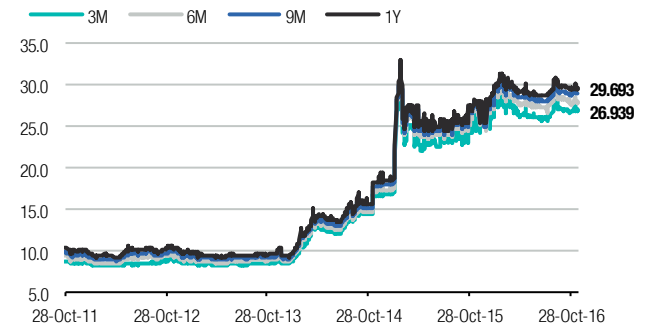


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

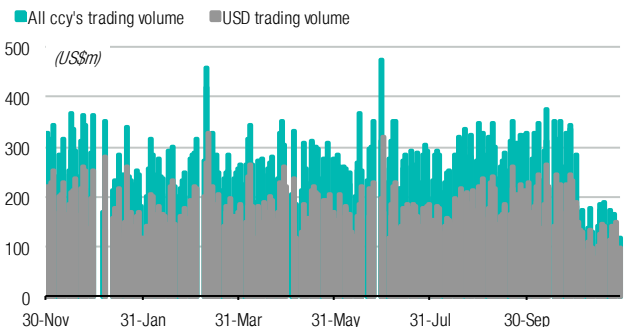


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

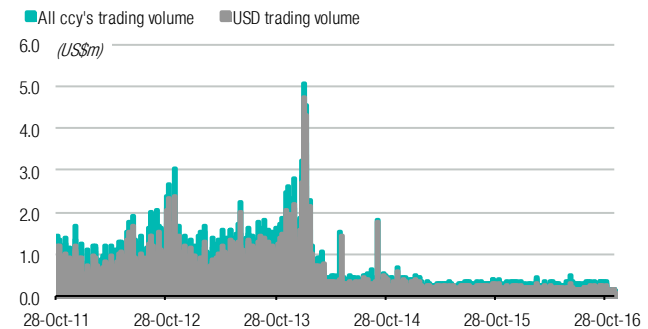


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

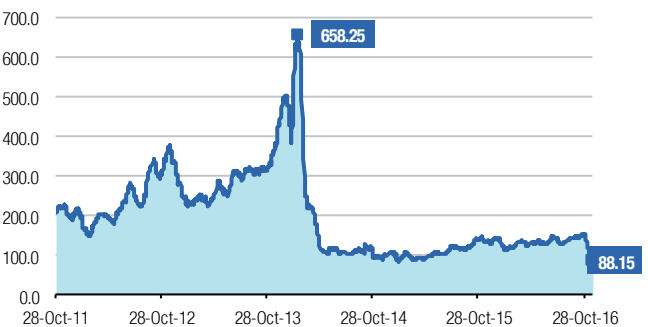
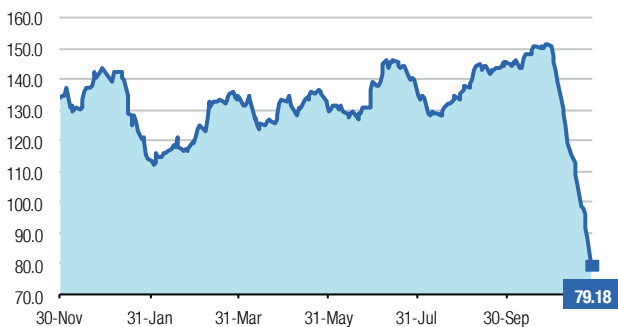


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

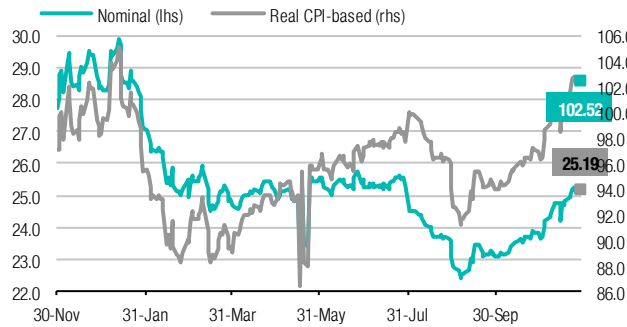


Note: \* 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

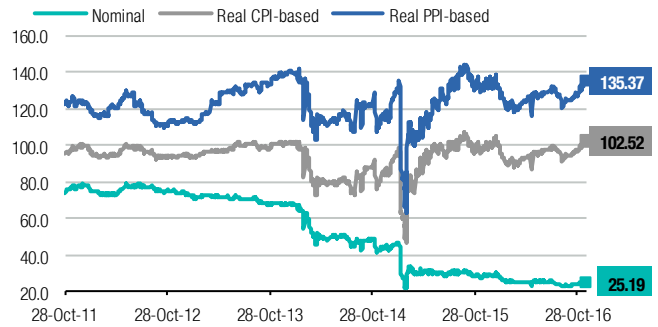
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology (for more details visit <http://www.icu.ua/en/research/currency-indices>).

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



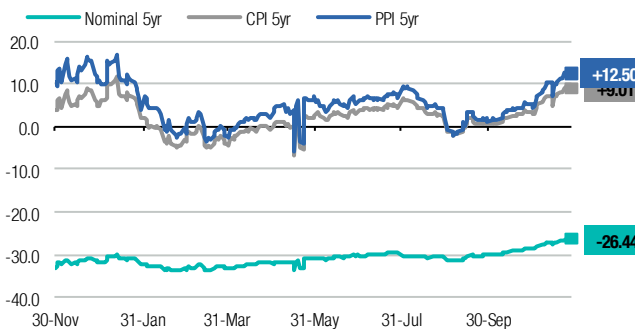
Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

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

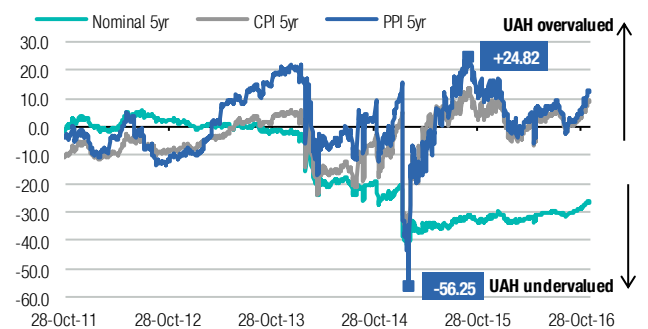


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

**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)**

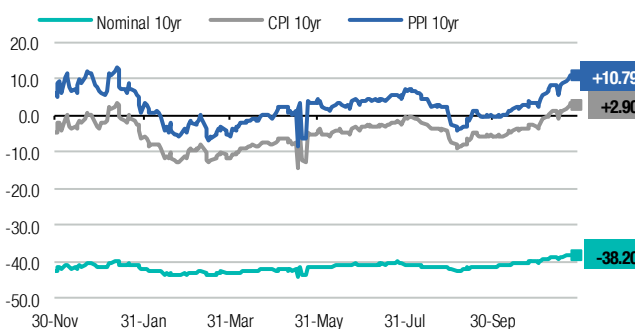


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

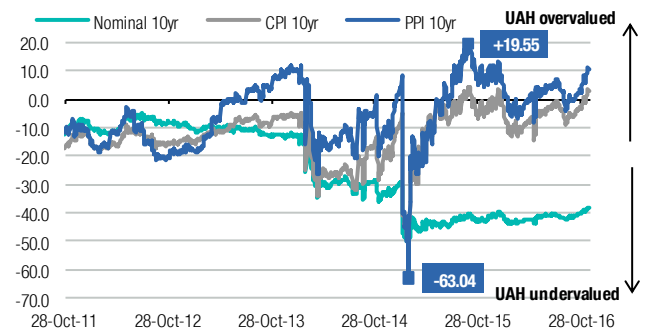


Note: the boxes indicate the high and low values of CPI-based TWI.  
Source: Investment Capital Ukraine LLC.

**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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### 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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