


**INVESTMENT CAPITAL UKRAINE**  
 INVESTMENT BANKING

# Daily Insight

 Liquidity up; Yields down; Primary auction results;  
 UAH down

WEDNESDAY, 4 JUNE, 2014

RESEARCH INSIGHT

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### UX Index (3 months to 4 Jun 2014)



### Key market indicators (as of 3 Jun 2014)

	Last	Daily chg (%)	YTD chg (%)
<b>FX &amp; MONEY RATES</b>			
USD/UAH	11.9500	+0.42	+45.02
USD/UAH (1Y NDF)	13.8500	+0.73	+47.03
EUR/USD	1.3628	+0.23	-0.84
USD/RUB	35.0559	+0.41	+6.65
KievPRIME O/N (%)	5.00	+0bp	-280bp
KievPRIME 1M (%)	16.88	+0bp	+63bp

### BONDS: yields and spreads

Ukraine VAT bond (%)	N/A	-8,900bp	-8,900bp
Ukraine 17, Eurobond (%)	9.47	-18bp	-9bp
Ukraine 22, Eurobond (%)	9.29	+6bp	-6bp
Ukraine 23, Eurobond (%)	8.86	-3bp	-18bp
Ukraine 5Y CDS	887bp	+1bp	+70bp

### EQUITIES

#### Stock market indices

UX (Ukraine)	1,209.82	-1.95	+32.94
MSCI World	422.04	-0.01	+3.30
MSCI EM	1,035.95	+0.63	+3.32
RTS (Russia)	1,324.03	+0.11	-8.23
WIG-20 (Poland)	2,446.42	+0.25	+1.89
S&P 500 (USA)	1,924.24	-0.04	+4.11

#### MOST ACTIVE: Top 3 stocks by value traded (US\$m)

KER PW	4.84	64.1% of total <sup>1</sup>
FXPO LN	1.61	21.4%
AST PW	0.36	4.7%

#### GAINERS: Top 3 stocks (in listed currency)

ALAGR FP	EUR 1.10	+8.91	-11.29
KDM PW	PLN 9.99	+6.62	-68.17
FORM UK	UAH 0.71	+6.17	-7.11

#### LOSERS: Top 3 stocks (in listed currency)


Notes: Chg – percentage change, if not otherwise indicated;  
 [1] – total traded volume for stocks listed in Table 1, pp. 2;  
 green- or red-shaded box means gain or loss, respectively,  
 of the index or security.

Sources: Bloomberg, UX, Investment Capital Ukraine LLC.



**Table 1. Ukrainian stocks (closing prices as of 3-Jun-2014)**

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)	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	P/B (x)

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; \*\*\* -- means that P/E ratio is above 10,000x.  
 Sources: Bloomberg, Investment Capital Ukraine LLC.

# Bonds: News & Comments

## Liquidity recovers

Broader banking sector liquidity yesterday rose to above last Friday's level, compensating for Monday's decline. Banks' correspondent accounts with the NBU rose UAH4.57bn to UAH30.03bn while total CDs outstanding fell UAH2.75bn to UAH8.26bn and total local currency debt repayments scheduled for the next 30 days rose UAH1.44bn to UAH5.40bn

KyivPrime interest rates once more remained unchanged since last Thursday, as the KyivPrime ON interest rate stood at 5.00% and the KyivPrime 1M interest rate was at 16.88%.

**Investment implications:** *The NBU sold fewer new CDs on Monday than it redeemed, offsetting part of the outflows made at the end of May. These repayments were a large part of the increase in banks' correspondent accounts, while the remaining funds could have come from budget expenditures, particularly as the MoF collected in excess of UAH8.0bn in its treasury account, a high volume yet unseen this year.*

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## Yields mostly declined

Ukrainian Eurobonds yesterday mostly returned to positive dynamics and prices mostly rose at the close, causing yields to diverge/decline slightly. The yield curve adjusted to the range of 8.61-10.49%, as UKRAIN 6.875% '15 remained steady at 10.49%, UKRAIN 9.25% '17 was down 17bp to 9.50%, UKRAIN 7.95% '21 slid 11bp to 8.99% and UKRAIN 7.50% '23 declined 3bp to 8.87%, while UKRAIN 7.80% '22 rose 7bp to 9.30%. The 5-year CDS rose to 887bp.

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## Primary auction results

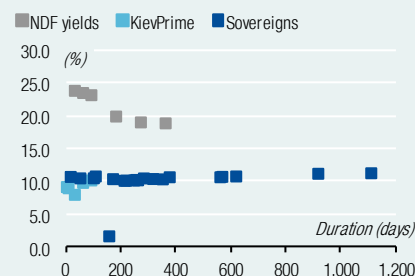
The MoF sold only the 2-year bond yesterday, while the 5-year bond attracted no demand. Of the six bids submitted for the 2-year bond, the MoF accepted only four for a total of UAH2.0bn at the lowest interest rate 16.98%. The remaining bids amounting to UAH0.02bn were rejected as they were too small and at a higher rate.

**Investment implications:** *These proceeds were likely needed for current budget expenditures or for next week's scheduled large repayments.*

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### Yield curve of the local bond market

(as of market close on 3 Jun 2014)



Sources: Bloomberg, Investment Capital Ukraine LLC.

### Bond market indicators (as of 3 Jun 2014)

	Last	Daily chg (%)	Weekly chg (%)	MoM chg (%)	YTD chg (%)
<b>MONEY MARKET KIEV PRIME RATES (%)</b>					
0/n	5.00	+0bp	+0bp	-140bp	-280bp
1wk	8.00	+0bp	-2bp	-260bp	-180bp
1m	16.88	+0bp	+13bp	-232bp	+63bp
2m	18.00	+0bp	+0bp	-10bp	+160bp
3m	18.00	+0bp	+0bp	-4bp	+200bp
<b>LIQUIDITY WIDE MEASUREMENT (UAHm)</b>					
CB acc's <sup>1</sup>	30,030	+17.96	+18.94	-0.58	-8.17
CDs <sup>2</sup>	15,836	+43.73	+14.40	+0.74	+941.8
Sovgns <sup>3</sup>	5,404	+0.00	+20.75	+50.08	+261.5
<b>Total</b>	<b>51,269</b>	<b>+22.42</b>	<b>+17.68</b>	<b>+3.52</b>	<b>+43.54</b>
<b>HOLDERS OF UAH SOVEREIGN BONDS (UAHm)</b>					
C.bank	187,264	+0.00	+5.64	+6.89	+29.28
Banks	86,495	+0.51	+3.50	+0.13	+7.89
Resid's <sup>4</sup>	11,152	+0.22	+11.10	+3.38	-10.04
Non-res <sup>5</sup>	16,258	+0.73	+1.57	+2.26	+38.97
<b>Total</b>	<b>301,168</b>	<b>+0.19</b>	<b>+4.98</b>	<b>+4.48</b>	<b>+20.90</b>
<b>NDF IMPLIED YIELDS (%)</b>					
3m	16.14	-15bp	-398bp	-27ppt	+400bp
6m	16.19	-132bp	-474bp	-13ppt	+278bp
9m	16.64	+66bp	-339bp	-968bp	+263bp
1yr	16.52	+36bp	-218bp	-656bp	+153bp
<b>LOCAL CURRENCY UAH SOVEREIGN BOND YIELDS (%)</b>					
Mar '13	N/A	-52ppt	+0bp	+0bp	+0bp
Jan '14	N/A	+320bp	+0bp	+0bp	-676bp
Aug '15 <sup>6</sup>	N/A	-89ppt	+0bp	+0bp	-89ppt
<b>EUROBONDS USD SOVEREIGN BOND YIELDS (%)</b>					
CDS 5yr	887	+1bp	+8bp	-363bp	+70bp
Jun '16	9.03	-9bp	+43bp	-492bp	+14bp
Jul '17	9.47	-18bp	+17bp	-486bp	-9bp
Sep '20	8.92	-28bp	+1bp	-284bp	-27bp
Sep '21	8.97	-12bp	+0bp	-276bp	-25bp
Sep '22	9.29	+6bp	+21bp	-160bp	-6bp
Feb '23	8.86	-3bp	+12bp	-165bp	-18bp

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

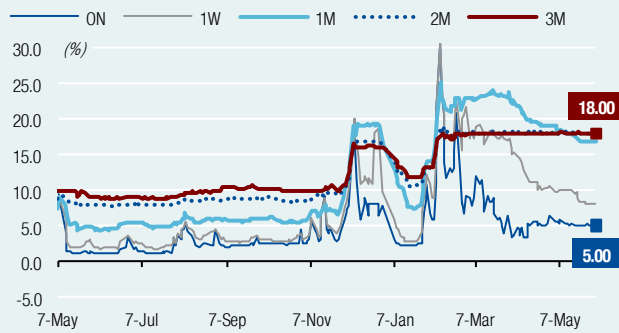


Chart 2. UAH NDF implied yields (%), last 12-month period



Chart 3. UAH sovereign yield curve (%) as of 3 Jun 2014

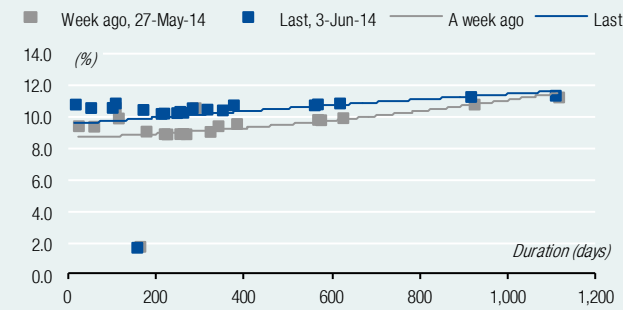


Chart 4. USD sovereign yield curve (%) as of 3 Jun 2014

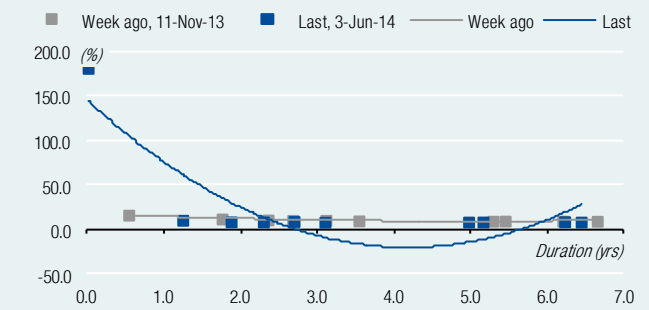


Chart 5. Banking sector liquidity (UAHbn), last 12-month period

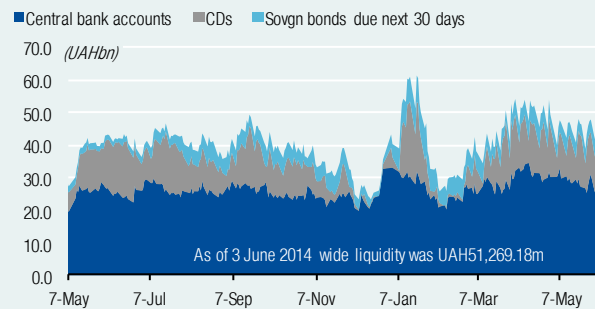


Chart 6. Breakdown of liquidity pool (%) as of 3 Jun 2014

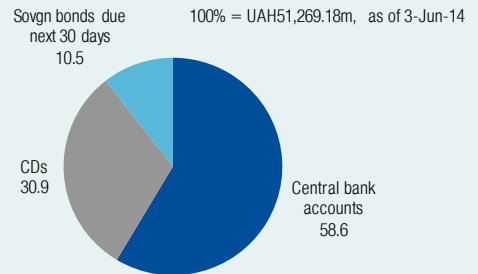


Chart 7. Holders of sovereign bonds (UAHbn), last 12 months

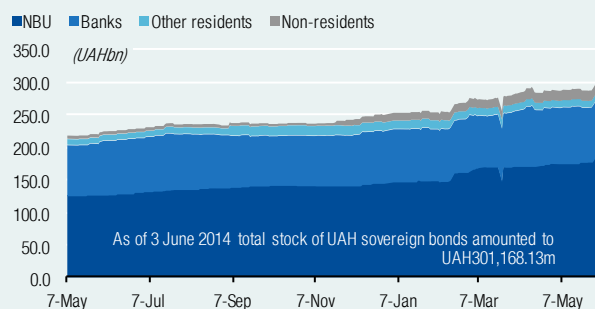
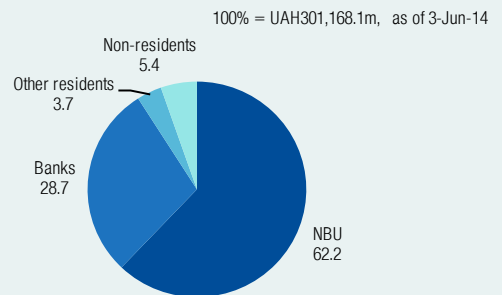


Chart 8. Domestic sovereign debt (%) as of 3 Jun 2014



# FX: News & Comments

## UAH down slightly

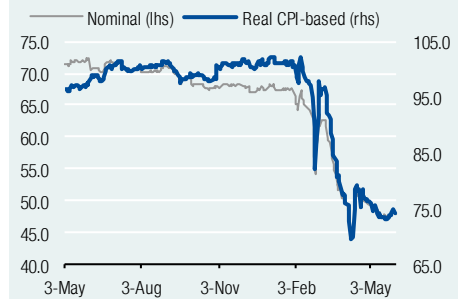
The hryvnia continued to weaken yesterday, down 0.42% to UAH11.9500 on US\$233.46m in trading, a low volume similar to the previous day. The NBU did not participate in the FX market yesterday. The EUR was up 0.23%, the RUB lost 0.41% and the US dollar index also fell 0.11%. In the end, the hryvnia's real trade-weighted index decreased 0.28%.

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### ICU's UAH trade-weighted indices

(Last 12-month history to 4 Jun 2014)



Source: Investment Capital Ukraine LLC.

### FX market indicators (as of 3 Jun 2014)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>USD/UAH MARKET (HRYVNIA per US DOLLAR)</b>					
Spot mkt	11.9500	+0.42	+0.42	+3.02	+45.02
NBU avg	11.8333	-0.37	+0.70	+3.79	+45.18
Ttl vlm <sup>1</sup>	314.57	-3.29	-36.73	-34.72	-88.77
\$ volume <sup>2</sup>	233.46	-1.25	-39.82	-32.41	-89.44
NDF 3M	12.4250	+0.38	-0.53	-3.31	+46.43
NDF 6M	12.9000	-0.19	-1.73	-3.01	+46.92
NDF 1Y	13.8500	+0.73	-1.42	-2.46	+47.03
<b>TRADE-WEIGHTED INDICES (TWIs, points)</b>					
UAH nom'l	47.951	-0.28	+0.29	-3.05	-29.00
UAH real CPI	73.934	-0.28	+0.29	-3.05	-26.85
UAH real PPI	102.414	-0.28	+0.29	-3.05	-26.21
USD nom'l	80.554	-0.11	+0.25	+1.31	+0.65
<b>FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs</b>					
USD/RUB	35.0559	+0.41	+1.88	-2.18	+6.65
EUR/USD	1.3628	+0.23	-0.05	-1.74	-0.84
USD/CNY	6.2544	+0.10	+0.10	-0.08	+3.31
USD/PLN	3.0489	+0.06	-0.16	+0.56	+0.86
USD/TRY	2.1172	+0.42	+0.73	+0.56	-1.44
USD/BYR	10,120.00	+0.15	+0.10	+1.20	+6.08
USD/KZT	183.5200	+0.01	-0.62	+0.80	+18.96
<b>OTHER MAJOR CURRENCIES</b>					
USD/JPY	102.5100	+0.13	+0.52	+0.30	-2.66
GBP/USD	1.6749	+0.02	-0.36	-0.72	+1.16
USD/CHF	0.8963	-0.27	-0.04	+2.08	+0.38
AUD/USD	0.9266	+0.22	+0.08	-0.12	+3.91
USD/CAD	1.0908	+0.07	+0.46	-0.58	+2.68
USD/BRL	2.2806	+0.17	+1.92	+2.66	-3.45
USD/KRW	1,023.08	-0.08	-0.01	-0.70	-2.55
<b>COMMODITIES</b>					
Gold(\$/oz)	1,244.97	+0.08	-1.58	-4.21	+3.26
WTI crude <sup>3</sup>	102.66	+0.19	-1.39	+2.91	+4.31
Brent crd <sup>3</sup>	109.20	-0.08	-1.87	+0.42	-1.46
Urals crd <sup>3</sup>	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB <sup>4</sup>	305.02	-0.13	-0.52	-0.69	+8.87

Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU website ([download history](#)) and Bloomberg (type: ALLX UTWI <GO>).

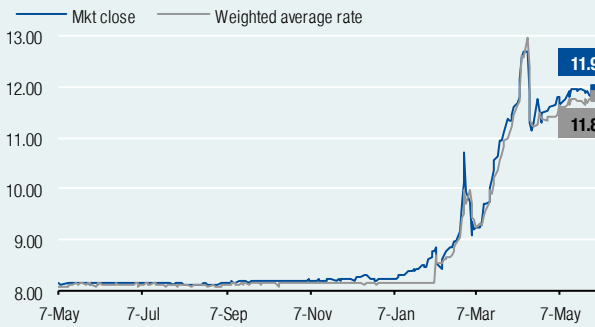
Section on FX market is continued on next page.

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.

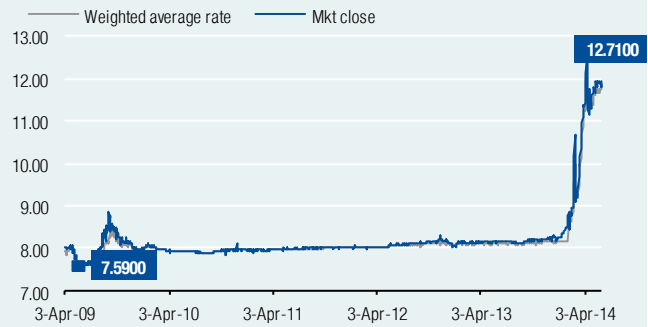
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

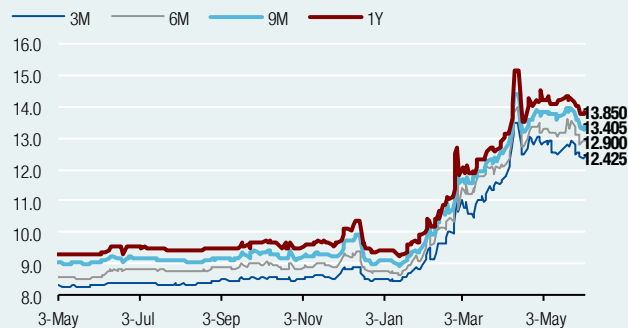


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

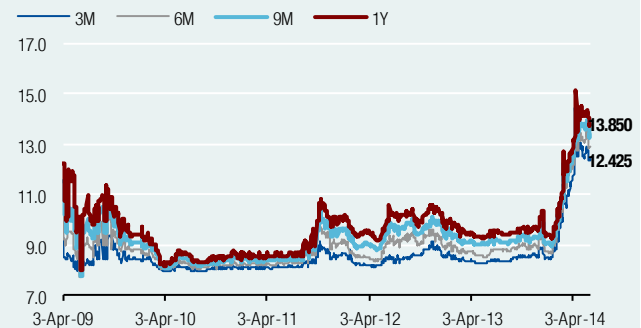


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

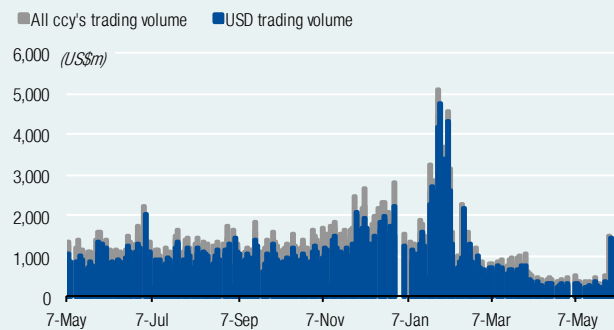


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

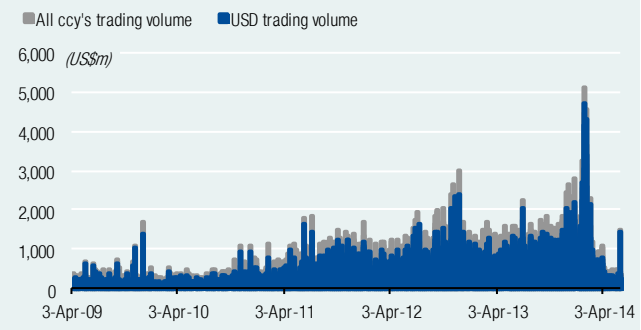


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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)



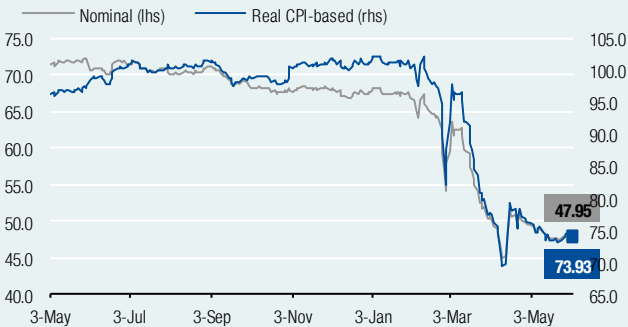
Note: \* 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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

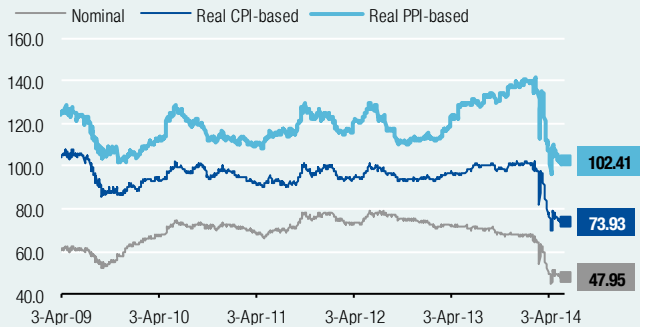
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology published in the [Quarterly Report "Keep the music playing"](#) dated 31 January 2013 and, then, updated, in the [Quarterly Report "Muddling through no more"](#) dated 14 August 2013.

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



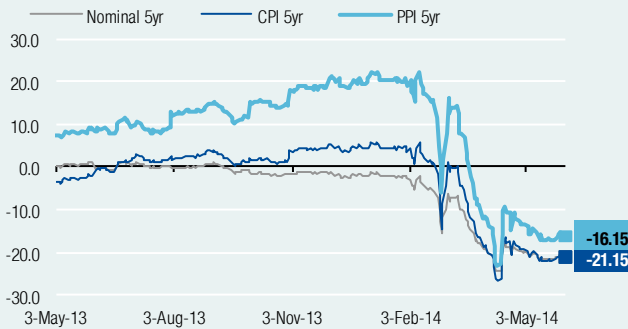
Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

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

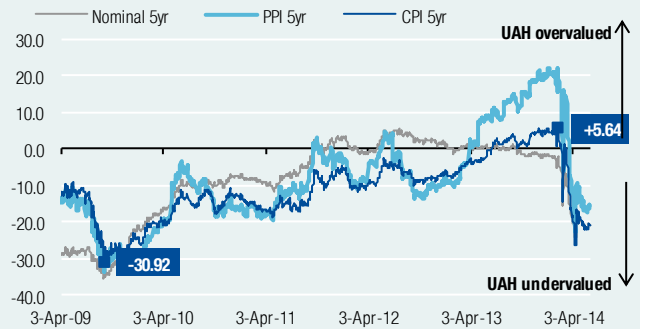


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.

**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**

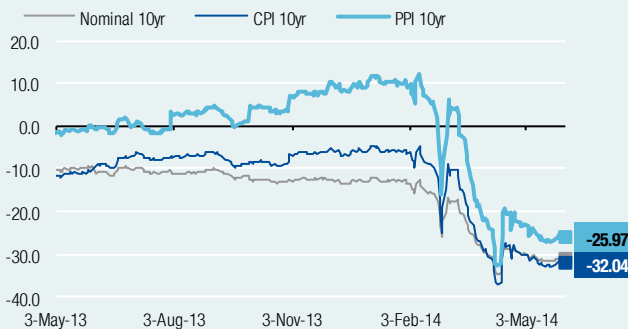


Note: The boxes indicate the last values of the depicted indicators.  
Source: Investment Capital Ukraine LLC.



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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