



Focus
Ukraine

Scope
Economics, bonds, equity & FX markets

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Daily Insight

IMF's Ukraine data look irrelevant

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WEDNESDAY, 8 OCTOBER 2014

UX Index (3 months to 8 Oct 2014)



Source: UX.

Key market indicators (as of 7 Oct 2014)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	12.9500	+0.00	+57.16
USD/UAH (1Y NDF)	16.0500	+0.00	+70.38
EUR/USD	1.2669	+0.11	-7.81
USD/RUB	39.9462	+0.30	+21.53
KievPRIME O/N (%)	8.00	+0bp	+20bp
KievPRIME 1M (%)	15.38	+21bp	-87bp
SOVEREIGN EUROBONDS: yields and spreads			
Ukraine 15, Eurobond (%)	18.29	-78bp	+993bp
Ukraine 17, Eurobond (%)	13.99	-39bp	+443bp
Ukraine 22, Eurobond (%)	10.36	-9bp	+101bp
Ukraine 23, Eurobond (%)	10.33	-17bp	+128bp
Ukraine 5Y CDS	1,285bp	+0bp	+468bp
EQUITIES			
Stock market indices			
UX (Ukraine)	1,062.69	-1.11	+16.77
MSCI World	408.98	-0.97	+0.11
MSCI EM	1,010.86	+0.05	+0.81
RTS (Russia)	1,106.80	-1.20	-23.28
WIG-20 (Poland)	2,436.39	-0.43	+1.47
S&P 500 (USA)	1,935.10	-1.51	+4.69

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.

Economics: News & Comments

FX reserves stat data for September

Although FX reserves were reported to have increased to US\$16.2bn over the last month, the reality of this announcement is less rosy and more complicated. Not only did NBU authorities postpone the US\$1.6bn Naftogaz Eurobond redemption from September 30 to very early October to retain FX reserves for September's month-end statistic, it appears that the NBU used the reserves to sell FX to support the hryvnia (US\$0.8bn, net). In terms of net debt, September should have reported a total of US\$1.1bn in inflows (excluding the Naftogaz debt, while including the US\$1.3bn in IMF funds) and the net debt outflow in October is estimated at US\$1.3bn (including the Naftogaz debt).

IMF publishes WEO: Ukraine data look irrelevant

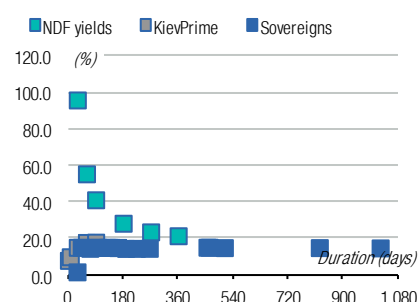
In its semiannual report published yesterday, World Economic Outlook for 2H14, the IMF revised downward its forecast for the pace of global growth. As far as Ukraine is concerned, the IMF's real growth forecast for 2014 and 2015 is irrelevant. This year's real growth rate was -6.5% and inflation in terms of CPI was indicated at 11%. This forecast missed the current pace of CPI that exceeds 17%.

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Bonds: News & Comments

Yield curve of the local bond market

(as of market close on 7 Oct 2014)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 7 Oct 2014)

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

MONEY MARKET KIEV PRIME RATES (%)

O/n	8.00	+0bp	-20bp	-10bp	+20bp
1wk	10.31	+14bp	-19bp	+6bp	+51bp
1m	15.38	+21bp	-32bp	+28bp	-87bp
2m	18.00	+0bp	+0bp	+0bp	+160bp
3m	18.00	+0bp	+0bp	+0bp	+200bp

LIQUIDITY WIDE MEASUREMENT (UAHm)

CB acc's ¹	31,747	+0.30	-11.55	+1.32	-2.92
CDs ²	7,308	-13.03	-78.34	-44.77	+936.6
Sovgns ³	6,769	+0.00	+3.05	+53.03	+352.8
Total	45,824	-2.14	-39.87	-6.46	+31.29

HOLDERS OF UAH SOVEREIGN BONDS (UAHm)

C.bank	269,142	+0.29	+1.03	+13.70	+85.81
Banks	83,890	-0.82	-1.93	-4.20	+4.64
Resid's ⁴	14,247	+0.49	+0.34	-29.94	+14.93
Non-res ⁵	19,420	+0.06	-0.05	+2.42	+66.00
Total	386,699	+0.04	+0.29	+6.36	+55.23

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	-52ppt	+0bp	+0bp	+0bp
Jan '14	N/A	+320bp	+0bp	+0bp	-676bp
Aug '15 ⁶	N/A	+542bp	+0bp	+542bp	-81ppt

EUROBONDS USD SOVEREIGN BOND YIELDS (%)

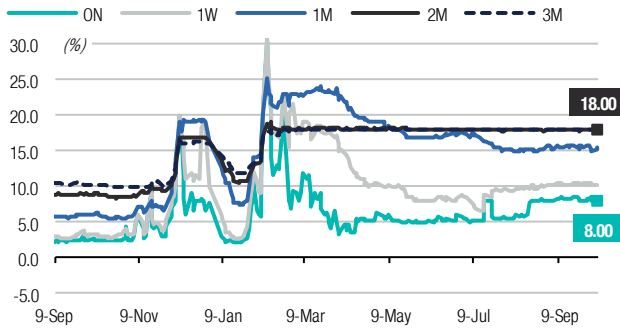
CDS 5yr	1,285	+0bp	-33bp	+295bp	+468bp
Jun '16	14.45	-27bp	-88bp	+285bp	+556bp
Jul '17	13.99	-39bp	-55bp	+257bp	+443bp
Sep '20	10.89	-19bp	-23bp	+139bp	+170bp
Sep '21	10.96	-9bp	-22bp	+137bp	+174bp
Sep '22	10.36	-9bp	-19bp	+94bp	+101bp
Feb '23	10.33	-17bp	-8bp	+96bp	+128bp

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.

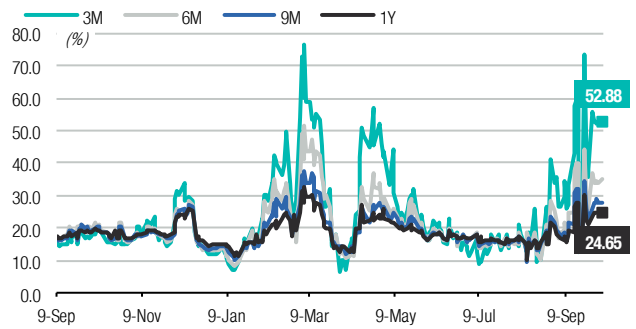
Chart page: Local bond market & Eurobond markets

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



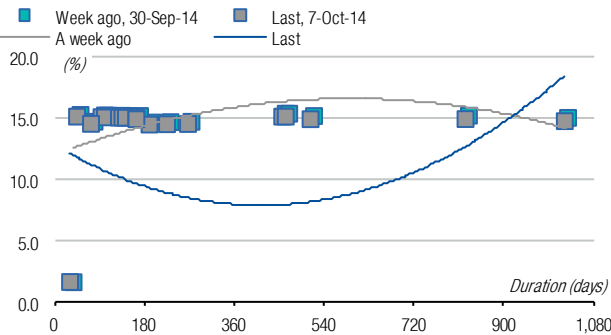
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



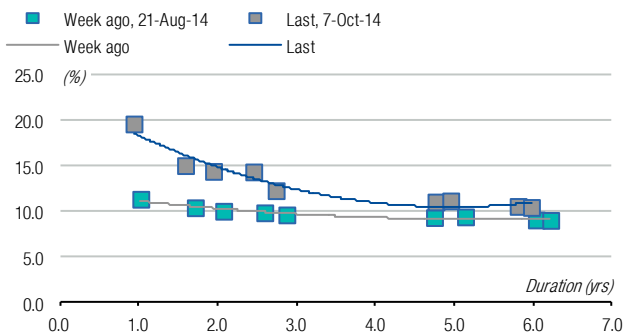
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 7 Oct 2014



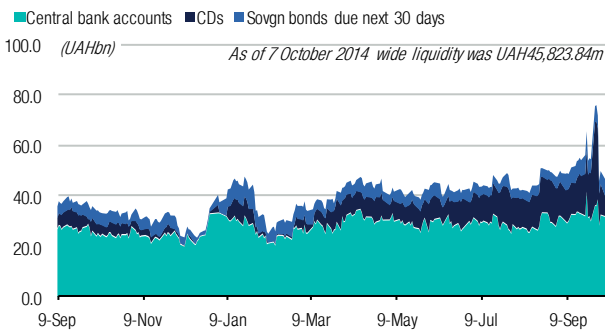
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 7 Oct 2014



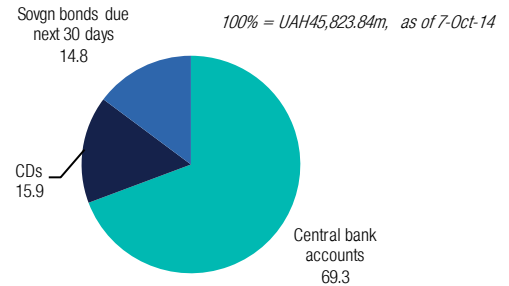
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



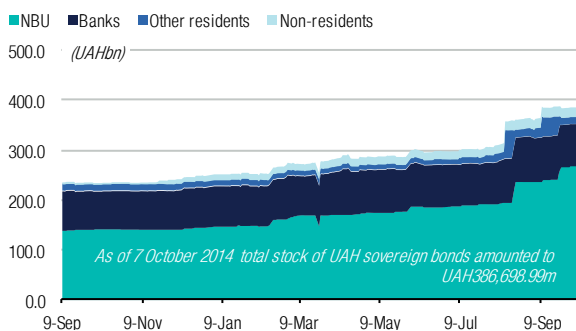
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 7 Oct 2014



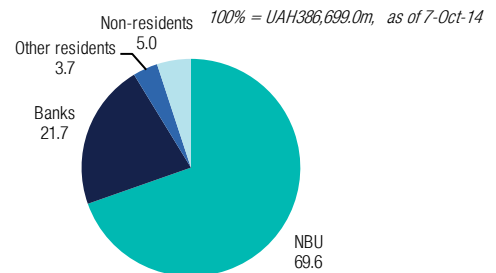
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 7 Oct 2014



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

Table 1. Ukrainian stocks (closing prices as of 7-Oct-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)	2013	2014E	2014E	2013	2014E	2014E	2013	2014E	2014E	P/B	Debt/(x) Assets (%)		
Ukrsotsbank	USCB UK	Kiev, UX	0.14 UAH	+0.0	-14.8	-23.0	-20.3	0.01	202.1	N/A	4.5	9.1	0.0	4.4	0.01	9,390	Neg.	10.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.3	28.2

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

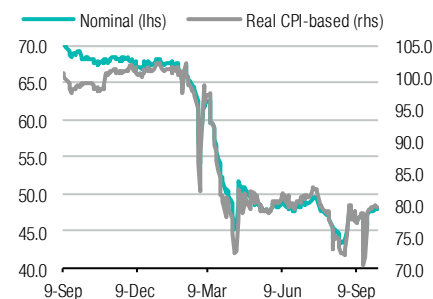
Hryvnia at 12.95/USD, dollar's rally hits plateau

The hryvnia held its routine rate of 12.95/USD yesterday on US\$168m in trading. The weighted average rate also landed near 12.97/USD. Over the past three months the US dollar's rally sent global currencies to multi-year lows. This trend is likely has come to an end, hence, pressure on UAH is likely to subside too after the upcoming elections are over.

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ICU's UAH trade-weighted indices

(Last 12-month history to 8 Oct 2014)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 7 Oct 2014)

	Last	Daily	Weekly	MoM	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
USD/UAH MARKET (HRYVNIA per US DOLLAR)					
Spot mkt	12.9500	+0.00	+0.00	+1.17	+57.16
NBU avg	12.9663	+0.13	+0.13	+1.12	+59.08
Ttl vlm ¹	223.38	+16.14	-5.36	-39.37	-92.03
\$ volume ²	168.33	+25.37	+12.42	-21.79	-92.39
NDF 3M	14.6500	+0.00	+0.00	+7.37	+72.66
NDF 6M	15.1000	-0.66	+0.00	+8.09	+71.98
NDF 1Y	16.0500	+0.00	+0.00	+8.01	+70.38
TRADE-WEIGHTED INDICES (TWIs, points)					
UAH nom'l	47.780	+0.07	+0.16	+2.50	-29.25
UAH real CPI	79.605	+0.07	+0.16	+2.50	-21.24
UAH real PPI	119.893	+0.07	+0.16	+2.50	-13.61
USD nom'l	85.672	-0.30	-0.31	+2.31	+7.04
FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs					
USD/RUB	39.9462	+0.30	+0.87	+7.83	+21.53
EUR/USD	1.2669	+0.11	+0.30	-2.18	-7.81
USD/CNY	6.1401	+0.03	+0.01	-0.02	+1.42
USD/PLN	3.3023	-0.01	-0.24	+2.34	+9.24
USD/TRY	2.2750	+0.32	-0.14	+5.41	+5.90
USD/BYR	10,670.00	+0.09	+0.76	+1.62	+11.84
USD/KZT	181.8400	+0.01	-0.05	-0.15	+17.87
OTHER MAJOR CURRENCIES					
USD/JPY	108.0300	-0.69	-1.48	+2.80	+2.58
GBP/USD	1.6096	+0.07	-0.72	-1.41	-2.78
USD/CHF	0.9568	-0.16	+0.18	+2.76	+7.16
AUD/USD	0.8817	+0.62	+0.80	-5.98	-1.12
USD/CAD	1.1175	+0.39	-0.21	+2.71	+5.20
USD/BRL	2.3966	-1.22	-2.06	+6.91	+1.46
USD/KRW	1,066.10	-0.27	+1.03	+4.09	+1.55
COMMODITIES					
Gold(\$/oz)	1,208.98	+0.14	+0.07	-4.72	+0.28
WTI crude ³	88.85	-1.65	-2.53	-4.76	-9.72
Brent crd ³	91.01	-1.24	-2.32	-9.13	-17.88
Urals crd ³	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB ⁴	279.98	-0.09	+0.51	-2.79	-0.07

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.

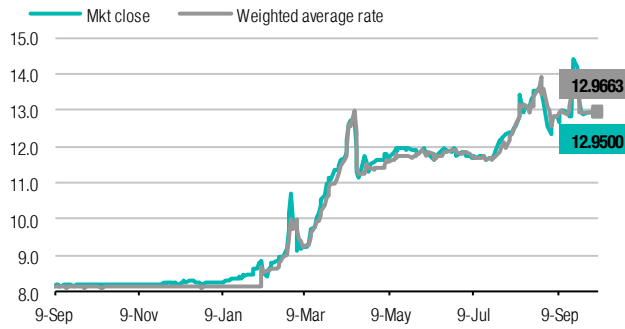
Sources: Bloomberg, Investment Capital Ukraine LLC.

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>).

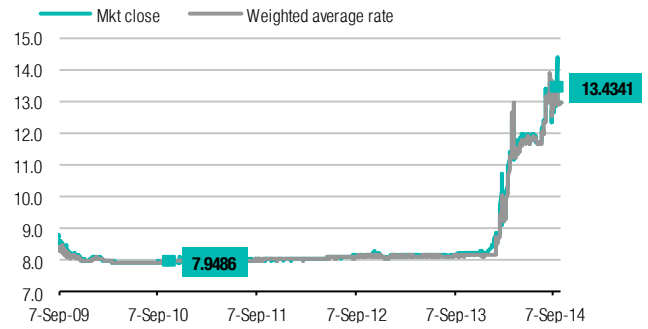
Section on FX market is continued on next page.

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)

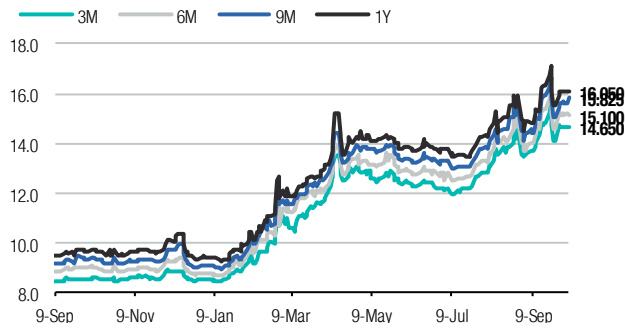


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

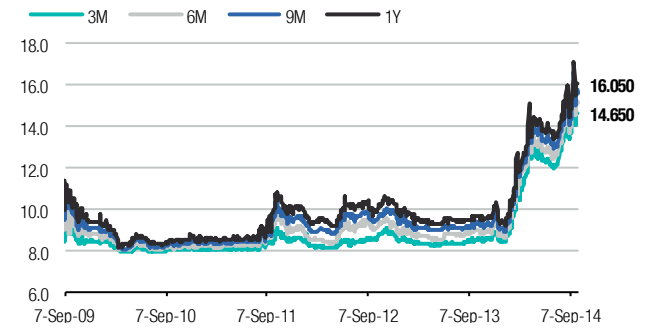


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

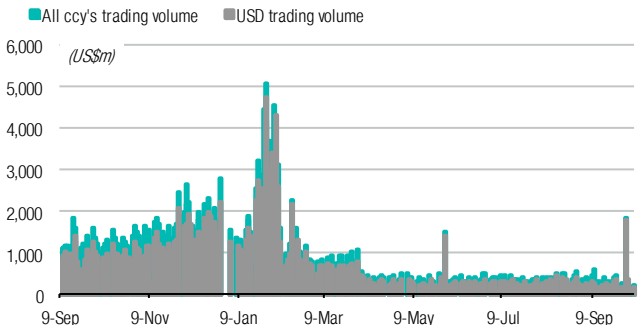


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

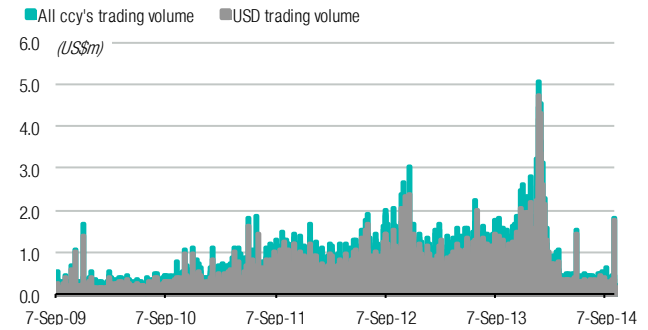


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

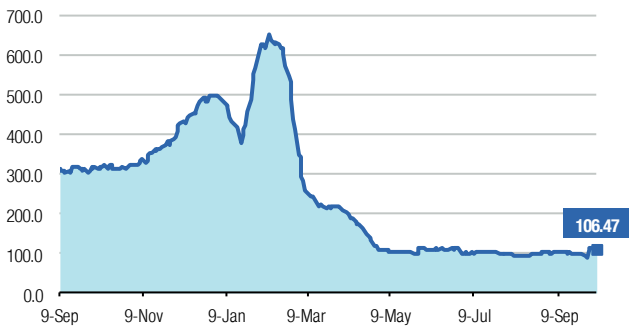


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)

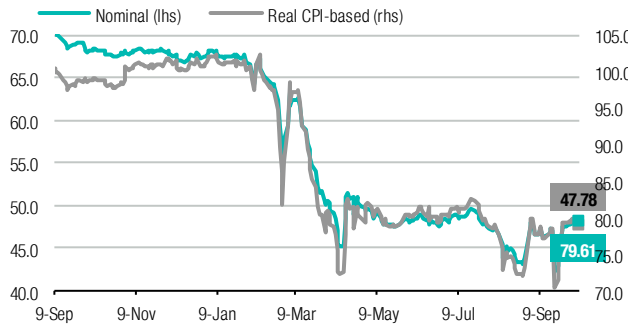


Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

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

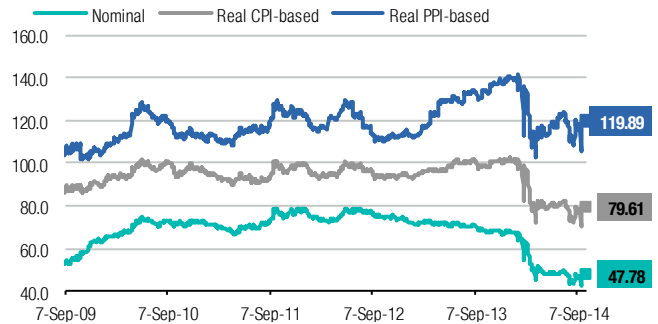
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology published in the [Quarterly Report "Keep the music playing"](#) dated 31 January 2013 and, then, updated, in the [Quarterly Report "Muddling through no more"](#) dated 14 August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

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



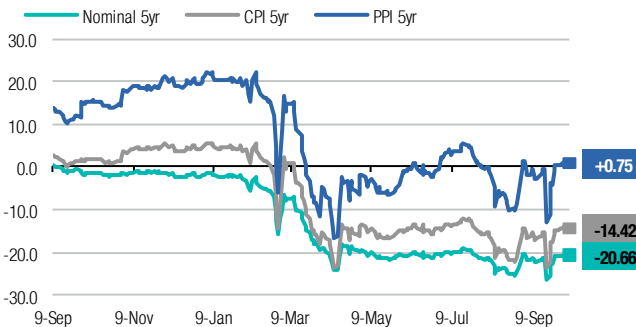
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

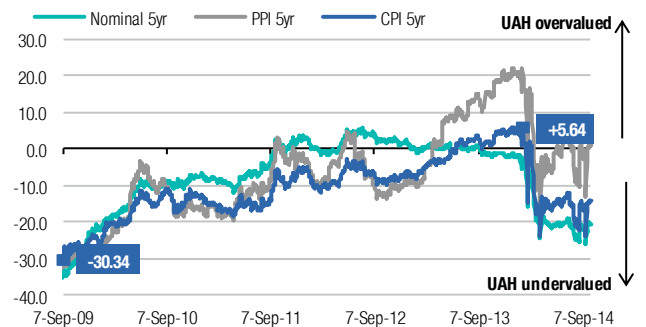


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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)

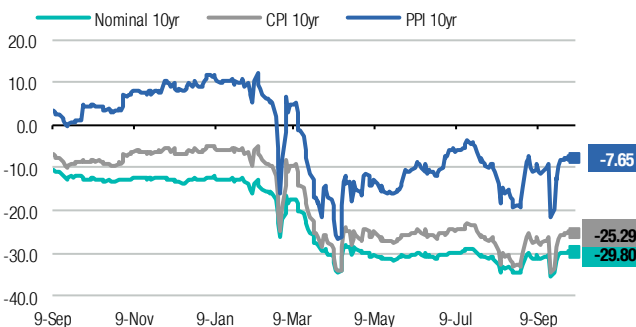


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

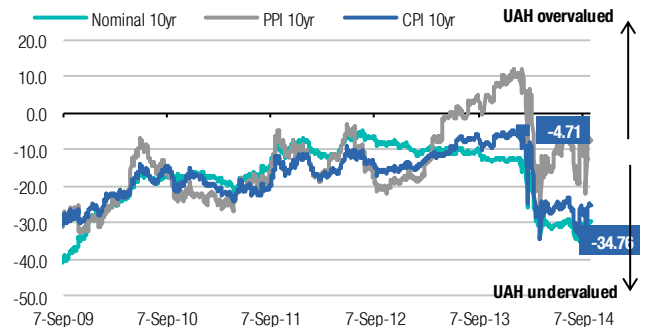


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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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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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Additional information is available upon request.