


**INVESTMENT CAPITAL UKRAINE**  
INVESTMENT BANKING

# Daily Insight

## Hryvnia seen near 9.00/USD; president critical of the NBU

MONDAY, 7 SEPTEMBER, 2009

### Market comment

#### Hryvnia seen near 9/USD

The hryvnia's exchange rate continues to move toward the significant support line of 9.00/USD on the Ukrainian foreign-exchange market. According to UkrDealing, trading on the market started at the same rate as of the end of Thursday, 8.75-8.85/USD, and by the end of the trading session, slid to 8.83-8.92/USD, losing another 0.9% of worth. For the whole previous week, the hryvnia lost a total 4.4% of its value. The central bank supported the local FX market in the form of a foreign-currency auction, keeping the official exchange rate fixed at the same rate as on Thursday, 7.99/USD. The situation on the cash market was similar to the FX market, with the local currency devaluating. The average exchange rate at the commercial bank's interchange stations was fixed at 8.72-8.96/USD, versus Thursday's 8.56-8.77/USD.

### Economics

#### President critical of the NBU

On Thursday, the Ukrainian president, Viktor Yushenko, met with mass media representatives. During the meeting, the president indicated that the head of the NBU, Volodymyr Stelmakh, may be dismissed before the end of his governing term. According to the head of the country, he is prepared to take this course of action if Stelmakh threatens the Ukrainian banking system, and continue to co-operate with the Cabinet of Ministers to solve budget problems by injecting hryvnia into the banking system. The president said that each UAH1.00bn or UAH2.00bn emission would be critical for the stabilization of the local currency. The budget's need of funding must be covered by obtaining liquidity from the market, in other words, by issuing government bonds. However, Yushenko thinks that actions by the Cabinet of Ministers are responsible for the volatility in the hryvnia. According to the president, the central bank could have fixed the exchange rate at the level of 6.5/USD, if the government would attract US\$14.00 [;US\$14.0m?;] more funds; however, the hryvnia is falling under the pressure of national debt, which is sharply growing.

RESEARCH INSIGHT

#### Key rates and indices (as of 4 Sep 2009)

	Last	Daily chg <sup>1</sup> (%)	YTD chg <sup>1</sup> (%)
<b>Currencies</b>			
USD/UAH (spot)	8.8800	1.09	13.85
USD/UAH (1Y NDF)	11.4000	2.70	-14.93
EUR/USD (spot)	1.4290	0.27	2.23
<b>Money market</b>			
KievPRIME O/N (%)	2.94	-69bp	-2,004bp
KievPRIME 1M (%)	12.70	-11bp	-1,108bp
<b>Bond markets</b>			
EMBI+ Ukraine	1,884	0.27	580.14
<b>Equity markets</b>			
PFTS (Ukraine)	459.25	-0.99	52.36
RTS (Russia)	1,063.57	-0.98	68.32
WIG (Poland)	36,191.65	0.51	32.92
S&P 500 (USA)	1,016.40	1.31	12.53

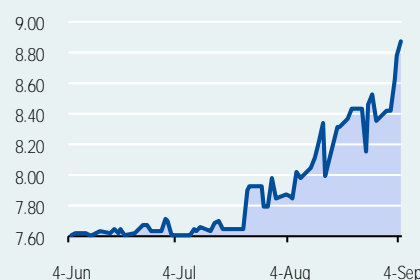
Note: 1) percentage change if not otherwise stated.  
Sources: NBU, PFTS, Thomson Reuters, Cbonds, ICU.

#### PFTS Index (3 months to 7 Sep 2009)



Source: PFTS.

#### USD/UAH (3 months to 7 Sep 2009)



Source: Thomson Reuters.

#### Research team

**Alexander Valchyshen**  
alexander.valchyshen@investcapital.com.ua  
**Sergiy Byelyayev**  
sergiy.byelyayev@investcapital.com.ua

## Foreign exchange market

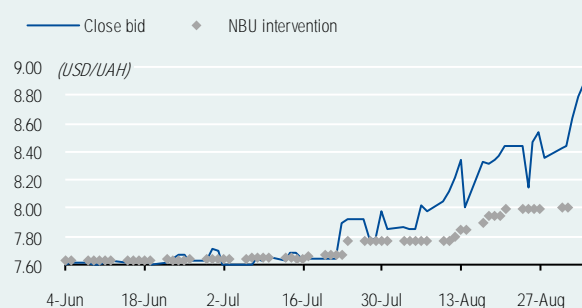
**Table 1. Spot exchange rates of USD/UAH and USD/EUR and offshore NDF market exchange rates of USD/UAH**

	Last close (4-Sep-2009)	Previous (3-Sep-2009)	Daily change (%)	YoY change (%)	YTD change (%)
USD/UAH (spot)	8.8800	8.7840	1.09	88.34	13.85
USD/UAH NDF (3M)	9.7000	9.6000	1.04	97.15	-7.62
USD/UAH NDF (6M)	10.3000	10.2000	0.98	103.56	25.39
USD/UAH NDF (1Y)	11.4000	11.1000	2.70	114.69	-14.93
USD/EUR (spot)	1.4290	1.4252	0.27	0.29	2.23

Source: Thomson Reuters.

**Chart 1. Exchange rate (USD/UAH) and NBU interventions**

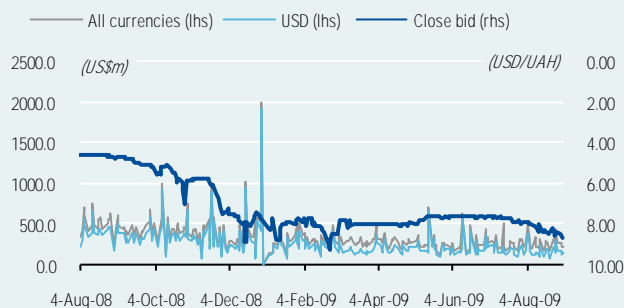
Last 3 months to 7-Sep-2009



Sources: National Bank of Ukraine, Thomson Reuters.

**Chart 2. FX market turnover**

Last 12 months to 7-Sep-2009



Note: right-hand scale is inverted.

Sources: National Bank of Ukraine, Thomson Reuters.

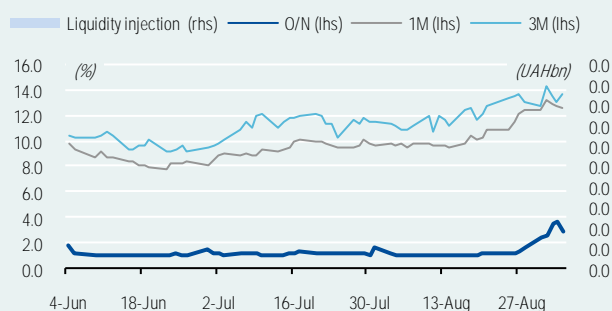
## Money market

**Table 2. Money market rates KievPRIME (% per year)**

	Last close (4-Sep-2009)	Previous (3-Sep-2009)	Daily change (bp)	MoM change (bp)	YTD change (bp)
Overnight	2.94	3.63	-69	185	-2,004
1 week	4.65	4.91	-26	264	-1,873
1 month	12.70	12.81	-11	311	-1,108
2 months	13.10	12.38	72	324	-1,013
3 months	13.70	13.19	51	251	-988

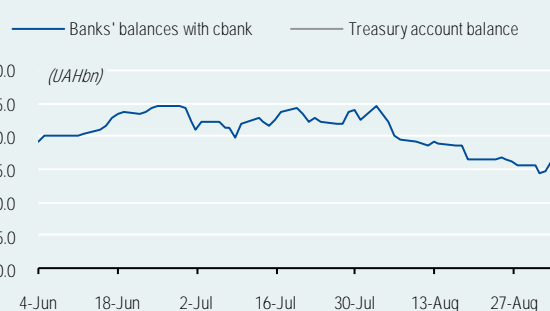
Source: Thomson Reuters.

**Chart 3. Money market rates (Kiev PRIME)**



Sources: National Bank of Ukraine, Thomson Reuters.

**Chart 4. Liquidity indicators**

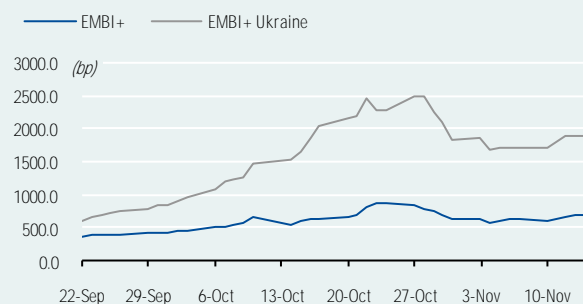


Sources: National Bank of Ukraine, State Treasury of Ukraine.

## Bond market

**Chart 5. EMBI+ performance**

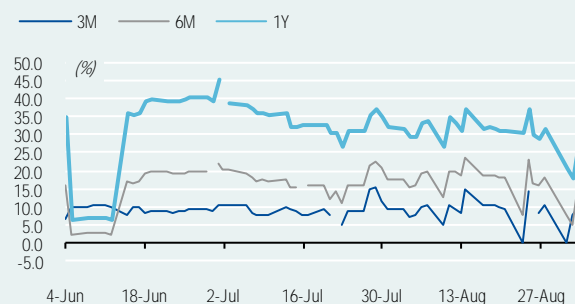
*Last 3 months to 7-Sep-2009*



Source: CBonds.info.

**Chart 6. Implied yields of USD/UAH offshore NDF market**

*Last 3 months to 7-Sep-2009*



Sources: Thomson Reuters, ICU.

**Table 3. Domestic bond market quotations: government bonds (closing prices as of 4-Sep-2009)**

Ticker	Issuer	Coupon rate (%)	Maturity	Bid (% of par)	Ask (% of par)	Last price (% of par)	Bid YTM (%)	Ask YTM (%)	Last YTM (%)	Trade volume (UAH)
20909	Ministry of Finance	11.94	30-Dec-09	95.368	96.868		30.46	24.25		0.00

Note: Bid, Ask and Last price are clean prices that are indicated as a percentage of face value. Source: PFTS, ICU.

**Table 4. Domestic bond market quotations: municipal bonds (closing prices as of 4-Sep-2009)**

Ticker	Issuer and bond's series	Coupon rate (%)	Put/ Maturity	Bid (% of par)	Ask (% of par)	Last price (% of par)	Bid YTM (%)	Ask YTM (%)	Last YTM (%)	Trade volume (UAH)
OZAPRE	Zaporizhya (E)	12.00	6-Jul-10		94.736			19.93		0.00

Note: Bid, Ask and Last price are clean prices that are indicated as a percentage of face value. Source: PFTS, ICU.

**Table 5. Domestic bond market quotations: corporate bonds (closing prices as of 4-Sep-2009)**

Sector	Ticker	Issuer and bond's series	Coupon rate (%)	Put/ Maturity	Bid (% of par)	Ask (% of par)	Last price (% of par)	Bid YTM (%)	Ask YTM (%)	Last YTM (%)	Trade volume (UAH 000)
<b>TRANSPORTATION</b>											
Airports											
	<b>OMABA3</b>	Boryspil Intl Airport (A)	10.00	19-Apr-10	81.740	89.608		53.51	32.07		0.00
<b>FINANCIAL SERVICES</b>											
Commercial banking											
	<b>COKPBH</b>	Creditprombank (H)	11.25	21-Oct-09		98.251			27.81		0.00
	<b>COENRA</b>	Energobank (A)	25.00	18-Dec-09	94.731	94.973		54.53	53.17		0.00
	<b>OFNINB</b>	Financial Initiative Bank (B)	20.00	7-Dec-09			-4.822			0.00	10.74
	<b>OBPVA2</b>	Pivdenny (A)	18.00	11-Jan-10	97.386	100.986		28.49	15.89		0.00

Note: 1) bonds with total outstanding higher than or equal to UAH100m are listed; 2) Bid, Ask and Last price are clean prices that are indicated as a percentage of face value. Sources: PFTS, ICU.

# Equity market

**Table 6. Key equity market indicators**

	Close (4-Sep-2009)	Daily change (%)	MoM change (%)	YoY change (%)	YTD change (%)
<b>PFTS Index</b>	459.25	-0.99	6.89	-28.23	52.36
<b>Trade volume (US\$m)</b>	1.87				
<b>Market capitalisation (US\$m)</b>	19,424.53				

Sources: PFTS, ICU.

**Chart 7. PFTS equity market index and trade turnover**

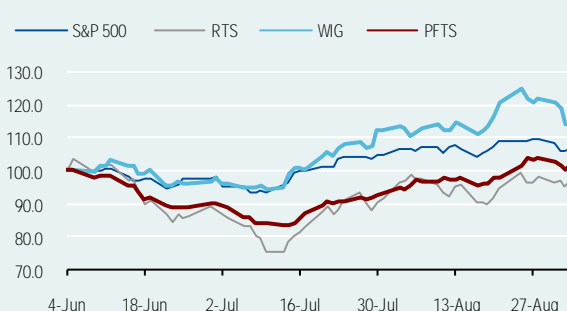
Last 3 months to 7-Sep-2009



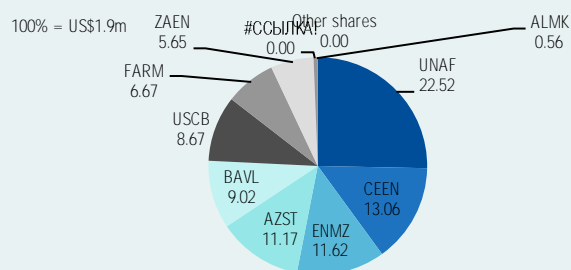
Sources: PFTS, ICU.

**Chart 8. Relative performance of equity indices**

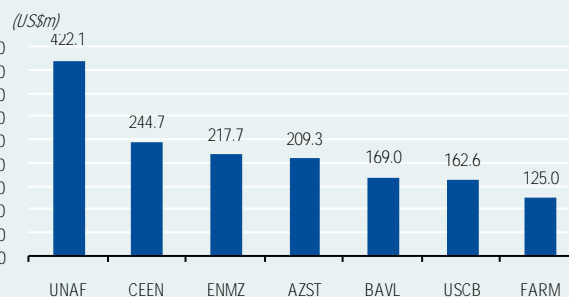
Last 3 months to 7-Sep-2009



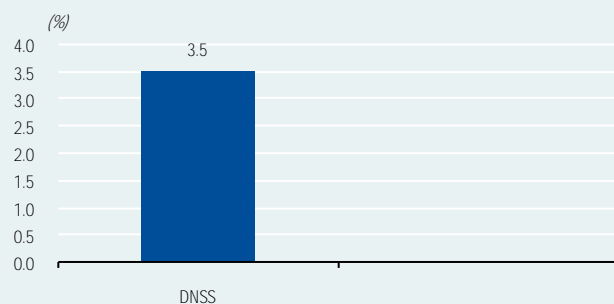
Sources: PFTS, ICU.

**Chart 9. Breakdown of total turnover by traded equities (%)**


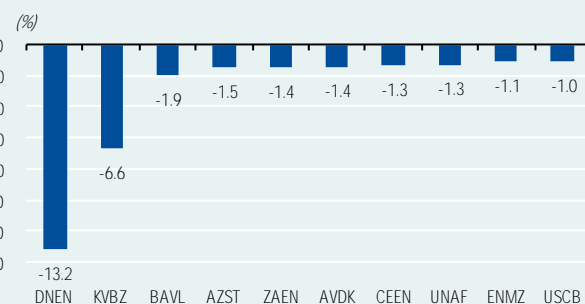
Sources: PFTS, ICU.

**Chart 10. Top 10 most traded shares**


Sources: PFTS, ICU.

**Chart 11. Gainers – top 10 shares by daily price increase**


Sources: PFTS, ICU.

**Chart 12. Losers – top 10 shares by daily price decline**


Sources: PFTS, ICU.

Table 7. PFTS shares (closing prices as of 4-Sep-2009)

Sector	Ticker	Company	Bid (US\$)	Ask (US\$)	Price <sup>1</sup> (US\$)	Daily Chg (%)	YTD Chg (%)	Volume (US\$ 000)	52wk avg volume <sup>2</sup> (US\$ 000)	Market Cap <sup>3</sup> (US\$m)
<b>ENERGY</b>										
Fossil fuel electric power generation										
	<b>DNEN</b>	Dniproenergo	78.829	0.000	<b>78.829</b>	-13.17	31.10	0.00	151.32	154.66
	<b>CEEN</b>	Tsentrenergo	1.019	1.042	<b>1.028</b>	-1.30	54.22	244.72	114.43	379.81
	<b>ZAEN</b>	Zakhidenergo	39.189	40.541	<b>39.752</b>	-1.42	-21.72	105.90	178.02	508.45
Oil and gas										
	<b>UNAF</b>	Ukrnafta	15.822	16.104	<b>15.963</b>	-1.26	8.07	422.14	163.48	865.64
<b>METALLURGY</b>										
Iron and steel mills										
	<b>ALMK</b>	Alchevsky Metalurgic Plant	0.011	0.012	<b>0.012</b>	-0.41	13.60	10.45	73.77	126.80
	<b>AZST</b>	Azovstal	0.196	0.199	<b>0.196</b>	-1.48	75.11	209.28	174.34	1,103.47
	<b>DNSS</b>	Dnipropetsstal	130.068	236.486	<b>183.277</b>	3.53	-46.07	0.00	49.38	230.02
	<b>ENMZ</b>	Yenakievo Steel	13.604	13.739	<b>13.615</b>	-1.08	99.34	217.74	77.76	1,411.97
Pipe and tube manufacturing										
	<b>HRTR</b>	Khartsyzk Pipe Plant	0.118	0.163	<b>0.141</b>	-2.64	19.75	0.00	825.05	67.98
Foundry coke manufacturing										
	<b>AVDK</b>	Avdiivsky Coke Plant	0.878	0.901	<b>0.890</b>	-1.39	55.21	0.00	183.38	172.24
<b>MACHINERY</b>										
Railroad rolling stock manufacturing										
	<b>KVBZ</b>	Kryukovsky Rail Car Plant	1.126	1.329	<b>1.227</b>	-6.65	4.34	0.00	36.11	140.77
Automobile manufacturing										
	<b>LUAZ</b>	LuAZ	0.016	0.024	<b>0.020</b>	-1.08	-5.72	0.00	58.97	73.08
	<b>AVTO</b>	Ukrainian automobile corporation	6.982	10.698	<b>8.840</b>	-8.65	15.62	0.00	47.94	60.60
Aircraft product and parts manufacturing										
	<b>MSICH</b>	Motor Sich	105.856	109.234	<b>107.545</b>	-0.56	120.86	0.00	76.97	222.31
<b>FINANCIAL SERVICES</b>										
Commercial banking										
	<b>BAVL</b>	Raiffeisen Bank Aval	0.031	0.032	<b>0.032</b>	-1.95	1.44	169.04	57.15	725.57
	<b>USCB</b>	Ukrsotsbank	0.034	0.035	<b>0.035</b>	-1.05	22.41	162.55	78.62	130.25

Note: 1) the table lists those companies a) the shares of which have average daily turnover for the last 52-week period of more than or equal to US\$25 thousand and b) that have market capitalization of more than or equal to US\$50m; 2) Price is calculated as a) average between best bid and best ask if there was no turnover with the share or last price exceeds the range between best bid and best ask for the trading session; or b) last price of trades with the share; 3) market capitalization. Sources: PFTS, ICU.

## 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.



Office 44, 11th floor, LEONARDO Business Centre  
19/21 Bogdan Khmelnytsky Street  
Kiev, 01030 Ukraine  
Phone/Fax +38 044 2200120

**CHAIRMAN OF THE BOARD OF DIRECTORS**

**Valeria Gontareva**

valeria.gontareva@investcapital.com.ua

**MANAGING DIRECTOR, TRADING & SALES**

**Konstantin Stetsenko**

konstantin.stetsenko@investcapital.com.ua

**MANAGING DIRECTOR, CORPORATE FINANCE**

**Makar Paseniuk**

makar.paseniuk@investcapital.com.ua

**HEAD OF RESEARCH**

**Alexander Valchyshen**

alexander.valchyshen@investcapital.com.ua

**DIRECTOR, CORPORATE FINANCE**

**Volodymyr Demchyshyn**

volodymyr.demchyshyn@investcapital.com.ua

Investment Capital Ukraine LLC is regulated by Securities and Stock Market State Commission of Ukraine (licence numbers: dealer activity AB 440399, broker activity AB 440398, underwriting activity AB 440400, securities management activity AB 440401 dated 17 November 2008).

---

**DISCLAIMER**

This research publication has been prepared by Investment Capital Ukraine solely for information purposes for its clients. It does not constitute an investment advice or an offer or solicitation for the purchase or sale of any financial instrument. While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, Investment Capital Ukraine makes no representation that it is accurate or complete. The information contained herein is subject to change without notice. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of Investment Capital Ukraine LLC. All rights are reserved. Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates. Past performance is not indicative of future results. Investors should make their own investigations and investment decisions without relying on this report. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this report.

**Additional information is available upon request.**