

## Stock Market Update

### Equity

The UX index rose by 3.2% to 1,658 points last week while there was almost no turnover in major locally-listed stocks. In particular, CentrEnego (CEEN) added by 4.0% to UAH 5.47 per share with no trades reported for the five sessions in a row. Raiffeisen Bank (BAVL) was unchanged at 30 kopecks and TurboAtom (TATM) surged by 10% to UAH 4.00.

In London trading, iron ore miner Ferrexpo (FXPO) slipped by GBp 91 (MCap USD 703mn) and MHP (MHPC) was flat at USD 3.60 (MCap USD 385mn).

Warsaw-listed Ukrainian names were mixed. Kernel (KER) rebounded by 6.0% to PLN 13.55 after steep losses over previous weeks. Astarta (AST) dropped by 6.4% to PLN 31.10.

On the cash market, the dollar rose by 1.1% to 37.55 UAH/USD. The euro gained 1.0% to 41.95 UAH/EUR. Over the week, the National Bank sold USD 350mn from reserves in the interbank market, compared to the USD 590mn sold the previous week. Since the beginning of the year, the NBU has already sold USD 14.3bn.

There is some uncertainty regarding the prospects of effective agricultural exports after Russia's exit from the grain agreement. However, Ukraine can explore alternative routes to export up to 5mn tonnes per month: up to 3mn tonnes through the Danube ports, with the railway having already exported 1.2mn tonnes in certain months, and the remaining up to 0.8mn tonnes via road transport. These capacities should be sufficient, even considering monthly peak fluctuations.

While global grain supplies seem to be stable for now, global markets saw the price of grain rise by 8% within a day of Russia pulling out of the grain deal. Despite the lack of a pulse, Turkey - one of the main brokers of the grain deal along with the United Nations - is still hopeful it can be resuscitated.

## Highlights

### POLITICS AND ECONOMICS

- National Bank Cuts Key Policy Rate from 25% to 22% as Inflation Slows to 12.8%

The National Bank of Ukraine has opened a special fundraising account to support the Armed Forces of Ukraine. Please find more at the National Bank's official website under the link below:

[www.bank.gov.ua/en/about/support-the-armed-forces](http://www.bank.gov.ua/en/about/support-the-armed-forces)

The National Bank also opened fundraising account for Humanitarian Assistance to Ukrainians. Please see details under the link below:

[www.bank.gov.ua/en/about/humanitarian-aid-to-ukraine](http://www.bank.gov.ua/en/about/humanitarian-aid-to-ukraine)

### TREND



UNITED24 charitable donations will be transferred to the official accounts of the National Bank of Ukraine and allocated by assigned ministries to cover the most pressing needs:

[www.u24.gov.ua](http://www.u24.gov.ua)

### MARKET INDEXES

	Last	1W ch	YTD
UX	1658	3.2%	5.9%
RTS	1033	1.4%	6.4%
WIG20	2189	1.6%	22.0%
MSCI EM	1035	0.7%	8.2%
S&P 500	4582	1.0%	19.3%

### FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	0.0 p.p.
UAH 1-year war bond	18.3%	0.0 p.p.	+2.3 p.p.
Ukraine-2026	71.7%	-1.9 p.p.	-10.0 p.p.
Ukraine-2034	32.9%	-0.6 p.p.	-12.5 p.p.

### CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.55	1.1%	-7.5%
EUR/UAH	41.95	1.0%	-1.3%

Source: Eavex Capital

**National Bank Cuts Key Policy Rate from 25% to 22% as Inflation Slows to 12.8%**

by Dmitry Churin  
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**NEWS**

The National Bank of Ukraine cut its key policy rate from 25.0% to 22.0%, according to the regulator’s official statement released on Jul 27. It was the first interest rate cut from June of last year when the rate was raised from 10% to 25%. The National Bank commenting on its decision said that the monetary policy was eased due to slower inflation which stood at 12.8% YoY in June, down from more than 26% at the start of the year. The regulator also pointed out that the sustained FX market was a precondition for the start of the cycle of key policy rate cuts.

**NATIONAL BANK KEY REFINANCING RATE**



Source: National Bank of Ukraine

**COMMENTARY**

The National Bank made the second revision of its inflation forecast for this year, improving the expected figure further to 10.6% from 14.8%. However, we believe that this forecast could be somewhat too optimistic as higher petroleum prices and traditional food price increase in 4Q would spur the inflation pace in the country.

The NBU Board also decreased the interest rate on overnight certificates of deposit by 2 pp, to 18%, and by 3 pp, to 24%, on refinancing loans. The interest rate on three-month certificates of deposit will continue to equal the key policy rate.

Indicative quotes for the 1-year government bond remained at bid/ask of 20.0%/18.5% on the secondary market. Meanwhile, the Finance Ministry offered a yield of 18.3% for the 1-year bond at the primary auction last week.

The next National Bank’s monetary policy Board meeting will be held on Sept 14. We think that the National Bank will cut its key rate to 20% in September.

In the medium term, the regulator targets the inflation rate at 6.0% and the key rate at 12.3%. The National Bank also forecasts GDP growth at 3.5% in 2024 and 6.8% in 2025.

**QUOTES AND MULTIPLES**

	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales 2023E
			1W	YtD				2022	2023E	2022	2023E	
UX Index	UX	1658	3.2%	5.9%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	91.1	-4.1%	-42.0%	703	597	25.5%	3.2	4.1	0.8	0.9	0.5
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	14.0	0.0%	27.3%	43	2	5.0%	neg	8.2	neg	0.2	0.0
<b>Specialized Machinery</b>												
Turboatom	TATM	4.0	9.9%	48.1%	45	42	3.8%	>50x	13.7	4.4	2.8	1.3
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	12.5	0.0%	-19.9%	51	-26	21.6%	0.9	1.3	--	--	--
<b>Power Utilities</b>												
Centrenergo	CEEN	5.47	4.0%	36.5%	54	54	21.7%	neg	19.7	neg	4.9	0.1
Donbasenergo	DOEN	22.39	55.6%	70.3%	14	14	0.0%	neg	neg	neg	neg	0.1
<b>Agro sector</b>												
MHP	MHPC	3.60	0.0%	-4.0%	385	1568	33.7%	neg	2.8	4.1	3.8	0.6
Kernel (FY21, FY22, FY23E)	KER	13.55	6.0%	-22.7%	262	1310	61.8%	neg	0.5	6.0	1.8	0.4
Astarta	AST	33.10	-6.4%	62.3%	202	354	37.0%	2.9	2.4	2.2	1.8	0.6
Agroton	AGT	3.19	0.3%	-7.3%	17	-2	25.0%	neg	neg	--	--	--
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	0.300	0.0%	0.0%	491		1.8%	11.4	3.3	1.1	0.8	0.11

Source: UX, PFTS, LSE, WSE, Eavex Research  
\* companies listed abroad are in traded currency

**MAIN FINANCIAL FORECASTS, USD mn**

		Net Sales			EBITDA			EBITDA margin			Net Profit			Net Profit margin		
		2021	2022	2023E	2021	2022	2023E	2021	2022	2023E	2021	2022	2023E	2021	2022	2023E
<b>Iron Ore Mining</b>																
Ferrexpo	FXPO	2518	1248	1100	1,439	765	650	57.1%	61.3%	59.1%	871	220	170	34.6%	17.6%	15.5%
<b>Railcar Manufacturing</b>																
Kryukiv Wagon	KVBZ	94	78	85	-5	-1	10	-5.7%	-1.8%	11.8%	-8	-5	5	-9.0%	-6.8%	6.1%
<b>Specialized Machinery</b>																
Turboatom	TATM	55	28	33	22	10	15	40.7%	34.4%	45.8%	0	-2	3	0.5%	-5.6%	10.0%
Motor Sich	MSICH	338	200	109	90	40	37	26.5%	19.8%	33.5%	23	-7	6	6.9%	-3.6%	5.5%
<b>Oil &amp; Gas</b>																
Ukrnafta	UNAF	1320	844	875	168	83	171	12.7%	9.8%	19.5%	91	22	112	6.9%	2.6%	12.8%
Regal Petroleum	RPT	121	131	120	78	86	82	64.4%	65.7%	68.3%	51	55	40	42.1%	41.9%	33.3%
<b>Electric Utilities</b>																
Centrenergo	CEEN	460	323	200	-33	-171	11	-7.1%	-53.0%	5.5%	-38	-224	3	-8.2%	-69.3%	1.4%
Donbasenergo	DOEN	128	142	101	-13	-4	4	-10.5%	-2.6%	4.3%	-16	-15	-5	-12.9%	-10.7%	-5.4%
<b>Agro sector</b>																
MHP	MHPC	2372	2642	2774	648	384	410	27.3%	14.5%	14.8%	393	-231	140	16.6%	-8.7%	5.0%
Kernel (FY21, FY22, FY23E)	KER	5595	5332	3600	806	220	720	14.4%	4.1%	20.0%	513	-41	480	9.2%	-0.8%	13.3%
Astarta	AST	590	538	628	242	163	199	41.0%	30.3%	31.7%	147	69	85	24.9%	12.8%	13.5%
Agroton	AGT	41	20	4	8	-6	-7	19.8%	neg	neg	4	-40	-10	8.7%	neg	neg
<b>Banks</b>																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	4829	4238	4375	571	466	614	348	314	405	179	43	148	31.3%	9.2%	24.1%

Source: Eavex Research

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