

# Equity strategy

## Market decline suggests buying opportunity

Over the past three trading sessions, the Ukrainian stock market has declined by 6% while the RTS, MSCI EM, S&P 500 and FTSE 100 were in +1...+2% range. We attribute such a deep correction to local volatility and short-term nerves. We see no fundamental drivers underlying such a steep decline. The macro outlook remains stable (minor volatility in the UAH exchange rate is not unusual), while the general political situation continues to develop predictably. We recommend taking a contrarian position and see a number of attractive buying opportunities at current levels.

We prefer:

- **stocks that have declined the most significantly** (FORM, SGOK, MSICH, CEEN, USCB, DOEN, YASK, AVDK, STIR, LTPL)
- **liquid stocks** (SGOK, MSICH, CEEN, USCB, SVGZ, YASK, AVDK, STIR)
- **dividend stocks** (SGOK, HRTR, CGOK)
- **stocks with strong fundamentals** (SGOK, MSICH, CEEN, SVGZ, KVBZ, AVDK, HRTR, CGOK)

For the fundamental stories behind these stocks, please refer to our strategy from 9 September 2010.

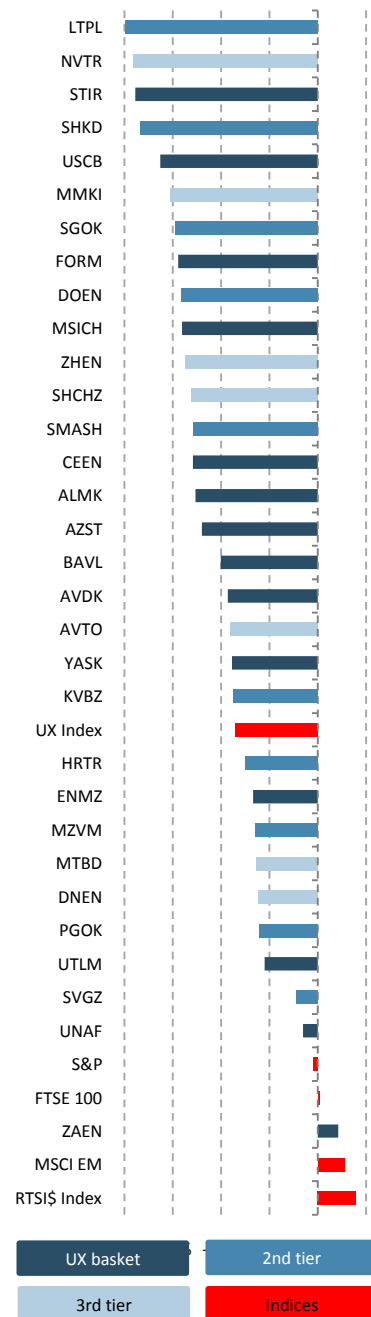
We do not recommend taking positions in illiquid stocks at the current moment given the spread, and we advise focusing on the more liquid names which should bounce back with the market.

We also note that trading volumes have been high during the recent decline and we do not expect a liquidity squeeze in the short term.

In the debt market, Ukraine sovereign CDS declined yesterday by ~10bps to 536 bps, continuing downward trend of the past few days, in line with major comparable countries such as Russia, Poland, and Turkey. This suggests that international investors do not see any country-specific risks connected with Ukraine.

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Fall since 27 Sep 2010



Source: Bloomberg, Concorde Capital

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