



CONCORDE CAPITAL

# UAH/USD exchange rate

## Fewer NBU interventions allow hryvnya to fall

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**Andrii Parkhomenko**  
pav@concorde.com.ua  
+380 44 391 5577

### UAH/USD exchange rate and 5Y CDS



Source: Bloomberg

### Key macroeconomic indicators

	2007	2008E	2009F
<b>Business cycle</b>			
Real GDP, % yoy	7.6	3.3	-2.0
Nominal GDP, USD bln	141.2	188.4	167.3
Industrial output, % yoy	10.2	-4.0	-2.7
CPI (eop), % yoy	16.6	21.0	15.0
PPI (eop), % yoy	23.3	40.0	18.0
<b>External sector</b>			
FDI net, USD bln	9.2	10.4	7.5
C/A balance, % GDP	-4.2	-5.8	-3.3
Trade balance, % GDP	-5.6	-6.8	-4.8
External debt, % of GDP	59.9	60.4	59.6

### Exchange rate

	2007	2008E	2009F
Interbank UAH/USD (avg)	5.03	5.12	6.50

Source: State Statistics Committee, National Bank of Ukraine, Bloomberg, Concorde Capital estimates

### Prices for core commodities, as of November 26

	Current	% YTD	% yoy
Gas imports, USD/tcm	179.50	0%	38%
Crude oil (URALS), USD/bbl	47.27	-49%	-49%
Winter wheat, USD/mt, FOB**	160.00	-38%	-37%
Steel square billet, USD/mt, FOB**	310.00	-47%	-40%

\*\*Black Sea ports

Source: Gas of Ukraine, Bloomberg

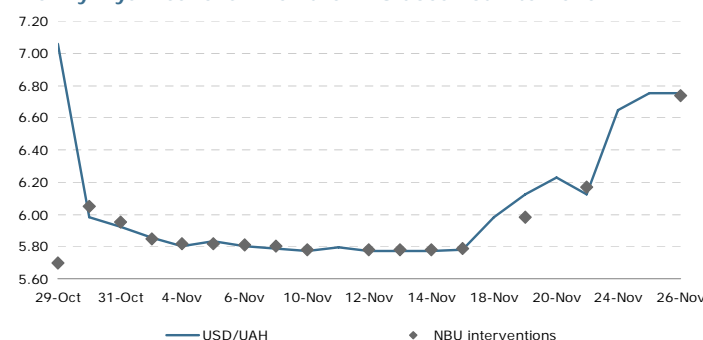
- Today, the UAH/USD rate reached as high as 7.05, before closing at 6.75 after the NBU's currency auction
- The UAH/USD rate has been on the rise over the last seven days, in the absence of NBU interventions, after almost three weeks of relative stability
- We may see further UAH depreciation at least through yearend, given demand for US dollars and the limited room for NBU interventions

### UAH/USD hits 7.05 before currency auction

Today, Ukrainian hryvnya traded as high as 7.05 against the US dollar on the interbank market, close to its all-time high of 7.07 hit on October 29. However, the market closed at 6.75 after the NBU conducted a currency auction.

After nearly three weeks of relative stability, maintained by regular and sufficient central bank interventions, the hryvnya has been gradually depreciating; over the last seven days, the NBU only intervened three times.

### The hryvnya weakens when the NBU does not intervene



Source: Bloomberg, Interfax

### We may see further UAH depreciation

Recent days have shown that the UAH/USD market is dominated by USD buyers and only NBU interventions are capable of having a cooling effect. Given the current macroeconomic environment, demand for the greenback will remain strong at least until yearend, while room for the NBU to intervene is limited.

Since September, the NBU has spent almost USD 6.5 bln to support the hryvnya; NBU reserves stand currently at USD 29-30 bln, by our estimates. At the same time, the floor on the reserves for yearend is set at USD 26.7 bln, as stated in the Memorandum between Ukraine and the IMF signed on Oct.31, just before the parties agreed on the USD 16.4 bln stabilization facility. This means that the NBU will not be able to continue intervening at the pace it has done over the last two months.

Another factor propelling demand for the dollar in the short-term is Naftogaz of Ukraine's commitment to repay USD 550 bln in debt for gas supplies to Gazprom by December 1, according to newspaper Kommersant. Naftogaz' total debt before Gazprom is reportedly USD 2.4 bln.

So far, we maintain our average 2009 forecast for the UAH/USD exchange rate at 6.50, but stand ready to review this figure, as the situation unfolds.

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**Concorde Capital, Head office**

2 Mechnikova Street, 21st Floor  
Parus Business Centre  
Kyiv 01601, Ukraine  
Tel.: +380 44 391 5577  
Fax: +380 44 391 5571

www.concorde.ua

**Concorde Capital**

4 Fourth Lesnoy Pereulok, 5th Floor  
Capital Plaza  
Moscow 125047, Russia  
Tel.: +7 495 642 87 15  
Fax: +7 495 225 85 00

office@concorde.com.ua

**CEO**

Igor Mazepa

im@concorde.com.ua

**RESEARCH**

**Head of Sales & Trading**

Roman Nasirov

rn@concorde.com.ua

**Strategy**

Konstantin Fisun  
Oleksandr Klymchuk

kf@concorde.com.ua  
ok@concorde.com.ua

**International Sales & Trading**

Anastasiya Nazarenko  
Marina Martirosyan  
Andriy Supranonok

an@concorde.com.ua  
mm@concorde.com.ua  
sap@concorde.com.ua

**Metals & Mining**

Eugene Cherviachenko  
Andriy Gerus

ec@concorde.com.ua  
ga@concorde.com.ua

**Domestic Sales & Trading**

Yuriy Pilipenko  
Alisa Tikhomirova

up@concorde.com.ua  
at@concorde.com.ua

**Utilities (Telecom, Energy)**

Alexander Paraschiy

ap@concorde.com.ua

**Oil & Gas, Chemicals,  
Pharmaceuticals**

Vladimir Nesterenko

vn@concorde.com.ua

**Director of Research**

Konstantin Fisun, CFA

kf@concorde.com.ua

**Real Estate/Construction**

Andriy Gostik, CFA  
Alexander Romanov

ag@concorde.com.ua  
ar@concorde.com.ua

**Consumer-related**

Anna Dudchenko

ad@concorde.com.ua

**Machinery**

Alexander Paraschiy  
Alexander Romanov  
Eugene Cherviachenko

ap@concorde.com.ua  
ar@concorde.com.ua  
ec@concorde.com.ua

**Financial Services, Retail**

Alexander Viktorov

av@concorde.com.ua

**Economics**

Andrii Parkhomenko

pav@concorde.com.ua

**Fixed Income**

Oleksandr Klymchuk

ok@concorde.com.ua

**Editor**

Brad Wells

bw@concorde.com.ua

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