

**Stock Market Update**

**Equity**

In the US stock market, the S&P 500 index continues to hit historic highs, gaining 1.1% to reach 4890 points over the week. The driving force behind the index this time was the surge in Netflix shares, which rose by 18% after the company reported an increase in its subscriber base by 13mn to 260mn users. Meanwhile, Tesla and Intel stocks looked noticeably weaker, dropping 13% and 9%, respectively, following lackluster quarterly reports.

Overall, global stock market indicators showed an upward trend throughout the week. The MSCI Emerging Markets Index added 1.4%, and the MSCI All Country World Index rose by 1.2%.

Among Ukrainian companies trading on the London Stock Exchange, Poultry producer MHP (MHPC) saw a 2.4% increase to USD 3.38 per share (MCap of USD 362mn). For Ferrexpo (FXPO), the price increased by 6.3% to GBp 85.9 (MCap of USD 652mn).

On the Warsaw Stock Exchange, Kernel (KER) shares surged by 15% to PLN 10.30 (MCap of USD 750mn) after the company reported a 13% increase in sunflower oil production to 388,000 tonnes in October-December.

Kyiv-listed Raiffeisen Bank (BAVL) gained by 1.6% to 32.50 kopecks per share (MCap of USD 523mn) ahead of publication of the preliminary financial results for 2023. We forecast, that the bank's net profit will top USD 142mn, implying a trailing P/E multiple of just 3.7x. On the P/B side, the bank valued at 0.9x.

Electricity generator CentrEnergO (CEEN) declined by 2.2% to UAH 4.40 (MCap of USD 43mn).

In the currency area, the hryvnia strengthened by 0.8% on the cash market to 38.20 UAH/USD. The official exchange rate stood at 37.58 UAH/USD at the end of last week.

**Highlights**

**POLITICS AND ECONOMICS**

- > Biden Admin Doesn't Expect Ukrainian Territorial Gains in 2024; Putin Could Yield on Ukraine NATO Bid
- > National Bank Decides to Hold Key Interest Rate at 15%

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)

[www.eavex.com.ua](http://www.eavex.com.ua)

**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	1619	0.4%	-3.9%
RTS	1109	-1.9%	2.4%
WIG20	2223	1.0%	-5.1%
MSCI EM	985	1.4%	-3.8%
MSCI Global	733	1.2%	0.8%
S&P 500	4890	1.1%	2.5%

**FIXED INCOME**

	Last	1W ch	YTD
NBU Key Rate	15.0%	0.0 p.p.	0.0 p.p.
UAH 1-year bond	16.8%	0.0 p.p.	0.0 p.p.
Ukraine-2026s	90.4%	0.8 p.p.	3.0 p.p.
Ukraine-2034s	37.2%	-0.7 p.p.	-1.5 p.p.

**CASH EXCHANGE RATES**

	Last, UAH	1W ch	YTD
USD/UAH	38.20	-0.8%	0.5%
EUR/UAH	41.95	0.7%	-0.1%

Source: Eavex Capital

## Biden Admin Doesn't Expect Ukrainian Territorial Gains in 2024; Putin Could Yield on Ukraine NATO Bid

by Will Ritter  
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### NEWS

The Biden administration has developed a new strategy for the war in Ukraine which de-emphasizes recapturing occupied territory and instead focuses on helping Ukraine defend itself against Russia for the long term, the Washington Post reported on Friday (Jan 26). The change is based on expectations that any effort to mount a repeat of Ukraine's unsuccessful 2023 counteroffensive would likely lead to a similar result this year.

The current US administration is also trying to lock in future Ukraine aid to insure against a possible return of Donald Trump to the US presidency one year from now. Trump has made past statements implying that he would slash or discontinue US support for Kyiv. However, Biden's own USD 60bn aid package for Ukraine remains blocked in Congress more than 6 weeks after it was proposed, with mid-February now the best-case scenario for its passage. In other significant news, Bloomberg reported last week that sources close to the Kremlin said that Russian President Putin has been sending signals to the US that he is ready to drop his longstanding demand for Ukrainian neutrality as a condition for ending the war, including his demand that Ukraine not become a member of NATO.

Meanwhile, retired US Admiral James Stavridis, a former commander of US forces in Europe, said in remarks reported by the Business Insider outlet on Sunday (Jan 28) that he believes Ukraine could receive NATO membership as compensation for signing a Korea-style armistice that would leave Russia in de-facto control of Crimea and some other occupied areas of southeastern Ukraine. Stavridis had previously been in the camp of US hawks who have been advocating for a full restoration of Ukraine's 1991 borders. Stavridis said that he sees late 2024, after the US presidential election, as a possible opportune time for peace negotiations.

### COMMENTARY

The Biden administration's apparent leaking of its 2024 strategy to the US media seems designed to put more pressure on the government of President Zelenskyy to show that it is open to negotiations on ending or pausing the war. Thus far, Zelenskyy has been sticking to his hard-line position that negotiations with Russia can only occur if all Russian forces are withdrawn from Ukraine's internationally recognized 1991 borders. The threat of Trump's possible return is actually giving Biden more leverage over Kyiv at the moment, we think, as a shut-off of US aid at the start of 2025 would put Zelenskyy in an untenable position.

On the other hand, Putin's suggestion that he could yield on Ukraine's NATO membership in return for territory could be partially aimed at exacerbating the internal Western confrontation between hawks who favor increased Western involvement in the war, and pragmatists who are seeking routes to an endgame. The tenor of this confrontation within the West over Ukraine policy has become louder in the last few months following the failure of the southern counteroffensive and rising domestic Ukrainian political disagreement over mobilization strategy.

The situation with the military personnel shortage implies to us that if the war continues into 2025 and beyond, weapons and financial support for Ukraine will need to be augmented by contributions of actual Western manpower in order to continue to meet the Russian challenge.

**National Bank Decides to Hold Key Interest Rate at 15%**

by Dmitry Churin  
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**NEWS**

The National Bank of Ukraine decided to hold its key policy rate at 15.0%, according to the regulator’s official statement released on Jan 25. The current level of the rate will help to maintain UAH/USD exchange rate sustainability, keep inflation moderate in 2024, and bring it to the target range of 5% ± 1 p.p. over the monetary policy horizon. However, inflation is expected to reach 8.6% as of the end of the year, climbing from a 5.1% YoY level reported for 2023.

The regulator set its overnight deposit rate at 15% and the rate for the three-months deposit certificates set at 19%. The refinancing rate was set at 21%.

The National Bank delivered four interest rate cuts in 2023 lowering the key rate from 25% to 15%.

**NATIONAL BANK KEY POLICY RATE**



Source: National Bank of Ukraine

**COMMENTARY**

The National Bank said that despite delays in international aid disbursement at the beginning of the year, its regularity is anticipated to resume in the coming months. Under the baseline scenario, Ukraine is expected to receive about USD 37bn in foreign loans and grants in 2024 to cover the national budget gap that is estimated at astonishing 20% of GDP. Hopefully, as the war risks decline, Ukraine will restore its ability to independently finance its own needs, and so the volume of official external financing will taper off.

The regulator provided the following significant risks for Ukraine’s economy:

- emergence of additional budget needs (to maintain defense capabilities, and restoration funding to eliminate the consequences of russian’s missile attacks) and substantial quasi-fiscal deficits, in particular in the energy sector.
- port and energy infrastructure exposure to the war risks.
- continuation of the partial blockade of freight transportation at border crossings with some EU countries, which will reduce exports and make imports more expensive.
- adverse trends in migration.

Although, the regulator confirmed its medium-term target of 11% for the key rate, it is expected that the rate cut cycle will be slow this year, and begins only in 3Q2024.

**QUOTES AND MULTIPLES FOR SELECTED UKRAINIAN LISTED COMPANIES**

	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales 2024E
			1W	YtD				2023	2024E	2023	2024E	
UX Index	UX	1619	0.4%	-3.9%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	85.9	6.3%	-4.9%	652	543	25.5%	8.2	5.4	3.9	3.2	0.6
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	14.9	0.0%	0.0%	45	29	5.0%	15.0	12.4	4.1	3.7	0.5
<b>Oil &amp; Gas</b>												
Enwell Energy (ex-Regal)	ENW	15.1	-6.7%	-4.1%	61	28	21.6%	2.2	1.8	0.6	0.5	0.3
<b>Power Utilities</b>												
Centrenergo	CEEN	4.40	-2.2%	-2.0%	43	42	21.7%	15.6	8.0	3.9	3.3	0.1
<b>Agro sector</b>												
MHP	MHPC	3.38	2.4%	5.6%	362	1,463	33.7%	3.4	5.2	3.6	3.5	0.6
Kernel (FY22, FY23, FY24E)	KER	10.27	14.7%	12.2%	750	1,345	5.4%	2.5	2.0	2.5	2.0	0.4
Astarta	AST	31.40	-4.6%	9.4%	191	349	37.0%	2.3	2.0	1.8	1.7	0.5
<b>Banks</b>												
										<b>Price/Book</b>	<b>Price/Assets</b>	
Raiffeisen Bank Aval	BAVL	0.33	1.6%	1.6%	523		1.8%	3.7	5.1	0.9	0.9	0.12

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

**QUOTES AND MULTIPLES FOR SELECTED U.S. COMPANIES**

	Ticker	Price USD	Absolute performance		MCap USD mn	EV USD mn	P/E		EV/EBITDA		EV/Sales 2024E	
			1W	YtD			2023	2024E	2023	2024E		
Индекс S&P 500	S&P 500	4890	1.1%	2.5%								
<b>Technology sector</b>												
Apple	AAPL	192	0.5%	-0.3%	2,995,091	3,057,091		31.5	34.0	24.3	26.6	8.2
Microsoft	MSFT	403	1.3%	7.2%	2,993,887	3,031,887		38.5	40.7	26.4	25.7	13.5
Palantir Technologies	PLTR	16.35	-2.6%	-4.8%	35,357	32,313		221.0	62.0	119.7	43.1	10.4
<b>Electric Utilities</b>												
American Electric Power	AEP	77.84	0.2%	-4.2%	40,513	82,849		18.0	16.9	11.5	10.4	4.1
Dominion Energy	D	45.56	0.5%	-3.1%	38,125	80,648		23.5	22.4	10.7	10.2	4.4
<b>Oil &amp; Gas</b>												
Exxon Mobil	XOM	103.00	6.2%	3.0%	414,575	415,885		9.9	9.0	5.2	4.9	1.2
Devon Energy	DVN	42.62	4.0%	-5.9%	27,149	32,975		7.1	6.5	4.3	3.9	1.9
PBF Energy	PBF	48.50	13.5%	10.3%	5,927	6,097		1.9	2.2	1.3	1.4	0.2
<b>Transportation</b>												
Nordic American Tankers	NAT	4.49	1.1%	6.9%	937	1,123		8.2	7.7	7.6	7.2	2.2
<b>Pharmaceutical</b>												
Pfizer	PFE	27.47	-2.9%	-4.6%	155,096	175,096		14.8	13.3	9.5	8.3	2.4
Bristol-Myers Squibb	BMJ	49.70	-0.8%	-3.1%	102,233	133,833		12.3	11.7	6.8	6.6	2.9

Source: Bloomberg

**MAIN FINANCIAL FORECASTS FOR UKRAINIAN COMPANIES, USD mn**

		Net Sales			EBITDA			EBITDA margin			Net Profit			Net Profit margin		
		2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
<b>Iron Ore Mining</b>																
Ferrexpo	FXPO	1,248	750	850	765	140	170	61.3%	18.7%	20.0%	220	80	120	17.6%	10.7%	14.1%
<b>Railcar Manufacturing</b>																
Kryukiv Wagon	KVBZ	111	84	56	5	7	8	4.4%	8.5%	13.9%	1	3	4	1.1%	3.5%	6.4%
<b>Oil &amp; Gas</b>																
Regal Petroleum	RPT	131	80	95	86	49	57	65.7%	61.3%	60.0%	55	28	34	41.9%	35.0%	35.8%
<b>Electric Utilities</b>																
Centrenerg	CEEN	460	323	200	-33	-171	11	-7.1%	-53.0%	5.5%	-38	-224	3	-8.2%	-69.3%	1.4%
<b>Agro sector</b>																
MHP	MHPC	2,642	2,774	2,550	384	410	415	14.5%	14.8%	16.3%	-231	105	70	-8.7%	3.8%	2.7%
Kernel (FY22, FY23, FY24E)	KER	5,332	3,455	3,800	220	544	680	4.1%	15.7%	17.9%	-41	299	370	-0.8%	8.7%	9.7%
Astarta	AST	561	628	688	170	199	211	30.3%	31.7%	30.7%	72	85	94	12.8%	13.5%	13.6%
<b>Banks</b>																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	4,238	4,211	4,231	466	591	575	314	389	385	43	142	103	9.2%	24.1%	17.8%

Source: Eavex Research

**FINANCIAL FORECASTS FOR SELECTED U.S. COMPANIES, USD mn**

		Net Sales			EBITDA			EBITDA margin			Net Profit			Net Profit margin		
		2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
<b>Technology sector</b>																
Apple	AAPL	383,285	378,000	375,000	125,820	126,000	115,000	32.8%	33.3%	30.7%	96,995	95,000	88,000	25.3%	25.1%	23.5%
Microsoft	MSFT	211,915	219,000	225,000	102,384	115,000	118,000	48.3%	52.5%	52.4%	72,361	77,800	73,500	34.1%	35.5%	32.7%
Palantir Technologies	PLTR	1,906	2,300	3,100	-334	270	750	-17.5%	11.7%	24.2%	-374	160	570	-19.6%	7.0%	18.4%
<b>Electric Utilities</b>																
American Electric Power	AEP	19,640	19,300	20,100	7,102	7,200	8,000	36.2%	37.3%	39.8%	2,307	2,250	2,400	11.7%	11.7%	11.9%
Dominion Energy	D	17,174	18,050	18,450	4,849	7,550	7,900	28.2%	41.8%	42.8%	994	1,620	1,700	5.8%	9.0%	9.2%
<b>Oil &amp; Gas</b>																
Exxon Mobil	XOM	398,675	348,000	350,000	102,591	80,000	85,000	25.7%	23.0%	24.3%	55,740	42,000	46,000	14.0%	12.1%	13.1%
Devon Energy	DVN	19,169	15,600	17,500	10,368	7,700	8,400	54.1%	49.4%	48.0%	6,015	3,850	4,200	31.4%	24.7%	24.0%
PBF Energy	PBF	46,830	42,000	38,000	3,811	4,785	4,500	8.1%	11.4%	11.8%	2,876	3,100	2,750	6.1%	7.4%	7.2%
<b>Transportation</b>																
Nordic American Tankers	NAT	339	450	520	42	147	155	12.4%	32.7%	29.8%	15	115	122	4.4%	25.6%	23.5%
<b>Pharmaceutical</b>																
Pfizer	PFE	100,330	69,000	73,000	39,576	18,400	21,000	39.4%	26.7%	28.8%	31,372	10,500	11,700	31.3%	15.2%	16.0%
Bristol-Myers Squibb	BMJ	46,159	44,900	45,600	18,540	19,600	20,200	40.2%	43.7%	44.3%	6,327	8,300	8,750	13.7%	18.5%	19.2%

Source: Bloomberg

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