

# Stock market: new opportunities

May 26, 2010  
Stock market

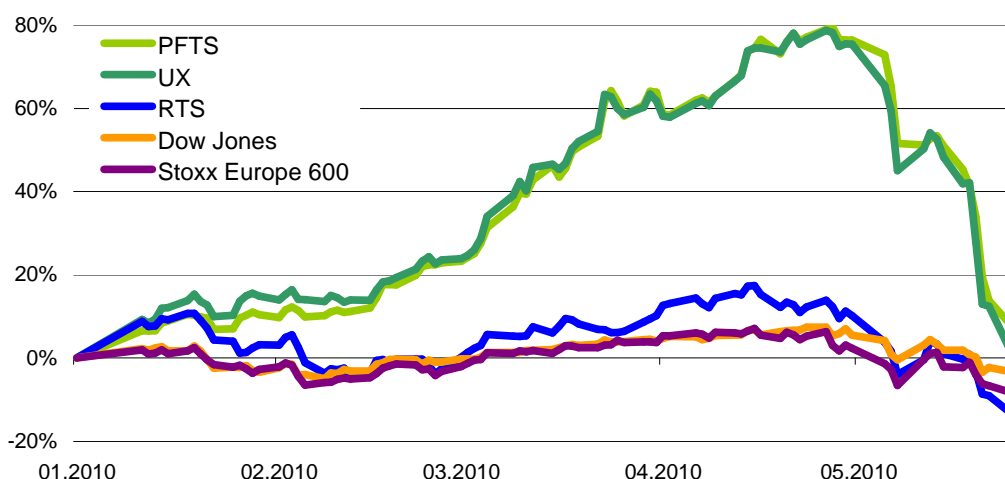
Vladimir Landa, [landa@ufc-capital.com](mailto:landa@ufc-capital.com)

FLASHNOTE

The Ukrainian stock market offers new opportunities. A month ago, the bulk of equities seemed overvalued and investment ideas were isolated and of a pinpoint nature. In subsequent weeks, however, the situation has changed dramatically: despite the stable macroeconomic environment in Ukraine amid the gradually recovery of its economy (in April, according to government estimates, GDP growth accelerated to 8.5%), stock indices have collapsed. Since the reasons for these dynamics are mostly of a speculative nature, bold investors now have an opportunity to buy securities at significantly lower prices. This is essentially a window opportunity that most likely will not occur again for several years to come.

Indeed, the decline occurred during several last trading sessions looks like a catastrophe. However, if to consider the dynamics of the major indices since the beginning of 2010, it will become clear that the Ukrainian stock market, unlike most of the leading indices, has not entered the red zone yet. At the same time, a considerable upside potential accumulated by the start of 2010 has been fully renewed.

## Dynamics of some stock indices in January-May 2010



Sources: Ukrainska SE, PFTS, Bloomberg.

Are there any objective reasons for decline of the Ukrainian stock market? Sure. First of all, the financial and metallurgical sectors are experiencing difficulties. It is noteworthy that the current problems in the steelmaking industry were caused by market players' excessive optimism in March and the first half of April. At that time, steel producers, inspired by growing prices for final products, perceptibly increased their output, ultimately leading to overproduction. As a result, in the next few months, Ukraine's steelmakers may indeed encounter some problems with sales levels. In regard to the financial system in Ukraine, over the last several months, it has been demonstrating stable resistance to being influenced by negative external market conditions. In turn, this is contributing to restoring the confidence of both individuals and big business. At the same time, the above-mentioned problems cannot be compared, in terms of their importance, with the collapse of the stock market on the whole.

On May 26, the decline of global markets has given way to a "green wave". In our opinion, now it is the most appropriate moment to resume purchasing on the stock market. We recently sent our clients our recommendations regarding a whole series of securities. However, current price levels allow investors to not only limit their purchases to these recommended shares, since, according to UFC Capital's estimates, about 60% of liquid shares are undervalued, as of the end of the trading session on May 25.



**UFC Capital**  
47, Volodymyrska St., office 1, Kyiv, 01034, Ukraine  
Tel: +380 (44) 391-3778 Fax: +380 (44) 391-3779  
<http://www.ufc-capital.com>

**Mikhail Dorfman**  
Managing Partner  
*dorfman@ufc-capital.com*

**Vladimir Landa**  
Head of Research  
*landa@ufc-capital.com*

**Vitaly Gorovoy**  
Senior Analyst  
*gorovoy@ufc-capital.com*

**Artem Kost**  
Senior Analyst  
*kost@ufc-capital.com*

**Dmitry Oliynyk**  
Junior Analyst  
*oliynyk@ufc-capital.com*

**Alexander Lyshen**  
Translator  
*lyshen@ufc-capital.com*

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