

UKRAINE

Devaluation and Shortfall

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Many investment risks have abated over the past month. Despite widespread irregularities, parliamentary elections went fairly smoothly. And an Austrian court set a precedent by deeming the “take-or-pay” scheme non-compulsory, thereby removing the potential risk of \$3 billion in penalties for Naftogaz, and giving Ukraine the green light to replace expensive Russian gas. Still, rising currency and fiscal risks mean Ukraine isn’t out of the danger zone yet.

In five problematic constituencies, elections re-runs have been scheduled. But elsewhere, the results have been recognized as valid. Though the Party of Regions won the most seats (185), that’s far short of the necessary 226-seat majority. Its expected ally, the Communist Party, levied harsh criticisms against it, accusing the Party of Regions of stealing its votes. So the shape of the governing coalition is still unclear.

Ukraine at last received a piece of good news>>>