

Financial markets survey

21 October 2019

VAGUE UNCERTAINTY

WEEKLY ISSUE

Macro-statistical data continues worsening
The number of vacancies in Ukraine shrank
The hryvnia is staying in the volatility zone

GLOBAL MARKET

During the previous week, investors were expecting a vote on Brexit. Delays with deal with the European Union are raising uncertainty on financial markets. Also, investors continue following further development of the situation regarding preparations for a trade agreement to be signed between the US and China.

The US and China finished the final round of negotiations by way of statements that they have reached an agreement. Investors are waiting for a documentary proof. US President Donald Trump said that the first part of the agreement could be signed in November 2019.

Consequences of the trade confrontation between the US and China continue finding their reflection in statistical data. Weak data on retail sales in the US was supplemented by statistical data on industrial output, which shrank 0.4% in September 2019 against -0.1% forecast by analysts. On Friday, 18 October, China reported that its GDP slowed down to 6.0%, which is a record-low for almost thirty years. Weak reports of European vehicle producers also added to the overall gloom

Meanwhile, a reporting season has started in the US. Companies are traditionally making investors glad with their actual data that is stronger than forecasts of analysts. However, aggregate profits of companies included into the S&P 500 Index have not been growing during the previous two quarters and a decline is also expected in the third quarter.

At the EU summit on Thursday, 17 October, leaders of the European Union countries approved an updated version of the Brexit agreement. During the previous weekend, the key event for market participants should have been a vote in the British Parliament on the deal for the UK's withdrawal from the European Union. However, British Members of Parliament refused to vote on the Brexit agreement and charged UK Prime Minister Boris Johnson with asking Brussels for a postponement of the UK's withdrawal from the EU till 31 January 2020. At the same time, mass protests took place in London. Protesters were demanding a repeat referendum on Brexit.

On Friday, the European Council approved the appointment of Frenchwoman Christine Lagarde to take the office of president of the European Central Bank (ECB) for a non-renewable term of eight years.

During the previous week, 14–18 October, trading in the "EUR/USD" pair ranged within the limits of USD 1.0992-1.1154/EUR.

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1144	0.9	0.8	-2.7
GBP/USD	1.2984	2.5	4.1	1.8
USD/RUB	64.0144	-1.1	-0.2	-7.9
USD/UAH	25.0351	2.0	1.5	-9.6

Source: Bloomberg

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	2986.2	0.5	-0.7	19.1
FTSE 100 (UK)	7150.6	-1.3	-2.2	6.3
MXME (East. Eur.)	175.8	1.8	-0.6	15.5
PFTS (Ukraine)	521.5	-0.8	0.9	-6.8
RTS (Russia)	1355.3	1.9	-1.9	26.8

Source: Bloomberg

KEY RATES

Ставка	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	1.987	1.6	-3.7	-33.9
FRS. % p.a.	1.75-2.00	0.0	0.0	-20.0
ECB. % p.a.	0.000	0.0	0.0	0.0
NBU. % p.a.	16.500	0.0	0.0	-8.3
CB RF. % p.a.	7.000	0.0	0.0	-9.7

Source: Bloomberg

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MACROECONOMICS

Agriculture

According to information of the State Statistics Service, agricultural output in Ukraine was registered at 177.6% in September 2019 compared to August 2019. Compared to September 2018, the country registered an 18.3% growth of agricultural output.

Over January-September 2019, agricultural output increased 5.9% compared to the same period during the previous year. In particular, output at agricultural enterprises grew 12.9%, whereas output at private farms shrank 1.4%. At the same time, plant growing output rose 7.5%, while livestock breeding output increased 1.7%.

Over the first nine months of the current year, agricultural output grew in sixteen Ukrainian oblasts as compared to January-September 2018. Agricultural output in Zaporizhzhya (+27.2%), Kirovohrad (+21.4%) and Donetsk (+16.8%) oblasts increased the most.

Over January-September 2019, agricultural output declined in seven Ukrainian oblasts. Agricultural output in Odesa (-4.5%) and Zakarpattia (-3.2%) oblasts shrank the most.

Over January-September 2019, agricultural output in Ivano-Frankivsk oblast remained at the level registered over the same period during the previous year.

Demographic situation

According to estimates of the State Statistics Service, Ukraine's current population stood at 41,976,189 people as of 1 September 2019.

Ukraine's current resident population totaled 41,806,552 people as of 1 September 2019 according to estimates. The average resident population reached 41,895,058 people over January-August 2019.

Over January-August 2019, Ukraine's population shrank 177,012 people.

The number of deaths continues to seriously outpace the number of births. However, the situation has improved slightly with 53 newborns per every 100 deceased.

Migration helped increase population numbers by 10,034 people over the January-August 2019.

Unemployment

The total number of registered unemployed went down 6,800 individuals over the previous month and landed at 268,200 individuals by the end of September 2019.

159,200 registered unemployed are residing in urban areas, while 109,000 registered unemployed are living in rural areas. As before, the majority of registered unemployed are women, totaling 155,300 individuals.

In September 2019, the number of vacant positions shrank 7,300 vacancies landing at 100,900 vacancies. There were three registered unemployed per each vacancy in September 2019.

The results of a labor force survey demonstrated that total numbers of working population aged 15 and older reached 16.8 million people in the second quarter of 2019, while total numbers of registered unemployed in the same age group landed at 1.4 million people.

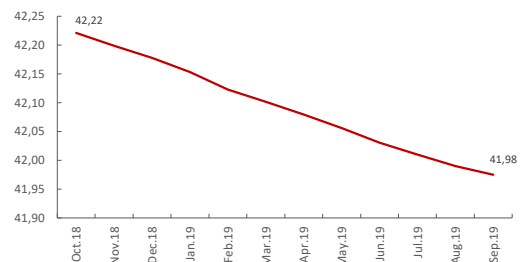
According to the ILO methodology, the rate of unemployment among those aged 15-70 reached 7.8% in the second quarter of 2019.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output over January-September 2019, % year-on-year	5.9

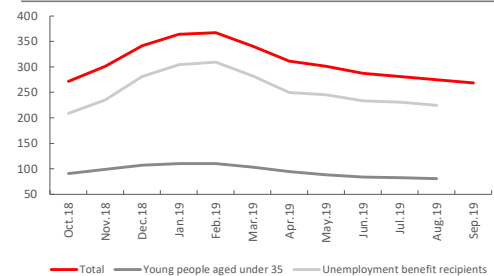
Source: the State Statistics Service

POPULATION (MILLIONS OF PEOPLE)



Source: the State Statistics Service

UNEMPLOYMENT RATE (% of the employable population)



Source: the State Statistics Service

BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for primary placement of domestic government bonds held on 15 October, the Ministry of Finance offered three issues of bonds denominated in hryvnia. The Ministry of Finance set a limit for all three placements: UAH 0.5 billion for bonds maturing in three months and in twelve months and UAH 2.0 billion for bonds maturing in two years. This time, demand shifted towards short-term bonds maturing within twelve months.

Eleven bids for the total of UAH 518.2 million were submitted for purchasing bonds maturing in three months. The requested yields ranged within the limits of 15.35-15.50% per annum. The Ministry of Finance rejected two bids, setting the accepted yield at 15.35% per annum.

Demand for bonds maturing in twelve months consisted of eleven bids for the total of UAH 654.0 million. The requested yields ranged within the limits of 14.85-15.00% per annum. The Ministry of Finance set the accepted yield at 14.93% per annum and satisfied all of the above-mentioned bids, but some of them in part, within the established limit of UAH 0.5 billion.

Five bids for the total of UAH 115.0 million were submitted for purchasing bonds maturing in two years. The requested yields stood at 15.10% per annum. The Ministry of Finance set the accepted yield at 15.10% per annum and satisfied the entire demand.

During the current week, the Ministry of Finance will have to pay out one issue of domestic government bonds denominated in foreign exchange for the total of USD 0.5 billion (maturing on 23 October).

As a result of the auction held on 15 October, the Ministry of Finance managed to raise UAH 1.1 billion to the State Budget of Ukraine.

Over the previous week, the volume of outstanding domestic government bonds went down UAH 0.7 billion and, as of 18 October 2019, totaled UAH 816.2 billion (according to the total principal).

NBU OPERATIONS

Last week, investment into NBU deposit certificates landed at UAH 89.1 billion, including overnight certificates of deposit for the total of UAH 36.5 billion.

On Friday, 18 October, the National Bank placed deposit certificates maturing in fourteen days for the total of UAH 52.6 billion, satisfying bids of fifty-eight banks.

The interest rate for overnight certificates of deposit landed at 14.50% per annum. The interest rate for deposit certificates maturing in fourteen days stood at 16.50% per annum.

The NBU did not hold any tenders to refinance banks during the previous week.

Banks did not use the standing NBU refinancing line (overnight loans with an 18.50% per annum interest rate) during the previous week.

Over the last week, 15–18 October, the balance of the State Treasury transactions landed at UAH 6.0 billion.

The banking system liquidity is at a high level and is concentrated on correspondent accounts of banks with the National Bank and in NBU deposit certificates.

THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of internal government bonds	Weighted average rate	Submit./satisfied bids	Funds raised. UAH millions
15 Oct.	91 days	15.35%	11/9	519.77
15 Oct.	350 days	14.93%	11/11	513.25
15 Oct.	714 days	15.10%	5/5	116.13

Source: the Ministry of Finance of Ukraine

OWNERS OF INTERNAL GOVERNMENT BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	337.1	0.0	0.0	-3.2
Banks	344.3	-0.1	-0.5	-8.0
Legal entities	26.1	-0.1	2.3	25.7
Private individ.	10.6	1.3	6.7	75.2
Non-residents	98.1	-0.3	11.4	1445.3

Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	57.1	-7.7	0.0	60.2	
NBU refinancing. UAH billions	46.8	-0.1	-10.5	-14.6	
NBU deposit certificates	O/N. UAH billions	10.0	157.2	-1.7	-66.9
	Total. UAH billions	62.5	26.2	76.0	0.9

Source: the National Bank of Ukraine

INTERBANK LENDING MARKET

The interbank lending market was stable during the previous week. Rates for overnight, weekly and monthly lending resources in the national currency were ranging within the limits of 14.50-16.50% per annum.

FOREIGN EXCHANGE MARKET

Last week, the market registered enhanced volatility of the Ukrainian national currency exchange rate. The reasons behind such a situation were lower activity of non-residents on the market of domestic government bonds and lower foreign currency supply from them, unwillingness of exporters to sell their foreign currency proceeds in expectation of a higher US dollar exchange rate, as well as a positive balance of the State Treasury transactions. As a result, on Friday, 18 October, the weighted average exchange rate on the interbank FX market was registered at UAH 25.0351/USD.

In the course of the previous week, trading on the interbank FX market ranged within the following limits: UAH 24.75-24.85/USD on Tuesday, 15 October, UAH 24.77-24.89/USD on Wednesday, 16 October, UAH 24.67-24.77/USD on Thursday, 17 October, and UAH 24.90-25.15/USD on Friday, 18 October.

Over the previous week, the foreign exchange sales reached USD 1.5 billion.

Over 15–18 October, the National Bank purchased USD 31.0 million from banks (USD 30.0 million by way of foreign exchange interventions in the form of best exchange rate and USD 1.0 million by way of foreign exchange interventions in the form of a single exchange rate) and sold USD 31.0 million to banks by way of foreign exchange interventions in the form of a single exchange rate.

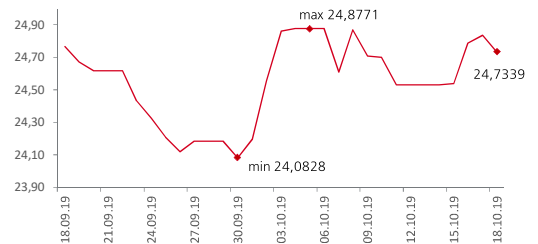
COMMODITY MARKETS

Prices for benchmark crudes finished the previous week with a drop thanks to the influence of a number of negative factors.

Statistical data from China that was published on previous Friday enhanced concerns among market participants regarding the state of the global economy. In the third quarter of 2019, GDP growth in China, which is the largest petroleum consumer in the world, slowed down to a record-low over almost thirty years and landed at 6.0%.

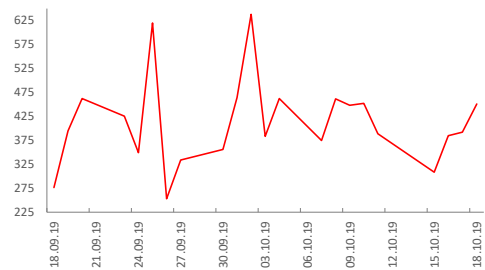
In addition, petroleum inventories in the US grew 9.28 million barrels over the previous week, whereas analysts forecast that this indicator would increase a mere 4.0 million barrels. Also, data was published informing that the number of oil derricks in the US rose to 713 facilities.

EXCHANGE RATE (UAH/USD)



Source: NBU

TRADING VOLUMES (USD MILLIONS)



Source: NBU

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	195.5	4.0	9.5	-11.5
Brent crude. USD/barrel	59.4	-1.8	-5.2	7.8
WTI crude. USD/barrel	53.8	-1.7	-7.3	11.5
Gold. USD/ounce	1490.0	0.7	-0.9	16.5

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2015	2016	2017	2018	2019
GDP. %	-9.8	2.3	2.5	3.3	4.6 (second quarter)
Industrial output. %	-13.4	2.4	-0.1	1.1	-1.7 (August)
Consumer price growth. % year-on-year	43.3	12.4	13.7	9.8	7.5 (September)
Producer price growth. % year-on-year	25.4	35.7	16.5	14.2	1.7 (September)
Balance of payments (consolidated). USD billions	0.8	1.3	2.6	2.9 (preliminary estimate)	0.1 (August, preliminary estimate)
Current account balance. USD billions	-0.2	-1.3 (revised data)	-2.1 (revised data)	-4.7 (preliminary estimate)	-0.5 (August, preliminary estimate)
Balance of trade. USD billions	-1.7	-6.5 (revised data)	-8.61 (revised data)	-11.5 (preliminary estimate)	-1.2 (August, preliminary estimate)
International reserves. USD billions	13.3	15.5	18.8	20.8 (preliminary estimate)	21.4 (September, preliminary estimate)
External debt. USD billions	118.7	113.6	116.6	114.7 (third quarter)	115.5 (second quarter)
Banking system assets. % of growth	4.7	0.2	6.4	2.0	0.9 (January-August)
Exchange rate. by year end. UAH/USD	24.00	27.19	28.07	27.69	24.08 (September)
Exchange rate. annual average. UAH/USD	21.85	25.55	26.60	27.20	26.37 (January-September)

Source: the State Statistics Service, NBU

Index/ commodity	Description
S&P 500	Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks
FTSE 100	The FTSE 100 Index is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange
MSCI	The MSCI EM Eastern Europe Index is a free-float weighted equity index
PFTS	PFTS is a Ukrainian stock index, which is calculated daily based on the results of trading at the PFT stock exchange.
RTS	RTSI\$ Index RTS Index is cap-weighted composite index calculated based on prices of the 50 most liquid Russian stocks of the largest and dynamically developing Russian issuers presented on the Moscow Exchange
Brent crude	COA Comdty Crude Oil, Brent Active Contract
WTI crude	CLA Comdty Crude Oil, WTI Brent Active Contract
Wheat	Ukraine Feed Wheat Feed Grain Market FOB Black Sea Ports Price



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