

# Financial markets survey

04 November 2019

## NEW IMPETUSES

**The FRS lowered the key rate for the third time in a row**  
**The current account deficit reached USD 1.1 billion in September**  
**Liquidity is peaking**

### GLOBAL MARKET

Markets calmed down regarding political squabbling connected with Brexit and trade wars between the US and China. However, another round of political struggle on the eve of the presidential election in the US in 2020 is having a psychological impact on stock markets anyway.

Performance indicators of American companies for the third quarter of 2019, which surpassed analysts' expectations, made it possible for investors to have a sigh of relief and gave a new impetus to the stock market growth. During the previous week, the leading S&P 500 Index set a new record-high once again (at 3,066.91).

On Wednesday, 30 October, the FRS expectedly lowered the federal funds rate 0.25% to 1.50-1.75% per annum. At the same time, FRS Chair Jerome Powell made it clear that further reduction of the rate was highly unlikely, if the current situation in the economy persisted.

Data on the US GDP published on Wednesday contributed to weakening concerns about the standing of the US economy. Over the third quarter of 2019, the US economy grew 1.9% in annual terms. The rate of unemployment in the US grew to 3.6% in October 2019 compared to 3.5% registered in September 2019, which was a record-low since December 1969. The Manufacturing Purchasing Managers' Index in the US rose to 48.3 points in October 2019 from 47.8 points registered a month earlier, which was a record-low over the last decade.

In October 2019, the Consumer Price Index in the euro-area went up 0.7% in annual terms. This indicator coincided with the market's forecast and turned out to be record-low since November 2016.

Over the third quarter of 2019, the economy of the 19 euro-area countries inched up 0.2%. The euro-area's GDP went up 1.1% in annual terms.

GDP of the 28 EU countries accelerated to 0.3% over the third quarter of 2019, while this indicator remained at 1.7% in annual terms. Statistical data indicates that the situation in the euro-area economy is, on the whole, better than in Germany at the moment, which is close to a technical recession.

The rate of unemployment in the nineteen euro-area countries stayed at 7.5% in September 2019. In the European Union countries, the rate of unemployment also remained at the level of August, landing at 6.3% in September 2019.

During the previous week, 28 October – 1 November, trading in the "EUR/USD" pair ranged within the limits of USD 1.1074-1.1178/EUR.

### WEEKLY ISSUE

#### EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1139	0.3	2.2	-2.7
GBP/USD	1.2946	0.9	5.2	1.5
USD/RUB	63.7748	-0.1	-1.3	-8.2
USD/UAH	24.7381	-1.7	0.7	-10.7

#### STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	3066.9	1.5	4.3	22.3
FTSE 100 (UK)	7302.4	-0.3	-0.8	8.5
MXME (East. Eur.)	186.6	2.3	9.8	22.7
PFTS (Ukraine)	521.9	0.0	-0.6	-6.7
RTS (Russia)	1455.4	2.4	9.5	36.2

#### KEY RATES

Ставка	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	1.925	-1.6	-5.4	-35.9
FRS. % p.a.	1.50-1.75	-12.5	-12.5	-30.0
ECB. % p.a.	0.000	0.0	0.0	0.0
NBU. % p.a.	15.500	0.0	-6.1	-13.9
CB RF. % p.a.	6.500	0.0	-7.1	-16.1

#### COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	200.0	2.3	9.0	-9.5
Brent crude. USD/barrel	61.7	-0.1	6.1	11.7
WTI crude. USD/barrel	56.2	-0.8	5.0	16.2
Gold. USD/ounce	1508.8	-0.3	2.4	18.0

Source: Bloomberg

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## MACROECONOMICS

### Balance of payments\*

In September 2019, deficit of Ukraine's current account reached USD 1.1 billion or 7.4% of GDP. Exports of goods grew at a more rapid pace than imports – 11.9% and 2.0% respectively. Over January-September 2019, deficit of the country's current account landed at USD 2.7 billion or 2.5% of GDP.

Exports of goods reached USD 3.7 billion in September 2019. The main factors behind growing exports were exports of food products (including grain crops) jumping 29.4%, exports of machine-building products leaping 31.4% and exports of mineral products rising 15.2%. Exports of chemical products and manufactured goods remained practically at the level of the previous year. At the same time, exports of ferrous and non-ferrous metals shrank 16.0%, as well as exports of wood and timber products fell 10.8%.

Over January-September 2019, exports to the European Union countries grew the most in nominal terms – USD 1.2 billion or 9.9%. Exports to Asian and African countries grew USD 910.0 million (9.1%) and USD 723.0 million (23.9%) respectively.

Imports of goods landed at USD 5.1 billion in September 2019. Energy imports shrank 18.6%, whereas non-energy imports went up 9.8%. Imports of manufactured goods grew the most – 25.4%. Also, imports of machine-building products rose 16.2%, imports of chemical products increased 5.1%, and imports of food products jumped 19.2%, while imports of ferrous and non-ferrous metals went up 7.3%.

Over the first nine months of 2019, imports from Asian countries and the European Union countries grew the most in nominal terms – USD 2.0 billion or 22.4% and USD 1.8 billion or 11.9% respectively.

Net lending resources provided from abroad reached USD 1.1 billion in September 2019 and USD 2.7 billion over January-September 2019.

In September 2019, net inflows under the financial account landed at USD 1.2 billion and were caused by private sector transactions.

Net inflows of foreign direct investment were estimated at USD 255.0 million in September 2019.

Net decline of the banking system external position in portfolio and other investment reached USD 293.0 million in September 2019 and was caused by shrinking assets under the article "foreign exchange and deposits" and pay-out of yields on Eurobonds.

Net decline of the real sector external position reached USD 765.0 million in September 2019 and was caused by growing net external liabilities under trade loans, growing attraction of loans and credits and expanding foreign exchange cash outside the banking system.

In September 2019, net inflows under private sector transactions landed at USD 1.3 billion.

Net outflows under public sector transactions landed at USD 114.0 million in September 2019.

Surplus of Ukraine's consolidated balance of payments landed at USD 60.0 million in September 2019

As of 01 October 2019, Ukraine's total stocks of international reserves were registered at USD 21.4 billion, which provides for financing 3.4 months of future imports.

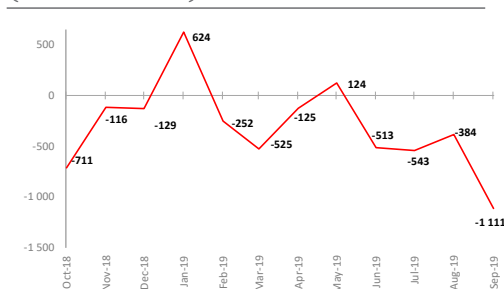
\* preliminary data

### LATEST MACROECONOMIC DATA

Indicator	Value
Current account balance in September 2019, USD billions	-1.1
Current account balance over January-September 2019, USD billions	-2.7

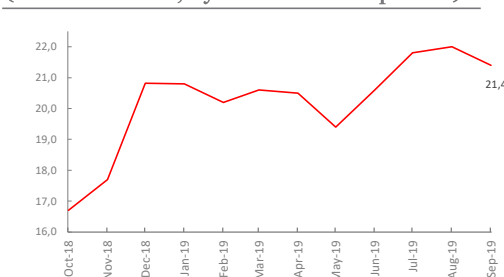
Source: the State Statistics Service

### CURRENT ACCOUNT BALANCE (USD MILLIONS)



Source: the National Bank of Ukraine

### INTERNATIONAL RESERVES (USD BILLIONS, by the end of the period)



Source: the National Bank of Ukraine

## BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for primary placement of domestic government bonds held on 29 October, the Ministry of Finance offered three issues of bonds denominated in hryvnia (maturing in two months, in twelve months and in two years). Demand for "short-term" instruments maturing within twelve months remains traditionally low.

Higher demand was registered for bonds maturing in two years. Market participants submitted twenty-three bids for the total of UAH 2.6 billion for purchasing the above-mentioned bonds. The requested yields ranged within the limits of 14.59-15.09% per annum. The Ministry of Finance continued its cycle of lowering the cost of borrowing by way of setting the accepted yield at 14.69% per annum and rejecting eight bids.

During the current week, the Ministry of Finance will have to pay out one issue of domestic government bonds denominated in hryvnia for the total of UAH 4.6 billion (maturing on 06 November).

As a result of the auction held on 29 October, the Ministry of Finance managed to raise UAH 1.6 billion to the State Budget of Ukraine.

As of 01 November 2019, Ukraine's total budget revenues came to UAH 810.7 billion, while the United State Treasury Account (USTA) registered UAH 53.1 billion.

Over the ten months of 2019, VAT refunds totaled UAH 130.7 billion.

Over the previous week, the volume of outstanding domestic government bonds went up UAH 0.3 billion and, as of 01 November 2019, totaled UAH 809.8 billion (according to the total principal). Non-residents' portfolio grew UAH 1.4 billion over the previous week.

At the next auction scheduled for 05 November, the Ministry of Finance will offer three issues of domestic government bonds denominated in hryvnia and maturing in three months, in twelve months and in four years.

## NBU OPERATIONS

During the previous week, market participants purchased NBU deposit certificates for the total of UAH 151.2 billion, including overnight certificates of deposit for the total of UAH 93.5 billion.

On Friday, 01 November, the National Bank placed deposit certificates maturing in fourteen days for the total of UAH 57.7 billion, satisfying bids of sixty banks.

The interest rate for overnight certificates of deposit landed at 13.50% per annum. The interest rate for deposit certificates maturing in fourteen days stood at 15.50% per annum.

Banks did not use the standing NBU refinancing line (overnight loans) during the previous week. The NBU did not hold any tenders to refinance banks during the previous week.

Over the previous week, 28 October – 01 November, a negative balance of the State Treasury transactions landed at UAH 11.9 billion.

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

## INTERBANK LENDING MARKET

The interbank lending market was stable during the previous week. Interest rates for overnight, weekly and monthly lending loans in the national currency were ranging within the limits of 13.50-15.50% per annum.

## THE RESULTS OF PLACING DOMESTIC GOVERNMENT BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
29 Oct.	77 days	15.35%	6/6	33.64
29 Oct.	336 days	14.27%	5/4	148.91
29 Oct.	700 days	14.64%	23/15	1391.56

Source: the Ministry of Finance of Ukraine

## OWNERS OF DOMESTIC GOVERNMENT BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	337.1	0.0	0.0	-3.2
Banks	337.0	-0.4	-3.2	-10.0
Legal entities	26.0	0.5	-0.6	25.2
Private individ.	9.9	0.6	-2.1	62.5
Non-residents	99.8	1.4	2.4	1472.5

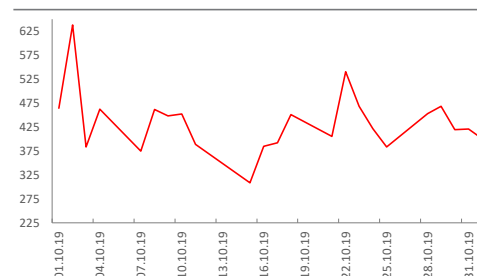
Source: the National Bank of Ukraine

## MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %
The balance on c/a. UAH billions	51.7	-9.4	4.3	45.2
NBU refinancing. UAH billions	46.7	-0.3	-13.9	-14.8
NBU deposit certificates	O/N. UAH billions	24.0	141.2	30.7
	Total. UAH billions	76.6	22.5	74.9

Source: the National Bank of Ukraine

## TRADING VOLUMES (USD MILLIONS)



Source: NBU

## FOREIGN EXCHANGE MARKET

Starting from 5 November, the National Bank shall cancel its restriction on foreign currency and bank metals purchases by private individuals equivalent to UAH 150,000 per day. Also, the requirement for private individuals to provide documents confirming the reasons for transactions to purchase non-cash foreign currency shall cease to be effective.

During the previous week, the Ukrainian national currency was registering an appreciating trend. The main support to the hryvnia was provided by non-residents that were purchasing government securities, exporters that were selling foreign exchange to make mandatory payments at the end of the month and transactions of the budget sector.

In the course of the previous week, trading on the interbank FX market ranged within the following limits: UAH 25.02-25.12/USD on Monday, 28 October, UAH 25.05-25.17/USD on Tuesday, 29 October, UAH 24.97-25.07/USD on Wednesday, 30 October, UAH 24.75-24.90/USD on Thursday, 31 October, and UAH 24.67-24.82/USD on Friday, 01 November.

Over 28 October – 01 November, the National Bank purchased USD 156.90 million from banks: USD 30.0 million by way of FX interventions in the form of best exchange rate and USD 126.90 million by way of FX interventions in the form of a single exchange rate.

Over the previous week, the foreign exchange sales reached USD 2.1 billion.

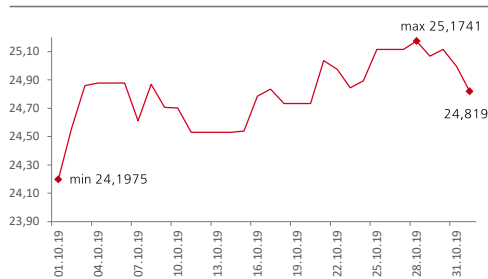
## BONDS OF UKRAINIAN ISSUERS ON GLOBAL MARKETS

Fitch Ratings Inc., an international credit rating agency, assigned National Joint Stock Company Naftogaz of Ukraine's Eurobonds that the company is planning to issue through Kondor Finance plc senior unsecured rating B(EXP) and recovery rating RR4. Naftogaz is planning to place Eurobonds for the total of USD 500.0 million maturing in five-seven years. Meetings with investors should start on 30 October and should take place in London, New York and Boston. Citi was appointed the organizer. In July 2019, NJSC Naftogaz of Ukraine placed Eurobonds maturing in three years for the total of USD 335.0 million (yielding 7.375% per annum) and Eurobonds maturing in five years for the total of EUR 600.0 million (yielding 7.125% per annum).

During RE: THINK. Invest in Ukraine, an investment forum in Mariupol, Ukraine, the European Bank of Reconstruction and Development (EBRD), the Ministry of Infrastructure and JSC Ukrzaliznytsia (UZ, Kyiv) signed a Memorandum of Understanding with respect to preparing the above-mentioned railway company for initial public offering of the JSC's stock (IPO). The above-mentioned Memorandum of Understanding for preparing UZ for IPO provides for enhancing efficiency, improving the company's operation and eradicating corruption.

DTEK Renewables BV, which consolidates assets of DTEK, an energy holding, in the area of renewable energy, is planning to attract EUR 300-350.0 million by way of placing Eurobonds. At the moment, the company is preparing a road-show in London, Zurich, Frankfurt, and New York.

## EXCHANGE RATE (UAH/USD)



Source: NBU

## QUOTATIONS ON GLOBAL MARKETS

Name	Cou pon	Maturity	Bid Price	Ask Price	Ask YTM	Cur
Ukraine-2020	7.75	01.09.2020	102.75	103.13	3.83	USD
Ukraine-2021	7.75	01.09.2021	104.77	105.27	4.69	USD
Ukraine-2022	7.75	01.09.2022	106.67	107.17	4.99	USD
Ukraine-2023	7.75	01.09.2023	107.25	107.79	5.46	USD
Ukraine-2024	8.99	01.02.2024	111.54	112.14	5.72	USD
Ukraine-2024	7.75	01.09.2024	107.57	108.22	5.77	USD
Ukraine-2025	7.75	01.09.2025	107.81	108.44	6.01	USD
Ukraine-2026	6.75	20.06.2026	110.85	111.50	4.68	EUR
Ukraine-2026	7.75	01.09.2026	107.80	108.33	6.23	USD
Ukraine-2027	7.75	01.09.2027	108.00	108.50	6.35	USD
Ukraine- 2028	9.75	01.11.2028	119.56	120.06	6.74	USD
Ukraine-2032	7.38	25.09.2032	105.19	105.84	6.69	USD
Ukreximbank	16.50	02.03.2021	97.60	99.04	17.27	UAH
Ukreximbank	9.63	27.04.2022	103.88	104.62	7.54	USD
Ukreximbank	9.05	09.02.2023	98.96	100.70	8.65	USD
Ukreximbank	9.75	22.01.2025	105.81	106.59	8.17	USD
Oschadbank	9.38	10.03.2023	104.32	104.52	7.81	USD
Oschadbank	9.07	19.01.2024	98.80	100.53	8.63	USD
Oschadbank	9.63	20.03.2025	104.64	104.88	8.47	USD
Privatbank CJSC	11.00	09.02.2021	19.92	29.39	143.9	USD
Metinvest BV	7.50	31.12.2021	99.49	101.27	6.79	USD
Metinvest BV	7.75	23.04.2023	103.81	104.30	6.35	USD
Metinvest BV	5.63	17.06.2025	99.26	99.91	5.64	EUR
Metinvest BV	8.50	23.04.2026	104.92	105.41	7.43	USD
Metinvest BV	7.75	17.10.2029	97.82	100.09	7.74	USD
DTEK Finance	10.75	31.12.2024	102.60	102.60	10.12	USD
MHP SE	7.75	10.05.2024	106.14	106.41	6.10	USD
MHP Lux SA	6.95	03.04.2026	103.18	103.56	6.27	USD
MHP Lux SA	6.25	19.09.2029	95.09	97.10	6.65	USD
Kernel Holding	8.75	31.01.2022	105.90	106.08	5.80	USD
Kernel Holding	6.50	17.10.2024	100.07	100.72	6.33	USD
Ukraine Railways	9.88	15.09.2021	104.23	104.30	7.35	USD
Ukraine Railways	8.25	09.07.2024	105.48	105.83	6.77	USD
NAK Naftogaz	7.38	19.07.2022	101.37	101.63	6.70	USD
NAK Naftogaz	7.13	19.07.2024	104.31	105.13	5.84	EUR

Источник: 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	-1.1 (September)
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)
<b>Balance of payments (consolidated). USD billions</b>	0.8	1.3	2.6	2.9 (preliminary estimate)	<b>0.0</b> <b>(September, preliminary estimate)</b>
<b>Current account balance. USD billions</b>	-0.2	-1.3 (revised data)	-2.1 (revised data)	-4.7 (preliminary estimate)	<b>-1.5</b> <b>(September, preliminary estimate)</b>
<b>Balance of trade. USD billions</b>	-1.7	-6.5 (revised data)	-8.61 (revised data)	-11.5 (preliminary estimate)	<b>-1.4</b> <b>(September, preliminary estimate)</b>
<b>International reserves. USD billions</b>	13.3	15.5	18.8	20.8 (preliminary estimate)	<b>21.4</b> <b>(September, preliminary estimate)</b>
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	1.0 (January-September)
<b>Exchange rate. by year end. UAH/USD</b>	24.00	27.19	28.07	27.69	<b>25.00</b> <b>(October)</b>
<b>Exchange rate. annual average. UAH/USD</b>	21.85	25.55	26.60	27.20	<b>26.22</b> <b>(January-October)</b>

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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