

Financial markets survey

18 November 2019

MARKETS ARE FULL OF OPTIMISM

Inflationary expectations are descending
Real GDP in Ukraine reached 4.2% in Q3'2019
Rates dived down

GLOBAL MARKET

During the previous week, the leading American stock indices set new historical record-highs once again: the S&P 500 Index reached 3,120.46 points, while the Dow Jones Index landed at 28,004.89 points. Investors are optimistically waiting for a trade deal between the US and China, supported by incentive measures implemented by the global central banks.

Following the FRS and the ECB, the Chinese regulator moves on with its steps to provide liquidity to the financial sector. Because of slower global economic growth, trade wars and protests in Hong Kong, policies implemented by the central bank of China are becoming the object of even closer attention.

Speaking in the US Congress last week, Chair of the Federal Reserve System Jerome Powell said he was confident about the stability of the American economy. The FRS Chair stated that he expected stable growth of the US economy supported by sustainable consumer demand due to low unemployment. Regardless of such statements, industrial output in the US fell 0.8% in October 2019 compared to the previous month. This is a record-low drop since May 2018. Retail sales in the US increased 0.3% in October compared to the previous month.

In October 2019, the Consumer Price Index in the US unexpectedly accelerated to 1.8% in annual terms. Compared to September 2019, consumer prices grew 0.4%.

The Consumer Price Index in Germany rose 0.9% in October in annual terms. The rate of inflation is at the same level as in September and is record-low since November 2016. Compared to September 2019, consumer prices inched up 0.1%. In October 2019, the Consumer Price Index in the euro-area on the whole grew 0.7% in annual terms, which is a record-low since November 2016. As a result of its September meeting, the ECB downgraded its forecasts for the consumer price growth in the euro-area to 1.2% against the previous estimate of 1.3% for 2019, to 1.0% against the previous estimate of 1.4% for 2020 and to 1.5% against the previous estimate of 1.6% for 2021.

The Consumer Price Index in the UK grew 1.5% in October in annual terms. Compared to September 2019, consumer prices slipped 0.2%.

During the previous week, 11-15 November, trading in the "EUR/USD" pair ranged within the limits of USD 1.0987-1.1054/EUR.

WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1034	0.0	0.2	-3.6
GBP/USD	1.2897	1.0	0.9	1.1
USD/RUB	64.2101	0.8	-0.2	-7.6
USD/UAH	24.2201	-1.2	-2.3	-12.5

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	3120.5	0.9	4.2	24.5
FTSE 100 (UK)	7302.9	-0.8	1.3	8.5
MXME (East. Eur.)	185.0	-1.6	7.2	21.6
PFTS (Ukraine)	519.4	0.3	-1.2	-7.1
RTS (Russia)	1449.4	-1.3	8.9	35.6

KEY RATES

Ставка	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	1.961	-1.9	-0.7	-34.8
FRS. % p.a.	1.50-1.75	0.0	-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	195.0	-2.5	2.4	-11.8
Brent, USD/barrel	63.3	1.3	8.1	14.6
WTI, USD/barrel	57.7	0.8	9.2	19.3
Gold. USD/ounce	1466.9	0.2	-1.4	14.7

Source: Bloomberg

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MACROECONOMICS

GDP

According to up-to-date estimate of the State Statistics Service, Ukraine's real GDP grew 0.7% over the third quarter of 2019 compared to the previous quarter (seasonally adjusted data). Compared to the third quarter of 2018, the country's GDP rose 4.2%.

Agriculture

According to information of the State Statistics Service, agricultural output in Ukraine fell 32.3% in October 2019 compared to the previous month. Compared to October 2018, the country registered a 6.7% drop in agricultural output.

Over January-October 2019, agricultural output increased 3.3% compared to the same period during the previous year. In particular, output at agricultural enterprises grew 7.2%, whereas output at private farms shrank 1.8%. At the same time, plant growing output rose 3.9%, while livestock breeding output increased 1.5%.

Over the first ten months of the current year, agricultural output grew in eighteen Ukrainian oblasts as compared to January-October 2018. Agricultural output declined in five Ukrainian oblasts. One oblast observed that agricultural output remained at the level registered over the same period during the previous year.

Wages

The average nominal monthly wage of full-time staff members employed at companies, institutions and organizations totaled UAH 10,687.00 in September 2019, which constitutes approximately 260.0% of the minimum wage (UAH 4,173.00).

The average nominal wage went up 1.4% in September 2019 compared to August 2019. Over the last twelve month (compared to September 2018), the average wage grew 18.2%.

In September 2019, the index of real wages reached 100.7% compared to August 2019 and 109.8% compared to September 2018.

In September 2019, the highest wages were observed in the city of Kyiv (UAH 15,626.00), Donetsk oblast (UAH 11,907.00) and Kyiv oblast (UAH 11,166.00). The lowest wages were registered in Chernivtsi oblast (UAH 8,338.00), Kherson oblast (UAH 8,352.00) and Ternopil oblast (UAH 8,441.00).

Areas of business activity where employees earned the highest average wages in September 2019 included finance and insurance (UAH 17,929.00), information and telecommunications (UAH 17,072.00), as well as public administration and defense (UAH 15,140.00).

The lowest average wages were registered in healthcare and social security (UAH 6,916.00) and among those employed in short-term accommodation services and in public catering (UAH 6,784.00).

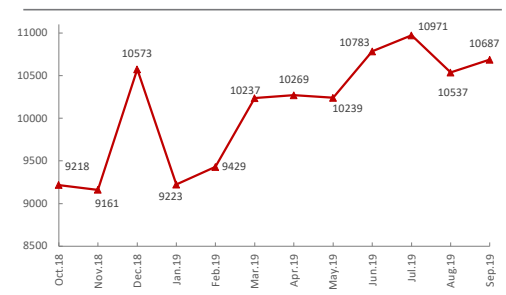
As of 1 October 2019, total wage arrears were registered at UAH 3,141.1 million or at 111.5% compared to 1 September 2019.

LATEST MACROECONOMIC DATA

Indicator	Value
Real GDP change over Q3'2019, % to Q3'2018	4.2
Change in agricultural output over January-October 2019, % year-on-year	3.3

Source: the State Statistics Service

AVERAGE NOMINAL WAGES (UAH)



Source: the State Statistics Service

BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for primary placement of domestic government bonds held on 12 November, the Ministry of Finance offered three issues of bonds denominated in hryvnia and one issue of bonds denominated in US dollars. Same as a week earlier, demand for all instruments surpassed the limits established by the Ministry of Finance: UAH 0.3 billion for bonds maturing in six months, UAH 0.5 billion for bonds maturing in eleven months, UAH 2.5 billion for bonds maturing in three years, and USD 0.3 billion for bonds maturing in two years. This step made it possible to lower the cost of borrowing for all instruments once again.

Demand for bonds maturing in three years was almost a fourfold of the supply. Market participants submitted fifty-four bids for the total of UAH 9.7 billion. The requested yields ranged within the limits of 13.02 - 14.45% p.a. The Ministry of Finance set the accepted yield at 13.12% p.a. and rejected thirty-one bids.

Bonds denominated in foreign exchange enjoyed the highest demand. Market participants submitted 102 bids for the total of USD 0.7 billion for purchasing bonds denominated in US dollars and maturing in two years. The requested yields ranged within the limits of 3.50-6.00% p.a. The Ministry of Finance managed to lower the accepted yield to 4.25% p.a. and to reject twenty-six 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 1.6 billion (maturing on 20 November).

As a result of the auction held on 12 November, the Ministry of Finance managed to raise UAH 10.9 billion to the State Budget of Ukraine (according to the NBU exchange rate).

Over the previous week, the volume of outstanding domestic government bonds went up UAH 9.3 billion and, as of 15 November 2019, totaled UAH 816.7 billion (according to the total principal).

NBU OPERATIONS

During the previous week, market participants purchased NBU deposit certificates for the total of UAH 95.6 billion, including overnight certificates of deposit for the total of UAH 31.7 billion.

On Friday, 15 November, the National Bank placed deposit certificates maturing in fourteen days for the total of UAH 63.9 billion, satisfying bids of thirty-two banks.

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

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

Over the previous week, 11-15 November, a negative balance of the State Treasury transactions landed at UAH 0.2 billion.

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

INTERBANK LENDING MARKET

Last week the interbank lending market was stable. Interest rates for overnight, weekly and monthly lending loans in the national currency were ranging within the limits of 13.50-15.50% p.a.

THE RESULTS OF PLACING DOMESTIC GOVERNMENT BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
12 Nov.	175 days	14.10%	5/3	264.00
12 Nov.	322 days	13.74%	7/6	523.87
12 Nov.	1064 days	13.07%	54/23	2636.72
12 Nov.	764 days	4.02%	102/76	304.88*

* - USD millions

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	338.1	1.7	-1.9	-9.7
Legal entities	26.5	0.2	1.0	27.6
Private individ.	10.1	5.3	-4.3	66.3
Non-residents	104.9	2.9	6.4	1552.1

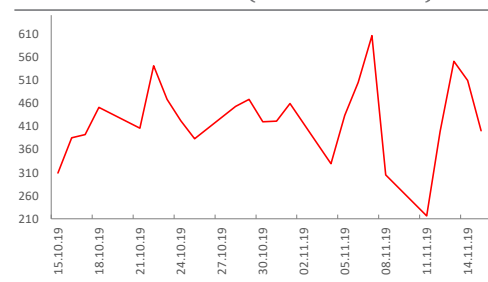
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	64.6	45.1	13.2	81.4	
NBU refinancing. UAH billions	46.3	0.0	-1.0	-15.5	
NBU deposit certificates	O/N. UAH billions	7.4	-50.8	-17.8	-75.5
	Total. UAH billions	71.3	-19.4	30.6	15.2

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

FOREIGN EXCHANGE MARKET

During the previous week, foreign exchange supply continued to stay high and this made it possible for the Ukrainian national currency to move along its appreciating trend. Both non-resident investors and exporters were actively selling foreign exchange. The National Bank entered the interbank foreign exchange market several times to buy out excessive foreign exchange supply and significantly replenished its foreign exchange reserves. As a result, on Friday, 15 November, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 24.2201/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 24.48-24.55/USD on Monday, 11 November, UAH 24.44-24.51/USD on Tuesday, 12 November, UAH 24.29-24.36/USD on Wednesday, 13 November, UAH 24.23-24.30/USD on Thursday, 14 November, and UAH 24.18-24.25/USD on Friday, 15 November.

Over 11-15 November, the National Bank purchased USD 191.80 million from banks: USD 60.00 million by way of foreign exchange interventions in the form of best exchange rate and USD 131.80 million by way of foreign exchange 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

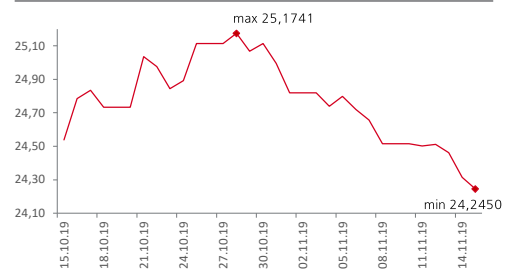
On 12 November, ABH Ukraine Limited, a majority stockholder in JSC Alfa Bank, which holds 90.1% of the bank's stock, registered a new issue of Eurobonds (ISIN XS2078674467) totaling USD 50.0 million and maturing on 15 April 2023. The coupon will be paid on a quarterly basis and will yield 9.0% per annum. The Eurobonds were issued according to the rules specified in the Regulation "S" of the United States Securities and Exchange Commission and are listed at the Frankfurt Stock Exchange.

This is the seventeenth Eurobond issue completed by ABH Ukraine Limited since the beginning of 2015, which demonstrates significant interest of investors in the financial instruments offered by the companies that are part of ABH Holdings S.A., an international investment holding. As of the publication date, there were eleven issues of Eurobonds in circulation placed by ABH Ukraine Limited, including two issues in Euros and nine issues in US dollars. Six issues have already been repaid.

The International Finance Corporation (IFC), a member of the World Bank Group, approved

the provision of a five-year loan for the total of EUR 30.0 million to Ukrgasbank, a state-owned bank in Kyiv, Ukraine, with an option of converting up to 20% of it into a stake in the bank's joint stock. According to information from the IFC, the corporation's Board of Directors approved this decision on 11 November. At present, the necessary documents to be signed are being prepared. The IFC informed that the loan would be paid off through a bullet repayment as the tenor of the loan expired. The option to convert the loan into the bank's joint stock will be at the IFC's full discretion.

EXCHANGE RATE (UAH/USD)



Source: NBU

QUOTATIONS ON GLOBAL MARKETS

Name	Coupon	Maturity	Bid Price	Ask Price	Ask YTM	Cur
Ukraine-2020	7,75	01.09.2020	102,78	103,13	3,66	USD
Ukraine-2021	7,75	01.09.2021	104,82	105,32	4,60	USD
Ukraine-2022	7,75	01.09.2022	106,57	107,19	4,95	USD
Ukraine-2023	7,75	01.09.2023	107,25	107,75	5,45	USD
Ukraine-2024	8,99	01.02.2024	111,46	112,09	5,71	USD
Ukraine-2024	7,75	01.09.2024	107,39	108,02	5,80	USD
Ukraine-2025	7,75	01.09.2025	107,61	108,25	6,04	USD
Ukraine-2026	6,75	20.06.2026	110,43	111,10	4,74	EUR
Ukraine-2026	7,75	01.09.2026	107,50	108,00	6,28	USD
Ukraine-2027	7,75	01.09.2027	107,63	108,13	6,41	USD
Ukraine-2028	9,75	01.11.2028	118,53	119,08	6,86	USD
Ukraine-2032	7,38	25.09.2032	104,42	105,03	6,78	USD
Ukreximbank	16,50	02.03.2021	97,75	98,85	17,47	UAH
Ukreximbank	9,63	27.04.2022	103,71	104,44	7,59	USD
Ukreximbank	9,05	09.02.2023	99,12	100,88	8,60	USD
Ukreximbank	9,75	22.01.2025	106,18	106,18	8,25	USD
Oschadbank	9,38	10.03.2023	104,36	104,60	7,76	USD
Oschadbank	9,07	19.01.2024	98,81	100,60	8,62	USD
Oschadbank	9,63	20.03.2025	104,55	104,78	8,49	USD
Privatbank CJSC	11,00	09.02.2021	20,26	29,35	150,31	USD
Metinvest BV	7,50	31.12.2021	99,48	100,95	6,94	USD
Metinvest BV	7,75	23.04.2023	103,66	104,06	6,41	USD
Metinvest BV	5,63	17.06.2025	99,11	99,74	5,68	EUR
Metinvest BV	8,50	23.04.2026	104,23	104,83	7,54	USD
Metinvest BV	7,75	17.10.2029	97,70	99,96	7,75	USD
DTEK Finance	10,75	31.12.2024	102,63	102,90	10,05	USD
MHP SE	7,75	10.05.2024	106,11	106,49	6,07	USD
MHP Lux SA	6,95	03.04.2026	103,07	103,44	6,28	USD
MHP Lux SA	6,25	19.09.2029	95,06	97,07	6,66	USD
Kernel Holding	8,75	31.01.2022	105,84	106,02	5,78	USD
Kernel Holding	6,50	17.10.2024	100,23	100,88	6,29	USD
Ukraine Railways	9,88	15.09.2021	104,25	104,34	7,27	USD
Ukraine Railways	8,25	09.07.2024	105,52	105,87	6,75	USD
NAK Naftogaz	7,38	19.07.2022	102,40	102,67	6,27	USD
NAK Naftogaz	7,13	19.07.2024	105,09	105,84	5,65	EUR
NAK Naftogaz	7,625	08.11.2026	100,38	100,38	7,55	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2015	2016	2017	2018	2019
GDP. %	-9.8	2.3	2.5	3.3	4.2 (third 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	6.5 (October)
Producer price growth. % year-on-year	25.4	35.7	16.5	14.2	0.2 (October)
Balance of payments (consolidated). USD billions	0.8	1.3	2.6	2.9 (preliminary estimate)	0.0 (September, preliminary estimate)
Current account balance. USD billions	-0.2	-1.3 (revised data)	-2.1 (revised data)	-4.7 (preliminary estimate)	-1.5 (September, preliminary estimate)
Balance of trade. USD billions	-1.7	-6.5 (revised data)	-8.61 (revised data)	-11.5 (preliminary estimate)	-1.4 (September, preliminary estimate)
International reserves. USD billions	13.3	15.5	18.8	20.8 (preliminary estimate)	21.4 (October, 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	1.0 (January-September)
Exchange rate. by year end. UAH/USD	24.00	27.19	28.07	27.69	25.00 (October)
Exchange rate. annual average. UAH/USD	21.85	25.55	26.60	27.20	26.22 (January-October)

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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