

Financial markets survey

09 December 2019

A VERY IMPORTANT WEEK

Markets received a shot of optimism
Inflation in Ukraine slowed down record-low
The NBU expanded reserves to USD 21.9 billion

GLOBAL MARKET

The American stock market finished the previous week with an upward impetus resulting from strong macroeconomic indicators of the country. Data on the labor market and consumer confidence in the US published during the previous week seriously outpaced investors' expectations. Nonfarm payroll (NFP) employment grew 266,000, reaching a record-high value for the last ten months. Also, improvements were noticed in healthcare, processing industry and the tourism sector.

The rate of unemployment in the US dropped to 3.5% in November from 3.6% in October. The unemployment indicator in the US repeated the value registered in September 2019 and turned out to be record-low since 1969 again.

Consumer confidence also improved. The Consumer Confidence Index in the US rose to 99.2 points from 96.8 points. Improvements were registered with respect to both – the current situation in the country and future expectations.

The block of macroeconomic indicators influenced expectations of market participants regarding the US FRS policy. On Wednesday, 11 December, markets are expecting the regulator's meeting on monetary incentives for the economy. The likelihood that the federal funds rate will stay within the limits of 1.50-1.75% per annum is almost 100%.

Beijing and Washington continue working on the first-stage agreement of a trade deal. There is no specific date when the documents will be signed. At the same time, the market does not count that the new import duties will come into force in December.

In November 2019, the Consumer Price Index in Germany grew 1.2% in annual terms, which is a record-high since June 2019. Compared to October 2019, prices went down 0.8% in November 2019, which was a record-low drop since January 2019. In November, the Consumer Price Index in the euro-area grew 1.0% in annual terms after consumer prices rose 0.7% in October 2019. Prices shrank 0.3% compared to October 2019, while experts expected them to drop 0.4%. Notwithstanding this acceleration, inflation in the euro-area is still below the targeted indicator established by the ECB at 2.0%. In its semiannual report on financial stability, the ECB warned about possible side effects of the soft monetary policy it is implementing. The ECB explained that its unprecedented incentives called upon to support economic growth were causing damage to financial stability.

During the previous week, 02-06 December, trading in the "EUR/USD" pair ranged within the limits of USD 1.1003-1.1116/EUR.

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WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1094	1.0	0.0	-3.1
GBP/USD	1.3140	1.7	2.2	3.0
USD/RUB	63.8135	-0.4	0.9	-8.1
USD/UAH	23.7248	-1.0	-3.8	-14.3

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	3145.9	0.2	2.2	25.5
FTSE 100 (UK)	7239.7	-1.5	-2.1	7.6
MXME (East. Eur.)	181.9	0.5	-3.6	19.6
PFTS (Ukraine)	509.8	-0.1	-1.4	-8.9
RTS (Russia)	1448.3	0.7	-1.6	35.5

KEY RATES

Ставка	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	1.923	-1.5	-2.7	-36.0
FRS. % p.a.	1.50-1.75	0.0	0.0	-30.0
ECB. % p.a.	0.000	0.0	0.0	0.0
NBU. % p.a.	15.500	0.0	0.0	-13.9
CB RF. % p.a.	6.500	0.0	0.0	-16.1

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	200.5	0.8	0.3	-9.3
Brent USD/barrel	64.4	6.4	5.7	16.3
WTI USD/barrel	59.2	7.3	5.0	22.1
Gold. USD/ounce	1459.7	0.0	-1.8	14.1

Source: Bloomberg

MACROECONOMICS

Consumer prices

According to information of the State Statistics Service, the Consumer Price Index (CPI) inched up 0.1% in November 2019 compared to October 2019. Compared to November of the previous year, consumer prices rose 5.1%. Since the beginning of the current year, the CPI grew 4.3%.

In November 2019, core inflation landed at 0.1% compared to the previous month and at 4.2% since the beginning of the current year.

The consumer market registered that prices for the entire group of food products and non-alcoholic beverages inched down 0.2% in November 2019. Prices for fruits declined the most – 4.4%. Prices for poultry meat, sugar, pork, non-alcoholic beverages, fish and fish products, and sunflower oil went down 2.8-0.3%. At the same time, prices for eggs, milk and dairy products, vegetables, lard, butter, bread, and rice went up 2.4-0.5%.

Prices for alcoholic beverages and tobacco products rose 0.8% over the previous month, including 1.6% for tobacco products and 0.1% for alcoholic beverages.

Prices for clothes and footwear declined 1.4% over the previous month, including 1.9% for footwear and 1.1% for clothes.

Transport prices went down 0.3% on the whole, which was mainly the result of prices for vehicles shrinking 2.1% and fuel prices sliding 0.3%.

Prices (rates) for housing, water supply, electricity, gas, and other types of fuel went up 2.8%, which was mainly the result of higher rates for natural gas (+12.7%). At the same time, the country registered that rates for water supply grew 0.6%, rates for sewage rose 0.4% and rates for maintenance of houses and adjoining territories inched up 0.2%.

Prices for healthcare services grew 0.3% in November 2019. Prices in hotels and restaurants increased 0.7%. Prices for rest, recreation and cultural services inched up 0.1%. Prices for education services were registered at the level in October 2019, whereas prices for communication services went down 0.2% in November 2019.

Wages

The average nominal monthly wage of full-time staff members employed at companies, institutions and organizations totaled UAH 10,727.00 in October 2019, which constitutes approximately 260.0% of the minimum wage (UAH 4,173.00).

The average nominal wage inched up 0.4% in October 2019 compared to September 2019. Over the last twelve month (compared to October 2018), the average wage grew 16.4%.

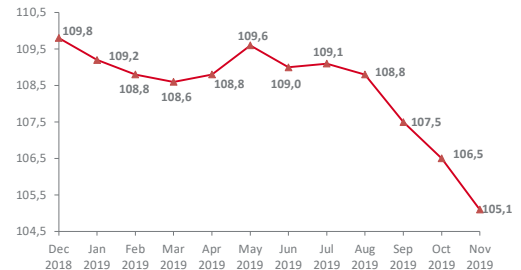
In October 2019, the index of real wages reached 99.7% compared to September 2019 and 109.2% compared to October 2018.

In October 2019, the highest wages were observed in the city of Kyiv (UAH 15,862.00), Donetsk oblast (UAH 11,952.00) and Kyiv oblast (UAH 11,325.00). The lowest wages were registered in Ternopil oblast (UAH 8,563.00), Kherson oblast (UAH 8,277.00) and Chernivtsi oblast (UAH 8,211.00).

Areas of business activity where employees earned the highest average wages in October 2019 included finance and insurance (UAH 19,571.00), information and telecommunications (UAH 17,057.00), as well as public administration and defense (UAH 15,053.00).

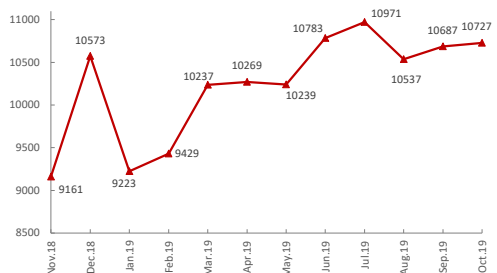
As of 1 November 2019, total wage arrears were registered at UAH 3,438.1 million or at 109.5% compared to 1 October 2019.

CONSUMER PRICE INDEX (month-on-month of the previous year, %)



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 03 December, the Ministry of Finance offered two issues of bonds denominated in hryvnia and two issues of bonds denominated in US dollars.

Only seven bids for the total of UAH 0.4 billion was submitted for purchasing bonds maturing in two months. The requested yields ranged within the limits of 13.00-15.00% per annum. The Ministry of Finance set the accepted yield at 13.80% p.a. and rejected two bids.

Nineteen bids for the total of UAH 4.1 billion were submitted for purchasing bonds maturing in 3.5 years. The requested yields ranged within the limits of 12.25-12.90% per annum. The Ministry of Finance set a limit of UAH 3.0 billion for the above-mentioned placement. This step made it possible to lower the accepted yield down to 12.50% p.a. and to reject five bids.

Despite the fact that instruments denominated in US dollars are placed rather rarely, they did not enjoy any increased demand.

Thirty bids for the total of USD 27.8 million were submitted for purchasing bonds denominated in US dollars and maturing in fourteen months. The requested yields ranged within the limits of 3.45-4.50% per annum. The Ministry of Finance set the accepted yield at 4.00% p.a. and satisfied twenty-four bids.

Twenty-three bids for the total of USD 45.3 million were submitted for purchasing bonds denominated in US dollars and maturing in two years. The requested yields ranged within the limits of 3.49-5.00% per annum. The Ministry of Finance set the accepted yield at 4.25% p.a. and satisfied nineteen bids.

During the current week, the Ministry of Finance will have to pay out one issue of domestic government bonds denominated in foreign currency for the total of USD 160.0 million (maturing on 12 December).

As a result of the auction held on 03 December, the Ministry of Finance managed to raise UAH 4.7 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 down UAH 0.3 billion and, as of 06 December 2019, totaled UAH 806.6 billion (according to the total principal)

NBU OPERATIONS

During the previous week, market participants purchased NBU deposit certificates for the total of UAH 124.6 billion, and all of them were overnight certificates of deposit. The interest rate - at 13.50% p.a.

At a scheduled NBU tender announced on 06 December to support liquidity, bids of two banks for the total of UAH 126.5 million were satisfied. The interest rate reached 15.50% p.a. The loans were provided for the period of fourteen days. Last week banks did not use the standing NBU refinancing line (overnight loans).

Over the previous week, 02-06 December, the balance of the State Treasury transactions landed at UAH 7.6 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 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
03 Dec.	77 days	13,06%	7/5	55,35
03 Dec.	1267 days	12,38%	19/14	3308,93
03 Dec.	435 days	3,88%	30/24	18,83*
03 Dec.	743 days	4,08%	23/19	35,06*

* - 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	327.6	-0.6	-2.7	-12.5
Legal entities	26.1	-0.6	0.2	26.1
Private individ.	9.8	-1.2	-1.3	60.7
Non-residents	106.1	1.9	6.2	1570.4

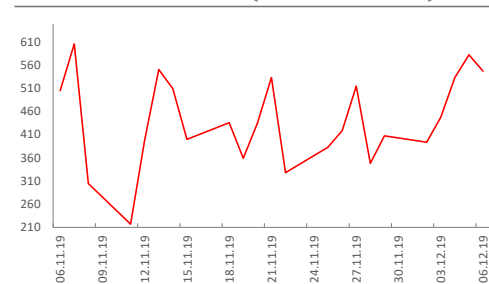
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	45.0	-16.9	-2.1	26.2	
NBU refinancing. UAH billions	45.4	0.0	-2.0	-17.2	
NBU deposit certificates	O/N. UAH billions	39.8	176.1	76.3	32.0
	Total. UAH billions	102.5	32.8	27.8	65.6

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

FOREIGN EXCHANGE MARKET

During the previous week, the Ukrainian interbank foreign exchange market was registering increased inflow of export proceeds, which contributed to further appreciation of the national currency. Regardless of active interventions undertaken by the National Bank on the foreign exchange market to buy out excessive foreign currency supply, quotations of the US dollar were going down.

As a result, on Friday, 06 December, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 23.7248/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 23.94-24.00/USD on Monday, 02 December, UAH 23.91-23.97/USD on Tuesday, 03 December, UAH 23.87-23.97/USD on Wednesday, 04 December, UAH 23.80-23.92/USD on Thursday, 05 December, and UAH 23.66-23.77/USD on Friday, 06 December.

Over 02-06 December, the National Bank purchased USD 436.60 million from banks: USD 90.00 million by way of foreign exchange interventions in the form of best exchange rate and USD 346.60 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 2.5 billion.

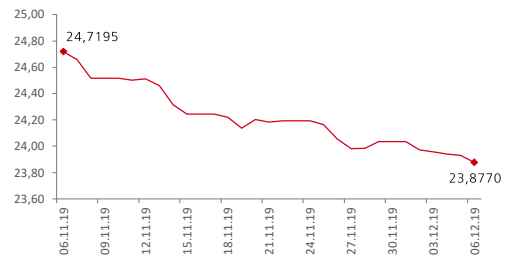
BONDS OF UKRAINIAN ISSUERS ON GLOBAL MARKETS

On 04 December 2019, TAScombank began placing "A" series bonds issued by Ilta, a trade and retail company, for the total of UAH 50.0 million. The coupon rate from the first to the fourth interest period is 18.0% per annum. The bonds will mature in five years and provide for an annual offer.

On 04 December 2019, the National Securities and Stock Market Commission (NSSMC) registered an issue of "I" series bonds by Lviv City Council for the total of UAH 300.0 million by way of a public offer. Ukrigasbank will act as an underwriter to place the above-mentioned bonds at the PFTS Stock Exchange starting from 11 December. The bonds will be repaid from 11 to 13 December 2022. The interest rate for the above-mentioned bonds for all interest periods will be 17.70% per annum. An additional issue of the city's bonds for another UAH 900.0 million is being planned after 01 January 2020.

Bohai Commodity Exchange (BOCE), located in Hong Kong (China), which purchased the Ukrainian Bank for Reconstruction and Development (UBRD) in 2017, is going to buy a stake in Joint Stock Company Stock Exchange PFTS, located in Kyiv (Ukraine), totaling 49.90003%. Bohai Commodity Exchange is planning to buy 15,973 shares of PFTS. At the moment, BOCE is not a shareholder in the Ukrainian stock exchange. In December 2018, the Anti-Monopoly Committee of Ukraine approved a second application of China's commodity exchange Bohai Commodity Exchange Co., Ltd (BOCE) to purchase more than 25% of shares in the PFTS Stock Exchange.

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	102,67	103,04	3,44	USD
Ukraine-2021	7,75	01.09.2021	104,88	105,38	4,47	USD
Ukraine-2022	7,75	01.09.2022	106,28	106,78	5,05	USD
Ukraine-2023	7,75	01.09.2023	106,54	107,13	5,60	USD
Ukraine-2024	8,99	01.02.2024	110,60	111,24	5,89	USD
Ukraine-2024	7,75	01.09.2024	106,47	107,13	5,99	USD
Ukraine-2025	7,75	01.09.2025	106,48	107,14	6,24	USD
Ukraine-2026	6,75	20.06.2026	109,46	110,10	4,90	EUR
Ukraine-2026	7,75	01.09.2026	106,84	107,34	6,39	USD
Ukraine-2027	7,75	01.09.2027	106,67	107,21	6,54	USD
Ukraine-2028	9,75	01.11.2028	117,46	118,13	6,98	USD
Ukraine-2032	7,38	25.09.2032	103,36	104,07	6,89	USD
Ukreximbank	16,50	02.03.2021	99,96	100,73	15,75	UAH
Ukreximbank	9,63	27.04.2022	103,74	104,41	7,56	USD
Ukreximbank	9,05	09.02.2023	99,50	100,78	8,60	USD
Ukreximbank	9,75	22.01.2025	105,39	106,22	8,23	USD
Oschadbank	9,38	10.03.2023	104,22	104,46	7,79	USD
Oschadbank	9,07	19.01.2024	98,90	100,53	8,61	USD
Oschadbank	9,63	20.03.2025	104,26	104,49	8,54	USD
Privatbank CJSC	11,00	09.02.2021	20,22	29,29	161,0	USD
Metinvest BV	7,50	31.12.2021	99,67	101,01	6,90	USD
Metinvest BV	7,75	23.04.2023	103,08	103,56	6,55	USD
Metinvest BV	5,63	17.06.2025	99,16	99,81	5,67	EUR
Metinvest BV	8,50	23.04.2026	103,73	104,20	7,65	USD
Metinvest BV	7,75	17.10.2029	97,84	100,09	7,73	USD
DTEK Finance	10,75	31.12.2024	101,50	102,44	10,15	USD
MHP SE	7,75	10.05.2024	105,77	106,14	6,14	USD
MHP Lux SA	6,95	03.04.2026	102,50	102,87	6,39	USD
MHP Lux SA	6,25	19.09.2029	94,23	95,20	6,93	USD
Kernel Holding	8,75	31.01.2022	105,94	106,11	5,66	USD
Kernel Holding	6,50	17.10.2024	100,46	101,07	6,24	USD
Ukraine Railways	9,88	15.09.2021	104,04	104,13	7,32	USD
Ukraine Railways	8,25	09.07.2024	105,08	105,43	6,85	USD
NAK Naftogaz	7,38	19.07.2022	101,83	102,09	6,49	USD
NAK Naftogaz	7,13	19.07.2024	104,47	105,39	5,75	EUR
NAK Naftogaz	7,625	08.11.2026	98,73	99,60	7,70	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	-5.0 (October)
Consumer price growth. % year-on-year	43.3	12.4	13.7	9.8	5.1 (November)
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)	-0.1 (October, preliminary estimate)
Current account balance. USD billions	-0.2	-1.3	-2.1	-4.7 (preliminary estimate)	-0.7 (October, preliminary estimate)
Balance of trade. USD billions	-1.7	-6.5	-8.61)	-11.5 (preliminary estimate)	-1.5 (October, preliminary estimate)
International reserves. USD billions (at the end of the period)	13.3	15.5	18.8	20.8 (preliminary estimate)	21.9 (November, 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	2.8 (January-October)
Exchange rate. by year end. UAH/USD	24.00	27.19	28.07	27.69	24.03 (November)
Exchange rate. annual average. UAH/USD	21.85	25.55	26.60	27.20	26.05 (January-November)

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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