

Financial markets survey

13 April 2020

A NEW HISTORICAL OPEC+ AGREEMENT

The best week for the last 40 years

Consumer inflation in Ukraine slowed down to 2.3%

The Ministry of Finance decided not to place bonds again

GLOBAL MARKET

For global financial markets, the previous week was shortened due to the Good Friday and was registering high volatility. The US market practically ignored negative statistical data on unemployment and closed on the rise thanks to a new large-scale set of incentives from the FRS and improved forecasts regarding the spread of the coronavirus. The leading S&P 500 Index demonstrated the best weekly result for the last forty years.

In addition to already adopted measures, the FRS will provide USD 2.3 trillion in the form of loans to small businesses, households and municipal governments, and will also support the market of high-yielding corporate bonds. FRS Chair Jerome Powell stated that the regulator expected a robust rebound of the economy once the country managed to take the spread of the coronavirus disease under control.

In March, the Consumer Price Index (CPI) in the US grew 1.5% compared to March of the previous year. Thus, the rate of inflation slowed down record-low since February 2019. Compared to the previous month, consumer prices inched down 0.4% in March 2020 (a record-low drop since January 2015), after inching up 0.1% in January and February 2020.

Finance ministers of the EU countries agreed on a package of economic measures for the total of EUR 540.0 billion for the purpose of supporting the economy damaged by the coronavirus. It is planned that a part of these funds (approximately EUR 100.0 billion) will be allocated on projects to subsidize payrolls in order to prevent staff reductions. The set of new measures will make it possible to take the EU's general financial response to the epidemic to EUR 3.2 trillion, which is the largest similar program across the world.

At a meeting on Sunday, 12 April, the OPEC and non-OPEC member states agreed to reduce petroleum production and to urge key petroleum producers that are not part of the alliance to ensure a proportionate and timely contribution to the efforts. The OPEC+ countries will reduce petroleum output 9.7 million barrels per day over May-June 2020, 7.7 million barrels per day from July 2020 till the end of 2020 and 5.7 million barrels per day, from January 2021 to May 2022. The reference point for quotations is October 2018, except for Saudi Arabia and Russia. For these countries, the reference quotation is 11.0 million barrels per day. The agreement shall be in effect till 30 April 2022. However, the parties will consider its extension in December 2021. The agreement signed by the OPEC and non-OPEC member states is expected to support the petroleum market when demand is rapidly shrinking and to foster dynamic recovery.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.0768-1.0952/EUR.

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WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.0867	0.8	-4.6	-3.3
GBP/USD	1.2455	1.5	-3.5	-6.0
USD/RUB	74.6050	-4.0	10.5	20.5
USD/UAH	27.2022	-0.6	7.5	14.8

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	2789.8	12.1	-3.2	-13.6
FTSE 100 (UK)	5842.7	7.9	-2.0	-22.5
MXME (East. Eur.)	137.7	9.3	1.0	-28.7
PFTS (Ukraine)	502.6	-0.4	-5.7	-1.4
RTS (Russia)	1142.1	8.8	4.4	-26.3

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	1.051	0.1	32.7	-47.4
FRS. % p.a.	0.00-0.25	0.0	-80.0	-85.7
ECB. % p.a.	0.000	0.0	0.0	0.0
NBU. % p.a.	10.000	0.0	-9.1	-25.9
CB RF. % p.a.	6.000	0.0	0.0	-4.0

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	212.5	-0.9	2.4	4.0
Brent. USD/barrel	31.5	-7.7	-17.4	-50.9
WTI. USD/barrel	22.8	-19.7	-34.5	-62.0
Gold. USD/ounce	1680.7	4.2	1.5	11.0

Source: Bloomberg

MACROECONOMICS

Consumer prices

According to information of the State Statistics Service, the Consumer Price Index went up 0.8% in March 2020 compared to February 2020. Compared to March of the previous year, consumer prices rose 2.3%. Since the beginning of the current year, consumer prices grew 0.7%.

In March 2020, core inflation landed at 1.3% compared to the previous month and at 1.0% since the beginning of the current year.

The consumer market registered that prices for the entire group of food products and non-alcoholic beverages went up 0.4% in March 2020. Prices for buckwheat groats grew the most (+5.2%). Prices for fruits, sugar, rice, vegetables, pasta, and beef rose 3.9-1.2%. At the same time, prices for eggs declined 12.3%, while price for poultry meat, milk, non-alcoholic beverages, sour cream, and cheeses went down 2.2-0.2%.

Prices for clothes and footwear increased 12.8% over the previous month, including 13.6% for footwear and 12.1% for clothes.

Prices (rates) for housing, water supply, electricity, gas, and other types of fuel went down 2.8% in March 2020, which was mainly the result of lower prices for natural gas (-11.6%), hot water and heating (-5.2%).

Prices for healthcare services went up 1.4%. Chiefly, this was the result of higher prices for pharmaceutical products (+1.9%).

In March 2020, transport prices grew 0.7% on the whole, which was mainly the result of passenger fare in railway transport getting higher 4.4% and prices for motor vehicles rising 4.0%. At the same time, prices for fuel and lubricants shrank 1.7%.

Prices for communication services went up 0.6%, which is connected with higher rates for local landline communication (+17.4%).

Producer prices

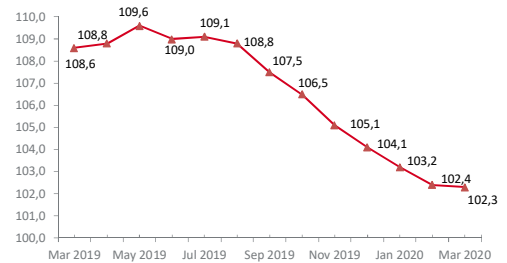
In March 2020, the Producer Price Index went up 1.8% compared to February 2020. Compared to March of the previous year, producer prices declined 4.2%.

In March 2020, the country registered that producer prices went down 4.5% in mining and quarrying. Prices in manufacturing of black coal declined 0.9%, while prices in the extraction of crude petroleum and natural gas dropped 12.2%. Prices in mining of metal ores shrank 1.2% in March 2020.

Producer prices went up 1.2% in manufacturing in March 2020. Prices grew 1.6% in manufacture of food products, beverages and tobacco products, 1.7% in manufacture of wood and paper products, and printing, 1.9% in steel industry, 0.1% in manufacture of chemicals and chemical products, 0.5% in manufacture of pharmaceuticals, medicinal chemical and botanical products, and 0.7% in machine-building. At the same time, the country registered shrinking prices in manufacture of coke and refined petroleum products (-1.4%).

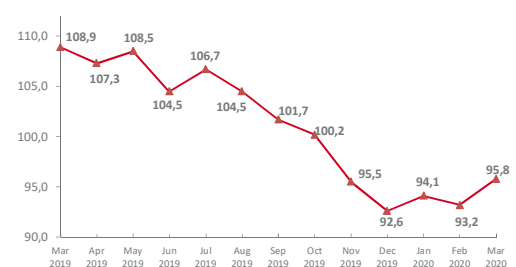
Prices in electricity, gas, steam and air-conditioning supply increased 5.9%.

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



Source: the State Statistics Service

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



Source: the State Statistics Service

BOND MARKET AND PUBLIC FINANCE

As a result of consultations with primary dealers, the Ministry of Finance again decided not to hold auctions to place domestic government bonds on 07 April 2020.

There are no pay-outs of domestic government bonds scheduled for the current week.

Over the previous week, the volume of outstanding domestic government bonds went down UAH 3.2 billion and, as of 10 April 2020, totaled UAH 840.9 billion (according to the total principal).

The secondary market of domestic government bonds also has not registered any increase in activities.

The Verkhovna Rada of Ukraine adopted amendments to the Law "On the State Budget of Ukraine for 2020" in the first reading and as a whole. The amendments provide for setting up a Fund to counteract the coronavirus as part of the State Budget with the allocation of UAH 64.7 billion. These funds will be spent on urgent and priority measures to counter the spread of the COVID-19.

In addition, these amendments provide for allocating UAH 15.8 billion for supplements to salaries of medical workers, UAH 3.0 billion for an emergency fund to implement emergency measures and UAH 10.6 billion for one-off supplements to pensions. At the same time, the draft law did not curtail expenditures on ensuring the country's security and defense, supporting the agricultural sector, developing road infrastructure and social expenditures.

NBU TRANSACTIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 325.4 billion, including overnight certificates of deposit for the total of UAH 221.3 billion (the interest rate for overnight certificates of deposit stood at 8.00% per annum).

At an interest-rate liquidity-providing NBU tender announced on 10 April, bids of three banks for the total of UAH 0.3 billion were satisfied. The interest rate reached 10.00% per annum. The funds were provided for the period of twenty-eight days.

On Friday, 10 April, the National Bank placed deposit certificates maturing in seven days for the total of UAH 104.1 billion, satisfying bids of fifty banks (the interest rate reached 10.00% per annum).

Banks did not use the standing NBU refinancing line (overnight loans) during the previous week.

The balance of the State Treasury transactions landed at UAH 11.5 billion over 06-10 April.

The banking system liquidity is at a sufficient level (approximately UAH 190.0 billion) and is concentrated on correspondent accounts of banks with the National Bank and in NBU deposit certificates.

INTERBANK LENDING MARKET

During the previous week, the interbank lending market was stable. The range of rates for lending funds in the national currency grew slightly narrower and stayed within 7.50-12.50% per annum.

HOLDERS OF DOMESTIC GOVERNMENT BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	324.6	0.0	0.0	-3.7
Banks	340.1	-0.1	2.3	1.1
Legal entities	51.4	-1.4	85.3	95.0
Private individ.	8.4	-2.7	-6.1	-14.1
Non-residents	116.4	-1.6	-7.2	-1.1

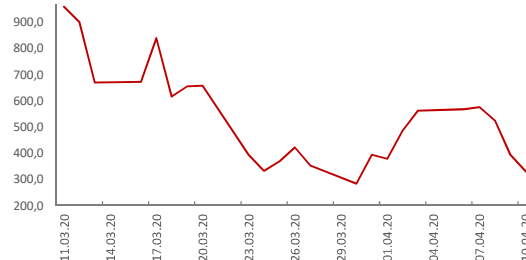
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	65.0	30.7	26.0	24.1	
NBU refinancing. UAH billions	43.9	-0.6	6.2	-2.4	
NBU deposit certificates	O/N. UAH billions	21.7	-40.4	-15.2	-63.1
	Total. UAH billions	125.8	-8.4	-27.7	-17.2

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

FOREIGN EXCHANGE MARKET

In the course of the previous week, the Ukrainian interbank foreign exchange market was quiet, while the Ukrainian national currency exchange rate stabilized and stayed within a narrow range of UAH 27.00-27.35/USD. The market registered that foreign currency supply was slight exceeding demand. Key foreign currency sellers were agricultural and steel producers. As a result, on Friday, 10 April, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 27.2022/USD.

During the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 27.20-27.32/USD on Monday, 06 April, UAH 27.03-27.18/USD on Tuesday, 07 April, UAH 27.07-27.32/USD on Wednesday, 08 April, UAH 27.20-27.35/USD on Thursday, 09 April, and UAH 27.17-27.27/USD on Friday, 10 April.

Over 06-10 April, the National Bank purchased USD 327.70 million from banks by way of the single exchange rate interventions and sold USD 44.50 million to banks by way of the single exchange rate interventions.

The overall foreign currency sales on the interbank foreign exchange market reached USD 2.5 billion over the previous week.

BONDS OF UKRAINIAN ISSUERS ON GLOBAL MARKETS

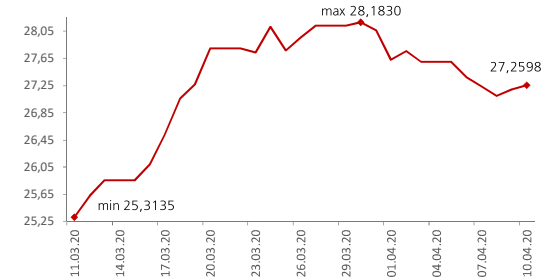
S&P Global Ratings, an international rating agency, has downgraded its long-term issuer credit rating of Ukrzaliznytsia from "B-" to "CCC", which means commitments on securities are being met; however, default seems to be a real possibility.

Ukrzaliznytsia has to repay approximately USD 400.0 million within the next 12 months starting from 01 April 2020, including a loan totaling USD 200.0 million in July 2020 and two portions of bonds that have not been repaid. "We now view Ukrzaliznytsia's liquidity as weak, because we believe that the COVID-19-related challenges can limit its access to capital markets and affect its ability to generate cash flow from operations".

"The outlook is negative, which is reflecting uncertainties regarding the potential loan restructuring and the company's ability to accumulate sufficient funds to meet upcoming maturities". At the same time, it is mentioned that the company may consider revising the terms of some loans.

On 02 August, 2019, S&P Global Ratings, a rating agency, upgraded the sovereign credit rating of JSC Ukrzaliznytsia to "B-".

NBU 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	97,25	98,25	12,51	USD
Ukraine-2021	7,75	01.09.2021	97,15	97,98	9,34	USD
Ukraine-2022	7,75	01.09.2022	96,59	97,42	8,97	USD
Ukraine-2023	7,75	01.09.2023	96,36	97,19	8,72	USD
Ukraine-2024	8,99	01.02.2024	97,81	99,67	9,09	USD
Ukraine-2024	7,75	01.09.2024	96,22	97,62	8,41	USD
Ukraine-2025	7,75	01.09.2025	96,60	97,83	8,25	USD
Ukraine-2026	6,75	20.06.2026	90,44	91,77	8,51	EUR
Ukraine-2026	7,75	01.09.2026	94,75	95,58	8,66	USD
Ukraine-2027	7,75	01.09.2027	94,09	94,92	8,69	USD
Ukraine-2028	9,75	01.11.2028	99,86	100,69	9,63	USD
Ukraine-2030	4,38	27.01.2030	80,28	81,49	7,26	EUR
Ukraine-2032	7,38	25.09.2032	92,51	94,00	8,15	USD
Ukreximbank	16,50	02.03.2021	94,17	95,57	22,23	UAH
Ukreximbank	9,63	27.04.2022	94,00	99,33	9,99	USD
Ukreximbank	9,05	09.02.2023	91,38	94,17	10,72	USD
Ukreximbank	9,75	22.01.2025	93,50	93,50	11,55	USD
Oschadbank	9,38	10.03.2023	94,94	95,15	11,38	USD
Oschadbank	9,07	19.01.2024	82,01	85,61	13,10	USD
Oschadbank	9,63	20.03.2025	92,65	93,23	11,46	USD
Privatbank CJSC	11,00	09.02.2021	9,27	10,74	613,8	USD
Metinvest BV	7,50	31.12.2021	94,89	98,83	8,15	USD
Metinvest BV	7,75	23.04.2023	67,43	67,71	23,20	USD
Metinvest BV	5,63	17.06.2025	65,00	71,53	13,44	EUR
Metinvest BV	8,50	23.04.2026	68,67	69,17	16,84	USD
Metinvest BV	7,75	17.10.2029	67,13	67,74	13,98	USD
DTEK Finance	10,75	31.12.2024	48,02	48,88	30,83	USD
MHP SE	7,75	10.05.2024	96,14	96,50	8,79	USD
MHP Lux SA	6,95	03.04.2026	85,22	85,65	10,22	USD
MHP Lux SA	6,25	19.09.2029	79,84	86,98	8,26	USD
Kernel Holding	8,75	31.01.2022	89,52	89,87	15,41	USD
Kernel Holding	6,50	17.10.2024	79,93	81,59	11,90	USD
Ukraine Railways	9,88	15.09.2021	95,29	95,58	13,39	USD
Ukraine Railways	8,25	09.07.2024	86,00	86,38	12,48	USD
NAK Naftogaz	7,38	19.07.2022	86,46	86,74	14,45	USD
NAK Naftogaz	7,13	19.07.2024	87,19	89,78	10,18	EUR
NAK Naftogaz	7,625	08.11.2026	82,83	83,45	11,26	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2016	2017	2018	2019	2020
GDP. %	2.3	2.5	3.3	3.2	
Industrial output. %	2.4	-0.1	1.1	-1.8	-1.5 (February)
Consumer price growth. % year-on-year	12.4	13.7	9.8	4.1	2.3 (March)
Producer price growth. % year-on-year	35.7	16.5	14.2	-7.4	-4.2 (March)
Balance of payments (consolidated). USD billions	1.3	2.6	2.9	6.0 (preliminary data)	0.7 (February, preliminary estimate)
Current account balance. USD billions	-1.3	-2.4	-4.4	-1.1 (preliminary data)	-0.2 (February, preliminary estimate)
Balance of trade. USD billions	-6.5	-8.6	-12.7	-14.0 (preliminary data)	-0.9 (February, preliminary estimate)
International reserves, USD billions, by the end of the period	15.5	18.8	20.8	25.3	24.9 (March, preliminary estimate)
External debt. USD billions	113.6	116.6	114.7	121,7 (forth quarter)	
Banking system assets, % of annual growth	0.2	6.4	2.0	9.9	2.8 (January-February)
Exchange rate. by year end. UAH/USD	27.19	28.07	27.69	23.69	28.06 (March)
Exchange rate. annual average. UAH/USD	25.55	26.60	27.20	25.85	25.04 (January-March)

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	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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