

Financial markets survey

25 May 2020

FOCUSING ON RECOVERY

WEEKLY ISSUE

The relations between the US and China are deteriorating again
Industrial output in Ukraine shrank 6.0% in April
Banks are actively purchasing domestic government bonds

GLOBAL MARKET

The previous week followed an ambiguous format for global financial markets. Positive moods of investors were supported by unprecedented monetary and fiscal incentives and the information about the successful trial of the American coronavirus vaccine developed by Moderna. At the same time, the US Senate's agreement of a bill to prohibit stock exchange listings of Chinese companies in the US and a threat of further escalation in the relations between the US and China worsened expectations of investors regarding rapid recovery of markets.

European investors demonstrated a positive reaction towards a joint initiative of Germany and France to set up a fund totaling EUR 500.0 billion for post-crisis recovery of the European Union economy. The fund should become a supplement to the general EU budget for 2021-2027. It is planned to provide financing in the form of budget subsidies.

Italy placed five-year bonds for the total of EUR 22.3 billion to finance the healthcare sector. The coupon rate shall be 1.4% per annum. Private investors purchased bonds for the total of EUR 14.0 billion, while the rest was bought by institutional investors.

In April 2020, the Consumer Price Index inched up 0.3% in annual terms in the euro-area and rose 0.7% in the European Union. Compared to the previous month, consumer prices went up 0.3% and 0.2% respectively.

The UK placed government bonds (gilts) maturing in July 2023 for the total of GBP 3.8 billion. During the auction, the weighted average yield for these bonds stood at minus 0.003% per annum. Thus, the UK's government bonds were placed with a negative yield for the first time. However, demand for the above-mentioned gilts almost doubled the supply and landed at GBP 8.1 billion.

In April 2020, the Consumer Price Index in the UK grew 0.8% in annual terms, which is a record-low since August 2016. Compared to March 2020, consumer prices inched down 0.2%.

Slower inflation in the euro-area, the EU and the UK is the result of lower prices for energy resources and fuel spurred by the coronavirus pandemic and the related restrictions, as well as the price war on the global petroleum market.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.0801-1.1011/EUR.

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.0904	1.0	0.3	-2.9
GBP/USD	1.2173	0.5	-1.3	-8.2
USD/RUB	70.9240	-4.1	-7.0	14.6
USD/UAH	26.7556	0.4	-1.1	13.0

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	2955.5	3.2	5.6	-8.5
FTSE 100 (UK)	5993.3	3.3	3.9	-20.5
MXME (East. Eur.)	140.5	7.4	9.9	-27.2
PFTS (Ukraine)	500.1	0.0	-0.1	-1.9
RTS (Russia)	1188.5	7.3	11.5	-23.3

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.682	-9.7	-29.7	-65.8
FRS. % p.a.	0.00-0.25	0.0	0.0	-85.7
ECB. % p.a.	0.000	0.0	0.0	0.0
NBU. % p.a.	8.000	0.0	-20.0	-40.7
CB RF. % p.a.	5.500	0.0	-8.3	-12.0

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	213.5	-0.5	-3.6	5.1
Brent. USD/barrel	35.1	8.1	46.0	-44.6
WTI. USD/barrel	33.3	12.6	60.7	-43.5
Gold. USD/ounce	1733.6	-0.1	1.3	14.4

Source: Bloomberg

www.pumb.ua

Department of Investment Business
Andriivska St., 4, Kiev, Ukraine 04070
tel. +38 044 231 7380

MACROECONOMICS

Agriculture

According to information of the State Statistics Service, agricultural output in Ukraine grew 9.7% in April 2020 compared to the previous month. Compared to April 2019, the country registered a 0.2% drop in agricultural output.

Over January-April 2020, the Agricultural Output Index in Ukraine reached 98.6% compared to January-April 2019.

Agricultural output declined over January-April 2020 due to agricultural output at households shrinking 3.6%. At the same time, agricultural output at agricultural enterprises registered a 0.5% growth.

Industrial output

According to information of the State Statistics Service, industrial output in Ukraine shrank 16.7% in April 2020 compared to April 2019 with due consideration for seasonal adjustment and 16.2% without the above-mentioned adjustment.

In April 2020, the Industrial Output Index (seasonally adjusted) reached 94.0% compared to March 2020.

Output in mining and quarrying went down 11.2% in April 2020 compared to April 2019 without adjustments. Black and brown coal output fell 35.1%, crude oil and natural gas output went down 3.5%, while metal ores output dropped 15.6%.

Output in processing industry registered a 20.3% drop in April 2020 compared to April 2019 without adjustments. Output in food products and beverages went down 6.5%, output in coke production and oil refining dropped 0.8%, output in steel industry fell 29.9%, and output in machine-building plummeted 35.6%. At the same time, output in chemicals and chemical products grew 6.5% and output in basic pharmaceutical products and pharmaceutical preparations jumped 17.1% in April 2020.

Output in electricity, gas and steam supply went down 7.2% in April 2020.

Over January-April 2020, the Industrial Output Index reached 92.1% compared to January-April 2019, including 94.0% in mining and quarrying, 91.3% in processing industry, and 92.0% in electricity, gas, steam, and air conditioning supply.

Transportation

Over January-April 2020, freight turnover of transportation companies totaled 90.6 billion ton-km, which constitutes 81.8% compared to January-April 2019. Transportation companies carried 184.8 million tons of freight, which stands at 84.7% of the similar indicator registered over January-April 2019.

Over the first four months of the current year, freight transportation by railway transport dropped 7.5%, by road transport – 20.2%, by water transport – 2.9%, by pipeline transport – 27.3%, and by air transport – 9.3% as compared to the January-April 2019.

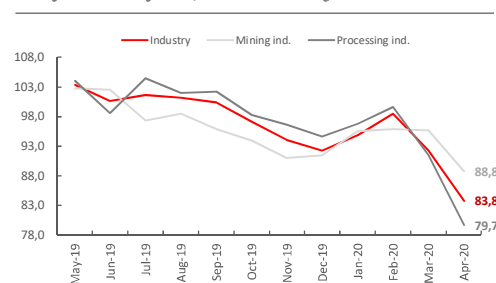
Over January-April 2020, passenger turnover of transportation companies reached 19.3 billion passenger-km, which stands at 60.4% compared to the first four months of 2019. 939.3 million passengers used services of passenger transport over January-April 2020, which accounted for 65.9% of the indicator registered over the same period during the previous year.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output in April 2020, % year-on-year	-0.2
Industrial output change in April 2020, % year-on-year (without adjustments)	-16.2

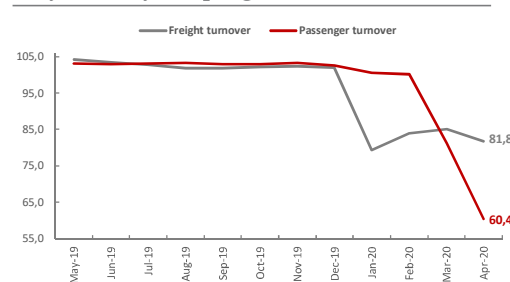
Source: the State Statistics Service

INDUSTRIAL OUTPUT INDEX (% year-on-year, without adjustments)



Source: the State Statistics Service (revised data)

TRANSPORTATION SERVICES (% year-on-year, progressive total)



Source: the State Statistics Service

BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for placing domestic government bonds, which was held on 19 May, the Ministry of Finance (MoF) placed longer-term government bonds, while yields for short-term instruments were lowered thanks to stronger confidence among investors. The MoF set a limit of UAH 1.0 billion each for issues of bonds maturing in three and six months, while the remaining three issues were limited only by the total volume of the issue and were placed in full.

Twenty-one bids for the total of UAH 4.2 billion were submitted for purchasing bonds maturing in three months. The requested yields ranged within the limits of 10.49-11.30% p.a. The MoF set the accepted yield at 10.50% p.a. and rejected ten bids.

Fifteen bids for the total of UAH 2.0 billion were submitted for purchasing bonds maturing in six months. The requested yields ranged within the limits of 10.49-11.25% p.a. The MoF set the accepted yield at 11.00% p.a. and satisfied eleven bids.

Bonds maturing in nine months scored nine bids for the total of UAH 7.4 billion. The requested yields ranged within the limits of 10.95-11.24% p.a. The MoF set the accepted yield at 11.00% p.a. and rejected one bid.

Ten bids for the total of UAH 4.7 billion were submitted for purchasing bonds maturing in twelve months. The requested yields ranged within the limits of 10.97-11.50% p.a. The MoF set the accepted yield at 10.97% p.a. and rejected four bids.

Bonds denominated in US dollars and maturing in December of the current year enjoyed the highest demand both in terms of the number of bids and in terms of the total sum of bids. 37 bids for the total of USD 0.4 billion were submitted for purchasing the above-mentioned instrument. The requested yields ranged within the limits of 3.30-4.00% p.a. The MoF set the accepted yield at 3.40% p.a. and rejected only four bids.

As a result of the auction held on 19 May 2020, the MoF managed to raise UAH 21.2 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 23.1 billion and, as of 22 May 2020, totaled UAH 886.0 billion (according to the total principal).

NBU TRANSACTIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 183.1 billion, including overnight certificates of deposit for the total of UAH 73.1 billion (interest rate - 6.00% p.a.).

As a result of the NBU quantitative tender to refinance banks, which took place on 22 May, bids of six banks for the total of UAH 1.5 billion were satisfied. The interest rate reached 8.00% p.a. The funds were provided for the period of eighty-four days.

On Friday, 22 May, the National Bank placed deposit certificates maturing in 7 days for the total of UAH 110.0 billion (interest rate - 8.00% p.a.).

A negative balance of the State Treasury transactions landed at UAH 24.8 billion over 18-22 May.

The banking system liquidity shrank, but continues to stay at a sufficient level (approximately UAH 175.0 billion).

INTERBANK LENDING MARKET

The interbank credit market was stable during the previous week. Interest rates for overnight funds in the national currency were ranging within the limits of 5.00-8.00% p.a.

THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
19 May	91 days	10.50%	21/11	1045.41
19 May	189 days	10.78%	15/11	947.15
19 May	280 days	11.00%	9/8	5976.18
19 May	364 days	10.97%	10/6	3433.90
19 May	204 days	3.39%	37/33	368.81*

* - USD millions

Source: the Ministry of Finance of Ukraine

HOLDERS OF DOMESTIC BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	324.6	0.0	0.0	-3.7
Banks	392.3	6.0	15.0	16.6
Legal entities	52.9	2.8	2.0	101.0
Private individ.	7.8	6.2	-8.1	-20.0
Non-residents	108.4	-0.9	-4.6	-7.9

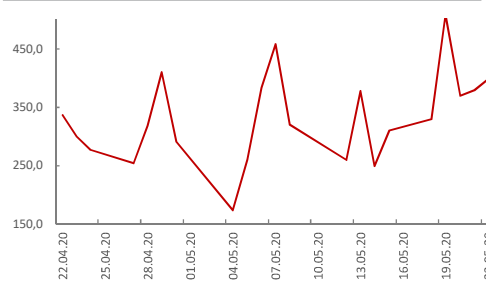
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator		last	week ch.. %	mon. ch.. %	YTD. %
The balance on c/a. UAH billions		52.0	-21.5	-5.3	-0.7
NBU refinancing. UAH billions		47.8	0.5	16.5	6.3
NBU deposit certi- ficates	O/N. UAH billions	13.1	-9.8	-35.7	-77.7
	Total. UAH billions	123.1	-5.3	-8.7	-19.0

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

FOREIGN EXCHANGE MARKET

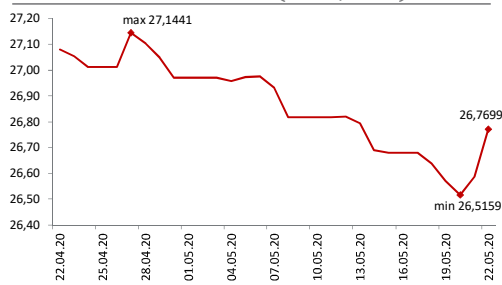
At the beginning of the previous week, the Ukrainian hryvnia was steadily appreciating. Foreign currency supply significantly exceeded demand and the National Bank carried out interventions to purchase US dollars at the interbank foreign exchange market for the purpose of avoiding sharp exchange rate fluctuations. The hryvnia was supported by exporters that were selling foreign currency to make mandatory tax payments and the general reduction of the hryvnia liquidity in the banking system. On Thursday and Friday, 21 and 22 May, moods on the interbank market changed and serious foreign currency demand resulted in growing US dollar quotations. As a result, on Friday, 22 May, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 26.7556/USD.

During the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.55-26.62/USD on Monday, 18 May, UAH 26.49-26.56/USD on Tuesday, 19 May, UAH 26.54-26.62/USD on Wednesday, 20 May, UAH 26.75-26.85/USD on Thursday, 21 May, and UAH 26.72-26.88/USD on Friday, 22 May.

Over 18-22 May, the National Bank purchased USD 228.0 million from banks by way of the single exchange rate interventions.

The overall foreign currency sales on the interbank foreign exchange market reached USD 1.9 billion over the previous week.

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	99,85	100,47	5,82	USD
Ukraine-2021	7,75	01.09.2021	100,75	101,25	6,69	USD
Ukraine-2022	7,75	01.09.2022	100,63	101,63	6,95	USD
Ukraine-2023	7,75	01.09.2023	100,75	101,75	7,13	USD
Ukraine-2024	8,99	01.02.2024	104,33	105,25	7,33	USD
Ukraine-2024	7,75	01.09.2024	100,94	101,93	7,21	USD
Ukraine-2025	7,75	01.09.2025	100,77	101,76	7,34	USD
Ukraine-2026	6,75	20.06.2026	96,59	97,78	7,21	EUR
Ukraine-2026	7,75	01.09.2026	99,50	100,50	7,64	USD
Ukraine-2027	7,75	01.09.2027	99,00	100,00	7,75	USD
Ukraine-2028	9,75	01.11.2028	107,13	108,13	8,38	USD
Ukraine-2030	4,38	27.01.2030	81,92	82,75	7,01	EUR
Ukraine-2032	7,38	25.09.2032	95,55	96,73	7,79	USD
Ukreximbank	16,50	02.03.2021	95,58	100,15	16,18	UAH
Ukreximbank	9,63	27.04.2022	100,05	102,04	8,44	USD
Ukreximbank	9,05	09.02.2023	95,67	97,62	8,68	USD
Ukreximbank	9,75	22.01.2025	101,01	101,52	9,33	USD
Oschadbank	9,38	10.03.2023	101,39	101,48	8,75	USD
Oschadbank	9,07	19.01.2024	93,54	96,36	8,69	USD
Oschadbank	9,63	20.03.2025	101,57	101,88	9,13	USD
Privatbank CJSC	11,00	09.02.2021	9,28	10,73	823,6	USD
Metinvest BV	7,50	31.12.2021	100,02	101,15	6,66	USD
Metinvest BV	7,75	23.04.2023	90,43	90,72	11,60	USD
Metinvest BV	5,63	17.06.2025	78,13	80,18	10,81	EUR
Metinvest BV	8,50	23.04.2026	88,32	88,82	11,13	USD
Metinvest BV	7,75	17.10.2029	84,09	84,70	10,33	USD
DTEK Finance	10,75	31.12.2024	50,36	50,76	30,70	USD
MHP SE	7,75	10.05.2024	100,52	100,88	7,49	USD
MHP Lux SA	6,95	03.04.2026	97,72	98,32	7,31	USD
MHP Lux SA	6,25	19.09.2029	90,22	92,09	7,44	USD
Kernel Holding	8,75	31.01.2022	101,44	101,61	7,70	USD
Kernel Holding	6,50	17.10.2024	91,91	93,62	8,26	USD
Ukraine Railways	9,88	15.09.2021	97,85	98,13	11,43	USD
Ukraine Railways	8,25	09.07.2024	94,31	94,68	9,85	USD
NAK Naftogaz	7,38	19.07.2022	97,72	97,92	8,45	USD
NAK Naftogaz	7,13	19.07.2024	92,44	94,16	8,86	EUR
NAK Naftogaz	7,625	08.11.2026	91,63	92,38	9,22	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2016	2017	2018	2019	2020
GDP, %	2.3	2.5	3.3	3.2	-1.5 (first quarter)
Industrial output, %	2.4	-0.1	1.1	-1.8	-16.2 (April)
Consumer price growth, % year-on-year	12.4	13.7	9.8	4.1	2.1 (April)
Producer price growth, % year-on-year	35.7	16.5	14.2	-7.4	-2.6 (April)
Balance of payments (consolidated), USD billions	1.3	2.6	2.9	6.0 (preliminary data)	-1.8 (March, preliminary estimate)
Current account balance, USD billions	-1.3	-2.4	-4.4	-1.1 (preliminary data)	-0.4 (March, preliminary estimate)
Balance of trade, USD billions	-6.5	-8.6	-12.7	-14.0 (preliminary data)	-0.8 (March, preliminary estimate)
International reserves, USD billions, by the end of the period	15.5	18.8	20.8	25.3	25.7 (April, 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	4.7 (January-March)
Exchange rate, by year end, UAH/USD	27.19	28.07	27.69	23.69	26.97 (April)
Exchange rate, annual average, UAH/USD	25.55	26.60	27.20	25.85	25.59 (January-April)

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



DEPARTMENT OF INVESTMENT BUSINESS

Anton Stadnik
Head of department
+38 044 231 7046
anton.stadnik@fuib.com

Marina Timbay
Trading and brokerage
+38 044 231 7053
marina.timbay@fuib.com

Nataliya Khimich
Research
+38 044 231 7380
nataliya.khimich@fuib.com

Olena Lysyanska
Research
+38 044 231 7380
olena.lysyanska@fuib.com

PUBLIC RELATIONS

Anna Kokoba
+38 044 231 7252
anna.kokoba@fuib.com