

# Financial markets survey

19 October 2020

## VOLATILITY IS GROWING

### Ambiguous comments of the IMF

The number of unemployed in Ukraine is shrinking

Demand for domestic government bonds has recovered

#### GLOBAL MARKET

During the previous week, stock markets were registering a downward dynamics spurred by the lack of progress in discussing the new package of incentives in the US, a growing number of new coronavirus cases across the world and the institution of restrictive measures, especially in Europe. The upcoming presidential election in the US amplified uncertainty among investors. A positive news item was that Pfizer informed that it was on the last stage of testing its COVID-19 vaccine and was preparing the vaccine for approval by regulatory authorities in November.

Given the complicated epidemiological situation in the US, the pressure on the country's labor market grew stronger, while the number of applications set a new record-high for the last seven months – the number of application for unemployment benefit unexpectedly grew 53,000 to 898,000 (the forecast was a drop to 825,000).

In September, the Consumer Price Index (CPI) in the US grew 1.4% in annual terms. This is a record-high CPI value since March 2020. The Producer Price Index rose 0.4% in September both in monthly and in annual terms.

In September, the Consumer Price Index shrank 0.3% in annual terms in the euro-area and grew 0.3% in the European Union countries. The Consumer Price Index grew the most in Poland (+3.8%), Hungary (+3.4%) and the Czech Republic (+3.3%). The Consumer Price Index shrank the most in Greece (-2.3%), Cyprus (-1.9%) and Estonia (-1.3%).

The International Monetary Fund upgraded its estimate of the global economy in 2020: it will decline less seriously than was forecast in June and will land at -4.4% (against the forecast of -4.9%). Also, the global economy is expected to grow 5.2% in 2021. At the same time, IMF Chairwoman and Managing Director Kristalina Georgieva stated that "prospects for the global economy were improving; however, the recovery is incomplete, unsustainable and uncertain".

On Wednesday, China placed four tranches of bonds for the total of USD 6.0 billion. The total sum reached USD 1.25 billion for a three-year tranche, USD 2.25 billion for a five-year tranche, USD 2.00 billion for a ten-year tranche, and USD 0.50 billion for a thirty-year tranche. The premium of debt securities against US Treasuries landed at 25 basis points (bps), 30 bps, 50 bps, and 80 bps respectively. When bids were submitted, demand exceeded USD 30.00 billion. This is the first entry of China to the international debt market since November of the previous year.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1690-1.1829/EUR.

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#### WEEKLY ISSUE

#### EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1741	-0.5	-1.1	4.5
GBP/USD	1.2915	-0.9	-0.4	-2.6
USD/RUB	77.9461	0.0	3.7	25.9
USD/UAH	28.3649	0.5	0.9	19.8

#### STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	3483.8	0.2	2.9	7.8
FTSE 100 (UK)	5919.6	-1.6	-2.6	-21.5
MXME (East. Eur.)	130.2	-3.5	-9.7	-32.5
PFTS (Ukraine)	509.4	1.8	1.8	-0.1
RTS (Russia)	1132.8	-2.7	-9.5	-26.9

#### KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.335	-3.6	-11.4	-83.2
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.	6.000	0.0	0.0	-55.6
CB RF. % p.a.	4.250	0.0	0.0	-32.0

#### COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	237.5	3.5	9.7	16.4
Brent. USD/barrel	42.9	0.2	0.3	-29.9
WTI. USD/barrel	40.9	0.7	1.2	-28.1
Gold. USD/ounce	1905.1	-0.9	-2.9	25.8

Source: Bloomberg

## MACROECONOMICS

### Agriculture

According to information of the State Statistics Service, agricultural output in Ukraine grew 86.97% in September 2020 compared to August of the current year. Compared to September of the previous year, the country registered a 19.2% drop in agricultural output.

Over January-September 2020, the Agricultural Output Index in Ukraine reached 86.9% compared to the relevant period of the previous year.

Agricultural output declined over January-September 2020 due to agricultural output shrinking 17.5% at agricultural enterprises and 6.2% at households. Simultaneously, plant growing output dropped 16.1%, while livestock breeding output sagged 2.4%.

Over the first nine months of the current year, agricultural output went down in all Ukrainian oblasts. Agricultural output declined the least in Kharkiv oblast (-0.6%), Luhansk oblast (-1.0%) and Donetsk oblast (-1.2%). Agricultural output shrank the most in Odesa oblast (-41.8%), Kirovohrad oblast (-26.8%) and Mykolayiv oblast (-24.6%).

### Unemployment

The total number of registered unemployed went down 40,600 individuals in September 2020 compared to August 2020 and landed at 434,000 individuals by the end of September 2020.

In September, the majority of registered unemployed were women, totaling 255,600 individuals. The total number of registered unemployed aged under 35 shrank 14,200 individuals in September 2020 and landed at 134,200 individuals by the end of the previous month.

In September, the number of vacant positions shrank 5,800 and landed at 68,400 vacancies. There were six registered unemployed per each vacancy in September 2020.

The country registered that the total number of registered unemployed receiving unemployment benefit shrank 31,400 in September 2020. By the end of September 2020, the above-mentioned indicator reached 364,400 individuals.

The average size of unemployment benefit dropped UAH 91.00 in September 2020 compared to the previous month and stood at UAH 3,532.00.

### Demographic situation

According to estimates of the State Statistics Service, Ukraine's present population stood at 41,723,998 people as of 01 September 2020.

The number of deaths continues to seriously outpace the number of live births: 51 newborns per every 100 deceased.

Ukraine's resident population totaled 41,554,361 people as of 01 September 2020 (according to estimates). The average resident population reached 41,643,570 people over January-August 2020.

Over January-August of the current year, Ukraine's population shrank 178,418 people.

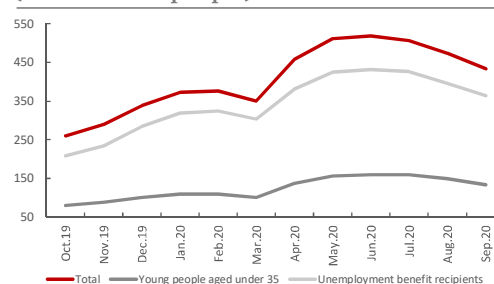
Migration helped increase population numbers by 6,759 people over January-August 2020.

### LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output in September 2020, % year-on-year	-19.2

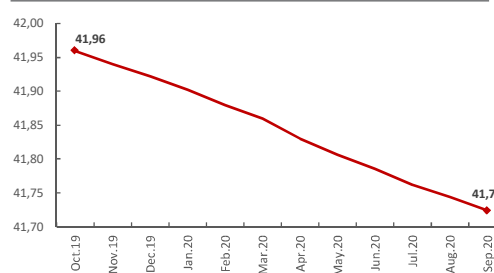
Source: the State Statistics Service

### REGISTERED UNEMPLOYED (thousands of people)



Source: the State Statistics Service

### POPULATION (MILLIONS OF PEOPLE)



Source: the State Statistics Service

## BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for placing domestic government bonds, which took place on 13 October, the Ministry of Finance (MoF) offered four issues of bonds denominated in hryvnia. Investors were more interested in instruments maturing in six months and twelve months.

Four bids for the total of UAH 2.1 billion (at face-value) were submitted for purchasing bonds maturing in six months. The requested yields ranged within the limits of 8.00-10.00% p.a. The MoF set the accepted yield at 8.00% p.a. and rejected two bids.

Demand for instruments maturing in twelve months equaled thirteen bids for the total of UAH 2.1 billion (at face-value). The requested yields ranged within the limits of 10.00-11.00% p.a. The MoF set the accepted yield at 10.00% p.a. and rejected three bids.

Bonds maturing in two years scored six bids for the total of UAH 1.3 billion (at face-value). The requested yields ranged within the limits of 10.75-11.25% p.a. The MoF set the accepted yield at 10.85% p.a. and satisfied four bids.

Bonds maturing in three years scored six bids for the total of UAH 1.1 billion (at face value). The requested yields ranged within the limits of 10.95-12.00% p.a. The MoF set the accepted yield at 10.95% p.a. and rejected three bids.

As a result of the auction to place domestic government bonds held on 13 October 2020, the MoF managed to raise UAH 6.0 billion to the State Budget of Ukraine.

Over the previous week, the volume of outstanding domestic government bonds went up UAH 0.3 billion and, as of 16 October 2020, totaled UAH 883.8 billion (according to the total principal).

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

## NBU TRANSACTIONS

The National Bank held another interest-rate swap auction on 15 October 2020. Three banks participated in the auction. The total amount of bids reached UAH 1.27 billion. Bids of three banks for the total of UAH 1.26 billion were satisfied. The weighted average fixed interest rate offered by these banks in exchange of the floating rate determined subject to the UONIA Index landed at 6.5% p.a.

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 165.2 billion, including overnight certificates of deposit for the total of UAH 68.7 billion (the interest rate for overnight certificates of deposit stood at 5.00% p.a.).

As a result of the quantitative liquidity-providing tender to refinance banks, which was held on Friday, 16 October, bids of three banks for the total of UAH 567.6 million were satisfied. The interest rate reached 6.00% p.a. The loans were provided for the period of up to eighty-two days.

On Friday, 16 October, the National Bank placed deposit certificates maturing in seven days for the total of UAH 96.5 billion. The interest rate stood at 6.00% p.a.

Banks used the standing NBU refinancing line (overnight loans) for the total of UAH 1.4 billion over 12-16 October (the interest rate - 7.00% p.a.).

A negative balance of the State Treasury transactions landed at UAH 0.6 billion over 12-16 October.

The banking system liquidity is staying at a high level.

## THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
13 Oct.	195 days	8.00%	4/2	1918.13
13 Oct.	349 days	10.00%	13/10	1886.75
13 Oct.	657 days	10.82%	6/4	1126.78
13 Oct.	1133 days	10.95%	6/3	1077.32

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	441.3	0.6	4.6	31.2
Legal entities	29.8	-2.6	5.2	13.2
Private individ.	7.9	-5.3	-0.3	-19.2
Non-residents	80.2	-1.3	-6.7	-31.9

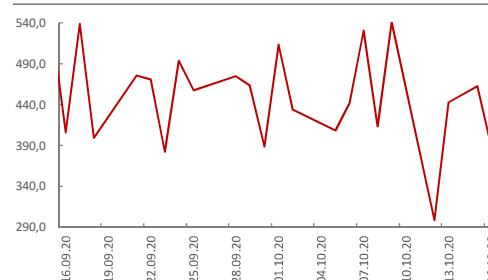
Source: the National Bank of Ukraine

## MARKET INDICATORS

Indicator		last	week ch.. %	mon. ch.. %	YTD. %
The balance on c/a. UAH billions		62.1	23.2	-1.0	18.4
NBU refinancing. UAH billions		59.1	0.6	6.8	31.2
NBU deposit certi- ficates	O/N. UAH billions	12.8	-57.9	-10.8	-78.3
	Total. UAH billions	109.2	-13.4	4.6	-28.1

Source: the National Bank of Ukraine

## TRADING VOLUMES (USD MILLIONS)



Source: NBU

## INTERBANK LENDING MARKET

The interbank lending market remained stable during the previous week. Rates for overnight lending resources in the national currency were ranging within the limits of 4.00-6.00% p.a.

## FOREIGN EXCHANGE MARKET

The previous week on the Ukrainian interbank foreign exchange market was somewhat non-typical and the week was actually divided in half. Monday was a holiday in the US (Columbus Day), so US dollars settlements were made on TOM terms. Wednesday was a holiday in Ukraine (Defender of Ukraine Day) and there was no trading at all. On Thursday and Friday, active foreign currency sales to make budgetary payments could not hold in check growing US dollar quotations. As a result, on Friday, 16 October, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 28.3649/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 28.20-28.28/USD on Monday, 12 October, UAH 28.27-28.34/USD on Tuesday, 13 October, UAH 28.30-28.36/USD on Thursday, 15 October, and UAH 28.32-28.38/USD on Friday, 16 October.

Over 12-16 October, the National Bank sold USD 1.0 million to banks by way of the single exchange rate interventions.

The overall foreign currency sales on the interbank foreign exchange market reached USD 1.6 billion over the previous week.

## BONDS AND SHARES OF UKRAINIAN ISSUERS

NJSC Naftogaz Ukrainy (hereinafter referred to as Naftogaz) offered to buy back all its Eurobonds maturing in 2022 for the total of up to USD 335.0 million by way of issuing new Eurobonds.

In case the offer on the part of Naftogaz's Eurobond holders is not sufficient, Naftogaz will also offer to buy back Eurobonds maturing in 2024, keeping the maximum buyback amount for both issues at USD 335.0 million.

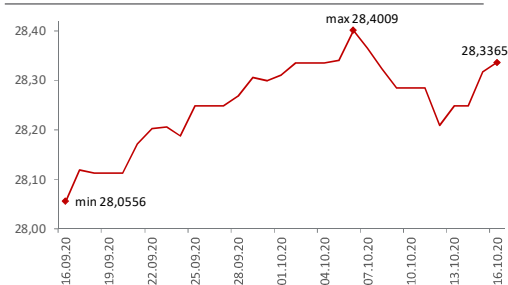
The offer and the relevant issue of new bonds aim at extending the maturity period of the debts. Naftogaz expects to finance the offers with the help of net resources raised from issuing new bonds.

Currently, outstanding are the 2022 Eurobonds with nominal volume of USD 335.0 million and a coupon yield of 7.375% per annum and the 2024 Eurobonds with nominal volume of EUR 600.0 million and a coupon yield of 7.125% per annum. According to the conditions that were made public, the 2022 Eurobonds will be bought back at a price of 102.875% from the face-value, while the 2024 Eurobonds will be bought back at a price of 98.250% from the face-value.

The early deadline for submitting securities for redemption expires on 27 October inclusive. The expected starting date of settlements is 29 October and the final date is 13 November. Citigroup Global Markets Limited is the Deal Manager of the offer.

Fitch Ratings, an international rating agency, has assigned Naftogaz's proposed loan participation notes (LPNs) with Kondor Finance plc acting as the issuer an expected senior unsecured "B (EXP)" rating and Recovery Rating (RR) of "RR4".

## NBU EXCHANGE RATE (UAH/USD)



Source: NBU

## QUOTATIONS ON GLOBAL MARKETS

Name	Coupon	Maturity	Bid Price	Ask Price	Ask YTM	Cur
Ukraine-2021	7,75	01.09.2021	103,21	103,63	3,43	USD
Ukraine-2022	7,75	01.09.2022	103,99	104,49	5,18	USD
Ukraine-2023	7,75	01.09.2023	103,55	104,18	6,13	USD
Ukraine-2024	8,99	01.02.2024	106,29	107,13	6,54	USD
Ukraine-2024	7,75	01.09.2024	103,36	104,18	6,50	USD
Ukraine-2025	7,75	01.09.2025	102,41	103,20	6,96	USD
Ukraine-2026	6,75	20.06.2026	98,30	99,10	6,94	EUR
Ukraine-2026	7,75	01.09.2026	101,06	101,77	7,37	USD
Ukraine-2027	7,75	01.09.2027	100,78	101,45	7,47	USD
Ukraine-2028	9,75	01.11.2028	108,84	109,63	8,09	USD
Ukraine-2030	4,38	27.01.2030	83,39	84,36	6,85	EUR
Ukraine-2032	7,38	25.09.2032	95,75	96,62	7,81	USD
Ukraine-2033	7,253	15.03.2033	94,29	95,18	7,86	USD
Ukreximbank	16,50	02.03.2021	98,65	101,43	12,12	UAH
Ukreximbank	9,63	27.04.2022	102,32	103,32	7,27	USD
Ukreximbank	9,05	09.02.2023	99,17	101,47	6,55	USD
Ukreximbank	9,75	22.01.2025	101,39	101,76	9,23	USD
Oschadbank	9,38	10.03.2023	102,34	102,50	8,19	USD
Oschadbank	9,07	19.01.2024	94,68	97,95	7,86	USD
Oschadbank	9,63	20.03.2025	102,49	103,57	8,63	USD
Metinvest BV	7,50	31.12.2021	99,74	101,14	6,47	USD
Metinvest BV	7,75	23.04.2023	102,68	102,91	6,47	USD
Metinvest BV	5,63	17.06.2025	93,57	94,91	6,92	EUR
Metinvest BV	8,50	23.04.2026	101,41	102,06	8,03	USD
Metinvest BV	7,75	17.10.2029	96,12	97,24	8,19	USD
DTEK Finance	10,75	31.12.2024	65,38	67,91	21,91	USD
MHP SE	7,75	10.05.2024	105,07	105,42	6,03	USD
MHP Lux SA	6,95	03.04.2026	100,64	101,23	6,68	USD
MHP Lux SA	6,25	19.09.2029	94,80	96,70	6,75	USD
Kernel Holding	8,75	31.01.2022	105,49	105,63	4,16	USD
Kernel Holding	6,50	17.10.2024	100,47	102,24	5,86	USD
Ukraine Railways	9,88	15.09.2021	101,49	101,77	7,78	USD
Ukraine Railways	8,25	09.07.2024	99,78	100,14	8,20	USD
NAK Naftogaz	7,38	19.07.2022	102,05	102,23	6,00	USD
NAK Naftogaz	7,13	19.07.2024	97,48	98,59	7,56	EUR
NAK Naftogaz	7,625	08.11.2026	95,67	96,69	8,33	USD

Source: Bloomberg

## UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2016	2017	2018	2019	2020
GDP, %	2.3	2.5	3.3	3.2	-11.4 (second quarter, preliminary data)
Industrial output, %	2.4	-0.1	1.1	-1.8	-5.3 (August)
Consumer price growth, % year-on-year	12.4	13.7	9.8	4.1	2.3 (September)
Producer price growth, % year-on-year	35.7	16.5	14.2	-7.4	-1.7 (September)
Balance of payments (consolidated), USD billions	1.3	2.6	2.9	6.0 (preliminary data)	0.4 (August, preliminary estimate)
Current account balance, USD billions	-1.3	-2.4	-4.4	-1.1 (preliminary data)	0.4 (August, preliminary estimate)
Balance of trade, USD billions	-6.5	-8.6	-12.7	-14.0 (preliminary data)	-0.5 (August, preliminary estimate)
International reserves, USD billions, by the end of the period	15.5	18.8	20.8	25.3	26.5 (September, preliminary estimate)
External debt, USD billions	113.6	116.6	114.7	121.7 (forth quarter)	122.8 (second quarter)
Banking system assets, % of annual growth	0.2	6.4	2.0	9.9	10.6 (January-August)
Exchange rate, by year end, UAH/USD	27.19	28.07	27.69	23.69	28.30 (September)
Exchange rate, annual average, UAH/USD	25.55	26.60	27.20	25.85	26.52 (January-September)

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	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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