

Financial markets survey

22 March 2021

A SHORTAGE OF POSITIVE DRIVERS

**The FRS upgraded its forecast for economic growth in the US
Ukraine's population continues shrinking
Funds raised from placing domestic government bonds increase**

GLOBAL MARKET

The previous trading week started on a positive side on global financial markets. Key financial indices were updating their historical record-highs day after day. However, on Thursday, 18 March, optimistic moods faded away spurred by the risks of the third wave of the coronavirus pandemic, growing inflation and the aggravation of geopolitical issues. Investors were following meetings held by the FRS, the Bank of England and the Bank of Japan.

As a result of its March meeting, the FRS kept its federal funds rate ranging within the limits of 0.00-0.25% p.a., as well as monthly investment in government bonds at the level of USD 120.0 billion. FRS Chair Jerome Powell stressed that the current moment was not the time to outline the deadlines for curtailing the quantitative easing program and mentioned that the regulator would make a clear warning before any cut-backs in bond purchases. In addition, he said that the rate of inflation exceeding 2.0% would not be sufficient to raise interest rates. The FRS upgraded its forecasts for GDP growth in the US to 6.5% in 2021 and to 3.3% in 2022. In December 2020, the FRS expected this indicator to grow 4.2% and 3.2% respectively.

In February 2021, industrial output in the US declined 2.2% compared to January. This is a record-low drop since April 2020, when the above-mentioned indicator fell 12.7%. In annual terms, industrial output shrank 4.2%. The indicator has been declining for eighteen consecutive months.

Based on the results of its meeting on 18 March, the Bank of England kept its base interest rate at 0.1% per annum and left the capacity of the asset purchase program at GBP 895.0 billion.

On Saturday, 20 March, President of Turkey Recep Erdo an dismissed Governor of the Central Bank of Turkey Naci A bal, who was appointed to the office a mere four months back. Naci A bal advocated stronger monetary policy because of the high inflation in the country. This is the third change of the Turkish central bank governor over the last eighteen months. Thus, achievements of the Turkish lira at the beginning of the current year (before Friday, 19 March, the Turkish lira was demonstrating one of the best recovery rates across the world) were completely wiped off, while the USD/TRY currency pair soared to the area of historical record-highs. Turkish President Recep Erdo an did not share the opinion of the former central bank governor, which was the reason behind Naci A bal's dismissal. The last straw was the key rate hike by 2.0 percentage points to 19.0% per annum during the previous week.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1875-1.1991/EUR.

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WEEKLY ISSUE

EXCHANGE RATES

| Foreign currency | last | week ch.. % | mon. ch.. % | YTD. % |
|------------------|---------|-------------|-------------|--------|
| EUR/USD | 1.1891 | -0.4 | -2.0 | -3.1 |
| GBP/USD | 1.3872 | -0.4 | -1.0 | 1.5 |
| USD/RUB | 73.6582 | 0.2 | -0.2 | -0.3 |
| USD/UAH | 27.7184 | 0.0 | -0.5 | -1.9 |

STOCK MARKETS

| Index | last | week ch.. % | mon. ch.. % | YTD. % |
|-------------------|--------|-------------|-------------|--------|
| S&P 500 (US) | 3913.1 | -0.8 | 0.2 | 4.2 |
| FTSE 100 (UK) | 6708.7 | -0.8 | 1.3 | 3.8 |
| MXME (East. Eur.) | 167.0 | -3.3 | -0.9 | 2.5 |
| PFTS (Ukraine) | 516.9 | 0.0 | -0.8 | 3.4 |
| RTS (Russia) | 1474.1 | -3.0 | 0.1 | 6.2 |

KEY RATES

| Rate | last | week ch.. % | mon. ch.. % | YTD. % |
|------------------|-----------|-------------|-------------|--------|
| Libor 1Y. % p.a. | 0.276 | -0.7 | -3.6 | -19.2 |
| FRS. % p.a. | 0.00-0.25 | 0.0 | 0.0 | 0.0 |
| ECB. % p.a. | 0.000 | 0.0 | 0.0 | 0.0 |
| NBU. % p.a. | 6.500 | 0.0 | 8.3 | 8.3 |
| CB RF. % p.a. | 4.250 | 0.0 | 0.0 | 0.0 |

COMMODITY MARKETS

| Commodity | last | week ch.. % | mon. ch.. % | YTD. % |
|-------------------|--------|-------------|-------------|--------|
| Wheat. USD/ton | 276.5 | -2.1 | -0.4 | 8.2 |
| Brent. USD/barrel | 64.5 | -6.8 | 3.8 | 24.6 |
| WTI. USD/barrel | 61.4 | -6.4 | 3.6 | 26.1 |
| Gold. USD/ounce | 1735.2 | 1.8 | -2.9 | -8.1 |

Source: Bloomberg

MACROECONOMY

GDP

According to estimate of the State Statistics Service, Ukraine's real GDP declined 4.0% over the 2020 compared to the 2019. Nominal GDP amounted to UAH 4194.1 bln , and GDP per capita is UAH 100 469.0

Agriculture

In February 2021, agricultural output in Ukraine dropped 10.5% compared to January 2021 and 6.5% compared to February of the previous year.

Over January-February 2021, the Agricultural Output Index in Ukraine reached 93.9% compared the relevant period of the previous year.

Agricultural output declined over January-February 2021 due to agricultural output shrinking 7.0% at agricultural enterprises and 4.8% at households.

Over January-February 2021, agricultural output grew in four Ukrainian oblasts and went down in twenty Ukrainian oblasts. Agricultural output increased the most in Dnipropetrovsk oblast (+13.0%), Ternopil oblast (+12.5%) and Khmelnytskyi oblast (+3.7%). Agricultural output declined the most in Kyiv oblast (-17.6%), Zaporizhzhia oblast (-14.9%) and Mykolayiv oblast (-14.2%).

Demographic situation

According to estimates of the State Statistics Service, Ukraine's present population stood at 41,554,836 people as of 01 February 2021.

The number of deaths continues to seriously outpace the number of live births: 38 newborns per every 100 deceased.

Over January - February 2021, Ukraine's population shrank 33,518 people.

Migration helped increase population numbers by 2,272 people over January-February 2021.

Wages

The average nominal monthly wage of full-time staff members employed at companies, institutions and organizations totaled UAH 12,337.00 in January 2021, which constitutes approximately 210.0% of the minimum wage (UAH 6,000.00). Compared to December 2020, the average nominal wage stood at 87.0% in January 2021. Wages are lower in January compared to the previous month, which happens every year and is caused by accrued one-off payments in December of the previous year.

In January 2021, the Index of Real Wages reached 85.9% compared to December 2020 and 108.3% compared to January 2020.

In January 2021, the highest average wages were observed in the city of Kyiv (UAH 17,533.00), Donetsk oblast (UAH 13,786.00) and Dnipropetrovsk oblast (UAH 12,744.00). The lowest wages were registered in Chernivtsi oblast (UAH 9,696.00), Kirovohrad oblast (UAH 9,780.00) and Chernihiv oblast (UAH 9,877.00).

In January 2021, the highest average wages were registered among those employed in finance and insurance (UAH 24,095.00), in information and telecommunications (UAH 21,941.00), as well as in professional, scientific and technical sectors (UAH 16,602.00).

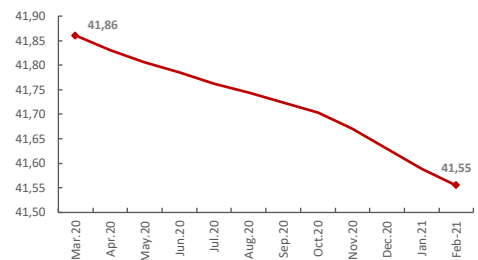
As of 01 February 2021, total wage arrears were registered at UAH 2,971.8 million or at 113.8% compared to 01 January 2021.

LATEST MACROECONOMIC DATA

| Indicator | Value |
|--|-------|
| Real GDP change over 2020, % to 2019 | -4,0 |
| Change in agricultural output in February 2021, % year-on-year | -6,5 |

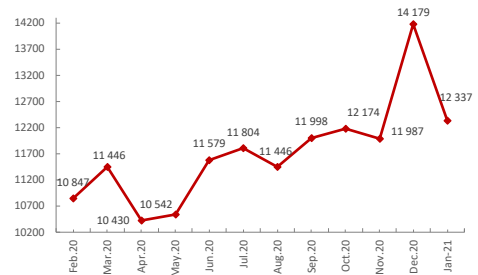
Source: the State Statistics Service

POPULATION (millions of people)



Source: the State Statistics Service

AVERAGE NOMINAL WAGES (UAH)



Source: the State Statistics Service

BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for placing domestic government bonds, which took place on 16 March, the Ministry of Finance (MoF) offered seven issues of bonds: six of them denominated in the national currency and one issue denominated in US dollars.

Instruments maturing in three months collected thirty-two bids for the total of UAH 1.6 billion. The requested yields ranged within the limits of 8.25-8.50% p.a. The limit for the above-mentioned placement stood at UAH 0.5 billion. The accepted yield was fixed at 8.34% p.a.

Bonds maturing in twelve months scored thirty-eight bids for the total of UAH 3.3 billion. The requested yields ranged within the limits of 10.60-11.00% per annum. The accepted yield was established at 10.75% p.a.

Twenty-two bids for the total of UAH 3.8 billion were submitted for purchasing instruments maturing in October 2022. The requested yields ranged within the limits of 10.94-12.00% p.a. The accepted yield was established at 11.10% p.a.

Demand for bonds maturing in two years consisted of twenty-seven bids for the total of UAH 1.8 billion. The requested yields ranged within the limits of 11.80-11.85% p.a. The accepted yield was set at 11.80% p.a.

Demand for bonds maturing in three years, which consisted of eight bids for the total of UAH 0.1 billion, and demand for bonds maturing in six years, which consisted of twenty-one bids for the total of UAH 0.3 billion, were satisfied in full. The single requested yields stood at 12.05% p.a. and 12.50% p.a. respectively. The accepted yields were established at 12.05% p.a. and 12.50% p.a. respectively.

Instruments denominated in US dollars and maturing in twelve months collected seventy-nine bids for the total of USD 0.2 billion. The requested yields ranged within the limits of 3.70-3.90% p.a. The accepted yield was fixed at 3.70% p.a.

As a result of the auction to place government bonds held on 16 March 2021, MoF managed to raise UAH 14.3 billion to the State Budget of Ukraine (at the NBU rate).

Over the previous week, the volume of outstanding domestic government bonds went down UAH 1.3 billion and, as of 19 March 2021, totaled UAH 1,025.5 billion (according to the total principal).

This week, MoF will have to pay out one issue of domestic government bonds for the total of UAH 10.0 billion (due on 24 March).

NBU TRANSACTIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 223.6 billion, including overnight certificates for the total of UAH 113.5 billion (the interest rate -5.50% p.a.).

As a result of the NBU quantitative liquidity-providing tender to refinance banks, which was held on Friday, 19 March, bids of two banks for the total of UAH 0.2 billion were satisfied. The interest rate reached 6.50% p.a. The loans were provided for the period of up to eighty-four days.

On Friday, 19 March, the NBU placed deposit certificates maturing in seven days for the total of UAH 110.1 billion. The interest rate - 6.50% p.a.

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

A negative balance of the State Treasury transactions landed at UAH 16.6 billion over 15-19 March.

The banking system liquidity is staying at an excessive level.

THE RESULTS OF PLACING DOMESTIC BONDS

| Date of placement | Type of Domestic Bonds | Weight-average yield | Submit./satisfied bids | Funds raised, UAH millions |
|-------------------|------------------------|----------------------|------------------------|----------------------------|
| 16 Mar. | 105 days | 8.33% | 32/21 | 529.03 |
| 16 Mar. | 322 days | 10.74% | 38/36 | 2980.46 |
| 16 Mar. | 574 days | 11.08% | 22/21 | 4285.93 |
| 16 Mar. | 763 days | 11.80% | 27/24 | 1908.97 |
| 16 Mar. | 1162 days | 12.05% | 8/8 | 111.11 |
| 16 Mar. | 2261 days | 12.50% | 21/21 | 235.89 |
| 16 бер. | 393 дн. | 3,70% | 79/77 | 153,95* |

* USD millions

Source: the Ministry of Finance of Ukraine

HOLDERS OF DOMESTIC BONDS

| Owner | last value, UAH billion | week ch.. % | mon. ch.. % | YTD. % |
|-------------------------|-------------------------|-------------|-------------|--------|
| NBU | 322.1 | 0.0 | 0.0 | -0.8 |
| Banks | 528.2 | -0.2 | 0.9 | 1.7 |
| Legal entities | 53.9 | -5.9 | -11.7 | -7.2 |
| Territorial communities | 0.3 | 15.6 | 3.4 | 48.2 |
| Private individ. | 15.1 | 4.7 | 13.0 | 35.9 |
| Non-residents | 106.0 | 2.2 | 3.1 | 24.3 |

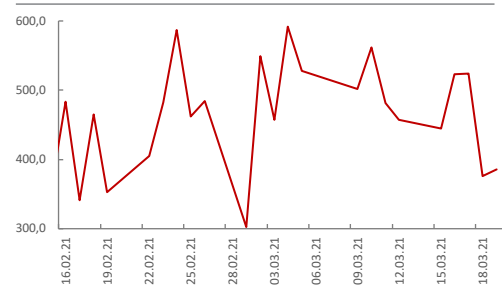
Source: the National Bank of Ukraine

MARKET INDICATORS

| Indicator | last | week ch.. % | mon. ch.. % | YTD. % | |
|----------------------------------|---------------------|-------------|-------------|--------|-------|
| The balance on c/a. UAH billions | 61.3 | 10.8 | 10.3 | 63.6 | |
| NBU refinancing. UAH billions | 105.2 | 0.1 | 2.9 | 8.3 | |
| NBU deposit certificates | O/N. UAH billions | 23.8 | 39.8 | 8.6 | -54.7 |
| | Total. UAH billions | 133.9 | 11.2 | -3.0 | -18.2 |

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

INTERBANK LENDING MARKET

Rates for overnight lending resources in the national currency are ranging within the limits of 5.00-6.50% p.a. on the interbank lending market, while the Ukrainian OverNight Index Average (UONIA) stood at: 5.6571% p.a. on 15 March, 5.6150% p.a. on 16 March, 5.7385% p.a. on 17 March, 5.7346% p.a. on 18 March, and 5.6125% p.a. on 19 March.

FOREIGN EXCHANGE MARKET

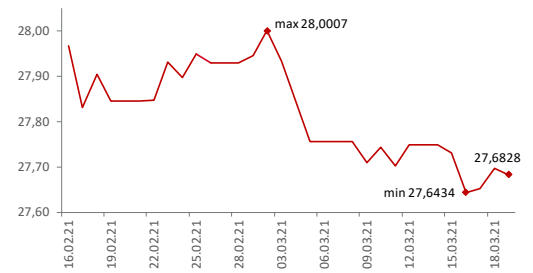
During the previous week, exchange rate fluctuations were insignificant on the Ukrainian interbank foreign exchange market. Overall, market mechanisms were in effect. As a result, on Friday, 19 March, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 27.7184/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 27.62-27.72/USD on Monday, 15 March, UAH 27.58-27.70/USD on Tuesday, 16 March, UAH 27.66-27.76/USD on Wednesday, 17 March, UAH 27.65-27.73/USD on Thursday, 18 March, and UAH 27.67-27.75/USD on Friday, 19 March.

Over 15-19 February, the National Bank purchased USD 30.5 million from banks by way of the single exchange rate interventions.

The overall foreign currency sales on the interbank foreign exchange market reached USD 2.3 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-2021 | 7,75 | 01.09.2021 | 101,74 | 102,18 | 2,67 | USD |
| Ukraine-2022 | 7,75 | 01.09.2022 | 104,99 | 105,47 | 3,80 | USD |
| Ukraine-2023 | 7,75 | 01.09.2023 | 107,74 | 108,28 | 4,14 | USD |
| Ukraine-2024 | 8,99 | 01.02.2024 | 110,91 | 111,66 | 4,58 | USD |
| Ukraine-2024 | 7,75 | 01.09.2024 | 108,04 | 108,83 | 4,92 | USD |
| Ukraine-2025 | 7,75 | 01.09.2025 | 109,06 | 109,80 | 5,24 | USD |
| Ukraine-2026 | 6,75 | 20.06.2026 | 107,43 | 108,18 | 4,93 | EUR |
| Ukraine-2026 | 7,75 | 01.09.2026 | 108,81 | 109,41 | 5,71 | USD |
| Ukraine-2027 | 7,75 | 01.09.2027 | 107,39 | 108,04 | 6,21 | USD |
| Ukraine-2028 | 9,75 | 01.11.2028 | 117,22 | 117,87 | 6,71 | USD |
| Ukraine-2030 | 4,38 | 27.01.2030 | 92,56 | 93,49 | 5,46 | EUR |
| Ukraine-2032 | 7,38 | 25.09.2032 | 101,55 | 102,26 | 7,08 | USD |
| Ukraine-2033 | 7,253 | 15.03.2033 | 100,50 | 101,23 | 7,10 | USD |
| Ukreximbank | 9,63 | 27.04.2022 | 103,18 | 104,10 | 5,69 | USD |
| Ukreximbank | 7,29 | 09.02.2023 | 99,30 | 100,47 | 6,92 | USD |
| Ukreximbank | 9,75 | 22.01.2025 | 108,33 | 109,58 | 6,86 | USD |
| Oschadbank | 9,38 | 10.03.2023 | 104,66 | 105,56 | 6,32 | USD |
| Oschadbank | 7,22 | 19.01.2024 | 95,00 | 97,91 | 7,91 | USD |
| Oschadbank | 9,63 | 20.03.2025 | 107,34 | 107,48 | 7,42 | USD |
| Metinvest BV | 7,75 | 23.04.2023 | 106,77 | 106,92 | 4,24 | USD |
| Metinvest BV | 5,63 | 17.06.2025 | 105,81 | 106,78 | 3,87 | EUR |
| Metinvest BV | 8,50 | 23.04.2026 | 112,02 | 112,71 | 5,59 | USD |
| Metinvest BV | 7,65 | 01.10.2027 | 108,29 | 108,66 | 6,02 | USD |
| Metinvest BV | 7,75 | 17.10.2029 | 106,47 | 107,18 | 6,64 | USD |
| DTEK Finance | 10,75 | 31.12.2024 | 78,62 | 79,85 | 18,18 | USD |
| MHP SE | 7,75 | 10.05.2024 | 107,97 | 108,29 | 4,86 | USD |
| MHP Lux SA | 6,95 | 03.04.2026 | 105,77 | 106,35 | 5,49 | USD |
| MHP Lux SA | 6,25 | 19.09.2029 | 98,19 | 100,77 | 6,13 | USD |
| Kernel Holding | 8,75 | 31.01.2022 | 104,66 | 104,78 | 3,00 | USD |
| Kernel Holding | 6,50 | 17.10.2024 | 106,01 | 107,23 | 4,29 | USD |
| Ukraine Railways | 9,88 | 15.09.2021 | 101,74 | 101,97 | 5,60 | USD |
| Ukraine Railways | 8,25 | 09.07.2024 | 105,88 | 106,23 | 6,13 | USD |
| NAK Naftogaz | 7,38 | 19.07.2022 | 102,97 | 103,11 | 4,91 | USD |
| NAK Naftogaz | 7,13 | 19.07.2024 | 102,71 | 103,69 | 5,85 | EUR |
| NAK Naftogaz | 7,625 | 08.11.2026 | 101,53 | 102,50 | 7,08 | USD |

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

| Indicator | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|--------|--------|--------|--------------------------------|---|
| GDP. % YoY | 2,5 | 3,3 | 3,2 | -4.0 | - |
| Industrial output. % | -0,1 | 1,1 | -0,5 | 4.8 (December) | -4.0 (January) |
| Consumer price growth. % year-on-year | 13,7 | 9,8 | 4,1 | 5.0 (December) | 7.5 (February) |
| Producer price growth. % year-on-year | 16,5 | 14,2 | -7,4 | 14.5 (December) | 26.6 (February) |
| Balance of payments (consolidated). USD billions | 2,6 | 2,9 | 6,0 | 2.0 (preliminary estimate) | -0.2 (January, preliminary estimate) |
| Current account balance. USD billions | -2,4 | -4,4 | -4,1 | 6.5 (preliminary estimate) | 0.8 (January, preliminary estimate) |
| Balance of trade (goods and services). USD billions | -8,61 | -12,7 | -12,5 | -1.8 (preliminary estimate) | 0.3 (January, preliminary estimate) |
| International reserves, USD billions, by the end of the period | 18,8 | 20,8 | 25, 3 | 29.1 (preliminary estimate) | 28.5 (February) |
| External debt. USD billions | 116, 6 | 114, 7 | 121,7 | 125,7 | - |
| Banking system assets, % of annual growth | 6, 4 | 2, 0 | 9, 9 | 18.9 | 0.2 (January-February) |
| Exchange rate. by year end. UAH/USD | 28, 07 | 27, 69 | 23, 69 | 28.27 (December) | 27.93 (February) |
| Exchange rate. annual average. UAH/USD | 26, 60 | 27, 20 | 25, 85 | 26.96 (January-December) | 28.05 (January-February) |

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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