

Financial markets survey

12 April 2021

ON THE WAY TO THE STARS

The minutes of the FRS meeting had no surprises
Consumer prices in Ukraine are rapidly growing
Activity at the Ministry of Finance's auctions subsided

GLOBAL MARKET

During the previous week, global financial markets were demonstrating a positive dynamics, while the key S&P 500 Index set a new record-high for the umpteenth time spurred by growing shares of hi-tech companies. Investors mostly ignored worse than expected specific macrostatistical data and focused on the prospects of recovering business activity.

The minutes of the Federal Open Market Committee (FOMC) meeting in March indicates that the FRS top officials consider the risks to the outlook for inflation as "broadly balanced". Despite improving situation in the economy and on the labor market in the US, the FRS top officials expect that some time will be needed before the FRS starts folding the asset purchase program or raises the federal funds rate from the current level.

The number of initial applications for unemployment benefit increased 16,000 over the previous week and landed at 744,000. Thus, the indicator has been growing for the second consecutive week.

In March, the Producer Price Index (PPI) in the US grew 4.2% in annual terms, while the forecast was 3.8%. This is a record-high growth of the above-mentioned indicator since September 2011.

The Services Purchasing Managers' Index in the US rose to 60.4 points in March against 59.8 points registered in February (the index was expected to reach 60.0 points). This is a record-high growth of the above-mentioned indicator since July 2014.

The Services Purchasing Managers' Index in the euro-area went up to 49.6 points over the previous month against 45.7 points registered in February (the index was expected to reach 48.8 points).

The International Monetary Fund upgraded its forecast for global GDP growth in 2021 to 6.0% against the January forecast of 5.5%. The emerging markets GDP will grow 6.7% against 6.3%, while the GDP of developed economies will rise 5.1% against 4.3%. It is expected that economic growth in the US will accelerated to 6.4% from 5.1%, while economic growth in the euro-area countries will speed up to 4.4% from 4.2%.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1736-1.1927/EUR.

www.pumb.ua

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

WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1888	1.2	-0.1	-3.1
GBP/USD	1.3707	-0.9	-1.3	0.3
USD/RUB	77.1011	1.7	3.6	4.4
USD/UAH	27.9094	-0.2	0.6	-1.2

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	4128.8	2.7	6.5	9.9
FTSE 100 (UK)	6915.8	2.6	2.8	7.0
MXME (East. Eur.)	162.8	-2.2	-3.5	0.0
PFTS (Ukraine)	529.7	2.4	2.5	6.0
RTS (Russia)	1417.8	-3.3	-4.3	2.2

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.286	1.9	2.2	-16.4
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	0.0	8.3
CB RF. % p.a.	4.500	0.0	5.9	5.9

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	241.5	-5.5	-14.2	-5.5
Brent. USD/barrel	63.0	-2.9	-6.1	21.9
WTI. USD/barrel	59.3	-3.5	-7.3	21.8
Gold. USD/ounce	1741.2	0.9	1.4	-7.8

Source: Bloomberg

MACROECONOMY

Consumer prices

According to information of the State Statistics Service, the Consumer Price Index went up 1.7% in March 2021 compared to February 2021. Compared to March 2020, consumer prices grew 8.5%. Since the beginning of the current year, consumer prices increased 2.4%.

In March 2021, core inflation landed at 1.6% compared to the previous month and at 2.4% 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 2.1% in March 2021. Prices for sunflower oil grew the most (9.7%). Prices for sugar, fruits, products made from grain crops, rice, bread, meat and meat products, vegetables, butter, products made from sour milk, lard, fish and fish products rose 4.8-1.0%. At the same time, prices for eggs went down 0.6%.

Prices for alcoholic beverages and tobacco products rose 0.7% over the previous month, which is connected with prices for tobacco products hiking 1.2%.

Prices for clothes and footwear grew 12.7% over the previous month, including 13.0% for clothes and 12.3% for footwear.

In March 2021, transport prices grew 1.8%, first of all, due to prices for fuel and lubricants increasing 5.7% and prices for passenger fare in railway and road transport going up 4.4% and 1.6% respectively.

Prices for healthcare services inched up 0.7%; prices for recreational and cultural services grew 0.4%, while prices in hotels and restaurants increased 0.8%.

Producer prices

According to information of the State Statistics Service, the Producer Price Index went up 1.6% in March 2021 compared to February 2021. Compared to March 2020, producer prices jumped 26.3%.

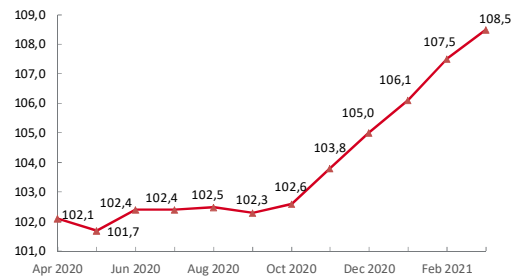
In March 2021, the country registered that producer prices in mining and quarrying went up 2.3% compared to February 2021. Prices in manufacturing of black coal climbed 1.8% in March 2021, while prices in mining of metal ores surged 5.8%. At the same time, prices in the extraction of crude petroleum and natural gas shrank 2.0%.

Producer prices in manufacturing went up 3.8% in March 2021 compared to February 2021. The country registered that prices grew 4.0% in manufacture of food products, beverages and tobacco products, 2.0% in manufacture of wood, paper products and printing, 14.2% in manufacture of coke and refined petroleum products, 9.9% in manufacture of chemicals and chemical products, 1.8% in manufacture of key pharmaceuticals, medicinal and botanical products, 4.6% in steel industry, and 0.8% in machine-building.

Prices in electricity, gas, steam, and air-conditioning supply declined 5.5%.

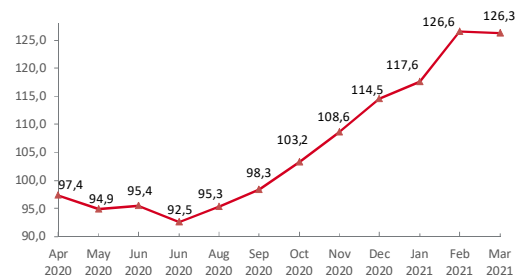
In March 2021, prices went up 4.2% in the production of intermediate goods, 1.2% in the production of investment goods, 3.7% and 0.2% in the production of non-durable and durable consumer goods respectively. At the same time, prices in energy generation shrank 2.9%.

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

At a scheduled auction for placing domestic government bonds, which was held by the Ministry of Finance on 06 April, investors were offered instruments denominated in the national currency only. For three issues offered, demand was satisfied in full. However, total sums attracted seriously shrank compared to previous auctions.

Fourteen bids for the total of UAH 0.8 billion were submitted for purchasing instruments maturing in three months. The requested yields ranged within the limits of 7.77 - 9.00% p.a. The limit for the above-mentioned placement stood at UAH 0.5 billion. The Ministry of Finance set the accepted yield at 7.77% p.a. and rejected five bids.

Demand for bonds maturing in twelve months consisted of fifteen bids for the total of UAH 0.3 billion and was satisfied in full. The single requested yield stood at 10.75% p.a. The accepted yield was fixed at 10.75% p.a.

Ten bids for the total of UAH 0.2 billion were submitted for purchasing instruments maturing in November 2022. The requested yields ranged within the limits of 11.10 - 11.30% p.a. The Ministry of Finance set the accepted yield at 11.10% p.a. and rejected one bid.

Demand for bonds maturing in two years consisted of seven bids for the total of UAH 0.06 billion and was satisfied in full. The single requested yield stood at 11.80% p.a.

Instruments maturing in three years enjoyed the lowest demand in terms of the total sum of bids - ten bids for the total of UAH 0.02 billion. The single requested yield stood at 12.05% p.a. The Ministry of Finance set the accepted yield at 12.05% p.a. and satisfied the entire demand in full.

Funds raised to the State Budget from the sale of instruments on 06 April 2021 - UAH 1.1 billion.

Over the previous week, the volume of outstanding domestic government bonds went down UAH 9.1 billion and, as of 09 April 2021, totaled UAH 1,013.1 billion (according to the total principal).

This week, the Ministry of Finance will have to pay out one issue of domestic government bonds for the total of UAH 11.7 billion (due on 14 April).

NBU TRANSACTIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 295.2 billion, including overnight certificates of deposit for the total of UAH 182.6 billion (the interest rate for overnight certificates of deposit stood at 5.50% p.a.).

On Friday, 09 April, the NBU held two quantitative liquidity-providing tenders to refinance banks. As a result of the first tender to refinance banks for the period of up to eighty-four days, bids of six banks for the total of UAH 1.0 billion were satisfied. The interest rate reached 6.50% p.a. As a result of the second tender to refinance banks for the period of up to 1,820 days (five years), bids of ten banks for the total of UAH 2.4 billion were satisfied. The interest rate reached 6.50% p.a.

On Friday, 09 April, the National Bank placed deposit certificates maturing in seven days for the total of UAH 112.6 billion. The interest rate stood at 6.50% p.a.

Banks used the standing NBU refinancing line (overnight loans) for the total of UAH 0.4 billion over the previous week (the interest rate was 7.50% p.a.).

The balance of the State Treasury transactions landed at UAH 7.7 billion over 05-09 April.

THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
06 Apr.	84 days	7.77%	14/9	532.18
06 Apr.	336 days	10.75%	15/15	284.95
06 Apr.	595 days	11.10%	10/9	179.30
06 Apr.	777 days	11.80%	7/7	73.57
06 Apr.	1141 days	12.05%	10/10	18.06

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	531.2	-0.6	0.3	2.3
Legal entities	43.7	-5.1	-23.5	-24.7
Territorial communities	0.3	0.0	15.6	48.2
Private individ.	14.9	-5.6	3.9	34.6
Non-residents	100.9	-2.7	-2.6	18.3

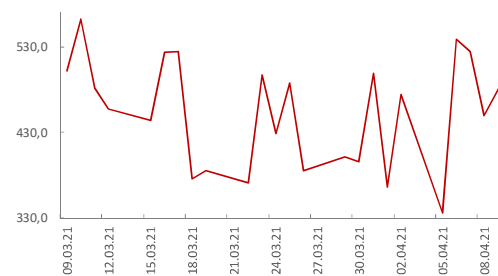
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	47.7	0.7	-0.8	27.2	
NBU refinancing. UAH billions	106.0	3.0	3.3	9.1	
NBU deposit certificates	O/N. UAH billions	37.3	11.3	3.6	-29.1
	Total. UAH	149.9	2.0	2.9	-8.4

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

INTERBANK LENDING MARKET

Rates for overnight lending loans 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: 5.4278% p.a. on 05 April, 5.6132% p.a. on 06 April, 5.6484% p.a. on 07 April, 5.7250% p.a. on 08 April, and 5.5622% p.a. on 09 April.

FOREIGN EXCHANGE MARKET

During the previous trading week, the Ukrainian interbank foreign exchange market was witnessing a relative balance of foreign currency demand and supply. The USD exchange rate fluctuations were insignificant and ranged within the limits of UAH 27.78-28.03/USD. As a result, on Friday, 09 April, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 27.9094/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 27.90-28.02/USD on Monday, 05 April, UAH 27.78-27.90/USD on Tuesday, 06 April, UAH 27.85-27.95/USD on Wednesday, 07 April, UAH 27.93-28.03/USD on Thursday, 08 April, and UAH 27.85-27.95/USD on Friday, 09 April.

Over 05-09 April, the National Bank did not carry out foreign currency interventions.

The overall foreign currency sales on the interbank foreign exchange market reached USD 2.3 billion over the previous week.

UKRAINIAN ISSUERS ON INTERNATIONAL MARKETS

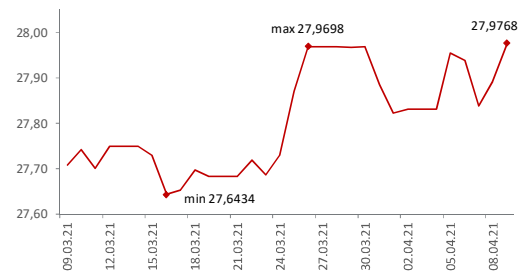
J.P. Morgan has placed Ukraine on the Index Watch Positive list for possible inclusion in the J.P. Morgan Government Bond Index – Emerging Markets (GBI-EM) index following sustained improvement in liquidity and foreign investor access to domestic government bonds markets.

According to J.P. Morgan, “an update to the Watch will be provided over the next six months to further indicate their potential status in the index”. In compliance with the company’s information, the share of Ukraine in the GBI-EM Global Diversified (GBI-EM GD) series, which is the most significant rating, may be approximately 0.12%.

Ukraine will also be considered for inclusion in the “narrow” GBI-EM indices, which include securities without regulatory or tax impediments.

According to the company’s report, Ukraine is making constant efforts to increase liquidity on the domestic government bonds market and is committed to building a benchmark yield curve by way of concentrating issues in favor of benchmark bonds.

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	101,43	101,94	2,59	USD
Ukraine-2022	7,75	01.09.2022	104,40	104,95	4,02	USD
Ukraine-2023	7,75	01.09.2023	106,21	106,80	4,69	USD
Ukraine-2024	8,99	01.02.2024	109,10	109,91	5,14	USD
Ukraine-2024	7,75	01.09.2024	105,99	106,79	5,52	USD
Ukraine-2025	7,75	01.09.2025	106,11	106,90	5,94	USD
Ukraine-2026	6,75	20.06.2026	105,70	106,43	5,29	EUR
Ukraine-2026	7,75	01.09.2026	106,06	106,73	6,26	USD
Ukraine-2027	7,75	01.09.2027	105,30	105,97	6,59	USD
Ukraine-2028	9,75	01.11.2028	114,57	115,25	7,10	USD
Ukraine-2030	4,38	27.01.2030	90,67	91,67	5,75	EUR
Ukraine-2032	7,38	25.09.2032	99,86	100,65	7,29	USD
Ukraine-2033	7,253	15.03.2033	98,77	99,52	7,31	USD
Ukreximbank	9,63	27.04.2022	102,37	103,28	6,30	USD
Ukreximbank	7,29	09.02.2023	99,11	100,67	6,80	USD
Ukreximbank	9,75	22.01.2025	107,45	108,59	7,11	USD
Oschadbank	9,38	10.03.2023	104,11	104,68	6,71	USD
Oschadbank	7,22	19.01.2024	95,00	97,90	7,94	USD
Oschadbank	9,63	20.03.2025	106,46	106,60	7,65	USD
Metinvest BV	7,75	23.04.2023	104,43	104,70	5,27	USD
Metinvest BV	5,63	17.06.2025	101,81	102,76	4,88	EUR
Metinvest BV	8,50	23.04.2026	107,18	107,83	6,64	USD
Metinvest BV	7,65	01.10.2027	103,03	103,38	6,99	USD
Metinvest BV	7,75	17.10.2029	101,50	102,16	7,40	USD
DTEK Finance	10,75	31.12.2024	77,80	80,30	17,23	USD
MHP SE	7,75	10.05.2024	105,51	105,81	5,66	USD
MHP Lux SA	6,95	03.04.2026	102,29	102,84	6,27	USD
MHP Lux SA	6,25	19.09.2029	96,05	97,35	6,66	USD
Kernel Holding	8,75	31.01.2022	104,14	104,26	3,26	USD
Kernel Holding	6,50	17.10.2024	103,52	105,03	4,92	USD
Ukraine Railways	9,88	15.09.2021	101,52	101,75	5,55	USD
Ukraine Railways	8,25	09.07.2024	104,37	104,71	6,61	USD
NAK Naftogaz	7,38	19.07.2022	102,21	102,34	5,43	USD
NAK Naftogaz	7,13	19.07.2024	101,29	102,24	6,33	EUR
NAK Naftogaz	7,625	08.11.2026	100,36	101,31	7,33	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2017	2018	2019	2020	2021
GDP. %	2.5	3.3	3.2	-4.0	-
Industrial output. %	-0.1	1.1	-0.5	4.8	-4.6 (February)
Consumer price growth. % year-on-year	13.7	9.8	4.1	5.0	8.5 (March)
Producer price growth. % year-on-year	16.5	14.2	-7.4	14.5	26.3 (March)
Balance of payments (consolidated). USD billions	2.6	2.9	6.0	2.0 (preliminary estimate)	0.0 (February, preliminary estimate)
Current account balance. USD billions	-2.4	-4.4	-4.1	6.5 (preliminary estimate)	0.5 (February, preliminary estimate)
Balance of trade (goods and services). USD billions	-8.61	-12.7	-12.5	-1.8 (preliminary estimate)	-0.1 (February, preliminary estimate)
International reserves, USD billions, by the end of the period	18.8	20.8	25.3	29.1 (preliminary estimate)	27.0 (March)
External debt. USD billions	116.6	114.7	121.7	125.7 (fourth quarter)	-
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	27.89 (March)
Exchange rate. annual average. UAH/USD	26.60	27.20	25.85	26.96	27.97 (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	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



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

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pr@fuib.com

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