

Financial markets survey

05 July 2021

MINIMAL CORPORATE TAX - AGREED BY 130 COUNTRIES

Markets are conquering new record-highs
Ukrainian exports and imports are practically balanced
The NBU continues currency liberalization

GLOBAL MARKET

During the previous week, stock markets across the world grew record-high since the anxiety about upcoming strengthening of the FRS monetary policy began to subside, while the confidence among investors in the recovery of the leading economies around the globe is growing. Investors have also started preparing for the corporate reporting season for the second quarter, which is beginning later this month.

In June 2021, the Consumer Confidence Index in the US grew record-high since the beginning of the COVID-19 pandemic, while residential real estate prices in the country rose record-high in April for the last fifteen years. The Consumer Confidence Index in the US jumped from 120.0 points to 127.3 points in June. On the average, analysts expected this indicator to rise to 119.0 points.

Increasing unemployment in the US was unexpected in June 2021. The published statistical data indicated that growing numbers of jobs accelerated even more than expected in June, whereas wages and salaries grew less than forecast. This contributed to stronger confidence among investors that the US will keep its assistance policy in the near future. The number of jobs grew 850,000 in June, while the rate of unemployment inched up to 5.9% from 5.8%.

During the previous week, countries accounting for more than 90.0% of global GDP completed negotiations within the Organization for Economic Cooperation and Development (OECD). Official representatives of 130 countries, including all G20 countries, supported the initiative to institute a global minimum corporate tax at the rate of 15.0%. It is expected that the introduction of the above-mentioned tax will bring approximately USD 150.0 billion of additional global tax proceeds annually. Technical details should be agreed before October of the current year, while the new rules should come into effect before 2023.

On Thursday, 01 July, prices for benchmark crudes grew rapidly. The petroleum market was supported by the information that the OPEC member-states and other petroleum-producing countries that are not part of the cartel had agreed to introduce only minor changes to earlier approved output reduction, which supports the trend towards further crude oil price hikes spurred by growing demand.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1808-1.1947/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	1.1823	-1.1	-3.0	-3.7
GBP/USD	1.3824	-0.4	-2.4	1.1
USD/RUB	72.9086	0.8	-0.5	-1.3
USD/UAH	27.4121	0.1	0.2	-3.0

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	4,352.3	1.7	3.4	15.9
FTSE 100 (UK)	7,123.3	-0.2	0.2	10.3
MXME (East. Eur.)	189.6	-1.2	-0.2	16.5
PFTS (Ukraine)	528.9	-0.4	-0.4	5.8
RTS (Russia)	1,659.7	-0.7	1.0	19.6

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.245	-1.9	-0.2	-28.5
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.	7.500	0.0	0.0	25.0
CB RF. % p.a.	5.500	0.0	0.0	29.4

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	236.5	-1.7	-6.7	-7.4
Brent. USD/barrel	76.2	1.0	7.4	48.8
WTI. USD/barrel	75.2	1.5	9.5	55.4
Gold. USD/ounce	1,786.2	0.0	-6.1	-5.3

Source: Bloomberg

MACROECONOMY

Balance of payments

The current account surplus in May (USD 723.0 million) stood at last year level (USD 772.0 million). On current account transactions excluding reinvested earnings, surplus totaled USD 843.0 million comparing to USD 1.1 billion in May last year.

Export of goods grew 1.6 times in May 2021 (1.4 times in April 2021) and landed at USD 5.2 billion. The country registered that exports grew in all main goods categories: metallurgical exports went up 1.9 times, exports of mineral products (including ore) increased 2.9 times, food exports leapt 28.5%, chemicals export hiked 1.6 times, machinery and equipment exports jumped 30.1%, exports of timber and wood products rose 1.5 times, and exports of manufactured goods leapt 1.6 times.

Imports of goods soared 1.5 times in May 2021 (same 1.5 times in April 2021) and landed at USD 5.0 billion. Energy imports jumped 1.4 times (same as in April) due to imports of petroleum products. Non-energy imports leapt 1.6 times (same as in April). In particular, machinery and equipment imports increased 1.5 times, chemical imports rose 1.7 times, food imports soared 39.0%, imports of ferrous and non-ferrous metals grew 1.5 times, imports of manufactured goods went up 1.6 times, and imports of timber and wood products leapt 2.0 times.

The surplus of trade in services totaled to USD 376.0 million. Exports of computer services remained the main factor behind growing exports of services. At the same time, exports of manufacturing services on physical inputs owned by others also went up.

Net lending to the rest of the world reached USD 728.0 million in May 2021.

In May 2021, outflows under the financial account landed at USD 1.0 billion and were formed by private sector transactions.

Net outflows under private sector transactions (including errors and omissions) reached USD 1.1 billion in May 2021.

Net inflows to the public sector accounted for USD 46.0 million in May 2021 and were determined by net attractions under domestic government bonds.

The net inflows of foreign direct investments were estimated at USD 80.0 million in May 2021, including thanks to reinvestment of incomes.

The net increase of the banking system's external position on portfolio and other investments accounted for USD 506.0 million. Net increase of external position under the "currency and deposits" article was partly compensated by sale of non-residents' securities.

In May 2021, net increase of the real sector external position (excluding foreign direct investment) reached USD 778.0 million.

The volume of foreign cash outside banks grew USD 222.0 million in May 2021.

In May 2021, the overall balance of payments deficit stood at USD 280.0 million.

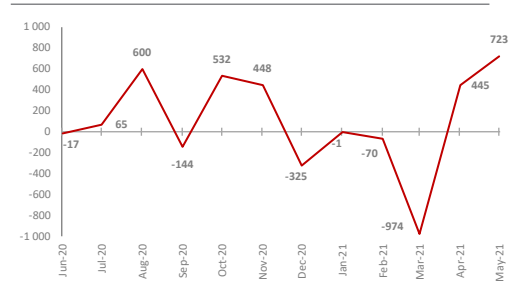
As of 01 June 2021, Ukraine's international reserves stood at USD 27.8 billion.

LATEST MACROECONOMIC DATA

Indicator	Value
Current account of the balance of payments in May 2021, USD billions	0.7

Source: the National Bank of Ukraine

CURRENT ACCOUNT BALANCE (USD MILLIONS)



Source: the National Bank of Ukraine

INTERNATIONAL RESERVES (USD BILLIONS, BY THE END OF THE PERIOD)



Source: the National Bank of Ukraine

BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for placing domestic government bonds, which was held on 29 June, the Ministry of Finance (MoF) offered investors seven issues of bonds denominated in the national currency. Demand for all instruments was satisfied in full. At the same time, MoF raised significantly less money compared to the previous auction.

Five bids for the total of UAH 0.1 billion were submitted for purchasing instruments maturing in three months. The single requested yield stood at 8.50% p.a. The limit for the above-mentioned placement stood at UAH 0.5 billion. The accepted yield was established at 8.50% p.a.

Demand for the bonds maturing in twelve months consisted of seven bids for the total of UAH 0.7 billion. The requested yields ranged within the limits of 10.95-10.99% p.a. The limit for the above-mentioned placement stood at UAH 3.0 billion. The accepted yield was fixed at 10.99% p.a.

Instruments maturing in eighteen months scored nine bids for the total of UAH 0.2 billion. The single requested yield stood at 11.30% p.a. The limit for the above-mentioned placement stood at UAH 3.0 billion. The accepted yield was set at 11.30% p.a.

Demand for bonds maturing in May 2023 consisted of fifteen bids for the total of UAH 0.2 billion. The single requested yield stood at 12.00% p.a. The accepted yield was established at 12.00% p.a.

Instruments maturing in three years scored seven bids for the total of UAH 0.1 billion. The single requested yield stood at 12.30% p.a. The accepted yield was set at 12.30% p.a.

Demand for instruments maturing in five years consisted of eleven bids for the total of UAH 0.4 billion. The requested yields ranged within the limits of 12.65-12.75% p.a. The accepted yield was established at 12.75% p.a.

Instruments maturing in six years collected five bids for the total of UAH 0.5 billion. The single requested yield stood at 12.59% p.a. MoF set the accepted yield at 12.59% p.a.

As a result of the auction to place domestic government bonds held on 29 June 2021, MoF managed to raise UAH 2.5 billion to the State Budget.

Over the previous week, the volume of outstanding domestic government bonds went down UAH 1.8 billion and, as of 02 July 2021, totaled UAH 1,000.1 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 7.3 billion (due on 07 July).

Over January-June, Ukraine's total budget revenues came to UAH 582.8 billion (UAH 106.7 billion - in June), while VAT refunds totaled UAH 74.9 billion (UAH 12.0 billion was refunded in June). As of 01 July 2021, the balance at the Single Treasury Account was registered at UAH 10.4 billion.

NBU TRANSACTIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 282.4 billion, including overnight certificates for the total of UAH 171.7 billion (the interest rate - at 6.50% p.a.).

As a result of the NBU quantitative liquidity-providing tender to refinance banks, which was held on Friday, 02 July, bids of two banks for the total of UAH 0.3 billion were satisfied. The interest rate reached 7.50% p.a. The loans were provided for the period of up to eighty-four days.

On Friday, 02 July, the National Bank placed deposit certificates maturing in seven days for the total of UAH 110.7 billion. The interest rate stood at 7.50% p.a.

Banks did not use the standing NBU refinancing line over the previous week.

A negative balance of the State Treasury transactions landed at UAH 1.1 billion over 29 June – 02 July.

THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
29 June	91 days	8.50%	5/5	117.42
29 June	385 days	10.99%	7/7	743.51
29 June	511 days	11.30%	9/9	203.19
29 June	693 days	12.00%	15/15	510.53
29 June	1,057 days	12.30%	7/7	76.37
29 June	2,156 days	12.73%	11/11	327.02

Source: the Ministry of Finance of Ukraine

HOLDERS OF DOMESTIC BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	317.3	0.0	-0.5	-2.2
Banks	505.9	-0.2	1.2	-2.6
Legal entities	48.2	-0.5	11.8	-17.0
Territorial	0.1	-67.6	-67.6	-66.0
Private individ.	18.3	0.4	13.3	64.7
Non-residents	110.4	-0.2	10.4	29.4

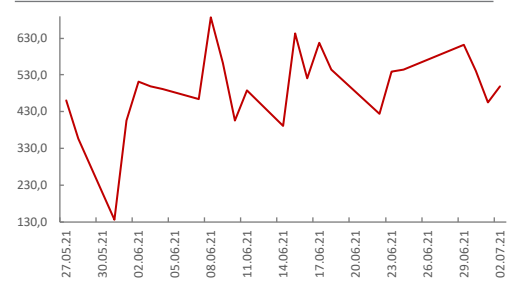
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	51.0	-5.3	-1.4	36.1	
NBU refinancing. UAH billions	117.3	-0.1	-3.6	20.8	
NBU deposit certificates	O/N. UAH billions	54.1	43.4	70.8	2.9
	Total. UAH billions	164.8	1.7	15.9	0.8

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 stable and are ranging within the limits of 6.00-7.00% p.a. on the interbank lending market, while the Ukrainian OverNight Index Average (UONIA) stood at: 6.6647% p.a. on 29 June, 6.5250% p.a. on 30 June, 6.6364% p.a. on 01 July, and 6.7342% p.a. on 02 July.

FOREIGN EXCHANGE MARKET

The National Bank of Ukraine continues moving towards currency liberalization. Specifically, starting from 30 June, authorized institutions will be able to sell foreign currency cash to private individuals for noncash funds in hryvnia; banks will be able to purchase and sell investment metals with physical delivery for noncash resources in hryvnia; opportunities for private individuals to invest abroad have been expanded; the list of exemptions from the annual e-limit for a number of foreign exchange transactions by legal entities and sole proprietors has been clarified; the NBU has lifted the deadline for correcting mistaken information in the contract notice provided by a bank to the NBU's automated information system "Loan Agreements with Non-Residents".

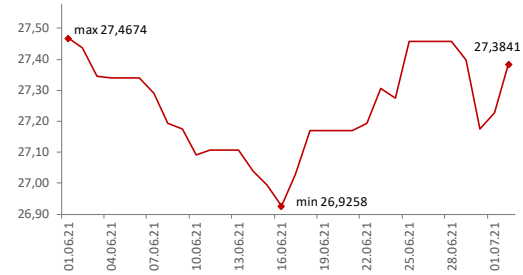
During the previous trading week, the Ukrainian interbank FX market was practically balanced. Foreign currency demand situationally outpacing supply slightly weakened the Ukrainian hryvnia. As a result, on Friday, 02 July, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 27.4121/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 27.14-27.24/USD on Tuesday, 29 June, UAH 27.17-27.27/USD on Wednesday, 30 June, UAH 27.30-27.42/USD on Thursday, 01 July, and UAH 27.35-27.45/USD on Friday, 02 July.

Over 29 June – 02 July, the National Bank purchased USD 26.00 million from banks by way of the single exchange rate interventions.

The overall foreign currency sales on the interbank FX market reached USD 2.1 billion over the previous week.

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	100,79	101,24	-0,50	USD
Ukraine-2022	7,75	01.09.2022	104,98	105,54	2,82	USD
Ukraine-2023	7,75	01.09.2023	107,64	108,20	3,74	USD
Ukraine-2024	8,99	01.02.2024	110,68	111,25	4,32	USD
Ukraine-2024	7,75	01.09.2024	109,07	109,57	4,46	USD
Ukraine-2025	7,75	01.09.2025	109,44	109,97	5,05	USD
Ukraine-2026	6,75	20.06.2026	109,04	109,65	4,53	EUR
Ukraine-2026	7,75	01.09.2026	110,40	110,94	5,29	USD
Ukraine-2027	7,75	01.09.2027	110,00	110,58	5,68	USD
Ukraine-2028	9,75	01.11.2028	119,12	119,70	6,34	USD
Ukraine-2030	4,38	27.01.2030	93,15	93,84	5,39	EUR
Ukraine-2032	7,38	25.09.2032	105,11	105,71	6,64	USD
Ukraine-2033	7,253	15.03.2033	104,16	104,72	6,66	USD
Ukreximbank	9,63	27.04.2022	103,07	104,06	4,42	USD
Ukreximbank	7,29	09.02.2023	99,51	101,00	6,49	USD
Ukreximbank	9,75	22.01.2025	107,54	108,62	6,96	USD
Oschadbank	9,38	10.03.2023	104,75	105,17	6,07	USD
Oschadbank	7,22	19.01.2024	95,00	97,48	8,16	USD
Oschadbank	9,63	20.03.2025	108,84	108,97	6,84	USD
Metinvest BV	7,75	23.04.2023	106,97	107,25	3,55	USD
Metinvest BV	5,63	17.06.2025	106,01	106,83	3,74	EUR
Metinvest BV	8,50	23.04.2026	114,05	114,72	5,01	USD
Metinvest BV	7,65	01.10.2027	111,16	111,53	5,44	USD
Metinvest BV	7,75	17.10.2029	111,23	111,96	5,90	USD
MHP SE	7,75	10.05.2024	108,86	109,15	4,29	USD
MHP Lux SA	6,95	03.04.2026	106,49	107,04	5,25	USD
MHP Lux SA	6,25	19.09.2029	101,17	102,53	5,86	USD
Kernel Holding	8,75	31.01.2022	103,46	103,58	2,31	USD
Kernel Holding	6,50	17.10.2024	106,88	107,68	3,98	USD
Ukraine Railways	9,88	15.09.2021	100,82	101,05	4,13	USD
Ukraine Railways	8,25	09.07.2024	105,18	105,49	6,22	USD
NAK Naftogaz	7,38	19.07.2022	103,38	103,49	3,89	USD
NAK Naftogaz	7,13	19.07.2024	103,82	104,70	5,40	EUR
NAK Naftogaz	7,625	08.11.2026	103,38	104,28	6,66	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2017	2018	2019	2020	2021
GDP. %	2,5	3,3	3,2	-4.0	-2.2 (first quarter, preliminary estimate)
Industrial output. %	-0,1	1,1	-0,5	4.8	5.4 (May)
Consumer price growth. % year-on-year	13,7	9,8	4,1	5.0	9.5 (May)
Producer price growth. % year-on-year	16,5	14,2	-7,4	14.5	33.1 (May)
Balance of payments (consolidated). USD billions	2,6	2,9	6,0	2.0 (preliminary estimate)	-0.3 (May, preliminary estimate)
Current account balance. USD billions	-2,4	-4,4	-4,1	6.5 (preliminary estimate)	0.7 (May, preliminary estimate)
Balance of trade (goods and services). USD billions	-8,61	-12,7	-12,5	-1.8 (preliminary estimate)	0.5 (May, preliminary estimate)
International reserves, USD billions, by the end of the period	18,8	20,8	25, 3	29.1 (preliminary estimate)	27.8
External debt. USD billions	116, 6	114, 7	121,7	125.8 (fourth quarter)	123.1 (first quarter)
Banking system assets, % of annual growth	6, 4	2, 0	9, 9	18.9	3.3 (January - May)
Exchange rate. by year end. UAH/USD	28, 07	27, 69	23, 69	28.27	27.18 (June)
Exchange rate. annual average. UAH/USD	26, 60	27, 20	25, 85	26.96	27.78 (January-June)

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

PUBLIC RELATIONS

pr@fuib.com

This document is based on data we deem to be reliable, though we do not guarantee its accuracy or completeness and make no warranties regarding results from its usage. Forecasts are estimates by specialists working for us, and actual events may turn out to be fundamentally different due to unforeseen circumstances. This document is provided for information purposes only.