

# Financial markets survey

12 July 2021

## ECB APPROVES ITS NEW MONETARY POLICY STRATEGY

**Coronavirus is worrying investors**  
**Producer prices in Ukraine are rapidly growing**  
**Investors took a pause in purchasing government bonds**

### GLOBAL MARKET

At the beginning of the previous week, financial markets were demonstrating a negative dynamics spurred by growing anxiety that the spread of the new more contagious coronavirus strain may stop the global economic recovery, weaker-than-expected data regarding the Services Purchasing Managers' Index (PMI) in the US, as well as a new "attack" of China's regulatory authorities against Chinese companies whose shares are traded on the American stock exchanges.

In June, business activity in the services sector in the US was growing at a rapid pace. However, the growth pace slowed down compared to May 2021, since demand grew at a most sluggish pace, while businesses were doing their very best to find candidates for filling open vacancies. The ISM PMI in the services sector dropped to 60.1 points from the record-high 64.0 points registered in May.

Minutes of the FRS meeting in June published on Wednesday, 07 July, indicated that the FRS officials had already discussed how and when they would start rolling up extraordinary support measures provided to the US economy. The FRS officials are prepared to start discussion about curtailing monthly purchases of Treasury notes and mortgage securities already at the next meeting scheduled for 27-28 July.

On Friday, 09 July, key stock indices in the US grew noticeably and even set new historical record-highs. The information that Pfizer and BioNTech are working on developing a special booster vaccine against the Delta coronavirus variant provided support to the markets. Growth leaders were shares of companies that, as expected, will benefit the most from the restart of the US economy, including shares of energy companies and banking institutions.

On Thursday, 08 July, the ECB published a new monetary policy strategy that resulted in the revision of its inflation benchmark. The aim of the strategy review, made for the first time over the last twenty years, was to make sure that the monetary policy strategy is in line with the current and future goals. The new strategy aims at a 2.0% inflation rate in the medium term and allows for the possibility to exceed the above-mentioned target, if necessary. In the course of this strategy revision, the ECB also approved an ambitious plan of action on climate change. The ECB Governing Council also assured that its interest rates continued to be the main monetary policy instrument

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1780-1.1894/EUR.

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### WEEKLY ISSUE

#### EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1858	0.3	-2.8	-3.4
GBP/USD	1.3901	0.6	-1.5	1.7
USD/RUB	75.1952	3.1	3.3	1.8
USD/UAH	27.3234	-0.3	0.9	-3.3

#### STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	4,369.6	0.4	3.6	16.3
FTSE 100 (UK)	7,121.9	0.0	0.6	10.2
MXME (East. Eur.)	187.3	-1.3	-2.9	15.0
PFTS (Ukraine)	528.9	0.0	-0.4	5.8
RTS (Russia)	1635.0	-1.5	-2.4	17.8

#### KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.239	-2.3	-0.8	-30.1
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	0.0	-9.0	-7.4
Brent. USD/barrel	75.6	-0.8	5.3	47.6
WTI. USD/barrel	74.6	-0.8	6.8	54.1
Gold. USD/ounce	1,806.0	1.1	-4.7	-4.3

Source: Bloomberg

## MACROECONOMY

### Consumer prices

According to information of the State Statistics Service, the Consumer Price Index went up 0.2% in June 2021 compared to May 2021. Compared to June 2020, consumer prices grew 9.5%. Since the beginning of the current year, consumer prices increased 6.4%.

In June 2021, core inflation landed at 0.4% compared to the previous month and at 4.3% since the beginning of the current year.

The consumer market registered that prices for the entire group of food products and non-alcoholic beverages inched down 0.1% in June 2021 compared to May 2021. Prices for eggs shrank the most (-16.0%). Prices for fruits, vegetables, milk, lard, and pork declined 2.8-0.4%. At the same time, prices for sunflower oil, fish and fish products, rice, pasta, poultry meat, non-alcoholic beverages, cheeses, products made from grain crops, beef, butter, and sugar rose 3.4-0.4%.

Prices for alcoholic beverages and tobacco products grew 1.0% over the previous month, including prices for tobacco products hiking 1.2% and prices for alcoholic beverages increasing 0.7%.

Prices (rates) for housing, water supply, electricity, gas, and other types of fuel went up 0.4% in June 2021, which was mainly the result of higher rates for maintenance of houses and adjoining territories (+1.0%) and higher prices for natural gas (+0.7%).

In June 2021, transport prices grew 1.0%, first of all, due to prices for passenger fare in railway and road transport going up 5.3% and 2.4% respectively.

Prices for healthcare services inched up 0.4%; prices in hotels and restaurants rose 1.1%, prices for recreational and cultural services increased 0.6%. At the same time, prices for communication services remained at the level of May 2021.

### Producer prices

According to information of the State Statistics Service, the Producer Price Index went up 2.4% in June 2021 compared to May 2021. Compared to June 2020, producer prices soared 39.1%.

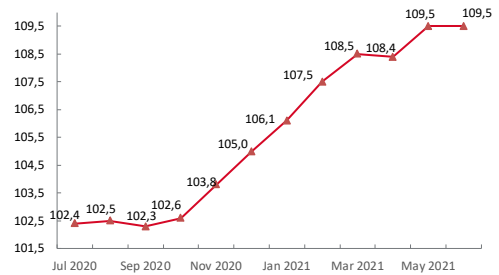
In June 2021, the country registered that producer prices in mining and quarrying jumped 10.9% compared to May 2021. Prices in the extraction of crude petroleum and natural gas hiked 13.5%, while prices in mining of metal ores leapt 14.9%. At the same time, prices in manufacturing of black coal inched down 0.6%.

Producer prices in manufacturing went up 1.9% in June 2021 compared to May 2021. The country registered that prices grew 0.5% in manufacture of food products, beverages and tobacco products, 2.0% in manufacture of wood, paper products and printing, 1.9% in manufacture of coke and refined petroleum products, 0.9% in manufacture of key pharmaceuticals, medicinal and botanical products, 6.3% in steel industry, and 0.1% in machine-building. At the same time, prices in manufacture of chemicals and chemical products declined 2.4%.

Prices in electricity, gas, steam, and air-conditioning supply shrank 1.4%.

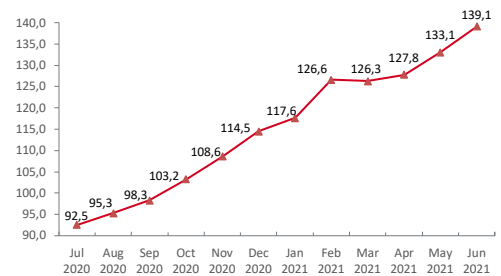
In June 2021, prices went up 5.6% in the production of intermediate goods, 0.6% and 0.4% in the production of non-durable and durable consumer goods respectively. Prices in energy generation increased 1.0%.

### 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 on 06 July, the Ministry of Finance (MoF) offered investors medium-term bonds denominated in the national currency. For instruments maturing in twelve months and eighteen months, a limit for the total amount of placement was set at UAH 2.0 billion for each issue. However, demand was much lower. Overall, MoF satisfied all bids submitted in full.

Twenty-six bids for the total of UAH 950.0 million (at face-value) were submitted for purchasing bonds maturing in 12 months. The requested yields ranged within the limits of 10.95-10.99% p.a. The accepted yield was fixed at 10.99% p.a.

Demand for the bonds maturing in 18 months consisted of thirteen bids for the total of UAH 83.3 million (at face-value). The single requested yield stood at 11.30% p.a. The accepted yield was established at 11.30% p.a.

Seventeen bids for the total of UAH 1.5 billion (at face-value) were submitted for purchasing instruments maturing in two years. The requested yields ranged within the limits of 12.00 - 12.09% p.a. The accepted yield was set at 12.09% p.a.

Demand for the bonds maturing in three years consisted of fourteen bids for the total of UAH 386.5 million (at face-value). The single requested yield stood at 12.30% p.a. (same as at the previous auction). The accepted yield was fixed at 12.30% p.a.

Bonds maturing in five years scored sixteen bids for the total of UAH 79.4 million (at face-value). The single requested yield stood at 12.59% p.a. The accepted yield was established at 12.59% p.a.

As a result of the auction to place domestic government bonds held on 06 July 2021, MoF managed to raise UAH 3.1 billion to the State Budget.

Over the previous week, the volume of outstanding domestic government bonds went down UAH 4.7 billion and, as of 09 July 2021, totaled UAH 995.4 billion (according to the total principal).

There are no payouts of domestic government bonds scheduled for the current week.

### NBU TRANSACTIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 303.9 billion, including overnight certificates for the total of UAH 290.3 billion (the interest rate - 6.50% p.a.).

On Friday, 09 July, 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 two banks for the total of UAH 0.4 billion were satisfied. The interest rate reached 7.50% p.a. As a result of the second tender to refinance banks for the period of up to 1,092 days (three years), bids of fifteen banks for the total of UAH 5.0 billion were satisfied. The weighted average interest rate reached 7.66% p.a.

On Friday, 09 July, the National Bank placed deposit certificates maturing in two weeks for the total of UAH 13.6 billion. The interest rate - 7.50% p.a.

Banks used the standing NBU refinancing line (overnight) for the total of UAH 780.0 million over the previous week (the interest rate - 8.50% p.a.).

A balance of the State Treasury transactions landed at UAH 6.7 billion over 05-09 July.

The banking system liquidity is staying at an excessive level (about UAH 220.0 billion) and is concentrated in NBU deposit certificates and on correspondent accounts of banks with the National Bank.

## THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
06 July	378 days	10.99%	26/26	1,001.01
06 July	504 days	11.30%	13/13	84.15
06 July	777 days	12.06%	17/17	1,539.81
06 July	1,092 days	12.30%	14/14	386.52
06 July	1,771 days	12.59%	16/16	80.53

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	0.0	-2.2
Banks	501.6	-0.9	-0.8	-3.4
Legal entities	48.5	0.5	2.3	-16.6
Territorial	0.0	-100.0	-100.0	-100.0
Private individ.	17.9	-1.8	4.7	61.7
Non-residents	110.1	-0.2	1.5	29.1

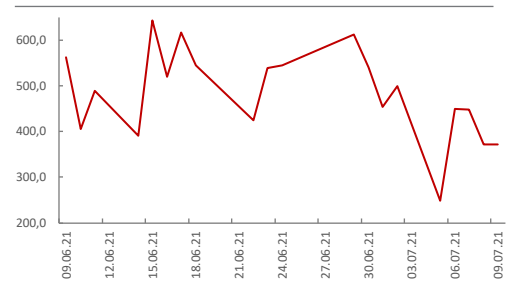
Source: the National Bank of Ukraine

## MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	47.5	-6.9	7.6	26.8	
NBU refinancing. UAH billions	121.1	3.9	11.8	24.6	
NBU deposit certificates	O/N. UAH billions	48.0	-11.3	1.1	-8.8
	Total. UAH billions	172.3	4.5	6.8	5.3

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 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: 6.6350% p.a. on 05 July, 6.5818% p.a. on 06 July, 6.5550% p.a. on 07 July, 6.5875% p.a. on 08 July, and 6.6969% p.a. on 09 July.

### FOREIGN EXCHANGE MARKET

During the previous trading week, the Ukrainian interbank foreign exchange market was balanced and the US dollar quotations ranged within a narrow corridor of UAH 27.20-27.36/USD. The market was balancing mainly on its own. The National Bank carried out foreign currency interventions to replenish its reserves. As a result, on Friday, 09 July, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 27.3234/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 27.25-27.35/USD on Monday, 05 July, UAH 27.20-27.30/USD on Tuesday, 06 July, UAH 27.25-27.35/USD on Wednesday, 07 July, UAH 27.25-27.35/USD on Thursday, 08 July, and UAH 27.28-27.36/USD on Friday, 09 July.

Over 05-09 July, the National Bank purchased USD 20.00 million from banks by way of the best exchange rate interventions.

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

### UKRAINE ON INTERNATIONAL CAPITAL MARKETS

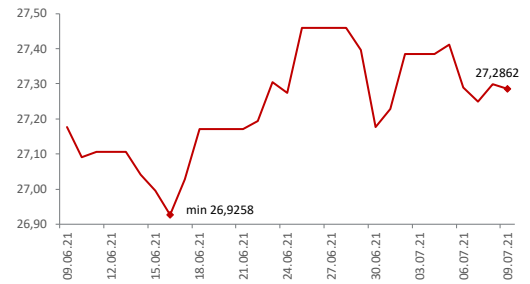
JSC Ukrzaliznytsia raised financing totaling USD 300.0 million by way of issuing Loan Participation Notes (LPNs) in line with the Regulation S that will mature in 2026. According to the results of pricing, the rate of return on the above-mentioned Eurobonds reached 7.875% p.a.

Investors demonstrated serious interest in financing the company – demand for the acquisition doubled the company's supply, 70 investors mostly representing the UK and Switzerland submitted bids for financing the company. Funds raised through this issue will be used to refinance the existing debt in order to reduce the cost of financing the company and to lower the burden on its liquidity.

Joint Lead-Managers and Book Runners of the issue – J.P. Morgan and Dragon Capital – organized the deal.

On 07 July, the National Securities and Stock Market Commission made a decision to allow Eurobonds of Ukrainian companies issued through foreign issuers – DTEK RENEWABLES FINANCE B.V. (ISIN XS2069980246), MHP SE (ISIN XS1577965004), VFU Funding PLC (ISIN XS2114201622), KONDOR FINANCE PLC (ISIN XS2027393938), and BIZ FINANCE PLC (ISIN XS1261825621) – for circulation on the territory of Ukraine (bold in the table)

### 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	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
<b>Ukreximbank</b>	<b>9,75</b>	<b>22.01.2025</b>	<b>107,54</b>	<b>108,62</b>	<b>6,96</b>	<b>USD</b>
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
<b>DTEK Renew.</b>	<b>8,5</b>	<b>12.11.2024</b>	<b>99,36</b>	<b>100,49</b>	<b>8,32</b>	<b>EUR</b>
<b>MHP SE</b>	<b>7,75</b>	<b>10.05.2024</b>	<b>108,67</b>	<b>108,96</b>	<b>4,34</b>	<b>USD</b>
MHP Lux SA	6,95	03.04.2026	105,88	106,42	5,39	USD
MHP Lux SA	6,25	19.09.2029	99,16	100,48	6,17	USD
Kernel Holding	8,75	31.01.2022	103,38	103,50	2,24	USD
Kernel Holding	6,50	17.10.2024	106,80	107,52	4,01	USD
<b>VF Ukraine</b>	<b>6,20</b>	<b>11.02.2025</b>	<b>103,80</b>	<b>103,93</b>	<b>5,02</b>	<b>USD</b>
Ukraine Railways	9,88	15.09.2021	100,75	100,98	3,94	USD
Ukraine Railways	8,25	09.07.2024	105,02	105,34	6,26	USD
<b>NAK Naftogaz</b>	<b>7,38</b>	<b>19.07.2022</b>	<b>103,12</b>	<b>103,23</b>	<b>4,09</b>	<b>USD</b>
NAK Naftogaz	7,13	19.07.2024	103,58	104,64	5,41	EUR
NAK Naftogaz	7,625	08.11.2026	102,94	103,84	6,75	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)
<b>Consumer price growth. % year-on-year</b>	13,7	9,8	4,1	5.0	<b>9.5 (June)</b>
<b>Producer price growth. % year-on-year</b>	16,5	14,2	-7,4	14.5	<b>39.1 (June)</b>
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)
<b>International reserves, USD billions, by the end of the period</b>	18,8	20,8	25,3	29.1 (preliminary estimate)	<b>28.4 (June)</b>
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



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