

Financial markets survey

26 July 2021

THE REPORTING SEASON

The ECB left its key rates unchanged
Industrial output in Ukraine slowed down
The NBU raised its key policy rate to 8.0%

GLOBAL MARKET

Successful start of the corporate reporting season in the US supported optimistic moods on global financial markets after a large-scale sale at the beginning of the last week. Market participants were also estimating ambiguous data on the US residential real estate market. At the same time, the situation with the spread of the new coronavirus variant across the world and its consequences for the global economy continue to be the main reason for anxiety.

The market was supported by strong quarterly performance indicators of companies in the corporate sector, first of all, performance indicators of energy companies, social networks and hi-tech companies.

Statistical data published on Tuesday, 20 July, demonstrated a substantially higher-than-expected growth in the number of new houses in the US over the previous month. The number of new constructions in the US in June rose 6.3% against May and landed at 1.643 million in annual terms. This is a record-high value over the last three months. At the same time, the number of residential building permits fell 5.1% in June to 1.598 million, which is a record-low indicator since October 2020. Residential real estate sales on the secondary market jumped 1.4% to 5.86 million in annual terms after dropping 1.2% in May.

Industrial output in the US grew 0.4% in June compared to the previous month, when the above-mentioned indicator rose 0.7%. In annual terms, industrial output increased 9.8%. In June, utilization of production capacities rose to 75.4%, which is a record-high since the beginning of the pandemic, from 75.1% registered in May.

Unexpected growth in the number of applications for unemployment benefit in the US reinforced the anxiety regarding the power of economic recovery. The number of weekly applications grew 51,000 and landed at 419,000. This is a record-high value over the last nine weeks.

As a result of its meeting held on 22 July, the ECB left its key interest rates unchanged. The capacity of the Pandemic Emergency Purchase Program (PEPP) also remained unchanged. ECB President Christine Lagarde expects that accelerating inflation is a temporary phenomenon. It is worth expecting a drop in inflation during the next year. Christine Lagarde emphasized the need to keep favorable financing conditions across all sectors of the economy during the coronavirus pandemic.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1750-1.1830/EUR.

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WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1767	-0.3	-1.5	-4.1
GBP/USD	1.3748	-0.1	-1.5	0.6
USD/RUB	73.6945	-0.7	0.7	-0.2
USD/UAH	27.0480	-0.7	-0.8	-4.3

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	4,411.8	2.0	4.0	17.5
FTSE 100 (UK)	7,027.6	0.3	-0.7	8.8
MXME (East. Eur.)	182.8	-0.7	-4.0	12.2
PFTS (Ukraine)	525.1	-0.4	-1.1	5.1
RTS (Russia)	1,595.9	-0.5	-4.2	15.0

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.241	-0.3	-0.9	-29.4
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.	8.000	6.7	6.7	33.3
CB RF. % p.a.	6.500	18.2	18.2	52.9

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	216.5	-0.5	-10.0	-15.3
Brent. USD/barrel	74.1	0.7	-0.5	44.7
WTI. USD/barrel	72.1	0.7	-0.4	49.6
Gold. USD/ounce	1,799.6	-1.4	0.4	-4.7

Source: Bloomberg

MACROECONOMY

Industrial output

According to information of the State Statistics Service, industrial output in Ukraine grew 0.7% in June 2021 compared to June 2020 with due consideration for an adjustment to the calendar days' effect and 1.1% without the above-mentioned adjustment. Compared to May 2021, industrial output shrank 0.7% with due consideration for seasonal adjustment. Without the above-mentioned adjustment, the indicator remained unchanged.

Output in mining and quarrying went up 2.5% in June 2021 compared to June 2020 without adjustments. The country registered that black and brown coal output rose 3.5%, while metal ores output grew 4.2%. At the same time, crude oil and natural gas output went down 1.3%.

Output in processing industry registered a 2.0% increase in June 2021 compared to June 2020 without adjustments. Output in coke production and oil refining rose 6.8%, output in basic pharmaceutical products and pharmaceutical preparations grew 8.0%, output in steel industry went up 7.0%, and output in machine-building leapt 17.6%. At the same time, output in food products and beverages declined 16.3%, while output in chemicals and chemical products went down 7.7%.

Output in electricity, gas, steam, and air conditioning supply went down 5.5% in June 2021.

Transportation

Over January-June 2021, freight turnover of transportation companies totaled 137.1 billion ton-km, which constitutes 101.7% compared to January-June 2020. Over the first six months of the current year, transportation companies carried 287.3 million tons of freight, which stands at 104.3% of the similar indicator registered over January-June of the previous year.

Over January-June 2021, passenger turnover of transportation companies reached 27.9 billion passenger-km, which stands at 121.1% compared to the first six months of 2020. 1,262.9 million passengers used services of passenger transport over January-June 2021, which accounted for 104.2% of the indicator registered over January-June of the previous year.

Over January-June 2021, freight transportation went up 2.8% by railway transport, 15.5% by road transport and 4.5% by air transport compared to January-June 2020. At the same time, freight transportation dropped 3.9% by water transport, and 12.0% by pipeline transport.

Construction

In May 2021, the Index of Construction Products reached 93.1% seasonally adjusted as compared to April 2021 and 91.6% adjusted to the calendar days' effect as compared to May 2020.

The Index of Construction Products landed at 93.9% over January-May 2021 compared to January-May 2020.

Ukrainian companies carried out construction works (construction products output) for the total of UAH 54.4 billion over January-May 2021.

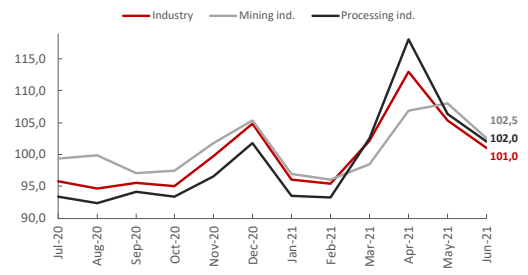
Construction of new objects made up 40.6% of total construction works, overhaul and maintenance works accounted for 31.6%, while reconstruction and technical re-equipment came to 27.8% of total construction works.

LATEST MACROECONOMIC DATA

Indicator	Value
Industrial output change in June 2021, % year-on-year (without adjustments)	1.1

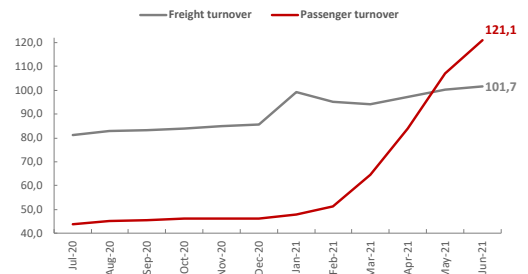
Source: the State Statistics Service

INDUSTRIAL OUTPUT INDEX (% year-on-year, without adjustments)



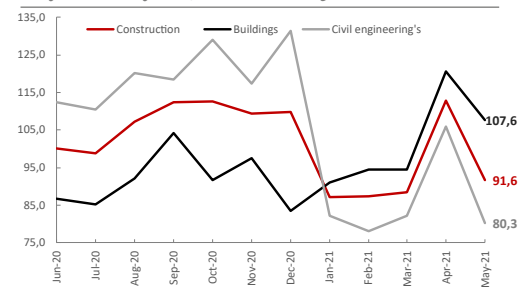
Source: the State Statistics Service (revised data)

TRANSPORTATION SERVICES (% year-on-year, progressive total)



Source: the State Statistics Service

THE INDEX OF CONSTRUCTION PRODUCTS (% year-on-year, without adjustments)



Source: the State Statistics Service

BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for placing domestic government bonds, which was held on 20 July, the Ministry of Finance (MoF) offered investors six issues of bonds, including instruments denominated in Euros. The major part of the total sum was raised by way of placing instruments denominated in hryvnia and maturing in two years that enjoyed the highest demand. Instruments denominated in hryvnia and maturing in three years and in five years enjoyed the lowest demand.

Bonds maturing in twelve months scored twenty-eight bids for the total of UAH 2.0 billion. The requested yields ranged within the limits of 10.95-10.99% p.a. The accepted yield was fixed at 10.99% p.a.

Nine bids for the total of UAH 0.1 billion were submitted for purchasing instruments maturing in eighteen months. The single requested yield stood at 11.30% p.a. The accepted yield was established at 11.30% p.a.

Bonds maturing in two years collected eleven bids for the total of UAH 5.4 billion. The single requested yield stood at 12.09% p.a. The accepted yield was fixed at 12.09% p.a.

Nine bids for the total of UAH 18.0 million were submitted for purchasing instruments maturing in three years. 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 five bids for the total of UAH 16.4 million. The single requested yield stood at 12.59% p.a. The accepted yield was established at 12.59% p.a.

Eighteen bids for the total of EUR 8.3 million were submitted for purchasing instruments denominated in Euros and maturing in twelve months. The requested yields ranged within the limits of 2.50-2.70% p.a. The Ministry of Finance set the accepted yield at 2.50% p.a. and rejected one bid.

As a result of the auction to place domestic government bonds held on 20 July 2021, MoF managed to raise UAH 7.8 billion to the State Budget.

Over the previous week, the volume of outstanding domestic government bonds went down UAH 8.7 billion and, as of 23 July 2021, totaled UAH 996.2 billion (according to the total principal).

During the current week, the MoF will have to pay out one issue of domestic bonds for the total of UAH 1.2 billion (due on 28 July) and one issue of domestic bonds for the total of USD 0.3 billion (due on 29 July).

NBU TRANSACTIONS

The NBU Board has decided to raise the key policy rate to 8.0% p.a. Given the significant increase in underlying inflationary pressures, this step is necessary to return inflation to 5.0% in 2022 and keep inflation expectations in check.

The National Bank of Ukraine (NBU) has revised the operational design of the monetary policy due to a gradual recovery of the economy and return to normal operational conditions of the financial system. Starting from 23 July, the cost of refinancing loans issued through tenders will increase, including: interest on refinancing loan issued to banks for the term of up to 90 days through holding a tender with full allotment shall be the key policy rate + 1 pp (previously it was equal to the key policy rate) interest on refinancing loan issued to banks for the term of up to 3 years through holding a variable rate tender with limited allotment shall not be less than the key policy rate + 1 pp (previously it was not less than the key policy rate).

Over the last week, market participants purchased NBU deposit certificates for the total of UAH 148.2 billion, including overnight certificates of deposit for the total of UAH 122.6 billion (the interest rate - at 6.50% p.a., since 23 July - at 7.00% p.a.).

THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
20 July	364 days	10.99%	28/28	1,930.48
20 July	490 days	11.30%	9/9	144.45
20 July	763 days	12.09%	11/11	5,383.00
20 July	1,078 days	12.30%	9/9	18.11
20 July	1,757 days	12.59%	5/5	16.69
20 July	323 days	2.50%	18/17	8.16**

** EUR millions

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	504.2	-1.4	-0.6	-2.9
Legal entities	48.5	-1.6	0.3	-16.5
Territorial	0.0	-0.0	-100.0	-100.0
Private individ.	18.8	-1.5	3.0	69.1
Non-residents	107.4	-0.5	-3.3	26.0

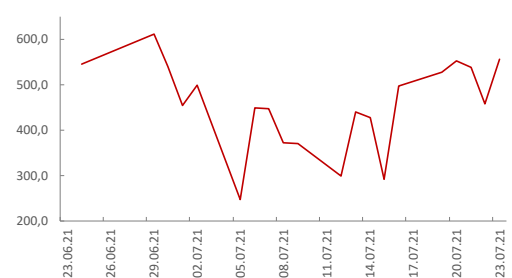
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	53.4	-8.7	-6.6	42.3	
NBU refinancing. UAH billions	120.4	-0.1	2.7	23.9	
NBU deposit certificates	O/N. UAH billions	30.5	-7.4	-24.6	-42.0
	Total. UAH billions	164.3	6.2	-1.2	0.4

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

A scheduled NBU quantitative liquidity-providing tender to refinance banks, which was announced on Friday, 23 July, failed to take place.

On Friday, 23 July, the NBU placed deposit certificates maturing in two weeks for the total of UAH 25.6 billion. The interest rate - at 8.00% p.a.

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

A positive balance of the State Treasury transactions landed at UAH 3.4 billion over 19-23 July.

INTERBANK LENDING MARKET

Rates for overnight lending loans in the national currency went up in response to the NBU key policy rate hike and are ranging within the limits of 6.00-7.50% p.a. on the interbank lending market, while the Ukrainian OverNight Index Average (UONIA) stood at: 6.6175% p.a. on 19 July, 6.6435% p.a. on 20 July, 6.8071% p.a. on 21 July, 6.7342% p.a. on 22 July, and 7.2667% p.a. on 23 July.

FOREIGN EXCHANGE MARKET

Starting from 01 August and until the end of 2021, the NBU intends to buy up to USD 5.0 million per day on the interbank FX market in order to raise international reserves. Such interventions will be conducted only if the hryvnia exchange rate strengthens in comparison with the previous trading day.

Key events of the previous week were the increase of the key policy rate to 8.0% p.a. by the National Bank and the hike of the refinancing rate for banks, which contributed to appreciation of the national currency. As a result, on Friday, 23 July, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 27.0480/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 27.17-27.25/USD on Monday, 19 July, UAH 27.18-27.25/USD on Tuesday, 20 July, UAH 27.20-27.28/USD on Wednesday, 21 July, UAH 27.17-27.25/USD on Thursday, 22 July, and UAH 27.02-27.12/USD on Friday, 23 July.

Over 19-23 July, the National Bank purchased USD 32.0 million from banks by way of the best exchange rate interventions.

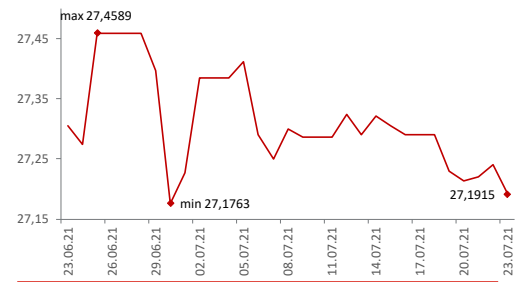
The overall foreign currency sales on the interbank foreign exchange market reached USD 2.6 billion over the previous week.

UKRAINE ON GLOBAL MARKETS

Ukraine has priced a USD 500.0 million tap issue of its outstanding USD 1.25bn 6.876% Notes due 21 May 2029. The additional issuance was priced at 6.30% yield with re-offer price of 103.493 per cent. The final orderbook of USD 1.7bn allowed to achieve tightening of 32.5 bps from the initial guidance and price the offering 57.5 bps tighter comparing to the yield achieved on the original USD 1.25bn issue completed in April earlier this year.

BNP Paribas and Goldman Sachs International acted as Joint Lead Managers. Settlement of the additionally issued Eurobonds is expected to take place on July 27, 2021. The proceeds will be used for general budgetary purposes.

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	100,51	100,92	-2,20	USD
Ukraine-2022	7,75	01.09.2022	104,68	105,22	2,86	USD
Ukraine-2023	7,75	01.09.2023	107,39	107,96	3,76	USD
Ukraine-2024	8,99	01.02.2024	110,31	110,90	4,36	USD
Ukraine-2024	7,75	01.09.2024	108,81	109,34	4,48	USD
Ukraine-2025	7,75	01.09.2025	108,98	109,56	5,13	USD
Ukraine-2026	6,75	20.06.2026	109,31	109,90	4,45	EUR
Ukraine-2026	7,75	01.09.2026	109,81	110,43	5,38	USD
Ukraine-2027	7,75	01.09.2027	109,81	110,42	5,70	USD
Ukraine- 2028	9,75	01.11.2028	118,90	119,47	6,36	USD
Ukraine- 2030	4,38	27.01.2030	92,73	93,42	5,46	EUR
Ukraine-2032	7,38	25.09.2032	104,53	105,18	6,71	USD
Ukraine-2033	7,253	15.03.2033	103,55	104,20	6,73	USD
Ukreximbank	9,63	27.04.2022	102,76	103,68	4,54	USD
Ukreximbank	7,29	09.02.2023	99,47	100,99	6,46	USD
Ukreximbank	9,75	22.01.2025	108,47	108,89	6,84	USD
Oschadbank	9,38	10.03.2023	104,47	104,89	6,14	USD
Oschadbank	7,22	19.01.2024	95,00	99,04	7,46	USD
Oschadbank	9,63	20.03.2025	108,76	108,88	6,83	USD
Metinvest BV	7,75	23.04.2023	106,82	107,09	3,51	USD
Metinvest BV	5,63	17.06.2025	105,70	106,62	3,78	EUR
Metinvest BV	8,50	23.04.2026	113,75	114,40	5,04	USD
Metinvest BV	7,65	01.10.2027	110,76	111,13	5,50	USD
Metinvest BV	7,75	17.10.2029	110,87	111,60	5,94	USD
DTEK Renew.	8,5	12.11.2024	99,69	100,78	8,22	EUR
MHP SE	7,75	10.05.2024	108,16	108,45	4,48	USD
MHP Lux SA	6,95	03.04.2026	105,67	106,20	5,43	USD
MHP Lux SA	6,25	19.09.2029	99,38	100,70	6,14	USD
Kernel Holding	8,75	31.01.2022	103,22	103,34	2,07	USD
Kernel Holding	6,50	17.10.2024	106,74	107,05	4,14	USD
VF Ukraine	6,20	11.02.2025	104,20	104,21	4,89	USD
Ukraine Railways	9,88	15.09.2021	100,56	100,79	3,67	USD
Ukraine Railways	8,25	09.07.2024	104,98	105,29	6,25	USD
NAK Naftogaz	7,38	19.07.2022	103,59	103,70	3,48	USD
NAK Naftogaz	7,13	19.07.2024	103,40	104,32	5,51	EUR
NAK Naftogaz	7,625	08.11.2026	102,72	103,61	6,80	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	1.1 (June)
Consumer price growth. % year-on-year	13,7	9,8	4,1	5.0	9.5 (June)
Producer price growth. % year-on-year	16,5	14,2	-7,4	14.5	39.1 (June)
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)	28.4 (June)
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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