

# Financial markets survey

10 February 2020

## SLOW DOWN DOES NOT MEAN STOP

**The US Senate voted against impeachment**  
**Inflation in Ukraine continues slowing down**  
**Yields of domestic government bonds stopped sliding**

### GLOBAL MARKET

During the previous week, American indices set their absolute historical record-highs. The reason for such optimism was strong macroeconomic indicators mirroring growing efficiency of American businesses and China's tariff concessions. On Thursday, 6 February, the leading S&P 500 Index set a new record-high once again, reaching 3,348 points.

In January 2020, the rate of unemployment in the US rose to 3.6% from 3.5%. At the same time, labor productivity increased, while non-farm payrolls grew in line with expectations.

On Thursday, the Ministry of Finance of China announced that it would halve duty rates on imports from the US by USD 75 billion as part of its recently signed trade deal with Washington.

The US Senate acquitted US President Donald Trump of all articles of charges brought against him as part of the impeachment procedure. Earlier the US House of Representatives accused Donald Trump of abuse of powers and of obstruction of the Congress. Senators acquitted the president of both charges, which rounded off the impeachment process.

The recovery of global markets of risk assets has stopped. Declining consumer activity and manufacturing efficiency in countries of the Asian-Pacific region are causing anxiety. Central banks across the world are not rushing to speed up programs providing monetary incentives for their national economies.

Statistical data published on Friday demonstrated a record-low fall of industrial output in Germany in December 2019. Industrial output in Germany shrank 3.5% in December compared to November 2019. This is the lowest drop of the above-mentioned indicator for the last decade.

Prices for benchmark crudes continue shrinking due to the fears that global petroleum demand will decline, especially given the fall of industrial output in a number of European countries.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.0944-1.1095/EUR.

### WEEKLY ISSUE

#### EXCHANGE RATES

Currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.0969	-0.8	-1.8	-2.4
GBP/USD	1.2892	-2.4	-1.8	-2.8
USD/RUB	62.7977	-0.4	1.4	1.4
USD/UAH	24.5370	-2.0	3.6	3.6

#### STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	3327.7	3.2	2.8	3.0
FTSE 100 (UK)	7466.7	2.5	-1.4	-1.0
MXME (East. Eur.)	185.1	0.0	-4.9	-4.1
PFTS (Ukraine)	516.8	1.5	1.4	1.4
RTS (Russia)	1518.2	0.1	-3.2	-2.0

#### KEY RATES

Ставка	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	1.835	1.6	-6.1	-8.1
FRS. % p.a.	1.50-1.75	0.0	0.0	0.0
ECB. % p.a.	0.000	0.0	0.0	0.0
NBU. % p.a.	11.000	0.0	-18.5	-18.5
CB RF. % p.a.	6.000	-4.0	-4.0	-4.0

#### COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	223.0	-1.1	7.5	9.3
Brent. USD/barrel	54.5	-3.8	-19.4	-16.6
WTI. USD/barrel	50.3	-2.4	-19.5	-17.2
Gold. USD/ounce	1572.7	-0.7	0.3	3.8

Source: Bloomberg

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## MACROECONOMICS

### Consumer prices

According to information of the State Statistics Service, the Consumer Price Index inched up 0.2% in January 2020 compared to December 2019. Compared to January of the previous year, consumer prices rose 3.2%.

In January 2020, core inflation landed at -0.2% compared to the previous month and at 3.3% compared to January 2019.

The consumer market registered that prices for the entire group of food products and non-alcoholic beverages went up 0.5% in January 2020. Prices for vegetables grew the most (6.6%). Prices for products made from sour milk, beef, products made from grain crops, milk, cheeses, non-alcoholic beverages, and bread rose 1.4-0.3%. At the same time, prices for eggs, sugar, pork, rice, fish and fish products, and sunflower oil went down 1.5-0.3%.

Prices for alcoholic beverages and tobacco products rose 0.8% over the previous month, which is connected with prices for tobacco products growing 1.7%.

Prices for clothes and footwear declined 5.6% over the previous month, including 5.7% for footwear and 5.5% for clothes.

In January 2020, transport prices went down 0.7% on the whole, which was mainly the result of prices for fuel, petroleum, oils, and lubricants shrinking 4.0% and rail transport fare sliding 1.5%. At the same time, passenger fare in road transport grew 1.4%.

Prices (rates) for housing, water supply, electricity, gas, and other types of fuel went up 1.7% in January 2020, which was mainly the result of higher rates for natural gas (+10.7%). At the same time, heating prices declined 2.9%.

Prices for healthcare services, as well as rest, recreation and cultural services remained unchanged in January 2020. Prices in hotels and restaurants increased 0.6%, while prices for education services rose 1.4%. Prices for communication services went up 0.8%, which is connected with higher prices for postal services (+12.5%).

### Wages

The average nominal monthly wage of full-time staff members employed at companies, institutions and organizations totaled UAH 12,264.00 in December 2019, which constitutes approximately 290.0% of the minimum wage (UAH 4,173.00).

The average wage went up 14.8% in December 2019 compared to November 2019. Over the last twelve month (compared to December 2018), the average wage grew 16.0%.

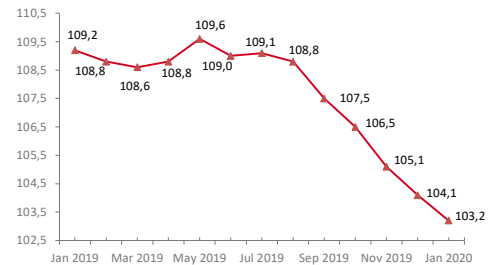
In December 2019, the Index of Real Wages reached 115.1% compared to November 2019 and 111.3% compared to December 2018.

In December 2019, the highest average wages were observed in the city of Kyiv (UAH 18,869.00), Kyiv oblast (UAH 13,259.00) and Donetsk oblast (UAH 13,177.00). The lowest wages were registered in Chernihiv oblast (UAH 8,851.00), Kirovohrad oblast (UAH 9,450.00) and Chernivtsi oblast (UAH 9,608.00).

The highest average wages were registered among those employed in finance and insurance (UAH 22,198.00), public administration and defense (UAH 20,360.00), as well as information and telecommunications (UAH 19,634.00).

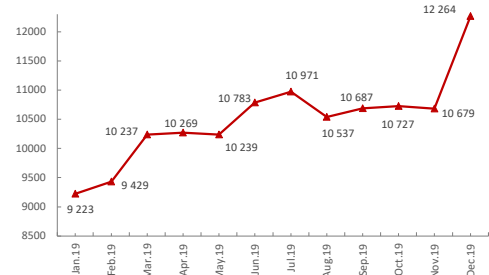
As of 1 January 2020, total wage arrears were registered at UAH 3,034.4 million or at 94.2% compared to 1 December 2019.

### CONSUMER PRICE INDEX (month-on-month of the previous year, %)



Source: the State Statistics Service

### AVERAGE NOMINAL WAGES (UAH)



Source: the State Statistics Service

## BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for primary placement of domestic government bonds, which was held on 04 February, the Ministry of Finance offered three issues of bonds denominated in hryvnia.

Demand for bonds maturing in five months totaled UAH 1.1 billion, given the established limit of UAH 0.5 billion. Seven bids were submitted to purchase the above-mentioned instrument, while the requested yields ranged within the limits of 9.50-11.00% p.a. The Ministry of Finance set the accepted yield at 10.00% p.a. and satisfied only four bids.

Bonds maturing in June 2021 enjoyed the highest demand. Twelve bids for the total of UAH 2.1 billion were submitted for purchasing them. The requested yields ranged within the limits of 9.63-11.00% p.a. There was a limit of UAH 1.0 billion established for the above-mentioned placement, which made it possible for the Ministry of Finance to lower the accepted yield down to 10.10% p.a. and to reject three bids.

The offer of bonds maturing in three years did not raise any increased demand among investors. Twenty-six bids for the total of UAH 0.9 billion were submitted for purchasing the above-mentioned instrument. The requested yields ranged within the limits of 9.50-10.20% p.a. Setting the accepted yield at 10.15% p.a., the Ministry of Finance rejected one bid.

During the current week, the Ministry of Finance will have to pay out one issue of domestic government bonds for the total of UAH 2.1 billion and one issue of domestic government bonds denominated in US dollars for the total of USD 0.4 billion (both due on 12 February).

As a result of the auction held on 04 February, the Ministry of Finance raised UAH 2.3 billion to the State Budget of Ukraine.

Over the previous week, the volume of outstanding domestic government bonds went down UAH 1.4 billion and, as of 07 February 2020, totaled UAH 816.8 billion (according to the total principal).

## NBU OPERATIONS

Last week, market participants purchased NBU deposit certificates for the total of UAH 331.1 billion, including overnight certificates of deposit for the total of UAH 163.6 billion.

On Friday, 07 February, the National Bank placed deposit certificates maturing in fourteen days for the total of UAH 167.5 billion, satisfying bids of sixty-four banks.

The interest rate stood at 9.00% p.a. for overnight certificates of deposit and at 11.00% p.a. for deposit certificates maturing in fourteen days.

One bank used the standing NBU refinancing line (overnight loans) for the total of UAH 0.2 billion during the previous week. The interest rate reached 13.00% p.a.

The balance of the State Treasury transactions landed at UAH 4.9 billion over the previous week.

The banking system liquidity is at a high level and is concentrated on correspondent accounts of banks with the National Bank and in NBU deposit certificates.

## INTERBANK LENDING MARKET

The interbank lending market was stable during the previous week. Interest rates for overnight, weekly and monthly lending resources in the national currency were ranging within the limits of 8.50-10.50% p.a.

## THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of Domestic bonds	Weighted average yield	Submit./satisfied bids	Funds raised. UAH millions
04 Feb.	154 days	9.60%	7/4	270.82
04 Feb.	483 days	9.77%	12/9	1113.53
04 Feb.	1106 days	9.84%	26/25	943.59

Source: the Ministry of Finance of Ukraine

## OWNERS OF DOMESTIC GOVERNMENT BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	330.2	-0.7	-2.0	-2.0
Banks	325.3	-0.5	-2.2	-3.3
Legal entities	25.0	1.4	-5.2	-5.2
Private individ.	9.3	0.2	-6.8	-4.8
Non-residents	127.1	1.7	8.8	8.0

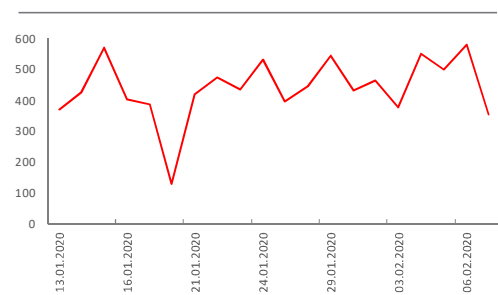
Source: the National Bank of Ukraine

## MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	56.5	-14.6	11.8	7.8	
NBU refinancing. UAH billions	44.8	0.0	-0.1	-0.4	
NBU deposit certificates	O/N. UAH billions	20.8	-53.1	-68.2	-64.6
	Total. UAH billions	164.4	-12.6	3.6	8.2

Source: the National Bank of Ukraine

## TRADING VOLUMES (USD MILLIONS)



Source: NBU

## FOREIGN EXCHANGE MARKET

During the previous week, the Ukrainian interbank foreign exchange market observed that hryvnia was appreciating at a more rapid pace thanks to incoming export proceeds. The NBU promptly entered the interbank market to buy foreign currency and, thus, adjusted quotations of the US dollar. As a result, on Friday, 07 February, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 24.5370/USD.

Trading on the interbank foreign exchange market ranged within the following limits: UAH 25.02-25.14/USD on Monday, 03 February, UAH 24.80-24.95/USD on Tuesday, 04 February, UAH 24.70-24.85/USD on Wednesday, 05 February, UAH 24.54-24.64/USD on Thursday 06 February, UAH 24.49-24.59/USD on Friday, 07 February.

Over 03-07 February, the National Bank purchased USD 362.50 million from banks (USD 100.00 million by way of the best exchange rate interventions and USD 262.50 million by way of the single exchange rate interventions) and sold USD 45.00 million to banks by way of the best exchange rate interventions.

Over the previous week, the foreign exchange sales reached USD 2.4 billion.

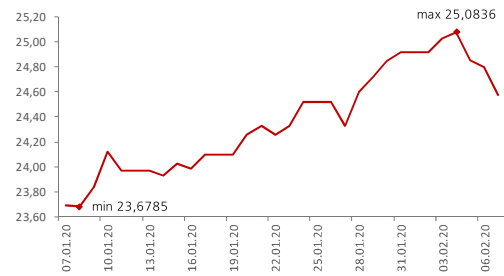
## BONDS AND SHARES OF UKRAINIAN ISSUERS

Private JSC VF Ukraine (Vodafone Ukraine), the second largest mobile telecommunications operator in Ukraine in terms of the number of users that is part of NEQSOL Holding, placed its first issue of Eurobonds totaling USD 500 million on international capital markets. The Eurobonds will yield 6.20% per annum and will mature before 11 February 2025. VFU Funding PLC issued securities for the purpose of subsequent financing of Vodafone Ukraine.

The Eurobonds will be added to the quotations list of the Irish Stock Exchange Euronext Dublin (Global Exchange Market). It is expected that bonds will be rated B by S&P and B by Fitch rating agencies (in accordance with Vodafone Ukraine corporate ratings).

J.P. Morgan acted as Sole Global Coordinator and Joint Bookrunner, Raiffeisen Bank International acted as Joint Lead Manager and Joint Bookrunner, Dragon Capital and ICBC Standard Bank acted as Joint Lead Managers of the offering.

## NBU EXCHANGE RATE (UAH/USD)



Source: NBU

## QUOTATIONS ON GLOBAL MARKETS

Name	Coupon	Maturity	Bid Price	Ask Price	Ask YTM	Cur
Ukraine-2020	7,75	01.09.2020	102,34	102,71	2,75	USD
Ukraine-2021	7,75	01.09.2021	106,46	106,96	3,11	USD
Ukraine-2022	7,75	01.09.2022	109,28	109,78	3,69	USD
Ukraine-2023	7,75	01.09.2023	111,22	111,72	4,16	USD
Ukraine-2024	8,99	01.02.2024	115,55	116,16	4,50	USD
Ukraine-2024	7,75	01.09.2024	112,02	112,62	4,64	USD
Ukraine-2025	7,75	01.09.2025	113,07	113,69	4,90	USD
Ukraine-2026	6,75	20.06.2026	116,99	117,63	3,59	EUR
Ukraine-2026	7,75	01.09.2026	114,13	114,63	5,10	USD
Ukraine-2027	7,75	01.09.2027	113,84	114,37	5,41	USD
Ukraine-2028	9,75	01.11.2028	125,05	125,55	5,95	USD
Ukraine-2030	4,38	27.01.2030	99,64	100,18	4,42	EUR
Ukraine-2032	7,38	25.09.2032	111,93	112,57	5,94	USD
Ukreximbank	16,50	02.03.2021	104,85	105,99	10,33	UAH
Ukreximbank	9,63	27.04.2022	106,17	106,89	6,23	USD
Ukreximbank	9,05	09.02.2023	100,56	101,45	8,18	USD
Ukreximbank	9,75	22.01.2025	108,29	109,03	7,53	USD
Oschadbank	9,38	10.03.2023	106,20	106,42	7,01	USD
Oschadbank	9,07	19.01.2024	99,00	100,57	8,45	USD
Oschadbank	9,63	20.03.2025	105,93	106,14	8,13	USD
Privatbank CJSC	11,00	09.02.2021	9,42	10,78	433,8	USD
Metinvest BV	7,50	31.12.2021	100,08	101,43	6,61	USD
Metinvest BV	7,75	23.04.2023	106,76	107,23	5,26	USD
Metinvest BV	5,63	17.06.2025	104,42	104,99	4,56	EUR
Metinvest BV	8,50	23.04.2026	109,83	110,33	6,45	USD
Metinvest BV	7,75	17.10.2029	105,82	106,65	6,80	USD
DTEK Finance	10,75	31.12.2024	103,65	104,05	9,70	USD
MHP SE	7,75	10.05.2024	107,97	108,34	5,52	USD
MHP Lux SA	6,95	03.04.2026	104,96	105,26	5,91	USD
MHP Lux SA	6,25	19.09.2029	98,47	99,48	6,32	USD
Kernel Holding	8,75	31.01.2022	107,86	108,03	4,44	USD
Kernel Holding	6,50	17.10.2024	105,44	106,20	5,00	USD
Ukraine Railways	9,88	15.09.2021	104,87	105,16	6,40	USD
Ukraine Railways	8,25	09.07.2024	110,22	110,69	5,48	USD
NAK Naftogaz	7,38	19.07.2022	105,12	105,37	5,00	USD
NAK Naftogaz	7,13	19.07.2024	109,78	110,55	4,44	EUR
NAK Naftogaz	7,625	08.11.2026	107,18	108,01	6,15	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2016	2017	2018	2019	2020
GDP. %	2.3	2.5	3.3	4.1 (third quarter, updated estimate)	-
Industrial output. %	2.4	-0.1	1.1	-7.7 (December)	-
Consumer price growth. % year-on-year	12.4	13.7	9.8	4.1 (December)	3.2 (January)
Producer price growth. % year-on-year	35.7	16.5	14.2	-7.4 (December)	-
Balance of payments (consolidated). USD billions	1.3	2.6	2.9	3.3 (December, preliminary estimate)	-
Current account balance. USD billions	-1.3	-2.1	-4.7	2.4 (December, preliminary estimate)	-
Balance of trade. USD billions	-6.5	-8.61	-12.7	-1.2 (December, preliminary estimate)	-
International reserves. USD billions	15.5	18.8	20.8	25.3 (December, preliminary estimate)	26.3 (January, preliminary estimate)
External debt. USD billions	113.6	116.6	114.7	120.0 (third quarter)	-
Banking system assets. % of growth	0.2	6.4	2.0	3.3 (January-November)	-
Exchange rate. by year end. UAH/USD	27.19	28.07	27.69	23.69	24.92 (January)
Exchange rate. annual average. UAH/USD	25.55	26.60	27.20	25.85	24.12 (January)

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	RTSI\$ 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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