

# Financial markets survey

18 May 2020

## TO BE PREPARED IS HALF THE VICTORY

WEEKLY ISSUE

**Macroeconomic indicators are deteriorating across the world**  
**Ukraine's GDP shrank 1.5% YoY in Q1'2020**  
**Volumes of domestic government bonds are growing**

### GLOBAL MARKET

International stock markets are registering increased volatility spurred by the fears of the second wave of the pandemic. A negative sentiment was added by an escalation in the relations between the US and China and a statement made by the FRS chair that the economic crisis was likely to continue and the economic recovery was likely to take a lot of time, which may require new monetary incentives. At the same time, the FRS chair also made it absolutely clear that the regulator did not plan to lower interest rate below zero.

Positive news items for investors were potential approval of another financial assistance package totaling USD 3.0 trillion by the US law-makers and conclusion of a contract in the UK for the production of a coronavirus infection vaccine.

Macroeconomic indicators in the US continue deteriorating. Retail sales in the US shrank a record-low 16.4% in April 2020, despite expectations of a 12.0% drop. Industrial output in the US declined 11.2% in April compared to March 2020. This is a record-low fall of the above-mentioned indicator for more than a hundred years of its calculation history.

In April 2020, the Consumer Price Index in the US inched up 0.3% compared to April 2019. Thus, the rate of inflation slowed down to a record-low since October 2015. At the same time, consumer prices went down 0.8% in April compared to March 2020 and this was a record-low drop since 2008. The Producer Price Index in the US dropped 1.2% in April after rising 0.7% in March 2020.

Despite expectations, the Consumer Confidence Index in the US grew to 73.7 points in May 2020 from 71.8 points registered in April.

Over January-March 2020, GDP of the twenty-seven European Union countries shrank 3.3% in quarterly terms. In annual terms, this indicator dropped 2.6%.

Petroleum prices continue growing spurred by improving forecasts for petroleum demand made by the International Energy Agency. In China, petroleum demand has almost returned to the pre-crisis level.

Gold prices continue staying at their historical record-highs spurred by declining yields of high-reliability debt instruments.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.0773-1.0895/EUR.

### EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.0798	-0.4	-1.0	-3.9
GBP/USD	1.2116	-2.4	-3.2	-8.6
USD/RUB	73.9298	-0.3	0.8	19.4
USD/UAH	26.6380	-0.7	-2.1	12.5

### STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	2863.7	-2.3	2.9	-11.4
FTSE 100 (UK)	5799.8	-2.3	3.6	-23.1
MXME (East. Eur.)	130.9	-2.8	2.9	-32.2
PFTS (Ukraine)	500.1	0.0	-0.2	-1.9
RTS (Russia)	1107.5	-2.5	5.8	-28.5

### KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.755	-3.5	-25.5	-62.2
FRS. % p.a.	0.00-0.25	0.0	0.0	-85.7
ECB. % p.a.	0.000	0.0	0.0	0.0
NBU. % p.a.	8.000	0.0	-20.0	-40.7
CB RF. % p.a.	5.500	0.0	-8.3	-12.0

### COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	214.5	0.0	0.9	5.1
Brent USD/barrel	32.5	4.9	3.4	-48.8
WTI USD/barrel	29.4	19.0	13.0	-50.5
Gold. USD/ounce	1735.4	1.8	1.0	14.6

Source: Bloomberg

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## MACROECONOMICS

### GDP

According to up-to-date estimate of the State Statistics Service, Ukraine's real GDP declined 0.8% over the first quarter of 2020 compared to the previous quarter (seasonally adjusted data). Compared to the first quarter of 2019, the country's GDP shrank 1.5%.

### Economic Sentiment

The Economic Sentiment Indicator (ESI) in Ukraine calculated by the State Statistics Services stood at 67.9% in the second quarter of 2020 compared to 104.7% registered in the first quarter of 2020.

All four indicators of business expectations that are the ESI components registered a worsening: the Construction Confidence Indicator dropped from -21.7% in Q1'2020 to -48.2% in Q2'2020, the Industrial Confidence Indicator declined from -6.8% to -24.6%, the Services Confidence Indicator shrank from -1.0% to -43.5%, and the Retail Trade Confidence Indicator fell from +3.7% to -19.7%. Also, the Consumer Confidence Indicator fell from -11.9% to -16.2%.

### Demographic situation

According to estimates of the State Statistics Service, Ukraine's present population stood at 41,830,619 people as of 1 April 2020.

The gap between the number of deaths and the number of live births is getting wider: 47 newborns per every 100 deceased.

Ukraine's resident population totaled 41,660,982 people as of 1 April 2020 (according to estimates). The average resident population reached 41,866,518 people over January-March 2020.

Over January-March of the current year, Ukraine's population shrank 71,797 people. Migration helped increase population numbers by 6,773 people over the first three months of 2020.

### Wages

The average nominal monthly wage of full-time staff members employed at companies, institutions and organizations totaled UAH 11,446.00 in March 2020, which constitutes approximately 240.0% of the minimum wage (UAH 4,723.00).

Compared to February 2020, the average nominal wage grew 5.5%. Over the last twelve months (compared to March 2019), the average nominal wage went up 11.8%.

In March 2020, the Index of Real Wages reached 104.8% compared to February 2020 and 109.3% compared to March 2019.

The highest average wages were registered among those employed in information and telecommunications (UAH 23,303.00), in finance and insurance (UAH 21,821.00), as well as in professional, scientific and technical sectors (UAH 18,554.00).

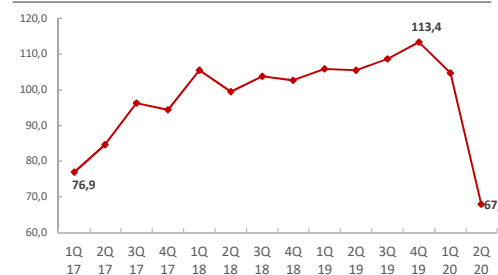
As of 1 April 2020, total wage arrears were registered at UAH 2,964.2 million or at 98.2% compared to 1 March 2020.

### LATEST MACROECONOMIC DATA

Indicator	Value
Real GDP change over Q1'2020, % to Q1'2019	-1.5

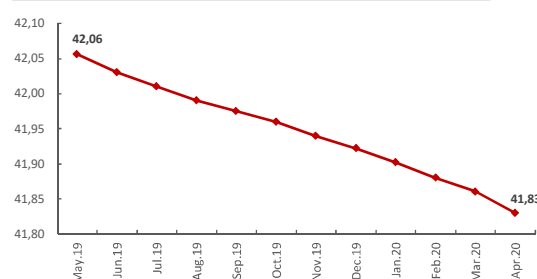
Source: the State Statistics Service

### ECONOMIC SENTIMENT INDICATOR



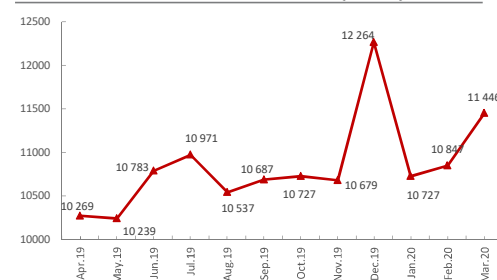
Source: the State Statistics Service

### POPULATION (MILLIONS OF PEOPLE)



Source: the State Statistics Service

### AVERAGE NOMINAL WAGES (UAH)



Source: the State Statistics Service

## BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for placing domestic government bonds, which was held on 12 May, the Ministry of Finance raised a record-high amount for financing budget expenditures. However, all borrowings will mature during the current year. This time, the Ministry of Finance did not establish limits on the total sum of placements. They were limited only by the total volume of issues at face value. Both issues were placed in full.

Twenty-one bids for the total of UAH 13.4 billion were submitted for purchasing bonds maturing in July 2020. The requested yields ranged within the limits of 11.00-11.50% p.a. The Ministry of Finance set the accepted yield at 11.30% p.a. (same as at the previous tender) and rejected one bid requesting the highest yield.

Fourteen bids for the total of UAH 6.8 billion were submitted for purchasing bonds maturing in November 2020. The requested yields ranged within the limits of 11.28-11.50% p.a. The Ministry of Finance set the accepted yield at 11.28% p.a. and satisfied eleven bids.

As a result of the auction held on 12 May 2020, the Ministry of Finance managed to raise UAH 19.4 billion to the State Budget of Ukraine.

There are no pay-outs of domestic bonds scheduled for the current week.

Over the previous week, the volume of outstanding domestic government bonds went up UAH 10.7 billion and, as of 15 May 2020, totaled UAH 862.9 billion (according to the total principal).

At the next auction for placing domestic government bonds, which is scheduled for 19 May, the Ministry of Finance is planning to place three short-term issues denominated in hryvnia and one issue denominated in US dollars.

## NBU TRANSACTIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 173.3 billion, including overnight certificates of deposit for the total of UAH 57.8 billion (the interest rate for overnight certificates of deposit stood at 6.00% p.a.).

As a result of the NBU quantitative tender to refinance banks, which took place on 15 May, bids of six banks for the total of UAH 0.7 billion were satisfied. The interest rate reached 8.00% p.a.

On Friday, 15 May, the NBU placed deposit certificates maturing in seven days for the total of UAH 115.5 billion. The interest rate- 8.00% p.a.

A negative balance of the State Treasury transactions landed at UAH 8.9 billion over 12-15 May.

The banking system liquidity continues to stay at a high level (approximately UAH 200.0 billion) and is concentrated in NBU deposit certificates and on correspondent accounts of banks with the National Bank. Refinancing transactions of the National Bank did not have a serious impact on the banking system liquidity. The NBU's purchases of foreign currency and the Government's transactions were the main sources for expanding liquidity.

## INTERBANK LENDING MARKET

The interbank credit market was stable during the previous week. Interest rates for overnight funds in the national currency were ranging within the limits of 5.00-8.00% 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
12 May	77 days	11.26%	21/20	13067.53
12 May	196 days	11.28%	14/11	6322.87

Source: the Ministry of Finance of Ukraine

## HOLDERS OF DOMESTIC BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	324.6	0.0	0.0	-3.7
Banks	370.1	3.4	8.7	10.0
Legal entities	51.5	1.8	-0.5	95.6
Private individ.	7.4	-12.7	-13.8	-24.7
Non-residents	109.4	-1.3	-5.0	-7.1

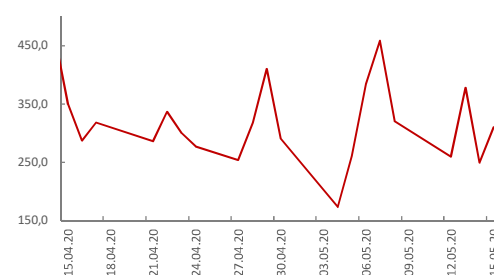
Source: the National Bank of Ukraine

## MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %
The balance on c/a. UAH billions	66.3	33.4	-2.1	26.4
NBU refinancing. UAH billions	47.6	0.4	16.2	5.8
NBU deposit certificates	O/N. UAH billions	14.5	-54.3	-42.0
	Total. UAH billions	130.0	-16.6	0.7

Source: the National Bank of Ukraine

## TRADING VOLUMES (USD MILLIONS)



Source: NBU

## FOREIGN EXCHANGE MARKET

In the course of the previous week, the Ukrainian interbank foreign exchange market was registering that foreign currency supply was exceeding demand. The market also positively reacted to the news that the Verkhovna Rada passed a decision to support a law on improving some mechanisms to regulate banking activities (draft law No.2571-d) in the second reading and as a whole. The adoption of the above-mentioned law is among priority preliminary steps needed for the International Monetary Fund to approve a financing facility for Ukraine. As a result, on Friday, 15 May, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 26.6380/USD.

During the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.75-26.85/USD on Tuesday, 12 May, UAH 26.66-26.74/USD on Wednesday, 13 May, UAH 26.65-26.72/USD on Thursday, 14 May, and UAH 26.60-26.68/USD on Friday, 15 May.

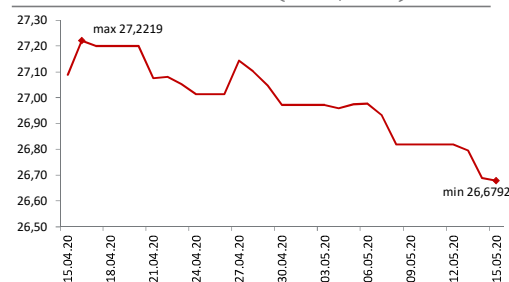
Over 12-15 May, the National Bank purchased USD 161.5 million from banks by way of the single exchange rate interventions.

The overall foreign currency sales on the interbank foreign exchange market reached USD 1.2 billion over the previous week.

## UKRAINIAN ISSUERS ON GLOBAL MARKETS

On 11 May, Nova Poshta, a logistic company in Ukraine, started placing "B" series bonds for the total of UAH 700.0 million. The relevant bond issue was registered by the National Securities and Stock Market Commission on 7 May 2020. The bonds were issued for a period until 17 February 2023 with a coupon rate of 16.0%. Payments under these bonds shall be made four times a year. The placement period shall be from 11 May to 10 July 2020.

## NBU EXCHANGE RATE (UAH/USD)



Source: NBU

## QUOTATIONS ON GLOBAL MARKETS

Name	Cou pon	Maturity	Bid Price	Ask Price	Ask YTM	Cur
Ukraine-2020	7,75	01.09.2020	100,00	100,38	6,27	USD
Ukraine-2021	7,75	01.09.2021	101,00	101,50	6,50	USD
Ukraine-2022	7,75	01.09.2022	101,50	102,00	6,78	USD
Ukraine-2023	7,75	01.09.2023	101,88	102,38	6,92	USD
Ukraine-2024	8,99	01.02.2024	104,78	105,92	7,14	USD
Ukraine-2024	7,75	01.09.2024	101,77	102,94	6,94	USD
Ukraine-2025	7,75	01.09.2025	101,59	102,75	7,11	USD
Ukraine-2026	6,75	20.06.2026	97,47	98,78	7,00	EUR
Ukraine-2026	7,75	01.09.2026	100,94	101,44	7,46	USD
Ukraine-2027	7,75	01.09.2027	100,50	101,00	7,57	USD
Ukraine-2028	9,75	01.11.2028	107,50	108,00	8,41	USD
Ukraine-2030	4,38	27.01.2030	81,96	83,12	7,00	EUR
Ukraine-2032	7,38	25.09.2032	96,98	98,34	7,58	USD
Ukreximbank	16,50	02.03.2021	95,38	99,75	16,74	UAH
Ukreximbank	9,63	27.04.2022	99,54	101,39	8,82	USD
Ukreximbank	9,05	09.02.2023	96,51	99,91	7,80	USD
Ukreximbank	9,75	22.01.2025	100,22	103,68	8,77	USD
Oschadbank	9,38	10.03.2023	101,16	101,25	8,85	USD
Oschadbank	9,07	19.01.2024	93,54	96,35	8,79	USD
Oschadbank	9,63	20.03.2025	101,77	102,23	9,04	USD
Privatbank CJSC	11,00	09.02.2021	9,22	10,79	781,7	USD
Metinvest BV	7,50	31.12.2021	86,64	91,11	13,61	USD
Metinvest BV	7,75	23.04.2023	85,29	85,58	13,92	USD
Metinvest BV	5,63	17.06.2025	74,94	77,07	11,75	EUR
Metinvest BV	8,50	23.04.2026	84,37	84,87	12,15	USD
Metinvest BV	7,75	17.10.2029	80,20	80,82	11,09	USD
DTEK Finance	10,75	31.12.2024	49,61	50,01	31,03	USD
MHP SE	7,75	10.05.2024	100,08	100,44	7,62	USD
MHP Lux SA	6,95	03.04.2026	96,69	97,28	7,53	USD
MHP Lux SA	6,25	19.09.2029	88,11	89,92	7,79	USD
Kernel Holding	8,75	31.01.2022	100,55	100,72	8,27	USD
Kernel Holding	6,50	17.10.2024	89,99	91,65	8,83	USD
Ukraine Railways	9,88	15.09.2021	97,94	98,23	11,34	USD
Ukraine Railways	8,25	09.07.2024	92,20	92,57	10,51	USD
NAK Naftogaz	7,38	19.07.2022	97,26	97,47	8,68	USD
NAK Naftogaz	7,13	19.07.2024	91,64	93,75	8,98	EUR
NAK Naftogaz	7,625	08.11.2026	90,39	91,14	9,49	USD

Source: Bloomberg

## UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2016	2017	2018	2019	2020
<b>GDP. %</b>	2.3	2.5	3.3	3.2	<b>-1.5 (first quarter)</b>
Industrial output. %	2.4	-0.1	1.1	-1.8	-7.7 (March)
Consumer price growth. % year-on-year	12.4	13.7	9.8	4.1	2.1 (April)
Producer price growth. % year-on-year	35.7	16.5	14.2	-7.4	-2.6 (April)
Balance of payments (consolidated). USD billions	1.3	2.6	2.9	6.0 (preliminary data)	-1.8 (March, preliminary estimate)
Current account balance. USD billions	-1.3	-2.4	-4.4	-1.1 (preliminary data)	-0.4 (March, preliminary estimate)
Balance of trade. USD billions	-6.5	-8.6	-12.7	-14.0 (preliminary data)	-0.8 (March, preliminary estimate)
International reserves, USD billions, by the end of the period	15.5	18.8	20.8	25.3	25.7 (April, preliminary estimate)
External debt. USD billions	113.6	116.6	114.7	121.7 (forth quarter)	
Banking system assets, % of annual growth	0.2	6.4	2.0	9.9	4.7 (January-March)
Exchange rate. by year end. UAH/USD	27.19	28.07	27.69	23.69	26.97 (April)
Exchange rate. annual average. UAH/USD	25.55	26.60	27.20	25.85	25.59 (January-April)

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	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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