

Financial markets survey

07 December 2020

THE WINTER RALLY HAS BEGUN

Expectations are driving the markets
Imports to Ukraine continue shrinking
Liquidity has fully recovered

GLOBAL MARKET

The beginning of winter was marked by new record-highs of stock indices thanks to resumed negotiations about fiscal incentives that leveled out negative moods from weak macroeconomic data. On Friday, 04 December, all three key indices in the US – the S&P 500 Index, the Dow Jones Industrial Average and the NASDAQ Composite Index – set new historical record-highs. The last time they set record-highs on the same day was back in 2018. The news about the UK approving the COVID-19 vaccine made by Pfizer's/BioNTech for use supported optimistic moods among investors.

The US Congress submitted a draft package of fiscal support measures for the US economy for the total of USD 908.0 billion. The package provides for allocating USD 180.0 billion for unemployment benefits, USD 288.0 billion for support to small businesses, USD 16.0 billion for the development of COVID-19 vaccines, as well as plans to provide funds for supporting the transport sector, municipalities, schools, and the postal service. The FRS Chair and the Secretary of the US Treasury urged the Congress to approve the increase in fiscal support.

Data from the US labor market turned out to be worse than expected in November 2020: the number of jobs in the private sector reached a mere 307,000, whereas expectations were 410,000. Non-farm payrolls grew a mere 245,000, whereas analysts expected a 469,000 growth. At the same time, the rate of unemployment shrank to 6.7% from 6.9% since 560,000 individuals dropped out from the labor force.

The US Manufacturing Purchasing Managers' Index (PMI) also turned out to be weaker than expected and reached 57.5 points (the forecast was 58.0 points); while the US Services Purchasing Managers' Index shrank to 55.9 points (the forecast was 56.0 points).

After a week of intensive discussions, the UK and the EU failed to reach an understanding regarding a trade agreement. There are still contradictions regarding equal conditions for competition on the market, fishing rights for the EU companies in the UK's territorial waters and regarding penalties for violating a future Brexit agreement.

The petroleum market demonstrated a positive reaction to the OPEC+ decision from 03 December to increase petroleum output by 500,000 barrels per day starting from January 2021. The OPEC+ member countries agreed to hold monthly meetings for the purpose of adjusting quotas for future periods.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1922-1.2177/EUR.

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WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.2159	2.0	3.7	8.2
GBP/USD	1.3441	1.0	3.5	1.4
USD/RUB	75.1996	-0.3	-6.0	21.5
USD/UAH	28.2913	-0.6	-0.8	19.4

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	3699.1	1.7	7.4	14.5
FTSE 100 (UK)	6550.2	2.9	11.3	-13.2
MXME (East. Eur.)	158.1	4.6	21.8	-18.1
PFTS (Ukraine)	507.5	1.3	1.4	-0.4
RTS (Russia)	1357.4	4.2	22.5	-12.4

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.337	1.9	1.1	-83.1
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.	6.000	0.0	0.0	-55.6
CB RF. % p.a.	4.250	0.0	0.0	-32.0

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	247.5	0.0	0.4	21.3
Brent. USD/barrel	49.3	2.1	18.4	-18.6
WTI. USD/barrel	46.3	1.6	17.2	-17.4
Gold. USD/ounce	1843.0	3.6	-3.0	21.7

Source: Bloomberg

MACROECONOMICS

Balance of payments

In October 2020, the current account surplus totaled USD 817.0 million (a deficit of USD 656.0 million was registered in October of the previous year).

In January – October 2020 the current account surplus totaled USD 5.1 billion (in January – October 2019 the current account deficit amounted to USD 6.2 billion).

Export of goods in October 2020 remained practically at the level of October 2019 (inched down 0.1%) and landed at USD 4.2 billion. Exports shrank in the following key groups of goods: food exports dropped 6.5% (including exports of oil-bearing crops fell 31.1%), metallurgical exports went down 2.1%, and machinery and equipment exports inched down 0.8%. At the same time, exports of mineral products (including ores) grew 1.6 times, exports of timber and wood products rose 9.4%, chemical exports went up 1.8%, and exports of manufactured products increased 3.7%.

Imports of goods declined 19.6% in October 2020 (compared to October 2019) and landed at USD 4.7 billion. Energy imports decreased 2 times (in September – 2.1 times), while non-energy imports decreased 11.0%. In particular, October saw that machinery and equipment imports dropped 17.9%, metallurgical imports went down 6.1%, imports of manufactured products sagged 5.8%. At the same time, food imports went up 11.0%, while chemical imports rose 5.3% and imports of timber and wood products jumped 28.6%.

Surplus of trade in services rose to USD 458.0 million.

Net lending resources from the rest of the world reached USD 816.0 million in October 2020.

The net outflows on the financial account amounted to USD 1.2 billion and was mainly resulted from the net outflow on private sector's transactions.

The net outflows on government sector's transactions totaled USD 174.0 million and were caused by net payments to non-residents under domestic government bonds and repayments under loans to international partners.

The net inflows of foreign direct investment were estimated at USD 9.0 million.

Net increase of the banking sector's external position amounted to USD 103.0 million and resulted from net increase of external position under the "currency and deposits" item.

The net increase of the real sector external position (excluding foreign direct investment) reached USD 902.0 million.

Foreign currency cash outside banks grew USD 529.0 million in October 2020.

Overall, net outflows under private sector transactions (including errors and omissions) reached USD 985.0 million in October 2020.

The deficit of the overall balance of payments amounted to USD 343.0 million.

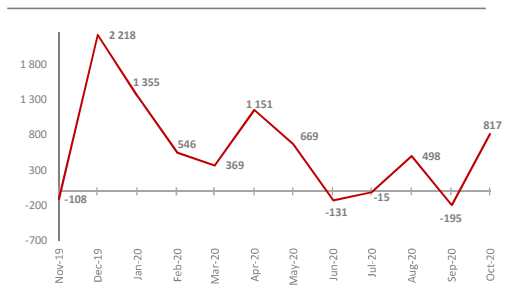
As of November 01 2020, Ukraine's international reserves amounted to USD 26.1 billion.

LATEST MACROECONOMIC DATA

Indicator	Value
Current account of the balance of payments in October 2020, USD billions	0.8

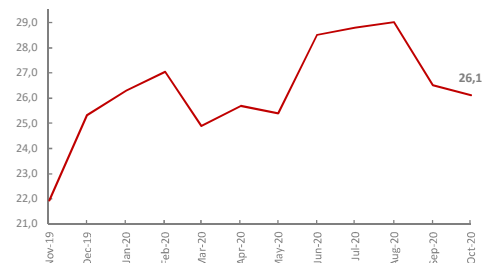
Source: the State Statistics Service

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 took place on 01 December, the Ministry of Finance (MoF) offered investors three issues of securities denominated in the national currency and maturing in three months, twelve months and three years. "Short-term" instruments enjoyed the highest demand. The accepted yield for the above-mentioned bonds remained at the level registered for the similar instrument at the previous auction. Accepted yields for the remaining two issues of bonds were raised.

Nineteen bids for the total of UAH 2.0 billion (at face-value) were submitted for purchasing bonds maturing in three months. The requested yields ranged within the limits of 9.50-11.00% p.a. MoF set the accepted yield at 10.00% p.a. and rejected one bid requesting the highest yield.

Eighteen bids for the total of UAH 0.8 billion (at face-value) were submitted for purchasing bonds maturing in twelve months. The requested yields ranged within the limits of 10.80-11.20% p.a. The accepted yield was raised to 11.00% p.a. from 10.80% p.a. registered at the previous auction.

Demand for bonds maturing in three years consisted of thirteen bids for the total of UAH 0.5 billion (at face-value). The requested yields ranged within the limits of 11.50-12.00% p.a. The Ministry of Finance set the accepted yield at 11.63% p.a. and satisfied eight bids.

As a result of the auction to place domestic government bonds held on 01 December 2020, MoF managed to raise UAH 2.7 billion to the State Budget of Ukraine.

Over the previous week, the volume of outstanding domestic government bonds went up UAH 2.6 billion and, as of 04 December 2020, totaled UAH 905.5 billion (according to the total principal).

During the current week, the Ministry of Finance will have to pay out one issue of domestic government bonds for the total of UAH 0.1 million (due on 09 December) and one issue of domestic government bonds for the total of USD 0.4 billion (due on 10 December).

Over January-November 2020, Ukraine's total budget revenues came to UAH 944.7 billion (UAH 102.3 billion in November), while VAT refunds totaled UAH 128.7 billion (UAH 12.6 billion was refunded in November). As of 01 December 2020, the balance at the Single Treasury Account was registered at UAH 19.8 billion.

NBU TRANSACTIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 202.9 billion, including overnight certificates of deposit for the total of UAH 119.3 billion (the interest rate for overnight certificates of deposit stood at 5.00% p.a.).

As a result of the NBU quantitative liquidity-providing tender to refinance banks, which was held on Friday, 04 December, bids of six banks for the total of UAH 997.7 million were satisfied. The interest rate reached 6.00% p.a. The loans were provided for the period of up to eighty-four days.

On Friday, 04 December, the National Bank placed deposit certificates maturing in seven days for the total of UAH 83.6 billion satisfying bids of fifty-six banks. The interest rate stood at 6.00% p.a.

Banks used the standing NBU refinancing line (overnight loans) for the total of UAH 0.3 billion over 30 November – 04 December (the interest rate was 7.00% p.a.).

The balance of the State Treasury transactions landed at UAH 6.0 billion over 30 November – 04 December.

The banking system liquidity is staying at a sufficient level.

THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
01 Dec.	91 days	9,89%	19/18	1960,15
01 Dec.	329 days	10,93%	18/17	531,64
01 Dec.	1064 days	11,62%	13/8	171,72

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	462.0	0.4	3.0	37.3
Legal entities	34.8	2.5	8.5	32.2
Private individ.	8.9	0.9	6.4	-8.9
Non-residents	75.2	-0.2	-4.4	-36.1

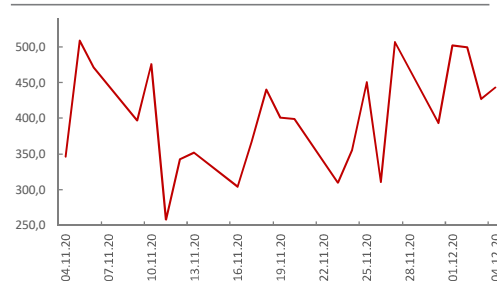
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	55.4	1.2	21.0	5.6	
NBU refinancing. UAH billions	76.2	-5.7	16.0	69.2	
NBU deposit certificates	O/N. UAH billions	30.5	52.2	36.2	-48.1
	Total. UAH billions	114.1	-0.9	-8.8	-24.9

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 4.00-6.00% p.a. on the interbank lending market, while the Ukrainian OverNight Index Average (UONIA) stood at: 5.1113% p.a. on 30 November, 5.0333% p.a. on 01 December, 5.1318% p.a. on 02 December, 5.0071% p.a. on 03 December, and 5.0318% p.a. on 04 December.

FOREIGN EXCHANGE MARKET

During the previous week, the Ukrainian interbank foreign exchange market registered multidirectional dynamics of the exchange rate fluctuations. The beginning of the previous week was actually finishing the reporting period, which caused insignificant appreciation of the US dollar quotations. Starting from Wednesday, 02 December, the national currency was appreciating as a result of foreign currency supply exceeding demand. The market was balancing on its own without the regulator's participation. As a result, on Friday, 04 December, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 28.2913/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 28.47-28.55/USD on Monday, 30 November, UAH 28.50-28.59/USD on Tuesday, 01 December, UAH 28.40-28.50/USD on Wednesday, 02 December, UAH 28.27-28.37/USD on Thursday, 03 December, and UAH 28.24-28.35/USD on Friday, 04 December.

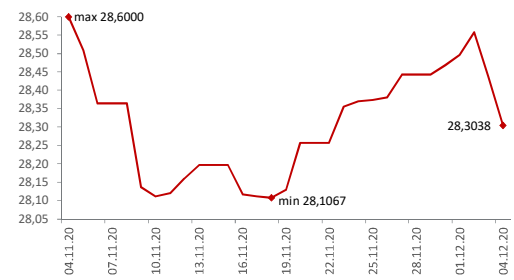
The overall foreign currency sales on the interbank foreign exchange market reached USD 2.3 billion over the previous week.

BONDS AND SHARES OF UKRAINIAN ISSUERS

The State Mortgage Institution informed about the emission of G3 series bonds for the total of UAH 3.0 billion with additional security in the form of state guarantees. It is planned to place 30,000 paperless registered interest-bearing secured bonds of G3 series with a face value of UAH 100,000. The decision about the emission was made on 03 December 2020.

The priority in using resources raised by the State Mortgage Institution from placing the above-mentioned bonds will be to fulfill program objectives of the Ukrainian Government in order to restore the operation of the mortgage lending market and to provide Ukrainian nationals with accommodation on financial leasing terms.

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	103,72	104,21	1,89	USD
Ukraine-2022	7,75	01.09.2022	106,78	107,33	3,35	USD
Ukraine-2023	7,75	01.09.2023	109,45	110,09	3,82	USD
Ukraine-2024	8,99	01.02.2024	112,74	113,55	4,33	USD
Ukraine-2024	7,75	01.09.2024	110,82	111,63	4,34	USD
Ukraine-2025	7,75	01.09.2025	111,93	112,72	4,71	USD
Ukraine-2026	6,75	20.06.2026	109,84	110,63	4,53	EUR
Ukraine-2026	7,75	01.09.2026	112,50	113,28	5,05	USD
Ukraine-2027	7,75	01.09.2027	113,56	114,27	5,21	USD
Ukraine-2028	9,75	01.11.2028	121,82	122,66	6,09	USD
Ukraine-2030	4,38	27.01.2030	96,01	96,88	4,93	EUR
Ukraine-2032	7,38	25.09.2032	110,15	110,99	6,06	USD
Ukraine-2033	7,253	15.03.2033	109,11	109,98	6,08	USD
Ukreximbank	16,50	02.03.2021	98,72	101,44	9,70	UAH
Ukreximbank	9,63	27.04.2022	104,36	105,43	5,49	USD
Ukreximbank	9,05	09.02.2023	98,96	100,81	6,84	USD
Ukreximbank	9,75	22.01.2025	104,68	104,95	8,30	USD
Oschadbank	9,38	10.03.2023	105,10	105,31	6,79	USD
Oschadbank	9,07	19.01.2024	94,50	97,84	7,93	USD
Oschadbank	9,63	20.03.2025	106,44	107,15	7,63	USD
Metinvest BV	7,75	23.04.2023	106,49	106,72	4,72	USD
Metinvest BV	5,63	17.06.2025	103,09	103,73	4,70	EUR
Metinvest BV	8,50	23.04.2026	110,99	111,70	5,92	USD
Metinvest BV	7,65	01.10.2027	107,31	107,69	6,24	USD
Metinvest BV	7,75	17.10.2029	106,61	107,87	6,56	USD
DTEK Finance	10,75	31.12.2024	65,50	66,98	23,31	USD
MHP SE	7,75	10.05.2024	109,70	110,05	4,54	USD
MHP Lux SA	6,95	03.04.2026	107,26	107,87	5,23	USD
MHP Lux SA	6,25	19.09.2029	100,64	102,62	5,86	USD
Kernel Holding	8,75	31.01.2022	106,02	106,15	3,22	USD
Kernel Holding	6,50	17.10.2024	104,88	106,46	4,65	USD
Ukraine Railways	9,88	15.09.2021	101,71	101,99	7,13	USD
Ukraine Railways	8,25	09.07.2024	103,20	103,56	7,11	USD
NAK Naftogaz	7,38	19.07.2022	103,20	103,36	5,17	USD
NAK Naftogaz	7,13	19.07.2024	103,59	104,57	5,67	EUR
NAK Naftogaz	7,625	08.11.2026	101,40	102,44	7,11	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2016	2017	2018	2019	2020
GDP. %	2.3	2.5	3.3	3.2	-3.5 (third quarter, preliminary data)
Industrial output. %	2.4	-0.1	1.1	-1.8	-5.0 (October)
Consumer price growth. % year-on-year	12.4	13.7	9.8	4.1	2.6 (October)
Producer price growth. % year-on-year	35.7	16.5	14.2	-7.4	3.2 (October)
Balance of payments (consolidated). USD billions	1.3	2.6	2.9	6.0 (preliminary data)	-0.3 (October, preliminary estimate)
Current account balance. USD billions	-1.3	-2.4	-4.4	-1.1 (preliminary data)	0.8 (October, preliminary estimate)
Balance of trade (goods and services). USD billions	-6.5	-8.6	-12.7	-14.0 (preliminary data)	0.0 (October, preliminary estimate)
International reserves, USD billions, by the end of the period	15.5	18.8	20.8	25.3	26.1 (October, preliminary estimate)
External debt. USD billions	113.6	116.6	114.7	121,7 (forth quarter)	122,8 (second quarter)
Banking system assets, % of annual growth	0.2	6.4	2.0	9.9	16.5 (January-October)
Exchange rate. by year end. UAH/USD	27.19	28.07	27.69	23.69	28.47 (November)
Exchange rate. annual average. UAH/USD	25.55	26.60	27.20	25.85	26.85 (January-November)

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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