

# Financial markets survey

29 June 2021

## JEROME POWELL AND MACROECONOMIC DATA IS ON THE FOCUS

**New record-highs on the American stock market**  
**Ukraine's real GDP shrank 2.2% year-on-year**  
**Non-residents are increasing their portfolio of GDB**

### GLOBAL MARKET

The last week finished with another update of record-highs on the American stock market. Investors shifted their focus of attention from high inflation to the US Government's approval of the infrastructure agreement.

Markets demonstrated a positive reaction to FRS Chair Jerome Powell's statement confirming his opinion regarding temporary acceleration of inflation in the country. He considers a scenario with growth of consumer prices in the country reaching the level of the 1970s when inflation was a two-digit number to be a very unlikely one because, among other things, the regulator is "prepared to use all its instruments to keep inflation around 2.0%". However, he mentioned that the FRS goal was to recover the labor market and that fears of escalating inflation alone would not be sufficient to raise the federal funds rate.

On Thursday US President Joe Biden informed that the US made a bipartisan deal on a large-scale set of measures to upgrade the infrastructure within the next five years totaling approximately USD 1.0 trillion. The agreement was reached after several weeks of negotiations and needs to be approved by the Senate.

Also, market participants focused their attention on several important reports on the US economy, including data that demonstrated that the number of Americans applying for unemployment benefit for the first time fell over the previous week, while orders for durable goods in May 2021 were growing at a record-fast pace since the beginning of the current year.

The Manufacturing Purchasing Managers' Index (PMI) in the US went up unexpectedly – it reached 62.6 points in June against 62.1 points registered in May (the forecast was a drop to 61.5 points). The Services PMI in the US fell to 64.8 points in June after a record-high of 70.4 points in May. The expectations were a slide to 70.0 points.

In June the Consolidated Purchasing Managers' Index (PMI) in the euro-area jumped record-high for the last fifteen years and landed at 59.2 points against 57.1 points registered in May (the forecast was 58.8 points). The Services PMI rose from 55.2 points in May to 58.0 points in June (the forecast was 57.8 points). This is a record-high since July 2007.

Over the previous week, prices for Brent benchmark crude oil grew above USD 76.0 per barrel spurred by the signs that global economies are recovering and, respectively, higher fuel consumption.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1846-1.1975/EUR.

### WEEKLY ISSUE

#### EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1950	0.4	-2.6	-2.6
GBP/USD	1.3879	0.5	-1.9	1.5
USD/RUB	72.3260	-0.2	-1.6	-2.1
USD/UAH	27.3964	0.7	-0.2	-3.1

#### STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	4,280.7	2.7	2.2	14.0
FTSE 100 (UK)	7,136.1	1.7	1.5	10.5
MXME (East. Eur.)	192.0	2.0	5.2	17.9
PFTS (Ukraine)	531.2	0.0	0.5	6.3
RTS (Russia)	1,672.1	1.5	5.8	20.5

#### KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.249	3.8	-2.6	-27.1
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	10.0	29.4

#### COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	240.5	-5.1	-9.8	-5.9
Brent. USD/barrel	76.2	3.6	11.2	48.4
WTI. USD/barrel	74.1	3.9	12.6	53.1
Gold. USD/ounce	1786.7	0.8	-5.3	-5.3

Source: Bloomberg

[www.pumb.ua](http://www.pumb.ua)

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## MACROECONOMICS

### GDP

According to updated data of the State Statistics Service, Ukraine's real Gross Domestic Product (GDP) shrank 1.2% over the first quarter of 2021 compared to the previous quarter (seasonally adjusted data). Compared to the first quarter of 2020, the country's real GDP dropped 2.2%.

At the beginning of 2021, slower economic recovery in Ukraine was caused by quarantine restrictions, complicated weather conditions and stronger competition on some external markets.

Such demand components as investments and exports shrank the most due to slow recovery of global demand in the environment of serious price hikes on commodity markets. At the same time, consumer expenditures were growing thanks to higher minimum wages, as well as budget expenditures to provide for medical needs and to support households and business for the purpose of encouraging demand.

### Industrial output

According to information of the State Statistics Service, industrial output in Ukraine grew 5.4% in May 2021 compared to May 2020 with due consideration for an adjustment to the calendar days' effect and without the above-mentioned adjustment. Compared to April 2021, industrial output shrank 3.0% with due consideration for seasonal adjustment and 3.4% without the above-mentioned adjustment.

Output in mining and quarrying went up 8.0% in May 2021 compared to May 2020 without adjustments. The country registered that black and brown coal output leapt 60.9%, while metal ores output grew 11.6%. At the same time, crude oil and natural gas output went down 3.3%.

Output in processing industry registered a 6.0% increase in May 2021 compared to May 2020 without adjustments. Output in chemicals and chemical products rose 5.8%, output in steel industry went up 12.2%, and output in machine-building leapt 28.5%. At the same time, output in food products and beverages declined 13.3%, while output in coke production and oil refining inched down 0.6%, and output in basic pharmaceutical products and pharmaceutical preparations shrank 11.9%.

Output in electricity, gas, steam, and air conditioning supply went down 3.5% in May 2021.

### Unemployment

The total number of registered unemployed shrank 25,700 individuals in May 2021 compared to April 2021 and landed at 378,900 individuals by the end of May. The majority of registered unemployed were women, totaling 230,400 individuals.

The total number of registered unemployed aged under 35 declined 11,600 individuals in May 2021 and landed at 105,500 individuals by the end of the month.

In May, the number of vacant positions increased 5,700 and stood at 69,000 vacancies. There were five registered unemployed per each vacancy in May 2021.

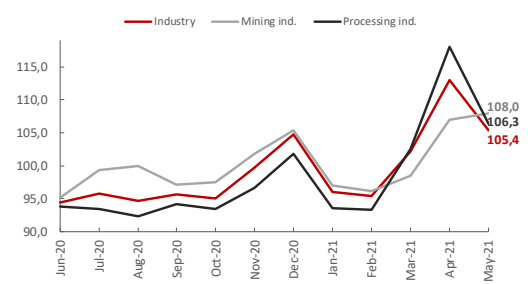
The total number of registered unemployed receiving unemployment benefit dropped 23,400 in May 2021. By the end of May, the above-mentioned indicator reached 322,700 individuals.

### LATEST MACROECONOMIC DATA

Indicator	Value
Real GDP change over Q1'2021, % to Q1'2020	-2.2
Industrial output change in May 2021, % year-on-year (without adjustments)	5.4

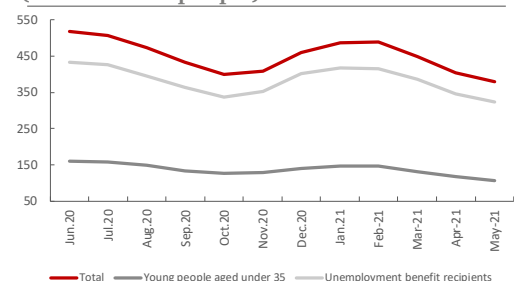
Source: the State Statistics Service

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



Source: the State Statistics Service (revised data)

### REGISTERED UNEMPLOYED (thousands of people)



Source: the State Statistics Service

## BOND MARKET AND PUBLIC FINANCE

At an auction for placing domestic government bonds, held on 22 June, the Ministry of Finance (MoF) offered investors seven issues of bonds. Compared to the previous auction, MoF raised more money, while accepted yields remained almost unchanged. MoF rejected only one bid out of 115 bids submitted.

Demand for the shortest-term bonds maturing in six months consisted of thirteen bids for the total of UAH 0.6 billion. The requested yields ranged within the limits of 8.85-9.00% p.a. The limit for the above-mentioned placement stood at UAH 0.5 billion. The accepted yield - at 9.00% p.a.

Eighteen bids for the total of UAH 2.0 billion were submitted for purchasing instruments maturing in twelve months. The requested yields ranged within the limits of 10.90-11.20% p.a. The limit for the above-mentioned placement stood at UAH 3.0 billion. The Ministry of Finance set the accepted yield at 10.99% p.a. and rejected one bid.

Bonds maturing in November 2022 scored fourteen bids for the total of UAH 1.5 billion. The single requested yield stood at 11.30% p.a. The Ministry of Finance satisfied the entire demand in full.

Instruments maturing in two years enjoyed the highest demand – fourteen bids for the total of UAH 3.3 billion. The requested yields ranged within the limits of 11.99-12.00% p.a. The accepted yield was fixed at 12.00% p.a.

Instruments maturing in three years enjoyed the lowest demand – eleven bids for the total of UAH 0.1 billion. The single requested yield stood at 12.30% p.a. The Ministry of Finance set the accepted yield at 12.30% p.a.

Demand for instruments maturing in five years fell almost three times compared to the previous auction – eighteen bids for the total of UAH 0.6 billion. The requested yields ranged within the limits of 12.55-12.59% p.a. The accepted yield was established at 12.59% p.a.

Demand for instruments denominated in US dollars and maturing in twelve months consisted of twenty-seven bids for the total of USD 116.0 million. The single requested yield stood at 3.70% p.a. The accepted yield was fixed at 3.70% p.a.

Funds raised to the State Budget from the sale of instruments on 15 June 2021 – UAH 11.4 billion (according to the NBU exchange rate).

Over the previous week, the volume of outstanding domestic government bonds went up UAH 12.2 billion and, as of 25 June 2021, totaled UAH 1,002.0 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 14.0 billion (due on 30 June).

## NBU TRANSACTIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 268.6 billion, including overnight certificates for the total of UAH 144.3 billion (the interest rate - stood at 6.50% p.a.).

As a result of the NBU quantitative liquidity-providing tender to refinance banks, which was held on Friday, 25 June, bids of five banks for the total of UAH 0.8 billion were satisfied. The interest rate reached 7.50% p.a. The loans were provided for the period of up to eighty-four days.

On Friday, 25 June, the NBU placed deposit certificates maturing in seven days for the total of UAH 124.3 billion. The interest rate - at 7.50% p.a.

Banks did not use the standing NBU refinancing line over the previous week.

A negative balance of the State Treasury transactions landed at UAH 12.9 billion over 22-25 June.

## THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
22 June	161 days	9.00%	13/13	480.92
22 June	392 days	10.97%	18/17	2,069.56
22 June	518 days	11.30%	14/14	1,464.59
22 June	700 days	12.00%	14/14	3,547.55
22 June	1,064 days	12.30%	11/11	134.53
22 June	1,785 days	12.59%	18/18	642.77
22 June	365 days	3.70%	27/27	111.91*

\* USD 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	-0.5	-2.2
Banks	507.2	2.2	-1.7	-2.3
Legal entities	48.5	1.4	5.0	-16.5
Territorial	0.2	0.0	0.0	4.9
Private individ.	18.2	3.7	6.4	64.1
Non-residents	110.6	-0.1	12.5	29.7

Source: the National Bank of Ukraine

## MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	53.9	-9.6	-12.0	43.6	
NBU refinancing. UAH billions	117.5	0.2	9.4	20.9	
NBU deposit certificates	O/N. UAH billions	37.8	-6.7	42.8	-28.2
	Total. UAH billions	162.1	-2.6	24.3	-1.0

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: 6.8045% p.a. on 22 June, 6.8310% p.a. on 23 June, 6.7375% p.a. on 24 June, and 6.7484% p.a. on 25 June.

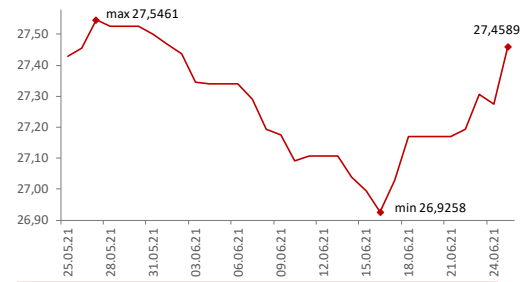
### FOREIGN EXCHANGE MARKET

During the previous trading week, the Ukrainian interbank FX market was registering a trend towards depreciation of the national currency. Exchange rate fluctuations ranged within the limits of UAH 27.22-27.55/USD. The regulator carried out foreign currency interventions to smooth down exchange rate fluctuations. As a result, on Friday, 25 June, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 27.3964/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 27.22-27.37/USD on Tuesday, 22 June, UAH 27.22-27.32/USD on Wednesday, 23 June, UAH 27.35-27.55/USD on Thursday, 24 June, and UAH 27.35-27.50/USD on Friday, 25 June.

Over 22-25 June, the National Bank purchased USD 128.00 million from banks and sold USD 79.50 million to banks by way of the single exchange rate interventions.

### NBU EXCHANGE RATE (UAH/USD)



Source: NBU

### QUOTATIONS ON GLOBAL MARKETS

Name	Coupon	Maturity	Bid Price	Ask Price	Ask YTM	Cur
Ukraine-2021	7,75	01.09.2021	100,85	101,19	0,72	USD
Ukraine-2022	7,75	01.09.2022	104,97	105,42	2,99	USD
Ukraine-2023	7,75	01.09.2023	107,57	108,04	3,85	USD
Ukraine-2024	8,99	01.02.2024	110,67	111,22	4,36	USD
Ukraine-2024	7,75	01.09.2024	108,85	109,43	4,52	USD
Ukraine-2025	7,75	01.09.2025	109,22	109,84	5,10	USD
Ukraine-2026	6,75	20.06.2026	108,81	109,49	4,57	EUR
Ukraine-2026	7,75	01.09.2026	110,06	110,62	5,37	USD
Ukraine-2027	7,75	01.09.2027	109,70	110,24	5,75	USD
Ukraine-2028	9,75	01.11.2028	118,58	119,16	6,43	USD
Ukraine-2030	4,38	27.01.2030	92,94	93,67	5,42	EUR
Ukraine-2032	7,38	25.09.2032	104,26	104,85	6,75	USD
Ukraine-2033	7,253	15.03.2033	103,20	103,76	6,78	USD
Ukreximbank	9,63	27.04.2022	103,07	104,16	4,42	USD
Ukreximbank	7,29	09.02.2023	99,53	101,00	6,50	USD
Ukreximbank	9,75	22.01.2025	107,22	107,88	7,20	USD
Oschadbank	9,38	10.03.2023	104,80	105,22	6,07	USD
Oschadbank	7,22	19.01.2024	95,00	97,66	8,07	USD
Oschadbank	9,63	20.03.2025	108,48	108,61	6,95	USD
Metinvest BV	7,75	23.04.2023	107,07	107,35	3,53	USD
Metinvest BV	5,63	17.06.2025	105,89	106,71	3,79	EUR
Metinvest BV	8,50	23.04.2026	113,79	114,45	5,08	USD
Metinvest BV	7,65	01.10.2027	110,65	111,02	5,54	USD
Metinvest BV	7,75	17.10.2029	110,79	111,52	5,97	USD
MHP SE	7,75	10.05.2024	107,98	108,28	4,62	USD
MHP Lux SA	6,95	03.04.2026	105,95	106,50	5,38	USD
MHP Lux SA	6,25	19.09.2029	98,27	99,58	6,31	USD
Kernel Holding	8,75	31.01.2022	103,88	104,00	1,83	USD
Kernel Holding	6,50	17.10.2024	106,90	107,72	3,98	USD
Ukraine Railways	9,88	15.09.2021	100,86	101,09	4,46	USD
Ukraine Railways	8,25	09.07.2024	104,91	105,22	6,32	USD
NAK Naftogaz	7,38	19.07.2022	104,16	104,27	3,21	USD
NAK Naftogaz	7,13	19.07.2024	103,86	104,79	5,38	EUR
NAK Naftogaz	7,625	08.11.2026	103,30	104,21	6,68	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2017	2018	2019	2020	2021
<b>GDP. %</b>	2,5	3,3	3,2	-4.0	<b>-2.2</b> <b>(first quarter)</b>
<b>Industrial output. %</b>	-0,1	1,1	-0,5	4.8	<b>5.4</b> <b>(May)</b>
Consumer price growth. % year-on-year	13,7	9,8	4,1	5.0	9.5 (May)
Producer price growth. % year-on-year	16,5	14,2	-7,4	14.5	33.1 (May)
Balance of payments (consolidated). USD billions	2,6	2,9	6,0	2.0 (preliminary estimate)	0.8 (April, preliminary estimate)
Current account balance. USD billions	-2,4	-4,4	-4,1	6.5 (preliminary estimate)	0.8 (April, preliminary estimate)
Balance of trade (goods and services). USD billions	-8,61	-12,7	-12,5	-1.8 (preliminary estimate)	0.3 (April, preliminary estimate)
International reserves, USD billions, by the end of the period	18,8	20,8	25,3	29.1 (preliminary estimate)	27.8 (May)
External debt. USD billions	116,6	114,7	121,7	125.8 (fourth quarter)	123.1 (first quarter)
<b>Banking system assets, % of annual growth</b>	6,4	2,0	9,9	18.9	<b>3.3</b> <b>(January-May)</b>
Exchange rate. by year end. UAH/USD	28,07	27,69	23,69	28.27	27.50 (May)
Exchange rate. annual average. UAH/USD	26,60	27,20	25,85	26.96	27.89 (January-May)

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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