

# Financial markets survey

19 November 2018

## IN SEARCH OF COMPROMISES

WEEKLY ISSUE

**Brexit agreement has been negotiated**  
**Unemployment goes down, wages go up**  
**Liquidity has shrunk again**

### GLOBAL MARKET

News from the UK are the focus of attention for financial markets. On Wednesday, 14 November, the British Cabinet of Ministers supported the draft Brexit agreement, now the discussion will continue in the Parliament. Three British ministers resigned, thus expressing their dissent against the text of the agreement on the UK's withdrawal from the EU. At the same time, UK Prime Minister Theresa May called it "the best compromise with the EU that the UK could reach". Experts assume that a vote on impeaching Theresa May can take place as soon as next week and are concerned that, if the situation ends up with a "tough" Brexit, consequences for financial markets will be serious and unpredictable. An extraordinary EU summit dedicated to completing work on the Brexit agreement will take place on 25 November. It is expected that the agreement will be given an official status.

Investors also continue following the trade dispute between the US and China. Mass media leaked information that China and the US will agree only upon key cooperation principles without any specific measures.

Statistical data published in the US pointed to a weaker than expected dynamics of industrial output. In October 2018, industrial output inched up a mere 0.1% compared to the previous month. Retail sales in the US grew 0.8% in October compared to the previous month, which is a record-high indicator since May 2018.

During the previous week, one of the key events in Europe was a speech made by ECB President Mario Draghi. According to Mr. Draghi, the ECB will finish its quantitative easing program at the end of the current year, although the latest data registered some slackening of economic growth, as well as a slowdown of inflation. In October 2018, consumer prices in the euro-area grew 2.2% in annual terms; in particular consumer prices grew 2.4% in Germany, 2.5% in France and 2.3% in Spain. The ECB is forecasting that inflation in the euro-area will reach 1.7% in 2018, while the European Commission is estimating inflation at 1.8%.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1213-1.1412/EUR. On Friday, 16 November, trading closed at USD 1.1346/EUR.

### EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1346	0.0	-2.1	-5.4
GBP/USD	1.2834	-1.1	-2.6	-5.0
USD/RUB	66.6159	0.6	1.3	15.7
USD/UAH	27.7550	-0.5	-0.6	-1.1

Source: Bloomberg

### STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	2736.3	-1.6	-2.6	2.3
FTSE 100 (UK)	7013.9	-1.3	-0.6	-8.8
MXME (East. Eur.)	155.9	-0.2	-2.1	-5.8
UX (Ukraine)	583.3	-2.1	5.0	85.1
RTS (Russia)	1134.9	1.2	-2.7	-1.7

Source: Bloomberg

### KEY RATES

Ставка	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y, % per annum	3.124	-0.7	5.3	48.3
FRS, % per annum	2.250	0.0	0.0	46.7
ECB, % per annum	0.000	0.0	0.0	0.0
NBU, % per annum	18.000	0.0	0.0	24.1
CB RF, % per annum	7.500	0.0	0.0	-3.2

Source: Bloomberg

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## MACROECONOMICS

### GDP

According to up-to-date estimate of the State Statistics Service, Ukraine's real GDP grew 0.4% over the third quarter of 2018 compared to the previous quarter (seasonally adjusted data). Compared to the third quarter of 2017, the country's GDP rose 2.8%.

### Agriculture

According to estimates of the State Statistics Service, Ukraine's current population stood at 42,220,824 people as of 1 October 2018. Over January-September 2018, Ukraine's population shrank 165,600 people.

### Demographic situation

According to information of the State Statistics Service, consumer prices grew 1.7% in October 2018. Since the beginning of the current year, consumer prices rose 7.4%. Consumer inflation landed at 9.5% in October 2018 compared to October 2017.

### Unemployment

The total number of registered unemployed went down 15,700 individuals over the previous month and landed at 271,400 Ukrainians by late October 2018. 170,400 registered unemployed are residing in urban areas. The majority of registered unemployed are women, at 165,700 individuals.

In October 2018, employers' needs for manpower to fill vacant positions grew to 97,300 vacancies. There were three registered unemployed for each vacancy in October 2018.

The average size of unemployment benefit grew to UAH 2,637.00 in October 2018 (UAH 2,510.00 in September 2018).

### Wages

The average nominal monthly wage of full-time staff members employed at companies, institutions and organizations totaled UAH 9,042.00 in September 2018, which constitutes approximately 240.0% of the minimum wage (UAH 3,723.00).

The average nominal wage was registered at 100.7% compared to August 2018 and at 123.0% compared to September 2017.

In September 2018, the index of real wages reached 98.8% compared to August 2018 and 112.9% compared to September 2017.

In September 2018, the highest wages were observed, as before, in the city of Kyiv (UAH 13,614.00), Donetsk oblast (UAH 9,850.00) and Kyiv oblast (UAH 9,132.00). The lowest wages were registered in Ternopil oblast (UAH 7,061.00), Chernivtsi oblast (UAH 7,062.00) and Chernihiv oblast (UAH 7,130.00).

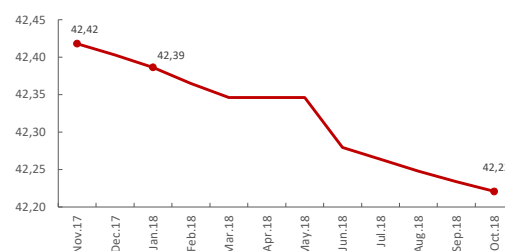
The highest average wages were registered in finance and insurance (UAH 15,956.00), in information and telecommunications (UAH 14,307.00) and in public administration and defense (UAH 12,993.00). The lowest average wages were registered in healthcare and social assistance (UAH 5,730.00), in public catering (UAH 5,995.00) and in education (UAH 7,176.00).

### LATEST MACROECONOMIC DATA

Показатель	Значение
Real GDP change over Q3'2018, % to the relevant quarter of the previous year	2.8
Change in agricultural output over January-October 2018, % year-on-year	9.0

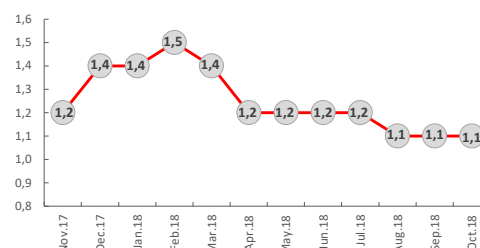
Source: the State Statistics Service

### POPULATION (MILLIONS OF PEOPLE)



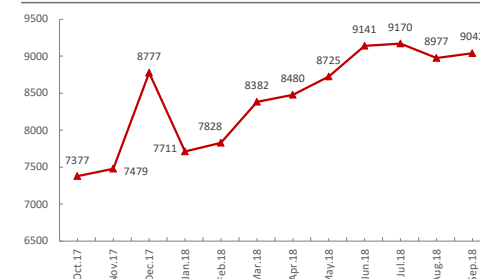
Source: the State Statistics Service

### UNEMPLOYMENT RATE (% of the employable population)



Source: the State Statistics Service

### AVERAGE NOMINAL WAGES (UAH)



Source: the State Statistics Service

## BOND MARKET

At a scheduled tender for primary placement of internal government bonds held on 13 November, the Ministry of Finance offered five types of bonds denominated in hryvnia and two types of bonds denominated in US dollars.

Bonds denominated in hryvnia and maturing in three months enjoyed the highest demand. Seventeen bids for the total of UAH 527.3 million were submitted for purchasing the above-mentioned bonds. The requested interest rates ranged within 19.00-19.20% p.a. The Ministry of Finance satisfied fifteen bids, setting the cut-off rate at 19.00% p.a.

Nine bids for the total of UAH 83.9 million were submitted for purchasing bonds maturing in five months. The requested interest rates ranged within 18.50-19.00% p.a. The Ministry of Finance set the cut-off rate for this type of bonds at the level registered during the previous tender, at 18.50% p.a. As a result, one bid for the total of UAH 26.8 million was rejected.

Bonds maturing in ten months scored one bid for the total of UAH 1.0 million, which was satisfied at the requested rate of 18.50% p.a. Two bids for the total of UAH 15.0 million were submitted for purchasing internal government bonds maturing in twelve months and requested an interest rate of 19.00% p.a. Both bids were rejected by the Ministry of Finance.

Five bids for the total of UAH 6.1 million were submitted for purchasing bonds maturing in 18 months. The requested interest rate stood at 18.50 p.a. The Ministry of Finance satisfied the above-mentioned bids in full.

Ten bids for the total of USD 17.4 million were submitted for purchasing bonds denominated in US dollars and maturing in twelve months. The requested interest rates ranged within 7.00-7.50% p.a. The Ministry of Finance set the cut-off rate at 7.25% p.a. and rejected three bids.

Ten bids for the total of USD 4.2 million were submitted for purchasing bonds denominated in US dollars and maturing in two years. The Ministry of Finance set the cut-off rate at 7.50% p.a. and rejected one bid requesting 8.00% p.a.

As a result of the tender held on 13 November, the Ministry of Finance managed to raise UAH 1.1 billion to the State Budget of Ukraine (according to the NBU exchange rate).

Over the previous week, the volume of outstanding internal government bonds went up UAH 0.2 billion and, as of 16 November 2018, totaled UAH 740.9 billion (according to the total principal).

## NBU OPERATIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 18.6 billion, including overnight certificates of deposit for the total of UAH 10.2 billion.

On Tuesday, 13 November, the National Bank placed deposit certificates maturing in fourteen days for the total of UAH 3.9 billion. On Friday, 16 November, the total sum of placement reached UAH 4.5 billion.

The interest rate for overnight certificates of deposit stood at 16.00% p.a. The earning rate for deposit certificates maturing in fourteen days was registered at 18.00% p.a.

A scheduled NBU quantity tender announced on 16 November to support liquidity of banks failed to take place. In the course of the previous week, banks used the standing NBU refinancing line (overnight loans) for the total of UAH 6.2 billion. The interest rate stood at 20.00% p.a.

A negative balance of the State Treasury transactions reached UAH 10.1 billion over 12-16 November.

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

## THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of internal government bonds	Weighted average rate	Submit./satisfied bids	Funds raised, UAH millions
13 Nov.	84 days	19,00%	17/15	409,42
13 Nov.	140 days	18,50%	9/8	53,33
13 Nov.	294 days	18,50%	1/1	1,01
13 Nov.	539 days	18,50%	5/5	5,76
13 Nov.	343 denom in USD	7,22%	10/7	16,77*
13 Nov.	701 denom in USD	7,50%	10/9	4,04*

\* - USD millions

Source: the Ministry of Finance of Ukraine

## OWNERS OF INTERNAL GOVERNMENT BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	348.1	0.0	0.0	-3.5
Banks	360.5	0.1	-2.8	-0.1
Legal entities	19.9	-0.7	-2.3	-10.4
Private individ.	5.5	2.2	13.6	276.0
Non-residents	6.9	-3.5	-4.7	32.1

Source: the National Bank of Ukraine

## MARKET INDICATORS

Indicator		last	week ch.. %	mon. ch.. %	YTD. %
The balance on c/a, UAH billions		50.4	11.3	-9.2	34.3
NBU refinancing, UAH billions		55.7	-0.1	0.2	-9.9
NBU deposit certi- ficates	O/N, UAH billions	1.6	-89.0	-4.7	-90.5
	Total, UAH billions	25.8	-40.5	2.4	-55.6

Source: the National Bank of Ukraine

## INTERBANK LENDING MARKET

During the previous week, the interbank resource market registered a slight growth of rates. Rates for overnight, weekly and monthly lending resources in the national currency were ranging within the limits of 17.75-19.75% per annum.

## FOREIGN EXCHANGE MARKET

At the beginning of the previous week, the foreign exchange market was rather dynamic. On Monday, 12 November, American banks were closed, as that was a day off in the US (the Veterans Days). Accordingly, the Ukrainian interbank foreign exchange market was registering TOM deals. However, it did not suit foreign exchange sellers, and they decided to hold back free sale until Tuesday, 13 November. Nevertheless, demand for the American currency was rather active. Since Monday was a day off, foreign exchange supply on Tuesday also was not high, while demand remained at the usual level. As a result, the hryvnia depreciated a little. On Wednesday, foreign exchange supply exceeded demand, and such a situation lasted until the end of the previous week, which made it possible for the hryvnia to appreciate somewhat. As a result, on Friday, 16 November, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 27.7550/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 27.87-27.95/USD on Monday, 12 November, UAH 27.88-27.96/USD on Tuesday, 13 November, UAH 27.80-27.87/USD on Wednesday, 14 November, UAH 27.75-27.82/USD on Thursday, 15 November, and UAH 27.73-27.82/USD on Friday, 16 November.

The overall weekly foreign exchange sales volumes on the interbank foreign exchange market reached USD 1.3 billion.

Over 12-16 November, the National Bank purchased USD 81.0 million from banks: USD 20.0 million by way of foreign exchange interventions in the form of matching and USD 61.0 million by way of foreign exchange interventions in form of a single exchange rate.

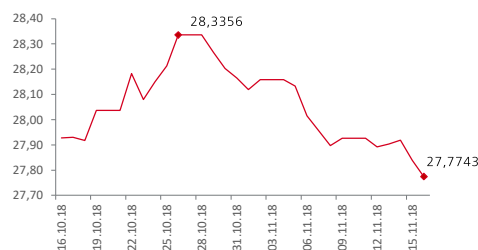
## COMMODITY MARKETS

On Friday, 16 November, crude oil prices tried to recover their positions after they collapsed at the beginning of the previous week following publication of data on growing petroleum inventories in the US. However, they finished the previous week in the red. The US Department of Energy informed that petroleum inventories in the US had been growing for the eighth consecutive week, registering a record-fast growth since February 2017. Crude output in the US rose 100,000 barrels per day – to 11.7 million barrels per day, which is another record-high.

As before, market participants are worrying about crude overproduction and excessive petroleum supply. The OPEC is expecting weaker demand for its crude oil, and this is why the cartel is discussing the possibility of lowering exports with its allies, which is keeping the prices from falling.

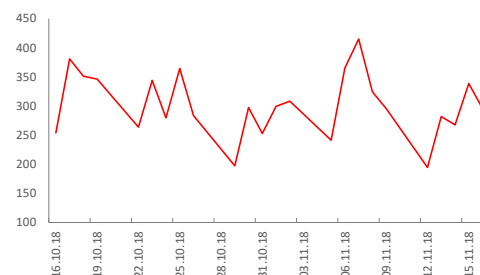
Meanwhile, Iraq resumed its export deliveries of crude oil totaling 50-100 barrels per day. However, the country is saying that this will not have an impact on total exports growth.

### EXCHANGE RATE (UAH/USD)



Source: NBU

### TRADING VOLUMES (USD MILLIONS)



Source: NBU

### COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	214.0	0.0	0.9	19.2
Brent crude. USD/barrel	66.8	-4.9	-17.6	5.4
WTI crude. USD/barrel	56.5	-6.2	-21.3	-2.8
Gold. USD/ounce	1222.4	0.9	-0.7	-5.3

Source: Bloomberg

## UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2015	2016	2017	2018
GDP. %	-9.8	2.3	2.5	2.8 (third quarter, preliminary estimate)
Industrial output. %	-13.4	2.4	-0.1	-0.7 (September)
Consumer price growth. % year-on-year	43.3	12.4	13.7	9.5 (October)
Producer price growth. % year-on-year	25.4	35.7	16.5	16.6 (October)
Balance of payments (consolidated). USD billions	0.8	1.3	2.6	-0.6 (September, preliminary estimate)
Current account balance. USD billions	-0.2	-1.3 (revised data)	-2.1 (revised data)	-1.7 (September, preliminary estimate)
Balance of trade. USD billions	-1.7	-6.5 (revised data)	-8.61 (revised data)	-8.6 (January-September preliminary estimate)
International reserves. USD billions	13.3	15.5	18.8	18.1 (October, preliminary estimate)
External debt. USD billions	118.7	113.6	116.6	113.8 (second quarter)
Banking system assets. % of growth	4.7	0.2	6.4	1.6 (January-September)
Exchange rate. by year end. UAH/USD	24.00	27.19	28.07	28.16 (October)
Exchange rate. annual average. UAH/USD	21.85	25.55	26.60	27.07 (January-October)

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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