

Financial markets survey

22 April 2019

WIND OF CHANGE

WEEKLY ISSUE

Markets are preparing for holidays
A demographic collapse
The hryvnia froze in expectation of the presidential election

GLOBAL MARKET

The previous week followed a neutral format on the American markets. Key indices changed weakly, but stood close to record-highs for the current year.

The corporate reporting season in the US is in full swing. Market participants are estimating releases of large corporations for the first quarter and statistical data on industrial output and retail sales.

As expected, profits of companies included into the S&P 500 Index dropped 4.6% over January-March 2019 in annual terms, which happened for the first time for almost three years.

Industrial output in the US inched down 0.1% in March 2019 compared to February, although analysts expected this indicator to inch up 0.2%. Over the first quarter of 2019, this indicator declined 0.3% (which is a record-low since the third quarter of 2017) after rising 4.0% over October-December 2018.

Retail sales in the US grew 1.6% in March 2019 compared to the previous month, which is a record-high since September 2017. On the average, analysts expected this indicator to rise 1.0%. In February 2019, retail sales inched down 0.2%.

The number of new home constructions initiated in the US in March 2019 shrank 0.3% compared to the previous month and landed at 1,139,000, which is a record-low since May 2017. Experts mention that a drop in the number of new home constructions is a signal that there are difficulties with building affordable residential housing given growing expenses on labor force and construction materials.

The weak euro is explained by statistical data from the euro-area, indicating a drop of the Composite Purchasing Managers' Index (PMI) in the euro-area to 51.3 points in April from 51.6 points in March, although experts expected this indicator to grow to 51.8 points.

During the previous week, 15-19 April, trading in the "EUR/USD" pair ranged within the limits of USD 1.1224-1.1324/EUR.

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1250	-0.6	-1.0	-1.7
GBP/USD	1.2993	-0.6	-2.1	1.9
USD/RUB	64.0688	-0.5	-0.9	-7.8
USD/UAH	26.8540	0.5	-1.1	-3.0

Source: Bloomberg

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	2905.0	-0.1	2.6	15.9
FTSE 100 (UK)	7459.9	0.3	1.9	10.9
MXME (East. Eur.)	172.2	0.1	2.2	13.2
PFTS (Ukraine)	533.2	-0.6	-5.9	-4.7
RTS (Russia)	1260.8	0.6	3.4	18.0

Source: Bloomberg

KEY RATES

Ставка	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y, % p.a.	2.746	-0.1	-2.3	-8.6
FRS, % p.a.	2.25-2.50	0.0	0.0	0.0
ECB, % p.a.	0.000	0.0	0.0	0.0
NBU, % p.a.	18.000	0.0	0.0	0.0
CB RF, % p.a.	7.750	0.0	0.0	0.0

Source: Bloomberg

www.pumb.ua

Department of Investment Business
Andriivska St., 4, Kiev, Ukraine 04070
tel. +38 044 231 7380

MACROECONOMICS

Agriculture

According to information of the State Statistics Service, agricultural output in Ukraine grew 3.4% over January-March 2019 compared to the same period of the previous year. In particular, output at agricultural enterprises grew 7.7%, whereas output at private farms shrank 1.5%.

Since the beginning of the current year, agricultural output grew in fifteen Ukrainian oblasts. Agricultural output in Vinnytsya (+16.2%), Lviv (+12.6%) and Kharkiv (+8.9%) oblasts increased the most.

Over the first three months of 2019, agricultural output declined in eight Ukrainian oblasts. Agricultural output in Kherson (-6.3%), Zaporizhzhya (-5.5%) and Odesa (-4.5%) oblasts shrank the most.

Over January-March 2019, agricultural output in Sumy oblast was registered at the level observed over January-March 2018.

Demographic situation

According to estimates of the State Statistics Service, Ukraine's current population stood at 42,101,650 people as of 1 March 2019.

Over January-February 2019, Ukraine's population shrank 51,551 people.

The number of newborns in Ukraine reached 51,496 over January-February 2019. The leaders in terms of the number of newborns are the city of Kyiv (2,773 newborns), Dnipropetrovsk oblast (2,104 newborns) and Lviv oblast (1,937 newborns). The outsiders in terms of the number of newborns were Lugansk oblast (447 newborns), Chernihiv oblast (566 newborns) and Sumy oblast (574 newborns).

The number of deaths continues to seriously outpace the number of births: 47 newborns per every 100 deceased. The highest death rates were registered in Dnipropetrovsk, Kharkiv and Donetsk oblasts.

Migration helped increase population numbers by 7,040 people over January-February 2019.

Unemployment

The total number of registered unemployed went down 26,300 individuals over the previous month and landed at 340,700 individuals by the end of March 2019.

184,400 registered unemployed are residing in urban areas, while 156,300 registered unemployed are living in rural area. As before, the majority of registered unemployed are women, totaling 189,600 individuals.

In March 2019, the number of vacant positions went up to 100,000 vacancies. There were three registered unemployed for each vacancy in March 2019.

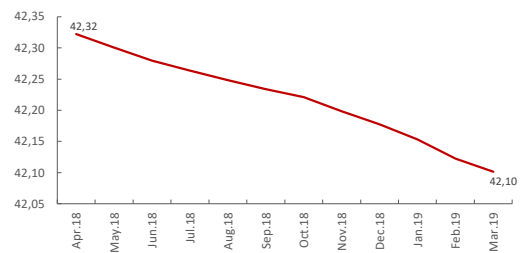
The average size of unemployment benefit landed at UAH 3,180.00 in March 2019. 282,800 individuals received unemployment benefit in March.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output over January-March 2019, % year-on-year	3.4

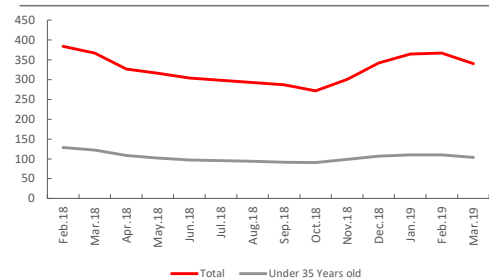
Source: the State Statistics Service

POPULATION (MILLIONS OF PEOPLE)



Source: the State Statistics Service

UNEMPLOYMENT RATE (% of the employable population)



Source: the State Statistics Service

BOND MARKET

On 16 April, the Ministry of Finance held a scheduled tender for primary placement of internal government bonds. At this tender, the Ministry of Finance offered five types of bonds denominated in hryvnia and three types of bonds denominated in US dollars.

All types of bonds offered enjoyed demand among market players. The Ministry of Finance satisfied all bids of participating bidders in full. At that, earning rates remained at the levels registered at previous placements.

As before, the shortest term bonds maturing in four months and bonds maturing in two years enjoyed the highest demand. At that, demand for medium-term bonds (maturing in twelve months and in three years) also persisted.

As for bonds denominated in foreign exchange, bonds maturing in December 2019 enjoyed the highest demand (in terms of the total sum of bids).

In addition to regular bonds, the Ministry of Finance also offered bonds denominated in US dollars with advanced repayment. These bonds were placed with a fixed interest rate of 3.85% per annum.

During the current week, the Ministry of Finance will have to pay out one issue of internal government bonds denominated in hryvnia for the total of UAH 2.8 billion (maturing in three years) and one issue of bonds denominated in foreign exchange for the total of USD 73.0 million (maturing in eighteen months). Both issues will have to be paid out on 24 April.

As a result of the tender held on 16 April, the Ministry of Finance managed to raise UAH 13.5 billion to the State Budget of Ukraine (according to the NBU exchange rate).

As of 1 April 2019, the United State Treasury Account (USTA) registered UAH 14.9 billion (UAH 8.2 billion as of 1 March 2019).

Over the previous week, the volume of outstanding internal government bonds went up UAH 4.6 billion and, as of 19 April 2019, totaled UAH 760.9 billion (according to the total principal). Over the previous week, non-residents' portfolio increased UAH 4.9 billion.

NBU OPERATIONS

Over the previous week, banks purchased NBU deposit certificates for the total of UAH 83.8 billion, including overnight certificates of deposit for the total of UAH 45.5 billion.

On Friday, 19 April, the National Bank placed deposit certificates maturing in fourteen days for the total of UAH 38.3 billion, satisfying bids of forty-six banks.

The interest rate for overnight certificates of deposit stood at 16.00% per annum. The interest rate for deposit certificates maturing in fourteen days landed at 18.00% per annum.

The NBU did not hold any quantity tenders to refinance banks.

Banks used the standing NBU refinancing line (overnight loans) for the total of UAH 1.0 million over the previous week.

A negative balance of the State Treasury transactions reached UAH 3.3 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.

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
16 Apr.	126 days	19.50%	18/18	4112.18
16 Apr.	175 days	19.00%	12/12	125.00
16 Apr.	350 days	18.50%	12/12	577.09
16 Apr.	707 days	18.00%	13/13	3009.41
16 Apr.	994 days	17.25%	3/3	324.30
16 Apr.	239 days, den. in USD	7.25%	12/12	111.86*
16 Apr.	666 days, den. in USD	7.74%	23/23	13.61*
16 Apr.	484 days, den. in USD	3.85%	1/1	73.48*

* - 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	337.1	0.0	0.0	-3.2
Banks	358.9	-0.1	-1.8	-4.2
Legal entities	26.0	-0.3	0.7	25.3
Private individ.	8.4	2.9	9.4	38.0
Non-residents	30.5	19.4	109.9	381.1

Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a, UAH billions	54.4	-1.6	-2.5	52.7	
NBU refinancing, UAH billions	48.9	0.0	-0.1	-10.7	
NBU deposit certificates	O/N, UAH billions	11.1	12.2	37.6	-63.3
	Total, UAH billions	49.4	-10.7	9.8	-20.3

Source: the National Bank of Ukraine

INTERBANK LENDING MARKET

The interbank lending market is stable. Only a slight narrowing of the interest rate range was registered. Rates for overnight, weekly and monthly lending resources in the national currency were ranging within the limits of 14.25-15.75% per annum.

FOREIGN EXCHANGE MARKET

During the previous week, the situation on the foreign exchange market did not seriously differ from what was happening one week earlier. The national currency exchange rate was under the psychological pressure of expectations of the upcoming presidential election. The hryvnia was supported by non-residents that continue investing into Ukrainian government securities, as well as by the State Treasury transactions. As a result, on Friday, 19 April, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 26.8540/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.75-26.85/USD on Monday, 15 April, UAH 26.65-26.75/USD on Tuesday, 16 April, UAH 26.65-26.75/USD on Wednesday, 17 April, UAH 26.80-26.90/USD on Thursday, 18 April, and UAH 26.78-26.98/USD on Friday, 19 April.

The overall weekly foreign exchange sales volumes on the interbank foreign exchange market reached USD 1.6 billion over the previous week.

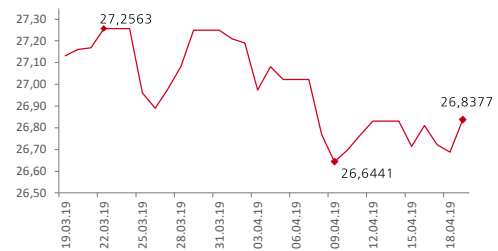
Over 15-19 April, the National Bank purchased USD 45.0 million from banks: USD 30.0 million by way of foreign exchange interventions in the form of matching and USD 15.0 million by way of foreign exchange interventions in the form of the single exchange rate.

COMMODITY MARKETS

Slower growth of the oil and gas industry in the US, which manifested itself by way of less active drilling activities and shrinking inventories, created a positive background for the petroleum market over the previous week. In addition, there was a publication of data on the number of active oil derricks in the US, which was cut down by 8 derricks to 825 oil derricks.

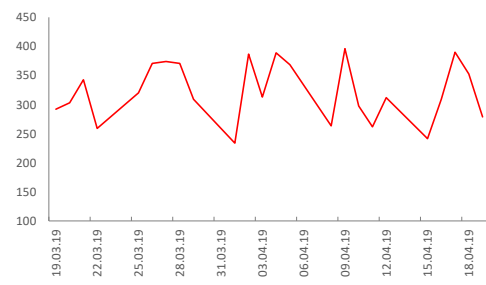
Prices for benchmark crudes rose a little before the long weekend. On Thursday 18 April, trading finished close to record-highs of 2019. On Friday, 19 April, markets were closed due to the celebration of the Good Friday.

EXCHANGE RATE (UAH/USD)



Source: NBU

TRADING VOLUMES (USD MILLIONS)



Source: NBU

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	212.0	-0.9	-0.9	-4.1
Brent crude. USD/barrel	72.0	0.6	6.7	31.9
WTI crude. USD/barrel	64.0	0.2	7.9	37.6
Gold. USD/ounce	1275.7	-1.4	-2.4	-0.3

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2015	2016	2017	2018	2019
GDP. %	-9.8	2.3	2.5	3.3	-
Industrial output. %	-13.4	2.4	-0.1	1.1	-1.8 (February)
Consumer price growth. % year-on-year	43.3	12.4	13.7	9.8	8.6 (March)
Producer price growth. % year-on-year	25.4	35.7	16.5	14.2	8.9 (March)
Balance of payments (consolidated). USD billions	0.8	1.3	2.6	2.9 (preliminary estimate)	-0.2 (February, preliminary estimate)
Current account balance. USD billions	-0.2	-1.3 (revised data)	-2.1 (revised data)	-4.7 (preliminary estimate)	-0.4 (January, preliminary estimate)
Balance of trade. USD billions	-1.7	-6.5 (revised data)	-8.61 (revised data)	-11.5 (preliminary estimate)	-1.1 (February, preliminary estimate)
International reserves. USD billions	13.3	15.5	18.8	20.8 (preliminary estimate)	20.6 (March, preliminary estimate)
External debt. USD billions	118.7	113.6	116.6	114.7 (third quarter)	-
Banking system assets. % of growth	4.7	0.2	6.4	2.0	0.6 (January-February)
Exchange rate. by year end. UAH/USD	24.00	27.19	28.07	27.69	27.25 (March)
Exchange rate. annual average. UAH/USD	21.85	25.55	26.60	27.20	27.30 (January-March)

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	FRTSI\$ 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



DEPARTMENT OF INVESTMENT BUSINESS

Anton Stadnik
Head of department
+38 044 231 7046
anton.stadnik@fuiib.com

Marina Timbay
Trading and brokerage
+38 044 231 7053
marina.timbay@fuiib.com

Nataliya Khimich
Research
+38 044 231 7380
nataliya.khimich@fuiib.com

PUBLIC RELATIONS

Anna Kokoba
+38 044 231 7252
anna.kokoba@fuiib.com

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