

# Financial markets survey

20 May 2019

## IN SEARCH OF NEW MARKETS

WEEKLY ISSUE

**The White House is aggressively disposed**  
**Real GDP grew 2.2% in Q1'2019**  
**A slight adjustment of interest rates**

### GLOBAL MARKET

The previous week followed an ambiguous format for the US markets. At the beginning of the previous week, key stock indices lost more than 2.0% spurred by growing risks of trade wars. However, by the end of the previous week, the situation got stabilized, and even a slight growth was registered.

The main factors that are influencing moods of investors and are capable of leading to an adjustment on financial markets are standard – deteriorating relations between the US and China, problems of the global economy and weaker dynamics of corporate profits.

The Consumer Confidence Index in the US grew to 102.4 points in May 2019 from 97.2 points registered in April. This is a record-high value of this indicator since 2004, and it surpassed the most optimistic forecasts of the market. Optimistic moods of Americans were also supported by better than expected data on the US GDP growth in the first quarter indicating that the American economy grew 3.2%.

US President Donald Trump signed a decree that should cancel a preferential trade regime with Turkey starting from 17 May.

US President Donald Trump postponed the institution of 25.0% import duties for vehicles imported from the European Union and Japan for 180 days. The US President gave instructions to organize negotiations to eliminate the “threat to national security” connected with imports of vehicles and component parts from these regions. In addition, the White House ditched rates for imports of aluminum and steel from Canada and Mexico introduced during the previous year.

The Consumer Price Index in the euro-area grew 1.7% in annual terms in April 2019. Compared to March, consumer prices inched up 0.7%. Over the previous month, the Consumer Price Index rose 2.1% in annual terms in Germany, 1.5% in France, 1.6% in Spain, and 1.1% in Italy.

In the twenty-eight European Union countries, consumer prices grew 1.9% in April 2019 compared to April 2018, while the same indicator in March landed at 1.6%.

During the previous week, 13-17 May, trading in the “EUR/USD” pair ranged within the limits of USD 1.1156-1.1265/EUR.

### EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1172	-0.5	-1.1	-2.4
GBP/USD	1.2724	-2.1	-2.4	-0.2
USD/RUB	64.5598	-1.0	0.5	-7.1
USD/UAH	26.3682	0.6	-1.2	-4.8

Source: Bloomberg

### STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	2859.5	-0.8	-1.4	14.1
FTSE 100 (UK)	7348.6	2.0	-1.6	9.2
MXME (East. Eur.)	165.7	1.7	-4.3	8.9
PFTS (Ukraine)	570.6	-0.2	6.0	2.0
RTS (Russia)	1254.7	3.4	-0.9	17.4

Source: Bloomberg

### KEY RATES

Ставка	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y, % p.a.	2.635	-2.2	-4.6	-12.3
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.	17.500	0.0	-2.8	-2.8
CB RF, % p.a.	7.750	0.0	0.0	0.0

Source: Bloomberg

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## MACROECONOMICS

### GDP

According to up-to-date estimate of the State Statistics Service, Ukraine's real GDP grew 0.2% over the first quarter of 2019 compared to the previous quarter (seasonally adjusted data). Compared to the first quarter of 2018, the country's GDP rose 2.2%.

### Agriculture

According to information of the State Statistics Service, agricultural output in Ukraine grew 5.6% in April 2019 compared to March 2019. Compared to April 2018, the country registered a 0.2% decline.

Over January-April 2019, agricultural output increased 2.3% compared to the same period of the previous year. In particular, output at agricultural enterprises grew 6.3%, whereas output at private farms shrank 1.8%.

Since the beginning of the current year, agricultural output grew in fifteen Ukrainian oblasts. Agricultural output in Vinnytsya (+14.9%), Lviv (+10.4%) and Kharkiv (+8.7%) oblasts increased the most.

Over January-April 2019, agricultural output declined in nine Ukrainian oblasts. Agricultural output in Kherson (-7.1%), Kyiv (-5.9%) and Zaporizhzhya (-5.9%) oblasts shrank the most.

### Demographic situation

According to estimates of the State Statistics Service, Ukraine's current population stood at 42,079,547 people as of 1 April 2019.

According to estimates, the country's resident population numbers reached 41,909,910 people as of 1 April 2019. The average resident population numbers totaled 41,946,737 people over January-March 2019.

Over January-March 2019, Ukraine's population shrank 73,654 people.

Since the beginning of the current year, the number of newborns in Ukraine reached 76,125.

The number of deaths continues to seriously outpace the number of births: 48 newborns per every 100 deceased.

Migration helped increase population numbers by 9,485 people over January-March 2019.

### Unemployment

The total number of registered unemployed went down 29,300 individuals over the previous month and landed at 311,400 individuals by the end of April 2019.

178,300 registered unemployed are residing in urban areas, while 133,100 registered unemployed are living in rural area. As before, the majority of registered unemployed are women, totaling 180,600 individuals.

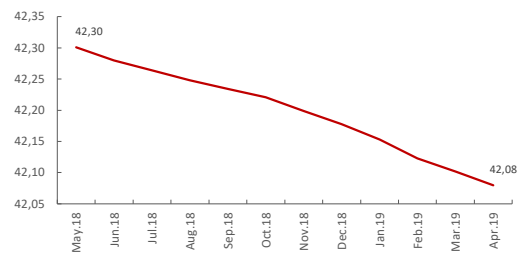
In April 2019, the number of vacant positions shrank 9,200 vacancies down to 90,800 vacancies. There were three registered unemployed for each vacancy in April 2019.

### LATEST MACROECONOMIC DATA

Indicator	Value
Real GDP change over Q1'2019, % to Q1'2018	2.2
Change in agricultural output over January-April 2019, % year-on-year	2.3

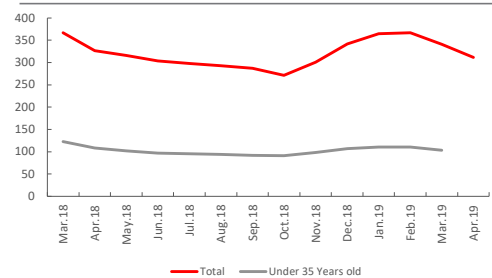
Source: the State Statistics Service

### POPULATION (MILLIONS OF PEOPLE)



Source: the State Statistics Service

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



Source: the State Statistics Service

## BOND MARKET

At a scheduled tender for primary placement of internal government bonds held on 14 May, the Ministry of Finance offered five types of bonds denominated in hryvnia and one type of bonds denominated in US dollars. Demand for government securities shrank noticeably compared to previous tenders.

The Ministry of Finance satisfied all bids submitted for purchasing bonds denominated in hryvnia. At the same time, the earning rates remained unchanged.

Bonds maturing in six months enjoyed the highest demand in terms of the total sum of bids. Bonds maturing in September 2019 enjoyed the highest demand in terms of the total number of bids.

21 bids for the total of USD 62.3 million (at face-value) were submitted for purchasing bonds denominated in US dollars. The requested interest rate ranged within the limits of 7.25-7.50% per annum. The Ministry of Finance satisfied twenty bids, setting the cut-off rate at the previous level of 7.25% per annum.

On 16 May, the Ministry of Finance repaid the first issue of 2014 external government bonds guaranteed by the US. The total sum of payment reached a little more than USD 1.0 billion.

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 1.1 billion (maturing in seven years on 22 May) and one issue of internal government bonds denominated in US dollars for the total of USD 73.0 million (maturing in eighteen months on 22 May).

As a result of the tender held on 14 May, the Ministry of Finance managed to raise UAH 4.0 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 2.6 billion and, as of 17 May 2019, totaled UAH 772.1 billion (according to the total principal).

## NBU OPERATIONS

During the previous week, banks purchased NBU deposit certificates for the total of UAH 86.3 billion, including overnight certificates of deposit for the total of UAH 49.1 billion.

On Friday, 17 May, the National Bank placed deposit certificates maturing in fourteen days for the total of UAH 37.2 billion, satisfying bids of forty-six banks.

The interest rate for overnight certificates of deposit landed at 15.50% per annum. The interest rate for deposit certificates maturing in fourteen days stood at 17.50% per annum.

The NBU did not hold any quantity tenders to refinance banks during the previous week.

Banks did not use the standing NBU refinancing line (overnight loans) during the previous week.

Over the previous week, 13-17 May, a negative balance of the State Treasury transactions landed at UAH 11.4 billion.

The banking system liquidity is at a sufficient 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
14 May	112 days	18.37%	22/22	418.84
14 May	175 days	18.40%	10/10	773.93
14 May	357 days	18.39%	16/16	677.33
14 May	763 days	17.81%	9/9	499.51
14 May	1092 days	17.00%	3/3	90.00
14 May	323 days, denom in USD	7.25%	21/20	57.60*

\* - 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	361.5	0.6	0.6	-3.5
Legal entities	24.8	-0.8	-5.2	19.7
Private individ.	9.0	2.4	10.2	48.2
Non-residents	39.7	1.4	56.0	525.2

Source: the National Bank of Ukraine

## MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a, UAH billions	55.0	30.4	-4.7	54.2	
NBU refinancing, UAH billions	51.9	0.0	6.2	-5.2	
NBU deposit certificates	O/N, UAH billions	7.0	-22.1	-32.9	-76.7
	Total, UAH billions	44.2	-14.8	-21.0	-28.7

Source: the National Bank of Ukraine

### INTERBANK LENDING MARKET

During the previous week, the banking system liquidity narrowed due to scheduled tax payments to the State Budget. Rates for overnight, weekly and monthly lending resources in the national currency grew 1.0-1.5 percentage points on the average and were ranging within the limits of 14.00- 16.00% per annum on the interbank lending market.

### FOREIGN EXCHANGE MARKET

During the previous week, the market registered a slight depreciation of the national currency exchange rate. Exports did not hurry to sell their foreign exchange proceeds, while non-residents took a break in purchasing government securities. As a result, foreign exchange demand was exceeding supply in the course of the entire previous week. Even a favorable period in the form of budgetary payments did not manage to support the hryvnia. As a result, on Friday, 17 May, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 26.3682/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.07-26.15/ USD on Monday, 13 May, UAH 26.10-26.22/USD on Tuesday, 14 May, UAH 26.30-26.40/USD on Wednesday, 15 May, UAH 26.30-26.40/ USD on Thursday, 16 May, and UAH 26.32-26.42/USD on Friday, 17 May.

The overall weekly foreign exchange sales volumes on the interbank foreign exchange market reached USD 1.7 billion over the previous week.

Over 13-17 May, the National Bank purchased USD 22.1 million from banks (USD 20.0 million by way of foreign exchange interventions in the form of matching and USD 2.1 million by way of foreign exchange interventions in the form of a single exchange rate).

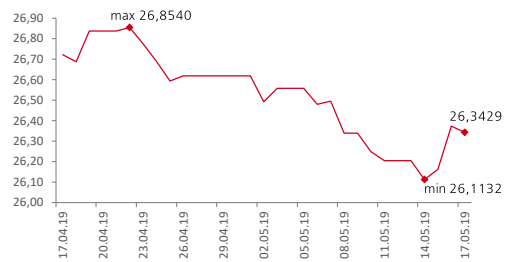
### COMMODITY MARKETS

Prices for benchmark crudes were demonstrating growth in the course of the entire previous week.

The market is supported by growing concerns regarding the escalating conflict between the US and Iran, as well as concerns related to the trade war between the two largest economies across the world – the US and China.

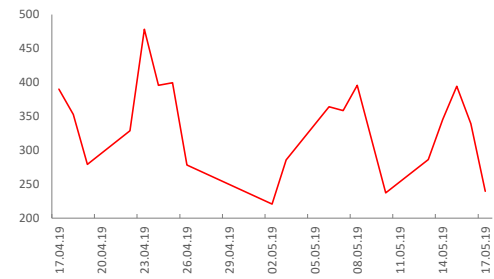
At a meeting of the Joint OPEC/Non-OPEC Ministerial Monitoring Committee (JMMC), which took place during the previous weekend, it was decided to take a wait-and-see stance until the end of June, when a summit of all OPEC/Non-OPEC member states is scheduled to take place. At this summit, the parties will make a final decision on the further fate of the deal. There is a serious likelihood that the agreement on restricting petroleum output will be extended for the second half of 2019.

### EXCHANGE RATE (UAH/USD)



Source: NBU

### TRADING VOLUMES (USD MILLIONS)



Source: NBU

### COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	191.0	-2.6	-9.9	-13.6
Brent crude. USD/barrel	72.2	2.3	1.6	31.9
WTI crude. USD/barrel	62.8	1.8	-1.7	33.7
Gold. USD/ounce	1280.8	-0.5	0.4	0.1

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2015	2016	2017	2018	2019
<b>GDP. %</b>	-9.8	2.3	2.5	3.3	<b>2.2</b> <b>(first quarter,</b> <b>preliminary</b> <b>estimate)</b>
Industrial output. %	-13.4	2.4	-0.1	1.1	2.1 (March)
Consumer price growth. % year-on-year	43.3	12.4	13.7	9.8	8.8 (April)
Producer price growth. % year-on-year	25.4	35.7	16.5	14.2	7.3 (April)
Balance of payments (consolidated). USD billions	0.8	1.3	2.6	2.9 (preliminary estimate)	0.7 (March, preliminary estimate)
Current account balance. USD billions	-0.2	-1.3 (revised data)	-2.1 (revised data)	-4.7 (preliminary estimate)	-0.7 (March, preliminary estimate)
Balance of trade. USD billions	-1.7	-6.5 (revised data)	-8.61 (revised data)	-11.5 (preliminary estimate)	-2.0 (March, preliminary estimate)
International reserves. USD billions	13.3	15.5	18.8	20.8 (preliminary estimate)	20.5 (April, 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	1.3 (January-March)
Exchange rate. by year end. UAH/USD	24.00	27.19	28.07	27.69	26.62 (April)
Exchange rate. annual average. UAH/USD	21.85	25.55	26.60	27.20	27.18 (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	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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