

Financial markets survey

23 December 2019

INVESTORS IGNORED TRUMP'S IMPEACHMENT

Growth before Christmas
Industrial output in Ukraine shrank at a more rapid pace
The hryvnia continues its record-high appreciation

GLOBAL MARKET

The rally on the American stock market goes on. During the previous week, the wave of growth was triggered by the news that December import duties are cancelled. The leading stock index – the S&P500 Index – closed at a new record-high of 3,221.22 points on Friday, 20 December.

Trade relations between the US and China are registering progress, while investors are waiting for the final details on the first-stage deal between the US and China. A “very good” conversation between the leaders of the two countries that took place at the end of the previous week is signaling that there is a high likelihood that tariff agreements will be signed in early January 2020.

The House of Representatives of the US Congress voted for impeaching US President Donald Trump on Thursday, 19 December. The president was accused of abusing power and obstructing investigations of the US Congress. Now it is expected that the US Senate will decide in early 2020 whether Donald Trump should be dismissed from the presidential office. US President Donald Trump thinks that the Senate of the US Congress will not allow dismissing him from the office and that he will continue to be head of the state. News about Trump's impeachment did not prevent the market from growing.

On the part of macroeconomic indicators, the US is registering an improvement in consumer confidence spurred by growing personal incomes of the US citizens. The Consumer Confidence Index in the US grew to 99.3 points in December 2019 from 96.8 points in November. This is the highest value of this indicator during the current year. In November 2019, household incomes in the US rose 0.5% compared to the previous month.

On Friday, 20 December, the House of Commons of the British Parliament gave preliminary approval to a draft law on the UK's withdrawal from the European Union, which includes the Brexit deal that Prime Minister Boris Johnson agreed with Brussels.

Markets of raw materials and metals are registering strong price movements. Growing volatility resulted from the fact that a number of assets have reached their important support and resistance levels.

During the previous week, 16-20 December, trading in the “EUR/USD” pair ranged within the limits of USD 1.1064-1.1175/EUR.

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WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1097	-0.7	0.3	-3.1
GBP/USD	1.2999	-2.5	0.6	1.9
USD/RUB	62.5283	-1.1	-2.0	-10.0
USD/UAH	23.3253	-0.7	-3.5	-15.8

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	3221.2	1.7	3.6	28.5
FTSE 100 (UK)	7582.5	3.1	4.4	12.7
MXME (East. Eur.)	190.3	1.2	3.7	25.1
PFTS (Ukraine)	509.5	-0.2	-1.6	-8.9
RTS (Russia)	1523.8	1.5	5.2	42.6

KEY RATES

Ставка	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	2.000	1.8	4.7	-33.5
FRS. % p.a.	1.50-1.75	0.0	0.0	-30.0
ECB. % p.a.	0.000	0.0	0.0	0.0
NBU. % p.a.	13.500	0.0	-12.9	-25.0
CB RF. % p.a.	6.250	0.0	-3.8	-19.4

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	204.0	1.0	4.1	-7.7
Brent. USD/barrel	66.1	1.4	7.6	19.5
WTI. USD/barrel	60.4	0.8	6.3	24.3
Gold. USD/ounce	1479.0	0.8	0.5	15.6

Source: Bloomberg

MACROECONOMICS

GDP

According to preliminary estimate of the State Statistics Service, Ukraine's real GDP grew 0.6% over the third quarter of 2019 compared to the previous quarter (seasonally adjusted data). Compared to the third quarter of 2018, the country's GDP rose 4.1%.

Industrial output

According to information of the State Statistics Service, industrial output in Ukraine shrank 6.9% in November 2019 compared to November 2018 with due consideration for an adjustment to the calendar days effect and 7.5% without the above-mentioned adjustment.

Output in mining industry went down 7.9% in November 2019 compared to November 2018 without adjustments. In particular, iron ores output shrank 8.9%, black and brown coal output went down 10.4%, while crude oil and natural gas output inched down 0.9%.

Output in processing industry also registered a 6.4% drop in November 2019 compared to November 2018 without adjustments. Output of food products and beverages shrank 4.7%, while output in key pharmaceuticals and pharmaceutical products went down 1.0%. Output in steel industry declined 14.2%, output in coke production and oil refining dropped 7.1%, and output in machine-building shrank 12.7%. Only output in chemicals and chemical products registered a 34.0% jump. Output in deliveries of electric energy, gas and vapor went down 12.0% in November 2019.

Over January-November 2019, the Industrial Output Index reached 98.8% compared to January-November 2018, including 100.8% in mining industry and quarry development, 98.3% in processing industry, and 97.3% in deliveries of electric energy, gas and vapor.

Construction

In November 2019, the Index of Construction Products reached 118.9% compared to November 2018 (with due consideration for an adjustment to the calendar days effect), and 98.9% compared to October 2019 (with due consideration for seasonal adjustment).

Over January-November 2019, Ukrainian companies carried out construction works (construction products output) for the total of UAH 150.1 billion.

Over January-November 2019, the Index of Construction Products reached 121.3% compared to January-November 2018.

Transportation

Over January-November 2019, freight turnover of transportation companies totaled 311.0 billion ton-km, which constitutes 102.4% compared to January-November 2018.

Transportation companies carried 619.8 million tons of freight over January-November 2019, which stands at 108.5% of the similar indicator registered over January-November 2018.

3,900.2 million passengers used services of passenger transport over the first eleven months of 2019, which accounted for 94.6% of the indicator registered over the same period during the previous year.

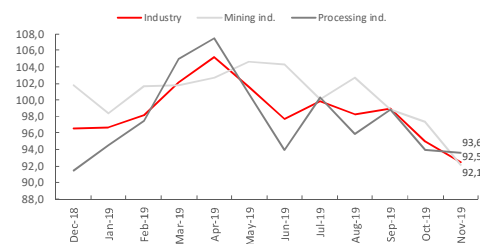
Over January-November 2019, pipeline transportation of ammonia grew 12.2% compared to the same period during the previous year. Transportation of gas and oil went up 1.3% and 0.8% respectively. Transit of ammonia rose 14.7%, while gas transit went up 2.9%. At the same time, oil transit dropped 1.1% over the above-mentioned period.

LATEST MACROECONOMIC DATA

Indicator	Value
Real GDP change over Q3'2019, % to Q3'2018	4.1
Industrial output change in November 2019, % year-on-year (without adjustments)	-7.5

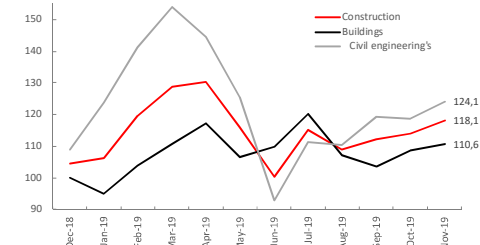
Source: the State Statistics Service

INDUSTRIAL OUTPUT INDEX (% year-on-year, excluding adjustments)



Source: the State Statistics Service

THE INDEX OF CONSTRUCTION PRODUCTS (% year-on-year, excluding adjustments)



Source: the State Statistics Service

TRANSPORTATION SERVICES (% year-on-year, progressive total)



Source: the State Statistics Service

BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for primary placement of domestic government bonds held on 17 December, the Ministry of Finance offered four issues of bonds denominated in hryvnias and one issue of bonds denominated in Euros.

Bonds maturing in two months scored five bids for the total of UAH 0.9 billion. The requested yields ranged within the limits of 11.75-13.50% p.a. The Ministry of Finance set the accepted yield at 11.95% p.a. and rejected one bid.

Seven bids for the total of UAH 0.8 billion were submitted for purchasing bonds maturing in September 2020. The requested yields ranged within the limits of 11.40-13.00% p.a. The Ministry of Finance set a limit of UAH 0.5 billion for the above-mentioned placement. This step made it possible to lower the accepted yield down to 11.45% p.a. and to reject two bids.

Seven bids for the total of UAH 0.9 billion were submitted for purchasing bonds maturing in two and a half years. The requested yields ranged within the limits of 10.45-12.00% p.a.. The Ministry of Finance rejected one bid, setting the accepted yield at 11.75% p.a.

Bonds denominated in hryvnias and maturing in four years enjoyed the highest demand. 29 bids for the total of UAH 6.0 billion were submitted for purchasing the above-mentioned instrument. The requested yields ranged within the limits of 10.21-11.70% p.a. The Ministry of Finance set a limit of UAH 4.0 billion for the this placement. This step made it possible to lower the accepted yield down to 11.35% p.a. and to reject five bids.

Demand for bonds denominated in Euros and maturing in five months was rather active. Thirty-seven bids for the total of EUR 0.4 billion were submitted for purchasing the above-mentioned instrument. The requested yields ranged within the limits of 1.90-3.25% p.a., given the established limit of EUR 0.2 billion. The Ministry of Finance set the accepted yield at 2.30% p.a. and satisfied twenty-eight bids.

There aren't any payouts of domestic government bonds scheduled for the current week.

Funds raised to the State Budget from the sale of instruments on December 17, 2019 – UAH 11.4 billion (by NBU rate).

Over the previous week, the volume of outstanding domestic government bonds went up UAH 10.0 billion and, as of 21 December 2019, totaled UAH 815.9 billion (according to the total principal).

NBU OPERATIONS

Last week, market participants purchased NBU deposit certificates for the total of UAH 145.1 billion, and all of them were overnight certificates of deposit (the interest rate - 11.50% p.a.)

At a scheduled tenders to refinance banks announced on 20 December, bids of two banks for the total of UAH 124.7 million were satisfied. The interest rate -13.50% p.a. The resources were provided for the period of fourteen days. Banks did not use NBU standing refinancing facility (overnight loans) last week.

Over the previous week, a negative balance of the State Treasury transactions landed at UAH 2.0 billion.

The banking system liquidity is at an excessive level.

INTERBANK LENDING MARKET

Last week the interbank lending market was stable. Interest rates for overnight, weekly and monthly lending loans in the national currency were ranging within the limits of 11.50-13.50% p.a.

THE RESULTS OF PLACING DOMESTIC GOVERNMENT BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
17 Dec.	63 days	11.78%	5/4	530.02
17 Dec.	287 days	11.42%	7/5	539.34
17 Dec.	959 days	11.10%	7/6	1035.87
17 Dec.	1435 days	10.90%	29/24	4122.97
17 Dec.	169 days	2.22%	37/28	197.98**

** - EUR millions

Source: the Ministry of Finance of Ukraine

OWNERS OF DOMESTIC GOVERNMENT BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	337.1	0.0	0.0	-3.2
Banks	328.1	1.5	-2.8	-12.4
Legal entities	25.8	-1.4	-2.2	24.4
Private individ.	9.5	0.3	-6.4	55.9
Non-residents	115.5	4.9	9.9	1718.7

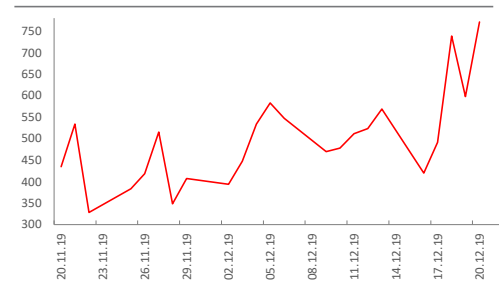
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	68.6	-1.5	29.2	92.3	
NBU refinancing. UAH billions	45.1	-0.4	-2.7	-17.8	
NBU deposit certificates	O/N. UAH billions	24.9	21.6	503.1	-17.2
	Total. UAH billions	97.3	4.8	42.9	57.1

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

FOREIGN EXCHANGE MARKET

Last week, appreciation of the hryvnia on the Ukrainian interbank foreign exchange market picked up pace. Both exporters and non-resident investors were actively selling foreign currency. On Thursday, 19 December, there was a slight growth of the US dollar quotations when the market opened. However, foreign currency supply exceeded demand again. As a result, the hryvnia continued appreciating. The National Bank actively entered the interbank market to purchase foreign currency and was actually suppressing the fall of the US dollar quotations on the interbank foreign exchange market. On Saturday, 21 December, the weighted average exchange rate on the interbank FX market was registered at UAH 23.2912/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 23.47-23.53/USD on Monday, 16 December, UAH 23.45-23.50/USD on Tuesday, 17 December, UAH 23.38-23.45/USD on Wednesday, 18 December, UAH 23.35-23.41/USD on Thursday, 19 December, UAH 23.29-23.35/USD on Friday, 20 December, and UAH 23.15-23.35/USD on Saturday, 21 December.

For the National Bank, the previous week was record-high in terms of interventions during the current year. Over 16-21 December, the National Bank purchased USD 564.60 million from banks: USD 150.00 million by way of foreign exchange interventions in the form of best FX rate and USD 414.60 million by way of foreign exchange interventions in the form of a single FX rate.

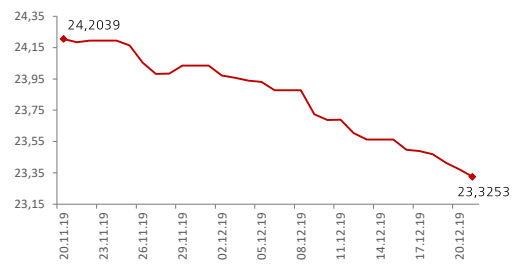
Over the 16-21 December, the foreign exchange sales reached USD 3.2 billion.

BONDS OF UKRAINIAN ISSUERS ON GLOBAL MARKETS

On 13 December 2019, the National Securities and Stock Market Commission registered an issue of "E3" series bonds by the State Mortgage Institution (SMI) for the total of UAH 1.2 billion under state guarantee and without public offering. The SMI started placing bonds on 16 December. The bonds will mature in ten years and provide for a semiannual offer. The coupon rate for the first interest period is 16.0% per annum. The funds raised will be channeled to financing the SMI's statutory activity.

Getin Holding S.A. (Poland) and Dragon Capital, a large investment company in Ukraine, whose final beneficiary is Tom Fiala, are close to signing an agreement for sale of Idea Bank (Lviv, Ukraine). The deal on the bank's sale can be closed at the end of the first quarter of 2020.

EXCHANGE RATE (UAH/USD)



Source: NBU

QUOTATIONS ON GLOBAL MARKETS

Name	Coupon	Maturity	Bid Price	Ask Price	Ask YTM	Cur
Ukraine-2020	7,75	01.09.2020	102,75	103,33	2,77	USD
Ukraine-2021	7,75	01.09.2021	105,87	106,37	3,80	USD
Ukraine-2022	7,75	01.09.2022	107,44	107,94	4,57	USD
Ukraine-2023	7,75	01.09.2023	108,38	108,92	5,06	USD
Ukraine-2024	8,99	01.02.2024	112,22	112,92	5,43	USD
Ukraine-2024	7,75	01.09.2024	108,88	109,56	5,41	USD
Ukraine-2025	7,75	01.09.2025	108,95	109,63	5,74	USD
Ukraine-2026	6,75	20.06.2026	111,67	112,57	4,47	EUR
Ukraine-2026	7,75	01.09.2026	109,05	109,63	5,98	USD
Ukraine-2027	7,75	01.09.2027	108,96	109,55	6,17	USD
Ukraine-2028	9,75	01.11.2028	120,44	121,03	6,58	USD
Ukraine-2032	7,38	25.09.2032	106,52	107,19	6,53	USD
Ukreximbank	16,50	02.03.2021	100,35	101,40	15,10	UAH
Ukreximbank	9,63	27.04.2022	104,92	105,45	7,05	USD
Ukreximbank	9,05	09.02.2023	99,08	100,53	8,72	USD
Ukreximbank	9,75	22.01.2025	106,63	106,63	8,13	USD
Oschadbank	9,38	10.03.2023	105,34	105,58	7,38	USD
Oschadbank	9,07	19.01.2024	98,90	100,53	8,64	USD
Oschadbank	9,63	20.03.2025	105,48	105,71	8,25	USD
Privatbank CJSC	11,00	09.02.2021	20,27	29,35	169,0	USD
Metinvest BV	7,50	31.12.2021	99,93	100,96	6,92	USD
Metinvest BV	7,75	23.04.2023	105,12	105,60	5,87	USD
Metinvest BV	5,63	17.06.2025	101,19	101,93	5,21	EUR
Metinvest BV	8,50	23.04.2026	106,78	107,40	7,03	USD
Metinvest BV	7,75	17.10.2029	100,91	103,24	7,28	USD
DTEK Finance	10,75	31.12.2024	101,53	101,93	10,27	USD
MHP SE	7,75	10.05.2024	107,82	108,20	5,61	USD
MHP Lux SA	6,95	03.04.2026	104,66	105,04	5,97	USD
MHP Lux SA	6,25	19.09.2029	97,86	98,66	6,44	USD
Kernel Holding	8,75	31.01.2022	107,66	107,83	4,77	USD
Kernel Holding	6,50	17.10.2024	102,95	103,57	5,64	USD
Ukraine Railways	9,88	15.09.2021	103,92	103,99	7,35	USD
Ukraine Railways	8,25	09.07.2024	106,61	106,96	6,45	USD
NAK Naftogaz	7,38	19.07.2022	103,18	103,44	5,91	USD
NAK Naftogaz	7,13	19.07.2024	106,19	107,01	5,34	EUR
NAK Naftogaz	7,625	08.11.2026	101,56	102,42	7,17	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2015	2016	2017	2018	2019
GDP. %	-9.8	2.3	2.5	3.3	4.1 (third quarter, updated estimate)
Industrial output. %	-13.4	2.4	-0.1	1.1	-7.5 (November)
Consumer price growth. % year-on-year	43.3	12.4	13.7	9.8	5.1 (November)
Producer price growth. % year-on-year	25.4	35.7	16.5	14.2	-4.5 (November)
Balance of payments (consolidated). USD billions	0.8	1.3	2.6	2.9 (preliminary estimate)	-0.1 (October, preliminary estimate)
Current account balance. USD billions	-0.2	-1.3 (revised data)	-2.1 (revised data)	-4.7 (preliminary estimate)	-0.7 (October, preliminary estimate)
Balance of trade. USD billions	-1.7	-6.5 (revised data)	-8.61 (revised data)	-11.5 (preliminary estimate)	-1.5 (October, preliminary estimate)
International reserves. USD billions	13.3	15.5	18.8	20.8 (preliminary estimate)	21.9 (November, preliminary estimate)
External debt. USD billions	118.7	113.6	116.6	114.7 (third quarter)	115.5 (second quarter)
Banking system assets. % of growth	4.7	0.2	6.4	2.0	2.8 (January-October)
Exchange rate. by year end. UAH/USD	24.00	27.19	28.07	27.69	24.03 (November)
Exchange rate. annual average. UAH/USD	21.85	25.55	26.60	27.20	26.05 (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	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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