

# Financial markets survey

02 March 2020

## INVESTORS ARE INCLINED TO SELL

**Volatility is getting higher**  
**The balance of payments formed a surplus in January 2020**  
**The NBU reduced purchases of US dollars**

### GLOBAL MARKET

The previous week followed a negative format for global financial markets. Key American and European stock indices fell 10.0-15.0%. Investors focused their attention on the spread of the coronavirus and the escalation of geopolitical issues.

In response to the fall on stock markets, FRS Chair Jerome Powell made an unscheduled speech on Friday, 28 February, regarding the readiness for implementing measures to cushion the economy. Market participants are expecting that the federal funds rate in the US will be lowered already in March and also two more times before the end of 2020. On Wednesday the FRS will publish the Beige Book and representatives are scheduled to speak. If markets do not stop panicking, it will be possible to expect unscheduled measures from the regulator.

According to the second release, the US GDP grew 2.1% in the fourth quarter of 2019, which corresponds to the forecast and the first release.

According to data of the US Department of Commerce, household incomes grew 0.6% in January 2020 compared to the previous month. At the same time, household expenditures went up 0.2%. Consumer spending became the main growth driver for the American economy given shrinking business investment due to trade uncertainty. At the same time, the Consumer Confidence Index in the US grew to 101 points in February 2020, which is a record-high value since March 2018.

It can turn out that Germany's economy will grow at a more sluggish pace than forecast by experts. The Deutsche Bundesbank halved its forecast for real GDP growth in Germany for 2020 to 0.6%.

In February, the Consumer Confidence Index in Germany grew 1.7% (the forecast - 1.6%) yoy, which is a record-high since April 2019. Over the previous month, consumer prices rose 0.6% (experts forecast -0.4%).

During the previous week, investors withdrew about USD 3.7 billion from EM stock markets. This is the largest weekly withdrawal of funds from emerging markets since the beginning of such data estimation in 2016.

Petroleum quotations are demonstrating a downward trend along with the stock market. Since the beginning of the current year, petroleum prices dropped more than 20.0%. The main event in this sector continues to be the meeting of OPEC and non-OPEC countries scheduled for 5-6 March. In the current market conditions, there is a growing likelihood that the meeting will decide to additionally curtail petroleum extraction.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.0803-1.1053/EUR.

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### WEEKLY ISSUE

#### EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1,0977	1,6	-0,3	-2,3
GBP/USD	1,2823	-1,1	-1,6	-3,3
USD/RUB	65,6097	2,9	5,2	6,0
USD/UAH	24,5900	0,6	-0,5	3,8

#### STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	2954,2	-11,5	-9,8	-8,6
FTSE 100 (UK)	6580,6	-11,1	-12,0	-12,8
MXME (East. Eur.)	158,8	-14,3	-17,0	-17,7
PFTS (Ukraine)	532,9	1,0	5,6	4,6
RTS (Russia)	1299,7	-14,8	-17,3	-16,1

#### KEY RATES

Ставка	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	1,382	-20,1	-24,6	-30,8
FRS. % p.a.	1,50-1,75	0,0	0,0	0,0
ECB. % p.a.	0,000	0,0	0,0	0,0
NBU. % p.a.	11,000	0,0	-18,5	-18,5
CB RF. % p.a.	6,000	0,0	-4,0	-4,0

#### COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	213,5	-1,8	-4,3	4,7
Brent. USD/barrel	49,7	-14,3	-14,7	-23,2
WTI. USD/barrel	44,8	-16,1	-16,4	-25,9
Gold. USD/ounce	1609,9	-2,0	2,3	6,3

Source: Bloomberg

## MACROECONOMICS

### Balance of payments\*

In January 2020, the current account surplus totaled USD 590.0 million.

Exports of goods grew 2.3% in January 2020 (compared to January 2019) and reached USD 3.8 billion. The exports growth was driven mainly by the increase in food exports by 14.3% due to the exports of grains increased by 21.9% and exports of oils and fats increased by 29.5%. Also, exports increased in machinery and equipment exports – by 33.9%; mineral exports (including ore) – by 18.1%, chemical exports – by 24.9%.

At the same time metallurgical exports significantly decreased – by 26.4%.

In January 2020, exports grew due to exports to Asian countries (in nominal values – by USD 299.0, or 26.5%). Exports to EU countries decreased for the first time in last three years (USD 156.0 million or 10.4%).

Imports of goods went down 1.7% in January 2020 (compared to January 2019) and landed at USD 3.9 billion. The decrease of imports was resulted from the decline in energy imports – by 17.7%.

On the contrary, non-energy imports increased by 2.7%, due to the rise in manufactured products – 1.5 times and food imports – by 16.1%.

At the same time, chemical imports decreased 3.2%, metallurgical imports - 6.3% and machinery and equipment imports - 0.3%.

In nominal values, imports from Asian countries grew at most: by USD 145 million, or 14.6%. Imports from Russia and the EU countries decreased by USD 194.0 million or 33.0% and USD 87.0 million or 6.1% respectively.

The net inflow on the financial account amounted to USD 315.0 million and resulted from both government sector's and private sector's transactions.

The net inflow of foreign direct investment was estimated as USD 201.0 million. 62% of FDI's total value were directed to the real sector, the rest of FDI's was reinvestment of earnings income into banking sector.

The net increase of the banking system's external position on portfolio and other investments amounted to USD 1.5 billion and resulted from the increase of currency and deposits' assets.

Net increase of the real sector external position reached USD 694.0 million and resulted from the decrease net external liabilities under trade credits, increase the amount of cash outside banks and decrease of liabilities on loans.

USD 1.7 billion net outflows under private sector transactions.

USD 2.0 billion net inflows on government sector's transactions, that resulted from the inflow received from Eurobonds' placement and non-residents' net purchase of domestic government bonds.

The surplus of the overall balance of payments amounted to USD 906.0 million.

As of February 01 2020, the volume of international reserves totaled USD 26.3 billion.

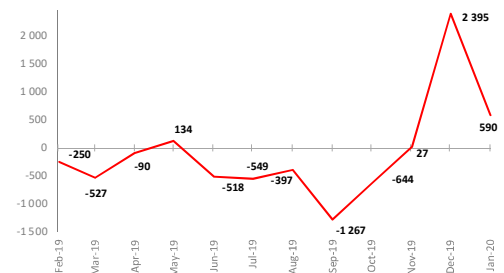
\*preliminary data

### LATEST MACROECONOMIC DATA

Indicator	Value
Current account balance in January 2020, USD billions	0.6

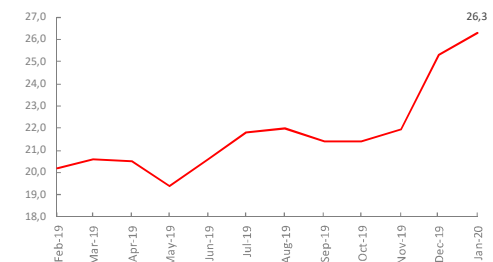
Source: the State Statistics Service

### CURRENT ACCOUNT BALANCE (USD MILLIONS)



Source: the National Bank of Ukraine

### INTERNATIONAL RESERVES (USD BILLIONS, by the end of the period)



Source: the National Bank of Ukraine

## BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for placing domestic government bonds, which was held on 25 February, the Ministry of Finance offered four series of bonds denominated in hryvnia, including bonds maturing in seven years without any limits in terms of the total sum.

Instruments maturing in seven years did not enjoy increased demand among investors. Seven bids for the total of UAH 0.4 billion were submitted to purchase this instrument. The requested yields ranged within the limits of 9.95-11.50% p.a. The Ministry of Finance set the accepted yield at 9.95% p.a. and satisfied three bids.

Bonds maturing in two months scored eight bids for the total of UAH 0.3 billion. The requested yields ranged within the limits of 9.40-10.40% p.a. Having set the accepted yield at 9.40% p.a., the Ministry of Finance satisfied five bids.

Demand for instruments maturing in July 2021 consisted of five bids for the total of UAH 0.5 billion. The requested yields ranged within the limits of 9.83-11.50% p.a. The Ministry of Finance set the accepted yield at 10.00% p.a. and rejected three bids.

Nine bids for the total of UAH 0.7 billion were submitted for purchasing bonds maturing in two years. The requested yields ranged within the limits of 10.00-12.00% p.a. Having set the accepted yield at 10.00% p.a., the Ministry of Finance rejected seven bids.

This week, the Ministry of Finance will have to pay out one issue of domestic bonds for the total of UAH 4.2 billion (due on 04 March).

Funds raised to the State Budget from the sale of instruments on 25 February - UAH 1.6 billion.

Last week, the volume of outstanding domestic bonds went down UAH 1.9 billion and, as of 28 February 2020, totaled UAH 812.5 billion (according to the total principal).

As of 01 March 2020, Ukraine's total budget revenues came to UAH 112.6 billion, while the balance on a single Treasury account was registered at UAH 17.2 billion. Over January-February 2020, VAT refunds totaled UAH 28.7 billion.

## NBU OPERATIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 69.2 billion, and all of them were overnight certificates of deposit. The interest rate stood at 9.00% p.a.

At a regular interest-rate liquidity-providing NBU tender announced on 28 February to refinance banks, a bid submitted by 1 bank worth UAH 109.4 million at an interest rate of 11.00% p.a. were accepted. The resources were provided for the period of fourteen days.

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

Last week, negative balance of the State Treasury Service of Ukraine transactions amounted to UAH 13.0 billion.

The banking system liquidity is at an excessive level.

## INTERBANK LENDING MARKET

The interbank lending market was stable during the previous week. Interest rates for loans in the national currency for all periods from overnight till one month were ranging within the limits of 8.50-10.50% 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
25 Feb.	70 days	9,40%	8/5	208,90
25 Feb.	511 days	9,90%	5/2	476,25
25 Feb.	679 days	10,00%	9/2	687,08
25 Feb.	2646days	9,95%	7/3	228,54

Source: the Ministry of Finance of Ukraine

## OWNERS OF DOMESTIC GOVERNMENT BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	325,5	0,0	-2,1	-3,4
Banks	322,3	0,2	-1,4	-4,2
Legal entities	27,3	4,4	10,9	3,7
Private individ.	8,8	1,3	-5,5	-10,2
Non-residents	128,6	-0,1	2,9	9,2

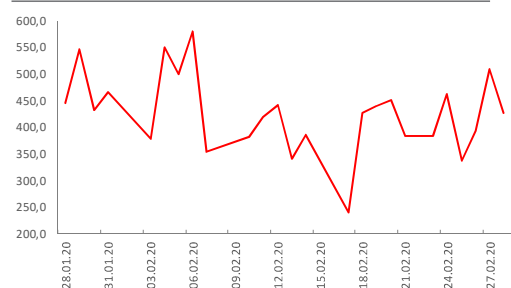
Source: the National Bank of Ukraine

## MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	56,8	-15,1	7,2	8,3	
NBU refinancing. UAH billions	41,5	-7,2	-7,6	-7,9	
NBU deposit certificates	O/N. UAH billions	11,9	-5,7	-69,2	-79,7
	Total. UAH billions	182,2	0,5	-0,1	19,9

Source: the National Bank of Ukraine

## TRADING VOLUMES (USD MILLIONS)



Source: NBU

## FOREIGN EXCHANGE MARKET

In the course of the previous week, the Ukrainian interbank foreign exchange market was registering insignificant fluctuations of the Ukrainian currency exchange rate. Low activity of non-residents on the domestic government bonds market, shrinking foreign currency sales by exporters against a growing demand among importers spurred by psychological factors contributed to a moderate growth of the US dollar quotations against the hryvnia. As a result, on Friday, 28 February, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 24.5900/USD.

During the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 24.46-24.54/USD on Monday, 24 February, UAH 24.48-24.56/USD on Tuesday, 25 February, UAH 24.60-24.68/USD on Wednesday, 26 February, UAH 24.52-24.62/USD on Thursday 27 February, UAH 24.55-24.65/USD on Friday, 28 February.

Over 24-28 February, the National Bank purchased USD 81.00 million from banks (USD 40.00 million by way of the best exchange rate interventions and USD 41.00 million by way of the single exchange rate interventions).

Over the previous week, the foreign exchange sales reached USD 2.1 billion.

## BONDS AND SHARES OF UKRAINIAN ISSUERS

The National Securities and Stock Market Commission made the decision to allow subordinated Eurobonds of the state-owned Ukreximbank, issued through BIZ FINANCE PLC (XS2010039209) into circulation in Ukraine.

According to the NSSMC decision dated 20 February 2020, the relevant documents came to the Commission from the National Depository of Ukraine (NDU) on 6 February 2020.

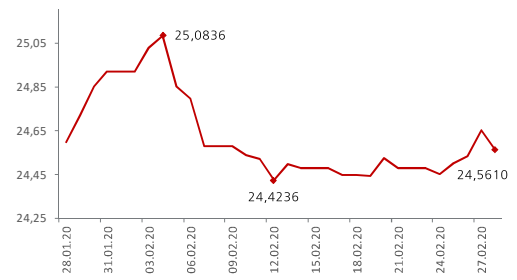
The Bank of New York Mellon acts as the foreign depository institution.

According to the NDU data, the above-mentioned issue of Ukreximbank's Eurobonds is the tenth foreign security allowed into circulation in Ukraine. At the end of 2018, the Commission allowed two other issues of Ukreximbank's Eurobonds (XS1713473517 and XS1261825894) into circulation in Ukraine

During the previous year, Eurobonds of Ukrzaliznytsia, shares of MHP, Ukrproduct Group, Ferrexpo, Apple, and one issue of US Treasuries were allowed into circulation in Ukraine. At the beginning of the current year, one issue of GDRs of Kcell, a cellular communication operator (Kazakhstan), was allowed into circulation in Ukraine.

The above-mentioned issue of Ukreximbank's Eurobonds (XS2010039209) for the total of USD 100.0 million will mature on 14 November 2029. The issue coupon rate stands at 9.95% p.a.

## NBU 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	102,00	102,38	2,85	USD
Ukraine-2021	7,75	01.09.2021	105,50	106,00	3,58	USD
Ukraine-2022	7,75	01.09.2022	108,29	108,78	4,01	USD
Ukraine-2023	7,75	01.09.2023	109,04	109,54	4,75	USD
Ukraine-2024	8,99	01.02.2024	112,40	113,21	5,21	USD
Ukraine-2024	7,75	01.09.2024	108,83	109,69	5,30	USD
Ukraine-2025	7,75	01.09.2025	109,48	110,33	5,54	USD
Ukraine-2026	6,75	20.06.2026	112,99	113,83	4,20	EUR
Ukraine-2026	7,75	01.09.2026	110,32	110,82	5,73	USD
Ukraine-2027	7,75	01.09.2027	109,94	110,44	6,00	USD
Ukraine-2028	9,75	01.11.2028	120,88	121,38	6,48	USD
Ukraine-2030	4,38	27.01.2030	95,18	95,93	5,00	EUR
Ukraine-2032	7,38	25.09.2032	108,85	109,69	6,25	USD
Ukreximbank	16,50	02.03.2021	104,51	105,58	10,45	UAH
Ukreximbank	9,63	27.04.2022	104,82	105,62	6,76	USD
Ukreximbank	9,05	09.02.2023	99,37	100,86	8,11	USD
Ukreximbank	9,75	22.01.2025	106,28	106,86	8,02	USD
Oschadbank	9,38	10.03.2023	104,64	104,85	7,54	USD
Oschadbank	9,07	19.01.2024	99,00	100,57	8,13	USD
Oschadbank	9,63	20.03.2025	103,50	103,69	8,70	USD
Privatbank CJSC	11,00	09.02.2021	9,49	10,74	482,7	USD
Metinvest BV	7,50	31.12.2021	99,63	101,44	6,58	USD
Metinvest BV	7,75	23.04.2023	104,15	104,60	6,12	USD
Metinvest BV	5,63	17.06.2025	100,05	100,70	5,47	EUR
Metinvest BV	8,50	23.04.2026	105,75	106,34	7,20	USD
Metinvest BV	7,75	17.10.2029	100,86	101,64	7,50	USD
DTEK Finance	10,75	31.12.2024	99,99	100,26	10,68	USD
MHP SE	7,75	10.05.2024	106,91	107,27	5,77	USD
MHP Lux SA	6,95	03.04.2026	104,46	105,01	5,95	USD
MHP Lux SA	6,25	19.09.2029	99,12	100,13	6,23	USD
Kernel Holding	8,75	31.01.2022	106,73	106,89	4,91	USD
Kernel Holding	6,50	17.10.2024	102,83	104,82	5,31	USD
Ukraine Railways	9,88	15.09.2021	104,29	104,58	6,67	USD
Ukraine Railways	8,25	09.07.2024	106,70	107,15	6,34	USD
NAK Naftogaz	7,38	19.07.2022	104,43	104,68	5,25	USD
NAK Naftogaz	7,13	19.07.2024	107,52	108,46	4,92	EUR
NAK Naftogaz	7,625	08.11.2026	104,87	105,84	6,53	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2016	2017	2018	2019	2020
GDP. %	2.3	2.5	3.3	1.5 (fourth quarter, up-to-date estimate)	-
<b>Industrial output. %</b>	2.4	-0.1	1.1	-1.8	<b>-5.1</b> <b>(January)</b>
Consumer price growth. % year-on-year	12.4	13.7	9.8	4.1	3.2 (January)
Producer price growth. % year-on-year	35.7	16.5	14.2	-7.4	-5.9 (January)
<b>Balance of payments (consolidated). USD billions</b>	1.3	2.6	2.9	6.0 (preliminary data)	<b>0.9</b> <b>(January, preliminary data)</b>
<b>Current account balance. USD billions</b>	-1.3	-2.4	-4.4	-1.1 (preliminary data)	<b>0.6</b> <b>(January, preliminary data)</b>
<b>Balance of trade. USD billions</b>	-6.5	-8.6	-12.7	-14.0 (preliminary data)	<b>-0.1</b> <b>(January, preliminary data)</b>
International reserves. USD billions	15.5	18.8	20.8	25.3	26.3 (January, preliminary data)
External debt. USD billions	113.6	116.6	114.7	120.0 (third quarter)	-
Banking system assets. % of growth	0.2	6.4	2.0	9.9	-
<b>Exchange rate. by year end. UAH/USD</b>	27.19	28.07	27.69	23.69	<b>24.56</b> <b>(February)</b>
Exchange rate. annual average. UAH/USD	25.55	26.60	27.20	25.85	24.12 (January)

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	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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