

Financial markets survey

21 April 2020

EXCEPTIONAL TIMES – EXCEPTIONAL ACTION

The petroleum market is an outsider
The number of unemployed is expectedly growing
The Ministry of Finance is taking a pause

GLOBAL MARKET

For the American stock market, the previous week finished with a rapid growth of key indices spurred by expectations that the peak of the COVID-19 pandemic will be passed quickly, as well as by optimism regarding possible cancellation of restrictive measures in various sectors of the American economy. US President Donald Trump's Administration presented a detailed roadmap of conditions necessary for restoring activity in every state.

The season of corporate financial statements began in the US. In the first quarter of 2020, the performance of companies in the healthcare sector exceeded expectations, while the performance of banks turned out to be lower than forecasts due to accumulated reserves for possible credit losses.

Industrial output in the US dropped 5.4% in March 2020 compared to February, which is a record-low since 1946. At the same time, output in processing industry declined 6.3%, while output in motor vehicles fell 28.0%. The overall utilization of production capacities went down to 72.7% (which is a record-low since April 2010).

ECB President Christine Lagarde stated that the Euro-area economy was facing "a large contraction in GDP", as well as "rapidly deteriorating labor markets" due to the coronavirus pandemic. Inflation in the Euro-area is currently low, largely reflecting the recent sharp decline in petroleum prices, and is expected to decline further in the near term. The Consumer Price Index in the Euro-area grew 0.7% in March 2020 in annual terms. Compared to the previous month, consumer prices rose 0.5%.

At the annual spring meeting that took place in a virtual format, the IMF presented a plan for saving global economy and approved a package of exceptional measures for 29 countries, which are the poorest and the most vulnerable members of the Fund. Also, IMF Chairwoman and Managing Director Kristalina Georgieva mentioned that every country should have three priorities to overcome the crisis: financing for its healthcare system, support for vitally important provision systems for households and businesses and a plan for economic recovery.

Regardless of the new OPEC+ agreement, whose implementation will begin in May 2020, petroleum prices continue feeling the pressure due to the weak global demand and the fears that production activity among key exporters of energy carriers has not been sufficiently cut down. The price for the North-American WTI crude dropped to a historical record-low due to overfilled oil storages in the US.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.0813-1.0993/EUR.

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WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.0860	-0.1	-1.1	-3.3
GBP/USD	1.2499	0.4	3.7	-5.7
USD/RUB	74.7119	0.1	0.8	20.7
USD/UAH	27.0774	-0.5	0.1	14.3

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	2874.6	3.0	13.7	-11.0
FTSE 100 (UK)	5787.0	-1.0	9.3	-23.3
MXME (East. Eur.)	129.9	-5.6	13.4	-32.7
PFTS (Ukraine)	501.3	-0.3	-5.5	-1.6
RTS (Russia)	1078.7	-5.5	15.4	-30.4

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.982	-6.6	13.9	-50.8
FRS. % p.a.	0.00-0.25	0.0	0.0	-85.7
ECB. % p.a.	0.000	0.0	0.0	0.0
NBU. % p.a.	10.000	0.0	0.0	-25.9
CB RF. % p.a.	6.000	0.0	0.0	-4.0

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	212.5	0.0	5.5	4.0
Brent. USD/barrel	28.1	-10.8	-7.7	-56.2
WTI. USD/barrel	18.3	-19.7	-33.2	-69.5
Gold. USD/ounce	1692.6	0.7	10.2	11.7

Source: Bloomberg

MACROECONOMICS

Agriculture

According to information of the State Statistics Service, agricultural output in Ukraine grew 14.7% in March 2020 compared to the previous month. Compared to March 2019, the country registered a 5.2% drop in agricultural output.

Over January-March 2020, the Agricultural Output Index in Ukraine reached 98.2% compared to January-March 2019.

Agricultural output declined over the first quarter of the current year due to agricultural output at agricultural enterprises shrinking 0.8% and agricultural output at households dropping 3.3%.

Over January-March 2020, agricultural output went up in six Ukrainian oblasts and declined in eighteen Ukrainian oblasts. Agricultural output grew the most in Donetsk oblast (+8.0%), Vinnytsya oblast (+6.2%) and Ivano-Frankivsk oblast (+3.1%).

Over the first quarter of 2020, agricultural output shrank the most in Mykolayiv oblast (-8.4%), Odesa oblast (-8.0%) and Kherson oblast (-6.7%).

Unemployment

The total number of registered unemployed went up 3,600 individuals in February 2020 compared to January 2020 and landed at 376,800 individuals by the end of February 2020.

In February 2020, the number of vacant positions landed at 76,500 vacancies. There were five registered unemployed per each vacancy in February 2020. Since the middle of March 2020 (when the lockdown started), the number of new vacancies fell 50%, while the number of new CVs has been staying practically unchanged over the last weeks.

Since late March, the number of registered unemployed has been growing, which can reflect not only the loss of a job resulting from the current crisis, but also a more simplified procedure for receiving the unemployed status.

The total number of registered unemployed receiving unemployment benefit landed at 323,400 at the end of February 2020.

The average size of unemployment benefit shrank UAH 106.00 in February 2020 compared to the previous month and stood at UAH 3,783.00.

Demographic situation

According to estimates of the State Statistics Service, Ukraine's present population stood at 41,858,119 people as of 1 March 2020.

The number of deaths continues to seriously outpace the number of live births: 51 newborns per every 100 deceased.

Ukraine's resident population totaled 41,688,482 people as of 1 March 2020 (according to estimates). The average resident population reached 41,710,631 people over January-February 2020.

Over January-February 2020, Ukraine's population shrank 44,297 people. Migration helped increase population numbers by 5,356 people over the first two months of 2020.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output in March 2020, % year-on-year	-5.2

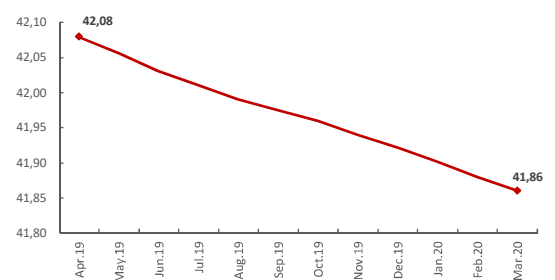
Source: the State Statistics Service

REGISTERED UNEMPLOYED (thousands of people)



Source: the State Statistics Service

POPULATION (MILLIONS OF PEOPLE)



Source: the State Statistics Service

BOND MARKET AND PUBLIC FINANCE

As a result of consultations with primary dealers, the Ministry of Finance once again decided not to hold scheduled auctions to place domestic government bonds.

Also, there are no pay-outs of domestic government bonds scheduled for the current week.

Over the previous week, the volume of outstanding domestic government bonds went down UAH 0.2 billion and, as of 17 April 2020, totaled UAH 840.7 billion (according to the total principal).

Non-residents' portfolio of domestic government bonds shrank UAH 1.3 billion, whereas banks' portfolio grew UAH 0.5 billion and portfolio of other legal entities rose UAH 0.4 billion.

During the previous week, the Verkhovna Rada adopted a number of amendments to the Law "On the State Budget of Ukraine for 2020", which are granting the Ministry of Finance the power to make deals with government derivatives, including their exchange, issue, purchase, and sale. One of the sources for making such deals may be, as an exception, public borrowings above the limits established by the State Budget to finance its deficit.

The law on amendments to the State Budget that was finalized by the Government also includes a possibility of providing state guarantees to companies for the entire amount of their debt liabilities raised for investment projects, whereas the effective law on the state budget sets a limit of 80% for such liabilities.

NBU TRANSACTIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 233.1 billion, including overnight certificates of deposit for the total of UAH 118.7 billion (the interest rate for overnight certificates of deposit stood at 8.00% per annum).

At an interest-rate liquidity-providing NBU tender announced on 17 April, bids of seven banks for the total of UAH 1.0 billion were satisfied. The interest rate reached 10.00% per annum. The resources were provided for the period of twenty-eight days.

On Friday, 17 April, the National Bank placed deposit certificates maturing in seven days for the total of UAH 114.4 billion, satisfying bids of fifty-five banks (the interest rate reached 10.00% per annum).

Banks used the standing NBU refinancing line (overnight loans) for the total of UAH 0.3 billion over 13-17 April (the interest rate was 12.00% per annum).

The balance of the State Treasury transactions landed at UAH 12.1 billion over 13-17 April.

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.

INTERBANK LENDING MARKET

During the previous week, the interbank lending market was stable. Interest rates for lending funds in the national currency stayed at the level of the previous week and were ranging within 7.00-12.50% per annum.

HOLDERS OF DOMESTIC GOVERNMENT BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	324.6	0.0	0.0	-3.7
Banks	340.6	0.1	-0.2	1.2
Legal entities	51.8	0.8	80.2	96.6
Private individ.	8.5	1.7	-8.5	-12.7
Non-residents	115.1	-1.1	-7.6	-2.2

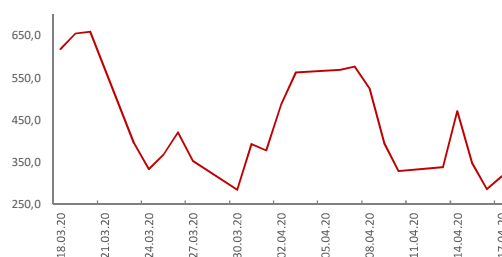
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	59.9	-7.9	52.2	14.3	
NBU refinancing. UAH billions	41.9	-4.6	-18.8	-6.9	
NBU deposit certificates	O/N. UAH billions	21.9	0.8	127.5	-62.8
	Total. UAH billions	136.2	8.3	-13.8	-10.4

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

FOREIGN EXCHANGE MARKET

In the course of the previous week, the Ukrainian hryvnia exchange rate on the interbank foreign exchange market was stable and ranged within the limits of UAH 26.95-27.30/USD. On the whole, foreign currency demand and supply were in balance, while market mechanisms were in effect. As a result, on Friday, 17 April, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 27.0774/USD.

During the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 27.00-27.12/USD on Monday, 13 April, UAH 26.97-27.20/USD on Tuesday, 14 April, UAH 27.17-27.30/USD on Wednesday, 15 April, UAH 27.17-27.30/USD on Thursday, 16 April, and UAH 27.05-27.15/USD on Friday, 17 April.

Over 13-17 April, the National Bank purchased USD 67.50 million from banks by way of the single exchange rate interventions.

Over the previous week, the foreign currency sales reached USD 1.8 billion.

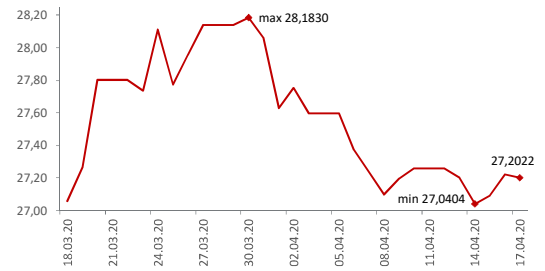
BONDS OF UKRAINIAN ISSUERS ON GLOBAL MARKETS

S&P Global Ratings, an international rating agency, affirmed its long-term issuer credit ratings of DTEK Renewables and its Eurobonds denominated in Euros at "B-" with a stable outlook.

The "stable" outlook reflects the expectation that the company will maintain its sufficient liquidity, will not be subjected to the impact of a series of defaults by its sister company DTEK Energy and will implement its development projects before 2021.

S&P Global Ratings mentioned that DTEK Renewables was not affected by the recent announcement of debt restructuring by DTEK Energy and that the company was operationally and financially independent with sufficient liquidity after placing bonds in 2019.

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	97,00	98,00	13,49	USD
Ukraine-2021	7,75	01.09.2021	97,13	97,88	9,44	USD
Ukraine-2022	7,75	01.09.2022	96,00	96,75	9,31	USD
Ukraine-2023	7,75	01.09.2023	94,09	94,92	9,55	USD
Ukraine-2024	8,99	01.02.2024	95,33	96,83	10,01	USD
Ukraine-2024	7,75	01.09.2024	93,07	94,72	9,25	USD
Ukraine-2025	7,75	01.09.2025	92,25	93,90	9,21	USD
Ukraine-2026	6,75	20.06.2026	87,76	88,91	9,18	EUR
Ukraine-2026	7,75	01.09.2026	90,84	92,00	9,45	USD
Ukraine-2027	7,75	01.09.2027	90,32	91,33	9,41	USD
Ukraine-2028	9,75	01.11.2028	95,69	96,75	10,33	USD
Ukraine-2030	4,38	27.01.2030	76,85	78,19	7,85	EUR
Ukraine-2032	7,38	25.09.2032	88,25	89,75	8,74	USD
Ukreximbank	16,50	02.03.2021	93,01	95,21	22,84	UAH
Ukreximbank	9,63	27.04.2022	93,46	98,75	10,33	USD
Ukreximbank	9,05	09.02.2023	90,57	94,26	10,56	USD
Ukreximbank	9,75	22.01.2025	97,31	97,31	10,48	USD
Oschadbank	9,38	10.03.2023	96,43	96,64	10,75	USD
Oschadbank	9,07	19.01.2024	82,01	85,66	12,94	USD
Oschadbank	9,63	20.03.2025	95,15	95,60	10,80	USD
Privatbank CJSC	11,00	09.02.2021	9,25	10,76	641,3	USD
Metinvest BV	7,50	31.12.2021	99,63	101,07	6,75	USD
Metinvest BV	7,75	23.04.2023	70,51	70,87	21,39	USD
Metinvest BV	5,63	17.06.2025	67,08	70,60	13,78	EUR
Metinvest BV	8,50	23.04.2026	67,54	68,04	17,26	USD
Metinvest BV	7,75	17.10.2029	64,49	65,10	14,68	USD
DTEK Finance	10,75	31.12.2024	50,11	50,51	29,97	USD
MHP SE	7,75	10.05.2024	99,42	99,78	7,81	USD
MHP Lux SA	6,95	03.04.2026	94,21	94,78	8,07	USD
MHP Lux SA	6,25	19.09.2029	83,62	86,04	8,43	USD
Kernel Holding	8,75	31.01.2022	93,74	94,10	12,55	USD
Kernel Holding	6,50	17.10.2024	81,52	83,18	11,40	USD
Ukraine Railways	9,88	15.09.2021	95,70	95,93	13,15	USD
Ukraine Railways	8,25	09.07.2024	86,09	86,46	12,47	USD
NAK Naftogaz	7,38	19.07.2022	92,62	92,90	11,03	USD
NAK Naftogaz	7,13	19.07.2024	87,00	90,00	10,12	EUR
NAK Naftogaz	7,625	08.11.2026	86,55	87,30	10,34	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2016	2017	2018	2019	2020
GDP. %	2.3	2.5	3.3	3.2	-
Industrial output. %	2.4	-0.1	1.1	-1.8	-1.5 (February)
Consumer price growth. % year-on-year	12.4	13.7	9.8	4.1	2.3 (March)
Producer price growth. % year-on-year	35.7	16.5	14.2	-7.4	-4.2 (March)
Balance of payments (consolidated). USD billions	1.3	2.6	2.9	6.0 (preliminary data)	0.7 (February, preliminary estimate)
Current account balance. USD billions	-1.3	-2.4	-4.4	-1.1 (preliminary data)	-0.2 (February, preliminary estimate)
Balance of trade. USD billions	-6.5	-8.6	-12.7	-14.0 (preliminary data)	-0.9 (February, preliminary estimate)
International reserves, USD billions, by the end of the period	15.5	18.8	20.8	25.3	24.9 (March, preliminary estimate)
External debt. USD billions	113.6	116.6	114.7	121.7 (forth quarter)	-
Banking system assets, % of annual growth	0.2	6.4	2.0	9.9	2.8 (January-February)
Exchange rate. by year end. UAH/USD	27.19	28.07	27.69	23.69	28.06 (March)
Exchange rate. annual average. UAH/USD	25.55	26.60	27.20	25.85	25.04 (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



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