

Financial markets survey

09 June 2020

DEMAND FOR RISK IS GROWING

Unexpected data from the labor market
Consumer inflation continues slowing down
The Ministry of Finance is lowering rates for borrowings

GLOBAL MARKET

For the second week, civil commotions in the US are not going to subside, which may complicate economic recovery. Tension in the relations between the US and China sank into the background; however, the problem still continues to be relevant. Nevertheless, all risks are being ignored; economic incentives, as well as softening of self-isolation measures are supporting the stock market. Data of the super important official report on the US labor market turned out to be unexpected and inspired investors for purchases. Spurred by optimistic business activity indicators in specific countries and expectations of new monetary and fiscal incentives, interest in risk assets grew among investors.

The number of jobs in May grew 2.5 million, whereas analysts expected an 8.0 million drop of this indicator (the number of jobs fell 20.7 million in April 2020). The rate of unemployment in May went down from 14.7% to 13.3%.

During the current week, the FRS will have a scheduled meeting on 9-10 June. As a result of this meeting, the FRS will make official macroeconomic forecasts and an estimate of monetary policy prospects in the US. It is expected that the regulator's federal funds rate will remain unchanged at the level of 0.00-0.25% per annum.

On Thursday, 04 June, the ECB held a meeting, where, as expected, its base interest rates were left at ultralow levels. The regulator increased the anti-crisis asset purchase program – the Pandemic Emergency Purchase Programme (PEPP) – by EUR 600.0 billion to EUR 1.35 trillion. Assets will be purchased until June 2021. In her speech, ECB President Christine Lagarde mentioned an unprecedented contraction of the euro-area economy and a high degree of uncertainty. Regardless of the fact that recent indicators are pointing to a slight revival of the economy, they are still insignificant compared to the recession. Christine Lagarde expects that economic recovery in the euro-area will begin in the second half of the current year.

After the ECB announced its new asset purchase program, the euro exchange rate appreciated rapidly against the US dollar and set a new record-high since March 2020. During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1094-1.1383/EUR.

In the environment of restrictions imposed by the agreement of the OPEC and non-OPEC member states, gradually growing petroleum demand resulted in rising petroleum prices. On Saturday, 06 June, the OPEC+ countries agreed to extend the current conditions of the agreement for curtailing petroleum production for one more month. The provision to reduce petroleum output 9.7 million barrels per day will continue to be effective until the end of July 2020.

WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1330	1.7	4.5	0.9
GBP/USD	1.2668	2.6	1.9	-4.4
USD/RUB	69.0151	-2.9	-5.1	11.5
USD/UAH	26.6005	-1.0	-1.4	12.3

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	3193.9	4.9	11.3	-1.1
FTSE 100 (UK)	6484.3	6.7	10.9	-14.0
MXME (East. Eur.)	155.8	6.7	15.8	-19.3
PFTS (Ukraine)	499.5	-0.1	-0.2	-2.0
RTS (Russia)	1285.8	5.4	13.5	-17.0

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.634	-5.9	-23.7	-68.2
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.	8.000	0.0	0.0	-40.7
CB RF. % p.a.	5.500	0.0	0.0	-12.0

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	210.5	-0.9	-1.9	5.1
Brent. USD/barrel	42.3	11.8	32.6	-32.8
WTI. USD/barrel	39.6	11.4	49.3	-32.8
Gold. USD/ounce	1683.5	-2.6	-0.9	11.1

Source: Bloomberg

www.pumb.ua

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

MACROECONOMICS

Consumer prices

According to information of the State Statistics Service, the Consumer Price Index landed at 0.3% in May 2020 compared to April 2020. Compared to May of the previous year, consumer prices rose 1.7%. Since the beginning of the current year, consumer prices grew 1.8%.

In May 2020, core inflation landed at 0.1% compared to the previous month and at 1.5% since the beginning of the current year.

The consumer market registered that prices for the entire group of food products and non-alcoholic beverages went up 2.1% in May 2020. Prices for eggs and fruits grew the most – 16.6% and 15.8% respectively. Prices for products made from grains, rice, fish and fish products, and vegetables rose 2.3-0.8%. At the same time, prices for meat and meat products, lard, butter, sugar, sunflower oil, sour milk products, and milk declined 1.6-0.2%.

Prices for alcoholic beverages and tobacco products rose 1.1% over the previous month, which is connected with prices for tobacco products growing 2.0%.

Prices for clothes and footwear declined 1.4% over the previous month, including 2.0% for clothes and 0.7% for footwear.

Prices for healthcare services went up 0.3%, which is connected with rates for out-patient services rising 0.7% and prices for pharmaceutical products, medical products, appliances and equipment inching up 0.2%.

Prices (rates) for housing, water supply, electricity, gas, and other types of fuel went down 2.8% in May 2020, which was mainly the result of lower prices for natural gas (-16.8%). At the same time, rates for water supply and sewage grew 0.4% and 0.8% respectively.

Prices for communication services inched down 0.1% in May 2020, prices for recreational and cultural services dropped 0.8%, whereas prices in hotels and restaurants increased 0.3%.

In May 2020, transport prices went down 2.0% chiefly due to prices for fuel and lubricants shrinking 8.6%.

Construction

In April 2020, the Index of Construction Products reached 97.2% seasonally adjusted compared to March 2020 (95.9% seasonally not adjusted). Compared to April 2019, the Index of Construction Products landed at 83.9% adjusted to the calendar days' effect and at 84.0% without the above-mentioned adjustment.

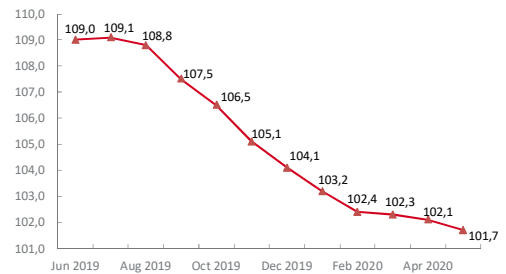
Over January-April 2020, the Index of Construction Products stood at 91.3% compared to January-April 2019.

Ukrainian companies carried out construction works (construction products output) for the total of UAH 36.2 billion over January-April 2020.

Construction of new objects made up 45.3% of total construction works, overhaul and maintenance works accounted for 27.1%, while reconstruction and technical re-equipment came to 27.6% of total construction works.

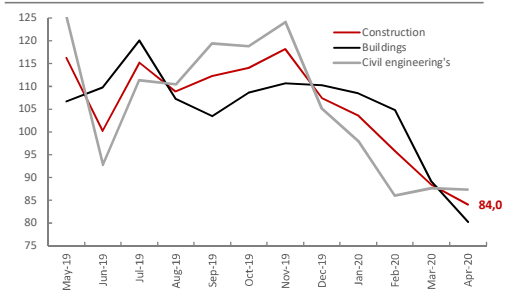
In April 2020, the Construction Price Index stood at 100.9% compared to April 2019, including at 103.6% in construction of residential buildings, 99.0% in construction of non-residential buildings, 100.6% in construction of transport structures, 98.1% in construction of pipelines, communication lines and electricity lines, and 104.0% in construction of complex industrial structures.

CONSUMER PRICE INDEX (month-on-month of the previous year, %)



Source: the State Statistics Service

THE INDEX OF CONSTRUCTION PRODUCTS (% year-on-year, without adjustments)



Source: the State Statistics Service

BOND MARKET AND PUBLIC FINANCE

A scheduled auction for placing domestic government bonds, held on 02 June, registered that demand for bonds grew significantly. This made it possible for the Ministry of Finance to increase the amounts of funds raised and simultaneously to lower yields for all issues of bonds placed.

Seven bids for the total of UAH 0.8 billion were submitted for purchasing bonds maturing in August 2020. The requested yields ranged within the limits of 9.50-9.95% p.a. There was a limit established for this placement totaling UAH 0.5 billion, which made it possible for the Ministry of Finance to lower the accepted yield to 9.90% p.a. and to reject one bid.

Demand for bonds maturing in six months almost tripled over the established limit of UAH 0.5 billion – market participants submitted twelve bids for the total of UAH 1.5 billion. The requested yields ranged within the limits of 9.97-10.75% p.a. The Ministry of Finance set the accepted yield at 10.27% p.a. and rejected five bids.

Bonds maturing in nine months scored four bids for the total of UAH 1.6 billion. The requested yields ranged within the limits of 10.89-11.24% p.a. The Ministry of Finance set the accepted yield at 10.89% p.a. and rejected two bids.

Bonds maturing in twelve months enjoyed the highest demand both in terms of the number of bids and in terms of their total amount. Thirteen bids for the total of UAH 2.4 billion were submitted for purchasing the above-mentioned instrument. The requested yields ranged within the limits of 10.70-11.24% p.a. The Ministry of Finance set the accepted yield at 10.89% p.a. and rejected three bids.

As a result of the auction held on 02 June 2020, the Ministry of Finance managed to raise UAH 2.9 billion to the State Budget of Ukraine.

Over the previous week, the volume of outstanding domestic government bonds went down UAH 4.2 billion and, as of 05 June 2020, totaled UAH 883.6 billion (according to the total principal).

This week, the Ministry of Finance will have to pay out one issue of domestic government bonds for the total of UAH 7.2 billion (due on 10 June).

NBU TRANSACTIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 226.6 billion, including overnight certificates of deposit for the total of UAH 99.6 billion (the interest rate for overnight certificates of deposit stood at 6.00% p.a.).

A scheduled NBU quantitative tender to refinance banks for the period of eighty-four days, which was announced by the National Bank on 05 June, failed to take place.

On Friday, 05 June, the National Bank placed deposit certificates maturing in seven days for the total of UAH 127.0 billion, satisfying bids of fifty banks. The interest rate stood at 8.00% p.a.

The balance of the State Treasury transactions landed at UAH 8.6 billion over 01-05 June. The banking system liquidity is staying at a sufficient level.

INTERBANK LENDING MARKET

The interbank lending market did not register any changes during the previous week. Rates for overnight lending funds in the national currency were ranging within the limits of 5.00-8.00% p.a.

THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
02 Jun.	77 days	9.84%	7/6	525.46
02 Jun.	175 days	10.11%	12/7	476.89
02 Jun.	266 days	10.89%	4/2	648.53
02 Jun.	350 days	10.86%	13/10	1 294.62

Source: the Ministry of Finance of Ukraine

HOLDERS OF DOMESTIC BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	324.6	0.0	0.0	-3.7
Banks	392.5	-0.8	11.5	16.7
Legal entities	53.3	0.1	2.4	102.4
Private individ.	7.9	-1.0	-9.4	-19.6
Non-residents	105.3	-0.7	-6.3	-10.5

Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	45.4	-4.4	-11.1	-13.4	
NBU refinancing. UAH billions	47.9	0.0	6.6	6.5	
NBU deposit certificates	O/N. UAH billions	21.6	29.6	-17.1	-63.2
	Total. UAH billions	148.6	12.5	3.1	-2.2

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

FOREIGN EXCHANGE MARKET

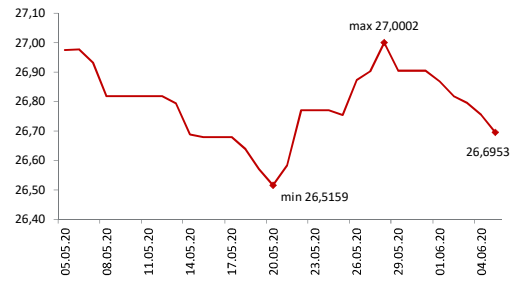
The summer had a lucky start for the Ukrainian hryvnia. On Monday and Tuesday, 01 and 02 June, the interbank foreign exchange market was balanced and the exchange rate fluctuated within a rather narrow range. The exchange rate fluctuations were very insignificant both on the non-cash and cash markets. Starting from Wednesday, there was a serious increase in foreign currency supply on the interbank foreign exchange market thanks to agrarians and steel producers, which made the National Bank get up and buy out a record-high amount of US dollars starting from the beginning of the crisis. As a result, on Friday, 05 June, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 26.6005/USD

During the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.80-26.87/USD on Monday, 01 June, UAH 26.76-26.84/USD on Tuesday, 02 June, UAH 26.74-26.82/USD on Wednesday, 03 June, UAH 26.66-26.73/USD on Thursday, 04 June, and UAH 26.58-26.65/USD on Friday, 05 June.

Over 01-05 June, the National Bank purchased USD 410.70 million from banks by way of the single exchange rate interventions.

The overall foreign currency sales on the interbank foreign exchange market reached USD 1.9 billion over the previous week.

NBU EXCHANGE RATE (UAH/USD)



Source: NBU

QUOTATIONS ON GLOBAL MARKETS

Name	Cou pon	Maturity	Bid Price	Ask Price	Ask YTM	Cur
Ukraine-2020	7,75	01.09.2020	99,76	100,75	4,25	USD
Ukraine-2021	7,75	01.09.2021	102,88	103,44	4,81	USD
Ukraine-2022	7,75	01.09.2022	104,34	105,05	5,31	USD
Ukraine-2023	7,75	01.09.2023	105,26	105,93	5,71	USD
Ukraine-2024	8,99	01.02.2024	109,11	110,16	5,85	USD
Ukraine-2024	7,75	01.09.2024	106,28	107,31	5,77	USD
Ukraine-2025	7,75	01.09.2025	106,71	107,75	6,00	USD
Ukraine-2026	6,75	20.06.2026	102,63	103,71	6,00	EUR
Ukraine-2026	7,75	01.09.2026	107,38	108,38	6,11	USD
Ukraine-2027	7,75	01.09.2027	106,55	107,38	6,45	USD
Ukraine-2028	9,75	01.11.2028	117,00	118,00	6,89	USD
Ukraine-2030	4,38	27.01.2030	88,82	90,02	5,93	EUR
Ukraine-2032	7,38	25.09.2032	104,36	105,28	6,73	USD
Ukreximbank	16,50	02.03.2021	97,92	100,53	15,59	UAH
Ukreximbank	9,63	27.04.2022	101,64	103,00	7,86	USD
Ukreximbank	9,05	09.02.2023	98,67	100,51	7,35	USD
Ukreximbank	9,75	22.01.2025	100,81	101,35	9,38	USD
Oschadbank	9,38	10.03.2023	102,27	102,35	8,39	USD
Oschadbank	9,07	19.01.2024	94,54	97,46	8,23	USD
Oschadbank	9,63	20.03.2025	103,07	103,47	8,72	USD
Privatbank CJSC	11,00	09.02.2021	9,24	10,77	923,2	USD
Metinvest BV	7,50	31.12.2021	100,29	101,04	6,73	USD
Metinvest BV	7,75	23.04.2023	95,50	95,86	9,43	USD
Metinvest BV	5,63	17.06.2025	87,00	90,11	8,06	EUR
Metinvest BV	8,50	23.04.2026	93,52	94,02	9,86	USD
Metinvest BV	7,75	17.10.2029	90,69	91,31	9,15	USD
DTEK Finance	10,75	31.12.2024	58,87	59,13	26,14	USD
MHP SE	7,75	10.05.2024	103,12	103,49	6,72	USD
MHP Lux SA	6,95	03.04.2026	101,01	101,63	6,61	USD
MHP Lux SA	6,25	19.09.2029	93,42	95,36	6,94	USD
Kernel Holding	8,75	31.01.2022	103,73	103,90	6,20	USD
Kernel Holding	6,50	17.10.2024	98,52	100,33	6,41	USD
Ukraine Railways	9,88	15.09.2021	100,67	100,96	9,03	USD
Ukraine Railways	8,25	09.07.2024	98,36	98,74	8,62	USD
NAK Naftogaz	7,38	19.07.2022	99,49	99,65	7,55	USD
NAK Naftogaz	7,13	19.07.2024	97,36	98,48	7,56	EUR
NAK Naftogaz	7,625	08.11.2026	96,26	97,34	8,16	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2016	2017	2018	2019	2020
GDP. %	2.3	2.5	3.3	3.2	-1.5
Industrial output. %	2.4	-0.1	1.1	-1.8	-16.2 (April)
Consumer price growth. % year-on-year	12.4	13.7	9.8	4.1	1.7 (May)
Producer price growth. % year-on-year	35.7	16.5	14.2	-7.4	-2.6 (April)
Balance of payments (consolidated). USD billions	1.3	2.6	2.9	6.0 (preliminary data)	-0.7 (April, preliminary estimate)
Current account balance. USD billions	-1.3	-2.4	-4.4	-1.1 (preliminary data)	1.4 (April, preliminary estimate)
Balance of trade. USD billions	-6.5	-8.6	-12.7	-14.0 (preliminary data)	0.2 (April, preliminary estimate)
International reserves, USD billions, by the end of the period	15.5	18.8	20.8	25.3	25.4 (May, 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	4.2 (January-April)
Exchange rate. by year end. UAH/USD	27.19	28.07	27.69	23.69	26.91 (May)
Exchange rate. annual average. UAH/USD	25.55	26.60	27.20	25.85	25.83 (January-May)

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	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@fuib.com

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

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

Olena Lysyanska
Research
+38 044 231 7380
olena.lysyanska@fuib.com

PUBLIC RELATIONS

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

This document is based on data we deem to be reliable, though we do not guarantee its accuracy or completeness and make no warranties regarding results from its usage. Forecasts are estimates by specialists working for us, and actual events may turn out to be fundamentally different due to unforeseen circumstances. This document is provided for information purposes only.