

Financial markets survey

22 June 2020

“NO LOCKDOWN ANYMORE”

WEEKLY ISSUE

Macro-statistical data does not confirm economic recovery
The Ukrainian State Statistics Service upgraded its estimate of GDP in Q1'2020
The NBU is introducing a new indicator of resources cost

GLOBAL MARKET

The previous week followed an ambiguous format for global financial markets, while moods of investors changed all the time. The readiness of central banks from the leading countries across the world to soften the pandemic consequences using incentive measures and statements of US President Donald Trump and US Secretary of the Treasury Steven Mnuchin supported positive moods among investors. At the same time, a growing number of coronavirus patients across the world and macro-statistical data from the US and other countries that are not confirming the recovery of business activities were creating a negative sentiment.

US President Donald Trump stated that the United States would not be shutting down companies anymore. A strong economy is the main trump card of Donald Trump at the scheduled presidential election in the US in November 2020, whereas a total lockdown had a negative impact on all sectors of the US economy. Earlier, the US Secretary of the Treasury made similar statements.

In May 2020, retail trade turnover in the US demonstrated a record-high monthly growth – 17.7%. However, retail trade shrank 6.1% compared to May of the previous year. This is the evidence that the economy continues to feel the impact of the COVID-19 pandemic crisis.

In May 2020, industrial output in the US grew 1.4% compared to April and was record-low since 1946. Compared to May of the previous year, industrial output in the US shrank 15.3%.

The Consumer Price Index in the euro-area reached 0.1% in May in annual terms compared to 0.3% in April. The Consumer Price Index in the European Union landed at 0.6% in May in annual terms compared to 0.7% in April.

On Thursday, 18 June, following the results of its meeting, the Bank of England expectedly left its key rate at 0.1% per annum and expanded its asset purchase program (QE program) for GBP 100.0 billion to GBP 745.0 billion. However, the Bank of England informed that the program would last till the end of the year. Such a decision was made based on data indicating a less serious fall of the economy than was forecast.

In May 2020, the UK's national debt exceeded the country's GDP for the first time since 1963, since measures to support the economy during the pandemic crisis required that the Government should increase borrowings. Thus, the national debt grew to GBP 1.95 trillion or 100.9% of GDP.

During the previous week, trading in the “EUR/USD” pair ranged within the limits of USD 1.1167-1.1352/EUR.

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1210	-0.8	2.4	-0.2
GBP/USD	1.2350	-1.5	0.8	-6.8
USD/RUB	69.6180	0.7	-4.6	12.5
USD/UAH	26.7207	0.0	0.8	12.8

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	3041.3	-4.8	6.0	-5.9
FTSE 100 (UK)	6105.2	-5.8	1.8	-19.1
MXME (East. Eur.)	149.8	-3.9	10.8	-22.4
PFTS (Ukraine)	499.5	0.0	-0.2	-2.0
RTS (Russia)	1238.1	-3.7	8.9	-20.1

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.576	-3.0	-20.2	-71.2
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.	6.000	0.0	-25.0	-55.6
CB RF. % p.a.	4.500	-18.2	-18.2	-28.0

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	192.5	0.5	-9.8	-5.6
Brent. USD/barrel	42.2	8.9	20.7	-33.0
WTI. USD/barrel	39.8	9.6	24.4	-32.5
Gold. USD/ounce	1734.8	0.1	-0.2	14.5

Source: Bloomberg

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MACROECONOMICS

GDP

According to preliminary data of the State Statistics Service, Ukraine's Real Gross Domestic Product (GDP) declined 0.7% over the first quarter of 2020 compared to the previous quarter (seasonally adjusted data), while data of the up-to-date estimate in May demonstrated a 0.8% fall. Compared to the first quarter of 2019, the country's real GDP shrank 1.3% (1.5% according to data of the up-to-date estimate).

The main reasons behind the fall of the Ukrainian economy in the first quarter of 2020 are a negative impact of the lockdown restrictions on the services sector, a rapid drop in investment, an accelerating fall in consumption in the public sector spurred by the complicated fiscal situation, a slower growth of private consumption and exports given weaker external demand.

Unemployment

The total number of registered unemployed went up 54,400 individuals in May 2020 compared to April 2020 and landed at 511,400 individuals by the end of May 2020.

In May 2020, the number of vacant positions stood at 58,600 vacancies. There were nine registered unemployed per each vacancy in May 2020.

During the lockdown, Ukraine introduced a number of legislative amendments that regulate the requirements for registering as unemployed and receiving unemployment benefit in the course of the above-mentioned period: it became possible to submit applications for the unemployed status and unemployment benefit online; the minimum size of unemployment benefit was raised from UAH 650.00 to UAH 1,000.00; unemployment benefit is assigned to the unemployed registered with the placement service starting from the first day of gaining the unemployed status; employers that are small or medium businesses and that suspended or curtailed their operation during the lockdown may receive benefit for partial unemployment to cover their personnel costs for employees whose working hours were shortened.

The total number of registered unemployed receiving unemployment benefit landed at 424,700 individuals at the end of May 2020.

The average size of unemployment benefit shrank UAH 112.00 in May 2020 compared to the previous month and stood at UAH 3,603.00.

Demographic situation

According to estimates of the State Statistics Service, Ukraine's present population stood at 41,806,221 people as of 1 May 2020.

Ukraine's resident population totaled 41,636,584 people as of 1 May 2020 (according to estimates). The average resident population reached 41,684,682 people over January-April 2020.

Over the first four months of the current year, Ukraine's population shrank 96,195 people.

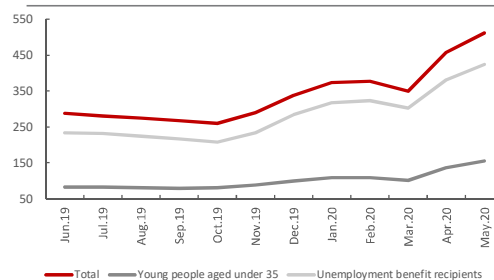
Migration helped increase population numbers by 6,755 people over January-April 2020.

LATEST MACROECONOMIC DATA

Indicator	Value
Real GDP change over Q1'2020, % to Q1'2019	-1.3

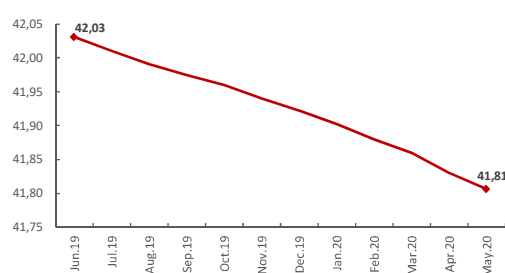
Source: the State Statistics Service

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 lowering the NBU key policy rate, reduced rates for NBU deposit certificates led to growing demand for short-term instruments of the Ministry of Finance (MoF). A scheduled auction for placing domestic government bonds, which was held on 16 June, demand for the bonds with maturity three and six months (for which there was a limit totaling UAH 0.5 billion each) is three times higher than supply.

Twenty-one bids for the total of UAH 1.6 billion were submitted for purchasing bonds maturing in three months. The requested yields ranged within the limits of 7.50-8.50% p.a. The MoF set the accepted yield at 7.50% p.a. and partially satisfied seven bids.

Bonds maturing in six months enjoyed the highest demand in terms of the number of bids submitted. Sixteen bids for the total of UAH 1.9 billion were submitted for purchasing the above-mentioned instrument. The requested yields ranged within the limits of 7.99-9.00% p.a. The MoF set the accepted yield at 8.00% p.a. and rejected eight bids.

Bonds maturing in two years scored eight bids for the total of UAH 0.8 billion. The requested yields ranged within the limits of 10.50-10.80% p.a. The MoF set the accepted yield at 10.70% p.a. and rejected one bid.

Six bids for the total of UAH 0.2 billion were submitted for purchasing bonds maturing in three years. The requested yields ranged within the limits of 10.70-10.80% p.a. The MoF set the accepted yield at 10.80% p.a. and satisfied the entire demand in full.

As a result of the auction held on 16 June 2020, the MoF managed to raise UAH 2.0 billion to the State Budget of Ukraine.

Over the previous week, the volume of outstanding domestic bonds went down UAH 19.0 billion and, as of 19 June 2020, totaled UAH 874.4 billion (according to the total principal). There are no pay-outs of domestic bonds scheduled for the current week.

NBU TRANSACTIONS

Starting from 23 June, the National Bank will stop calculating the Ukrainian Index of Interbank Rates (UIIR) and will replace it with a new indicator of resources cost on the interbank lending market – the Ukrainian OverNight Index Average (UONIA). The new index will be calculated only for overnight loans and deposits. The UONIA calculation will include 10% of agreements for providing NBU overnight loans and 10% of agreement for placing NBU overnight certificates of deposit among banks. The index has a safety mechanism to prevent any possible manipulations on the part of market participants.

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 182.2 billion, including overnight certificates of deposit for the total of UAH 87.6 billion (the interest rate for overnight certificates of deposit stood at 5.00% p.a.).

As a result of the NBU liquidity-providing tender to refinance banks, which was held on Friday, 19 June, bids of five banks for the total of UAH 637.5 million were satisfied. The interest rate reached 6.00% p.a. The funds were provided for the period of eighty-four days.

On Friday, 19 June, the National Bank placed deposit certificates maturing in seven days for the total of UAH 94.6 billion. The interest rate stood at 6.00% p.a.

A negative balance of the State Treasury transactions landed at UAH 15.0 billion over 15-19 June. At that, on Friday, 19 June, alone, the balance of the State Treasury transactions reached minus UAH 22.6 billion.

The banking system liquidity has shrunk, but is still staying at a sufficient level (approximately UAH 180.0 billion).

THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
16 Jun.	105 days	7,50%	21/7	531,71
16 Jun.	161 days	8,00%	16/8	482,96
16 Jun.	616 days	10,57%	8/7	729,13
16 Jun.	973 days	10,76%	6/6	215,79

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	410.1	0.8	10.9	21.9
Legal entities	30.6	-40.7	-40.7	16.1
Private individ.	7.5	-1.4	2.0	-23.1
Non-residents	101.6	-1.3	-6.9	-13.7

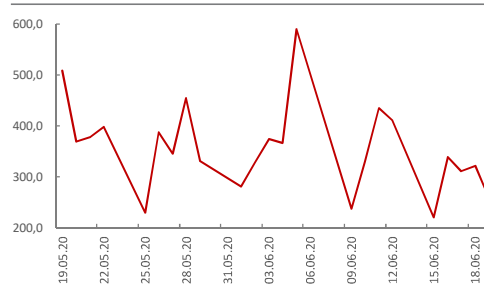
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator		last	week ch.. %	mon. ch.. %	YTD. %
The balance on c/a. UAH billions		52.6	-16.1	-10.3	0.3
NBU refinancing. UAH billions		43.5	-12.2	-8.6	-3.4
NBU deposit certificates	O/N. UAH billions	32.4	122.5	85.3	-44.8
	Total. UAH billions	127.0	-7.9	-4.5	-16.4

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU



INTERBANK LENDING MARKET

The interbank lending market was stable during the previous week. Rates for overnight interbank loans in the national currency were ranging within the limits of 4.00-6.00% p.a.

FOREIGN EXCHANGE MARKET

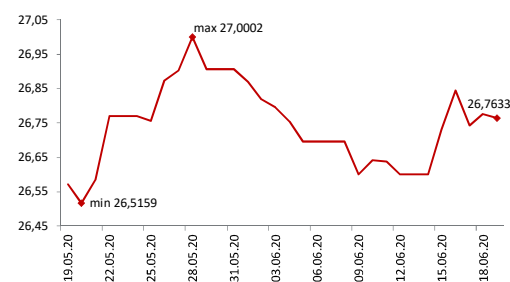
During the previous week, the situation on the interbank foreign exchange market was stable, while the exchange rate fluctuations were insignificant. On Friday, 19 June, a serious drop in the hryvnia liquidity spurred by budgetary payments to the State Treasury fostered a moderate appreciation of the Ukrainian hryvnia. As a result, on Friday, 19 June, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 26.7207/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.78-26.88/USD on Monday, 15 June, UAH 26.70-26.78/USD on Tuesday, 16 June, UAH 26.72-26.80/USD on Wednesday, 17 June, UAH 26.73-26.80/USD on Thursday, 18 June, and UAH 26.69-26.75/USD on Friday, 19 June.

Over 15-19 June, the National Bank purchased USD 110.0 million from banks by way of the single exchange rate interventions.

The overall foreign currency sales on the interbank foreign exchange market reached USD 1.7 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	100,25	100,75	3,55	USD
Ukraine-2021	7,75	01.09.2021	102,32	102,82	5,25	USD
Ukraine-2022	7,75	01.09.2022	103,75	104,25	5,65	USD
Ukraine-2023	7,75	01.09.2023	104,75	105,25	5,91	USD
Ukraine-2024	8,99	01.02.2024	107,63	108,46	6,33	USD
Ukraine-2024	7,75	01.09.2024	104,56	105,47	6,24	USD
Ukraine-2025	7,75	01.09.2025	105,11	106,01	6,37	USD
Ukraine-2026	6,75	20.06.2026	102,30	103,34	6,07	EUR
Ukraine-2026	7,75	01.09.2026	105,33	105,83	6,59	USD
Ukraine-2027	7,75	01.09.2027	105,25	105,75	6,72	USD
Ukraine-2028	9,75	01.11.2028	115,16	115,66	7,22	USD
Ukraine-2030	4,38	27.01.2030	86,97	88,18	6,21	EUR
Ukraine-2032	7,38	25.09.2032	101,59	102,50	7,06	USD
Ukreximbank	16,50	02.03.2021	100,13	102,71	12,18	UAH
Ukreximbank	9,63	27.04.2022	101,71	102,98	7,84	USD
Ukreximbank	9,05	09.02.2023	98,69	100,49	7,27	USD
Ukreximbank	9,75	22.01.2025	100,89	101,59	9,31	USD
Oschadbank	9,38	10.03.2023	102,46	102,54	8,30	USD
Oschadbank	9,07	19.01.2024	94,55	97,45	8,16	USD
Oschadbank	9,63	20.03.2025	102,80	103,19	8,78	USD
Privatbank CJSC	11,00	09.02.2021	9,27	10,73	1054,8	USD
Metinvest BV	7,50	31.12.2021	99,59	100,03	7,41	USD
Metinvest BV	7,75	23.04.2023	99,04	99,29	8,03	USD
Metinvest BV	5,63	17.06.2025	90,25	92,36	7,49	EUR
Metinvest BV	8,50	23.04.2026	97,95	98,60	8,81	USD
Metinvest BV	7,75	17.10.2029	93,71	94,82	8,57	USD
DTEK Finance	10,75	31.12.2024	58,81	59,08	26,49	USD
MHP SE	7,75	10.05.2024	105,55	105,93	6,01	USD
MHP Lux SA	6,95	03.04.2026	102,05	102,68	6,39	USD
MHP Lux SA	6,25	19.09.2029	94,29	97,04	6,68	USD
Kernel Holding	8,75	31.01.2022	103,92	104,09	6,02	USD
Kernel Holding	6,50	17.10.2024	99,02	100,82	6,28	USD
Ukraine Railways	9,88	15.09.2021	101,02	101,31	8,70	USD
Ukraine Railways	8,25	09.07.2024	98,86	99,24	8,48	USD
NAK Naftogaz	7,38	19.07.2022	100,48	100,64	7,03	USD
NAK Naftogaz	7,13	19.07.2024	97,62	98,66	7,52	EUR
NAK Naftogaz	7,625	08.11.2026	97,02	98,10	8,01	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2016	2017	2018	2019	2020
GDP, %	2.3	2.5	3.3	3.2	-1.3 (first quarter, preliminary data)
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	-5.1 (May)
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	120.3 (first quarter, preliminary data)
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



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