

Financial markets survey

10 August 2020

MARKETS ARE IN EXPECTATION

Unemployment in the US shrinks at a rapid pace
Consumer inflation in Ukraine remained unchanged
The hryvnia exchange rate stabilized

GLOBAL MARKET

The previous trading week on the US stock market finished on a neutral note. However, key stock indices came close to their historical record-highs. Investors are not afraid of another escalation in the relations between the US and China, while data from the labor market and better-than-expected performance indicators of American companies are supporting growing optimism.

The US Congress did not manage to reach a consensus on a new set of incentive measures. As a result, US President Donald Trump unilaterally signed executive orders to extend unemployment benefits, defer payroll taxes, protect Americans from eviction and provide relief on student loans.

Data on the US labor market in July turned out to be unexpectedly positive: nonfarm payrolls increased 1.8 million (the forecast was 1.6 million), while the rate of unemployment went down from 11.1% to 10.2% (the forecast was 10.5%). During the previous week, the number of initial applications for unemployment benefit in the US also shrank sharply to 1.2 million (analysts expected 1.4 million).

The US President signed an executive order prohibiting any transactions with ByteDance, the Chinese company owning TikTok, a popular social network. The above-mentioned sanctions are called to provide protection for the US national security. The ongoing tension between the governments of the US and China is a negative factor for the global economy, especially at the time of a slow recovery given the COVID-19 pandemic.

Western European stock markets switched to a downward trend after the Bank of England announced the outcomes of its August meeting. As a result of this meeting, the bank rate (0.1% per annum) and the capacity of the UK government bond purchase program (GBP 745.0 billion) will remain at the current level. The biggest surprise for the market was the central bank's comparatively optimistic forecast. According to the above-mentioned forecast, the British economy will shrink 9.5% in 2020 against the earlier expected 14.0% fall. The Bank of England is also expecting that core inflation will fall even lower compared to the targeted value of 2.0% and will stay around 0.25% on the average till the end of the current year.

Gold prices reached a new historical record-high at USD 2,063.54 per ounce (06 August 2020). The appeal of gold as a protective asset is growing given the prospects of a longer-than-expected recovery of the economy following the coronavirus crisis.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1635-1.1908/EUR.

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WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1,1817	-0,3	4,7	5,2
GBP/USD	1,3052	-0,3	4,1	-1,5
USD/RUB	73,0397	-0,4	2,4	18,0
USD/UAH	27,6486	-0,1	2,7	16,7

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	3351.3	2.5	6.5	3.7
FTSE 100 (UK)	6032.2	2.3	-2.5	-20.0
MXME (East. Eur.)	150.2	2.6	1.5	-22.2
PFTS (Ukraine)	498.6	-0.3	-0.2	-2.2
RTS (Russia)	1271.4	3.0	1.9	-17.9

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.449	0.1	-8.8	-77.5
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	0.0	-55.6
CB RF. % p.a.	4.250	0.0	-5.6	-32.0

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	203.5	1.5	8.5	-0.2
Brent. USD/barrel	44.4	2.0	2.6	-28.4
WTI. USD/barrel	41.2	2.4	1.3	-28.6
Gold. USD/ounce	2031.2	3.4	13.5	34.1

Source: Bloomberg

MACROECONOMICS

Consumer prices

According to information of the State Statistics Service, the Consumer Price Index went down 0.6% in July 2020 compared to June 2020. Compared to July of the previous year, consumer prices rose 2.4%. Since the beginning of the current year, consumer prices grew 1.4%.

In July 2020, core inflation landed at -0.1% compared to the previous month and at 1.4% since the beginning of the current year.

The consumer market registered that prices for the entire group of food products and non-alcoholic beverages declined 1.4% in July 2020. Prices for eggs and vegetables shrank the most – 15.1% and 15.0% respectively. Prices for pork, sugar, rice, sour cream, milk, and lard went down 1.1-0.4%. At the same time, prices for poultry meat, fruits, non-alcoholic beverages, and bread grew 2.1-0.3%.

Prices for alcoholic beverages and tobacco products rose 0.5% over the previous month, which is connected with prices for tobacco products growing 1.0%.

Prices for clothes and footwear declined 4.8% over the previous month.

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 for recreational and cultural services grew 0.5% in July 2020, while prices in hotels and restaurants increased 1.0%, and prices for educational services inched up 0.1%.

Prices (rates) for housing, water supply, electricity, gas, and other types of fuel went up 1.2% in July 2020, which was mainly the result of higher prices for natural gas (+7.5%).

In July 2020, transport prices grew 1.2%, first of all, due to prices for fuel and lubricants increasing 3.4%, passenger fare in railway transport rising 2.4%, and prices for motor vehicles going up 1.8%.

Wages

The average nominal monthly wage of full-time staff members employed at companies, institutions and organizations totaled UAH 11,579.00 in June 2020, which constitutes approximately 250.0% of the minimum wage (UAH 4,723.00).

Compared to May 2020, the average nominal wage grew 9.8% in June 2020. Over the last twelve months (compared to June 2019), the average nominal wage went up 7.4%.

In June 2020, the Index of Real Wages reached 109.5% compared to the previous month and 104.8% compared to June 2019.

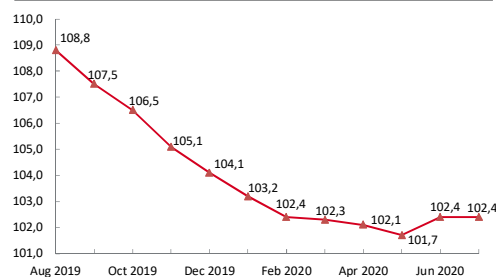
In June 2020, the highest average wages were observed in the city of Kyiv (UAH 16,393.00), Donetsk oblast (UAH 12,445.00) and Kyiv oblast (UAH 11,795.00). The lowest wages were registered in Volyn oblast (UAH 9,615.00), Kherson oblast (UAH 9,586.00) and Chernivtsi oblast (UAH 9,504.00).

The highest average wages were registered among those employed in finance and insurance (UAH 19,324.00), in information and telecommunications (UAH 18,926.00), as well as in public administration and defense and mandatory social insurance (UAH 16,386.00).

As of 1 July 2020, total wage arrears were registered at UAH 3,146.4 million or at 100.1% compared to the relevant month of the previous year.

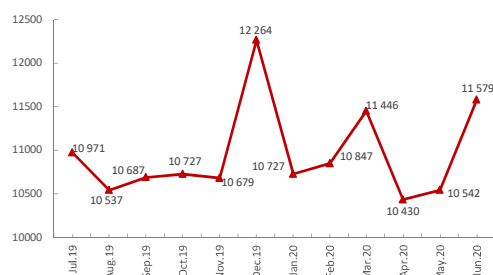
CONSUMER PRICE INDEX

(month-on-month of the previous year, %)



Source: the State Statistics Service

AVERAGE NOMINAL WAGES (UAH)



Source: the State Statistics Service

BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for placing domestic government bonds, which was held on 04 August, interest of investors returned to medium-term instruments.

One bid for the total of UAH 2.0 billion (at face-value) was submitted for purchasing bonds maturing in six months. The requested yield stood at 7.74% p.a. The Ministry of Finance satisfied the above-mentioned bid in full.

Bonds denominated in hryvnia and maturing in twelve months scored three bids for the total of UAH 3.1 billion (at face-value). The requested yields ranged within the limits of 9.00-12.50% p.a. The Ministry of Finance set the accepted yield at 9.20% p.a. and rejected only one bid for the total of UAH 100.0 million.

Demand for instruments maturing in February 2022 was the most active. Market participants submitted six bids for purchasing the above-mentioned bids for the total of UAH 5.1 billion (at face-value). The requested yields ranged within the limits of 10.25-11.00% p.a. The Ministry of Finance set the accepted yield at 10.25% p.a. and rejected one bid for the total of UAH 50.0 million.

As a result of the auction to place domestic government bonds held on 04 August 2020, the Ministry of Finance managed to raise UAH 10.2 billion to the State Budget of Ukraine.

Over the previous week, the volume of outstanding domestic government bonds went down UAH 9.7 billion and, as of 07 August 2020, totaled UAH 866.8 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 USD 0.2 billion (due on 13 August).

NBU TRANSACTIONS

The System of Electronic Payments (SEP) of the National Bank of Ukraine (NBU) started operating in 23/7 mode on 3 August 2020. From now on, the system is accessible for interbank payments 23 hours seven days a week. Participants in the SEP may carry out interbank fund transfers from 1:00 a.m. to 0:00 a.m. This will foster the expansion of financial inclusion and the institution of innovative instruments for noncash transfers.

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 206.6 billion, including overnight certificates of deposit for the total of UAH 121.0 billion (the interest rate for overnight certificates of deposit stood at 5.00% p.a.).

As a result of the NBU quantitative liquidity-providing tender to refinance banks, which was held on Friday, 07 August, bids of six banks for the total of UAH 0.9 billion were satisfied. The interest rate reached 6.00% p.a. The loans were provided for the period of eighty-four days.

On Friday, 07 August, the National Bank placed deposit certificates maturing in seven days for the total of UAH 85.6 billion, satisfying bids of fifty-three banks. The interest rate stood at 6.00% p.a.

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

The balance of the State Treasury transactions landed at UAH 7.2 billion over 03-07 August.

The banking system liquidity is staying at a sufficient level.

THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
04 Aug.	203 days	7.74%	1/1	1917.46
04 Aug.	350 days	9.20%	3/2	3023.50
04 Aug.	567 days	10.25%	6/5	5308.11

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	417.4	-1.6	-0.8	24.1
Legal entities	26.8	-2.5	-12.8	1.6
Private individ.	7.3	1.9	-5.3	-24.8
Non-residents	90.7	-2.5	-9.2	-22.9

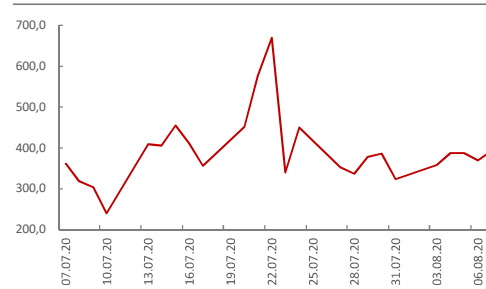
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %
The balance on c/a. UAH billions	46.8	-7.1	7.7	-10.8
NBU refinancing. UAH billions	49.6	1.3	11.7	10.2
NBU deposit certificates	O/N. UAH billions	23.5	49.9	17.5
	Total. UAH billions	109.1	6.8	7.1

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 lending resources in the national currency were ranging within the limits of 4.00-6.00% per annum.

FOREIGN EXCHANGE MARKET

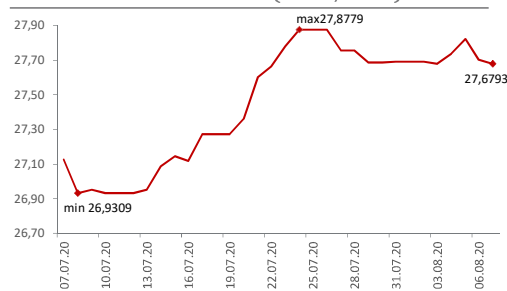
During the previous week, the Ukrainian interbank foreign exchange market did not register significant exchange rate fluctuations. Companies were estimating their performance indicators for the previous month and were outlining their operation strategies for the new period. The national currency was additionally supported by settlements following the results of the auction to place domestic government bonds held by the Ministry of Finance. As a result, on Friday, 07 August, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 27.6486/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 27.66-27.76/USD on Monday, 03 August, UAH 27.80-27.88/USD on Tuesday, 04 August, UAH 27.65-27.75/USD on Wednesday, 05 August, UAH 27.65-27.73/USD on Thursday, 06 August, and UAH 27.60-27.72/USD on Friday, 07 August.

Over 03-07 August, the National Bank purchased USD 40.0 million from banks by way of the single exchange rate interventions.

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

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	99,72	100,16	4,64	USD
Ukraine-2021	7,75	01.09.2021	102,61	103,32	4,48	USD
Ukraine-2022	7,75	01.09.2022	103,37	104,12	5,59	USD
Ukraine-2023	7,75	01.09.2023	103,22	103,79	6,36	USD
Ukraine-2024	8,99	01.02.2024	106,54	107,45	6,56	USD
Ukraine-2024	7,75	01.09.2024	102,72	103,58	6,73	USD
Ukraine-2025	7,75	01.09.2025	102,22	103,15	7,00	USD
Ukraine-2026	6,75	20.06.2026	99,55	100,35	6,67	EUR
Ukraine-2026	7,75	01.09.2026	101,80	102,59	7,21	USD
Ukraine-2027	7,75	01.09.2027	101,59	102,34	7,32	USD
Ukraine-2028	9,75	01.11.2028	110,56	111,35	7,85	USD
Ukraine-2030	4,38	27.01.2030	83,41	84,39	6,81	EUR
Ukraine-2032	7,38	25.09.2032	98,24	99,16	7,48	USD
Ukraine-2033	7,253	15.03.2033	96,70	97,54	7,56	USD
Ukreximbank	16,50	02.03.2021	99,11	101,16	14,20	UAH
Ukreximbank	9,63	27.04.2022	102,53	103,67	7,29	USD
Ukreximbank	9,05	09.02.2023	99,16	100,89	6,91	USD
Ukreximbank	9,75	22.01.2025	103,50	103,50	8,78	USD
Oschadbank	9,38	10.03.2023	101,71	101,91	8,53	USD
Oschadbank	9,07	19.01.2024	94,63	97,91	7,89	USD
Oschadbank	9,63	20.03.2025	103,15	103,55	8,67	USD
Metinvest BV	7,50	31.12.2021	98,29	100,01	7,41	USD
Metinvest BV	7,75	23.04.2023	99,24	99,48	7,97	USD
Metinvest BV	5,63	17.06.2025	90,50	91,93	7,65	EUR
Metinvest BV	8,50	23.04.2026	98,46	99,11	8,70	USD
Metinvest BV	7,75	17.10.2029	93,09	94,19	8,68	USD
DTEK Finance	10,75	31.12.2024	66,90	66,90	22,26	USD
MHP SE	7,75	10.05.2024	105,50	105,78	6,00	USD
MHP Lux SA	6,95	03.04.2026	101,81	102,42	6,43	USD
MHP Lux SA	6,25	19.09.2029	94,61	97,34	6,64	USD
Kernel Holding	8,75	31.01.2022	103,68	103,83	5,98	USD
Kernel Holding	6,50	17.10.2024	98,71	100,55	6,35	USD
Ukraine Railways	9,88	15.09.2021	101,19	101,42	8,47	USD
Ukraine Railways	8,25	09.07.2024	99,66	100,03	8,24	USD
NAK Naftogaz	7,38	19.07.2022	99,48	99,67	7,56	USD
NAK Naftogaz	7,13	19.07.2024	97,48	98,60	7,54	EUR
NAK Naftogaz	7,625	08.11.2026	97,70	98,78	7,87	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	-5.6 (June)
Consumer price growth. % year-on-year	12.4	13.7	9.8	4.1	2.4 (July)
Producer price growth. % year-on-year	35.7	16.5	14.2	-7.4	-4.6 (June)
Balance of payments (consolidated). USD billions	1.3	2.6	2.9	6.0 (preliminary data)	1.0 (June, preliminary estimate)
Current account balance. USD billions	-1.3	-2.4	-4.4	-1.1 (preliminary data)	0.8 (June, preliminary estimate)
Balance of trade. USD billions	-6.5	-8.6	-12.7	-14.0 (preliminary data)	-0.8 (June, preliminary estimate)
International reserves, USD billions, by the end of the period	15.5	18.8	20.8	25.3	28.8 (July, preliminary estimate)
External debt. USD billions	113.6	116.6	114.7	121,7 (forth quarter)	120.3 (first quarter, preliminary data)
Banking system assets, % of annual growth	0.2	6.4	2.0	9.9	6.5 (January-May)
Exchange rate. by year end. UAH/USD	27.19	28.07	27.69	23.69	27.69 (July)

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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