

# Financial markets survey

11 January 2021

## MARKETS IGNORE POLITICAL TENSION

WEEKLY ISSUE

**The US debt market began to move**

**Consumer inflation in Ukraine accelerated to 5.0% y-o-y**

**Liquidity has recovered**

### GLOBAL MARKET

Global financial markets finished the first trading week of the new year on record-high values. Investors practically ignored the latest political tension in Washington and focused on the prospects of extended incentives to be implemented by the administration of US President-elect Joe Biden.

In December 2020, the US Manufacturing Purchasing Managers' Index jumped record-high since August 2018 and landed at 60.7 points (57.5 points in November 2020).

The number of jobs in the US shrank 140,000 in December 2020. The indicator declined for the first time since April 2020, when the US economy lost 20.8 million jobs, which was a record-high. The rate of unemployment remained at 6.7% in December, whereas analysts expected it to rise to 6.8%.

The US 10-year Treasuries yield grew above 1.000% per annum for the first time since March 2020, while the US 30-year Treasuries yield rose to 1.781% per annum, which is a record-high since March 2020. Growing yields of the US Treasuries are the evidence that investors are confident as regards the prospects of the US economy. Yields are rising spurred by the expectations that Democrats will be able to gain control over the Senate based on the outcomes of the second round of the elections.

In December 2020, the Consumer Price Index in Germany dropped 0.7% in annual terms, same as a month earlier. Compared to November, consumer prices grew 0.6%. The Consumer Price Index in France unexpectedly slowed down to 0.0% in annual terms in December 2020. Compared to the previous month, consumer prices inched up 0.2%.

The UK Treasury prepared a new package of measures totaling GBP 4.6 billion to support businesses during another lockdown that has started on 04 January and will last for seven weeks.

During the previous week, petroleum prices grew significantly spurred by the information about shrinking commercial inventories of petroleum in the US and the expectations of recovering demand for fuel due to lifted quarantine restrictions. The news that Saudi Arabia and other countries will voluntarily additionally reduce petroleum output over February-March supported optimistic moods among traders.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.2192-1.2349/EUR.

### EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.2250	-0.2	-0.2	-0.2
GBP/USD	1.3568	-0.8	-0.8	-0.7
USD/RUB	73.8757	0.0	0.0	0.0
USD/UAH	28.2847	0.1	0.1	0.1

### STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	3824.7	1.8	1.8	1.8
FTSE 100 (UK)	6873.3	6.4	6.4	6.4
MXME (East. Eur.)	171.9	5.6	5.6	5.6
PFTS (Ukraine)	499.1	-0.1	-0.1	-0.1
RTS (Russia)	1466.5	5.7	5.7	5.7

### KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.330	-3.6	-3.6	-3.6
FRS. % p.a.	0.00-0.25	0.0	0.0	0.0
ECB. % p.a.	0.000	0.0	0.0	0.0
NBU. % p.a.	6.000	0.0	0.0	0.0
CB RF. % p.a.	4.250	0.0	0.0	0.0

### COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	261.0	2.2	2.2	2.2
Brent. USD/barrel	56.0	8.1	8.1	8.1
WTI. USD/barrel	52.2	7.7	7.7	7.7
Gold. USD/ounce	1862.9	-1.3	-1.3	-1.3

Source: Bloomberg

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## MACROECONOMY

### Consumer prices

According to information of the State Statistics Service, the Consumer Price Index went up 0.9% in December 2020 compared to November 2020. Over January-December 2020, consumer prices grew 5.0%.

In December 2020, core inflation landed at 0.3% compared to the previous month and at 4.5% in 2020 as a whole.

The consumer market registered that prices for the entire group of food products and non-alcoholic beverages went up 1.7% in December 2020. Prices for eggs grew the most (16.1%). Prices for vegetables, sugar, sunflower oil, milk and milk products, bread, products made from grain crops, pasta, poultry meat, butter, rice, and lard rose 8.3-0.9%. At the same time, prices for pork declined 1.0%.

Prices for alcoholic beverages and tobacco products rose 0.5% over the previous month, which is connected with prices for tobacco products growing 1.7%.

Prices for clothes and footwear went down 4.6% over the previous month, including 5.0% for clothes and 4.2% for footwear.

Prices (rates) for housing, water supply, electricity, gas, and other types of fuel inched up 0.1% in December 2020, which was mainly the result of higher rates for hot water and heating (+1.4%).

In December 2020, transport prices grew 0.7%, first of all, due to prices for fuel and lubricants increasing 2.5%.

Prices for healthcare services went up 0.4%, prices for recreational and cultural services inched up 0.2%, while prices in hotels and restaurants grew 0.4%.

### Producer prices

According to information of the State Statistics Service, the Producer Price Index went up 1.8% in December 2020 compared to November 2020. Compared to December 2019, producer prices grew 14.5%.

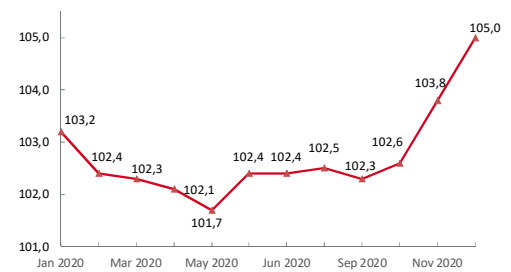
In December 2020, the country registered that producer prices in mining and quarrying grew 3.4% compared to November 2020. Prices in the extraction of crude petroleum and natural gas increased 1.6%, while prices in mining of metal ores jumped 7.7%. At the same time, prices in manufacturing of black coal dropped 1.2% in December 2020.

Producer prices in manufacturing went up 1.9% in December 2020 compared to November 2020. The country registered that prices grew 2.6% in manufacture of food products, beverages and tobacco products, 0.7% in manufacture of wood, paper products, and printing, 2.3% in manufacture of chemicals and chemical products, 0.7% in manufacture of key pharmaceuticals, medicinal and botanical products, 3.9% in steel industry, and 0.6% in machine-building. At the same time, prices in manufacture of coke and refined petroleum products shrank 1.7%.

Prices in electricity, gas, steam, and air-conditioning supply rose 0.6%.

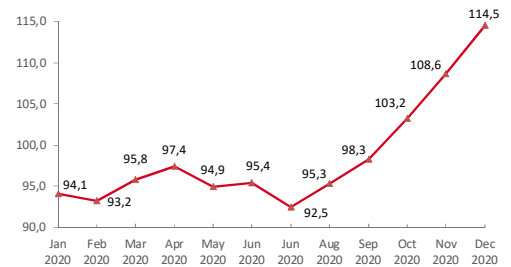
In December 2020, prices went up 3.5% in the production of intermediate goods, 0.6% in the production of investment goods, 2.0% and 1.2% in the production of non-durable and durable consumer goods respectively. Prices in energy generation rose 0.4%.

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



Source: the State Statistics Service

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



Source: the State Statistics Service

## BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for placing domestic government bonds, which took place on 05 January, the Ministry of Finance offered investors four issues of short-term and medium-term bonds denominated in the national currency. Demand was concentrated mainly on the shortest-term instruments and the cost of borrowings remained practically unchanged.

Bonds maturing in two months enjoyed the highest demand – thirteen bids for the total of UAH 8.1 billion (at face-value). The single requested yield stood at 10.00% p.a. Bids were satisfied in full.

Thirteen bids for the total of UAH 0.7 billion (at face-value) were submitted for purchasing instruments maturing in twelve months. The requested yields ranged within the limits of 11.59-11.75% p.a. The Ministry of Finance set the accepted yield at 11.70% p.a. and rejected one bid requesting the highest yield.

Demand for bonds maturing in two years consisted of three bids for the total of UAH 0.1 billion (at face-value). The single requested yield stood at 11.85% p.a. The Ministry of Finance satisfied the entire demand in full.

Instruments maturing in May 2024 scored three bids for the total of UAH 7.7 million (at face-value). The single requested yield landed at 12.15% p.a. The Ministry of Finance satisfied all bids in full.

As a result of the auction to place domestic government bonds held on 05 January 2021, the Ministry of Finance managed to raise UAH 8.7 billion to the State Budget of Ukraine.

Over the previous week, the volume of outstanding domestic government bonds went up UAH 3.7 billion and, as of 08 January 2021, totaled UAH 1,002.4 billion (according to the total principal).

There are no pay-outs of domestic government bonds scheduled for the current week.

## NBU TRANSACTIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 249.6 billion, including overnight certificates of deposit for the total of UAH 144.1 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 Wednesday, 06 January, bids of three banks for the total of UAH 0.5 billion were satisfied. The interest rate reached 6.00% p.a. The resources were provided for the period of eighty-six days.

On Wednesday, 06 January, the National Bank placed deposit certificates maturing in nine days for the total of UAH 105.5 billion satisfying bids of fifty-seven banks. The interest rate stood at 6.00% p.a.

Banks used the standing NBU refinancing line (overnight loans) for the total of UAH 0.3 billion over 04-06 January (the interest rate was 7.00% p.a).

A negative balance of the State Treasury transactions landed at UAH 8.7 billion over 04-06 January. The banking system liquidity is staying at a high level.

## THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
05 Jan.	70 days	10.00%	13/13	7903.64
05 Jan.	364 days	11.67%	13/12	698.56
05 Jan.	770 days	11.85%	3/3	103.79
05 Jan.	1232 days	12.15%	3/3	7.29

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	0.0
Banks	522.9	0.7	0.7	0.7
Legal entities	58.0	-0.1	-0.1	-0.1
Territorial communities	0.2	0.0	0.0	0.0
Private individ.	11.1	0.1	0.2	0.2
Non-residents	85.6	0.3	0.3	0.3

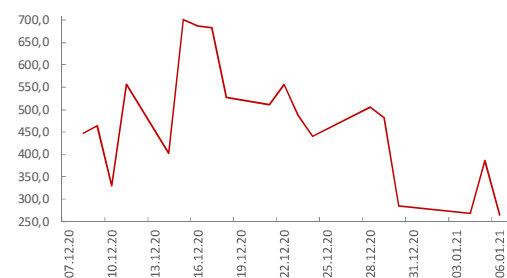
Source: the National Bank of Ukraine

## MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %
The balance on c/a. UAH billions	44.6	19.0	19.0	19.0
NBU refinancing. UAH billions	97.2	0.0	0.0	0.0
NBU deposit certificates	O/N. UAH billions	41.2	-21.6	-21.6
	Total. UAH billions	146.8	-10.3	-10.3

Source: the National Bank of Ukraine

## TRADING VOLUMES (USD MILLIONS)



Source: NBU

### INTERBANK LENDING MARKET

Rates for overnight lending resources in the national currency were ranging within the limits of 4.50-5.50% per annum on the interbank lending market, while the Ukrainian OverNight Index Average (UONIA) stood at: 5.0000% per annum on 04 January, 5.0625% per annum on 05 January and 5.0000% per annum on 06 January.

### FOREIGN EXCHANGE MARKET

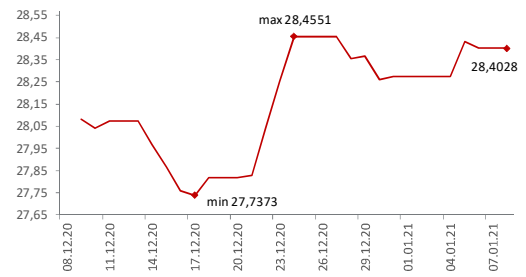
The first trading week of the new year did not register any serious exchange rate fluctuations on the Ukrainian interbank foreign exchange market. The majority of clients were still on the New Year and Christmas holidays. This is why the activity and volumes of foreign currency purchase and sale agreements on the interbank foreign exchange market were slightly lower than usual. As a result, on Wednesday, 06 January, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 28.2847/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 28.25-28.48/USD on Monday, 04 January, UAH 28.18-28.52/USD on Tuesday, 05 January and UAH 28.24-28.37/USD on Wednesday, 06 January. There was no trading on Thursday and Friday.

Over 04-06 January, the National Bank purchased USD 20.0 million from banks and sold USD 20.0 million to banks by way of the single exchange rate interventions.

The overall foreign currency sales on the interbank foreign exchange market reached USD 0.9 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-2021	7,75	01.09.2021	103,44	103,94	1,48	USD
Ukraine-2022	7,75	01.09.2022	106,90	107,51	3,00	USD
Ukraine-2023	7,75	01.09.2023	110,16	110,78	3,43	USD
Ukraine-2024	8,99	01.02.2024	113,08	113,85	4,12	USD
Ukraine-2024	7,75	01.09.2024	111,03	111,81	4,21	USD
Ukraine-2025	7,75	01.09.2025	112,01	112,80	4,65	USD
Ukraine-2026	6,75	20.06.2026	110,19	110,99	4,42	EUR
Ukraine-2026	7,75	01.09.2026	112,67	113,39	4,99	USD
Ukraine-2027	7,75	01.09.2027	113,08	113,81	5,26	USD
Ukraine-2028	9,75	01.11.2028	122,90	123,69	5,91	USD
Ukraine-2030	4,38	27.01.2030	95,59	96,48	4,99	EUR
Ukraine-2032	7,38	25.09.2032	109,71	110,44	6,11	USD
Ukraine-2033	7,253	15.03.2033	108,87	109,60	6,12	USD
Ukrximbank	16,50	02.03.2021	99,05	100,92	9,13	UAH
Ukrximbank	9,63	27.04.2022	104,33	105,39	5,23	USD
Ukrximbank	7,29	09.02.2023	99,22	100,68	6,89	USD
Ukrximbank	9,75	22.01.2025	104,91	105,12	8,23	USD
Oschadbank	9,38	10.03.2023	105,46	105,60	6,54	USD
Oschadbank	7,22	19.01.2024	94,61	97,98	7,89	USD
Oschadbank	9,63	20.03.2025	107,11	108,05	7,35	USD
Metinvest BV	7,75	23.04.2023	107,12	107,30	4,35	USD
Metinvest BV	5,63	17.06.2025	104,26	105,46	4,26	EUR
Metinvest BV	8,50	23.04.2026	112,55	113,27	5,56	USD
Metinvest BV	7,65	01.10.2027	109,21	109,59	5,90	USD
Metinvest BV	7,75	17.10.2029	109,19	110,48	6,18	USD
DTEK Finance	10,75	31.12.2024	61,86	62,93	24,83	USD
MHP SE	7,75	10.05.2024	109,68	110,02	4,47	USD
MHP Lux SA	6,95	03.04.2026	109,53	110,15	4,73	USD
MHP Lux SA	6,25	19.09.2029	101,28	104,06	5,65	USD
Kernel Holding	8,75	31.01.2022	106,39	106,52	2,41	USD
Kernel Holding	6,50	17.10.2024	106,25	107,17	4,41	USD
Ukraine Railways	9,88	15.09.2021	102,23	102,51	5,98	USD
Ukraine Railways	8,25	09.07.2024	104,98	105,34	6,51	USD
NAK Naftogaz	7,38	19.07.2022	103,48	103,63	4,86	USD
NAK Naftogaz	7,13	19.07.2024	103,99	104,97	5,52	EUR
NAK Naftogaz	7,625	08.11.2026	103,39	104,25	6,73	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2016	2017	2018	2019	2020
GDP. %	2.3	2.5	3.3	3.2	-3.5 (third quarter, preliminary data)
Industrial output. %	2.4	-0.1	1.1	-1.8	-0.3 (November)
<b>Consumer price growth. % year-on-year</b>	12.4	13.7	9.8	4.1	<b>5.0 (December)</b>
<b>Producer price growth. % year-on-year</b>	35.7	16.5	14.2	-7.4	<b>14.5 (December)</b>
Balance of payments (consolidated). USD billions	1.3	2.6	2.9	6.0 (preliminary data)	0.0 (November, preliminary estimate)
Current account balance. USD billions	-1.3	-2.4	-4.4	-1.1 (preliminary data)	0.9 (November, preliminary estimate)
Balance of trade (goods and services). USD billions	-6.5	-8.6	-12.7	-14.0 (preliminary data)	0.1 (November, preliminary estimate)
<b>International reserves, USD billions, by the end of the period</b>	15.5	18.8	20.8	25.3	<b>29.1 (December, preliminary estimate)</b>
External debt. USD billions	113.6	116.6	114.7	121,7 (forth quarter)	122,8 (second quarter)
Banking system assets, % of annual growth	0.2	6.4	2.0	9.9	17.5 (January-November)
Exchange rate. by year end. UAH/USD	27.19	28.07	27.69	23.69	28.27 (December)
<b>Exchange rate. annual average. UAH/USD</b>	25.55	26.60	27.20	25.85	<b>26.96 (January-December)</b>

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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