

Financial markets survey

25 August 2021

SIGNALS ABOUT CUTTING DOWN INCENTIVES

Investors are estimating risks
Business confidence indicators are improving
The IMF began allocating SDRs

GLOBAL MARKET

During the last week, key stock indices were demonstrating multidirectional dynamics. Rapid spread of the new coronavirus variant and expectations that the FRS will begin curtailing monetary policy incentives are negatively influencing moods of investors. The information that the Taliban has seized power in Afghanistan put additional pressure on the market.

The American stock indices reacted by a decline to the publication of the FRS July meeting minutes which demonstrated that the regulator's top officials were on their way to strengthening monetary policy already during the current year. The FOMC representatives mentioned that the criterion "substantial progress" was already achieved in terms of inflation and was close to be fulfilled in terms of the situation on the labor market.

Investors were also analyzing non-uniform data on the US real estate market. In July, the number of new houses on the US residential real estate market dropped 7.0% in annual terms after growing 3.5% in June. At the same time, the number of building permits went up 2.6% in July after falling 5.3% in June.

Renewing negative consumer moods spurred by the spread of new COVID-19 variants and transfer of expenditures to the services sector resulted in retail sales in the US shrinking 1.1% in July compared to June (the forecast was a 0.3% decline). However, retail sales in the country jumped 15.8% in annual terms, which was caused by the low comparison baseline. Retail sales account for approximately 50% of all consumer expenditures, which provide for 70.0% of US GDP.

Weekly data on the number of applications for unemployment benefit in the US are indicating that the situation on the American labor market has continued improving in August. The number of initial applications for unemployment benefit in the US declined 29,000 and landed at 348,000, which is a record-low since the beginning of the pandemic.

During the previous week, the market of raw materials was demonstrating a downward trend spurred by the growing number of new COVID-19 cases across the world, which strengthened the fears of shrinking demand for fuel. At the same time, gasoline inventories in the US grew unexpectedly.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1662-1.1800/EUR.

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WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1671	-0.8	-0.9	-4.9
GBP/USD	1.3623	-1.8	0.0	-0.3
USD/RUB	74.1503	0.8	-0.3	0.4
USD/UAH	26.6718	-0.1	-2.0	-5.6

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	4,441.7	-0.6	2.7	18.3
FTSE 100 (UK)	7,087.9	-1.8	3.0	9.7
MXME (East. Eur.)	186.5	-2.4	3.7	14.5
PFTS (Ukraine)	526.5	0.3	0.3	5.3
RTS (Russia)	1,623.5	-2.6	3.6	17.0

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.237	-0.9	-2.1	-30.8
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.	8.000	0.0	6.7	33.3
CB RF. % p.a.	6.500	0.0	18.2	52.9

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	267.5	3.9	23.6	4.7
Brent. USD/barrel	65.2	-7.7	-5.2	27.7
WTI. USD/barrel	62.1	-8.9	-6.7	29.4
Gold. USD/ounce	1,779.1	0.3	-2.4	-5.8

Source: Bloomberg

MACROECONOMY

Agriculture

In July 2021, the Agricultural Output Index in Ukraine reached 654.3% compared to June 2021 and 109.2% compared to July of the previous year.

Over January-July 2021, the Agricultural Output Index stood at 102.5% compared to the relevant period of the previous year.

Plant-growing output increased 7.0%. At the same time, livestock-breeding output dropped 4.9%.

Agricultural output grew over January-July 2021 due to agricultural output at agricultural enterprises rising 4.4%. At the same time, agricultural output at households shrank 0.3%.

Over January-July 2021, agricultural output grew in eight Ukrainian oblasts and went down in sixteen Ukrainian oblasts.

Agricultural output increased the most in Odesa oblast (+97.6%), Mykolayiv oblast (+26.9%) and Kherson oblast (+9.2%). Agricultural output declined the most in Donetsk oblast (-21.2%), Zakarpattya oblast (-14.5%) and Luhansk oblast (-10.3%).

Demographic situation

According to estimates of the State Statistics Service, Ukraine's present population stood at 41,383,182 people as of 01 July 2021.

The number of deaths continues to seriously outpace the number of live births: 38 newborns per every 100 deceased.

Ukraine's resident population totaled 41,213,545 people as of 01 July 2021.

Over January-June 2021, Ukraine's population shrank 205,172 people.

Migration helped increase population numbers by 11,274 people over January-June 2021.

Economic Sentiment Indicator

The Economic Sentiment Indicator (ESI) in Ukraine calculated by the State Statistics Service improved in the third quarter of the current year and stood at 99.2% against 96.3% registered in the second quarter of 2021.

Practically all indicators of business confidence that are the ESI components registered an improvement in the third quarter of the current year compared to the second quarter of 2021: the Industrial Confidence Indicator grew from -9.3% to -7.9% and the Construction Confidence Indicator rose from -24.7% to -23.6%, the Services Confidence Indicator increased from -22.4% to -10.6%, and the Retail Trade Confidence Indicator went up from -3.9% to 6.5%.

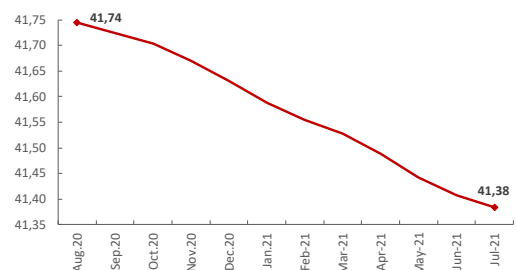
The Consumer Confidence Indicator declined from -10.9% in the second quarter of 2021 to -20.9% in the third quarter of 2021.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output over January-July 2021, % year-on-year	2.5

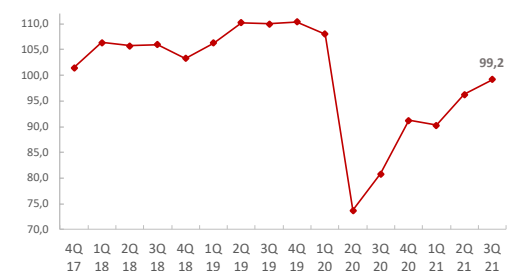
Source: the State Statistics Service

POPULATION (millions of people)



Source: the State Statistics Service

ECONOMIC SENTIMENT INDICATOR (%)



Source: the State Statistics Service

BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for placing domestic government bonds, which was held by the Ministry of Finance on 17 August, investors were offered three issues of securities denominated in the national currency. As of today, this auction was a record-low in terms of the total sum raised during the current year.

Demand for bonds maturing in twelve months was almost 70% below the indicator registered during the previous auction and consisted of thirty bids for the total of UAH 0.6 billion. The requested yields ranged within the limits of 11.10-11.20% p.a. The limit for the above-mentioned placement stood at UAH 3.0 billion. The Ministry of Finance set the accepted yield at 11.15% p.a. and rejected one bid with the highest requested yield.

Instruments maturing in November 2022 scored only six bids for the total of UAH 48.1 million. The single requested yield stood at 11.30% p.a. The limit for the above-mentioned placement stood at UAH 3.0 billion. The accepted yield was established at 11.30% p.a. The Ministry of Finance satisfied all bids submitted.

Bonds maturing in three years collected fourteen bids for the total of UAH 0.2 billion. The single requested yield stood at 12.30% p.a. The Ministry of Finance set the accepted yield at 12.30% p.a. and satisfied the entire demand in full.

As a result of the auction to place domestic government bonds held on 17 August 2021, MoF managed to raise UAH 0.8 billion to the State Budget.

Over the previous week, the volume of outstanding domestic government bonds went down UAH 2.0 billion and, as of 20 August 2021, totaled UAH 978.4 billion (according to the total principal).

During the current week, the Ministry of Finance will have to pay out one issue of domestic government bonds for the total of UAH 1.0 billion (due on 25 August).

NBU TRANSACTIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 185.2 billion, including overnight certificates of deposit for the total of UAH 162.6 billion (the interest rate for overnight certificates of deposit stood at 7.00% p.a.).

A scheduled NBU quantitative liquidity-providing tender to refinance banks, which was announced on Friday, 20 August, failed to take place.

On Friday, 20 August, the National Bank placed deposit certificates maturing in two weeks for the total of UAH 22.6 billion. The interest rate stood at 8.00% p.a.

Banks received UAH 0.3 billion through the standing NBU refinancing line (overnight loans) over the previous week. The interest rate was 9.00% p.a.

A negative balance of the State Treasury transactions landed at UAH 36.4 billion over 16-20 August.

The banking system liquidity is staying at a high level and is concentrated in NBU deposit certificates and on correspondent accounts of banks with the National Bank

THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
17 Aug.	373 days	11.14%	30/29	552.56
17 Aug.	462 days	11.30%	6/6	49.23
17 Aug.	1,050 days	12.30%	14/14	186.65

Source: the Ministry of Finance of Ukraine

HOLDERS OF DOMESTIC BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	313.6	-0.8	-1.2	-3.4
Banks	493.9	0.0	-2.2	-4.9
Legal entities	50.1	1.6	3.3	-13.7
Territorial	0.0	0.0	0.0	-100.0
Private individ.	19.6	1.2	4.5	76.8
Non-residents	101.2	-0.3	-5.8	18.7

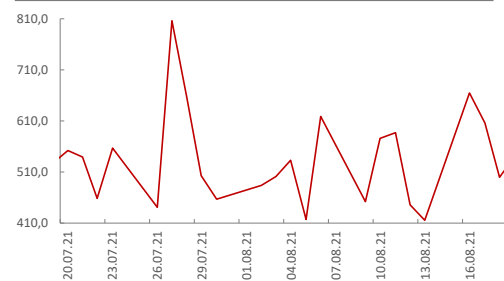
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	53.1	-18.0	-14.6	41.7	
NBU refinancing. UAH billions	124.3	1.9	3.2	28.0	
NBU deposit certificates	O/N. UAH billions	24.6	-46.3	-6.2	-53.3
	Total. UAH billions	125.3	-15.8	-15.4	-23.4

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

INTERBANK LENDING MARKET

Rates for overnight lending loans in the national currency are stable and are ranging within the limits of 6.50-7.50% p.a. on the interbank lending market, while the Ukrainian OverNight Index Average (UONIA) stood at: 7.1786% p.a. on 16 August, 7.3281% p.a. on 17 August, 7.1882% p.a. on 18 August, 7.2571% p.a. on 19 August, and 7.3100% p.a. on 20 August.

FOREIGN EXCHANGE MARKET

The previous trading week on the Ukrainian interbank FX market was rather dynamic, in particular, spurred by the ending period of mandatory payments to the budget and before the prolonged weekend thanks to Ukraine's Independence Day. When foreign currency supply was actively exceeding demand, the National Bank purchased surplus foreign currency for the purpose of replenishing its reserves. As a result, on Friday, 20 August, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 26.6718/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.60-26.67/USD on Monday, 16 August, UAH 26.65-26.75/USD on Tuesday, 17 August, UAH 26.62-26.69/USD on Wednesday, 18 August, UAH 26.61-26.68/USD on Thursday, 19 August, and UAH 26.64-26.72/USD on Friday, 20 August.

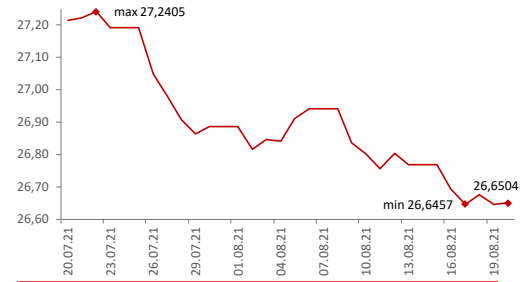
Over 16-20 August, the National Bank purchased USD 118.0 million from banks: USD 15.0 million by way of the best exchange rate interventions and USD 103.0 million by way of the single exchange rate interventions.

UKRAINE ON GLOBAL MARKETS

On 23 August, the International Monetary Fund (IMF) began allocating special drawing rights (SDR) totaling USD 650.0 billion among the countries. As part of this allocation, Ukraine will receive USD 2.7 billion in US dollar equivalent.

Metinvest Mining and Metallurgical Group held a tender to buy out up to USD 250.0 million of the principal amount of debt of its Eurobonds maturing in 2026 that are currently circulating on the market for the total face-value of USD 647.7 million and accepted bonds totaling USD 142.5 million for the buyout. The above-mentioned bonds will be redeemed at a price of USD 1,149.0 per every USD 1,000 of the bond par value. Settlements under these bonds are expected to start on 20 August 2021 or close to this date. At the same time, after the redemption, bonds maturing in 2026 will remain in circulation for the total of USD 505.2 million.

NBU EXCHANGE RATE (UAH/USD)



Source: NBU

QUOTATIONS ON GLOBAL MARKETS

Name	Cou pon	Maturity	Bid Price	Ask Price	Ask YTM	Cur
Ukraine-2021	7,75	01.09.2021	100,02	100,43	-29,27	USD
Ukraine-2022	7,75	01.09.2022	104,26	104,81	2,89	USD
Ukraine-2023	7,75	01.09.2023	107,15	107,68	3,75	USD
Ukraine-2024	8,99	01.02.2024	110,50	111,11	4,14	USD
Ukraine-2024	7,75	01.09.2024	108,81	109,38	4,39	USD
Ukraine-2025	7,75	01.09.2025	109,15	109,74	5,04	USD
Ukraine-2026	6,75	20.06.2026	109,53	110,16	4,36	EUR
Ukraine-2026	7,75	01.09.2026	109,97	110,58	5,32	USD
Ukraine-2027	7,75	01.09.2027	109,88	110,52	5,66	USD
Ukraine- 2028	9,75	01.11.2028	119,50	120,10	6,23	USD
Ukraine- 2030	4,38	27.01.2030	93,60	94,36	5,33	EUR
Ukraine-2032	7,38	25.09.2032	105,17	105,82	6,62	USD
Ukraine-2033	7,253	15.03.2033	104,25	104,90	6,64	USD
Ukreximbank	9,63	27.04.2022	102,74	103,61	4,07	USD
Ukreximbank	7,29	09.02.2023	99,35	100,95	6,45	USD
Ukreximbank	9,75	22.01.2025	107,41	108,52	6,89	USD
Oschadbank	9,38	10.03.2023	104,90	105,32	5,71	USD
Oschadbank	7,22	19.01.2024	95,00	99,04	7,47	USD
Oschadbank	9,63	20.03.2025	108,89	109,01	6,74	USD
Metinvest BV	7,75	23.04.2023	106,70	106,97	3,39	USD
Metinvest BV	5,63	17.06.2025	105,57	106,44	3,79	EUR
Metinvest BV	8,50	23.04.2026	113,93	114,58	4,95	USD
Metinvest BV	7,65	01.10.2027	110,88	111,24	5,46	USD
Metinvest BV	7,75	17.10.2029	110,78	111,50	5,95	USD
DTEK Renew.	8,5	12.11.2024	99,79	100,86	8,18	EUR
MHP SE	7,75	10.05.2024	108,09	108,37	4,43	USD
MHP Lux SA	6,95	03.04.2026	105,54	106,07	5,44	USD
MHP Lux SA	6,25	19.09.2029	98,96	100,25	6,21	USD
Kernel Holding	8,75	31.01.2022	103,20	103,29	0,96	USD
Kernel Holding	6,50	17.10.2024	106,61	106,89	4,13	USD
VF Ukraine	6,20	11.02.2025	104,05	104,05	4,91	USD
Ukraine Railways	9,88	15.09.2021	100,20	100,43	1,27	USD
Ukraine Railways	8,25	09.07.2024	105,05	105,35	6,18	USD
NAK Naftogaz	7,38	19.07.2022	103,18	103,30	3,59	USD
NAK Naftogaz	7,13	19.07.2024	103,36	104,26	5,49	EUR
NAK Naftogaz	7,625	08.11.2026	102,34	103,21	6,88	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2017	2018	2019	2020	2021
GDP. %	2,5	3,3	3,2	-4.0	5.4 (second quarter, preliminary estimate)
Industrial output. %	-0,1	1,1	-0,5	4.8	1.1 (June)
Consumer price growth. % year-on-year	13,7	9,8	4,1	5.0	10.2 (July)
Producer price growth. % year-on-year	16,5	14,2	-7,4	14.5	42.2 (July)
Balance of payments (consolidated). USD billions	2,6	2,9	6,0	2.0 (preliminary estimate)	0.8 (June, preliminary estimate)
Current account balance. USD billions	-2,4	-4,4	-4,1	6.5 (preliminary estimate)	0.3 (June, preliminary estimate)
Balance of trade (goods and services). USD billions	-8,61	-12,7	-12,5	-1.8 (preliminary estimate)	0.0 (June, preliminary estimate)
International reserves, USD billions, by the end of the period	18,8	20,8	25,3	29.1 (preliminary estimate)	28.95 (July)
External debt. USD billions	116,6	114,7	121,7	125.8 (fourth quarter)	123.1 (first quarter)
Banking system assets, % of annual growth	6,4	2,0	9,9	18.9	4.8 (January - July)
Exchange rate. by year end. UAH/USD	28,07	27,69	23,69	28.27	26.87 (July)
Exchange rate. annual average. UAH/USD	26,60	27,20	25,85	26.96	27.70 (January-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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