

Financial markets survey

06 September 2021

A WEEK OF IMPORTANT NEWS

Ambiguous data from the labor market
Foreign currency cash outside banks continues growing
Ukraine redeemed Eurobonds according to the schedule

GLOBAL MARKET

The previous trading week was rich in publications of statistical reports. However, most of all, investors were expected the key labor market report from the US. The situation on the labor market is one of the key landmarks for the FRS to make decisions regarding its monetary policy.

The issued labour statistics on the US market turned out to be rather ambiguous demonstrating a sudden slowdown in growth of new jobs in August and an unexpected acceleration in growth of average hourly pay. The number of new jobs grew 235,000 in August, which is a record-low since January 2021, whereas analysts expected the above-mentioned indicator to hike 750,000. The rate of unemployment declined to 5.2% from 5.4%, as expected. At the same time, the number of initial applications for unemployment benefit dropped record-low since March of the previous year and landed at 340,000. On the whole, these data are indicating that the curtailing of the QE program will not be officially announced in September. This is a moderately positive factor for the stock market and the US dollar.

August data on the US Manufacturing Purchasing Managers' Index (PMI) is the evidence of a noticeable improvement, although the above-mentioned indicator grew somewhat softer compared to July. Growth was supported by expanding output and new orders. Limited production capacities and a shortage of materials hampered faster growth of output. The PMI landed at 61.1 points in August compared to 63.4 points registered in July.

The Consumer Confidence Index in the US fell to 113.8 points in August from 125.1 points in July. This is a record-low since February of the current year.

The Manufacturing Purchasing Managers' Index (PMI) in the euro-area declined to 61.4 points in August from 62.8 points in July. This is a record-low drop of the above-mentioned indicator for the last six months.

On Wednesday, 01 September, ministers of the OPEC+ member countries held a meeting and ratified an increase in petroleum deliveries by 400,000 barrels per day starting from October as a result of the growing coronavirus incidence across the world.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1781-1.1908/EUR

www.pumb.ua

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

WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1872	0.9	-0.1	-3.3
GBP/USD	1.3871	0.8	-0.3	1.5
USD/RUB	72.8491	-1.5	-0.2	-1.4
USD/UAH	26.9298	0.0	0.3	-4.7

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	4,535.4	0.6	2.5	20.7
FTSE 100 (UK)	7,138.4	-0.1	0.5	10.5
MXME (East. Eur.)	199.2	4.2	6.1	22.4
PFTS (Ukraine)	526.5	0.0	0.3	5.3
RTS (Russia)	1,734.2	4.2	5.9	25.0

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.223	-5.3	-4.0	-34.8
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	0.0	33.3
CB RF. % p.a.	6.500	0.0	0.0	52.9

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	277.5	3.7	19.4	8.6
Brent. USD/barrel	72.6	1.3	1.2	42.7
WTI. USD/barrel	69.3	0.8	-1.1	44.3
Gold. USD/ounce	1,823.7	1.4	0.6	-3.4

Source: Bloomberg

MACROECONOMY

Balance of payments

The current account deficit stood at USD 293.0 million in July (surplus in July last year totaled USD 65.0 million).

On current account transactions excluding reinvested earnings surplus totaled USD 190.0 million compared to USD 42.0 million in July last year.

Exports of goods grew 1.5 times (1.6 times in June) while imports rose by 32.6% (by 36.2% in June). Merchandise exports decreased by 5.5% whilst those of imports increased by 10.0% comparing to previous month.

Merchandise exports totaled USD 5.2 billion due to increase in all the following main goods categories: metallurgical exports – 2.2 times, mineral exports (including ore) – 2.4 times, food exports – by 14.4%, timber and wood products – 1.6 times, chemicals – by 19.1%, machinery and equipment exports – by 14.7%, manufactured goods – by 26.9%.

Imports of goods rose 32.6% (by 36.2% in June). Merchandise imports equaled USD 5.8 billion.

Energy imports showed 1.8 times (1.7 times in June) growth due to petroleum products imports. Non-energy imports grew by 25.9%, particularly: machinery and equipment imports – by 27.1%, chemicals – by 35.4%, metallurgical imports – 1.4 times, food products – by 15.5%, manufactured goods – by 23.4%, timber and wood products – by 17.4%.

The surplus of trade in services totaled USD 332.0 million. Outbound tourism and short-term migrants' expenditures increase remained the key factor fueling imports of services growth. Exports of services growth was still mainly generated by computer services increase.

Net borrowing from the rest of the world in July totaled USD 292.0 million.

The financial account inflows totaled USD 776.0 million and were generated by both public and private sectors.

The net inflows to private sector (including errors and omissions) totaled USD 434.0 million.

Net inflows to the public sector totaled USD 342.0 million due to Eurobonds placement of USD 500 million. On the contrary, net repayments of government debt securities to non-residents amounted to USD 157.0 million accompanied by USD 25.0 million net repayments on loans from international partners.

The net inflows of foreign direct investments stood at USD 617.0 million.

The net increase of the banking system's external position on portfolio and other investments accounted for USD 376.0 million mainly due to net increase of external position on "currency and deposits".

The net real sector external position (excluding foreign direct investment) remained almost unchanged: net increase totaled USD 49.0 million.

Foreign currency cash outside banks grew USD 188.0 million in July.

The overall balance of payments surplus stood at USD 484.0 million.

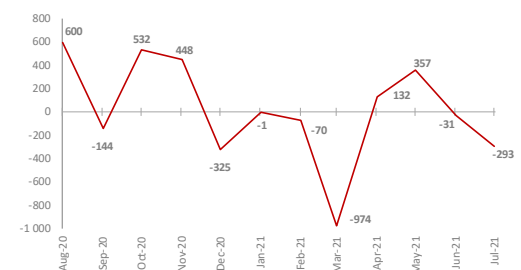
International reserves accounted for USD 28.95 billion in late July.

LATEST MACROECONOMIC DATA

Indicator	Value
Current account of the balance of payments in July 2021, USD billions	-0.3

Source: the State Statistics Service

CURRENT ACCOUNT BALANCE (USD MILLIONS)



Source: the National Bank of Ukraine

INTERNATIONAL RESERVES (USD BILLIONS, BY THE END OF THE PERIOD)



Source: the National Bank of Ukraine

BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for placing domestic government bonds, which was held by the Ministry of Finance (MoF) on 31 August, investors were offered six issues of securities denominated in the national currency and in US dollars. MoF satisfied the entire demand almost in full and rejected only one bid for purchasing bonds maturing in two years.

Instruments maturing in twelve months enjoyed the lowest demand – seventeen bids for the total of UAH 0.1 billion. The requested yields ranged within the limits of 10.75-11.15% p.a. The accepted yield was fixed at 11.15% p.a.

Instruments maturing in eighteen months collected eleven bids for the total of UAH 1.2 billion. The single requested yield stood at 11.30% p.a. The entire demand was satisfied in full.

Bonds maturing in two years scored fourteen bids for the total of UAH 0.4 billion. The requested yields ranged within the limits of 12.09-12.25% p.a. The MoF set the accepted yield at 12.09% p.a. and rejected one bid.

Demand for instruments maturing in three years consisted of nine bids for the total of UAH 1.1 billion. The requested yields ranged within the limits of 12.30-12.45% p.a. The accepted yield was established at 12.75% p.a.

Demand for instruments maturing in six years consisted of seventeen bids for the total of UAH 0.3 billion. The single requested yield stood at 12.75% p.a. The accepted yield was fixed at 12.75% p.a.

Demand for instruments denominated in foreign currency and maturing in two years consisted of fifty-one bids for the total of USD 128.4 million. The single requested yield stood at 3.90% p.a. The accepted yield was established at 3.90% p.a.

Funds raised to the State Budget from the sale of instruments on August 31, 2021 UAH 6.5 billion (according to the NBU exchange rate).

Over the previous week, the volume of outstanding domestic government bonds went up UAH 6.6 billion and, as of 03 September 2021, totaled UAH 985.3 billion (according to the total principal).

There are no payouts of domestic government bonds scheduled for the current week.

Over January-August 2021, Ukraine's total budget revenues came to UAH 823.0 billion (UAH 142.0 billion came in August), while VAT refunds totaled UAH 96.8 billion (UAH 10.8 billion was refunded in August). As of 01 September 2021, the balance at the Single Treasury Account was registered at UAH 57.5 billion.

NBU TRANSACTIONS

Over the last week, market participants purchased NBU deposit certificates for the total of UAH 201.9 billion, including overnight certificates of deposit for the total of UAH 164.1 billion (the interest rate - at 7.00% p.a.).

As a result of the NBU quantitative liquidity-providing tender to refinance banks, which was held on Friday, 03 September, bids of three banks for the total of UAH 0.5 billion were satisfied. The interest rate - 9.00% p.a. The loans were provided for the period of up to eighty-four days.

03 September the NBU placed deposit certificates maturing in two weeks for the total of UAH 37.8 billion. The interest rate stood at 8.00% p.a.

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

A negative balance of the State Treasury transactions landed at UAH 2.5 billion over 30 August – 03 September.

THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
31 Aug.	359 days	11.15%	17/17	94.73
31 Aug.	448 days	11.30%	11/11	1,261.39
31 Aug.	791 days	12.09%	14/13	267.76
31 Aug.	1,036 days	12.40%	9/9	1,101.82
31 Aug.	2,093 days	12.75%	17/17	252.24
31 Aug.	764 days	3.90%	51/51	130.38*

* - USD millions

Source: the Ministry of Finance of Ukraine

HOLDERS OF DOMESTIC BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	312.6	0.0	-1.1	-3.7
Banks	501.7	1.0	0.2	-3.4
Legal entities	52.0	3.5	5.5	-10.5
Territorial	0.0	0.0	0.0	-100.0
Private individ.	20.8	5.2	7.1	87.6
Non-residents	98.1	-0.9	-6.1	15.0

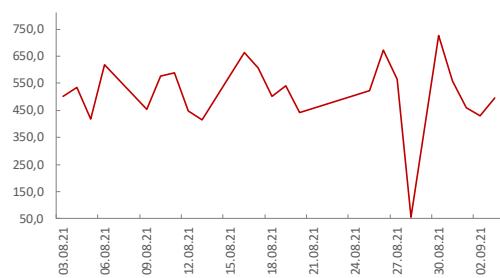
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	49.4	-15.9	1.6	31.8	
NBU refinancing. UAH billions	121.7	0.4	1.2	25.3	
NBU deposit certificates	O/N. UAH billions	30.7	-19.8	1.2	-41.7
	Total. UAH billions	128.6	6.3	-18.2	-21.4

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: 7.3447% p.a. on 30 August, 7.1778% p.a. on 31 August, 7.3250% p.a. on 01 September, 7.3676% p.a. on 02 September, and 7.3844% p.a. on 03 September.

FOREIGN EXCHANGE MARKET

At the beginning of the past trading week, foreign currency demand was outpacing supply on the Ukrainian interbank FX market, which continued the trend registered one week earlier towards depreciation of the national currency. However, the situation changed in favor of the hryvnia at the end of the previous week. As a result, on Friday, 03 September, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 26.9298/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.84-26.94/USD on Monday, 30 August, UAH 26.83-26.93/USD on Tuesday, 31 August, UAH 26.95-27.05/USD on Wednesday, 01 September, UAH 26.97-27.08/USD on Thursday, 02 September, and UAH 26.87-26.99/USD on Friday, 03 September.

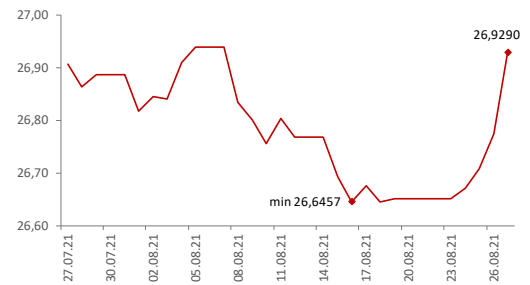
Over 30 August – 03 September, the National Bank purchased USD 159.0 million from banks (USD 15.0 million by way of the best exchange rate interventions and USD 144.0 million by way of the single exchange rate interventions) and sold USD 7.0 million to banks by way of the single exchange rate interventions.

The overall foreign currency sales on the interbank FX market reached USD 2.7 billion over the previous week.

UKRAINE ON GLOBAL MARKETS

On September the 1st, Ukraine repaid the third series of Eurobonds issued during the restructuring in 2015. The total amount of payment was more than USD 1.3 billion, including USD 974.146 million of Eurobond redemption and USD 334.636 million of interest payments on Eurobonds maturing in 2021-2027. The remaining foreign currency payments under the national debt will reach approximately USD 3.6 billion till the end of the current year.

NBU EXCHANGE RATE (UAH/USD)



Source: NBU

QUOTATIONS ON GLOBAL MARKETS

Name	Cou pon	Maturity	Bid Price	Ask Price	Ask YTM	Cur
Ukraine-2022	7,75	01.09.2022	104,52	105,06	2,49	USD
Ukraine-2023	7,75	01.09.2023	107,72	108,24	3,41	USD
Ukraine-2024	8,99	01.02.2024	111,45	112,04	3,70	USD
Ukraine-2024	7,75	01.09.2024	110,07	110,62	3,94	USD
Ukraine-2025	7,75	01.09.2025	110,76	111,32	4,60	USD
Ukraine-2026	6,75	20.06.2026	110,81	111,42	4,07	EUR
Ukraine-2026	7,75	01.09.2026	111,52	112,13	4,97	USD
Ukraine-2027	7,75	01.09.2027	111,59	112,24	5,33	USD
Ukraine-2028	9,75	01.11.2028	121,25	121,86	5,95	USD
Ukraine-2030	4,38	27.01.2030	95,79	96,53	5,00	EUR
Ukraine-2032	7,38	25.09.2032	107,22	107,83	6,38	USD
Ukraine-2033	7,253	15.03.2033	106,34	106,96	6,39	USD
Ukreximbank	9,63	27.04.2022	102,54	103,59	3,84	USD
Ukreximbank	7,29	09.02.2023	98,98	100,99	6,40	USD
Ukreximbank	9,75	22.01.2025	108,19	109,30	6,62	USD
Oschadbank	9,38	10.03.2023	104,74	105,16	5,75	USD
Oschadbank	7,22	19.01.2024	95,00	99,04	7,47	USD
Oschadbank	9,63	20.03.2025	109,09	109,21	6,66	USD
Metinvest BV	7,75	23.04.2023	107,05	107,15	3,20	USD
Metinvest BV	5,63	17.06.2025	106,34	107,25	3,55	EUR
Metinvest BV	8,50	23.04.2026	114,56	115,21	4,79	USD
Metinvest BV	7,65	01.10.2027	112,07	112,44	5,23	USD
Metinvest BV	7,75	17.10.2029	112,57	113,30	5,68	USD
DTEK Renew.	8,5	12.11.2024	100,58	102,23	7,69	EUR
MHP SE	7,75	10.05.2024	108,58	108,86	4,21	USD
MHP Lux SA	6,95	03.04.2026	106,19	106,72	5,27	USD
MHP Lux SA	6,25	19.09.2029	100,42	101,44	6,02	USD
Kernel Holding	8,75	31.01.2022	103,05	103,14	0,75	USD
Kernel Holding	6,50	17.10.2024	106,45	106,74	4,16	USD
VF Ukraine	6,20	11.02.2025	104,00	104,00	4,92	USD
Ukraine Railways	9,88	15.09.2021	100,18	100,41	-10,76	USD
Ukraine Railways	8,25	09.07.2024	105,28	105,58	6,07	USD
NAK Naftogaz	7,38	19.07.2022	103,26	103,38	3,37	USD
NAK Naftogaz	7,13	19.07.2024	104,03	104,94	5,21	EUR
NAK Naftogaz	7,625	08.11.2026	103,78	104,66	6,54	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	0.2 (July)
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)	0.5 (July, preliminary estimate)
Current account balance. USD billions	-2,4	-4,4	-4,1	6.5 (preliminary estimate)	-0.3 (July, preliminary estimate)
Balance of trade (goods and services). USD billions	-8,61	-12,7	-12,5	-1.8 (preliminary estimate)	-0.3 (July, 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	26.86 (August)
Exchange rate. annual average. UAH/USD	26,60	27,20	25,85	26.96	27.58 (January-August)

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

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pr@fuib.com

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