

Financial markets survey

20 September 2021

SEPTEMBER BLUES

Uneven news background for investors

Ukraine's real GDP grew 5.7% year-on-year

The EC approved allocating EUR 600.0 million to Ukraine

GLOBAL MARKET

The previous trading week started with growing key stock indices spurred by optimistic moods connected with economic recovery and the absence of significant corporate news and macrostatistical data. However, by the end of the previous week, the majority of global indices stepped back from their record-highs. The American market was demonstrating unconcealed weakness, fearing the results of the FRS meeting (over 21-22 September) as regards curtailing incentive programs. Investors also focused their attention on the plan of US President Biden's Government to increase the corporate tax that may result in raising the corporate tax rate from 21.0% to 26.5%. Expectations of falling shares that are traditionally typical of September are putting additional pressure on the market. Currently, the main risk factor continues to be a growing number of those infected with coronavirus.

In August, the Consumer Price Index (CPI) in the US grew 5.3% in annual terms. Thus, inflation slightly slowed down as compared to the inflation rate of 5.4% registered in June and July. Rapidly growing consumer prices were conditioned, in particular, by the effect of the "low baseline" during the 2020 pandemic year, the recovery of business activity in the US, growing costs of primary goods, and problems in supply chains that are causing supply shortages.

The latest economic data from China added anxiety regarding global economic growth. The second largest economy in the world published data on retail sales, industrial output and fixed capital investments for August that did not meet expectations of economists and pointed to slower economic growth in the country connected to the renewal of quarantine measures due to growing numbers of COVID incidence.

Prices for benchmark crudes grew rapidly on Wednesday, 15 September, given complicated weather conditions in the Gulf of Mexico and optimistic estimates of branch institutions regarding global demand. However, already on Friday, 17 September, petroleum prices slightly declined given a strong US dollar and stable growth of drilling activities in the US.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1727-1.1845/EUR.

WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1780	-0.5	0.1	-4.0
GBP/USD	1.3741	-0.7	0.0	0.5
USD/RUB	72.4329	-1.0	-1.3	-2.0
USD/UAH	26.7028	0.1	0.1	-5.5

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	4,433.0	-0.6	-0.3	18.0
FTSE 100 (UK)	6,963.6	-0.9	-3.0	7.8
MXME (East. Eur.)	198.5	0.3	2.5	21.9
PFTS (Ukraine)	526.3	0.0	0.0	5.3
RTS (Russia)	1,745.0	1.1	3.3	25.8

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.224	0.8	-4.7	-34.4
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.	8.500	0.0	6.3	41.7
CB RF. % p.a.	6.750	0.0	3.8	58.8

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	287.5	1.8	1.8	12.5
Brent. USD/barrel	75.3	3.3	9.8	48.0
WTI. USD/barrel	72.0	3.2	8.5	49.9
Gold. USD/ounce	1,756.0	-2.2	-1.9	-7.0

Source: Bloomberg

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MACROECONOMY

GDP

According to updated information of the State Statistics Service, Ukraine's real GDP shrank 0.7% over the second quarter of 2021 compared to the previous quarter (seasonally adjusted data). Compared to the second quarter of 2020, the country's real GDP grew 5.7%.

Agriculture

Over January-August 2021, the Agricultural Output Index stood at 108.4% compared to the relevant period of the previous year. At that, plant-growing output increased 14.8%, whereas livestock-breeding output dropped 4.8%.

Agricultural output grew over January-August 2021 due to agricultural output at agricultural enterprises rising 13.7% and agricultural output at households increasing 2.1%.

Over January-August 2021, agricultural output grew in fifteen Ukrainian oblasts and went down in nine Ukrainian oblasts. Agricultural output increased the most in Odesa oblast (+100.4%), Mykolayiv oblast (+28.9%) and Kherson oblast (+16.1%). Agricultural output declined the most in Zakarpattia oblast (-17.8%), Volyn oblast (-7.0%), and Kharkiv oblast (-6.1%).

Demographic situation

According to estimates of the State Statistics Service, Ukraine's present population stood at 41,362,393 people as of 01 August 2021.

The number of deaths continues to seriously outpace the number of live births: 40 newborns per every 100 deceased.

Over January-July 2021, Ukraine's population shrank 225,961 people.

Migration helped increase population numbers by 11,655 people over January-July 2021.

Business expectations (NBU Survey)

In August, businesses improved their assessments of their economic standing amid favorable external conditions, robust consumer demand, higher public expenditures on infrastructure development, and the ongoing rebound of investment activity.

Industrial businesses showed the most optimism about their economic performance and prospects. Respondents projected an increase in the volume of manufactured products and new orders, including exports.

Among all sectors, service providers showed the highest increase in optimism about their economic outlook. Respondents gave positive assessments of their volume of services provided and the volume of new orders and services being processed.

Trade companies and construction companies evaluated the results of their economic activity as positive. Respondents improved their expectations of their commodity turnover and procurements of goods for sale.

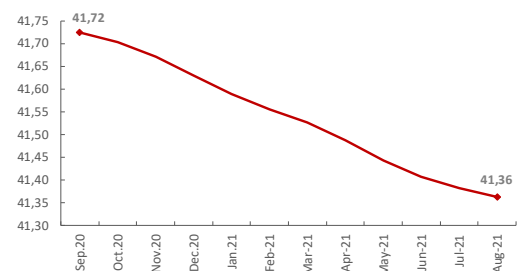
Against the backdrop of strong expectations that prices for raw materials would rise, businesses across all sectors projected higher prices for their products/services.

LATEST MACROECONOMIC DATA

Indicator	Value
Real GDP change over Q2'2021, % to Q2'2020	5.7
Change in agricultural output over January-August 2021, % year-on-year	8.4

Source: the State Statistics Service

POPULATION (millions of people)



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 (MoF) on 14 September, investors were offered instruments denominated in the national currency only and maturing in three months to five years. The cost of borrowings sustained uneven changes: the cost of borrowings under instruments maturing in three months, twelve months and eighteen months went up, the cost of borrowings under bonds maturing in three years declined, while the cost of borrowings under instruments maturing in two years and five years remained unchanged.

Instruments maturing in three months scored ten bids for the total of UAH 0.2 billion. The requested yields ranged within the limits of 9.50-10.00% p.a. The accepted yield was fixed at 9.50% p.a. MoF rejected two bids.

Same as previous auction, demand for instruments maturing in twelve months consisted of eighteen bids. However, the total sum of bids submitted tripled and reached UAH 0.6 billion. The requested yields ranged within the limits of 11.15-11.65% p.a. The accepted yield was established at 11.45% p.a. and one bid was rejected.

Demand for instruments maturing in eighteen months was much lower than a week earlier and consisted of eleven bids for the total of UAH 0.2 billion. The requested yields ranged within the limits of 11.30-11.50% p.a. The entire demand was satisfied in full.

Bonds maturing in two years collected fourteen bids for the total of UAH 0.6 billion. The requested yields ranged within the limits of 12.09-12.50% p.a. MoF set the accepted yield at 12.09% p.a. and rejected two bids.

Instruments maturing in three years enjoyed the lowest demand – they scored nine bids for the total of UAH 22.9 million. The single requested yield stood at 12.30% p.a. The accepted yield was established at 12.30% p.a. The entire demand was satisfied in full.

Demand for instruments maturing in five years consisted of five bids for the total of UAH 0.1 billion. The requested yields ranged within the limits of 12.59-12.89% p.a. MoF set the accepted yield at 12.59% p.a. and rejected one bid.

Funds raised to the State Budget from the sale of instruments on on September 14, 2021 – UAH 1.2 billion.

Over the previous week, the volume of outstanding domestic government bonds went up UAH 0.2 billion and, as of 17 September 2021, totaled UAH 985.6 billion (according to the total principal).

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

NBU TRANSACTIONS

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 175.8 billion, including overnight certificates for the total of UAH 129.1 billion (the interest rate -7.50% p.a.).

As a result of the NBU quantitative liquidity-providing tender to refinance banks, which was held on Friday, 17 September, bids of four banks for the total of UAH 0.2 billion were satisfied. The interest rate reached 9.50% p.a. The loans were provided for the period of up to eighty-four days.

On Friday, 17 September, NBU placed deposit certificates maturing in two weeks for the total of UAH 46.7 billion. The interest rate - at 8.50% p.a.

The balance of the State Treasury transactions landed at UAH 10.8 billion over 13-17 September.

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
14 Sep.	112 days	9.50%	10/8	87.11
14 Sep.	345 days	11.37%	18/17	583.69
14 Sep.	434 days	11.49%	11/11	237.16
14 Sep.	777 days	12.09%	14/12	219.75
14 Sep.	1,022 days	12.30%	9/9	23.42
14 Sep.	1,701 days	12.59%	5/4	22.91

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	-0.3	-3.7
Banks	503.7	0.1	2.0	-3.0
Legal entities	53.1	1.8	6.3	-8.6
Territorial	0.0	0.0	0.0	-100.0
Private individ.	21.3	1.7	8.7	91.8
Non-residents	94.9	-1.7	-6.4	11.3

Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	58.9	3.2	-7.5	57.2	
NBU refinancing. UAH billions	124.0	-0.2	1.9	27.7	
NBU deposit certificates	O/N. UAH billions	24.1	-3.0	-45.7	-54.2
	Total. UAH billions	132.7	6.5	-10.0	-18.9

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

INTERBANK LENDING MARKET

In response to a higher NBU key policy rate, rates for overnight lending loans in the national currency went up and are ranging within the limits of 7.00-8.00% p.a. on the interbank lending market, while the Ukrainian OverNight Index Average (UONIA) stood at: 7.8833% p.a. on 13 September, 7.8154% p.a. on 14 September, 7.6812% p.a. on 15 September, 7.7625% p.a. on 16 September, and 7.7868% p.a. on 17 September.

FOREIGN EXCHANGE MARKET

The previous trading week was rather active on the Ukrainian interbank FX market, which was caused, in particular, by the period of tax payments. On the whole, the situation was balanced. Market mechanisms were mainly in effect. However, the regular did carry out foreign currency interventions to suppress significant exchange rate fluctuations. Foreign currency quotations ranged within the limits of UAH 26.60-26.75/USD. As a result, on Friday, 17 September, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 26.7028/USD.

In the course of the previous week, trading on the interbank FX market ranged within the following limits: UAH 26.65-26.73/USD on Monday, 13 September, UAH 26.60-26.67/USD on Tuesday, 14 September, UAH 26.61-26.68/USD on Wednesday, 15 September, UAH 26.62-26.72/USD on Thursday, 16 September, and UAH 26.67-26.75/USD on Friday, 17 September.

Over 13-17 September, the National Bank purchased USD 20.0 million from banks by way of the best exchange rate interventions.

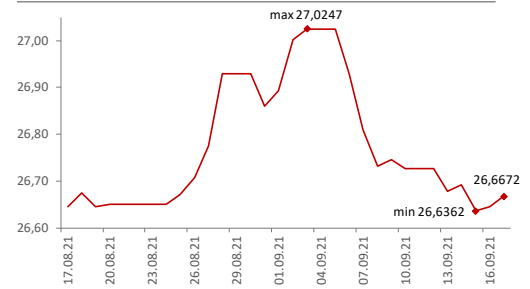
The overall foreign currency sales on the interbank foreign exchange market reached USD 2.6 billion over the previous week

UKRAINE ON GLOBAL MARKETS

The European Commission decided to allocate to Ukraine the second tranche within the exceptional EU Macro-Financial Assistance Program with a nominal volume of EUR 600.0 million. The EU funds will be used to support economic stabilization in Ukraine by meeting Ukraine's external financing needs through a long-term loan. To receive the tranche, Ukraine has implemented structural reforms with the EU, in particular in the following areas: public finance management, good governance and the rule of law, improvement of business climate, sectoral reforms and State-Owned enterprises.

On 15 September 2021, Fitch Ratings affirmed Kernel Holding its International Long-Term Foreign and National Currency Issuer Default Rating (IDR) at "BB-". The rating outlook is "positive". The previous outlook was "stable".

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	104,58	105,16	2,18	USD
Ukraine-2023	7,75	01.09.2023	108,02	108,57	3,16	USD
Ukraine-2024	8,99	01.02.2024	111,55	112,26	3,53	USD
Ukraine-2024	7,75	01.09.2024	110,23	110,86	3,81	USD
Ukraine-2025	7,75	01.09.2025	110,92	111,55	4,52	USD
Ukraine-2026	6,75	20.06.2026	110,51	111,11	4,12	EUR
Ukraine-2026	7,75	01.09.2026	111,49	112,09	4,96	USD
Ukraine-2027	7,75	01.09.2027	111,52	112,10	5,34	USD
Ukraine- 2028	9,75	01.11.2028	120,96	121,50	5,99	USD
Ukraine- 2030	4,38	27.01.2030	95,32	96,00	5,07	EUR
Ukraine-2032	7,38	25.09.2032	106,41	107,08	6,47	USD
Ukraine-2033	7,253	15.03.2033	105,38	106,05	6,50	USD
Ukreximbank	9,63	27.04.2022	102,32	103,15	4,22	USD
Ukreximbank	7,29	09.02.2023	99,31	101,24	6,19	USD
Ukreximbank	9,75	22.01.2025	107,82	108,86	6,73	USD
Oschadbank	9,38	10.03.2023	104,97	105,39	5,50	USD
Oschadbank	7,22	19.01.2024	95,00	99,04	7,47	USD
Oschadbank	9,63	20.03.2025	109,00	109,12	6,66	USD
Metinvest BV	7,75	23.04.2023	107,04	107,15	3,10	USD
Metinvest BV	5,63	17.06.2025	106,83	107,70	3,41	EUR
Metinvest BV	8,50	23.04.2026	114,92	115,57	4,69	USD
Metinvest BV	7,65	01.10.2027	112,83	113,10	5,10	USD
Metinvest BV	7,75	17.10.2029	113,57	114,31	5,53	USD
DTEK Renew.	8,5	12.11.2024	102,06	103,05	7,39	EUR
MHP SE	7,75	10.05.2024	109,49	109,77	3,81	USD
MHP Lux SA	6,95	03.04.2026	108,01	108,55	4,83	USD
MHP Lux SA	6,25	19.09.2029	102,49	103,84	5,65	USD
Kernel Holding	8,75	31.01.2022	102,49	102,61	1,35	USD
Kernel Holding	6,50	17.10.2024	106,63	106,92	4,08	USD
VF Ukraine	6,20	11.02.2025	104,14	104,14	4,86	USD
Ukraine Railways	8,25	09.07.2024	105,53	105,83	5,95	USD
NAK Naftogaz	7,38	19.07.2022	103,43	103,54	2,99	USD
NAK Naftogaz	7,13	19.07.2024	103,99	105,01	5,16	EUR
NAK Naftogaz	7,625	08.11.2026	103,22	104,09	6,67	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2017	2018	2019	2020	2021
GDP. %	2,5	3,3	3,2	-4.0	5.7 (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 (August)
Producer price growth. % year-on-year	16,5	14,2	-7,4	14.5	46.5 (August)
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



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