

# Financial markets survey

27 September 2021

## INCENTIVES WILL BE REDUCED LATER

WEEKLY ISSUE

**The FRS added optimism to investors**  
**Industrial output grew at a more rapid pace**  
**Resources raised from DGB hiked along with yields**

### GLOBAL MARKET

The last trading week on global financial markets was marked by a surge of volatility among stock indices spurred by the FRS signals about upcoming curtailment of incentives. Anxiety about a possible default of Chinese developer China Evergrande, as well as the likelihood that debt problems of Chinese companies will spread to global economy put additional pressure on the market.

According to the results of the FRS meeting that took place over 21-22 September, the regulator kept the federal funds rate ranging within 0.00-0.25% p.a. and the asset purchase program totaling USD 120.0 billion. FRS Chair Jerome Powell stated that curtailment of the quantitative easing (QE) program may start already in November and be finished by the middle of 2022. He mentioned that the QE program was the most important instrument in providing incentives for economic recovery in the US. However, the impact of the above-mentioned program on the US economy at the moment is lower than earlier. At the same time he added that further economic progress to the FRS employment and inflation goals would bring the regulator closer to reducing asset purchases.

Industrial output in the US grew 0.4% in August compared to July. According to revised data, industrial output in the US went up 0.8% in July instead of 0.9%, as was announced earlier. Slower growth of industrial output was caused by suspended operation of companies, in particular, petroleum producing and petroleum refining companies, at the end of the month due to Hurricane Ida. As a result, extraction industry demonstrated a 0.6% drop. At the same time, output in processing industry rose 0.2%.

Data from the US labor market disappointed investors. The number of initial applications for unemployment benefit grew unexpectedly and landed at 351,000. This is a record-high indicator for the last four weeks.

In September, business activity in the US was growing at the slowest pace for the last year due to limited supply and peak demand. The Composite Manufacturing and Services Purchasing Managers' Index (PMI) fell to 54.5 points in September. This is a record-low value since September 2020.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1684-1.1758/EUR.

### EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1719	-0.5	-0.2	-4.5
GBP/USD	1.3679	-0.5	-0.4	0.1
USD/RUB	72.7245	0.4	-1.8	-1.6
USD/UAH	26.6422	-0.2	-0.1	-5.7

### STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	4,455.5	0.5	-0.7	18.6
FTSE 100 (UK)	7,051.5	1.3	-1.0	9.1
MXME (East. Eur.)	197.7	-0.4	3.5	21.4
PFTS (Ukraine)	526.3	0.0	0.0	5.3
RTS (Russia)	1,747.6	0.1	5.2	26.0

### KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.230	2.3	-3.1	-32.8
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.	8.500	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	285.5	-0.7	1.1	11.7
Brent. USD/barrel	78.1	3.7	10.9	53.4
WTI. USD/barrel	74.0	3.0	10.0	54.6
Gold. USD/ounce	1,746.8	-0.5	-3.4	-7.5

Source: Bloomberg

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## MACROECONOMY

### Industrial output

According to information of the State Statistics Service, industrial output in Ukraine grew 0.2% in August 2021 compared to August 2020 with due consideration for an adjustment to the calendar days' effect and 0.6% without the above-mentioned adjustment. Compared to July 2021, industrial output shrank 0.6% with due consideration for seasonal adjustment and 3.3% without the above-mentioned adjustment.

Output in mining and quarrying went down 2.5% in August 2021 compared to August 2020 without adjustments. The country registered that black and brown coal output shrank 9.9%, while crude oil and natural gas output went down 1.6%. Metal ores output sagged 6.7%.

Output in processing industry registered a 2.2% growth in August 2021 compared to August 2020 without adjustments. Output in coke production and oil refining jumped 32.3%, output in steel industry went up 5.4%, output in machine-building rose 5.1%. At the same time, output in food products and beverages declined 4.8%, while output in chemicals and chemical products went down 5.6% and output in basic pharmaceutical products and pharmaceutical preparations fell 33.4%.

Output in electricity, gas, steam, and air conditioning supply went up 0.3%.

### Transportation

Over January-August 2021, freight turnover of transportation companies totaled 188.4 billion ton-km, which constitutes 101.5% compared to January-August 2020. Over the first eight months of the current year, transportation companies carried 398.5 million tons of freight, which stands at 104.3% of the similar indicator registered over January-August of the previous year.

Over January-August 2021, passenger turnover of transportation companies reached 41.1 billion passenger-km, which stands at 126.8% compared to the first eight months of 2020. 1,729.9 million passengers used services of passenger transport over January-August 2021, which accounted for 104.1% of the indicator registered over January-August of the previous year.

Over January-August 2021, freight transportation went up 2.6% by railway transport, 18.6% by road transport and 1.3% by air transport compared to January-August 2020. At the same time, freight transportation dropped 3.1% by water transport, and 17.4% by pipeline transport.

### Construction

In July 2021, the Index of Construction Products reached 92.6% seasonally adjusted as compared to June 2021 and 100.5% adjusted to the calendar days' effect as compared to July 2020.

The Index of Construction Products landed at 100.0% over January-July 2021 compared to January-July 2020.

Ukrainian companies carried out construction works (construction products output) for the total of UAH 97.4 billion over January-July 2021.

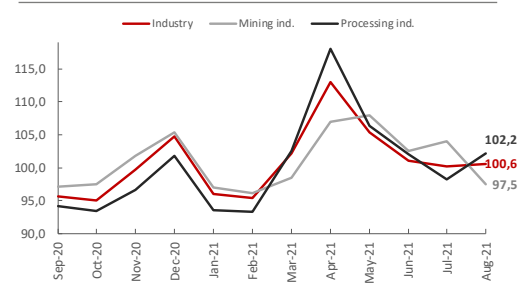
Construction of new objects made up 35.6% of total construction works, overhaul and maintenance works accounted for 36.5%, while reconstruction and technical re-equipment came to 27.9% of total construction works.

### LATEST MACROECONOMIC DATA

Indicator	Value
Industrial output change in August 2021, % year-on-year (without adjustments)	0.6

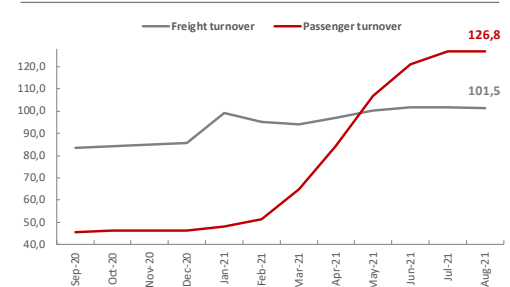
Source: the State Statistics Service

### INDUSTRIAL OUTPUT INDEX (% year-on-year, without adjustments)



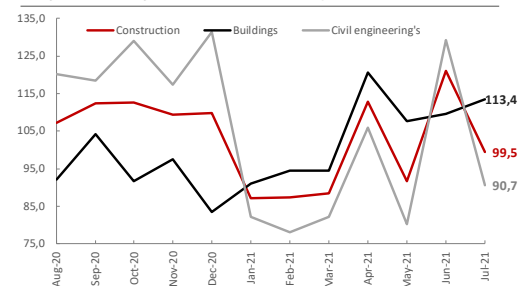
Source: the State Statistics Service (revised data)

### TRANSPORTATION SERVICES (% year-on-year, progressive total)



Source: the State Statistics Service

### THE INDEX OF CONSTRUCTION PRODUCTS (% year-on-year, without adjustments)



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 21 September, investors were offered instruments denominated in the national currency and in US dollars. The total sum of resources raised from placing the instruments offered grew almost five times compared to the previous auction thanks to higher yields.

Instruments maturing in five months enjoyed the lowest demand – only four bids for the total of UAH 27.5 million. The requested yields ranged within the limits of 9.70-11.45% p.a. The accepted yield was fixed at 9.70% p.a. The Ministry of Finance rejected two bids.

Twenty-two bids for the total of UAH 1.7 billion were submitted for purchasing instruments maturing in twelve months. The requested yields ranged within the limits of 11.45-11.50% p.a. The entire demand was satisfied in full. The accepted yield was established at 11.50% p.a.

Demand for instruments maturing in eighteen months consisted of fourteen bids for the total of UAH 0.6 billion. The requested yields ranged within the limits of 11.45-11.50% p.a. The entire demand was satisfied in full. The accepted yield was established at 11.50% p.a.

Bonds maturing in two years collected nine bids for the total of UAH 0.6 billion. The requested yields ranged within the limits of 12.09-12.45% p.a. The MoF set the accepted yield at 12.34% p.a. and rejected two bids.

Bonds maturing in three years scored five bids for the total of UAH 95.2 million. The single requested yield stood at 12.49% p.a. The accepted yield was established at 12.49% p.a. The entire demand was satisfied in full.

Demand for instruments denominated in US dollars and maturing in two years consisted of twenty-five bids for the total of USD 85.0 million. The single requested yield stood at 3.90% p.a. The Ministry of Finance set the accepted yield at 3.90% p.a. and satisfied the entire demand in full.

Funds raised to the State Budget from the sale of instruments on on September 21, 2021 – UAH 5.0 billion (according to the official NBU exchange rate).

Over the previous week, the volume of outstanding domestic government bonds went up UAH 4.6 billion and, as of 24 September 2021, totaled UAH 990.2 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 11.8 billion (due on 29 September).

## NBU TRANSACTIONS

Over the last week, market participants purchased NBU deposit certificates for the total of UAH 159.5 billion, including overnight certificates of deposit for the total of UAH 110.9 billion (the interest rate - stood at 7.50% p.a.).

As a result of the NBU quantitative liquidity-providing tender to refinance banks, which was held on Friday, 24 September, bids of two banks for the total of UAH 0.1 billion were satisfied. The interest rate reached 9.50% p.a. The loans were provided for the period of up to eighty-four days.

24 September, the NBU placed deposit certificates maturing in two weeks for the total of UAH 48.6 billion. The interest rate stood at 8.50% p.a.

The balance of the State Treasury transactions landed at UAH 1.9 billion over 20-24 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
21 Sep.	154 days	9.70%	4/2	17.20
21 Sep.	338 days	11.49%	22/22	1,714.09
21 Sep.	427 days	11.47%	14/14	620.73
21 Sep.	770 days	12.34%	9/7	244.56
21 Sep.	1,015 days	12.49%	5/5	97.25
21 Sep.	743 days	3.90%	25/25	86.55*

\* 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	0.0	-3.7
Banks	506.2	0.5	2.1	-2.5
Legal entities	53.3	0.5	6.6	-8.1
Territorial	0.0	0.0	0.0	-100.0
Private individ.	22.1	4.0	12.4	99.4
Non-residents	95.9	1.0	-3.8	12.4

Source: the National Bank of Ukraine

## MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	61.5	4.4	15.9	64.1	
NBU refinancing. UAH billions	124.0	0.0	1.9	27.7	
NBU deposit certificates	O/N. UAH billions	38.6	60.3	57.2	-26.5
	Total. UAH billions	133.9	0.9	6.9	-18.2

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 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: 7.6500% p.a. on 20 September, 7.8380% p.a. on 21 September, 7.8294% p.a. on 22 September, 7.6706% p.a. on 23 September, and 7.7541% p.a. on 24 September.

### FOREIGN EXCHANGE MARKET

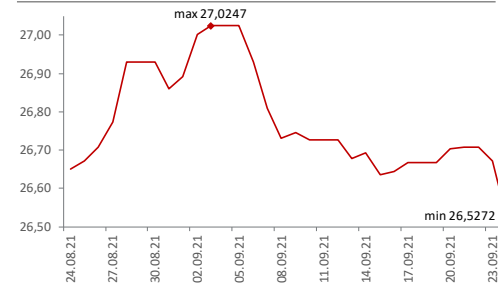
The previous trading week on the Ukrainian interbank foreign exchange market was positive for the Ukrainian hryvnia. Growing foreign currency supply, in particular, on the part of agricultural producers and steel-makers contributed to appreciation of the hryvnia and made it possible for the NBU to buy out excessive foreign currency to replenish its reserves. As a result, on Friday, 24 September, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 26.6422/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.68-26.75/USD on Monday, 20 September, UAH 26.68-26.75/USD on Tuesday, 21 September, UAH 26.65-26.73/USD on Wednesday, 22 September, UAH 26.48-26.58/USD on Thursday, 23 September, and UAH 26.58-26.74/USD on Friday, 24 September.

Over 20-24 September, the National Bank purchased USD 22.50 million from banks: USD 5.0 million by way of the best exchange rate interventions and USD 17.50 million by way of the single exchange rate interventions.

The overall foreign currency sales on the interbank foreign exchange market reached USD 2.4 billion over the previous week.

### 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	104,16	104,67	2,58	USD
Ukraine-2023	7,75	01.09.2023	107,08	107,66	3,59	USD
Ukraine-2024	8,99	01.02.2024	110,25	110,88	4,07	USD
Ukraine-2024	7,75	01.09.2024	108,86	109,47	4,27	USD
Ukraine-2025	7,75	01.09.2025	109,20	109,82	4,96	USD
Ukraine-2026	6,75	20.06.2026	109,08	109,75	4,41	EUR
Ukraine-2026	7,75	01.09.2026	109,26	109,85	5,44	USD
Ukraine-2027	7,75	01.09.2027	109,03	109,63	5,80	USD
Ukraine- 2028	9,75	01.11.2028	118,25	118,89	6,39	USD
Ukraine- 2030	4,38	27.01.2030	93,35	94,19	5,38	EUR
Ukraine-2032	7,38	25.09.2032	103,38	104,06	6,84	USD
Ukraine-2033	7,253	15.03.2033	102,25	102,95	6,88	USD
Ukreximbank	9,63	27.04.2022	101,83	102,89	4,50	USD
Ukreximbank	7,29	09.02.2023	99,26	101,00	6,36	USD
Ukreximbank	9,75	22.01.2025	108,08	109,16	6,62	USD
Oschadbank	9,38	10.03.2023	104,81	105,23	5,56	USD
Oschadbank	7,22	19.01.2024	95,00	99,04	7,48	USD
Oschadbank	9,63	20.03.2025	108,68	109,29	6,59	USD
Metinvest BV	7,75	23.04.2023	106,61	106,72	3,32	USD
Metinvest BV	5,63	17.06.2025	105,63	106,64	3,70	EUR
Metinvest BV	8,50	23.04.2026	112,69	113,32	5,19	USD
Metinvest BV	7,65	01.10.2027	110,27	110,62	5,54	USD
Metinvest BV	7,75	17.10.2029	109,95	110,66	6,06	USD
DTEK Renew.	8,5	12.11.2024	101,91	102,89	7,44	EUR
MHP SE	7,75	10.05.2024	108,90	109,17	4,02	USD
MHP Lux SA	6,95	03.04.2026	107,14	107,58	5,05	USD
MHP Lux SA	6,25	19.09.2029	101,91	103,24	5,74	USD
Kernel Holding	8,75	31.01.2022	101,50	101,62	3,80	USD
Kernel Holding	6,50	17.10.2024	106,36	106,65	4,16	USD
VF Ukraine	6,20	11.02.2025	103,96	103,96	4,91	USD
Ukraine Railways	8,25	09.07.2024	104,98	105,27	6,15	USD
NAK Naftogaz	7,38	19.07.2022	103,01	103,12	3,40	USD
NAK Naftogaz	7,13	19.07.2024	101,11	102,11	6,27	EUR
NAK Naftogaz	7,625	08.11.2026	100,27	101,11	7,36	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)
<b>External debt. USD billions</b>	116,6	114,7	121,7	125.8 (fourth quarter)	<b>125.3</b> <b>(second quarter)</b>
<b>Banking system assets, % of annual growth</b>	6,4	2,0	9,9	18.9	<b>4.3</b> <b>(January - August)</b>
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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