

Financial markets survey

22 November 2021

CONFLICTING SENTIMENTS

Markets are near historical highs
Ukraine's GDP in the third quarter - worse than forecasts
Revision of the IMF program for Ukraine - approved

GLOBAL MARKET

Last week, the dynamics of key stock indices was mixed: industrial indices declined on the background of high inflation and global energy sales, technology indices rose in anticipation of the likely appointment of a new head of the FRS. Investors also continued to evaluate companies' reports for the third quarter and new statistics.

On Tuesday, US President Joe Biden made it clear that he would soon announce his decision on who should take over as the head of the FRS after the end of the four-year term of the current head Jerome Powell in February 2022. The main candidates for this position include Powell himself, as well as Lael Brainard, a member of the Board of Governors of the Federal Reserve System. The White House press secretary later said the president would announce his decision by Thanksgiving (November 25).

Retail sales in the US increased by 1.7% in October compared to September. Analysts had expected a 1.2% growth. Last month's growth in retail sales was the highest since March this year, which is related to the onset of the Christmas season.

The volume of industrial production in the United States in October increased by 1.6% compared to the previous month. Analysts had forecast a 0.7% growth. In September, industrial production fell by 1.3%.

Investors remain concerned about rising consumer prices in the euro area. Inflation in the region in October was 4.1%, which is more than twice the ECB's target.

In its bi-annual financial stability report, the ECB warned of overextension in real estate and finance markets as the region continues to recover from the COVID-19 pandemic on the background of ultra-low interest rates and large-scale stimulus measures.

Prices for benchmark oil continue to fall on the background of the new COVID-19 outbreak in Europe, which threatens to slow economic recovery. At the same time, investors are trying to assess the impact of the possible opening of crude oil reserves by large economies for the purpose of reducing energy prices.

Last week the trade in euro-dollar pair was in the range of 1.1250/1.1464 USD/ EUR.

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WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1271	-1.5	-3.3	-8.1
GBP/USD	1.3451	0.3	-2.5	-1.6
USD/RUB	72.6022	2.0	2.0	-1.7
USD/UAH	26.5694	1.8	1.1	-6.0

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	4,698.0	0.3	3.9	25.1
FTSE 100 (UK)	7,223.6	-1.7	0.1	11.8
MXME (East. Eur.)	193.1	-3.9	-10.1	18.6
PFTS (Ukraine)	523.3	0.0	-0.6	4.7
RTS (Russia)	1,723.7	-3.4	-9.3	24.2

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.392	-1.7	34.1	14.6
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.	8.500	0.0	0.0	41.7
CB RF. % p.a.	7.500	0.0	11.1	76.5

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	312.5	3.3	5.4	22.3
Brent. USD/barrel	78.9	-4.0	-6.5	55.9
WTI. USD/barrel	75.9	-4.7	-6.8	59.9
Gold. USD/ounce	1,861.1	0.0	4.6	-1.4

Source: Bloomberg

MACROECONOMY

GDP

According to the preliminary estimate of the State Statistics Service of Ukraine, real GDP in the third quarter of 2021 increased by 1.4% (including seasonal adjustment) compared to the previous quarter and by 2.4% compared to the third quarter of 2020.

Agriculture

In October 2021, agricultural production index was 128.2% compared to September of this year and 161.0% compared to October last year.

In January - October of the current year, agricultural production index was 113.0% compared to the same period last year. At the same time, crop production increased by 18.0%, while animal production decreased by 4.7%.

The growth of agricultural production in January - October 2021 is the result of a 17.2% growth of production at agricultural enterprises and 6.3% growth of production at family farms.

During the 10 months of the current year, there was an increase in agricultural production in 19 regions and a decrease in agricultural production in 5 regions. The largest growth was in Odesa (88.4%), Mykolayiv (+ 41.0%) and Kirovohrad (+16.1%) regions. The maximum decline in agricultural production was in Sumy (-18.7%), Zakarpattia (-4.2%) and Kharkiv (-2.5%) regions.

Demographic situation

According to the State Statistics Service, as of October 1, 2021, the current population of Ukraine was 41,319,838 people.

The number of deaths is still significantly higher than the number of newborns: 42 newborns per 100 deaths.

As of October 1, the number of permanent residents was 41,150,201.

During January-October 2021, the population decreased by 268,516 people.

The positive net migration in January-October of the current year was 13,954 people.

Economic sentiment indicator

In the fourth quarter of this year, economic sentiment indicator (ESI) in Ukraine, which is calculated by the State Statistics Service of Ukraine, improved and is 98.7% compared to 98.5% in the third quarter.

Compared to the third quarter, in the fourth quarter of this year there was an improvement of almost all business confidence indices – ESI components: in process manufacturing (from -7.5% to -6.4%), in construction (from -23.6% to -22.4%), in the services industry (from -12.8% to -10.8%). At the same time, there was a decline in this index in retail trade (from 6.8% to 4.3%).

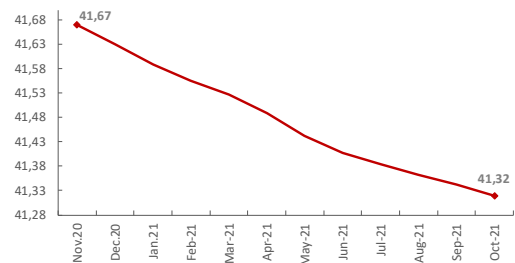
The consumer confidence index increased slightly – from -21.2% in the third quarter to -21.1% in the fourth quarter of the current year.

LATEST MACROECONOMIC DATA

Indicator	Value
Real GDP change over Q3'2021, % to Q3'2020	2.4
Change in agricultural output over January-October 2021, % year-on-year	13.0

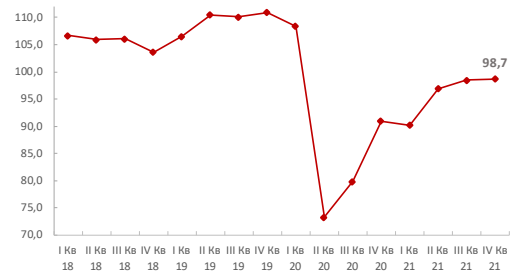
Source: the State Statistics Service

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 of sovereign bonds on November 16, the Ministry of Finance offered investors bonds denominated in Ukrainian hryvnia with a maturity of six months to six years. Short-term instruments were most in demand. The cost remained unchanged for all issues. The Ministry of Finance fully satisfied four issues and rejected some of the submitted applications for bonds with a maturity of six months and six years.

The demand for instruments with a maturity of six months consisted of 10 bids totaling UAH 2.6 billion at a rate of 10.50 - 11.00% p.a. The set level of profitability was 10.50% p.a.

There were also 21 bids totaling UAH 3.9 billion at a single rate of 11.55% p.a for bonds with a maturity of one year. The set level of profitability was 11.55% p.a.

The demand for securities maturing in January 2023 consisted of 5 bids totaling UAH 41.0 million at a single rate of 11.57% p.a. The set level of profitability was 11.57% p.a.

There were also 13 bids totaling UAH 85.6 million at a single rate of 12.47% p.a for instruments with a maturity of two years. The set level of profitability was 12.47% p.a.

There were also 12 bids totaling UAH 0.7 billion at a single rate of 12.70% p.a for bonds with a maturity of three years. The set level of profitability was 12.70% p.a.

The demand for bonds with a maturity of five years consisted of 5 bids for a total amount of UAH 63.0 million at a single rate of 12.75% p.a. The set level of profitability was 12.75% p.a.

There were also 14 bids for a total amount of UAH 1.0 billion at 13.25 - 13.40% p.a for bonds with a maturity of six years. The set level of profitability was 13.25% p.a.

Funds raised to the State Budget from the sale of instruments on November 16, 2021 – UAH 8.2 billion (according to the NBU FX rate).

Over the past week, the amount of sovereign bonds in circulation decreased by UAH 2.2 billion, and as of November 19, 2021, the total amount was UAH 985.5 billion (with regard to the principal amount of loan).

No sovereign bonds retirement is planned this week.

NBU TRANSACTIONS

The total cost of certificates of deposit purchased by market participants last week amounted to UAH 323.5 billion, of which UAH 268.5 billion were overnight certificates of deposit (at 7.50% p.a).

As a result of a quantitative tender for bank refinancing, which was held on November 19, applications of two banks for the amount of UAH 0.4 billion at 9.50% p.a for up to 28 days were satisfied.

On Friday, November 19, the National Bank of Ukraine issued two-week certificates worth UAH 54.9 billion (at 8.50% p.a).

The negative balance of operations of the State Treasury landed at UAH 22.2 billion over 15 - 19 November.

THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
16 Nov.	161 days	10.50%	10/9	2467.56
16 Nov.	392 days	11.50%	21/21	4129.28
16 Nov.	427 days	11.57%	5/5	42.56
16 Nov.	714 days	12.47%	13/13	83.70
16 Nov.	1078 days	12.70%	12/12	660.17
16 Nov.	1638 days	12.75%	5/5	62.54

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	499.8	-0.5	1.7	-3.8
Legal entities	54.6	2.1	9.1	-6.1
Territorial	0.0	0.0	0.0	-100.0
Private individ.	23.4	-0.5	10.7	110.9
Non-residents	94.7	-1.3	-1.1	11.1

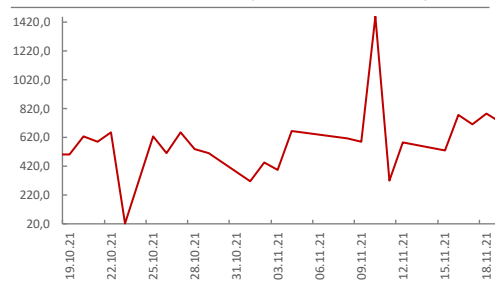
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	47.3	-36.1	-17.9	26.3	
NBU refinancing. UAH billions	123.7	0.5	0.4	27.3	
NBU deposit certificates	O/N. UAH billions	54.9	20.4	8.3	4.4
	Total. UAH billions	153.6	-0.3	3.6	-6.1

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: November 15 - 7.7500% p.a.; November 16 - 7.5625% p.a.; November 17 - 7.7188% p.a.; November 18 - 7.6250% p.a.; November 19 - 7.6389% p.a.

FOREIGN EXCHANGE MARKET

As of 01 December 2021, the NBU will increase the limits on banks' open long and short FX positions from 10% to 15% of their regulatory capital. The NBU projects that the higher limits will expand by about USD 400 million the banks' ability to conduct interbank transactions within their FX positions. This will contribute to the banks' greater role in smoothing out excessive exchange rate fluctuations on the FX market and enhancing liquidity and market depth in general.

Last week, the demand for foreign currency in the Ukrainian interbank foreign exchange market exceeded the supply, which led to the weakening of hryvnia. The term for payment of mandatory payments to the budget, which usually works in favor of hryvnia, did not provide the necessary support for the national currency. The reduction of sovereign bonds portfolio by foreign investors (by UAH 1.3 billion last week) put additional pressure on hryvnia. As a result, on Friday, November 19, the weighted average in the interbank market was 26.5694 UAH/USD.

Interbank trading last week was held in the following ranges: on Monday, November 15 - 26.20/26.40 UAH/USD, on Tuesday, November 16 - 26.30/26.54 UAH/USD, on Wednesday, November 17 - 26.38/26.58 UAH/USD, on Thursday, November 18 - 26.36/26.54 UAH/USD, on Friday, November 19 - 26.47/26.62 UAH/USD.

In the period from November 15 to November 19, the National Bank of Ukraine bought USD 5.00 million from banks and sold USD 108.0 million to banks at a single rate during foreign exchange market interventions.

Over 15 - 19 November, the National Bank purchased USD 5.0 million and sold USD 108.0 million from banks by way of the single exchange rate interventions.

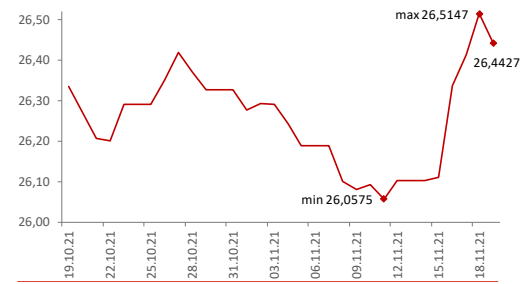
Total currency sales last week amounted to USD 3.5 billion.

UKRAINE ON INTERNATIONAL MARKETS

On 22 November 2021, the IMF Executive Board approved the first review of its stand-by program with Ukraine and supported a request to extend this arrangement through June 2022.

As a result of the review, the IMF will grant Ukraine another tranche of SDR 500.0 million (an equivalent of USD 699.0 million). The extension of the stand-by program will maintain the possibility for Ukraine to access additional SDR 1.6 billion (over USD 2.0 billion) in IMF tranches.

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	101,99	102,58	4,29	USD
Ukraine-2023	7,75	01.09.2023	103,86	104,38	5,12	USD
Ukraine-2024	8,99	01.02.2024	105,24	106,07	5,98	USD
Ukraine-2024	7,75	01.09.2024	103,31	104,13	6,10	USD
Ukraine-2025	7,75	01.09.2025	104,15	104,97	6,24	USD
Ukraine-2026	6,75	20.06.2026	103,28	103,99	5,72	EUR
Ukraine-2026	7,75	01.09.2026	104,80	105,39	6,42	USD
Ukraine-2027	7,75	01.09.2027	103,87	104,51	6,79	USD
Ukraine- 2028	9,75	01.11.2028	112,54	113,26	7,28	USD
Ukraine- 2030	4,38	27.01.2030	90,03	90,95	5,95	EUR
Ukraine-2032	7,38	25.09.2032	99,51	100,35	7,33	USD
Ukraine-2033	7,253	15.03.2033	98,38	99,22	7,35	USD
Ukreximbank	9,63	27.04.2022	101,21	102,26	4,19	USD
Ukreximbank	7,29	09.02.2023	99,39	101,48	5,93	USD
Ukreximbank	9,75	22.01.2025	106,06	106,81	7,29	USD
Oschadbank	9,38	10.03.2023	103,19	103,73	6,31	USD
Oschadbank	7,22	19.01.2024	93,98	97,09	8,60	USD
Oschadbank	9,63	20.03.2025	105,57	105,68	7,65	USD
Metinvest BV	7,75	23.04.2023	103,87	103,95	4,82	USD
Metinvest BV	5,63	17.06.2025	102,64	103,53	4,54	EUR
Metinvest BV	8,50	23.04.2026	106,76	107,33	6,56	USD
Metinvest BV	7,65	01.10.2027	104,23	104,55	6,69	USD
Metinvest BV	7,75	17.10.2029	102,90	103,54	7,16	USD
DTEK Renew.	8,5	12.11.2024	97,74	98,97	8,90	EUR
MHP SE	7,75	10.05.2024	104,92	105,17	5,48	USD
MHP Lux SA	6,95	03.04.2026	102,42	102,90	6,18	USD
MHP Lux SA	6,25	19.09.2029	95,70	96,92	6,76	USD
Kernel Holding	8,75	31.01.2022	100,98	101,08	-5,95	USD
Kernel Holding	6,50	17.10.2024	103,15	103,23	5,28	USD
VF Ukraine	6,20	11.02.2025	101,76	101,77	5,59	USD
Ukraine Railways	8,25	09.07.2024	101,45	101,86	7,45	USD
NAK Naftogaz	7,38	19.07.2022	99,17	99,66	7,90	USD
NAK Naftogaz	7,13	19.07.2024	94,47	95,67	9,00	EUR
NAK Naftogaz	7,625	08.11.2026	93,23	93,87	9,19	USD
NPC Ukrenergo	6,875	09.11.2026	97,84	99,05	7,10	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2017	2018	2019	2020	2021
GDP. %	2,5	3,3	3,2	-4.0	2.4 (third quarter, preliminary estimate)
Industrial output. %	-0,1	1,1	-0,5	4.8	-0.7 (September)
Consumer price growth. % year-on-year	13,7	9,8	4,1	5.0	10.9 (October)
Producer price growth. % year-on-year	16,5	14,2	-7,4	14.5	57.2 (October)
Balance of payments (consolidated). USD billions	2,6	2,9	6,0	2.0 (preliminary estimate)	-2.2 (September, preliminary estimate)
Current account balance. USD billions	-2,4	-4,4	-4,1	6.5 (preliminary estimate)	-0.5 (September, preliminary estimate)
Balance of trade (goods and services). USD billions	-8,61	-12,7	-12,5	-1.8 (preliminary estimate)	-0.7 (September, preliminary estimate)
International reserves, USD billions, by the end of the period	18,8	20,8	25,3	29.1 (preliminary estimate)	29.7 (October)
External debt. USD billions	116,6	114,7	121,7	125.8 (fourth quarter)	125.3 (second quarter)
Banking system assets, % of annual growth	6,4	2,0	9,9	18.9	6.0 (January - September)
Exchange rate. by year end. UAH/USD	28,07	27,69	23,69	28.27	26.33 (October)
Exchange rate. annual average. UAH/USD	26,60	27,20	25,85	26.96	27.38 (January-October)

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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