

# Financial markets survey

06 December 2021

## VOLATILITY CHRONICLES

**Markets under the influence of new risks**  
**The volume of foreign cash outside banks grew**  
**Interest of investors - in short-term government bonds**

### GLOBAL MARKET

Last trade week ended with a decline of key financial indices. Investors' fears stem from the spread of the new COVID-19 strain, Omicron, and the FRS head's statement about acceleration of the curtailment of the quantitative easing program (QE). In addition, investors are trying to understand how weak labor market data will affect willingness of the Federal Reserve System to gradually abandon accommodative monetary policy.

During a Senate Banking Committee hearing, Jerome Powell said the ending the central bank's asset purchases may warrant sooner than planned next year. Statements about Tapering's acceleration will be made during the FRS December meeting (which will be held on December 14-15). Therefore, according to the statements made by the Chair of the FRS, QE may end next spring, and the key rate will be raised in the summer. However, if the US economy slows down as a result of Tapering, the process may be reversed.

Total nonfarm payroll employment in USA rose by 210,000 in November, and it is the lowest rate since December 2020. In November the unemployment rate fell by 0.4 % to 4.2 %, and it is the lowest figure since February 2020. Employers report difficulties in hiring and retaining workers in the context of strong economic recovery.

The US consumer confidence index fell to 109.5 in November, compared to 111.6 in October. This is the lowest figure in the last nine months.

New listing rules came into force on Friday, which are aimed at making the City of London more attractive to fast-growing companies. Under the new rules, companies will be able to place 10.0% or more shares in London (25.0% in the past).

Last week, the dynamics of oil prices was mixed in anticipation of the OPEC+ meeting. The members of the alliance decided to maintain the current policy and increase the January production by 400.0 thousand bpd. As expected, this resulted in sales in the markets.

Last week the trade in euro-dollar pair was in the range of 1.1234/1.1382 USD/ EUR.

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### WEEKLY ISSUE

#### EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1291	0.0	-2.5	-8.0
GBP/USD	1.3236	-0.8	-3.3	-3.2
USD/RUB	74.0637	-0.7	3.6	0.3
USD/UAH	27.2981	0.7	4.0	-3.4

#### STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	4,538.4	-1.2	-2.6	20.8
FTSE 100 (UK)	7,122.3	1.1	-1.7	10.2
MXME (East. Eur.)	188.7	5.0	-9.1	15.9
PFTS (Ukraine)	523.3	0.0	0.0	4.7
RTS (Russia)	1,668.3	5.0	-8.7	20.2

#### KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.462	12.5	29.0	35.0
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	0.0	76.5

#### COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	318.5	1.9	6.3	24.7
Brent. USD/barrel	69.9	-2.4	-13.5	38.4
WTI. USD/barrel	66.3	-2.8	-16.7	39.5
Gold. USD/ounce	1,767.6	-1.8	0.2	-6.4

Source: Bloomberg

## MACROECONOMY

### Balance of payments

The current account surplus totaled USD 117.0 million in October (in October last year USD 530.0 million).

On current account transactions excluding reinvested earnings surplus totaled USD 231.0 million compared to USD 648.0 million in October last year.

Export of goods grew by 38.8% (1.6 times in September) and landed at USD 5.9 billion due to increase in the following main goods categories: food exports – by 42.7%, metallurgical exports – 1.8 times, chemicals – by 28.8%, timber and wood products – by 28.6%, manufactured goods – by 23.9%. At the same time, export of mineral products (including ores) decreased by 1.9%, while export of mechanical products decreased by 11.7%.

Imports of goods grew 36.4% (44.0% in September) and landed at USD 6.5 billion.

Energy imports showed 2.4 times (2.5 times in September) growth due to natural gas imports.

Non-energy imports increased by 20.5%, in particular: chemical products – by 39.4%, mechanical products – by 15.9%, ferrous and non-ferrous metals – by 36.2%, industrial products – by 20.7%, food products – by 8.7%. At the same time, import of wood and wood products decreased by 5.9%.

The surplus of trade in services reached USD 306.0 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 lending to rest of the world (the total of current account and capital account balance) totaled USD 118 million.

The financial account net inflows totaled USD 1.0 billion and was generated by both public and private sector operations.

Net inflows to the private sector (including errors and omissions) reached USD 566.0 million.

Public sector net inflows stood at USD 386 million due to loans net disbursements from international partners.

The net inflows of foreign direct investments stood at USD 291.0 million.

The net decrease of the banking system's external position on portfolio and other investments accounted for USD 432.0 million owing to these competing factors: net decrease of external position on "currency and deposits" item, loans external position net increase, net repayments on Eurobonds.

The real sector external position net increase totaled USD 297.0 million.

Foreign currency cash outside banks grew USD 764.0 million.

The overall balance of payments surplus stood at USD 1.1 billion.

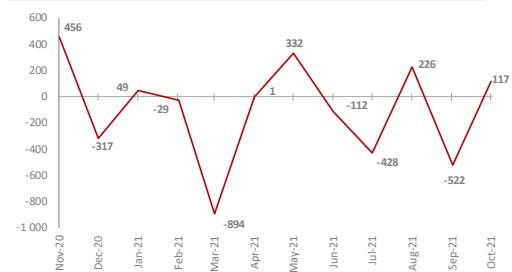
International reserves accounted for USD 29.7 billion as of 01 November 2021.

### LATEST MACROECONOMIC DATA

Indicator	Value
Current account of the balance of payments in October 2021, USD billions	0.1

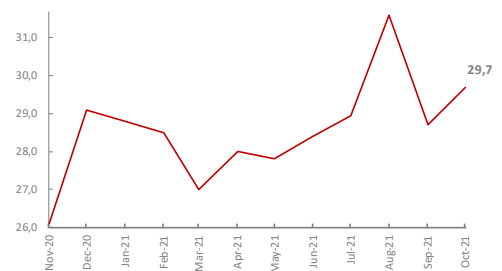
Source: the State Statistics Service

### 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 an auction for placing domestic government bonds on November 30, the Ministry of Finance offered investors six issues of bonds denominated in Ukrainian hryvnia and one issue of bonds denominated in euro. Almost 2/3 of the attracted funds were received from the placement hryvnia instruments with the shortest maturity.

The highest demand fixed for instruments with a maturity of six months – 11 bids totaling UAH 8.6 billion at a single rate of 10.70% p.a. The accepted yield was fixed at 10.70% p.a.

The demand for bonds with a maturity of one year consisted of 11 bids totaling UAH 0.1 billion at a single rate of 11.65% p.a. The accepted yield was fixed at 11.65% p.a.

The demand for instruments with a maturity of a year and a half consisted of 5 bids for a total amount of UAH 1.1 billion at a single rate of 11.65% p.a. The accepted yield was fixed at 11.65% p.a.

There were also 11 bids totaling UAH 1.1 billion at a single rate of 12.55% p.a. for bonds with a maturity of two years. The accepted yield was fixed at 12.55% p.a.

The demand for bonds with a maturity of three years consisted of 9 bids for a total amount of UAH 0.3 billion at a single rate of 12.85% p.a. The accepted yield was fixed at 12.85% p.a.

There were also 14 bids totaling UAH 0.1 billion at a single rate of 13.25% p.a. for bonds with a maturity of six years. The accepted yield was fixed at 13.25% p.a.

The demand for instruments denominated in euro with a maturity of six months consisted of 6 bids totaling UAH 55.8 million at a rate of 2.30 - 2.35% p.a. The accepted yield was fixed at 2.35% p.a.

Funds raised to the State Budget from the sale of instruments on 30 November, 2021 – UAH 12.7 billion (according to the NBU FX rate).

Over the previous week, the volume of outstanding domestic government bonds went up UAH 1.2 billion and, as of 03 December 2021, totaled UAH 1,013.1 billion (according to the total principal).

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

Over January-November 2021, Ukraine's total budget revenues came to UAH 1,159.4 billion (UAH 140.2 billion came in November), while VAT refunds totaled UAH 142.4 billion (UAH 17.7 billion was refunded in November). As of 01 December 2021, the balance at the Single Treasury Account was registered at UAH 33.7 billion.

## NBU TRANSACTIONS

The total cost of certificates of deposit purchased by market participants last week amounted to UAH 363.4 billion, of which UAH 316.3 billion were overnight certificates of deposit (at 7.50% p.a.).

As a result of the NBU quantitative liquidity-providing tender to refinance banks, which was held on Friday, 03 December, a bid of five bank for the total of UAH 779.0 million was satisfied. The interest rate reached 9.50% p.a. The loans were provided for the period of up to twenty-seven days.

On Friday, 03 December, placed deposit certificates maturing in two weeks for the total of UAH 47.1 billion (at 8.50% p.a.).

Banks used the standing NBU refinancing line (overnight) for the total of UAH 735.0 million over the previous week (the interest rate - 9.50% p.a.).

The negative balance of operations of the State Treasury amounted to UAH 7.7 billion over 29 November to 03 December.

## THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
30 Nov.	147 days	10.70%	11/11	8,304.53
30 Nov.	378 days	11.65%	11/11	93.21
30 Nov.	413 days	11.65%	5/5	1142.38
30 Nov.	700 days	12.55%	11/11	1057.96
30 Nov.	1064 days	12.85%	9/9	327.21
30 Nov.	2002 days	13.25%	14/14	87.36
30 Nov.	190 days	2.35%	6/6	56.46

\*\* EUR 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	507.3	0.8	2.5	-2.3
Legal entities	77.5	-2.9	49.1	33.5
Territorial	0.0	0.0	0.0	-100.0
Private individ.	24.3	0.6	7.6	118.9
Non-residents	91.4	-0.6	-3.3	7.1

Source: the National Bank of Ukraine

## MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	45.0	-9.3	-2.2	20.0	
NBU refinancing. UAH billions	124.2	0.7	0.8	27.9	
NBU deposit certificates	O/N. UAH billions	70.9	0.6	28.5	34.9
	Total. UAH billions	147.6	-4.8	-9.2	-9.8

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: 7.6454% p.a. on 29 November, 7.6389% p.a. on 30 November, 7.6000% p.a. on 01 December, 7.6423% p.a. on 02 December, and 7.6250% p.a. on 03 December.

### FOREIGN EXCHANGE MARKET

Last week, there was increased customer activity in the Ukrainian interbank foreign exchange market, which was caused in particular by fact that this was the end of the month. The excess demand for foreign currency continued the last week's trend of the weakening of the Ukrainian hryvnia. Foreign exchange quotes were in the range of UAH/USD 27.08 - 27.38. As a result, on Friday, December 03, the weighted average on the interbank foreign exchange market was registered at 27.2981 UAH/USD.

Interbank trading last week was held in the following ranges: 27.10/27.22 UAH/USD on Monday, 29 November, 27.17/27.32 UAH/USD on Tuesday, 30 November, 27.12/27.29 UAH/USD on Wednesday, 01 December, 27.24/27.36 UAH/USD on Thursday, 02 December, 27.25/27 UAH/USD on Friday, 03 December.

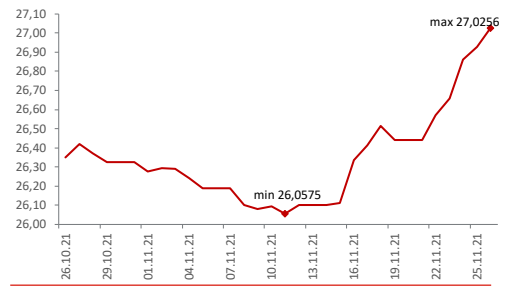
In the period from November 29 to December 03, the National Bank of Ukraine sold USD 154.5 million to banks during foreign exchange market interventions (USD 50.0 million at the best rate and USD 104.5 million at a single rate) and bought USD 5.00 million from banks at the best rate.

Total currency sales last week amounted to USD 3.1 billion.

### UKRAINIAN ISSUERS ON INTERNATIONAL MARKETS

On December 10 and 17, the World Bank will consider allocating two tranches for the amount of up to USD 500.0 million to Ukraine. In particular, on December 10 the Bank's Board of Directors will consider allocating additional funding under the Ukraine Emergency COVID-19 Response and Vaccination project, and on December 17 they will consider allocating EUR 300.0 million of the Second Economic Recovery Development Policy Loan to Ukraine.

### 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	100,69	101,37	5,79	USD
Ukraine-2023	7,75	01.09.2023	100,83	101,39	6,87	USD
Ukraine-2024	8,99	01.02.2024	103,20	103,94	6,98	USD
Ukraine-2024	7,75	01.09.2024	100,93	101,71	7,04	USD
Ukraine-2025	7,75	01.09.2025	101,10	101,91	7,15	USD
Ukraine-2026	6,75	20.06.2026	100,24	101,08	6,45	EUR
Ukraine-2026	7,75	01.09.2026	101,50	102,09	7,22	USD
Ukraine-2027	7,75	01.09.2027	100,84	101,51	7,42	USD
Ukraine- 2028	9,75	01.11.2028	109,56	110,23	7,80	USD
Ukraine- 2030	4,38	27.01.2030	86,74	87,69	6,52	EUR
Ukraine-2032	7,38	25.09.2032	95,99	96,85	7,81	USD
Ukraine-2033	7,253	15.03.2033	94,99	95,85	7,81	USD
Ukreximbank	9,63	27.04.2022	100,73	101,67	5,17	USD
Ukreximbank	7,29	09.02.2023	99,38	101,41	5,98	USD
Ukreximbank	9,75	22.01.2025	103,47	104,41	8,12	USD
Oschadbank	9,38	10.03.2023	101,12	101,67	7,94	USD
Oschadbank	7,22	19.01.2024	91,59	95,00	9,81	USD
Oschadbank	9,63	20.03.2025	103,57	104,09	8,17	USD
Metinvest BV	7,75	23.04.2023	103,34	103,62	4,99	USD
Metinvest BV	5,63	17.06.2025	98,39	99,30	5,85	EUR
Metinvest BV	8,50	23.04.2026	100,99	101,53	8,07	USD
Metinvest BV	7,65	01.10.2027	98,42	98,72	7,92	USD
Metinvest BV	7,75	17.10.2029	95,85	96,43	8,38	USD
DTEK Renew.	8,5	12.11.2024	93,06	94,42	10,77	EUR
MHP SE	7,75	10.05.2024	103,76	104,00	5,95	USD
MHP Lux SA	6,95	03.04.2026	100,60	101,07	6,66	USD
MHP Lux SA	6,25	19.09.2029	93,81	94,99	7,10	USD
Kernel Holding	8,75	31.01.2022	100,80	100,90	-17,52	USD
Kernel Holding	6,50	17.10.2024	102,14	102,22	5,64	USD
VF Ukraine	6,20	11.02.2025	100,61	100,77	5,98	USD
Ukraine Railways	8,25	09.07.2024	99,21	99,60	8,42	USD
NAK Naftogaz	7,38	19.07.2022	98,80	99,28	8,58	USD
NAK Naftogaz	7,13	19.07.2024	92,53	93,79	9,91	EUR
NAK Naftogaz	7,625	08.11.2026	90,90	91,51	9,84	USD
NPC Ukrenergo	6,875	09.11.2026	94,62	95,63	7,96	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	1.4 (October)
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)
<b>Balance of payments (consolidated). USD billions</b>	2,6	2,9	6,0	2.0 (preliminary estimate)	<b>1.1 (October, preliminary estimate)</b>
<b>Current account balance. USD billions</b>	-2,4	-4,4	-4,1	6.5 (preliminary estimate)	<b>0.1 (October, preliminary estimate)</b>
<b>Balance of trade (goods and services). USD billions</b>	-8,61	-12,7	-12,5	-1.8 (preliminary estimate)	<b>-0.3 (October, preliminary estimate)</b>
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)
<b>Banking system assets, % of annual growth</b>	6,4	2,0	9,9	18.9	<b>6.9 (January - October)</b>
<b>Exchange rate. by year end. UAH/USD</b>	28,07	27,69	23,69	28.27	<b>27.17 (November)</b>
<b>Exchange rate. annual average. UAH/USD</b>	26,60	27,20	25,85	26.96	<b>27.29 (January-November)</b>

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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