

Financial markets survey

13 December 2021

RATIONALE

Investors estimate record values of macroeconomic data
Inflation in Ukraine is slowing down
NBU raises key policy rate to 9.0% p. a.

GLOBAL MARKET

Last week for the US stock market ended with the growth of key financial indices. In particular, the S&P 500 was at its all-time high, while Nasdaq Composite gained 3.6% in one week, which is the most significant increase since February. The Dow Jones index grew by 4.0%, which is the most significant increase since March. Representatives of the consumer and technology sectors demonstrated the biggest increase in stock quotes.

The decision of the US Federal Reserve System on the key rate and acceleration of the curtailment of the quantitative easing program will be the trigger for this week. The key markers of FRS for acceptance of the monetary politics decisions (inflation and the labor market), were at the highest levels for the last 40-50 years. And while price pressures increase sharply, the level of employment is resuming at full speed. Investors will also focus on the meetings of the ECB and the Bank of Japan, scheduled for Thursday.

Consumer prices (CPI index) in the US rose by 6.8% year-on-year in November. The inflation has been at its highest level since July 1982 and remains above the FRS's target (2.0%) amid the global increase in commodity prices, rising demand, rising wages, supply disruptions, and the last year's low base effect.

Data from the US labor market proved to be very strong. The number of initial unemployment claims benefits for the week decreased, bypassing last year's pre-crisis levels of 200.000 - 220.000, and amounted to 184.000. The last time this figure was at such a level was in 1969.

The US consumer confidence index has risen to 70.4 in December from 67.4 in November, which was the lowest figure in 10 years. At the same time, inflation expectations for the next year remained at 4.9%, while long term (5 years) inflation expectations were at 3.0%.

According to preliminary estimates, inflation in the Eurozone in November 2021 reached 4.9% year-on-year, which is the highest figure since 1997. Energy prices rose the most, which was the main factor in such growth. Inflation in Germany in November exceeded five percent and amounted to 5.2% year-on-year for the first time in almost 30 years.

During the previous week, trading in the EUR/USD pair ranged within the limits of USD 1.1226/1.1354 / EUR.

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WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1273	-0.2	-2.5	-8.1
GBP/USD	1.3273	0.3	-1.0	-2.9
USD/RUB	73.5998	-0.6	3.2	-0.4
USD/UAH	27.0241	-1.0	3.7	-4.4

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	4,712.0	3.8	1.4	25.5
FTSE 100 (UK)	7,291.8	2.4	-0.7	12.9
MXME (East. Eur.)	184.0	-2.5	-11.8	13.0
PFTS (Ukraine)	523.3	0.0	0.0	4.7
RTS (Russia)	1,612.3	-3.4	-13.0	16.2

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.509	10.4	44.0	49.0
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.	9.000	5.9	5.9	50.0
CB RF. % p.a.	7.500	0.0	0.0	76.5

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	314.5	-1.3	4.0	23.1
Brent. USD/barrel	75.2	7.5	-7.8	48.8
WTI. USD/barrel	71.7	8.2	-10.5	50.9
Gold. USD/ounce	1,779.8	0.7	-4.3	-5.7

Source: Bloomberg

MACROECONOMY

Consumer prices

According to information of the State Statistics Service, the Consumer Price Index went up 0.8% in November 2021 compared to October 2021 and grew 10.3% compared to November 2020. Since the beginning of the current year, consumer prices increased 9.4%.

Core inflation in November 2021 was at 0.8% compared to October 2021 and at 7.4% compared to the beginning of the year.

In November prices for food and non-alcoholic beverages in the consumer market increased by 1.1%. Prices for vegetable went up the most (by 7.8%). Prices for lard, grain products, milk and dairy products, bread, beef, pasta, butter, sugar, fish and fish products, rice, and eggs increased by 5.8–0.9%. At the same time, fruits, poultry, pork and sunflower oil prices fell by 7.6-0.5%.

Prices for alcoholic beverages and tobacco products rose by 0.6%, mainly due to a 1.1% rise in prices for tobacco products.

Clothing and footwear prices fell by 2.1%, while footwear prices fell by 2.3% and clothing prices fell by 2.1%.

Transport prices rose by 1.2% primarily due to the fact that fuel and oil prices rose by 2.9%, while public transport and railway fares rose by 2.0% and 1.3%, respectively.

Prices in the healthcare sector rose by 0.6%, prices for communications rose by 0.6%, and prices in the field of recreation and culture rose by 1.3%. Prices in restaurants and hotels went up 1.0%.

Producer prices

According to information of the State Statistics Service, producer prices in November 2021 rose by 4.3% compared to October 2021 and by 60.7% compared to November 2020.

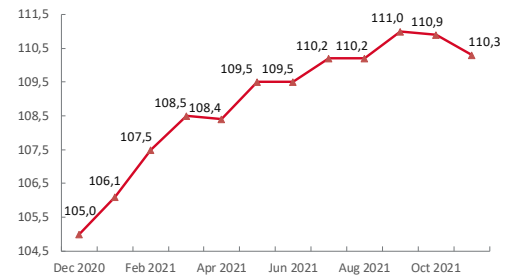
In November prices of producers in the mining and quarrying industry rose by 7.2% compared to October. The price of coal manufacturing rose by 9.3%, the price of crude oil and natural gas production went up 9.1%, and the price of metal ore mining increased by 6.0%.

In November producers prices in manufacturing rose by 1.2% compared to October. The cost of production of food, beverages, and tobacco increased by 1.0%, the cost of manufacture of wood and paper products increased by 2.2%, the cost of production of coke and refined petroleum products increased by 3.5%, the cost of manufacture of chemicals and chemical products increased by 7.7%, the cost of production of pharmaceuticals, medicinal chemical and botanical products increased by 1.8%, and the cost of machine-building increased by 1.2%. At the same time, the cost of metallurgical production fell by 0.3%.

The price of electricity, gas, and steam supply rose by 11.3%.

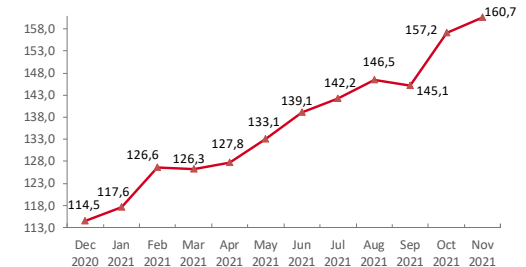
In November, the cost of production of intermediate goods went up by 2.4%, the cost of production of short-term consumer goods and durable goods rose by 0.9% and 0.3%, respectively, and the cost of energy production rose by 10.2%. The cost of investment goods production remained at the same level as the last month.

CONSUMER PRICE INDEX (month-on-month of the previous year, %)



Source: the State Statistics Service

PRODUCER PRICE INDEX (month-on-month of the previous year, %)



Source: the State Statistics Service

BOND MARKET AND PUBLIC FINANCE

The scheduled Ministry of Finance (MoF) auction for domestic government bonds placement, which was held on December 07, can be considered one of the largest in the current year in terms of placement.

There were 2 bids totaling UAH 1.2 billion for instruments maturing in six months. The requested yield stood at 10.70% p.a. The accepted yield was at 10.70% p.a.

There were also 9 bids for a total amount of UAH 3.5 billion for bonds maturing in nine months. The requested yield ranged within the limits of 11.45 - 11.75% p.a. The accepted yield was at 11.50% p.a.

The demand for bonds maturing in one year consisted of 20 bids for a total amount of UAH 2.6 billion. The requested yield ranged within the limits of 11.70 - 11.75% p.a. The accepted yield was at 11.70% p.a.

There were 6 bids for a total amount of UAH 0.5 billion for bonds maturing in April 2023. The requested yield ranged within the limits of 11.75 - 12.00% p.a. The accepted yield was at 11.80% p.a.

The demand for bonds maturing in two years consisted of 20 bids for a total amount of UAH 0.5 billion. The requested yield ranged within the limits of 12.55 - 12.65% p.a. The accepted yield was at 12.65% p.a.

The demand for bonds maturing in three years consisted of 5 bids for a total amount of UAH 14.8 billion. The single requested yield stood at 12.85% p.a. The accepted yield was at 12.85% p.a.

The demand for foreign exchange instruments denominated in euro, maturing in three months, consisted of 7 bids totaling UAH 36.3 million. The single requested yield stood at 1.75% p.a. The accepted yield was at 1.75% p.a.

There were also 6 bids totaling UAH 265.9 million for dollar instruments maturing in six months. The requested yield stood at 3.50% p.a. The accepted yield was at 3.50% p.a.

Funds raised to the State Budget from the sale of instruments on 07 December, 2021 – UAH 16.7 billion (according to the NBU FX rate).

Over the previous week, the volume of outstanding domestic government bonds went up UAH 15.3 billion and, as of 10 December 2021, totaled UAH 1,028.4 billion (according to the total principal).

This week MoF plans to pay out one issue of domestic government bonds for the total amount of UAH 0.6 billion (due on December 16).

NBU TRANSACTIONS

On 09 December the Board of the National Bank of Ukraine has decided to raise the key policy rate to 9.0% p.a. The decision is aimed at neutralizing the impact of additional pro-inflationary risks, improving inflation expectations, and ensuring steady disinflation toward the target of 5.0%.

The total cost of deposit certificates purchased by market participants last week amounted to UAH 385.0 billion, of which UAH 346.1 billion were overnight certificates (at 8.00% p.a).

As a result of a quantitative tender for bank refinancing, which was held on December 10, the bids of four banks for the amount of UAH 610.0 million at 10.00 % p.a for up to 27 days were satisfied.

On Friday, December 10, the National Bank of Ukraine issued two-week certificates worth UAH 38.9 billion (at 9.00% p.a).

Banks received UAH 1.6 billion (at 10.00 % p.a) over 06 - 10 December through the standing refinancing line of the NBU (overnight loans).

A balance of the State Treasury transactions landed at UAH 13.1 billion over 06 - 10 December.

THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
07 Dec.	203 days	10.70%	2/2	1100.99
07 Dec.	261 days	11.49%	9/8	3563.50
07 Dec.	371 days	11.70%	20/19	2716.82
07 Dec.	497 days	11.79%	6/5	486.88
07 Dec.	693 days	12.64%	20/20	515.81
07 Dec.	1071 days	12.85%	5/5	14.88
07 Dec.	92 days	1.75%	7/7	36.46**
07 Dec.	197 days	3.50%	6/6	260.97*

** EUR millions * 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	520.1	2.5	3.7	0.1
Legal entities	79.4	2.4	48.6	36.7
Territorial	0.0	0.0	0.0	-100.0
Private individ.	24.5	0.7	5.0	120.5
Non-residents	91.9	0.6	-4.8	7.7

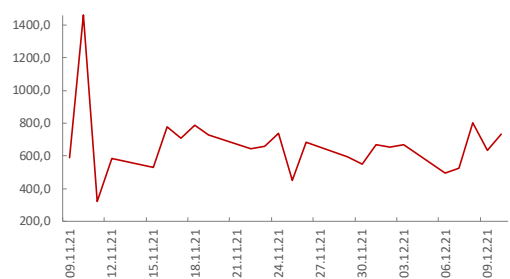
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	70.8	57.5	62.6	89.0	
NBU refinancing. UAH billions	124.9	0.6	1.5	28.6	
NBU deposit certificates	O/N. UAH billions	45.1	-36.4	-14.8	-14.2
	Total. UAH billions	131.2	-11.1	-19.8	-19.8

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

INTERBANK LENDING MARKET

Interest rates for overnight loans in the national currency in the interbank lending market increased slightly at the end of the week in response to the increase in the NBU key rate and ranged within the limits of 7.00 - 8.50% p.a, and the Ukrainian OverNight Index Average (UONIA) was as follows: 7.6091 % p.a on December 06; 7.6465% p.a on December 07; 7.6658% p.a on December 08; 7.6650% p.a on December 09; 8.1357% p.a on December 10.

FOREIGN EXCHANGE MARKET

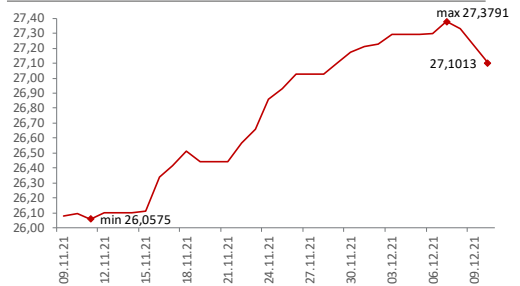
Last week, the Ukrainian hryvnia strengthened its position in the Ukrainian interbank FX market due to the fact that the supply of foreign currency exceeded the demand therefor. There were mostly market mechanisms. As a result, on Friday, December 10, the weighted average exchange rate in the interbank market was registered at UAH 27.0241 / USD.

In the course of the previous week, trading in the interbank foreign exchange market ranged within the following limits: UAH 27.28/27.45 / USD on Monday, December 06, UAH 27.25/27.37 / USD on Tuesday, December 07, UAH 27.16/27.27 / USD on Wednesday, December 08, UAH 27.03/27.17 / USD on Thursday, December 09, UAH 26.85/27.10 / USD on Friday, December 10.

Over December 06 - December 10, the National Bank of Ukraine purchased USD 54.0 million from banks by way of exchange rate interventions: USD 10.0 million at the best rate and USD 44.0 million at a single rate.

The overall foreign currency sales last week amounted to USD 3.2 billion.

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	100,30	100,80	6,55	USD
Ukraine-2023	7,75	01.09.2023	100,17	100,64	7,34	USD
Ukraine-2024	8,99	01.02.2024	102,49	103,30	7,28	USD
Ukraine-2024	7,75	01.09.2024	100,17	100,98	7,34	USD
Ukraine-2025	7,75	01.09.2025	99,98	100,79	7,50	USD
Ukraine-2026	6,75	20.06.2026	99,20	99,90	6,76	EUR
Ukraine-2026	7,75	01.09.2026	100,55	101,13	7,46	USD
Ukraine-2027	7,75	01.09.2027	100,05	100,81	7,57	USD
Ukraine- 2028	9,75	01.11.2028	108,50	109,16	7,99	USD
Ukraine- 2030	4,38	27.01.2030	85,81	86,70	6,69	EUR
Ukraine-2032	7,38	25.09.2032	94,99	95,82	7,96	USD
Ukraine-2033	7,253	15.03.2033	94,01	94,89	7,95	USD
Ukreximbank	9,63	27.04.2022	100,50	101,44	5,56	USD
Ukreximbank	7,29	09.02.2023	99,61	101,79	5,64	USD
Ukreximbank	9,75	22.01.2025	103,36	104,32	8,14	USD
Oschadbank	9,38	10.03.2023	101,07	101,61	7,96	USD
Oschadbank	7,22	19.01.2024	91,58	95,00	9,85	USD
Oschadbank	9,63	20.03.2025	103,67	104,19	8,13	USD
Metinvest BV	7,75	23.04.2023	102,58	102,86	5,53	USD
Metinvest BV	5,63	17.06.2025	99,62	100,61	5,43	EUR
Metinvest BV	8,50	23.04.2026	104,10	104,65	7,23	USD
Metinvest BV	7,65	01.10.2027	100,67	100,98	7,43	USD
Metinvest BV	7,75	17.10.2029	99,61	100,22	7,71	USD
DTEK Renew.	8,5	12.11.2024	91,10	93,19	11,31	EUR
MHP SE	7,75	10.05.2024	103,76	104,00	5,93	USD
MHP Lux SA	6,95	03.04.2026	101,21	101,69	6,49	USD
MHP Lux SA	6,25	19.09.2029	94,57	95,76	6,96	USD
Kernel Holding	8,75	31.01.2022	103,50	103,59	-18,70	USD
Kernel Holding	6,50	17.10.2024	102,35	102,43	5,56	USD
VF Ukraine	6,20	11.02.2025	100,05	100,22	6,18	USD
Ukraine Railways	8,25	09.07.2024	98,34	98,72	8,81	USD
NAK Naftogaz	7,38	19.07.2022	98,93	99,41	8,39	USD
NAK Naftogaz	7,13	19.07.2024	93,37	94,32	9,67	EUR
NAK Naftogaz	7,625	08.11.2026	91,29	92,03	9,71	USD
NPC Ukrenergo	6,875	09.11.2026	93,70	94,76	8,19	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	10.3 (November)
Producer price growth. % year-on-year	16,5	14,2	-7,4	14.5	60.7 (November)
Balance of payments (consolidated). USD billions	2,6	2,9	6,0	2.0 (preliminary estimate)	1.1 (October, preliminary estimate)
Current account balance. USD billions	-2,4	-4,4	-4,1	6.5 (preliminary estimate)	0.1 (October, preliminary estimate)
Balance of trade (goods and services). USD billions	-8,61	-12,7	-12,5	-1.8 (preliminary estimate)	-0.3 (October, preliminary estimate)
International reserves, USD billions, by the end of the period	18,8	20,8	25,3	29.1 (preliminary estimate)	30.5 (November)
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	8.9 (January - November)
Exchange rate. by year end. UAH/USD	28,07	27,69	23,69	28.27	27.17 (November)
Exchange rate. annual average. UAH/USD	26,60	27,20	25,85	26.96	27.38 (January-November)

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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