

Financial markets survey

04 January 2021

STARTING THE NEW YEAR ON A POSITIVE NOTE

The stock market year ended at peak values

The current account in November was formed with a deficit

The first issue of the bank deposit certificates has been registered

GLOBAL MARKET

The general mood of world stock markets in 2021 was positive. The US market, which was moving under the influence of monetary and fiscal drivers and the rapid recovery of the labor market and showed resilience to any negative factors, demonstrated significant growth. Based on the results of December, the fourth quarter, and all of 2021, the three main stock indices showed growth. The S&P 500, which rose by 26.9%, was the leader in 2021, the Nasdaq grew by 21.4%, and the Dow Jones grew by 18.7%.

Asian markets were outsiders of the year due to the energy crisis and the decline of macro indicators. The growth rates of European indices differ due to the different structure of national economies and the influence of geopolitics. At the same time, the FTSE 100 British stock index increased by 20.3% in 2021, which was the most significant rise in the last five years.

The growth of stock markets in 2021 may lead to risks of further economic slowdown in 2022. Epidemiological threats have not disappeared, and the factor of inflationary pressure supports the strengthening of central bank rates.

In 2021, commodity markets were negating an imbalance in demand and supply of raw materials. The production sector did not keep up with the demand, which led to shortages and abnormal growth of futures. In 2021, Brent oil grew by 54.3%, while coal grew by 120.0%, and European gas grew by 400.0%.

On the last day of 2021, gold was at a monthly maximum, but analysts predict a decline in gold prices in 2022, since the global economic recovery has reduced the attractiveness of this defensive asset in the face of likely rising interest rates of global central banks.

The American currency came out on top in the world currency rankings. The demand for the dollar remains high due to the accelerated completion of the FRS stimulus programs and the approaching key FRS rate growth.

During the previous week, trading in the EUR/USD pair ranged within the limits of USD 1.1274/1.1386 EUR.

WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1326	0.1	-0.3	-7.7
GBP/USD	1.3532	1.1	1.8	-1.0
USD/RUB	74.2926	1.3	-0.9	0.6
USD/UAH	27.2782	0.2	0.2	-3.5

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	4,766.2	0.9	4.4	26.9
FTSE 100 (UK)	7,384.5	0.2	4.6	14.3
MXME (East. Eur.)	183.8	1.0	-1.4	12.9
PFTS (Ukraine)	522.8	-0.1	-0.1	4.6
RTS (Russia)	1,595.8	0.7	-3.0	15.0

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.583	2.8	52.5	70.6
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.	9.000	0.0	5.9	50.0
CB RF. % p.a.	8.500	0.0	13.3	100.0

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	307.5	0.0	-3.5	20.4
Brent. USD/barrel	77.8	2.6	12.9	54.3
WTI. USD/barrel	75.2	1.9	14.2	58.9
Gold. USD/ounce	1,829.2	1.0	3.1	-3.6

Source: Bloomberg

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MACROECONOMY

Balance of payments

The current account turned into deficit USD 417.0 million in November (USD 456.0 million surplus in November last year).

On current account transactions excluding reinvested earnings deficit totaled USD 403.0 million compared to surplus USD 650.0 million in November last year.

Exports of goods grew 1.5 times (38.9% in October). Merchandise exports grew by 7.0% whilst imports increased by 15.3% compared to previous month.

Merchandise exports totaled USD 6.3 billion due to increase in the following main goods categories: food exports (including grains) – 1.5 times, metallurgical exports – 1.9 times, machinery and equipment exports – by 44.1%, chemicals – by 41.7%, timber and wood products – by 39.9%, manufactured goods – by 32.7%. Meanwhile, exports decreased in: mineral exports (including ore) – by 15.1%.

Imports of goods grew 1.5 times (37.0% in October) and landed at USD 7.5 billion.

Energy imports showed 2.2 times (2.4 times in October) growth due to petroleum products imports. Non-energy imports grew by 33.1%, particularly: chemicals – 1.5 times, machinery and equipment imports – by 27.4 %, metallurgical imports – 1.7 times, food goods – by 22.1%, manufactured products – by 24.7%. While, imports of timber and wood products decreased by 5.1%

The surplus of trade in services totaled USD 407 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 borrowing from rest of the world in November totaled USD 416.0 million.

The financial account net inflows totaled USD 793.0 million and was generated by private sector operations Net inflows to the private sector.

The net inflows to private sector (including errors and omissions) totaled USD 719.0 million.

Public sector net inflows stood at only USD 74.0 million: loans net disbursements from international partners were partially offset by repayments on government debt securities to non-residents.

The net inflows of foreign direct investments stood at USD 6.0 million.

The net decrease of the banking system's external position on portfolio and other investments accounted for USD 88.0 million owing to these factors: loans external position net decrease, net decrease of external position on "currency and deposits" item.

The real sector external position net decrease (excluding foreign direct investment) totaled USD 630.0 million.

Foreign currency cash outside banks grew USD 1.1 billion.

The overall balance of payments surplus stood at USD 377.0 billion.

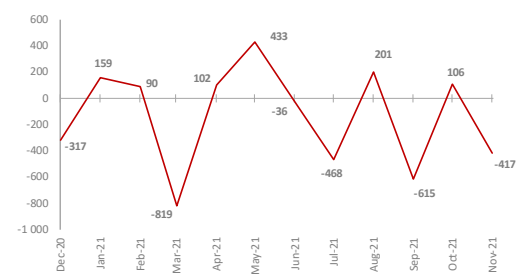
The overall balance of payments surplus coupled with second tranche disbursement from the IMF under the Stand-by Arrangement (SDR 500.0 million) brought up the international reserves to USD 30.598 billion.

LATEST MACROECONOMIC DATA

Indicator	Value
Current account of the balance of payments in November 2021, USD billions	-0.4

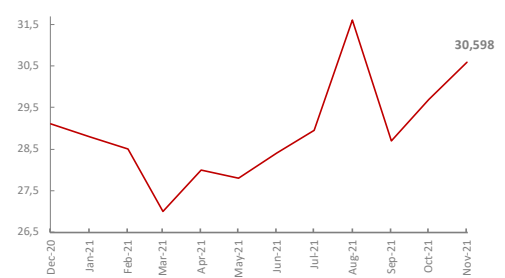
Source: the State Statistics Service

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 a scheduled Pre-New Years auction for placing domestic government bonds, which was held by the Ministry of Finance (MoF) on December 28, investors were offered five series of UAH instruments maturing in three months to three years.

The demand for instruments maturing in three months consisted of 11 bids for the total of UAH 5.1 billion. The single requested yield stood at 10.50% p.a. The accepted yield was at 10.50% p.a.

The demand for bonds maturing in half a year was higher than in the previous auction and consisted of 13 bids for the total of UAH 5.6 billion. The single requested yield stood at 10.80% p.a. The accepted yield was at 10.80% p.a.

The demand for instruments maturing in one year consisted of 21 bids for the total of UAH 1.6 billion. The requested yield ranged within the limits of 11.90 - 11.95% p.a. The accepted yield was at 11.90% p.a.

Bonds maturing in two years collected 13 bids for the total of UAH 2.8 billion. The requested yield ranged within the limits of 12.85 - 12.90% p.a. The accepted yield was at 12.90% p.a.

The lowest demand was for instruments maturing in three years, which consisted of 9 bids for the total of UAH 68.2 million. The requested yield ranged within the limits of 12.90 - 13.00% p.a. The accepted yield was at 12.90% p.a.

Funds raised to the state budget from the sale of instruments on December 27 - UAH 15.0 billion.

Over the past week, the amount of outstanding domestic government bonds went up by UAH 15.3 billion, and as of December 31, 2021, totaled UAH 1,060.7 billion (according to the total principal).

This week it is planned to repay the annual issue of sovereign bonds for the total amount of UAH 11.0 billion (January 05).

Over 2021, Ukraine's total budget revenues came to UAH 1,298.5 billion (UAH 140.2 billion came in December), while VAT refunds totaled UAH 159.7 billion (UAH 17.3 billion was refunded in December). As of 01 January 2021, the balance at the Single Treasury Account was registered at UAH 15.7 billion.

NBU TRANSACTIONS

Over the last week, market participants purchased NBU deposit certificates for the total of UAH 416.5 billion, including overnight certificates for the total of UAH 351.2 billion (the interest rate - at 8.00% p. a.).

As a result of the NBU quantitative liquidity-providing tender to refinance banks, which was held on December 30, the bids of four banks for the total of UAH 4.2 billion were satisfied. The interest rate reached 10.00 % p.a. The loans were provided for the period of up to 29 days.

December 30 the NBU placed deposit certificates maturing in two weeks for the total of UAH 65.3 billion. The interest rate stood at 9.00% p.a.

Banks received UAH 1.5 billion (at 10.00% p.a.) through the standing NBU refinancing line (overnight loans) over 28 - 31 December.

The balance of the State Treasury transactions landed at UAH 44.3 billion over 28 - 31 December.

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
28 Dec.	56 days	10.50%	11/11	5243.32
28 Dec.	147 days	10.80%	13/13	5385.28
28 Dec.	350 days	11.90%	21/20	1537.22
28 Dec.	672 days	12.90%	13/13	2798.33
28 Dec.	1036 days	12.90%	9/8	48.91

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	0.0	-3.7
Banks	547.1	2.6	7.8	5.3
Legal entities	83.1	1.7	7.4	43.2
Territorial	0.1	0.0	0.0	-58.5
Private individ.	25.2	0.8	3.7	126.8
Non-residents	92.6	0.1	1.5	8.6

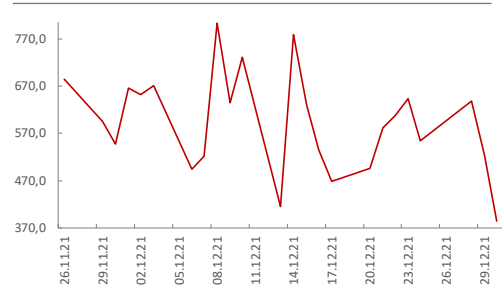
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	34.8	-32.6	-37.0	-7.1	
NBU refinancing. UAH billions	128.3	2.0	4.0	32.1	
NBU deposit certificates	O/N. UAH billions	112.1	43.4	79.9	113.2
	Total. UAH billions	212.8	39.2	45.1	30.1

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 7.50 - 8.50% p.a. on the interbank lending market, while the Ukrainian OverNight Index Average (UONIA) stood at: 8.0750% p.a. on December 28; 8.0667% p.a. on December 29; 8.0000% p.a. on December 30; 8.0000% p.a. on December 31.

FOREIGN EXCHANGE MARKET

The previous trading week on the Ukrainian interbank FX market was rather active on the eve of the New Year and a long New Year's holidays. The market was mostly self-balancing. There were market mechanisms. As a result, on Friday, December 31, the weighted average exchange rate on the interbank FX market was registered at UAH 27.2782 / USD.

In the course of the last week, trading on the interbank foreign exchange market ranged within the following limits: UAH 27.16/27.28/USD on Tuesday, December 28, UAH 27.15/27.25 / USD on Wednesday, December 29, UAH 27.20/27.35 / USD on Thursday, December 30, UAH 27.20/27.35 / USD on Friday, December 31.

Over 28 - 31 December, the National Bank of Ukraine purchased USD 5.0 million from banks by way of the best exchange rate interventions and sold USD 4.0 million to banks by way of the single exchange rate interventions.

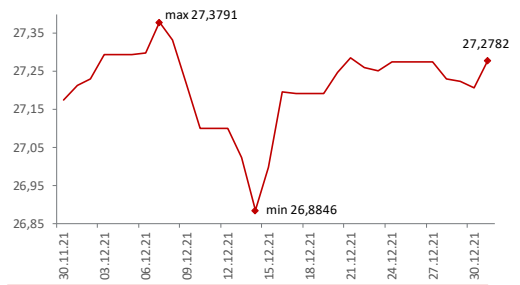
The overall foreign currency sales on the interbank foreign exchange market reached USD 1.5 billion over the previous week.

UKRAINIAN ISSUERS

On December 29, NDU (National Depository of Ukraine) registered the first issue of bank deposit certificates in Ukraine. JSC BANK AVANGARD became the issuer of the pilot issue. Thanks to the coordinated work of the teams of the Central Securities Depository and the issuer, the issue was registered in record time, five working days.

A deposit certificate is a handy tool, even for those who have never dealt with securities before. Its key features are as follows: money market instrument, security (issue for a certain period - up to 397 days), nominal value can be determined in foreign currency, it is a registered security, it exists exclusively in electronic form

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	98,89	99,81	8,03	USD
Ukraine-2023	7,75	01.09.2023	97,67	98,52	8,72	USD
Ukraine-2024	8,99	01.02.2024	99,46	100,50	8,72	USD
Ukraine-2024	7,75	01.09.2024	96,85	97,83	8,67	USD
Ukraine-2025	7,75	01.09.2025	95,81	96,80	8,79	USD
Ukraine-2026	6,75	20.06.2026	94,91	95,68	7,92	EUR
Ukraine-2026	7,75	01.09.2026	95,08	96,12	8,78	USD
Ukraine-2027	7,75	01.09.2027	94,67	95,73	8,72	USD
Ukraine- 2028	9,75	01.11.2028	100,68	101,84	9,37	USD
Ukraine- 2030	4,38	27.01.2030	80,16	81,18	7,78	EUR
Ukraine-2032	7,38	25.09.2032	89,07	90,07	8,82	USD
Ukraine-2033	7,253	15.03.2033	88,09	89,09	8,80	USD
Ukreximbank	9,63	27.04.2022	100,03	101,07	5,97	USD
Ukreximbank	7,29	09.02.2023	99,62	101,78	5,63	USD
Ukreximbank	9,75	22.01.2025	101,51	102,54	8,78	USD
Oschadbank	9,38	10.03.2023	100,31	100,73	8,69	USD
Oschadbank	7,22	19.01.2024	91,57	95,00	9,98	USD
Oschadbank	9,63	20.03.2025	102,45	102,94	8,55	USD
Metinvest BV	7,75	23.04.2023	101,69	102,04	6,09	USD
Metinvest BV	5,63	17.06.2025	98,99	100,13	5,58	EUR
Metinvest BV	8,50	23.04.2026	104,15	104,58	7,24	USD
Metinvest BV	7,65	01.10.2027	100,09	100,40	7,56	USD
Metinvest BV	7,75	17.10.2029	98,49	99,09	7,91	USD
DTEK Renew.	8,5	12.11.2024	90,90	93,05	11,42	EUR
MHP SE	7,75	10.05.2024	102,01	102,24	6,70	USD
MHP Lux SA	6,95	03.04.2026	99,58	100,03	6,94	USD
MHP Lux SA	6,25	19.09.2029	93,21	94,36	7,22	USD
Kernel Holding	6,50	17.10.2024	100,90	100,99	6,10	USD
VF Ukraine	6,20	11.02.2025	100,67	100,83	5,96	USD
Ukraine Railways	8,25	09.07.2024	98,40	98,78	8,80	USD
NAK Naftogaz	7,38	19.07.2022	98,68	99,16	9,00	USD
NAK Naftogaz	7,13	19.07.2024	90,08	91,13	11,30	EUR
NAK Naftogaz	7,625	08.11.2026	87,52	88,22	10,81	USD
NPC Ukrenergo	6,875	09.11.2026	87,65	87,94	10,08	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2017	2018	2019	2020	2021
GDP. %	2,5	3,3	3,2	-4.0	2.7 (third quarter, preliminary estimate)
Industrial output. %	-0,1	1,1	-0,5	4.8	0.4 (November)
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)	0.4 (November, preliminary estimate)
Current account balance. USD billions	-2,4	-4,4	-4,1	6.5 (preliminary estimate)	-0.4 (November, preliminary estimate)
Balance of trade (goods and services). USD billions	-8,61	-12,7	-12,5	-1.8 (preliminary estimate)	-0.8 (November, 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)	125.0 (third 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	27.28
Exchange rate. annual average. UAH/USD	26,60	27,20	25,85	26.96	27.28

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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