

# Financial markets survey

17 January 2022

## A STRENGTH TEST

**The World Bank has lowered its global growth forecast**  
**Producer prices went up 2.7% in December**  
**The NBU is updating the terms of foreign exchange transactions**

### GLOBAL MARKET

Following the results of last week, the key stock indices showed a decline. Expectations of a faster-than-expected strengthening of the FRS policy, as well as weak statistics, which raise investors' doubts about the sustainability of economic growth in the United States, create a negative sentiment.

The US Consumer Price Index (CPI) reached 7.0% in December compared to 6.8% in November. Inflation has been at its highest level since 1982. The Core CPI, which does not include food and fuel prices, increased to 0.6% from 0.5% month-on-month and to 5.5% year-on-year compared to 4.9% in November. In its monetary policy, the FRS tends to focus on core inflation. The increase in the rate of CPI growth confirms the possibility of an accelerated transition to tighter monetary policy.

The volume of industrial output in the United States in December decreased by 0.1% compared to the previous month. This came as a surprise to analysts, who had predicted an average increase of 0.3%. The decline in industrial production in the last month of the past year after two months of growth was caused by both continuous disruptions in global supply chains and unusually warm weather, which affected the energy sector. The volume of industrial output in December 2021 went up 3.7% compared to December 2020.

There was also a downward trend in retail sales in the US in December. The volume went down 1.9%, while analysts had expected a mere 0.1% decrease. Excluding transport, sales decreased by 2.3% compared to the expected growth of 0.2%.

The World Bank revised its global growth forecast for 2022 to 4.1% from 4.3% in June and warned that supply chain problems, rising inflationary pressures, and increased financial vulnerability could increase the risks of a sharp economic downturn after the rapid upturn. In particular, the growth in the US this year is expected to slow down to 3.7% compared to 5.6% in 2021, the growth in China is expected to slow down to 5.1% compared to 8.0%, and the growth in the Eurozone is expected to slow down to 4.2% compared to 5.2%.

During the previous week, trading in the EUR/USD pair ranged within the limits of USD 1.1283/1.1482 EUR.

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### WEEKLY ISSUE

#### EXCHANGE RATES

| Foreign currency | last    | week ch.. % | mon. ch.. % | YTD. % |
|------------------|---------|-------------|-------------|--------|
| EUR/USD          | 1.1447  | 1.3         | 1.2         | 1.1    |
| GBP/USD          | 1.3675  | 0.6         | 3.4         | 1.1    |
| USD/RUB          | 74.5686 | 0.4         | 1.6         | 0.4    |
| USD/UAH          | 27.9514 | 1.7         | 3.5         | 2.5    |

#### STOCK MARKETS

| Index             | last    | week ch.. % | mon. ch.. % | YTD. % |
|-------------------|---------|-------------|-------------|--------|
| S&P 500 (US)      | 4,662.9 | -0.3        | 0.6         | -2.2   |
| FTSE 100 (UK)     | 7,543.0 | 0.8         | 4.5         | 2.1    |
| MXME (East. Eur.) | 177.8   | -3.1        | 0.0         | -3.3   |
| PFTS (Ukraine)    | 522.8   | 0.0         | -0.1        | 0.0    |
| RTS (Russia)      | 1,485.9 | -3.8        | -4.1        | -6.9   |

#### KEY RATES

| Rate             | last      | week ch.. % | mon. ch.. % | YTD. % |
|------------------|-----------|-------------|-------------|--------|
| Libor 1Y. % p.a. | 0.726     | 9.7         | 45.8        | 24.5   |
| 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         | 0.0         | 0.0    |
| CB RF. % p.a.    | 8.500     | 0.0         | 13.3        | 0.0    |

#### COMMODITY MARKETS

| Commodity         | last   | week ch.. % | mon. ch.. % | YTD. % |
|-------------------|--------|-------------|-------------|--------|
| Wheat. USD/ton    | 305.0  | 0.7         | -2.7        | 0.7    |
| Brent. USD/barrel | 86.1   | 5.3         | 16.9        | 10.6   |
| Gas. EUR/MWh      | 89.5   | 6.5         | -31.2       | -0.6   |
| Gold. USD/ounce   | 1817.9 | 1.2         | 2.7         | -0.6   |

Source: Bloomberg

## MACROECONOMY

### Producer prices

According to the State Statistics Service, producer prices in December 2021 went up 2.7% compared to November 2021 and 62.2% compared to December 2020.

Compared to November, producer prices in mining and quarrying in December went up 3.8%. Prices in manufacturing of black coal went up 61.6%, while prices in the extraction of crude petroleum and natural gas increased 4.6%. At the same time, prices in mining of metal ores dropped 17.6%.

Prices in process manufacturing went up 1.7% in December 2021 compared to November 2021. The country registered that the cost of production of food, beverages, and tobacco products went up 1.9%. At the same time, the cost of manufacture of wood and paper products increased by 1.9%, the cost of production of coke and refined petroleum products went up 0.6%, the cost of production of chemicals and chemical products increased by 3.7%, the cost of production of key pharmaceutical products and preparations went up 0.3%, the cost of metallurgical production increased by 1.1%, and the cost of mechanical engineering went up 0.4%.

The price of electricity, gas, and steam supply rose by 5.1%.

Prices went up 1.7 % in the production of non-durable consumer goods and 0.8% in the production of durable consumer goods. At the same time, prices in energy generation jumped 8.7%, and prices in the production of investment goods went up 1.1%. Meanwhile, prices went down 1.6 % in the production of intermediate goods.

### Wages

The average nominal monthly wage of full-time staff members employed at companies, institutions and organizations totaled UAH 14,282.00 in November, which constitutes approximately 240.0% of the minimum wage (UAH 6,000.00).

Compared to October, the average nominal wage went up 1.7%. Over the last twelve months (compared to November 2020) - jumped 19.2%.

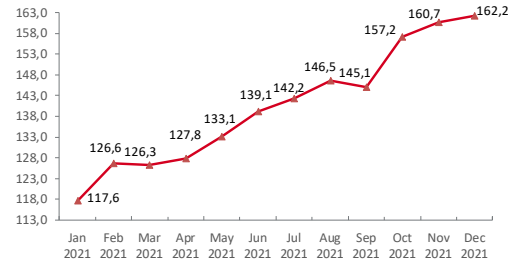
In November 2021, the Index of Real Wages stood at 100.9% compared to October 2021 and at 108.0% compared to November 2020.

In November, the highest average wages were registered among those employed in information and telecommunications (UAH 27,147.00), in finance and insurance (UAH 23,419.00), as well as in public administration and defense (UAH 19,917.00).

As of 01 December 2021, total wage arrears were registered at UAH 3,942.8 million or at 98.4% compared to 01 November 2021.

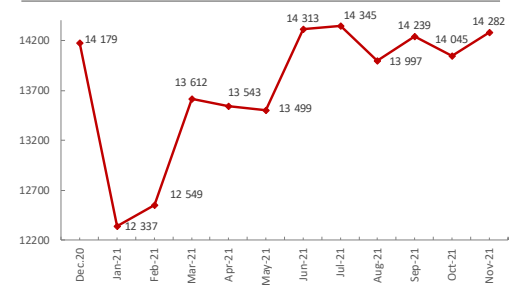
As of the beginning of December 2021, more than three quarters of debt accounted for the production sector (76.1%). At the same time, more than a half of this amount was generated in Donetsk (24.0%), Kharkiv (12.4%), Dnipropetrovsk (12.3%) regions and Kyiv (13.3%).

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



Source: the State Statistics Service

### AVERAGE NOMINAL WAGES (UAH)



Source: the State Statistics Service

## BOND MARKET AND PUBLIC FINANCE

At the first 2022 auction for placing domestic government bonds, which was held by the Ministry of Finance (MoF) on January 11, investors were offered six series of UAH instruments. Even despite the rates increase, MoF was unable to raise a significant amount of funds.

The demand for instruments maturing in three months consisted of 17 bids for the total of UAH 0.6 billion. The single requested yield stood at 10.95% p.a. The accepted yield was at 10.95% p.a. MoF satisfied the demand in full.

Bonds maturing in one year collected 18 bids for the total of UAH 0.6 billion. The requested yield ranged within the limits of 11.90 - 11.95% p.a. The accepted yield was at 11.90% p.a. MoF rejected 1 bid.

The lowest demand was for bonds maturing in April 2023, which consisted of 6 bids for the total of UAH 30.8 million. The single requested yield stood at 11.90% p.a. The accepted yield was at 11.90% p.a. MoF satisfied the demand in full.

The highest demand was for instruments maturing in two years, which consisted of 26 bids for the total of UAH 2.0 billion. The requested yield ranged within the limits of 12.90 - 13.00% p.a. The accepted yield was at 12.95% p.a. MoF rejected 2 bids.

Bonds maturing in three years collected 13 bids for the total of UAH 0.5 billion. The requested yield ranged within the limits of 12.90 - 13.00% p.a. The accepted yield was at 12.95% p.a. MoF rejected 2 bids.

The demand for bonds maturing in four years consisted of 12 bids for the total of UAH 0.1 billion. The requested yield ranged within the limits of 13.00 - 13.10% p.a. The accepted yield was at 13.10% p.a. MoF satisfied the demand in full.

Funds raised to the state budget from the sale of instruments on January 11 - UAH 3.9 billion.

Over the past week, the amount of outstanding domestic government bonds went up UAH 1.1 billion, and as of January 14, 2022, totaled UAH 1,051.7 billion (according to the total principal).

During the current week MoF will have to pay out one issue of domestic bonds for the total of UAH 2.5 billion (due on January 19).

## NBU TRANSACTIONS

Over the last week, market participants purchased NBU deposit certificates for the total of UAH 306.5 billion, including overnight certificates for the total of UAH 251.4 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 January 14, the bids of five banks for the total of UAH 795.0 million were satisfied. The interest rate reached 10.00% p.a. The loans were provided for the period of up to 28 days.

On Friday, January 14, the NBU placed deposit certificates maturing in two weeks for the total of UAH 55.1 billion. The interest rate- at 9.00% p.a.

Banks received UAH 0.5 billion (at 10.00% p.a.) through the standing NBU refinancing line (overnight loans) over 10 - 14 January.

The negative balance of the State Treasury transactions landed at UAH 18.2 billion over 10 - 14 January.

The liquidity of the banking system remains at a high level and is concentrated in the NBU deposit certificates and NBU correspondent accounts.

## THE RESULTS OF PLACING DOMESTIC BONDS

| Date of placement | Type of Domestic Bonds | Weight-average yield | Submit./satisfied bids | Funds raised, UAH millions |
|-------------------|------------------------|----------------------|------------------------|----------------------------|
| 11 Jan.           | 105 days               | 10.95%               | 17/17                  | 622.89                     |
| 11 Jan.           | 371 days               | 11.90%               | 18/17                  | 626.92                     |
| 11 Jan.           | 462 days               | 11.90%               | 6/6                    | 33.40                      |
| 11 Jan.           | 763 days               | 12.94%               | 26/24                  | 2061.64                    |
| 11 Jan.           | 1022 days              | 12.95%               | 13/11                  | 412.06                     |
| 11 Jan.           | 1582 days              | 13.09%               | 12/12                  | 116.79                     |

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         | 0.0    |
| Banks            | 543.8                   | 0.8         | 5.5         | -0.6   |
| Legal entities   | 82.2                    | -0.4        | 3.5         | -1.1   |
| Territorial      | 0.1                     | 0.0         | 0.0         | 0.0    |
| Private individ. | 25.5                    | 1.9         | 7.2         | 1.5    |
| Non-residents    | 87.4                    | -3.6        | -6.3        | -5.7   |

Source: the National Bank of Ukraine

## MARKET INDICATORS

| Indicator                        | last                | week ch.. % | mon. ch.. % | YTD. % |       |
|----------------------------------|---------------------|-------------|-------------|--------|-------|
| The balance on c/a. UAH billions | 55.8                | 30.1        | -15.7       | 60.2   |       |
| NBU refinancing. UAH billions    | 124.5               | 0.4         | 0.0         | -3.0   |       |
| NBU deposit certificates         | O/N. UAH billions   | 45.5        | -40.6       | -6.3   | -59.4 |
|                                  | Total. UAH billions | 164.9       | -20.0       | 22.5   | -22.5 |

Source: the National Bank of Ukraine

### 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: 8.0000 % p.a. on January 10; 8.0247% p.a. on January 11; 8.0415% p.a. on January 12; 8.0424% p.a. on January 13; 8.0171% p.a. on January 14.

### FOREIGN EXCHANGE MARKET

Last week, Ukrainian hryvnia weakened on the Ukrainian interbank FX market. Demand for foreign currency exceeded the supply of such currency, and the regulator was forced to enter the market in order to sell currency. The demand for the currency was generated mainly by non-residents and energy importers, due to the cold temperatures in winter, which are observed almost in all regions of the country. As a result, on Friday, January 14, the weighted average exchange rate on the interbank FX market was registered at UAH 27.9514 / USD.

In the course of the previous week, trading on the interbank FX market ranged within the following limits: UAH 27.47/27.55 / USD on Monday, January 10, UAH 27.47/27.55 / USD on Tuesday, January 11, UAH 27.67/27.75 / USD on Wednesday, January 12, UAH 27.70/27.76 / USD on Thursday, January 13, UAH 27.90/27.90 / USD on Friday, January 14.

Over January 10 - January 14, the National Bank of Ukraine sold USD 330.7 million to banks by way of exchange rate interventions: USD 163.2 million by way of the single exchange rate interventions and USD 167.5 million by way of the best exchange rate interventions.

The overall foreign currency sales on the interbank FX market reached USD 2.9 billion over the previous week.

### CAPITAL MARKETS

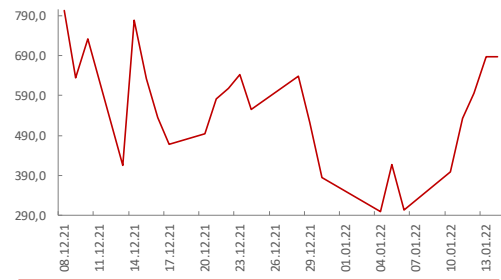
On January 13, PFTS listed Romania's Eurobonds. As of December 14, all issues of foreign issuers' securities approved in Ukraine have been admitted to PFTS trading.

### FINANCIAL MARKET

For the purpose of deepening the liquidity of financial markets and further development of the Ukrainian payment services market, starting from January 15, 2022, the National Bank:

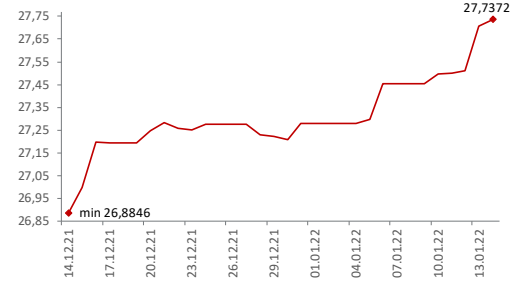
- expanded the range of intermediaries with which residents can make payments in foreign currency on the after-market of domestic government bonds, non-banking institutions - investment companies;
- will provide opportunities for banks to introduce new models of cross-border transfers in the Ukrainian payment services market. Banks will be allowed to credit funds received from abroad in foreign currency using correspondent bank accounts on current accounts of individuals in Ukraine, opened in national currency. To date, such terms only applied to cross-border transfers through international payment systems.
- is updating certain regulations in order to simplify the procedure of making small cross-border transfers for citizens when paying for products, works, services they purchase for themselves outside Ukraine.

### TRADING VOLUMES (USD MILLIONS)



Source: NBU

### NBU EXCHANGE RATE (UAH/USD)



Source: NBU

## UKRAINE ON INTERNATIONAL FINANCIAL MARKET

According to Bloomberg, Ukraine's public debt in dollars has fallen to a difficult level due to tensions with Russia.

According to Bloomberg, the average risk premium on Ukrainian bonds on Friday rose to 1,050 bp. index tracking sovereign debt from emerging markets. The average debt spread of Ukraine as of December 31 was 781 basis points

Of the 10 bonds included in the index with a total market value of USD 14.1 billion, six have spreads on US Treasury bonds of at least 1,000 basis points, which is considered problematic.

Additional premium for USD 750 million, Ukraine's debt jumped to 1,434 basis points, and its profitability reached 15.7%, according to the data; A spread of USD 1.6 billion in November 2028 bonds reached 1,034 basis points.

## THE WORLD BANK

The World Bank lowered its forecast for Ukraine's gross domestic product (GDP) growth to 3.2% in 2022 and to 3.5% in 2023, while in October last year it expected it to increase by 3.5% and 3.7%.

In accordance to the World Bank's January review of the Global Economic Prospects (GEP), the bank estimates the growth of the Ukrainian economy in 2021 at 3.4% after a decline of 4.0% in 2020.

Growth in Eastern Europe is projected to be the weakest among the ECA (Europe and Central Asia) subregions, halving from 3.1 percent in 2021 to 1.4 percent in 2022. The subdued outlook, particularly for private investment, reflects ongoing geopolitical tensions in Ukraine.

Assuming geopolitical tensions do not escalate further, improving domestic demand should help lift output in Eastern Europe to 3.2 percent in 2023.

## QUOTATIONS ON GLOBAL MARKETS

| Name             | Coupon | Maturity   | Bid Price | Ask Price | Ask YTM | Cur |
|------------------|--------|------------|-----------|-----------|---------|-----|
| Ukraine-2022     | 7.75   | 01.09.2022 | 92.15     | 93.32     | 19.72   | USD |
| Ukraine-2023     | 7.75   | 01.09.2023 | 89.69     | 90.71     | 14.37   | USD |
| Ukraine-2024     | 8.99   | 01.02.2024 | 88.26     | 89.29     | 15.32   | USD |
| Ukraine-2024     | 7.75   | 01.09.2024 | 85.35     | 86.46     | 14.11   | USD |
| Ukraine-2025     | 7.75   | 01.09.2025 | 84.89     | 86.16     | 12.63   | USD |
| Ukraine-2026     | 6.75   | 20.06.2026 | 84.47     | 85.27     | 11.12   | EUR |
| Ukraine-2026     | 7.75   | 01.09.2026 | 84.81     | 86.03     | 11.75   | USD |
| Ukraine-2027     | 7.75   | 01.09.2027 | 84.58     | 85.66     | 11.26   | USD |
| Ukraine-2028     | 9.75   | 01.11.2028 | 87.92     | 89.14     | 12.14   | USD |
| Ukraine-2030     | 4.38   | 27.01.2030 | 72.85     | 74.01     | 9.33    | EUR |
| Ukraine-2032     | 7.38   | 25.09.2032 | 78.42     | 79.72     | 10.59   | USD |
| Ukraine-2033     | 7.253  | 15.03.2033 | 77.91     | 79.11     | 10.47   | USD |
| Ukreximbank      | 9.63   | 27.04.2022 | 96.82     | 98.14     | 16.39   | USD |
| Ukreximbank      | 7.29   | 09.02.2023 | 97.26     | 99.67     | 7.72    | USD |
| Ukreximbank      | 9.75   | 22.01.2025 | 96.76     | 98.00     | 10.54   | USD |
| Oschadbank       | 9.38   | 10.03.2023 | 94.76     | 95.31     | 13.93   | USD |
| Oschadbank       | 7.22   | 19.01.2024 | 84.05     | 87.49     | 14.72   | USD |
| Oschadbank       | 9.63   | 20.03.2025 | 99.94     | 100.40    | 9.47    | USD |
| Metinvest BV     | 7.75   | 23.04.2023 | 92.86     | 93.14     | 13.87   | USD |
| Metinvest BV     | 5.63   | 17.06.2025 | 90.28     | 91.22     | 8.65    | EUR |
| Metinvest BV     | 8.50   | 23.04.2026 | 91.40     | 93.76     | 10.34   | USD |
| Metinvest BV     | 7.65   | 01.10.2027 | 92.56     | 93.38     | 9.16    | USD |
| Metinvest BV     | 7.75   | 17.10.2029 | 90.59     | 91.13     | 9.39    | USD |
| DTEK Renew.      | 8.5    | 12.11.2024 | 87.67     | 90.12     | 12.78   | EUR |
| MHP SE           | 7.75   | 10.05.2024 | 94.86     | 95.16     | 10.14   | USD |
| MHP Lux SA       | 6.95   | 03.04.2026 | 90.53     | 90.93     | 9.62    | USD |
| MHP Lux SA       | 6.25   | 19.09.2029 | 83.47     | 84.48     | 9.10    | USD |
| Kernel Holding   | 6.50   | 17.10.2024 | 96.39     | 96.47     | 7.95    | USD |
| VF Ukraine       | 6.20   | 11.02.2025 | 97.97     | 98.54     | 6.95    | USD |
| Ukraine Railways | 8.25   | 09.07.2024 | 92.26     | 92.61     | 11.78   | USD |
| NAK Naftogaz     | 7.38   | 19.07.2022 | 92.79     | 94.05     | 20.49   | USD |
| NAK Naftogaz     | 7.13   | 19.07.2024 | 80.47     | 81.46     | 16.74   | EUR |
| NAK Naftogaz     | 7.625  | 08.11.2026 | 79.88     | 80.59     | 13.20   | USD |
| NPC Ukrenergo    | 6.875  | 09.11.2026 | 79.71     | 80.07     | 12.51   | USD |

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

| Indicator  | 2017   | 2018   | 2019   | 2020                           | 2021   |
|--|--------|--------|--------|--------------------------------|--|
| GDP. %   | 2,5    | 3,3    | 3,2    | -4.0                           | 2.7<br>(third quarter, preliminary estimate) |
| Industrial output. %   | -0,1   | 1,1    | -0,5   | 4.8                            | 0.4<br>(November)                            |
| Consumer price growth.<br>% year-on-year                             | 13,7   | 9,8    | 4,1    | 5.0                            | 10.0   |
| <b>Producer price growth.<br/>% year-on-year</b>                     | 16,5   | 14,2   | -7,4   | 14.5                           | <b>62.2</b>                                  |
| Balance of payments (consolidated).<br>USD billions                  | 2,6    | 2,9    | 6,0    | 2.0<br>(preliminary estimate)  | -2.2<br>(October, preliminary estimate)      |
| Current account balance.<br>USD billions                             | -2,4   | -4,4   | -4,1   | 6.5<br>(preliminary estimate)  | -0.5<br>(October, preliminary estimate)      |
| Balance of trade<br>(goods and services).<br>USD billions            | -8,61  | -12,7  | -12,5  | -1.8<br>(preliminary estimate) | -0.7<br>(October, preliminary estimate)      |
| International reserves,<br>USD billions,<br>by the end of the period | 18,8   | 20,8   | 25, 3  | 29.1<br>(preliminary estimate) | 29.7<br>(October)                            |
| External debt.<br>USD billions                                       | 116, 6 | 114, 7 | 121,7  | 125.8<br>(fourth quarter)      | 125.0<br>(third quarter)                     |
| Banking system assets,<br>% of annual growth                         | 6, 4   | 2, 0   | 9, 9   | 18.9                           | 8.9<br>(January - November)                  |
| Exchange rate. by year end.<br>UAH/USD                               | 28, 07 | 27, 69 | 23, 69 | 28.27                          | 27.28  |
| Exchange rate. annual average.<br>UAH/USD                            | 26, 60 | 27, 20 | 25, 85 | 26.96                          | 27.28  |

Source: the State Statistics Service, NBU

| Index/<br>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  |
| Gas                 | ICE Endex Dutch TTF Gas Spot Price. Gas for physical delivery at the Dutch Title Transfer Facility (TTF)   |
| Wheat               | GRXPUAFW AGRO. Index.Ukraine Feed Wheat FOB Black Sea Port Export Price  |



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