



Financial markets survey

13 January 2014

A quiet start

WEEKLY ISSUE

GLOBAL MARKETS

During the first weeks of the new year, western markets were quiet. Indices of the leading western trading platforms mainly stayed flat. Traders and investors have continued to return from new year holidays to take challenges of the new year.

The International Monetary Fund (IMF) is getting ready to upgrade the forecast for global economic growth. In December, IMF Managing Director Christine Lagarde stated that IMF's experts became "much more confident" in prospects for the American economy in 2014. The IMF's current forecast expects growth of the global economy at 3.6% during the current year.

As a result of the December meeting, the US Federal Reserve System decided to taper the quantitative easing program by USD 10 billion per month and to keep the targeted range of the federal funds rate between 0 and 0.25% per annum. The information about curtailing government incentives became known at the end of December 2013. The market accepted this information calmly. This is why the specification on the volumes to be tapered also did not become a significant factor that could influence markets over the previous week.

Last week, there was positive news regarding unemployment. The rate of unemployment in the US went down from 7 to 6.7% and turned out to be record-low since October 2008. This indicator also turned out to be much better than analysts expected. In December, the rate of unemployment in Germany remained at 6.9% for the fourth consecutive month, same as experts forecast.

During the current week, investors expect publication of statistical data on retail trade and inflation in the US, as well as industrial output and the balance of payments in the euro-area.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1842.4	0.6%	3.8%	-0.3%
FTSE 100 (UK)	6739.9	0.1%	4.7%	-0.1%
MXME (East. Eur.)	194.0	-2.0%	-0.3%	-3.1%
UX (Ukraine)	895.7	-1.6%	0.6%	-1.6%
RTS (Russia)	1395.9	-3.2%	0.3%	-3.2%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	268.0	0.0%	-2.9%	0.0%
Steel. USD/ton	502.5	0.0%	0.0%	0.0%
Oil. USD/barrel	107.3	0.3%	-1.0%	-3.2%
Gold. USD/ounce	1244.3	0.8%	1.0%	3.3%

Source: Bloomberg

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MACROECONOMICS

According to information of the State Statistics Service, consumer prices in December 2013 grew 0.5% compared to the previous month. Over 2013, consumer prices grew the same 0.5%.

The main reason for accelerating inflation during the last month of 2013 was growing prices for food products, as well as alcoholic beverages and tobacco products. Prices for vegetable, sugar and dairy products grew the most. Nevertheless, prices for food products slipped 0.7% over 2013. The state statistics bodies registered a drop in prices for meat, fish, fruits, and sunflower-seed oil. At the same time, prices for alcoholic beverages and tobacco products rose 10.1% in 2013.

In December 2013, producer prices grew 0.7% compared to the previous month and went up 1.7% year-on-year. Growing producer prices in December were connected mainly with accelerating prices in mining industry, as well as electricity rates rising 2.1%.

BOND MARKET

Last week, the Ministry of Finance did not hold any tenders for placing internal government bonds.

During the current week, the Ministry of Finance plans to hold a tender on 14 January. The Ministry of Finance will offer internal government bonds denominated in hryvnia and maturing in 2014, 2019 and 2020.

EQUITY MARKET

In 2014, the Ukrainian Exchange (UX) resumed trading on 8 January. On 9 January, the UX Index fell 20 points and went below 900 points. Over the next day, the UX Index grew a little and closed at 895.68 points.

We expect that, in the near future, trading on the Ukrainian stock market will continue to be weak, while bargains will be mainly of technical nature without any link to a certain strategy.

FOREIGN EXCHANGE MARKET

On 3 January – the first working day of 2014 – trading ranged within the limits of UAH 8.20-8.23/USD. The next working week began on Wednesday, 8 January. On that day, trading ranged within the limits of UAH 8.22-8.24/USD. By the end of the previous week, the market grew gradually. The exchange rate on the interbank foreign exchange market reached UAH 8.24-8.25/USD on Thursday, UAH 8.27-8.29/USD on Friday and UAH 8.28-8.29/USD on Saturday. The activity on the market was low, state-owned banks were not active participants in trading. The National Bank of Ukraine made no interventions.

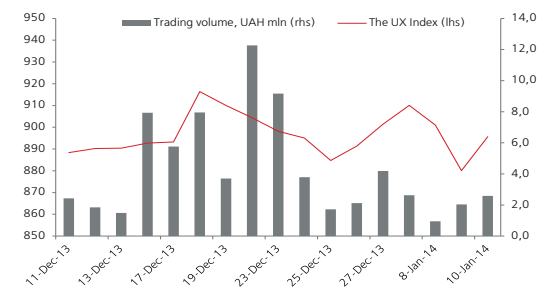
The maximum foreign exchange sales volumes were registered on Friday, 3 January: above USD 1.5 billion (all currencies), including sales of the American currency alone for the total of USD 1.2 billion.

LATEST MACROECONOMIC DATA

Indicator	Value
Consumer price change in December 2013, %	0.5

Source: the State Statistics Service

THE UX INDEX AND TRADING VOLUME



Source: Bloomberg



INTERBANK LENDING MARKET

Since the beginning of 2014, the balance on correspondent accounts has been at a high level. This fact, as well as low activity of market participants during the post-holiday period, caused a drop in rates for interbank loans. Over 9-10 January, the cost of overnight resource did not exceed 2% per annum, while monthly resources cost 2-4%.



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