



Financial markets survey

27 January 2014

First disappointments

WEEKLY ISSUE

GLOBAL MARKETS

Last week, financial markets sustained the first significant losses since the beginning of the year. By the end of the previous week, indices of the leading global trading platforms lost more than 2%. Markets collapsed during the last two trading days of the previous week, whereas markets stayed mostly flat during the first three days of the previous week.

On Thursday, 23 January, markets were disappointed over data on weakening business activity in China's processing industry (PMI). Against the background of shrinking PMI in China, prices for a number of metals went down, which resulted in declining quotations of the largest metals and iron ore producers. Corporate financial statements that continued to come in the course of the previous week also were not always a reason for joy.

On Friday, 24 January, financial markets' indicators were seriously influenced by the sell-out of developing countries' currencies. The Russian ruble exchange rate against the US dollar slipped 1.1% on Friday and fell 4.7% since the beginning of 2014. The Indian rupee slipped 1.2%, the South African rand dropped 1.3%, which is a record-low since October 2008. The Turkish lira set new record-lows against the US dollar and the euro. The Argentinean peso plunged more than 8% on Thursday, after the central bank of the country cut down its interventions to support the national currency. Demand for currencies of developing countries began to subside after the US Federal Reserve System (FRS) signaled the intention to taper its asset purchase program.

After such a headlong two-day fall, it is hardly possible to expect rapid recovery of indices. During the current week, markets will, most likely, consolidate at lower levels than those registered at the beginning of the year.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1790.3	-2.6%	-2.3%	-3.1%
FTSE 100 (UK)	6663.7	-2.4%	-0.5%	-1.3%
MXME (East. Eur.)	189.1	-2.2%	-5.9%	-5.6%
UX (Ukraine)	849.1	-7.8%	-5.1%	-6.7%
RTS (Russia)	1364.1	-2.3%	-6.2%	-5.4%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	260.0	0.0%	-3.4%	-3.0%
Steel, USD/ton	497.5	-0.5%	-1.0%	-1.0%
Oil, USD/barrel	107.9	1.3%	-3.3%	-2.4%
Gold, USD/ounce	1267.0	1.4%	5.7%	5.2%

Source: Bloomberg

www.pumb.ua

Securities Department
Andriivska St., 4, Kiev, Ukraine 04070
tel. +38 044 231 7380

MACROECONOMICS

According to information of the State Statistics Service, real wages grew 8.2% in 2013. In December 2013, real wages rose 6.7% year-on-year

Compared to 2012, real wages slowed down due to the recession in the country's economy. The positive dynamics of wages growth was preserved thanks to low inflation, as well as a relatively low level of the average official wages in the country.

In December 2013, the average monthly wages of full-time employees reached UAH 3,800. The highest wages were registered in the city of Kyiv, Donetsk oblast and Sevastopol, while the lowest wages were observed in Chernihiv, Ternopil and Kherson oblasts.

BOND MARKET

Last week, the Ministry of Finance managed to raise UAH 3.8 billion to the State Budget of Ukraine by way of primary placements of internal government bonds that were held on 21 and 23 January.

On 21 January, the biggest number of bids was submitted for purchasing bonds denominated in hryvnia and maturing in 120 days. However, the Ministry of Finance satisfied only three out of six bids, setting the earning rate for these bids at 8.25% per annum. Also, the Ministry of Finance placed ultra short-term internal government bonds denominated in US dollars and maturing in 21 days with an earning rate of 5%.

On 23 January, the biggest number of bids was submitted for purchasing internal government bonds maturing in 90 days. The weighted average rate for these bonds was 8.25% per annum. At the same time, the weighted average rate for bonds maturing in 118 days reached 8.98%. Bonds maturing in five years were placed with an earning rate of 14.25%.

During the current week, the Ministry of Finance plans to hold a tender on Tuesday, 28 January. The Ministry of Finance will offer internal government bonds denominated in hryvnia and maturing in October 2014, as well as bonds maturing in five and six years.

EQUITY MARKET

Because of the extreme aggravation of the political conflict in the country, the Ukrainian stock market collapsed during the previous week. The Ukrainian Exchange (UX) Index lost 7.8% over the previous week and closed at 849.06 points on Friday. The highest trading volumes were registered in Friday, 24 January, when traders apparently resorted to the massive clearance sale.

FOREIGN EXCHANGE MARKET

Last week, there was significant appreciation of the US dollar exchange rate on the interbank foreign exchange market. Each day saw a new record-high. Trading ranged within the limits of UAH 8.37-8.40/USD on Monday, UAH 8.38-8.41/USD on Tuesday, UAH 8.42-8.45/USD on Wednesday, UAH 8.43-8.46/USD on Thursday, and UAH 8.44-8.49/USD on Friday. The market closed at UAH 8.50-8.55/USD on Friday afternoon, 24 January. This growth is heated by mass protests in the country, which amplifies devaluating pressure on the hryvnia. The National Bank of Ukraine has made no interventions so far in 2014. State-owned banks had a minimum

LATEST MACROECONOMIC DATA

Indicator	Value
Change in real wages in 2013, %	8.2

Source: the State Statistics Service

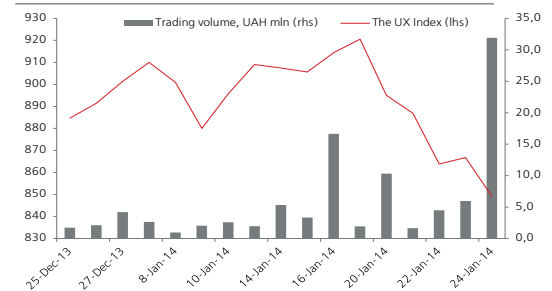
THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of bonds	Weight. av. rate	Submit./satisfied bids	Funds raised. UAH mln
21 Jan	1814 days	14.25%	2/2	250.6
21 Jan	120 days	8.25%	6/3	87.6
21 Jan	21 days	5.00%	2/2	199.7*
23 Jan	118 days	8.98%	4/4	505.3
23 Jan	1812 days	14.25%	1/1	702.1
23 Jan	90 days	8.25%	6/5	674.3

*USD millions

Source: the Ministry of Finance of Ukraine

THE UX INDEX AND TRADING VOLUME



Source: Bloomberg



impact on the market. The maximum foreign exchange sales volumes were registered on Friday, 24 January: above USD 3.2 billion (all currencies), including sales of the American currency alone for more than USD 2.7 billion.

INTERBANK LENDING MARKET

Last week, the situation on the interbank lending market did not change much. Because of the deficit and appreciation of the US dollar, rates for swap transactions on the interbank lending market plunged to negative values. As of Friday morning, 24 January, the balance on correspondent accounts totaled UAH 28 billion.



SECURITIES DEPARTMENT

Marina Tregubenko
Head of department
+38 044 231 7598
marina.tregubenko@fuib.com

Marina Timbay
Trading and brokerage
+38 044 231 7053
marina.timbay@fuib.com

Yevhenia Akhtyrko
Research
+38 044 231 7380
evgeniya.ahtyrko@fuib.com

**INTERNATIONAL FINANCING
AND TRANSACTION STRUCTURING**

Serhiy Zubro
+38 044 231 7055
serhiy.zubro@fuib.com

TREASURY

Anton Stadnik
+38 044 231 7046
anton.stadnik@fuib.com

PUBLIC RELATIONS

Alina Nuzhnenko
+38 044 231 7252
alina.nuzhnenko@fuib.com