



Financial markets survey

03 February 2014

Losses go on

WEEKLY ISSUE

GLOBAL MARKETS

Negative moods continue to dominate on financial markets across the world. A swift decline on the US stock markets was suspended, and indices stayed mainly flat. The British FTSE 100 Index lost 2.3% over the previous week. Losses of the American S&P 500 Index and the British FTSE 100 Index over the first month of the year turned out to be almost identical – 3.6% and 3.5% respectively.

Over the previous week, investor moods deteriorated in expectation of news about tapering the program for government bond redemption by the US Government by US 10 billion. Investors were also disappointed over financial results of Apple Inc. The company announced that it had a practically zero change in net profits after three consecutive quarters of decline, at the same time registering record-high returns and operating profits. However, iPhone sales during the holiday quarter and forecasts of the company turned out to be worse than market expectations.

Statistical data that have been coming from Europe were of mixed nature. On one hand, the rate of unemployment in the euro-area remained at 12% in December 2013, although analysts expected it to inch up to 12.1%. On the other, inflation in the euro-area landed at 0.7% in January 2014, which is a record-low value over the last four years. Slower inflation in the euro-area is a disturbing signal, since it points to a possible decline in consumption.

During the current week, investors will continue estimating corporate financial statements for the last quarter of 2013. Also, investors will expect publication of statistical data on industrial output and labor market in the US.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1,782.6	-0.4%	-3.6%	-3.6%
FTSE 100 (UK)	6,510.4	-2.3%	-3.5%	-3.5%
MXME (East. Eur.)	182.5	-3.5%	-8.9%	-8.9%
UX (Ukraine)	889.7	4.8%	-2.2%	-2.2%
RTS (Russia)	1,301.0	-4.6%	-9.8%	-9.8%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	262.0	0.0%		-2.2%
Steel. USD/ton	495.0	-0.5%	-1.5%	-1.5%
Oil. USD/barrel	106.4	-1.4%	-3.7%	-3.7%
Gold. USD/ounce	1,251.0	-1.3%	3.9%	3.9%

Source: Bloomberg

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MACROECONOMICS

According to operating estimate of the State Statistics Service, real GDP grew 0% in 2013. At the same time, nominal GDP reached UAH 1,444 billion.

In the fourth quarter of 2013, GDP grew 3.7% year-on-year and 2.4% compared to the third quarter of the previous year (with due consideration for the seasonal factor).

BOND MARKET

Last week, internal government bonds offered by the Ministry of Finance at a primary placement tender enjoyed practically no market demand. At a tender held on 28 January, the Ministry of Finance managed to sell internal government bonds maturing in seven years for the total of UAH 10.1 million.

During the next day, 29 January, the Ministry of Finance held one more tender where it satisfied two bids for purchasing internal government bonds maturing in five years for the total of UAH 273.0 million.

In our opinion, buyers of internal government bonds at the tenders held during the previous week were state-owned banks.

During the current week, the Ministry of Finance plans to hold a tender on Tuesday, 4 February. The Ministry of Finance will offer three types of internal government bonds maturing in 2014, as well as three types of long-term bonds.

EQUITY MARKET

Last week, the Ukrainian stock market partially won back the losses sustained a week before. By the end of the last week of January, the Ukrainian Exchange (UX) Index grew 4.8% and closed at 889.65 points on Friday, 31 January.

It is possible that traders reacted to some progress in the attempts to regulate the current political conflict in Ukraine. In particular, on 28 January, the Verkhovna Rada of Ukraine revoked 9 out of 12 laws that limited civil rights and liberties of Ukrainian nationals and were adopted through a "hand vote" on 16 January.

FOREIGN EXCHANGE MARKET

Last week, trading on the interbank foreign exchange market continued to set new record-highs with respect to the USD/UAH exchange rate growth. Trading ranged within the limits of UAH 8.53-8.59/USD on Monday, UAH 8.52-8.56/USD on Tuesday, UAH 8.48-8.52/USD on Wednesday, UAH 8.60-8.64/USD on Thursday, and UAH 8.60-8.63/USD on Friday. The US dollar peaked at UAH 8.7000/USD over the previous week.

In the course of the entire previous week, the National Bank of Ukraine carried out daily interventions, except for Friday. Thanks to these interventions, growth of the exchange rate was somewhat suspended. State-owned banks were not active in terms of selling foreign exchange. During the current week, the situation on the interbank foreign exchange market will depend on the regulator in many aspects. At present, the main foreign exchange supply on the market originates from the National Bank.

LATEST MACROECONOMIC DATA

Indicator	Value
Real GDP change in 2013 (operating estimate), %	0.0

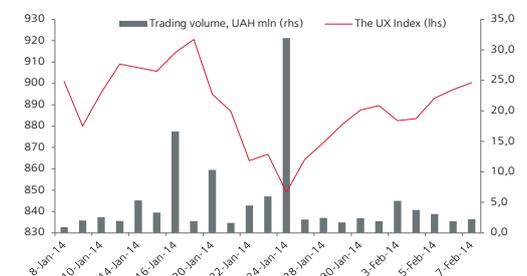
Source: the State Statistics Service

THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of bonds	Weight. av. rate	Submit./satisfied bids	Funds raised. UAH mln
28 January	2,520 days	14.30%	1/1	10.1
29 January	1,820 days	14.25%	2/2	273.0

Source: the Ministry of Finance of Ukraine

THE UX INDEX AND TRADING VOLUME



Source: Bloomberg



The maximum foreign exchange sales volumes were registered on Tuesday, 28 January: above USD 5 billion (all currencies), including sales of the American currency alone for more than USD 4.7 billion. This is a new record-high for the entire history of the Ukrainian interbank foreign exchange market.

INTERBANK LENDING MARKET

Last week, rates on the interbank lending market began to grow as the balance on correspondent accounts went down. As of Friday morning, 31 January, the balance on correspondent accounts dropped to UAH 23.3 billion. On Friday, 31 January, the highest rates for overnight loans reached 6% and for weekly loans – 8%.



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