



# Financial markets survey

03 March 2014

## Back to record-highs again

WEEKLY ISSUE

### GLOBAL MARKETS

Last week, the US stock market registered new record-highs. In particular, the American S&P 500 Index set a new historical record-high on 27 and 28 February. Before that, the index rose to record high values during three trading sessions; however, a new maximum was not registered by the end of each trading session.

The market remained satisfied with a weighted approach of US Federal Reserve System Chair Janet Yellen to shaping the country's monetary policy. Speaking before the US Senate Committee on Banking, Housing, and Urban Affairs on Wednesday, 26 February, Ms. Yellen reaffirmed that the American central bank would continue tapering the quantitative easing program. However, the Federal Reserve may change its strategy should there be any weakening of economic growth in the country, she said.

The market was also supported by statistical data that turned out to be even better than expected. According to data of the US Department of Commerce, orders for durable goods in the US slipped 1% in January compared to the previous month. On the average, analysts forecast a 1.7% decline. New home sales in the US grew 9.6% in January 2014 compared to December 2013, which is a record-high since July 2008. At the same time, analysts expected this indicator to drop 3.4% on the average.

Over the previous week, achievements of European investors turned out to be less impressive. In particular, the British FTSE Index lost 0.4% over the previous week and grew a mere 0.9% since the beginning of the year. Nevertheless, moods on the European market continue to be positive, since investors expect that resources that are currently being withdrawn from developing markets will support the growth of European assets.

### STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1,859.5	1.3%	0.8%	0.6%
FTSE 100 (UK)	6,809.7	-0.4%	-0.4%	0.9%
MXME (East. Eur.)	184.1	-2.4%	-5.3%	-8.1%
UX (Ukraine)	1,119.2	19.8%	26.2%	23.0%
RTS (Russia)	1,267.3	-3.7%	-9.2%	-12.2%

### COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	268.0	0.0%	2.3%	0.0%
Steel. USD/ton	495.5	0.0%	-0.4%	-1.4%
Oil. USD/barrel	109.1	-0.7%	2.8%	-1.1%
Gold. USD/ounce	1326.5	0.3%	7.2%	10.1%

Source: Bloomberg

[www.pumb.ua](http://www.pumb.ua)

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## MACROECONOMICS

According to information of the State Statistics Service, real wages in Ukraine grew 4.6% in January 2014 compared to January 2013.

Compared to the previous year, real wages slowed down noticeably. In particular, real wages grew 10.2% in January 2013 year-on-year.

In January 2014, the average monthly wage of full-time employees was UAH 3,362. The highest wages were registered in the city of Kyiv, Donetsk and Dnipropetrovsk oblasts, while the lowest wages were observed in Ternopil, Chernivtsi and Kherson oblasts.

## BOND MARKET

Last week, the Ministry of Finance managed to raise UAH 3 billion to the State Budget of Ukraine by way of selling internal government bonds maturing in five years at tenders held on 26 and 27 February. The announcement about holding these tenders was published on the same days. Only one bid was submitted for participation in both tenders. The earning rate for bonds sold at these tenders landed at 11.5% per annum. Whereas a week before, similar bonds were placed with an earning rate of 14.25%.

During the current week, the Ministry of Finance plans to hold a tender on Tuesday, 4 March. The Ministry of Finance will offer four types of internal government bonds denominated in hryvnia and maturing in 2014, 2019 and 2021, as well as internal government bonds denominated in US dollars and maturing in two years.

## EQUITY MARKET

Last week, the Ukrainian stock market registered spectacular growth. Over the previous week, the Ukrainian Exchange (UX) Index jumped 19.8% and closed at 1,119.23 points on Friday, 28 February, which is a record-high value since mid-2012. Swift growth of quotations was connected with political changes in the country, in particular, the loss of legitimacy by President Viktor Yanukovich, the Verkhovna Rada's decision to restore validity of the Constitution adopted in 2004 and the appointment of a new Government.

In our opinion, the stock market will face significant shocks during the current week again. Optimistic moods of traders will grow weaker in connection with an escalation in the Ukrainian-Russian conflict due to actual entry of the Russian Federation's troops to the territory of Ukraine on 1 March 2014.

## FOREIGN EXCHANGE MARKET

Last week, the market was not stable and registered high volatility. Trading on the interbank foreign exchange market ranged within the limits of UAH 9.30-9.36/USD on Monday, 24 February, UAH 9.60-9.90/USD on Tuesday, UAH 10.10-10.30/USD on Wednesday, UAH 11.00-11.50/USD on Thursday, and UAH 9.50-10.50/USD on Friday. By the end of Friday, 28 February, the market went down to UAH 9.00-9.50/USD after the National Bank of Ukraine adopted a number of new legislative initiatives. At the moment, the market is adapting to innovations that were approved.

The National Bank of Ukraine did not carry out any interventions.

## LATEST MACROECONOMIC DATA

Indicator	Value
Change in real wages in January 2014, % year-on-year	4.6

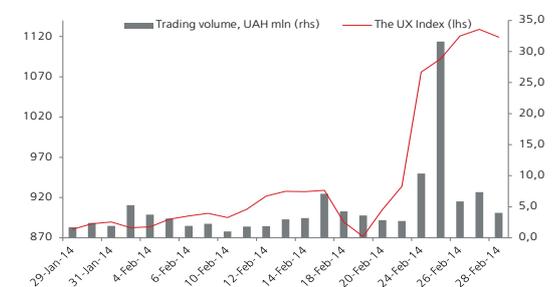
Source: the State Statistics Service

## THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of bonds	Weight. av. rate	Submit./satisfied bids	Funds raised. UAH mln
26 Feb.	1820 days	11.50%	1/1	1500.0
27 Feb.	1812 days	11.50%	1/1	1503.7

Source: the Ministry of Finance of Ukraine

## THE UX INDEX AND TRADING VOLUME



Source: Bloomberg



The maximum foreign exchange sales volumes were registered on Monday, 24 February: above USD 1.18 billion (all currencies), including sales of the American currency alone for more than USD 1 billion.

### **INTERBANK LENDING MARKET**

Last week, the situation on the interbank lending market was not stable. Over the previous week, the balance on correspondent accounts grew significantly, totaling approximately UAH 27 billion by the end of the previous week. The cost of lending resources on the interbank lending market fell sharply on Tuesday, while the lower range limit of rates went down to negative values in connection with growing cost of the US dollar in swap transactions.

We assume that, during the current week, the situation on the market will be similar to the situation of the previous week.



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