



Financial markets survey

11 March 2014

America keeps calm

WEEKLY ISSUE

GLOBAL MARKETS

Last week, European stock platforms were affected by the news related to the decision of the Russian Federation on the possibility of bringing troops to the territory of Ukraine, as well as the growing threat of Russia annexing a part of Ukraine's territory.

Russia's stock market sustained significant losses, since western countries began immediate talks that there was a high likelihood of imposing political and economic sanctions against the Russian Federation should the Ukrainian-Russian conflict begin to escalate.

Over the previous week, the US stock market registered growth. Quite good statistical data on the US economy that were published last week made it possible for American traders to support bullish moods in spite of the troubled background worldwide. Good economic indicators were related to industry and labor market. The ISM Manufacturing Index in the US grew to 53.2 points in February 2014 compared to 51.3 points in January, which was also a record-low since June 2013. The number of Americans applying for unemployment benefit for the first time fell to 323,000 during the last week of February, which was a record-low over the last three months.

During the current week, the current geopolitical situation will be draw attention of the global investment community.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1878.0	1.0%	4.5%	1.6%
FTSE 100 (UK)	6712.7	-1.4%	2.1%	-0.5%
MXME (East. Eur.)	171.5	-6.9%	-8.8%	-14.4%
UX (Ukraine)	1080.7	-3.4%	20.0%	18.8%
RTS (Russia)	1158.9	-8.6%	-13.6%	-19.7%

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

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MACROECONOMICS

According to information of the State Statistics Service, consumer prices in February 2014 grew 0.6% compared to the previous month. Compared to February 2013, the rate of inflation was registered at 1.2%.

In February, inflation accelerated noticeably mainly in connection with growing prices for food products. Compared to January 2014, prices for food products inched up 1.3%. Prices for vegetables and fruits, as well as sugar grew the most tangibly. In our opinion, the main reasons behind growing consumer prices in February were shrinking supply of goods, as well as depreciation of the national currency.

In February 2014, producer prices slipped 0.2% compared to the previous month and went up 3.3% year-on-year. Shrinking producer prices in February were connected with electricity rates going down 4.4% and thermal energy rates inching down 0.3%. Prices in mining and processing industries grew 0.4% and 1.2% in February month-on-month.

BOND MARKET

Last week, the Ministry of Finance managed to raise UAH 2.1 billion to the State Budget of Ukraine by way of selling internal government bonds maturing in five years at tenders held on 4 and 6 March. The announcement about holding these tenders was published on the same day. 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. Thus, the scenario for primary placement of internal government bonds was similar to the one witnessed a week before.

During the current week, the Ministry of Finance plans to hold a tender on Tuesday, 11 March, and Wednesday, 12 March.

EQUITY MARKET

The beginning of Russia’s invasion on the territory of Ukraine affected the situation on the stock market. On Monday, 3 March, the Ukrainian Exchange (UX) Index fell 11.7%, plunging to 987.96 points. Over the next day, the UX Index grew 9.5% and remained flat till the end of the trading week. By the end of the previous week, the UX Index lost 3.4%. The market closed at 1,080.70 points in Friday, 7 March.

In the opinion of our experts, the Ukrainian stock market will continue to stay in a stressed state during the current week, since the political situation in the Autonomous Republic of Crimea continues to be difficult.

FOREIGN EXCHANGE MARKET

Last week, the market began to stabilize. However, it is too early to speak about comprehensive stabilization. Trading ranged within the limits of UAH10.20-10.70/USD on Monday, 3 March, UAH 9.50-9.90/USD on Tuesday, UAH 9.20-9.40/USD on Wednesday, UAH 9.20-9.40/USD on Thursday, and UAH 9.00-9.10/USD on Friday. The market closed at UAH 9.21/USD on Friday, 7 March. This happened under the influence of the National Bank of Ukraine, which entered the market with the aim to buy foreign exchange. Last week, foreign exchange supply exceeded demand, which resulted in lower quotations on the market.

LATEST MACROECONOMIC DATA

Indicator	Value
Consumer price change in February 2014, %	0.6

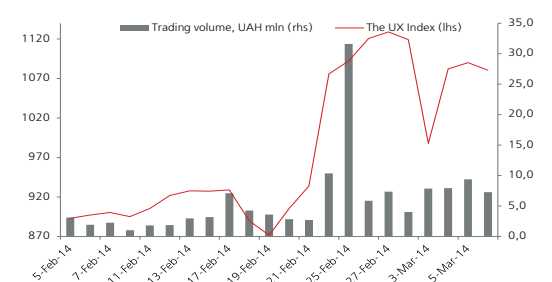
Source: the State Statistics Service

THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of bonds	Weight. av. rate	Submit./satisfied bids	Funds raised. UAH mln
4 March	1820 days	11.50%	1/1	1000.0
6 March	1819 days	11.50%	1/1	1100.3

Source: the Ministry of Finance of Ukraine

THE UX INDEX AND TRADING VOLUME



Source: Bloomberg



The maximum foreign exchange sales volumes were registered on Friday, 7 March: above USD 0.8 billion (all currencies), including sales of the American currency alone for more than USD 0.6 billion.

INTERBANK LENDING MARKET

Last week, the cost of lending resources on the interbank lending market remained low. For the most part of the previous week, rates for overnight loans stood at 0-5%. The cost of resources grew on Friday, 7 March, before the three-day weekend. The balance on correspondent accounts did not go below UAH 24 billion.

In our opinion, during the current week, the situation on the interbank lending market will grow more complicated because of the deteriorating political situation in the country.



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