



Financial markets survey

17 March 2014

Geopolitics disturbs markets

WEEKLY ISSUE

GLOBAL MARKETS

Last week was rather dramatic for stock markets across the world. Indices of the leading western platforms lost at least two percent over the previous week. Weekly changes of indices on trading platforms in developing countries were even more substantial.

A high likelihood that the Russian Federation will begin open hostilities on the territory of Ukraine, as well as a possibility that the leading western countries will impose economic sanctions against Russian destabilized western markets.

An additional negative factor was China's economic indicators, which turned out to be much worse than expected over the first two months of 2014. In particular, China's exports in February registered a record-low drop over the last five years. Forecasts for growth of China's industrial output over January-February also did not come true.

The Russian-Ukrainian conflict will continue to be the center of attention for the global investment community during the current week as well. In particular, investors will watch closely actions of Russia's political leaders regarding Crimea's political status, as well as their reaction towards sanctions imposed by western countries.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1841.1	-2.0%	0.1%	-0.4%
FTSE 100 (UK)	6527.9	-2.8%	-2.0%	-3.3%
MXME (East. Eur.)	161.5	-5.8%	-15.2%	-19.3%
UX (Ukraine)	1003.6	-7.1%	8.2%	10.3%
RTS (Russia)	1062.5	-8.3%	-20.9%	-26.4%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	268.0	0.0%	0.0%	0.0%
Steel. USD/ton	492.5	1.0%	-0.5%	-2.0%
Oil. USD/barrel	108.6	-0.4%	-0.5%	-1.5%
Gold. USD/ounce	1385.0	3.7%	4.9%	15.0%

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 GDP of the country grew 0.0% in 2013. Nominal GDP in 2013 reached UAH 1,454.9 billion. Final consumer expenditures grew 5.6%, while household expenditures rose 7.8%. Gross accumulation of fixed assets dropped 6.6%. Exports of goods and services shrank 8.8%, while imports declined 5.9%. GDP deflator reached 3.1% in 2013.

BOND MARKET

Last week, the Ministry of Finance managed to raise UAH 684.5 million to the State Budget of Ukraine by way of selling internal government bonds maturing in three months at a tender held on 12 March. Thus, the Ministry of Finance returned to the practice of selling ultra short-term securities to close current cash gaps. An attempt to sell medium-term and long-term internal government bonds at a tender held on 11 March failed to be successful.

The Ministry of Finance plans to hold the next tender on Tuesday, 18 March. However, as of 17 March, the official announcement about this tender was not made.

EQUITY MARKET

Last week, the Ukrainian stock market followed a downward trend. The Ukrainian Exchange (UX) Index lost 7.1% over the previous week and closed at 1,003.6 points on Friday. The political situation in the country remained extremely difficult, since the threat of an open armed conflict with the Russian Federation on the territory of Ukraine remained very serious.

During the current week, the situation on the stock market will be determined by the consequences of a secessionist referendum that was held on the territory of the Autonomous Republic of Crimea on 16 March. The Constitutional Court of Ukraine announced the above-mentioned referendum illegal, while its outcome was not recognized by the leading democratic countries.

FOREIGN EXCHANGE MARKET

For the entire previous week, the market demonstrated growth. Trading on the interbank foreign exchange market ranged within the limits of UAH 9.23-9.27/USD on Tuesday, 11 March, UAH 9.30-9.35/USD on Wednesday, UAH 9.75-9.90/USD on Thursday, and UAH 9.90-10.10/USD on Friday. On Tuesday, the National Bank of Ukraine purchased foreign exchange according to the official exchange rate at UAH 9.2359/USD, which was the reason for further growth of the market on Wednesday and subsequent days of the previous week. Also, state-owned banks were actively purchasing foreign exchange. Given the current political and economic instability in the country, it is very difficult to make any forecasts regarding further development of the foreign exchange market.

The maximum foreign exchange sales volumes were registered on Tuesday, 11 March: above USD 0.8 billion (all currencies), including sales of the American currency alone for more than USD 0.7 billion.

LATEST MACROECONOMIC DATA

Indicator	Value
Real GDP change in 2013, %	0.0

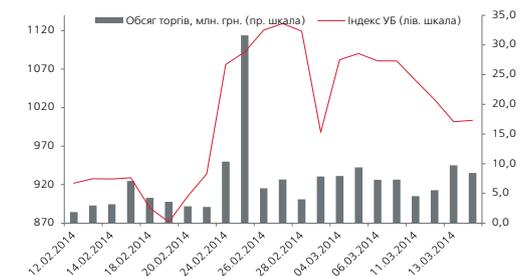
Source: the State Statistics Service

THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of bonds	Weight. av. rate	Submit./satisfied bids	Funds raised. UAH mln
12 March	105 days	14.00%	2/2	396.1
12 March	105 days	14.00%	1/1	288.4

Source: the Ministry of Finance of Ukraine

THE UX INDEX AND TRADING VOLUME



Source: Bloomberg



INTERBANK LENDING MARKET

For the most part of the previous week, rates on the interbank lending market remained high. They went down only on the last trading day of the week, on Friday, 14 March. That day, rates for overnight loans were 0-5%, weekly resources cost 2-7%, while rates for monthly resources reached 3-9%. As of Friday morning, 14 March, the balance on correspondent accounts went above UAH 30 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

Anna Kokoba
+38 044 231 7252
anna.kokoba@fuib.com