

Financial markets survey

31 March 2014

A weak quarter

WEEKLY ISSUE

GLOBAL MARKETS

So far, financial markets cannot return to an upward trend that they demonstrated at the beginning of the current year. Over the last weeks, indices of the leading trading platforms remained mostly flat. The American S&P 500 Index registered very insignificant growth over the first quarter, while the British FTSE Index lost two percent since the beginning of 2014.

It seems that investors cannot decide for themselves whether growth of stock markets will be adequate to sustainable growth of global economy in the environment where there are no large-scale government incentive programs.

Last week, investors shifted their attention from international politics to economic indicators. American indices demonstrated a rather sensitive reaction to the most important macroeconomic indicators of the US published in the course of the previous week.

The beginning of the previous week was not bad, since statistical data on durable goods orders in February turned out to be better than expected. However, optimistic moods dispersed quickly, when updated data on the US GDP in the fourth quarter of 2013 was published. The revised indicator landed at 2.6% and turned out to be worse than analysts forecast, who expected 2.7%. Last week, Citigroup Inc. market value plummeted down. Based on a stress test, the Federal Reserve System did not allow this company to implement its annual plans to pay dividends, referring to inadequate financial sustainability of the company.

If global politics brings no significant surprises, macroeconomic indicators will be the focus of investors' attention. In particular, investors expect publication of statistical data on the labor market and the real estate sector in the US, as well as several industrial indicators.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1857,6	-0,5%	-0,1%	0,5%
FTSE 100 (UK)	6615,6	0,9%	-2,9%	-2,0%
MXME (East. Eur.)	175,3	4,3%	-4,8%	-12,4%
UX (Ukraine)	992,4	-3,4%	-11,3%	9,1%
RTS (Russia)	1186,3	4,4%	-6,4%	-17,8%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	268,0	-	11,2%	0,0%
Steel, USD/ton	495,0	0,0%	-0,1%	-1,5%
Oil, USD/barrel	101,7	2,2%	-0,2%	3,8%
Gold, USD/ounce	1294,8	-3,1%	-2,4%	7,5%

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 in Ukraine grew 3.6% in February 2014 compared to February 2013. Over January-February 2014, real wages rose 4.1% year-on-year.

Compared to the previous year, real wages slowed down noticeably. In particular, real wages grew 8.2% over January-February 2013 year-on-year.

In February 2014, the average monthly wage of full-time employees was UAH 3,389. 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, a tender for primary placement of internal government bonds held by the Ministry of Finance on 25 March ended without any results. No bids were submitted for participation in this tender. The Ministry of Finance offered internal government bonds maturing in one, five and seven years.

As of 31 March, the Ministry of Finance made no announcements regarding the date when the next tender will be held.

EQUITY MARKET

Last week, the Ukrainian stock market exhausted its positive mood. The Ukrainian Exchange (UX) Index went down regularly in the course of the entire trading week. At the same time, the UX Index fell below the psychological mark of 1,000 points on Friday, 28 March.

If there is no significant worsening in the Ukrainian-Russian political relations, it is possible to expect that the stock market will remain flat in the near future, trying to consolidated around the 1,000-points mark.

FOREIGN EXCHANGE MARKET

Last week, the Ukrainian foreign exchange market continued growing and reached a historical record-high again. Trading on the foreign exchange market ranged within the limits of UAH 10.80-11.00/USD on Monday, 24 March, and Tuesday, 25 March, UAH 11.00-11.10/USD on Wednesday, 26 March, UAH 11.20-11.30/USD on Thursday, 27 March, and UAH 11.20-11.40/USD on Friday, 28 March.

Foreign exchange demand remained rather high. There was a serious shortage of foreign exchange on the market.

The maximum foreign exchange sales volumes were registered on Wednesday, 26 March: above USD 1 billion (all currencies), including sales of the American currency alone for more than USD 0.7 billion.

INTERBANK LENDING MARKET

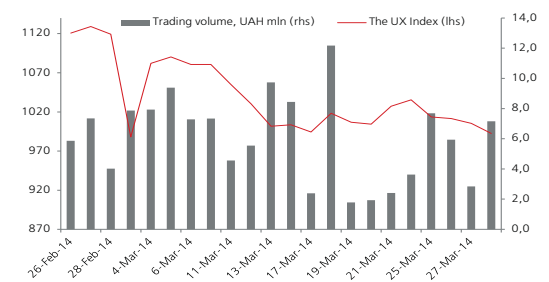
Last week, the cost of resources on the interbank lending market remained relatively low. Appreciation of the US dollar caused rates for swap operations to go down to negative values. The upper limit of the cost of overnight loans was 2-5%. Same as a week before, the market registered no loans longer than one week.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in real wages February 2014, % year-on-year	3.6

Source: the State Statistics Service

THE UX INDEX AND TRADING VOLUME



Source: Bloomberg



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

This document is based on data we deem to be reliable, though we do not guarantee its accuracy or completeness and make no warranties regarding results from its usage. Forecasts are estimates by specialists working for us, and actual events may turn out to be fundamentally different due to unforeseen circumstances. This document is provided for information purposes only.