



Financial markets survey

14 April 2014

A weak quarter

WEEKLY ISSUE

GLOBAL MARKETS

Last week, financial markets returned to the red zone again. This was caused by both international political factors and economic achievements of developed countries across the world.

The Russian-Ukrainian conflicts returned to the center of attention of international investors again. Escalation of the political conflict in Ukrainian oblasts bordering on Russia caused the US and the EU to bring up the issue of more serious economic sanctions against the Russian Federation again. In addition, the Ministry of Economic Development of Russia published its forecasts regarding capital flight from the country. It is expected that capital flight will reach USD 100 billion during the current year and USD 50 billion over the next year.

Notwithstanding the fact that data on the US labor market that was published over the previous week was better than expected, investor moods were mainly pessimistic. Investors do not have a clear understanding of signals sent by the American central bank. During the March meeting, a number of top officials of the US Federal Reserve System noted that, on the average, forecasts for higher base interest rates overestimated the probable pace of toughening the central bank's monetary policy. Also, officials of the American central bank rejected the unemployment indicator as a targeted indicator for its monetary policy.

During the current week, there will be a growing flow of information regarding company performance results for the first quarter of the current year. The first reports that came in over the previous week did not make investors happy.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1815.7	-2.6%	-2.8%	-1.8%
FTSE 100 (UK)	6561.7	-2.0%	-1.9%	-2.8%
MXME (East. Eur.)	178.0	-1.5%	6.3%	-11.1%
UX (Ukraine)	1163.5	7.6%	10.3%	27.9%
RTS (Russia)	1204.1	-2.4%	6.4%	-16.5%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	283.0	-	-4.4%	5.6%
Steel, USD/ton	502.5	0.0%	2.0%	0.0%
Oil, USD/barrel	103.7	2.6%	4.2%	5.9%
Gold, USD/ounce	1318.0	1.6%	-2.1%	9.4%

Source: Bloomberg

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MACROECONOMICS

According to information of the State Statistics Service, spring crops covered 2,777,800 hectares as of 1 April 2014, which 4.2 times exceeds areas under spring crops compared to 1 April 2013. A significant increase in areas under spring crops is connected mainly with an earlier start of the sowing campaign during the current year compared to the previous year when the sowing campaign began much later than usual owing to the prolonged winter.

BOND MARKET

Last week, the Ministry of Finance returned to the practice of ultra short-term borrowings. At a tender held on 8 April, the Ministry of Finance managed to raise UAH 103.7 million to the State Budget of Ukraine by way of placing bonds maturing in six months and yielding 12.75% per annum. Next day, 9 April, the Ministry of Finance placed bonds maturing in three months and yielding 9.95% per annum for the total of UAH 391.0 million. In our opinion, the above-mentioned placements involved state-owned banks.

According to the provisional schedule for placing internal government bonds, a tender is expected to be held on Tuesday, 15 April. The Ministry of Finance plans to place short-term bonds denominated in hryvnia and maturing in three and nine months, as well as internal government bonds denominated in US dollars and maturing in three months.

EQUITY MARKET

Last week, the Ukrainian stock market continued growing. During the previous week, the Ukrainian Exchange (UX) Index grew 7.6% and closed at 1,163.54 points on Friday, 11 April. From Monday through Friday, the situation in eastern oblasts remained in a "dormant" state. A significant worsening of the political situation in eastern oblasts of Ukraine was witnessed over Saturday-Sunday, 12-13 April, when public institutions were seized by armed occupants in a number of cities and towns in Donetsk oblast.

Our analysts expect that such a worsening of the political situation in eastern oblasts of the country will have a negative impact on the standing of Ukrainian stock during the current week.

FOREIGN EXCHANGE MARKET

Last week, the US dollar appreciated at a more rapid pace against the hryvnia. Trading ranged within the limits of UAH 11.60-11.80/USD on Monday, UAH 11.70-11.80/USD on Tuesday, UAH 11.90-12.10/USD on Wednesday, UAH 12.50-13.00/USD on Thursday, and UAH 13.30-13.80/USD on Friday. By closing time on Friday, the market went down to UAH 13.00/USD.

On 11 April, the interbank foreign exchange market set a new record-high at UAH 13.70-13.80/USD. As before, the market is currently in a difficult situation and requires stabilization. The situation will depend on sources of foreign exchange inflows and expansion in the number of such sources.

The maximum foreign exchange sales volumes were registered on Tuesday, 8 April: a little below USD 500 million (all currencies), including sales of the American currency alone for USD 350 million.

LATEST MACROECONOMIC DATA

Indicator	Value
Areas under spring crops as of 1 April 2014, ha	2777.8

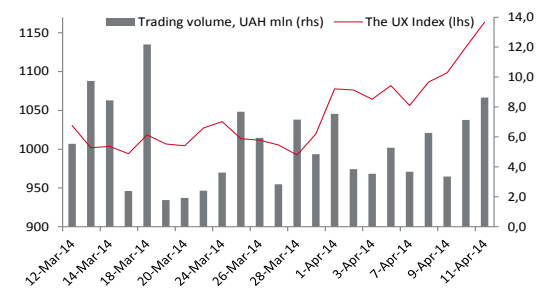
Source: the State Statistics Service

THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of bonds	Weight. av. rate	Submit./satisfied bids	Funds raised. UAH mln
8 April	175 days	12.75%	2/2	103.7
9 April	84 days	9.95%	1/1	391.0

Source: the Ministry of Finance of Ukraine

THE UX INDEX AND TRADING VOLUME



Source: Bloomberg



INTERBANK LENDING MARKET

Last week, the situation on the interbank lending market did not change much. The cost of resources on interbank lending market continues to remain 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 1-2%. For several weeks in a row, the market has been registering no loans longer than one week. As of Friday morning, 11 April, the balance on correspondent accounts totaled UAH 34.1 billion.



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