



Financial markets survey

28 April 2014

Europe delivers a surprise

WEEKLY ISSUE

GLOBAL MARKETS

Last week attention of investors was still drawn to the situation in Ukraine. High probability of a military conflict between Russia and Ukraine resulted in serious tension on the stock market. Investors were disappointed that the Russian government did not take measures to deescalate the conflict in the eastern parts of Ukraine, having ignored the Geneva Agreement.

Russian stock market is suffering from the biggest losses. Index of Russian stock exchange RTS lost 6.7% over the week, while market capitalization dropped by more than 20% since the start of the year. Ukrainian-Russian conflict is also an additional factor of slowdown of Eastern European markets, which are weak as they are.

Meanwhile, British FTSE 100 index displayed growth again. Positive moods among European investors won thanks to the strong stream of positive economic news from the eurozone. It seems that optimism gradually returns to the European consumers. In April, consumer confidence index reached its maximum value over the past six years. Opinion polls also showed that Europeans planned to save less and spend more in 2014. Budget deficit of the eurozone countries in Q4 2013 dropped lower than 3% of the GDP for the first time in six years.

Russian-Ukrainian conflict will remain the center of attention of investors this week. USA and EU are planning to introduce new sanctions against Russia. Investors will be assessing the depth of the new sanctions and also possible reaction of the Russian government to them.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1863.4	-0.1%	-0.1%	0.8%
FTSE 100 (UK)	6685.7	0.9%	1.2%	-0.9%
MXME (East. Eur.)	167.4	-4.9%	-2.9%	-16.4%
UX (Ukraine)	1125.0	1.7%	11.0%	23.6%
RTS (Russia)	1119.4	-6.7%	-4.3%	-22.4%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	283.0	--	-4.4%	5.6%
Steel, USD/ton	502.5	0.0%	1.5%	0.0%
Oil, USD/barrel	102.1	-2.1%	3.0%	4.2%
Gold, USD/ounce	1301.3	0.2%	-0.9%	8.0%

Source: Bloomberg

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MACROECONOMICS

Real wage growth rates in Ukraine continue to slow down. According to the State Statistics Service, the real growth of wages in March 2014 was 2.4% compared with March 2013, while in February wages increased 4.1% y-o-y. In Q1 2014 real wages grew 3.5% y-o-y. Continuing economic recession in the country is the main reason behind the slowdown of wage growth. Increase of inflation additionally contributed to the slowdown.

In March 2014 the average wage of fully-employed workers amounted to UAH 3,586. Highest levels of wages were registered in Kyiv, Donetsk and Zaporizhzhya oblasts and the lowest – in Ternopil, Chernivtsi and Kherson oblasts.

BOND MARKET

Last week, the Ministry of Finance raised over UAH 4 billion to the State Budget of Ukraine. At the tender held 22 April the Ministry of Finance raised UAH 4 billion by way of placing internal government bonds with 15% earning rate and maturing in three years. On 24 April, the Ministry of Finance raised another UAH 74.5 million by selling bonds with earning rate at 14.3% and maturing in five years to the only bidder. The fact that longer bonds were placed at lower earning rate points to non-market nature, at least of the last tender.

During the current week, the Ministry of Finance plans to hold a tender for selling internal government bonds on 29 April. The Ministry of Finance will offer bonds denominated in the national currency and maturing in three months and in three years and also bonds denominated in US dollars and maturing in four months.

EQUITY MARKET

Last week, the Ukrainian Exchange (UX) Index maintained its positions. Based on the results of the week, the index grew 1.7% and closed at 1,125.0 points on Friday, 25 April. That the political situation in the country did not deteriorate significantly allowed investors to secure the position at higher than 1,100 points.

During the current week, the situation on the Ukrainian stock market will depend on further development of the political situation in eastern regions of the country.

FOREIGN EXCHANGE MARKET

After significant fluctuations during the previous weeks the market found a balance point within the limits of UAH 11.35-11.70/USD. By the end of the week, the volumes of trading gradually increased, which led to narrowing of quotations to the level of UAH 11.40-11.65/USD.

The maximum foreign exchange sales volumes were registered on Friday, 25 April: over USD 0.4 billion (all currencies), including sales of the American currency alone for more than USD 0.3 billion.

LATEST MACROECONOMIC DATA

Indicator	Value
Real wages change in March 2014, % year-on-year	2.4

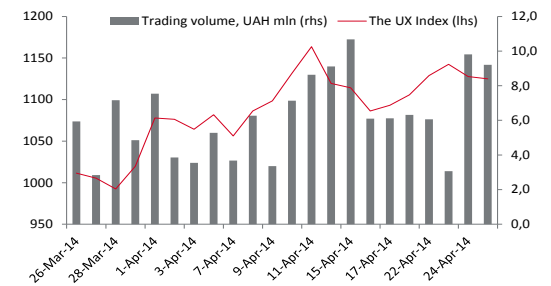
Source: the State Statistics Service

THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of bonds	Weight. av. rate	Submit./satisfied bids	Funds raised. UAH mln
22 April	1092 days	15.00%	4/4	4000.0
24 April	1812 days	14.30%	1/1	75.0

Source: the Ministry of Finance of Ukraine

THE UX INDEX AND TRADING VOLUME



Source: Bloomberg



INTERBANK LENDING MARKET

Last week, an increase of the cost of resources was observed on the interbank lending market. Thanks to some stabilization on the currency exchange negative values for swap operations disappeared by the end of the week. The upper limit of the cost of overnight loans grew to 2-3%. The upper limit of the cost of weekly resources also significantly increased to 5-6%. As before, the market players are still refraining from entering contracts longer than one week.

In the course of the previous week, the balance on correspondent accounts ranged within the limits of UAH 28-31 billion. As of Friday morning, 25 April, the balance on correspondent accounts totaled UAH 29.4 billion.



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