

Financial markets survey

19 May 2014

Vain hopes

WEEKLY ISSUE

GLOBAL MARKETS

The American equity market started the previous week from rapid growth, which gave hopes that traders will finally be able to enter the bullish trend. On Tuesday, 13 May, the S&P 500 Index set a new historical record-high, closing at 1,897.45 points and rising above 1,900 points during the trading session.

American investors were satisfied with corporate reporting results for the first quarter of 2014. Out of 454 companies included in the Standard & Poor's 500 Index that published their statements at that time, 76% exceeded expectations of analysts in terms of profits and 53% - in terms of proceeds. However, optimistic moods of investors did not last long. One cannot say that statistical data that came in over the following days was too bad. Rather, they were not good enough to support optimistic moods among investors.

In particular, the indicator of industrial output in the US in April was the week's disappointment. This indicator slipped 0.6%, which turned out to be the most serious monthly decline since August 2012. The ultimate disappointment came on Friday, 16 May, when the results of the consumer confidence survey in the US in May turned out to be much worse than expected.

During the current, investors expect publication of a big block of statistical data on the US real estate market and the Composite Index of Leading Indicators.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1,877.9	0.0%	0.8%	1.6%
FTSE 100 (UK)	6,855.8	0.6%	4.1%	1.6%
MXME (East. Eur.)	182.1	2.1%	6.4%	-9.1%
UX (Ukraine)	1,081.3	-1.9%	-0.5%	18.8%
RTS (Russia)	1,262.0	2.4%	9.3%	-12.5%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	232.5	-	-1.3%	-9.2%
Steel, USD/ton	495.0	0.0%	-1.5%	-1.5%
Oil, USD/barrel	110.4	2.4%	0.8%	0.9%
Gold, USD/ounce	1,291.5	0.0%	-0.8%	7.2%

Source: Bloomberg

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MACROECONOMICS

According to information of the State Statistics Service, agricultural output in Ukraine grew 5.0% over January-April 2014 (excluding the temporarily occupied territory of the Autonomous Republic of Crimea and the city of Sevastopol). At the same time, output at agricultural enterprises rose 9.3%, while output at private farms inched up 1.2%.

As of 1 May 2014, areas under spring crops grew 9.6% compared to the same period in 2013.

The average selling prices for agricultural products of agricultural enterprises slipped 0.8% over January-April 2014 compared to the same period in 2013 as a result of falling prices for plant-growing products (-8.9%). At the same time, prices for livestock-breeding products rose 7.0%.

BOND MARKET

Last week, the Ministry of Finance managed to raise UAH 2 billion to the State Budget of Ukraine. At a tender held on 13 May, the Ministry of Finance placed internal government bonds with a 17.00% earning rate and maturing in two years. These bonds were purchased by four bidders. Compared to the previous tender, the Ministry of Finance raised the bonds' earning rate. However, the "round" sum of resources raised makes it possible to suggest that the composition of bidders for this tender was predetermined in advance.

During the current week, the Ministry of Finance plans to borrow resources on Tuesday, 20 May. At this tender, the Ministry of Finance will offer internal government bonds denominated in the national currency and maturing in three months and in two, three and five years

EQUITY MARKET

The Ukrainian stock market finished the previous week in the red. By the end of the previous week, the Ukrainian Exchange (UX) Index lost 1.9% and closed at 1,081.28 points on Friday, 16 May. The UX Index fell on Tuesday, 14 May, losing more than 3%. Over the following days, the market partially set off the losses.

According to our experts, the situation on the stock market will continue to remain shaky at least until the end of the presidential election and the restoration of law and order in Donetsk and Luhansk oblasts.

FOREIGN EXCHANGE MARKET

Last week, the market registered gradual appreciation of the US dollar. Trading volumes ranged within the limits of UAH 11.75-11.85/USD over Monday-Tuesday, UAH 11.80-11.95/USD over Wednesday-Thursday and UAH 11.90-12.00/USD on Friday. In our opinion, the US dollar exchange rate will begin to stabilize only after the economic and political situation in the country becomes adequate.

As before, sales volumes on the interbank foreign exchange market are rather low and continue shrinking. The maximum foreign exchange sales volumes were registered on Tuesday, 13 May: about USD 400 million (all currencies), including sales of the American currency alone for the total of USD 233 million.

LATEST MACROECONOMIC DATA

Indicator	Value
Agricultural output change over January-April 2014, %	5.0

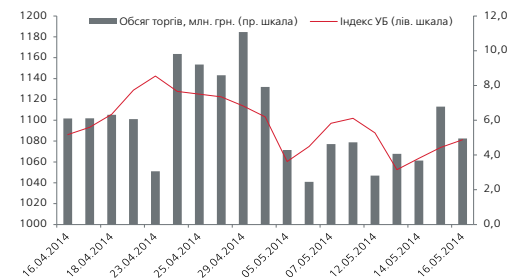
Source: the State Statistics Service

THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of bonds	Weight. av. rate	Submit./satisfied bids	Funds raised, UAH mln
13 May	714 days	17.00%	4/4	2,000.0

Source: the Ministry of Finance of Ukraine

THE UX INDEX AND TRADING VOLUME



Source: Bloomberg



INTERBANK LENDING MARKET

Last week, the cost of resources on the interbank lending market grew noticeably. The cost of overnight loans stayed at 1-2.5% for the most part of the previous week, while the cost of weekly resources was 2-7%. Probably, one of the reasons for growing rates was the flight of capital from the market connected with the purchase of internal government bonds for the total of UAH 2 billion (see BOND MARKET). As of Friday morning, 16 May, the balance on correspondent accounts with the National Bank of Ukraine totaled UAH 28.2 billion.



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