



Financial markets survey

02 June 2014

May without sale

WEEKLY ISSUE

GLOBAL MARKETS

This year, the leading stock platforms across the world finished May without the traditional sale. Weak performance results over the first four months of the current year led to a situation where the majority of traders simply did not have assets for sale to register any visible profits.

For the leading stock platforms, the last week of May was not bad. However, one cannot say that markets are confidently gaining momentum to enter any lingering upward trend. The slackening summer season is coming closer and closer. If we assume that the traditional seasonal trends continue during the current year, traders will not begin serious trading on markets before September.

The previous week brought positive results of the consumer confidence survey in Europe. In particular, the Composite Index of Business and Consumer Confidence in the euro-area grew in May 2014 to 102.7 points, which is a record-high value since July 2011. The Consumer Confidence Index in the UK rose record-high in May since April 2005. These are not the first indicators demonstrating that the situation on the consumer market in Europe is finally beginning to improve.

The US market registered new historical record-highs again; however, a picture of sustainable economic improvement is still not coming into sight. In April 2014, household expenditures in the US unexpectedly shrank 0.1% compared to the previous month, and this indicator went down for the first time over the current year. The Consumer Confidence Index in the US in May turned out to be worse than expected.

Most likely, traders will try to support a weak bullish trend in June, so that the results for the first six months of 2014 would not look totally sad.

STOCK MARKETS

| Index | last | week ch. | mon. ch. | YTD |
|-------------------|--------|----------|----------|--------|
| S&P 500 (US) | 1923.6 | 1.2% | 2.1% | 4.1% |
| FTSE 100 (UK) | 6815.8 | 0.4% | 1.0% | 1.4% |
| MXME (East. Eur.) | 186.7 | -2.1% | 8.6% | -6.8% |
| UX (Ukraine) | 1220.9 | 3.8% | 10.7% | 34.2% |
| RTS (Russia) | 1295.8 | -2.3% | 12.1% | -10.2% |

COMMODITIES

| Commodity | last | week ch. | mon. ch. | YTD |
|-----------------|--------|----------|----------|-------|
| Wheat, USD/ton | 243.5 | -3.6% | -3.6% | -6.5% |
| Steel, USD/ton | 493.0 | -0.4% | -2.4% | -1.8% |
| Oil, USD/barrel | 109.4 | -1.0% | 1.2% | -1.3% |
| Gold, USD/ounce | 1250.7 | -3.2% | -3.1% | 7.3% |

Source: Thomson Reuters

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MACROECONOMICS

According to information of the State Statistics Service, real wages in Ukraine shrank 1.3% in April 2014 compared to April 2013. Over January-April 2014, real wages rose 2.2% year-on-year.

Significant acceleration of inflation contributed to a drop in real wages in April. In particular, consumer prices grew 3.3% in April 2014.

In April 2014, the average monthly wage of full-time employees was UAH 3,626. 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, the Ministry of Finance managed to raise UAH 3.1 billion to the State Budget of Ukraine by way of selling internal government bonds. The Ministry of Finance held tenders on 27 and 29 May.

Internal government bonds denominated in US dollars and maturing in 14 days enjoyed the highest demand. On 27 May, eight participants in the tender purchased these bonds, while their earning rate landed at 3% per annum. At a tender held on 29 May, three bidders purchased the above-mentioned bonds.

Internal government bonds denominated in hryvnia and maturing in two years were sold with an earning rate of 17% per annum. As before, investors continue to regard investment in medium-term internal government bonds denominated in hryvnia as high-risk transactions. This is why demand for such bonds continues to be low.

So far, the Ministry of Finance has not published its schedule for tenders in June 2014.

EQUITY MARKET

Last week, the Ukrainian stock market continued to grow confidently. On Monday, 26 May, the Ukrainian Exchange (UX) Index bravely went above the 1,200-point mark and did not go below this mark for the entire previous week. By the end of the previous week, the UX Index grew 3.8% and closed at 1,220.89 points on Friday, 30 May.

On 25 May, an extraordinary presidential election was held in Ukraine. According to preliminary outcomes, presidential candidate Petro Poroshenko scored more than 50% of the votes in the first round, which makes it unnecessary to hold the second round of presidential election. Undoubtedly, this reinforced optimistic moods of investors on the Ukrainian stock market, since the chances for rapid normalization of the political process in the country grew significantly higher.

In the opinion of our experts, during the current week, attention of investors will be riveted to outcomes of the anti-terrorist operation in Luhansk and Donetsk oblasts.

LATEST MACROECONOMIC DATA

| Indicator | Value |
|----------------------------------------------------|-------|
| Change in real wages in April 2014, % year-on-year | -1.3 |

Source: the State Statistics Service

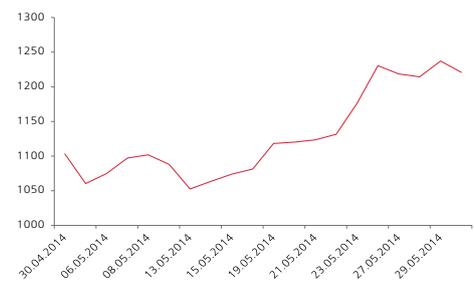
THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

| Date of placement | Type of bonds | Weight. av. rate | Submit./satisfied bids | Funds raised, UAH mln |
|-------------------|---------------|------------------|------------------------|-----------------------|
| 27 May | 14 days. USD | 3.00% | 8/8 | 214.8* |
| 27 May | 721 days | 17.00% | 3/2 | 20.1 |
| 29 May | 13 days. USD | 3.00% | 3/3 | 40.0* |
| 29 May | 1776 days | 14.30% | 1/1 | 78.2 |

* USD, billions

Source: the Ministry of Finance of Ukraine

THE UX INDEX



Source: Thomson Reuters



FOREIGN EXCHANGE MARKET

Last week, the interbank foreign exchange market was quiet. From Monday to Tuesday, trading ranged within the limits of UAH 11.85-11.95/USD. On Thursday, 29 May, trading ranged within the limits of UAH 11.80-11.90/USD. On Friday, 30 May, trading ranged within the limits of UAH 11.72-11.85/USD. By the end of the previous week, the national currency appreciated slightly. At the same time, trading volumes went down, while the market registered medium volatility.

The National Bank of Ukraine carried out interventions to purchase foreign exchange for several days at the end of the month, buying US dollars according to its official exchange rate.

The maximum foreign exchange sales volumes were registered on Friday, 30 May: above USD 1.5 billion (all currencies), including sales of the American currency alone for more than USD 1.4 billion.

INTERBANK LENDING MARKET

Last week, the cost of resources on the interbank lending market remained relatively low. However, it grew a little by the end of the previous week, which is likely connected to the beginning of a new month. The cost of overnight loans was 0-2% in the course of the previous week, while the cost of weekly resources stood at 0-5%. The balance on correspondent accounts grew noticeably in the second half of the previous week and, as of Friday morning, 30 May, totaled UAH 31 billion.



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