

Financial markets survey

16 June 2014

Does China come into fashion?

WEEKLY ISSUE

GLOBAL MARKETS

Last week, a bearish trend prevailed on the leading stock platforms across the world. Investors were disappointed over the downgraded forecast for global economic growth in 2014. Experts of the World Bank downgraded their forecast growth of global GDP from 3.2% to 2.8%. The main negative factors that contributed to downgrading the World Bank forecast were unfavorable weather conditions in the US, the crisis in Ukraine and re-balancing of the economy in China.

Statistical data that came in from the US over the previous week did not make anyone happy. Producer prices in the US slipped unexpectedly 0.2% in May, whereas analysts expected this indicator to inch up 0.1%. The Consumer Confidence Index in the US went down from 81.9 points in May to 81.2 points in June, which is a record-low for the last three months. Analysts expected this index to grow to 83 points.

Against the background of not very optimistic economic situation in western countries, investors begin to pay more and more attention to China's economy. It seems that the recent re-balancing of China's economy is ending with a soft landing, and investment activity is growing stronger in that country. In particular, Chinese companies resumed the procedure for initial public offerings (IPO), the last of which took place almost four months ago. In June, seven companies announced their intention to sell their shares. Global investors became more active in buying up high-yielding bonds of companies based in the People's Republic of China.

During the current week, the attention of investors will be focused on further developments in Iraq and Ukraine, where hostilities became more active. Western politicians will discuss the possibility of more severe economic sanctions against Russia in connection with the emergence of evidence that gunmen on the territory of Ukraine dispose of Russian military machines and equipment.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1936.2	-0.7%	2.5%	4.8%
FTSE 100 (UK)	6777.9	-1.2%	-1.5%	0.4%
MXME (East. Eur.)	193.7	0.1%	6.3%	-3.3%
UX (Ukraine)	1235.6	-0.2%	16.2%	35.8%
RTS (Russia)	1374.9	1.2%	9.0%	-4.7%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	227.5	-9.9%	-9.4%	-12.7%
Steel, USD/ton	490.0	0.0%	-1.0%	-3.2%
Oil, USD/barrel	113.4	4.4%	2.9%	2.4%
Gold, USD/ounce	1274.7	1.8%	-2.3%	5.8%

Источник: Thomson Reuters

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MACROECONOMICS

According to information of the State Statistics Service, over January-May 2014, agricultural output in Ukraine grew 4.7% year-on-year (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 9.0%, while output at private farms inched up 1.1%.

As of 1 June 2014, areas under spring crops grew 2.2% compared to the same period in 2013.

The average selling prices for agricultural products of agricultural enterprises grew 3% over January-May 2014 compared to the same period in 2013 as a result of growing prices for livestock-breeding products.

BOND MARKET

Last week, the Ministry of Finance managed to raise UAH 2.4 billion to the State Budget of Ukraine by way of selling internal government bonds. The Ministry of Finance held a tender on 10 June and sold three types of internal government bonds with different maturity periods. The largest part of resources was raised by way of selling bonds maturing in two years, which were purchased by six bidders with an earning rate of 16.95% per annum. Compared to the previous placements, the earning rate for ultra short-term internal government bonds went down. However, it is too early to speak about growing confidence among investors.

During the current week, the Ministry of Finance plans to hold a tender on 17 June. According to the preliminary schedule, the Ministry of Finance will offer internal government bonds denominated in the national currency and maturing in two years.

EQUITY MARKET

Last week, the Ukrainian stock market remained in a side trend. The stream of optimistic news on the market ran out; however, investors kept quotations at the previous level. On Friday, 13 June, the Ukrainian Exchange (UX) Index closed at 1,235.59 points, losing 0.2% over the previous week.

The current week promises to be difficult for traders in connection with intensified hostilities in eastern regions of the country, as well as an extremely serious worsening of the Ukrainian-Russian relations.

FOREIGN EXCHANGE MARKET

Over the last shortened trading week, quotations on the foreign exchange market continued to fluctuate. Trading ranged within the limits of UAH 11.70-11.85/USD on Tuesday. Over Wednesday-Thursday, quotations went down, and trading ranged within the limits of UAH 11.60-11.75/USD. On Friday, quotations grew again. Compared to the previous week, quotations grew more abruptly. The market returned to the trading range of UAH 11.80-11.95/USD, that is, where it landed one more week ago. The decline that was registered at the beginning of the previous week was the result of an additional day-off, as well as accumulation of foreign exchange among exporting clients. In addition, uneasy situation in eastern oblasts of the country introduces some certain imbalance on the market.

The National Bank of Ukraine did not carry out any interventions during the previous week. The maximum foreign exchange sales volumes were

LATEST MACROECONOMIC DATA

Indicator	Value
Agricultural output change over January-May 2014, %	4.7

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
10 June	91 days	12.00%	3/1	291.3
10 June	182 days	14.92%	3/2	29.8
10 June	728 days	16.95%	6/6	2,030.0

Source: the Ministry of Finance of Ukraine

THE UX INDEX



Источник: Thomson Reuters



registered on Wednesday, 11 June: approximately USD 450 million (all currencies), including sales of the American currency alone for the total of

INTERBANK LENDING MARKET

Last week, the cost of resources on the interbank lending market grew a little, but remained relatively low. The upper limit for the cost of overnight loans was 1% and for weekly resources – 3%. As of Friday morning, 13 June, the balance on correspondent accounts totaled UAH 29.2 billion.

WEIGHTED AVERAGE EXCHANGE RATE (UAH/USD)



Source: NBU



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