



Financial markets survey

09 February 2015

One week of optimism

WEEKLY ISSUE

GLOBAL MARKETS

Last week, optimistic moods returned to capital markets. The American market largely compensated the losses sustained in January, while the European market registered strong growth. Growth was also registered on local markets.

The fact that global petroleum prices stopped falling contributed to optimistic moods among traders. Nobody can confidently predict how long-term the price for this commodity that can be observed at the moment will be. Analysts from Eurasia Group, a New-York based political risk consultancy, assume that the "new normal price" for the petroleum market for the next several years will be USD 60-70/barrel.

European investors are feeling more confidence thanks to the growing frequency of positive statistical data relative to the euro-area economy. To a considerable extent, such a positive result is connected with an extremely low baseline of the previous periods. In January 2015, the composite Purchasing Managers Index (PMI) of the nineteen euro-area countries grew to 52.6 points – a record-high since July 2014. In December 2014, retail sales in the euro-area grew higher than analysts expected. In December 2014, industrial output in Germany grew for the fourth consecutive month.

American investors are gradually redirecting their attention towards fundamental indicators of markets and are already less concerned about activities of the national regulators. The Government support program is being tapered, and the good old market mechanisms are stepping forward.

During the current week, two important events are expected to take place on 11 February. On that day, a meeting in the so-called "Norman format" should take place in Minsk where top representatives of Ukraine, Germany, France, and Russia will be discussing the ways to settle the situation in Ukraine. On the same day, Finance Ministers of the euro-area countries (Eurogroup) will hold an extraordinary meeting in Brussels to discuss the issue of Greece's debt.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2055.5	3.0%	1.5%	-0.2%
FTSE 100 (UK)	6853.4	1.5%	6.8%	4.4%
MXME (East. Eur.)	128.2	9.1%	7.7%	6.7%
UX (Ukraine)	1055.7	6.5%	1.3%	2.2%
RTS (Russia)	826.4	12.1%	10.7%	4.5%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	209.0	-1.6%	-11.1%	-11.1%
Steel. USD/ton	388.0	0.0%	-3.7%	-3.7%
Oil. USD/barrel	57.8	9.1%	13.0%	0.8%
Gold. USD/ounce	1233.2	-3.9%	1.9%	4.2%

Source: Thomson Reuters

www.pumb.ua

Department of Investment Business
Andriivska St., 4, Kiev, Ukraine 04070
tel. +38 044 231 7380

MACROECONOMICS

Inflation

Inflation accelerated in January 2015. According to information of the State Statistics Service, consumer prices grew 3.1% compared to December 2014. Annual inflation accelerated to 28.5%.

As for consumer prices, food prices grew the most – 4.7% compared to the previous month. The most significant growth was registered in prices for fruits (13.5%) and vegetables (17.8%). The State Statistics Service registered that prices for clothes and footwear went down 1.9%. Prices for accommodation and public utilities inched up 0.5%.

In January 2015, producer prices also accelerated. Monthly inflation of producer prices reached 2.3%, while annual inflation landed at 34.1%. Prices grew the most in deliveries of electric energy, gas and vapor (3.4%) as a result of growing electricity rates.

BOND MARKET

Last week, the Ministry of Finance managed to raise an equivalent of UAH 2.7 billion to the State Budget of Ukraine by way of selling internal government bonds. At a tender held on 3 February, the Ministry of Finance placed internal government bonds denominated in US dollars, maturing in 48 days and yielding 8.75% per annum, as well as internal government bonds denominated in hryvnia, maturing in two years and yielding 16.70% per annum. On 5 February, the Ministry of Finance placed one more portion of internal government bonds denominated in US dollars, whose primary placement took place two days earlier. The above-mentioned placements did not see any competition: one only bidder was willing to purchase the bonds. In our opinion, commercial banks were involved in this purchase.

NBU OPERATIONS

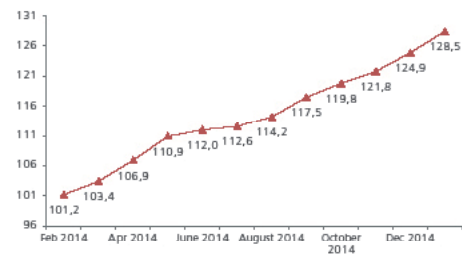
Last week, the sum allocated by the National Bank at a tender to support liquidity of banks reached UAH 400 million against UAH 500 million disbursed a week earlier. The above-mentioned refinancing resources were granted on 4 February to eleven banks for 44 days. The refinancing rate did not change and equaled 19.50% per annum.

The total sum of overnight loans which the NBU issued to banks over the previous week reached UAH 2.9 billion against UAH 2.5 billion granted a week earlier. On 6 February, the National Bank raised the rate for overnight loans to 23%. Earlier, the weighted average interest rate for overnight loans stood at 17.50%.

Last week, the National Bank of Ukraine managed to raise UAH 65.7 billion against UAH 56.8 billion raised a week earlier by way of placing certificates of deposit. The NBU placed overnight certificates of deposit for the total of UAH 59.2 billion against UAH 51.9 billion placed a week earlier. On 6 February, the National Bank raised the rate for overnight deposit certificates to 13%. Earlier, the interest rate for overnight certificates of deposits stood at 11.00% per annum. Higher rates for longer-term deposit certificates made it possible to increase their maturity periods. The longest term of deposit certificates placed during the previous week reached 45 days.

During the previous week, the overall level of the banking system liquidity did not sustain any significant changes.

CONSUMER PRICE INDEX (year-on-year)



Source: the State Statistics Service

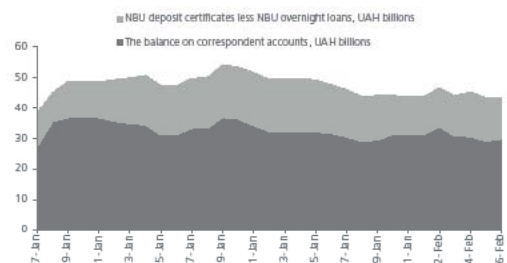
THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of bonds	Weight. av. rate	Submit./satisfied bids	Funds raised. UAH mln
3 Feb.	48 days. denom. in USD	8.75%	1/1	60.0*
3 Feb.	728 days	16.70%	1/1	23.7
5 Feb.	47 days. denom. in USD	8.75%	1/1	89.9*

* USD millions

Source: the Ministry of Finance of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

EQUITY MARKET

Last week, the Ukrainian stock market played in unison with international financial markets and actively recovered its January losses. By the end of the previous week, the Ukrainian Exchange (UX) Index grew 6.5% and closed at 1,055.68 points.

During the current week, investors in the Ukrainian stock market will follow the results of a meeting that is expected to take place in Minsk on 11 February. Top officials of Ukraine, Germany, France, and Russia will discuss the ways to settle the situation in Ukraine.

FOREIGN EXCHANGE MARKET

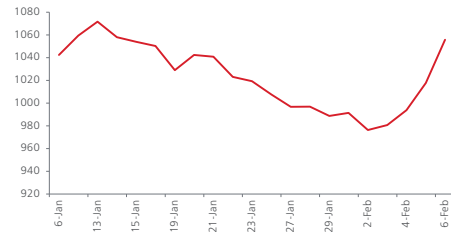
Starting from 5 February, the National Bank cancelled daily tenders which were carried out to establish the weighted average exchange rate that was used for operations on the interbank foreign exchange market. In other words, on Thursday, 5 February, the NBU let the market float freely. As a result, importers that could not purchase foreign exchange earlier became more active on the market. As a consequence, the market skyrocketed immediately. The weighted average exchange rate stood at: UAH 16.0879/USD on Monday, UAH 16.2101/USD on Tuesday and UAH 16.4183/USD on Wednesday. Trading on the interbank foreign exchange market ranged within the limits of UAH 24-25/USD on Thursday and UAH 26-26.50/USD on Friday. The maximum foreign exchange sales volumes were registered on Wednesday, 4 February: above USD 0.51 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.38 billion.

INTERBANK LENDING MARKET

Last week, the cost of resources on the interbank lending market remained high. By the end of the previous week, the cost of loans went up in connection with the depreciation of the UAH/USD exchange rate. On Friday, 6 February, the cost of overnight loans was 11-14% per annum, while the cost of weekly resources stood at 12-17% per annum, and monthly resources cost 14-19% per annum.

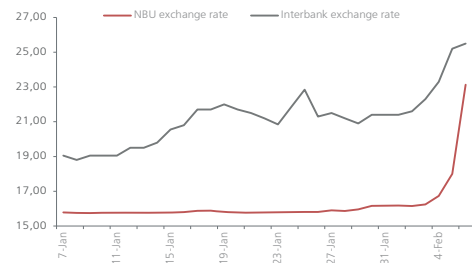
Last week, the balance on correspondent accounts went down; however, it continued to stay relatively high, above UAH 29 billion. As of Friday morning, 6 February, the balance on correspondent accounts stood at UAH 29.8 billion.

THE UX INDEX



Source: Thomson Reuters

EXCHANGE RATE (UAH/USD)



Source: NBU, kurs.com.ua

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2013	2014 (latest data)
GDP, %	0.0	-5.3 (Q3'2014)
Industrial output, %	-4.7	-10.7 (January-December)
Consumer price growth, % year-on-year	0.5	28.5 (January 2015)
Producer price growth, % year- on-year	1.7	34.1 (January 2015)
Balance of trade, USD billions	-15.6	-5.4 (January-December)
Official exchange rate, annual average, UAH/USD	7.99	11.89 (January-December)
Weighted average interbank exchange rate, annual average, UAH/USD	8.12	11.97 (January-December)
Weighted average interbank exchange rate, by year end, UAH/USD	8.15	15.79 (end of December)
Banking system assets, % of gr owth	13.4	3.0 (January-December)

Source: the State Statistics Service, NBU



DEPARTMENT OF INVESTMENT BUSINESS

Anton Stadnik
Head of department
+38 044 231 7046
anton.stadnik@fuib.com

Marina Timbay
Trading and brokerage
+38 044 231 7053
marina.timbay@fuib.com

Yevhenia Akhtyrko
Research
+38 044 231 7380
evgeniya.ahtirko@fuib.com

**INTERNATIONAL FINANCING
AND TRANSACTION STRUCTURING**

Serhiy Zubro
+38 044 231 7055
serhiy.zubro@fuib.com

TRANSACTION SERVICES

Anton Gurban
+38 044 231 7530
anton.gurban@fuib.com

PUBLIC RELATIONS

Anna Kokoba
+38 044 231 7252
anna.kokoba@fuib.com

This document is based on data we deem to be reliable, though we do not guarantee its accuracy or completeness and make no warranties regarding results from its usage. Forecasts are estimates by specialists working for us, and actual events may turn out to be fundamentally different due to unforeseen circumstances. This document is provided for information purposes only.