

# Financial markets survey

30 March 2015

## Bouncing up and down

WEEKLY ISSUE

### GLOBAL MARKETS

Last week, the leading stock platforms across the world registered an adjustment. The American S&P 500 Index and the British FTSE 100 Index lost more than 2% over the previous week. Whereas the British index is still registering good growth since the beginning of the year, the American stock market returned to the figures observed at the beginning of the current year.

At the beginning of the previous week, the Greek issue was the focus of attention again. The Government of Greece resumed the discussion regarding the impossibility to service the country's debts in the near future. In February, the European Central Bank drastically limited loans to the banking system of Greece, refusing to accept its government bonds as collateral. The euro-area countries gave Greece time till Monday to elaborate and present a plan of economic reforms, which is the necessary condition for international financial assistance. Meanwhile, as several years ago, economists started to count scenarios for Greece to withdraw from the euro-area.

A number of statistical data that came from the US during the previous week turned out to be unexpectedly worse than forecasts. In February, the US registered a drop in orders for durable goods. Also, February saw slower growth of industrial output, as well as the number of new homes whose construction was launched a month earlier.

The news about the beginning of a military operation in Yemen carried out by Saudi Arabia and its allies also contributed to the decline of indices. The coalition of Arabic countries is launching air attacks against Houthi rebels in Sana'a, the capital of Yemen. US President Barack Obama sanctioned the provision of assistance to the coalition in the form of reconnaissance data and logistic support

### STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,061.0	-2.2%	-2.5%	0.1%
FTSE 100 (UK)	6855.0	-2.4%	-1.2%	4.4%
MXME (East. Eur.)	131.2	-1.0%	-2.4%	9.2%
UX (Ukraine)	1,007.9	-4.1%	-9.8%	-2.5%
RTS (Russia)	856.4	-0.7%	-3.1%	8.3%

### COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	192.5	-2.0%	-7.5%	-18.1%
Steel, USD/ton	358.0	-0.6%	0.0%	-11.2%
Oil, USD/barrel	56.4	2.0	-8.5%	-1.6%
Gold, USD/ounce	1,198.8	1.4%	-0.5%	1.3%

Source: Thomson Reuters

[www.pumb.ua](http://www.pumb.ua)

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

## MACROECONOMICS

### Balance of payments

In February 2015, Ukraine's current account balance deteriorated. Exports of goods and services shrank at a more rapid pace than imports. Deficit of the country's current account reached USD 405 million in February 2015 against USD 359 million in January 2015.

At the same time, deficit of the capital and financial account shrank and totaled USD 338 million in February against USD 531 million in January. In particular, February saw an increase in foreign direct investment, as well as in the "Other Capital" category.

Deficit of the consolidated balance of payments totaling USD 734 million was financed with the help of reserve assets.

### Wages

Real wages in Ukraine shrank 18.2% in February 2015 compared to February 2014. The main reasons for real wages to shrink were the recession of the country's economy and galloping inflation. Statistics bodies registered that wages shrank the most seriously in Luhansk, Kherson and Kyiv oblasts.

In February 2015, the average monthly wage of full-time employees totaled UAH 3,633. The highest wages were observed in the city of Kyiv, Donetsk and Dnipropetrovsk oblasts. The lowest wages were registered in Ternopil, Kherson and Chernivtsi oblasts.

## BOND MARKET

Last week, the Ministry of Finance did not hold any tenders to place internal government bonds. There is no schedule of tenders for the current month. Perhaps, the Ministry of Finance gave up the idea of raising financial resources at the domestic market owing to the high cost of resources. At the current stage, the Budget deficit will be financed with the help of the IMF loan.

## NBU OPERATIONS

Last week, the sum allocated by the National Bank at a tender to support liquidity of banks reached UAH 286 million against UAH 500 million disbursed a week earlier. The above-mentioned refinancing resources were granted on 25 March to three banks for 13 days. The weighted average refinancing rate for the above-mentioned loans inched down to 30.14% per annum compared to 31.72% a week earlier.

The total sum of overnight loans which the NBU issued to banks from Monday to Thursday of the previous week reached UAH 1.3 billion.

Last week, the National Bank of Ukraine managed to raise UAH 38.5 billion by way of placing certificates of deposit from Monday to Thursday. At that, the NBU placed overnight certificates of deposit for the total of UAH 33.8 billion over this period.

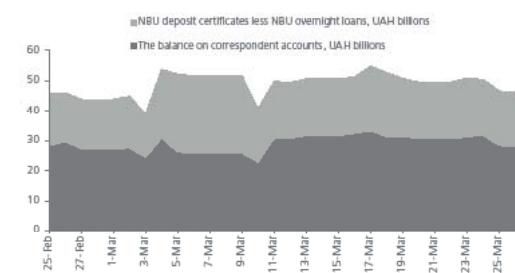
Last week, the overall level of the banking system liquidity went down. By the end of the previous week, both the volume of deposit certificates in circulation and the balance on correspondent accounts declined.

## LATEST MACROECONOMIC DATA

Indicator	Value
Current account balance in February 2015, USD millions	-405
Change in real wages in February 2015, % year-on-year	-18.2

Source: the State Statistics Service

## BANKING SYSTEM LIQUIDITY



Source: NBU

## EQUITY MARKET

The Ukrainian stock market continued to fall during the previous week. By the end of the previous week, the Ukrainian Exchange (UX) Index lost 4.1% and closed at 1,007.91 points on Friday, 27 March. Since the beginning of the year, the UX Index lost 2.5%.

In addition to the negative external background, players on the Ukrainian stock market were concerned about the worsening in the political situation within the country connected with the dismissal of Head of Dnipropetrovsk Oblast State Administration Ihor Kolomoyskiy.

## FOREIGN EXCHANGE MARKET

Last week, trading on the interbank foreign exchange market ranged within the limits of UAH 23.10-23.30/USD on Monday, UAH 23.20-23.60/USD on Tuesday, UAH 23.45-23.65/USD on Wednesday, UAH 23.45-23.65/USD on Thursday, and UAH 23.45-23.55/USD on Friday. Demand was slightly higher than supply, and the interbank foreign exchange rate market kept close to the UAH 23.50/USD mark. During the last several weeks, the National Bank carried out interventions at the above-mentioned exchange rate, when it considered necessary.

The maximum foreign exchange sales volumes were registered on Wednesday, 25 March: above USD 0.25 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.18 billion. As we can see, trading on the interbank foreign exchange market, as before, continues to be at the minimally low level.

## INTERBANK LENDING MARKET

Last week, the cost of resources on the interbank lending market did not change and remained high. During the previous week, the cost of overnight loans was 21-25% per annum, while rates for weekly resources stood at 22-26% per annum. The cost of monthly resources was 22-27% per annum.

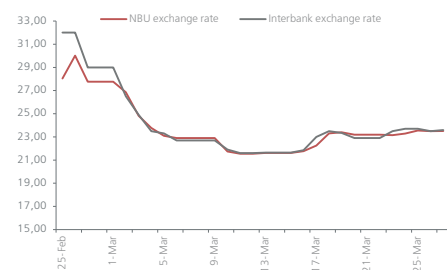
The balance on correspondent accounts went down in the course of the previous week. As of Friday morning, 27 March, the balance on correspondent accounts equaled UAH 27.0 billion.

## THE UX INDEX



Source: Thomson Reuters

## EXCHANGE RATE (UAH/USD)



Source: NBU, kurs.com.ua

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2014	2015
GDP, %	-6.8	-
Industrial output, %	-10.7	-22.5 (February)
Consumer price growth, %	24.9	34,5 (February)
Producer price growth, %	31.8	41,0 (February)
Balance of trade, USD billions	-5.4	-0.8 (January-February)
Official exchange rate, annual average, UAH/USD	11.89	20.36 (January-February)
Weighted average interbank exchange rate, annual average, UAH/USD	11.97	20.36 (January-February)
Weighted average interbank exchange rate, by year end, UAH/USD	15.79	30.01 (end of February)
Banking system assets, % of growth	3.0	26.8 (January-February)

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

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