



Financial markets survey

20 April 2015

Greece and statistical data

WEEKLY ISSUE

GLOBAL MARKETS

The leading western trading platforms finished the previous week in the red. European investors were concerned about the state of affairs in Greece again, while American investors were disappointed over statistical indicators, as some of them turned out to be worse than forecast.

The Government of Greece needs to reach an agreement with creditors in order to returned EUR 2.5 billion to the International Monetary Fund (IMF) over May-June. The agreement should be reached before the end of April; however, the process is extremely complicated. Most likely, the European Union will not provide a credit tranche to help the Greek economy recover before the end of April 2015, as was planned earlier, since Athens are not prepared to adopt a national reforms program.

During the current week, negotiations on Greece are expected to intensify. On 24 April, the Council of Finance Ministers of the euro-area (the Eurogroup) will hold an important meeting, where the group should evaluate the readiness of Athens to fulfill its obligations regarding reforms.

Retail sales in the US grew 0.9% in March 2015 compared to the previous month. Analysts polled by the Bloomberg agency expected this indicator to grow 1.1% on the average. The latest data on the US labor market also turned out to be worse than expected. Also, data on the number of new homes whose construction was launched in March turned out to be unexpectedly low.

Unimpressive macroeconomic indicators turned out to be more important for decision-making investors than indicators of financial statements that came in over the previous week. In particular, several financial companies submitted their financial statements. On the whole, indicators of proceeds and profits turned out to be higher than expected. Quotations of several companies went up visibly; however, the market as a whole turned out to be in the red.

The Greek issue will be the center of attention during the current week as well. American investors will follow financial indicators of corporations for the first quarter of 2015.

STOCK MARKETS

| Index | last | week ch. | mon. ch. | YTD |
|-------------------|--------|----------|----------|-------|
| S&P 500 (US) | 2081.2 | -1.0% | -0.9% | 1.1% |
| FTSE 100 (UK) | 6994.6 | -1.3% | 0.7% | 6.5% |
| MXME (East. Eur.) | 147.5 | -0.2% | 15.4% | 22.8% |
| UX (Ukraine) | 1015.0 | -0.1% | -6.0% | -1.8% |
| RTS (Russia) | 999.0 | 0.0% | 18.8% | 26.3% |

COMMODITIES

| Commodity | last | week ch. | mon. ch. | YTD |
|-----------------|--------|----------|----------|--------|
| Wheat, USD/ton | 194.0 | 0.0% | -1.3% | -17.4% |
| Steel, USD/ton | 355.0 | -0.8% | -1.4% | -11.9% |
| Oil, USD/barrel | 63.5 | 9.6% | 13.5% | 10.7% |
| Gold, USD/ounce | 1204.2 | -0.3% | 3.2% | 1.7% |

Source: Thomson Reuters

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MACROECONOMICS

Inflation

Agriculture declined at a more rapid pace. Over the first quarter of 2015, agricultural output in Ukraine dropped 4.7% compared to the same period in 2014 reported the State Statistics Service.

In the first half of the year, indicators in Ukraine's agriculture are determined mainly by the dynamics registered in the development of livestock-breeding. As of 1 April 2015, cattle headcounts shrank 8.9%, pig headcounts dropped 4.2% and poultry headcounts declined 8.6% compared to 1 April 2014. Such a decline in headcounts is connected with shrinking investment, lower working capital of companies and drastic increase in fodder prices.

In the first quarter of 2015, meat output shrank 2%, milk output dropped 3.1% and egg output fell 10.1%.

The average selling prices for agricultural products soared 70% over January-March 2015 compared to the same period in 2014. Prices for plant-growing products rose 2.1 fold, while prices for livestock-breeding products jumped 46%. Such a rapid growth of prices for plant-growing products is connected mainly with the depreciation of the national currency, since prices for grain crops are formed on international markets.

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 274.5 million against UAH 420.5 million disbursed a week earlier. The above-mentioned refinancing resources were granted on 15 April to four banks for 13 days. The weighted average refinancing rate for the above-mentioned loans did not change and equaled 30.01% per annum.

The NBU did not issue overnight loans to banks over the previous week.

Last week, the National Bank of Ukraine managed to raise UAH 36.3 billion by way of placing certificates of deposit against UAH 44.5 billion raised a week earlier. At that, the NBU placed overnight certificates of deposit for the total of UAH 26.7 billion over the previous week.

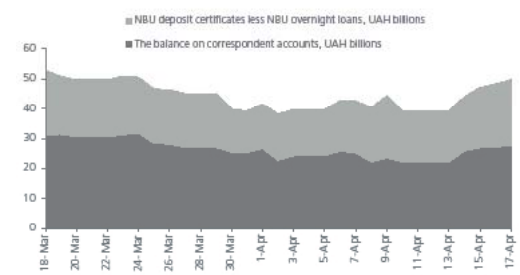
Over the previous week, the overall level of the banking system liquidity went up. There was an increase in the volume of deposit certificates in circulation and in the balance on correspondent accounts. The absence of overnight loans also contributed to growing liquidity.

LATEST MACROECONOMIC DATA

| Indicator | Value |
|---|-------|
| Change in agricultural output over January-March 2015, % year-on-year | -4.7 |

Source: the State Statistics Service

BANKING SYSTEM LIQUIDITY



Source: NBU

EQUITY MARKET

Last week, the Ukrainian stock market index remained practically flat. By the end of the previous week, the Ukrainian Exchange (UX) Index did not register any statistically important changes and closed at 1,014.95 points on Friday, 17 April.

During the previous week, the political and military situation in the country was relatively quiet, and the stock market went through it without any shocks.

FOREIGN EXCHANGE MARKET

During the previous week, trading on the interbank foreign exchange market ranged within the limits of UAH 22.70-23.00/USD on Tuesday, 14 April, UAH 21.40-22.00/USD on Wednesday, UAH 21.00-21.70/USD on Thursday, and UAH 21.00-21.20/USD on Friday. The maximum foreign exchange sales volumes were registered on Wednesday, 15 April: above USD 0.315 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.244 billion.

INTERBANK LENDING MARKET

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

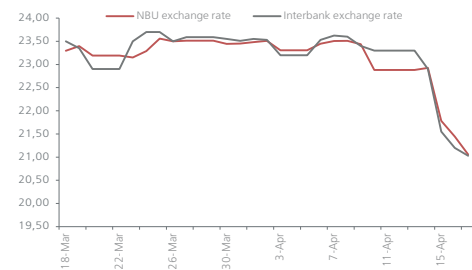
The balance on correspondent accounts grew in the course of the entire previous week. As of Friday morning, 17 April, the balance on correspondent accounts totaled UAH 27.7 billion

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 | 45.8 (March) |
| Producer price growth, % | 31.8 | 51.7 (March) |
| Balance of trade, USD billions | -5.4 | -0.8 (January-February) |
| Official exchange rate, annual average, UAH/USD | 11.89 | |
| Weighted average interbank exchange rate, annual average, UAH/USD | 11.97 | 21.43 (January-March) |
| Weighted average interbank exchange rate, by year end, UAH/USD | 15.79 | 23.44 (end of March) |
| Banking system assets, % of growth | 3.0 | 26.8 (January-February) |

Source: the State Statistics Service, NBU



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