

# Financial markets survey

18 May 2015

## A break-through at the end of the week

### WEEKLY ISSUE

#### GLOBAL MARKET

The US stock market finished one more week in the green zone. By the end of the previous week, an upsurge was unexpected, since the market demonstrated a negative dynamics for the most part of the previous week.

It seems that American investors are more and more sharing the opinion that the US Federal Reserve System will refrain from raising the federal funds rate in June. According to analysts, the new "pessimistic" deadline is the end of summer, while the most realistic forecast is the end of 2015.

If the central bank decides to take its time, it is possible to expect that, during the nearest several months, the behavior of investors will be, to a greater extent, determined by macroeconomic news and corporate reporting results.

After the period of active recovery, the American economy is demonstrating more and more signs of slipping. Macroeconomic indicators are growing slowly and more and more often turn out to be worse than expected by analysts. Retail sales in the US did not change in April, whereas analysts expected a 0.2% growth. Inventories of goods at the US warehouses grew 0.1% in March 2015, which turned out to be lower than forecast.

The British FTSE 100 Index lost 1.2% over the previous week. However, it still has a serious safety margin since the beginning of the year. Negotiations between the Eurogroup and Greece are still in progress, but important results have not been achieved yet. Macroeconomic indicators of the euro-area are recovering at a slow pace. In the first quarter of 2015, GDP in the euro-area grew 0.4%, which was in line with the forecast.

#### STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,122.7	0.3%	0.8%	3.1%
FTSE 100 (UK)	6,960.5	-1.2%	-1.9%	6.0%
MXME (East. Eur.)	158.5	1.3%	4.4%	31.9%
UX (Ukraine)	1,063.0	-0.5%	4.0%	2.9%
RTS (Russia)	1,074.7	1.4%	2.1%	35.9%

#### COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	176.0	-2.8%	-9.3%	-25.1%
Steel, USD/ton	370.0	0.0%	4.2%	-8.2%
Oil, USD/barrel	66.8	2.2%	10.8%	16.5%
Gold, USD/ounce	1,223.1	3.0%	1.8%	3.3%

Source: Thomson Reuters

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## MACROECONOMICS

### Agriculture

In March 2015, Ukraine's balance of payments significantly improved. The current account deficit totaled USD 13 million compared to USD 460 million in February 2015. Over the first quarter of 2015, the country's current account deficit reached USD 836 million against USD 1.5 billion in the first quarter of 2014.

Growing exports of goods contributed to improving the country's balance of trade. In March, exports of goods went up to USD 4.4 billion from USD 3.8 billion in February 2015. Nevertheless, exports of goods shrank 32.9% in the first quarter of 2015 compared to the first quarter of 2014. Imports of goods dropped 33.7% over the above-mentioned period.

Deficit of the capital and financial account equaled USD 292 million in March 2015. The flow-out under loans and bonds reached USD 1.6 billion. Over the first quarter of 2015, outflow under loans and bonds totaled USD 3.3 billion.

Deficit of the consolidated balance of payments totaled USD 1.9 billion in the first quarter of 2015 against USD 4.3 billion in the first quarter of 2014.

The disbursement of the IMF loan totaling USD 4.9 billion made it possible to increase foreign-exchange reserves to USD 10.0 billion, which provides for financing 2.1 months of future imports.

### 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. The last placement of internal government bonds took place on 2 April 2015.

### NBU OPERATIONS

Last week, the National Bank did not provide long-term refinancing resources to commercial banks. During the four working days of the previous week, the total sum of overnight loans which the NBU disbursed to banks reached UAH 272 million against UAH 348.8 million granted a week earlier.

Last week, the National Bank of Ukraine managed to raise UAH 86.5 billion against UAH 46.3 billion raised a week earlier by way of placing certificates of deposit. At that, the NBU placed overnight certificates of deposit for the total of UAH 32.2 billion over the previous week.

During the previous week, the overall level of the banking system liquidity went up thanks to growing volumes of deposit certificates in circulation, as well as to shrinking volume of overnight loans.

### EQUITY MARKET

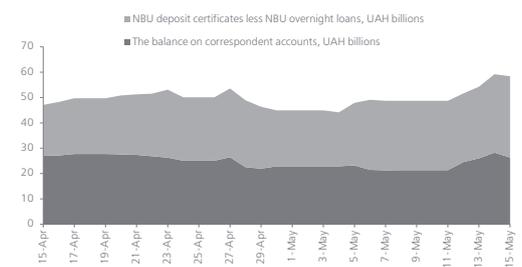
Last week, the Ukrainian stock market continued the downward trend. The Ukrainian Exchange (UX) Index lost 0.5% over the previous week and closed at 1,062.95 points on Friday, 15 May.

### LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output over January-April 2015, % year-on-year	-4.8

Source: the National Bank of Ukraine

### BANKING SYSTEM LIQUIDITY



Source: NBU

Against the background of the serious economic recession, a positive trend on external markets and tangible efforts of the Government to implement reforms can foster growth on the stock market.

### FOREIGN EXCHANGE MARKET

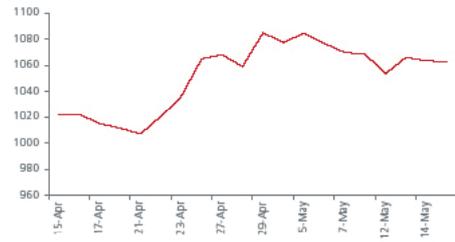
During the previous week, trading on the interbank foreign exchange market ranged within the limits of UAH 22.80-23.00/USD on Monday, 27 April, UAH 22.10-22.40/USD on Tuesday, UAH 20.90-21.20/USD on Wednesday, and UAH 21.10-21.40/USD on Thursday. The maximum foreign exchange sales volumes were registered on Tuesday, 28 April: above USD 0.296 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.232 billion.

### INTERBANK LENDING MARKET

Owing to the beginning of a new month and the four-day holiday period, the cost of overnight loans went up over the previous week. On the last day of April, the cost of overnight loans on the interbank lending market stood at 22-28% per annum. During the previous week, the cost of weekly resources reached 18-25% per annum, while monthly resources cost 18-20% per annum.

The balance on correspondent accounts went down and stood around UAH 22-23 billion for the most part of the previous week. As of Thursday morning, 30 April, the balance on correspondent accounts totaled UAH 22.7 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	-21.1 (March)
Consumer price growth, % year-on-year	24.9	60.9 (April)
Producer price growth, % year-on-year	31.8	48.6 (April)
Balance of trade, USD billions	-5.4	-1.0 (January-March)
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	21.13 (end of April)
Banking system assets, % of gr owth	3.0	9.4 (January-March)

Source: the State Statistics Service, NBU



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