



# Financial markets survey

25 May 2015

## Quiet growth

### WEEKLY ISSUE

#### GLOBAL MARKET

Last week was relatively quiet and lucky for the leading stock platforms across the world. The news stream was not explicitly positive; however, investors preferred to focus on positive information.

The British FTSE 100 Index gained 1.0% over the previous week and completely recovered losses of the last thirty days. April data demonstrated that the period of deflation in the euro-area that lasted for four months is now over. This gives hope that economic growth in Europe can accelerate. In addition, the European Central Bank (ECB) announced that it would buy out bonds more actively over May-June as part of the quantitative easing program (QE) in anticipation of the summer period, which is traditionally characterized by low liquidity of markets. The ECB also announced its further plans to keep low rates.

The situation with Greece is far from being resolved. Negotiations involving Greece, France and Germany as part of the Eastern Partnership Summit in Riga, a summit of the European Union leaders, were interrupted without any signs of a significant progress that would provide Athens with access to additional lending resources and secure its stable future in the euro-area. Nevertheless, the ECB increased the ultimate volume of financing for Greek banks as part of the Emergency Liquidity Assistance Program (ELA) for another EUR 200 million. The total ELA financing for Greece now reaches EUR 80.2 billion, having grown more than EUR 20 billion from February 2015.

As before, economic news items from the US are of mixed nature. On the one hand, news items regarding the labor market surpass all the best expectations. On the other, the Consumer Confidence Index fell record-fast in May since 2013.

The current uncertainty of investors regarding the US securities will persist until the US Federal Reserve System announces its plans with respect to the deadlines for raising the federal funds rate.

#### STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,126.1	0.2%	0.9%	3.3%
FTSE 100 (UK)	7,031.7	1.0%	0.0%	7.1%
MXME (East. Eur.)	153.3	-3.3%	3.1%	27.6%
UX (Ukraine)	1,026.7	-3.4%	0.6%	-0.6%
RTS (Russia)	1,051.2	-2.2%	4.7%	32.9%

#### COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	180.0	2.3%	-0.6%	-23.4%
Steel, USD/ton	375.0	1.4%	2.7%	-6.9%
Oil, USD/barrel	65.4	-2.2%	4.2%	14.0%
Gold, USD/ounce	1,205.9	-1.4%	1.6%	1.9%

Source: Thomson Reuters

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

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**MACROECONOMICS**

**Industrial output**

In April 2015, the situation in the Ukrainian industry did not change much. According to information of the State Statistics Service, industrial output declined 21.7% in April 2015 compared to April 2014. Over January-April 2015, industrial output dropped 21.5% year-on-year.

Mining industry is suffering the most serious decline of output. However, compared to March 2015, mining industry registered growth. Output in processing industry did not change compared to March 2015.

The most serious monthly growth was registered in production of black and brown coal, coke production and oil refining, steel industry, and machine-building industry.

**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. In the course of the previous week, the total sum of overnight loans which the NBU disbursed to banks reached UAH 355.5 million against UAH 272.0 million granted a week earlier.

Last week, the National Bank of Ukraine managed to raise UAH 45.8 billion against UAH 45.1 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 31.0 billion over the previous week.

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

**STOCK MARKET**

The Ukrainian stock market continues to stay in a depressive mood. Last week, the Ukrainian Exchange (UX) Index lost 3.4%, closing at 1,026.67 points on Friday, 22 May, and went down in the red zone compared to the beginning of the year.

Evidently, investors are disappointed with a weak progress of the Ukrainian Government as regards implementing reforms. This is why, recently, there has been growing criticism of Ukraine on the part of western partners. In addition, there is a growing flow of attempts in the Verkhovna Rada to adopt a number of populist laws that would prevent the economy from overcoming the crisis.

**FOREIGN EXCHANGE MARKET**

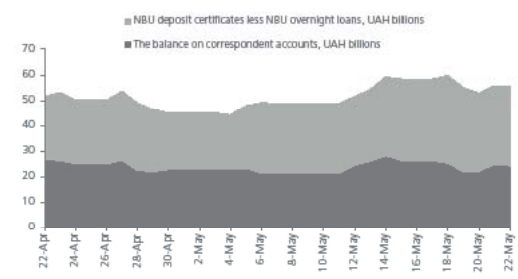
During the previous week, trading on the interbank foreign exchange market ranged within the limits of UAH 22.20-22.50/USD on Monday,

**LATEST MACROECONOMIC DATA**

Indicator	Value
Industrial output change in April 2015, % year-on-year	-21.7

Source: the State Statistics Service

**BANKING SYSTEM LIQUIDITY**



Source: NBU

**THE UX INDEX**



Source: Thomson Reuters



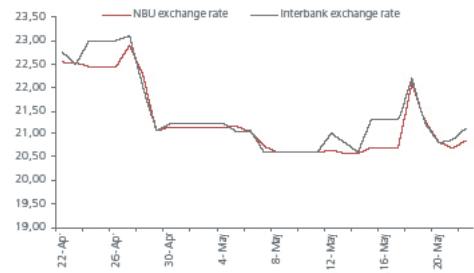
18 May, UAH 21.10-21.40/USD on Tuesday, UAH 20.50-21.00/USD on Wednesday, UAH 20.50-20.80/USD on Thursday, and UAH 20.70-21.00/USD on Friday. The maximum foreign exchange sales volumes were registered on Tuesday, 19 May: above USD 0.295 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.206 billion.

**INTERBANK LENDING MARKET**

Last week, the cost of resources on the interbank lending market did not change. The cost of overnight loans and weekly resources was 17-21% per annum. The cost of monthly resources stood at 18-20% per annum.

The balance on correspondent accounts went down. As of Friday morning, 22 May, the balance on correspondent accounts totaled UAH 24.3 billion.

**EXCHANGE RATE (UAH/USD)**



Source: NBU, kurs.com.ua

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2014	2015
GDP, %	-6.8	-
Industrial output, %	-10.7	-21.7 (April)
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	2.4 (January-April)

Source: the State Statistics Service, NBU



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