

# Financial markets survey

02 June 2015

## In the red

### WEEKLY ISSUE

#### GLOBAL MARKET

The leading trading platforms across the world finished the previous week in the red. The background news of the week was the absence of progress in resolving the Greek issue. One cannot say that negative news clearly dominated among the news items that came in during the previous week. However, pessimistic moods clearly prevailed among investors.

The current week should become decisive for the negotiations between Greece and its creditors. If the country's Government does not reach an agreement with its creditors by the end of the current week, the country will not receive a loan tranche provided for by the effective assistance program. Creditors demonstrate rather pessimistic moods, and one can hear again the opinion regarding a possible withdrawal of Greece from the euro-area.

Consumer confidence polls brought a pleasant surprise. In the US, the Consumer Confidence Index grew unexpectedly in May, whereas analysts expected it to go down. In June, the Leading Consumer Confidence Index in Germany grew record-high since 2001. This index has been rising for the eighth month in a row.

However, the news about revising the US GDP for the first quarter of the current year played the decisive role for the American market. The US Department of Commerce downgraded its estimate for GDP change in the first quarter of 2015 from a 0.2% growth in annual terms to a 0.7% decline.

The negative impact of foreign trade on economic growth was the most significant over the last 30 years: appreciation of the US dollar exchange rate undermined American exports (-7.6%), whereas imports grew tangibly (5.6%). Net exports took away 1.9 percentage points from growth – a record-high since 1985 – instead of 1.25 percentage points, which was announced in April 2015.

#### STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,107.4	-0.9%	0.0%	2.4%
FTSE 100 (UK)	6,984.4	-0.7%	0.5%	6.4%
MXME (East. Eur.)	143.6	-6.3%	-6.7%	19.5%
UX (Ukraine)	1,011.2	-1.5%	-6.8%	-2.1%
RTS (Russia)	968.8	-7.8%	-6.1%	22.5%

#### COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	180.0	0.0%	-0.6%	-23.4%
Steel, USD/ton	375.0	0.0%	2.7%	-6.9%
Oil, USD/barrel	65.6	0.3%	-0.4%	14.4%
Gold, USD/ounce	1,189.8	-1.3%	-1.2%	0.5%

Source: Thomson Reuters

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**MACROECONOMICS**

**Balance of payments**

In April 2015, Ukraine’s balance of payments continued to improve. For the second consecutive month, the current account balance turned out to be positive. In April, the current account surplus totaled USD 184 million. Over January-April 2015, the country’s current account deficit reached USD 265 million against USD 1.6 billion over January-April 2014.

Shrinking imports of goods contributed to improving the country’s balance of trade. Nevertheless, exports are also shrinking at a more and more rapid pace: exports of goods and services dropped 33.6% over January-April 2015 compared to the same period of the previous year.

Deficit of the capital and financial account equaled USD 355 million in April 2015. The flow-out under loans and bonds reached USD 734 million. Over January-April 2015, outflow under loans and bonds totaled USD 4.3 billion.

Deficit of the consolidated balance of payments totaled USD 2.1 billion over January-April 2015 against USD 4.5 billion in January 2014 .

Deficit of the balance of payments and scheduled payments under the IMF loan totaling USD 218 million resulted in foreign-exchange reserves shrinking to USD 9.6 billion, which provides for financing two 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 sum allocated by the National Bank to banks reached UAH 190 million. The above-mentioned refinancing resources were granted to three banks, while the weighted average refinancing rate for the above-mentioned loans reached 30.01% per annum. In the course of the previous week, the total sum of overnight loans which the NBU disbursed to banks reached UAH 230.7 million against UAH 355.5 million granted a week earlier.

Last week, the National Bank of Ukraine managed to raise UAH 40.6 billion against UAH 45.8 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 28.2 billion over the previous week.

During the previous week, the overall level of the banking system liquidity went down as a result of a decline in the balance on correspondent accounts.

**STOCK MARKET**

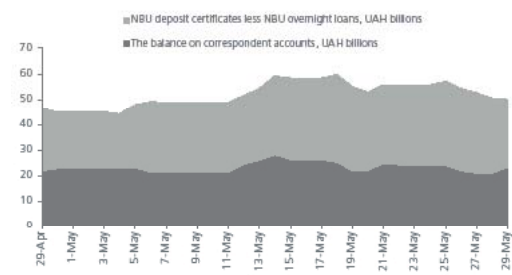
Last week, the Ukrainian stock market continued to follow the downward trend. Over the previous week, the Ukrainian Exchange (UX) Index lost

**LATEST MACROECONOMIC DATA**

Indicator	Value
Current account balance in April 2015, USD millions	184

Source: the National Bank of Ukraine

**BANKING SYSTEM LIQUIDITY**



Source: NBU

1.2% and closed at 1,011.22 points on Friday, 29 May. In the course of the previous week, the UX Index dropped below 1,000 points.

Pessimistic moods prevailing on western markets only secured the downward trend that has been reigning on the Ukrainian stock market in the course of the previous month.

### FOREIGN EXCHANGE MARKET

During the previous week, trading on the interbank foreign exchange market ranged within the limits of UAH 20.90-21.20/USD on Monday, 25 May. On Tuesday, the exchange rate depreciated to UAH 21.30-21.60/USD. On Wednesday, the exchange rate appreciated to UAH 20.90-21.10/USD again. On Thursday and Friday, trading ranged within the limits of UAH 21.00-21.15/USD.

The maximum foreign exchange sales volumes were registered on Thursday, 28 May: above USD 0.338 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.262 billion.

### INTERBANK LENDING MARKET

Last week, the cost of resources on the interbank lending market went up. For the most part of the previous week, the cost of overnight loans was 18-22% per annum. The cost of weekly resources rose to 20-24% per annum.

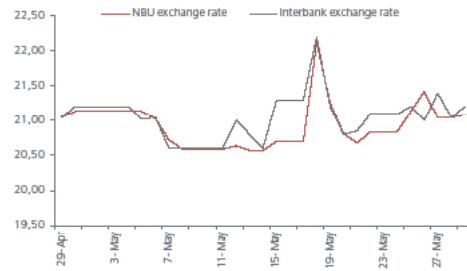
The balance on correspondent accounts went down and, for the most part of the previous week, stood around UAH 21 billion. As of Friday morning, 29 May, the balance on correspondent accounts totaled UAH 23.3 billion.

### 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	-21.7 (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	-0.5 (January-April)
Official exchange rate, annual average, UAH/ USD	11.89	
Weighted average interbank exchange rate, annual average, UAH/USD	11.97	21.31 (January-May)
Weighted average interbank exchange rate, by year end, UAH/USD	15.79	21.09 (end of May)
Banking system assets, % of gr owth	3.0	2.4 (January-April)

Source: the State Statistics Service, NBU



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