

# Financial markets survey

08 June 2015

## Pessimistic moods grew stronger

### WEEKLY ISSUE

#### GLOBAL MARKET

Last week, capitalization of western stock markets continued to decline. The British FTSE 100 Index lost 2.6% during the first week of June, while the American S&P 500 Index inched down 0.7%. Regional markets also supported the negative trend.

Investors continue to be worried about the failure to resolve the situation with debt liabilities of Greece. At the beginning of the previous week, it became clear that creditors are still far from reaching an agreement with the debtor country. Creditors themselves are already prepared to provide Greece with a plan of reforms, since they are not satisfied with the fruitless negotiations that have already extended for many months. Another week of negotiations is over, and the Prime Minister of Greece has departed to the Parliament to discuss agreements with creditors.

Over the latest months, the dynamics of the British FTSE 100 Index was influenced by a movement for the withdrawal of the UK from the European Union. Earlier, UK Prime Minister David Cameron made statements regarding his intention to hold a referendum on this issue by the end of 2017. The results of a public opinion poll carried out by Pew Research Center, an American research organization, demonstrated that, despite growing separation moods, the majority of Brits would prefer their country to continue to be a member of the European Union. Chancellor of Germany Angela Merkel has expressed confidence that sufficient EU reforms can be agreed to persuade the UK to vote to remain a member of the European Union.

As before, stock market players push macroeconomic news to the background. Meanwhile, there are definitely more positive news items than negative ones. In May, the rate of unemployment in Germany stayed record-low – 6.4%. In April, the indicator of unemployment in the euro-area dropped unexpectedly to 11.1%, which is a record-low for more than three years. Retail sales in the euro-area grew record-high since November 2014. In April, orders of industrial companies in Germany grew significantly higher than expected. The German Bundesbank, the country's central bank, revised its forecast for Germany's GDP growth upward and expects that the country's economy will grow 1.7% in 2015 and 1.8% in 2016.

#### STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,092.8	-0.7%	0.6%	1.6%
FTSE 100 (UK)	6,804.6	-2.6%	-1.9%	3.6%
MXME (East. Eur.)	137.4	-4.3%	-13.2%	14.4%
UX (Ukraine)	992.1	-1.9%	-7.9%	-4.0%
RTS (Russia)	922.7	-4.8%	-13.5%	16.7%

#### COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	182.0	1.1%	0.6%	-22.6%
Steel, USD/ton	375.0	0.0%	1.4%	-6.9%
Oil, USD/barrel	63.3	-3.4%	-6.6%	10.4%
Gold, USD/ounce	1,171.3	-1.6%	-1.8%	-1.0%

Source: Thomson Reuters

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

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**MACROECONOMICS**

**Inflation**

Consumer inflation slowed down in May 2015. According to information of the State Statistics Service, consumer prices went up 2.2% in May compared to the previous month, whereas annual inflation went down to 58.4%.

During the previous month, the main driver of inflation was prices for food products that grew 3.1% over the previous month. Prices for vegetables, fruits and eggs grew the most, which is explained by the seasonally shrinking supply.

Producer prices continue to slow down. For the first time over the last seven months, the country registered deflation in May: producer prices inched down 0.4%, while annual inflation of producer prices stood at 42.0%. Prices in mining industry shrank 4.3%, in particular, prices in mining of metal ores dropped 13.9%. Prices in processing industry inched down 0.4%.

Perhaps, depreciation of the national currency has already stopped affecting producer prices. The reason for lower prices is shrinking industrial output.

**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 hold any tenders to support liquidity of banks. The frequency of holding such tenders went down. In May, the National Bank held only one such tender, and the sum allocated to banks reached UAH 190 million, whereas four such tenders were held in April, and the total sum of refinancing resources equaled UAH 1.7 billion. The needs of banks in long-term refinancing resources of the National Bank subsided. This is the evidence of improving situation in the sector.

In the course of the previous week, the total sum of overnight loans which the NBU disbursed to banks reached UAH 63.7 million against UAH 230.7 million granted a week earlier.

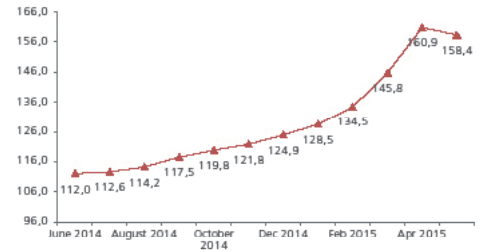
Last week, the National Bank of Ukraine managed to raise UAH 40.1 billion against UAH 40.6 billion raised a week earlier by way of placing certificates of deposit. At that, the NBU placed overnight certificates of deposit for the total of UAH 24.1 billion over the previous week.

During the previous week, the overall level of the banking system liquidity went up as a result of an increase in deposit certificates in circulation.

**STOCK MARKET**

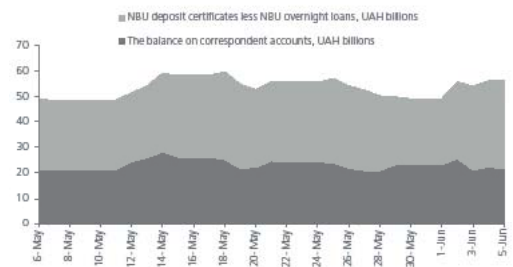
Last week, the Ukrainian Exchange (UX) Index did not manage to hold its positions above 1,000 points. By the end of the previous week, the

**CONSUMER PRICE INDEX (year-on-year)**



Source: the State Statistics Service

**BANKING SYSTEM LIQUIDITY**



Source: NBU

**THE UX INDEX**



Source: Thomson Reuters

Ukrainian Exchange Index lost 1.9% and closed at 992.13 points on Friday, 5 June .

The moods of investors in the Ukrainian stock market were shaped under the influence of pessimistic moods prevailing on western trading platforms, as well as the news about the aggravation of hostilities in the eastern part of the country.

**FOREIGN EXCHANGE MARKET**

During the previous week, trading on the interbank foreign exchange market ranged within the limits of UAH 21.00-21.15/USD on Tuesday, 2 June, UAH 20.90-21.10/USD on Wednesday, UAH 20.90-21.10/USD on Thursday, and UAH 21.00-21.10/USD on Friday.

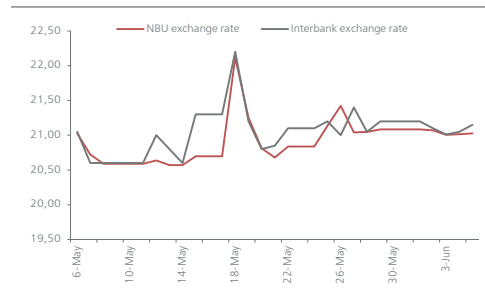
The maximum foreign exchange sales volumes were registered on Thursday, 4 June: above USD 0.295 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.240 billion.

**INTERBANK LENDING MARKET**

Last week, the cost of resources on the interbank lending market stood at 20-22% regardless of the due date of loans. Despite some signs of stabilizing situation in the banking sector, the cost of resources continues to be high.

During the previous week, the balance on correspondent accounts stood around UAH 21-25 billion. As of Friday morning, 5 June, the balance on correspondent accounts totaled UAH 21.6 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	58.4 (May)
Producer price growth, % year-on-year	31.8	42.0 (May)
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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