

Financial markets survey

22 June 2015

No new factors

WEEKLY ISSUE

GLOBAL MARKET

Last week, the European and the American stock markets moved in different directions. The American S&P 500 Index grew 0.8% over the previous week. At the same time, the British FTSE 100 Index lost 1.1%. As a result, since the beginning of the year, the growth indicator of the American market turned out to be better than the European indicator.

Pessimistic moods on European markets grew stronger due to the prolonged issue of Greece's government debts. By the end of the previous week, market expectations deteriorated in connection with the news about mass flight of depositors from Greek banks in expectation of the euro-area summit scheduled on Monday, 22 June.

The volumes of withdrawing deposits from the four systemic banks of Greece exceeded EUR 1 billion on Thursday, 18 June, and EUR 3 billion since the beginning of the previous week, which is three times above the average weekly indicator over the last two months. Since the beginning of 2015, Greek banks lost deposits for more than EUR 30 billion.

US investors returned to the discussion about the deadlines for raising the federal funds rate again. Since the US macroeconomic indicators turned out to be rather good over the last several months, markets began to fill with expectations again that rates will be raised before December of the current year. The latest polls demonstrate that the market is expecting that the rate will be raised two times before the end of the year. The first time can be already in September.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,110.0	0.8%	-0.7%	2.5%
FTSE 100 (UK)	6,710.5	-1.1%	-4.2%	2.2%
MXME (East. Eur.)	141.4	0.7%	-7.0%	17.7%
UX (Ukraine)	1,007.1	-0.3%	-2.8%	-2.5%
RTS (Russia)	966.9	1.7%	-6.3%	22.3%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	181.0	-0.5%	0.6%	-23.0%
Steel, USD/ton	363.0	-3.2%	-3.2%	-9.9%
Oil, USD/barrel	63.0	-1.3%	-3.1%	9.9%
Gold, USD/ounce	1,199.8	1.6%	-0.8%	1.4%

Source: Thomson Reuters

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MACROECONOMICS

Industrial output

In May 2015, industrial output in Ukraine shrank at a more sluggish pace. According to information of the State Statistics Service, industrial output declined 20.7% in May 2015 compared to May 2014. Over January-May 2015, industrial output dropped 21.2% year-on-year.

In particular, slower decline was registered in mining industry, whereas output shrank the fastest in processing industry. Compared to April 2015, output in mining industry grew 6%. Nevertheless, output in the production of black and brown coal in May 2015 is 50% lower than the indicator registered in May 2014.

Also, monthly growth was registered in steel industry, coke production and oil refining.

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

In the course of the previous week, the total sum of overnight loans which the NBU disbursed to banks reached UAH 212.5 million against UAH 250.8 million granted a week earlier. Last week, the National Bank did not provide long-term refinancing resources to banks.

Last week, the National Bank of Ukraine managed to raise UAH 50.9 billion against UAH 38.3 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 33.1 billion over the previous week.

By the end of the previous week, the overall level of the banking system liquidity went up thanks to an increase in the volume of deposit certificates in circulation.

STOCK MARKET

Last week, the Ukrainian stock market was volatile. At the beginning of the previous week, the Ukrainian Exchange (UX) Index grew rapidly. In the middle of the previous week, the market stopped growing. On the last trading day of the previous week, the UX Index dropped 1.7%. Perhaps, the news about panic-stricken depositors fleeing from Greek banks influenced Ukrainian investors as well.

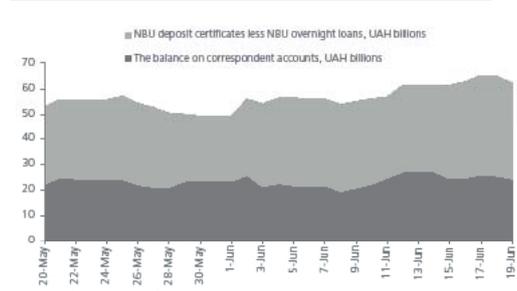
In the nearest future, the situation on the Ukrainian stock market will be determined by moods prevailing on external markets and the development of the military conflict in the eastern part of the country.

LATEST MACROECONOMIC DATA

Indicator	Value
Industrial output change in May 2015, % year-on-year	-20.7%

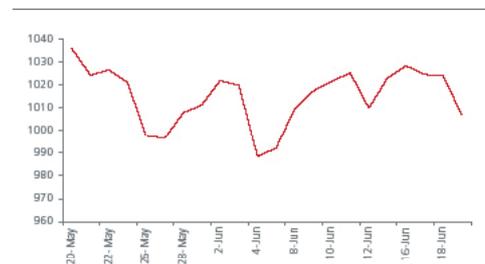
Source: the State Statistics Service

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Thomson Reuters

FOREIGN EXCHANGE MARKET

On Tuesday, 16 June, the UAH/USD exchange rate on the interbank foreign exchange market fell to UAH 22.0750/USD. However, during subsequent days, this downward trend did not get any support, and the USD/UAH exchange rate did not rise above UAH 22.00/USD.

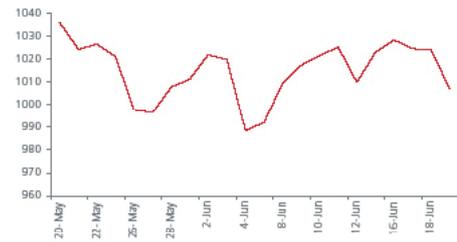
The maximum foreign exchange sales volumes were registered on Friday, 19 June: USD 232.2 million (in equivalent), while sales of the American currency alone totaled USD 160 million.

INTERBANK LENDING MARKET

Last week, the cost of resources on the interbank lending market did not change. Overnight loans cost 20-23% per annum, while the cost of weekly and monthly resources reached 20-22% per annum.

In the course of the previous week, the balance on correspondent accounts stood around UAH 24-25 billion. As of Friday morning, 19 June, 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	-20.7 (May)
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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