



Financial markets survey

30 June 2015

A week-end drama

WEEKLY ISSUE

GLOBAL MARKET

The main factor determining the dynamics of stock markets during the previous week was the results of negotiations to resolve debt problems of Greece. News items showing that there is practically no progress in negotiations were coming in from Monday through Friday. The Greek Government and creditors were exchanging packages of proposals, introduced amendments; however, they did not manage to reach a consensus. On Thursday and Friday, the European Central Bank refrained from expanding emergency loans to Greek banks.

Although the hope for progress in negotiations was very weak, the stock market went through the previous week rather quietly. The main negative news of the week came in after the markets closed on Friday. The EU leaders named Saturday the last day for reaching an agreement with Greece. On Friday evening, Greek Prime Minister Alexis Tsipras announced a referendum on proposals of international creditors. It became clear that the Government of Greece turned down proposals of creditors, and the country came very close to a default.

The current week will be very difficult for financial markets. Financial market players should estimate how Greece's default, which is very likely, can be reflected in the standing of the global and the euro-area financial systems.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,101.5	-0.4%	-1.0%	2.1%
FTSE 100 (UK)	6,753.7	0.6%	-4.0%	2.9%
MXME (East. Eur.)	139.3	-1.5%	-5.4%	15.9%
UX (Ukraine)	1,024.6	1.7%	2.8%	-0.8%
RTS (Russia)	943.0	-2.5%	-6.8%	19.3%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	180.0	-0.6%	0.0%	-23.4%
Steel, USD/ton	358.0	-1.4%	-4.5%	-11.2%
Oil, USD/barrel	63.3	0.4%	1.9%	10.3%
Gold, USD/ounce	1,174.6	-2.1%	-1.1%	-0.8%

Source: Thomson Reuters

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MACROECONOMICS

Wages

According to information of the State Statistics Service, real wages in Ukraine shrank 27.6% in real terms in May 2015 compared to May 2014. Over January-May 2015, real wages dropped 23.5% year-on-year.

The main reasons for real wages to shrink were record-high inflation and the recession of the country's economy.

In May 2015, the average monthly wage of full-time employees totaled UAH 4,042, which is 17.8% above the same indicator registered in May 2014. The lowest wages were registered in Chernivtsi, Ternopil and Kherson oblasts. The highest wages were observed in the city of Kyiv, Donetsk and Dnipropetrovsk oblasts.

BOND MARKET

Last week, after an almost three-months' break, the Ministry of Finance resumed tenders to place internal government bonds. On 23 June, the Ministry of Finance managed to raise USD 140.0 million (an equivalent of UAH 3.0 billion) to the State Budget of Ukraine by way of selling internal government bonds denominated in US dollars and maturing in one year.

Six bids were submitted for participation in this tender, and three of them were satisfied. The weighted average yielding rate for the above-mentioned bonds reached 8.66% per annum.

The renewal of tenders for primary placement of internal government bonds demonstrates gradual normalization of the situation on the financial market of the country, in particular, an increase in the volume of free liquidity.

NBU OPERATIONS

Last week, the National Bank allocated a refinancing loan to one bank for the total of UAH 77.5 million for 89 days. The refinancing rate equaled 30.0% per annum. During the previous week, the National Bank did not provide overnight loans to banks.

Last week, the National Bank of Ukraine managed to raise UAH 49.8 billion against UAH 50.9 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 32.1 billion over the previous week.

During the previous week, the overall level of the banking system liquidity grew record-high since the beginning of the current year. Growth was fostered by an increase in the volume of deposit certificates in circulation.

STOCK MARKET

Last week, the Ukrainian stock market partially restored the positions it lost. In the course of the previous week, the Ukrainian Exchange (UX) Index grew 1.7% and closed at 1,024.62 points on Friday, 26 June.

Last week was relatively quiet from the viewpoint of the political and military situation in the country. This is why, investors used the opportunity to stabilize the UX Index above 1,020 points.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in real wages in May 2015, % year-on-year	-27.6

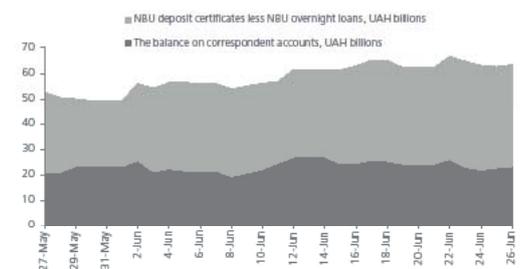
Source: the State Statistics Service

THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of bonds	Weight. av. rate	Submit./satisfied bids	Funds raised, USD millions
23 June	364 days, denom. in US dollars	8.66%	6/3	140.0

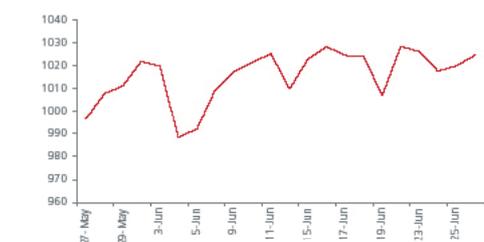
Source: the Ministry of Finance of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Thomson Reuters

FOREIGN EXCHANGE MARKET

Last week was quiet for the foreign exchange market of Ukraine. In the course of the previous week, the hryvnia exchange rate against the US dollar appreciated slightly. On Monday, 22 June, the exchange rate started from UAH 21.75-21.85/USD. The exchange rate appreciated gradually in the course of the three subsequent days and was registered at UAH 21.00-21.01/USD by the end of the previous week.

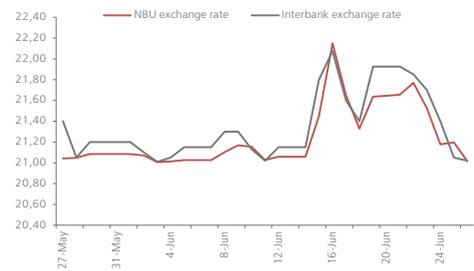
The maximum foreign exchange sales volumes were registered on Friday, 26 June: USD 296.7 million (in equivalent), while sales of the American currency alone totaled USD 212.0 million.

INTERBANK LENDING MARKET

Last week, the cost of overnight loans on the interbank lending market did not change and stood at 20-23% per annum. At the same time, the cost of weekly and monthly resources went down to 19-21% per annum. The higher cost of overnight loans compared to the cost of longer-term resources points to the imperfection of the Ukrainian market, which is the result of small volumes and relatively low liquidity.

For the most part of the previous week, the balance on correspondent accounts stood around UAH 23 billion. As of Friday morning, 26 June, the balance on correspondent accounts totaled UAH 23.3 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	-4.2 (January-May)

Source: the State Statistics Service, NBU



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