

Financial markets survey

06 July 2015

Hopeless waiting

WEEKLY ISSUE

GLOBAL MARKET

Last week, stock markets mirrored a possible impact of Greece's default on the global financial system's standing. On Tuesday, 30 June, Greece failed to make a payment under the IMF loan, and new proposals of the European Union to settle the debt were turned down by the Greek Government.

In the course of the previous week, the people of Greece were thinking how to vote at a referendum scheduled on Sunday, 5 July. The European Union urged Greek nationals to say "yes" to proposals of creditors, whereas Greek Prime-Minister Alexis Tsipras called upon his fellow countrymen to reject proposals of creditors, which provided for strict measures of budget economy and economic reforms. As became known on Sunday evening, 5 July, the majority of the Greek said "no" to proposals of creditors at the referendum, bringing their country closer to withdrawal from the euro-area and a financial collapse, since liquidity reserves of Greek banks were exhausted already by the end of the previous week.

It is not possible to speak about growth prospects for the European stock market, until it becomes clear which direction the European institutions will choose to look for a solution of the Greek problem. The British FTSE 100 Index lost 2.5% over the previous week and came right down to the values registered at the beginning of the year. Greece became the main obstacle for the euro-area countries on their way to overcoming the consequences of the financial crisis.

The Greek news delivered the main blow upon the American stock market on Monday, 29 June. During subsequent days, the American market gradually recovered, while investors paid more attention to economic news items from the US. Business activity indicators in the country are at a high level, vehicle sales are setting new record-highs, and the rate of unemployment sank record-low over the last seven years, dropping to 5.3%.

During the current week, the European Union should make a decision how to build its policy in respect of Greece with due consideration for the outcomes of the Sunday referendum

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,086.8	-0.7%	-1.3%	1.4%
FTSE 100 (UK)	6,585.8	-2.5%	-5.2%	0.3%
MXME (East. Eur.)	136.5	-2.0%	-3.6%	13.7%
UX (Ukraine)	1,015.5	-0.9%	-0.4%	-1.7%
RTS (Russia)	919.6	-2.5%	-2.9%	16.3%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	183.0	1.7%	0.5%	-22.1%
Steel, USD/ton	358.0	-4.5%	-4.5%	-11.2%
Oil, USD/barrel	-4.5%	-11.2%	1.9%	10.3%
Gold, USD/ounce	60.3	-4.6%	-5.5%	5.2%

Source: Thomson Reuters

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MACROECONOMICS

Balance of payments

In May 2015, the country's current account balance was close to zero: the current account deficit totaled USD 10 million against USD 395 million registered in May 2014. Over January-May 2015, the country's current account deficit reached USD 345 million against USD 1.9 billion over the same period last year.

Exports and imports of goods shrank at a more rapid pace in May. However, imports were shrinking faster than exports. Over January-May 2015, exports of goods dropped 36.4%, while imports of goods sank 39.3%. Imports from Russia shrank 2.3 times, while its share in total imports dropped from 26.7% to 19.4% over January-May 2015.

The balance of the capital account reached zero in May 2015. Over January-May 2015, surplus of the capital account equaled USD 248 million. The flow-out under the financial account totaled USD 330 million in May 2015 at the expense of a negative balance in direct and portfolio investment.

Surplus of the consolidated balance of payments reached USD 320 million in May. Since the beginning of the current year, deficit of the consolidated balance of payments totaled USD 1.8 billion.

BOND MARKET

Last week, the Ministry of Finance did not hold any primary tenders to place internal government bonds. The last placement of internal government bonds took place on 23 June 2015.

NBU OPERATIONS

Last week, the National Bank did not provide loans to support liquidity of banks.

During the previous week, the National Bank of Ukraine managed to raise UAH 46.3 billion against UAH 49.8 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 28.0 billion over the previous week.

During the previous week, the overall level of the banking system liquidity went up record-high since the beginning of the current year. Growth was fostered by an increase in the volume of deposit certificates in circulation, as well as the absence of overnight loans issued to banks.

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.

FOREIGN EXCHANGE MARKET

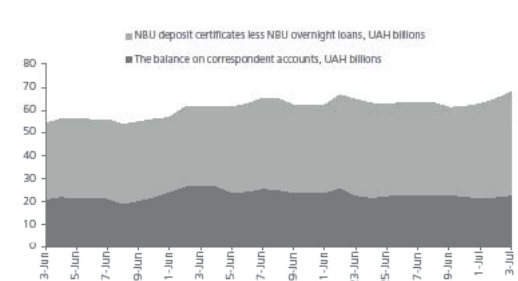
Playing in unison with global stock platforms, the Ukrainian stock market went down in the red zone during the previous week. In the course of the

LATEST MACROECONOMIC DATA

Indicator	Value
Current account balance in May 2015, USD millions	-10

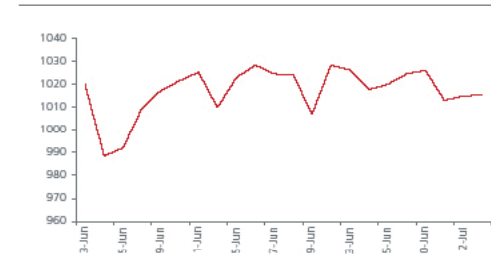
Source: NBU

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Thomson Reuters

previous week, the Ukrainian Exchange (UX) Index lost 0.9% and closed at 1,015.48 points on Friday, 3 July.

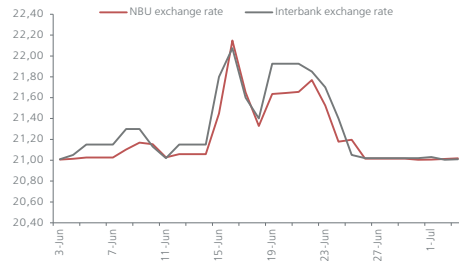
During the next several years, Ukraine will have a serious need in external sources of financing. If the situation with Greece significantly shakes the standing of the global financial system, the prospects for Ukraine to overcome the crisis will also grow worse.

INTERBANK LENDING MARKET

Last week, trading on the interbank foreign exchange market ranged within the limits of UAH 21.00-21.05/USD on Tuesday, 30 June, UAH 21.00-21.05/USD on Wednesday, 1 July, UAH 21.00-21.03/USD on Thursday, 2 July, and UAH 21.01-21.04/USD on Friday, 3 July. In the course of the previous week, the National Bank carried out daily interventions to buy out excessive supply of foreign exchange. The NBU exchange rates were UAH 21.00-23.00/USD.

The maximum foreign exchange sales volumes were registered on Tuesday, 30 June: above USD 0.293 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.205 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	-0.4 (January-May)
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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