



# Financial markets survey

27 July 2015

## Downfall in all directions

### WEEKLY ISSUE

#### GLOBAL MARKET

The euphoria of markets connected with a long-awaited and somewhat unexpectedly happy solution of the problem of Greece's government debts turned out to be short-lived. Last week, markets fell seriously, and the drop was registered not only on stock markets, but on commodity markets as well. In particular, over the previous week, gold prices fell record-low for the last five years.

As expected, investors began to pay more attention to financial indicators of the leading global corporations and macroeconomic news. Market participants were disappointed with indicators of hi-tech companies and admitted that their expectations were overestimated.

By end of the previous quarter, Apple profits and proceeds surpassed market expectations, whereas iPhone sales did not reach figures of the consensus forecast. Microsoft sustained record-high losses in the entire history of the company in connection with write-offs after purchasing Nokia.

Meanwhile, Greece began to fulfill its obligations as part of an agreement reached with creditors. Starting from 20 July, VAT on food products and restaurant services will be raised to 23%. The Greek Parliament adopted a package of reforms. On Friday, 24 July, Greece started negotiations with creditors.

#### STOCK MARKETS

| Index             | last    | week ch. | mon. ch. | YTD   |
|-------------------|---------|----------|----------|-------|
| S&P 500 (US)      | 2,079.7 | -2.2%    | -1.4%    | 1.0%  |
| FTSE 100 (UK)     | 6,579.8 | -2.9%    | -3.9%    | 0.2%  |
| MXME (East. Eur.) | 128.9   | -4.8%    | -8.6%    | 7.3%  |
| UX (Ukraine)      | 983.5   | 0.2%     | -3.4%    | -4.8% |
| RTS (Russia)      | 859.1   | -5.8%    | -9.7%    | 8.7%  |

#### COMMODITIES

| Commodity       | last    | week ch. | mon. ch. | YTD    |
|-----------------|---------|----------|----------|--------|
| Wheat. USD/ton  | 184.0   | -2.4%    | 2.2%     | -21.7% |
| Steel. USD/ton  | 333.0   | 0.0 %    | -7.0%    | -17.4% |
| Oil. USD/barrel | 54.6    | -4.3%    | -14.0%   | -4.7%  |
| Gold. USD/ounce | 1,098.4 | -3.1%    | -6.5%    | -7.2%  |

Source: Thomson Reuters

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

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## MACROECONOMICS

### Wages

According to information of the State Statistics Service, real wages in Ukraine shrank 26.3% in real terms in June 2015 compared to June 2014. Over January-June 2015, real wages dropped 23.9% year-on-year.

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

In June 2015, the average monthly wage of full-time employees totaled UAH 4,299, which is 19.9% above the same indicator registered in June 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, the Ministry of Finance managed to raise USD 205.2 million to the State Budget of Ukraine by way of selling internal government bonds at a primary placement tender on 21 July.

The Ministry of Finance satisfied all six bids submitted for participation in this tender. The desired earning rate for internal government bonds denominated in US dollars and maturing in one year ranged from 8.50% to 8.85% per annum. The weighted average rate for the above-mentioned bonds totaled 8.79% per annum.

### 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 61.7 billion against UAH 35.8 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 41.2 billion over the previous week.

In the course of the previous week, the overall level of the banking system liquidity went up and set a new record-high since the beginning of the year. The level of liquidity grew thanks to an increase in the NBU deposit certificates in circulation.

### STOCK MARKET

By the end of the previous week, the Ukrainian stock market terminated the downward trend. Over the previous week, the Ukrainian Exchange (UX) Index inched up 0.4% and closed at 983.47 points on Friday, 24 July.

Evidently, the Ukrainian stock market reacted to the fact that, on Friday, 24 July, the Ministry of Finance repaid a scheduled Eurobonds coupon for the total of USD 120 million.

### FOREIGN EXCHANGE MARKET

Last week, trading on the interbank foreign exchange market ranged within the limits of UAH 22.00-22.20/USD on Monday, 20 July, UAH 22.00-22.15/USD on Tuesday, 21 July, UAH 22.05-22.15/USD on Wednesday, 22 July, UAH 22.05-22.15/USD on Thursday, 23 July, and UAH 22.10-22.25/USD on Friday, 24 July.

## LATEST MACROECONOMIC DATA

| Indicator   | Value |
|---|-------|
| Change in real wages in June 2015, % year-on-year | -26.3 |

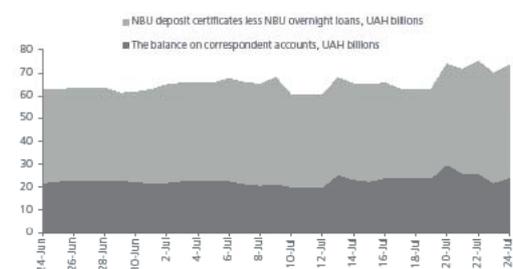
Source: the State Statistics Service

## THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

| Date of placement | Type of bonds                  | Weight. av. rate | Submit./satisfied bids | Funds raised, USD millions |
|-------------------|--------------------------------|------------------|------------------------|----------------------------|
| 21 July           | 364 days, denom. in US dollars | 8.79%            | 6/6                    | 205.2                      |

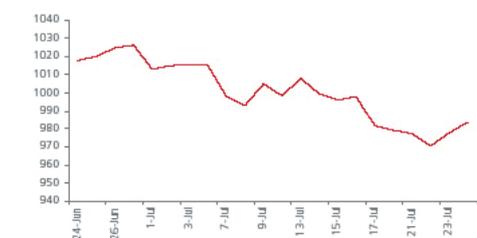
Source: the Ministry of Finance of Ukraine

## BANKING SYSTEM LIQUIDITY



Source: NBU

## THE UX INDEX



Source: Thomson Reuters



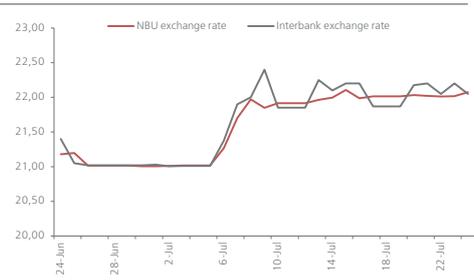
The maximum foreign exchange sales volumes were registered on Friday, 24 July: above USD 0.353 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.276 billion.

**INTERBANK LENDING MARKET**

By the end of the previous week, the cost of resources on the interbank lending market continued to go down. By the end of the previous week, the cost of resources stood at 16-19% per annum regardless of their due date.

The balance on correspondent accounts fluctuated from UAH 22 billion to UAH 30 billion in the course of the previous week. As of Friday morning, 24 July, 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 | -18.1<br>(June)         |
| Consumer price growth,<br>% year-on-year                                | 24.9  | 57.5<br>(June)          |
| Producer price growth, %<br>year-on-year                                | 31.8  | 37.9<br>(June)          |
| Balance of trade, USD<br>billions                                       | -5.4  | -0.4<br>(January-May)   |
| Official exchange rate,<br>annual average, UAH/<br>USD                  | 11.89 |                         |
| Weighted average interbank<br>exchange rate, annual average,<br>UAH/USD | 11.97 | 21.48<br>(January-June) |
| Weighted average interbank<br>exchange rate, by year end,<br>UAH/USD    | 15.79 | 21.01<br>(end of June)  |
| Banking system assets, % of gr<br>owth                                  | 3.0   | -4.2<br>(January-May)   |

Source: the State Statistics Service, NBU



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