

Financial markets survey

03 August 2015

Partial recovery

WEEKLY ISSUE

GLOBAL MARKET

Last week, stock markets partially recovered their losses sustained a week earlier. At the same time, commodity markets continued to fall.

The week started uneasily, since China's stock market saw a new fall on Monday. The maximum deviation of stock prices in China cannot exceed 10% within one trading day. After this limit is reached, trading is automatically suspended. Thus, on Monday, 27 July, transactions with securities of almost 1,800 companies were suspended, which constitute more than 60% of all issuers registered with the main trading platforms in Shanghai and Shenzhen. Chinese stock exchanges continued to fall on the subsequent day as well. The impact of China's factor moved to the background after the assurance of International Monetary Fund (IMF) Managing Director Christine Lagarde that "the Chinese economy is resilient and strong enough to withstand that kind of significant variation in the market."

Based on the results of its meeting that took place on 28-29 July, the US Federal Reserve System (FRS) left the federal funds rate in the targeted range from zero to 0.25% per annum. The Federal Reserve did not show any signs that would rule out the possibility of raising the rate already in September for the first time since 2006. The report provided an upgraded estimate of the labor market standing, which adds arguments in favor of raising the rate earlier.

Another important news item for investors was preliminary estimate of the US GDP over the second quarter of 2015. The result turned out to be rather ambiguous. Forecast-makers expected that the US GDP would grow 2.5% over the second quarter, whereas official data registered a 2.3% growth. At the same time, the US Department of Commerce revised the GDP indicator for the first quarter significantly upward: a 0.6% growth instead of the earlier announced 0.2% decline.

European economic news items were also not bad. The work to tackle Greek problems is in progress according to the plan. It is expected that international creditors will sign a new agreement with Greece to provide approximately EUR 86 billion before 20 August.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2103.8	1.2%	1.3%	2.2%
FTSE 100 (UK)	6696.3	1.8%	1.3%	2.0%
MXME (East. Eur.)	130.5	1.2%	-5.1%	8.6%
UX (Ukraine)	975.7	-0.8%	-3.7%	-5.6%
RTS (Russia)	858.8	0.0%	-7.7%	8.6%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	177.5	-3.5%	-3.0%	-24.5%
Steel. USD/ton	323.0	-3.0%	-9.8%	-19.9%
Oil. USD/barrel	52.2	-4.4%	-15.8%	-8.9%
Gold. USD/ounce	1095.4	-0.3%	-6.3%	-7.4%

Source: Thomson Reuters

www.pumb.ua

Department of Investment Business
Andriivska St., 4, Kiev, Ukraine 04070
tel. +38 044 231 7380

MACROECONOMICS

Balance of payments

In June 2015, surplus of Ukraine’s current account balance reached USD 361 million against a deficit of USD 528 million registered in June 2014. Over the first half of 2015, surplus of the country’s current account totaled USD 16 million against a deficit of USD 2.5 billion over the same period last year.

Exports and imports of goods and services shrank at a more sluggish pace in June: exports dropped 29.8% year-on-year, while imports plunged 38.7% year-on-year. Exports of food products grew 9.3% thanks to accelerating exports of grain and oil-yielding crops.

Surplus of the capital account reached USD 48 million in June 2015. Over January-June 2015, surplus of the capital account equaled USD 296 million. The outflow under the financial account totaled USD 80 million in June 2015.

Surplus of the consolidated balance of payments reached USD 489 million in June. Since the beginning of the current year, deficit of the consolidated balance of payments totaled USD 1.3 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 21 July 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 47.9 billion against UAH 61.7 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 32.4 billion over the previous week.

In the course of the previous week, the overall level of the banking system liquidity went down and landed at the level registered at the beginning of July. The level of liquidity dropped thanks to shrinking volumes of NBU deposit certificates in circulation and a decline in the balance on correspondent accounts.

STOCK MARKET

Regardless of the positive trends on western stock markets, the Ukrainian stock market finished the previous week in the red. By the end of the previous week, the Ukrainian Exchange (UX) Index lost 0.8% and closed at 975.72 points on Friday, 31 July.

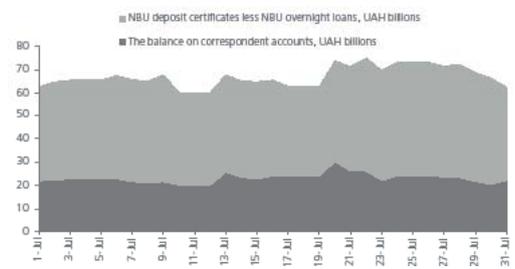
During the nearest months, the Ukrainian stock market will be seriously subjected to political factors, since the country expects a stronger political competition in connection with the upcoming elections to local government bodies.

LATEST MACROECONOMIC DATA

Indicator	Value
Current account balance in June 2015, USD millions	368

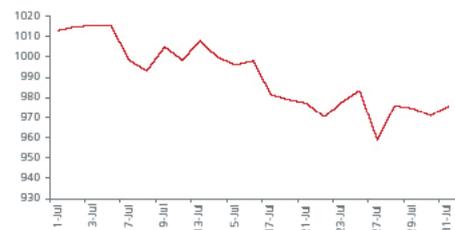
Source: the National Bank of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Thomson Reuters



FOREIGN EXCHANGE MARKET

Last week, trading on the interbank foreign exchange market ranged within the limits of UAH 21.95-22.15/USD on Monday, 27 July, UAH 22.05-22.15/USD on Tuesday, 28 July, UAH 22.05-22.15/USD on Wednesday, 29 July, UAH 21.50-21.80/USD on Thursday, 30 July, and UAH 21.05-21.25/USD on Friday, 31 July.

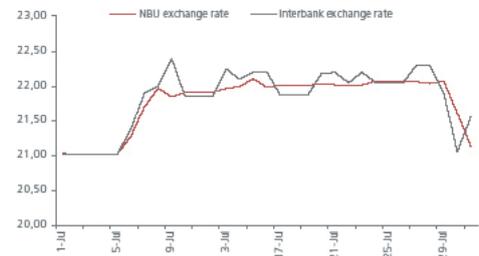
On Friday, 31 July, the National Bank made an intervention, and its quotations stood at UAH 21.00/23.00/USD. The maximum foreign exchange sales volumes were registered on Tuesday, 28 July: above USD 0.342 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.272 billion.

INTERBANK LENDING MARKET

During the previous week, the cost of overnight loans stood at 16-19% per annum, while the cost of weekly and monthly resources was 17-20% per annum and 18-21% per annum respectively. Perhaps, the market got into the equilibrium with a new level of rates.

Over the previous week, the balance on correspondent accounts went down and fluctuated within UAH 21-24 billion. As of Friday morning, 31 July, the balance on correspondent accounts totaled UAH 22.2 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 (June)
Consumer price growth, % year-on-year	24.9	57.5 (June)
Producer price growth, % year-on-year	31.8	37.9 (June)
Balance of trade, USD billions	-5.4	-0.2 (January-June)
Official exchange rate, annual average, UAH/ USD	11.89	
Weighted average interbank exchange rate, annual average, UAH/USD	11.97	21.48 (January-June)
Weighted average interbank exchange rate, by year end, UAH/USD	15.79	21.01 (end of June)
Banking system assets, % of growth	3.0	-4.2 (January-May)

Source: the State Statistics Service, NBU



DEPARTMENT OF INVESTMENT BUSINESS

Anton Stadnik
Head of department
+38 044 231 7046
anton.stadnik@fuib.com

Marina Timbay
Trading and brokerage
+38 044 231 7053
marina.timbay@fuib.com

Yevhenia Akhtyrko
Research
+38 044 231 7380
evgeniya.ahtirko@fuib.com

**INTERNATIONAL FINANCING
AND TRANSACTION STRUCTURING**

Serhiy Zubro
+38 044 231 7055
serhiy.zubro@fuib.com

TRANSACTION SERVICES

Anton Gurban
+38 044 231 7530
anton.gurban@fuib.com

PUBLIC RELATIONS

Anna Kokoba
+38 044 231 7252
anna.kokoba@fuib.com

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