



Financial markets survey

17 August 2015

The Yuan and the world

WEEKLY ISSUE

GLOBAL MARKET

Last week, the main news on financial markets was depreciation of the Chinese currency. On Tuesday, 11 August, the People's Bank of China revised the reference rate of the Yuan 1.9% downwards, which has not happened since 1994. The People's Bank of China (PBC) promised that, further on, its reference rate would be determined with due consideration for the value registered at the closing time of the previous session at an open market. In the course of the day, the Yuan quotations in trading can deviate from the reference rate no more than 2% in any direction.

After the record-low depreciation on Tuesday, the Yuan exchange rate depreciated 1.8% at market trading, which is a record-low over the last twenty years, and then fell another 2% on Wednesday. On Wednesday, the PBC established the official exchange rate of the Yuan 1.6% below the level announced by the central bank as of 11 August. That is, the central bank took into account the direction of changes on the market, but did not reflect the scale of changes in full.

Rapid depreciation of the Chinese currency caused confusion on capital markets. The most serious decline was registered on Asian markets. At the same time, this news turned out to be not so univalent for the US market. Depreciation of the Chinese currency can hamper the improvement of the country's balance of trade, and, as a result, the US central bank will be forced to postpone the increase of the federal funds rate from September 2015 to a later period.

The British FTSE 100 Index lost 2.5% over the previous week and returned to the position registered at the beginning of the current year. Statistical data for the euro-area countries demonstrated that the economy of this region is recovering at a very sluggish pace, whereas estimates of forecast-makers are too optimistic. The German economy inched up 0.4% in the second quarter of 2015 compared to the previous three months. At that, analysts expected a 0.5% growth. The French GDP did not change during the second quarter compared to the previous three months, whereas analysts expected it to grow 0.2%.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2091.5	0.7%	-0.8%	1.6%
FTSE 100 (UK)	6550.7	-2.5%	-3.0%	-0.2%
MXME (East. Eur.)	126.7	0.6%	-6.2%	5.4%
UX (Ukraine)	990.6	2.7%	-0.6%	-4.1%
RTS (Russia)	835.2	0.3%	-8.2%	5.6%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	172.0	-1.7%	-8.8%	-26.8%
Steel. USD/ton	323.0	0.0%	-3.0%	-19.9%
Oil. USD/barrel	49.0	0.9%	-14.1%	-14.5%
Gold. USD/ounce	1113.7	1.8%	-3.1%	-5.9%

Source: Thomson Reuters

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MACROECONOMICS

Agricultural output

According to information of the State Statistics Service, agricultural output in Ukraine dropped 3.5% over January-July 2015 compared to the same period in 2014.

Over the above-mentioned period, output in plant-growing shrank 2% year-on-year. Output dropped mainly in connection with lower yields of the main agricultural crops.

Output in livestock-breeding declined 5.5% year-on-year over January-July 2015. In particular, meat output shrank 2.4%, milk output dropped 4.5% and egg output fell 14.2%.

Over January-July 2015, the total volume of products produced and sold by agricultural companies dropped 0.2% year-on-year, including livestock-breeding products inching down 0.2% and plant-growing products rising 3.3%.

The average selling prices for agricultural products soared 57% year-on-year over the above-mentioned period, including prices for plant-growing products jumping 70% and prices for livestock-breeding products growing 47%.

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

During 12-14 August, the National Bank provided overnight loans totaling UAH 29 million on a daily basis to support liquidity of banks. The loans were allocated to one bank under 33% per annum.

During the previous week, the National Bank of Ukraine managed to raise UAH 51.7 billion against UAH 62.6 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 35.5 billion over the previous week.

In the course of the first week of August, the overall level of the banking system liquidity went up and stayed record-high since the beginning of the year. The level of liquidity grew mainly thanks to an increase in the volumes of NBU deposit certificates in circulation.

STOCK MARKET

The Ukrainian stock market partially won back the losses of the last several weeks. In the course of the previous week, the Ukrainian Exchange (UX) Index grew 2.5% and closed at 990.60 points on Friday, 14 August.

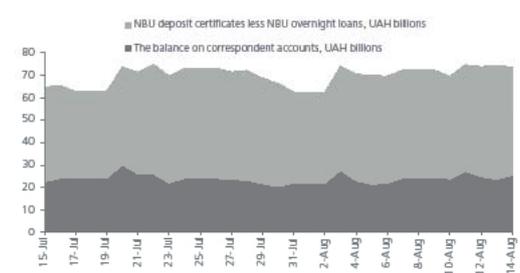
Low capitalization and a small number of participants in the Ukrainian stock market make it difficult to develop forecasts for the market.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output over January-July 2015, % year-on-year	-3.5

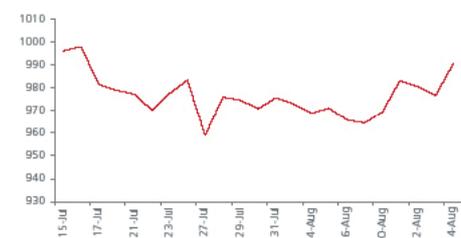
Source: the State Statistics Service

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 21.25-21.50/USD on Monday, 10 August, UAH 21.30-21.60/USD on Tuesday, 11 August, UAH 21.30-21.60/USD on Wednesday, 12 August, UAH 21.30-21.60/USD on Thursday, 13 August, and UAH 21.60-22.10/USD on Friday, 14 August.

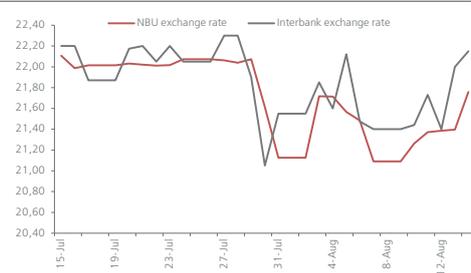
The maximum foreign exchange sales volumes were registered on Wednesday, 12 August: above USD 0.303 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.227 billion.

INTERBANK LENDING MARKET

During the previous week, rates on the interbank lending market did not change: 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.

Over the previous week, the balance on correspondent accounts fluctuated from UAH 24 billion to UAH 27 billion. As of Friday morning, 14 August, the balance on correspondent accounts totaled UAH 25.5 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	55.3 (July)
Producer price growth, % year-on-year	31.8	37.0 (July)
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	21.53 (January-July)
Weighted average interbank exchange rate, by year end, UAH/USD	15.79	21.13 (end of July)
Banking system assets, % of gr owth	3.0	-5.1 (January-June)

Source: the State Statistics Service, NBU



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