

# Financial markets survey

14 September 2015

## After the shock

### WEEKLY ISSUE

#### GLOBAL MARKET

Last week, markets began to recover gradually after the losses sustained in August – early September. The leading western platforms demonstrated a more active recovery than local markets.

The stream of negative news from China is gradually running out, and the world is beginning to get used to more moderate economic indicators of this country. The Government of China continues to seek instruments for stabilizing the country's financial system. Last week, China introduced restrictions on foreign exchange purchases.

Last week, investors switched their attention to the policies of central banks in the US and in the euro-area again. The issue of deadlines for raising the federal funds rate by the US Federal Reserve System (FRS) came to the focus again. World Bank Chief Economist Kaushik Basu stated that it was necessary to postpone higher rates to a later period. Nobel Prize Winner in economic sciences Paul Krugman thinks that the FRS will hardly raise its interest rates at the nearest meeting, which is scheduled to take place over 16-17 September.

With shrinking liquidity at markets during the period of summer vacations, the European Central Bank (ECB) re-purchased assets for the total of just EUR 51.6 billion in August 2015 as part of the quantitative easing (QE) program, which does not reach the planned EUR 60 billion per month. Most likely, re-purchases of securities will become more active during the current month, while representatives of the European Central Bank are saying that assets will be re-purchased as long as it takes.

#### STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1,961.1	2.1%	-6.0%	-4.8%
FTSE 100 (UK)	6,117.8	1.2%	-6.9%	-6.8%
MXME (East. Eur.)	121.7	0.8%	-3.8%	1.3%
UX (Ukraine)	988.6	0.8%	0.8%	-4.3%
RTS (Russia)	799.1	0.7%	-3.9%	1.1%

#### COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	166.5	-2.6%	-3.2%	-29.1%
Steel. USD/ton	315.0	0.0%	-2.5%	-21.8%
Oil. USD/barrel	48.1	-3.0%	-3.1%	-16.0%
Gold. USD/ounce	1,107.5	-1.3%	-1.5%	-6.4%

Source: Thomson Reuters

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

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**MACROECONOMICS**

**Inflation**

In August 2015, deflation of consumer prices was registered for the second consecutive month. According to information of the State Statistics Service, consumer prices inched down 0.8% in August 2015 compared to the previous month, whereas annual inflation went down to 52.8%.

Prices for food products shrank 1.7%. Prices for vegetables and fruits went down most tangibly as a result of a seasonally growing supply. Prices for clothes and footwear dropped 1.2% compared to the previous month. Prices for alcoholic beverages and tobacco products continued growing and went up 1.1% over the previous month.

Producer prices inched down 0.3% in August 2015. In annual terms, producer prices slowed down to 33.0% in August. Prices in mining industry went down 3.2% as a result of lower prices in extraction of petroleum, gas and iron ores.

**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 56.1 billion against UAH 62.8 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 40.7 billion over the previous week.

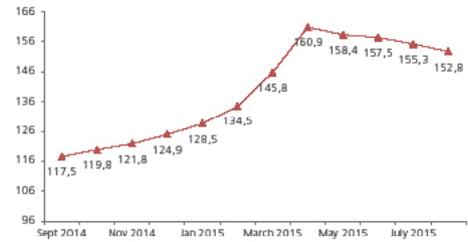
In the course of the previous week, the overall level of the banking system liquidity remained practically flat.

**STOCK MARKET**

Last week, the Ukrainian stock market continued growing. By the end of the previous week, the Ukrainian Exchange (UX) Index inched up 0.8%, closing at 988.61 points on Friday, 11 September.

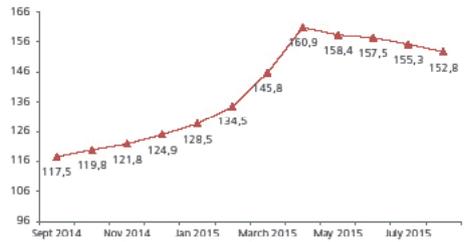
During the current week, investors in the Ukrainian stock market will follow the development of the situation on western markets and the development of the political situation in the country on the eve of the local government elections.

**CONSUMER PRICE INDEX  
(month-on-month of the previous year)**



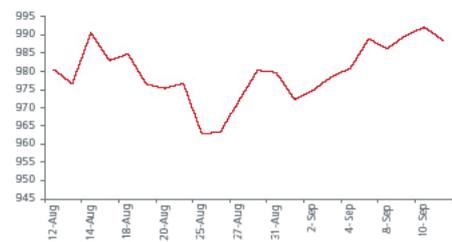
Source: the State Statistics Service

**BANKING SYSTEM  
LIQUIDITY**



Source: NBU

**THE UX INDEX**



Source: Thomson Reuters

**FOREIGN EXCHANGE MARKET**

Last week, the interbank foreign exchange market did not demonstrate any uniform dynamics. Trading on the interbank foreign exchange market ranged within the limits of UAH 21.15-22.30/USD on Monday, 7 September, UAH 22.20-22.40/USD on Tuesday, 8 September, UAH 22.03-22.09/USD on Wednesday, 9 September, UAH 21.25-21.45/USD on Thursday, 10 September, and UAH 21.85-22.00/USD on Friday, 11 September.

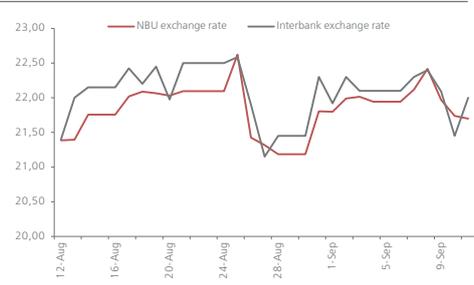
The maximum foreign exchange sales volumes were registered on Thursday, 10 September: USD 0.339 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.250 billion.

**INTERBANK LENDING MARKET**

During the previous week, rates on the interbank lending market remained rather high. The cost of resources stood at 20-22% per annum regardless of their due date.

In the course of the previous week, the balance on correspondent accounts was not stable and fluctuated from UAH 19.7 billion to UAH 26.8 billion. As of Friday morning, 11 September, the balance on correspondent accounts totaled UAH 26.8 billion

**EXCHANGE RATE (UAH/USD)**



Source: NBU, kurs.com.ua

## UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2014	2015
GDP, %	-6.8	-17.2 (1st quarter)
Industrial output, %	-10.7	-13.4 (June)
Consumer price growth, % year-on-year	24.9	52.8 (August)
Producer price growth, % year-on-year	31.8	33.0 (August)
Balance of trade, USD billions	-5.4	-0.2 (January-July)
Official exchange rate, annual average, UAH/ USD	11.89	
Weighted average interbank exchange rate, annual average, UAH/USD	11.97	21.55 (January-August)
Weighted average interbank exchange rate, by year end, UAH/USD	15.79	21.81 (end of August)
Banking system assets, % of gr owth	3.0	-4.7 (January-July)

Source: the State Statistics Service, NBU



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