



# Financial markets survey

12 October 2015

## Growing together with petroleum prices

WEEKLY ISSUE

### GLOBAL MARKET

During the previous week, the leading stock platforms largely won back the losses of the previous month. The market was heated up by swift growth of petroleum prices, which jumped almost 10% over the previous week.

There were no significant fundamental factors for growth on markets in the course of the previous week. As before, the market has no consensus regarding the timeline when the US Federal Reserve System (FRS) will make the decision to raise the federal funds rate: in December of the current year or will wait until the beginning of the next year. In the course of the previous week, there were few publications of statistical information that could have influenced trends on stock markets to move upwards or downwards.

The International Monetary Fund (IMF) downgraded its estimates for global GDP growth for 2015 and 2016 by 0.2 percentage points in its October World Economic Outlook (WEO). The IMF singles out three main factors currently influencing the global economy: transformation of the Chinese economy with the concurrent weakening of growth in the short term, shrinking prices for raw materials, as well as the upcoming normalization of monetary policy in the US.

In the course of the previous week, the euro seriously appreciated against the US dollar. On Friday, the euro exchange rate against the US dollar appreciated to USD 1.2370/EUR compared to USD 1.1276/EUR registered by closing time of the previous session. Weekly growth of the euro exchange rate was record-high since June 2015. Players on the money market expected publication of the minutes of the US Federal Reserve System (FRS) September meeting. The minutes demonstrated that the US Government did not have clear confidence that the current forecast would not deteriorate. Potential consequences of economic and financial events outside the US and their possible impact on the American economy are raising anxiety.

### STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,014.9	3.3%	3.8%	-2.1%
FTSE 100 (UK)	6,416.2	4.7%	3.0%	-2.3%
MXME (East. Eur.)	130.5	12.9%	7.7%	8.6%
UX (Ukraine)	843.5	-4.2%	-14.8%	-18.4%
RTS (Russia)	886.0	15.8%	11.2%	12.0%

### COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	174.0	1.2%	4.5%	-26.0%
Steel. USD/ton	283.0	-1.7%	-10.2%	-29.8%
Oil. USD/barrel	52.7	9.4%	10.7%	-8.2%
Gold. USD/ounce	1,157.1	1.7%	4.7%	-2.2%

Source: Thomson Reuters

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## MACROECONOMICS

### Inflation

After two months of deflation, the country registered a noticeable price growth in September. According to information of the State Statistics Service, consumer prices leapt 2.3% in September 2015 compared to the previous month, whereas annual inflation slowed down to 51.9%.

The growing inflation indicator in September was, to a considerable extent, connected with methodological peculiarities of calculating the rate of inflation. In particular, the measuring of prices for clothes and footwear took into consideration prices for a new winter collection, whose components were not measured after a swift jump of inflation in April 2015. According to September measurements, which, to a large extent, reflected prices for winter clothes, prices for clothes and footwear grew 18.3%.

September also registered growth of prices for other components of the consumer basket. Prices for food products inched up 1.2%, mainly as a result of a seasonally shrinking supply of agricultural products. Prices for housing and utility services went up 2.4% mainly as a result of electricity rates growing 25%.

Producer prices grew 2.0% in September 2015. In annual terms, producer prices landed at 32.5% in September. The main factor behind growing producer prices was an 8.3% increase in electricity rates.

### 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 refinancing loans.

During the previous week, the National Bank of Ukraine managed to raise UAH 68.2 billion against UAH 58.3 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 40.9 billion over the previous week.

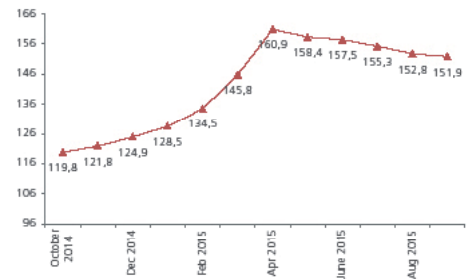
The overall level of the banking system liquidity stayed at a high level in the course of the previous week.

### STOCK MARKET

Last week, the Ukrainian stock market did not manage to overcome the lingering downward trend. Notwithstanding growth of western markets, the Ukrainian stock market finished the previous week with serious losses. The Ukrainian Exchange (UX) Index closed at 843.48 points on Friday, 9 October, having lost 4.2% over the previous week.

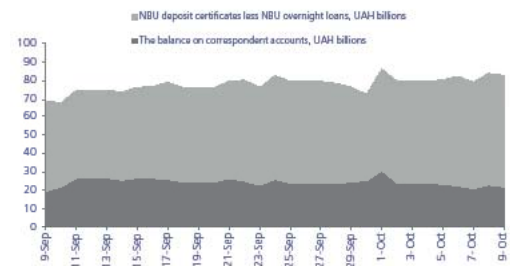
In addition to weak macroeconomic indicators of the country and the negative external background, the situation on the Ukrainian capital market is getting more complicated in connection with the growing political uncertainty in the country on the eve of the upcoming local government elections, scheduled for 25 October.

### 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 hryvnia exchange rate against the US dollar depreciated somewhat. Trading on the interbank foreign exchange market ranged within the following limits: UAH 21.15-21.30/USD on Monday, 5 October, UAH 21.20-21.35/USD on Tuesday, 6 October, UAH 21.20-21.35/USD on Wednesday, 7 October, UAH 21.30-21.40/USD on Thursday, 8 October, and UAH 21.40-21.80/USD on Friday, 9 October.

The maximum foreign exchange sales volumes were registered on Thursday, 8 October: above USD 0.326 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.248 billion.

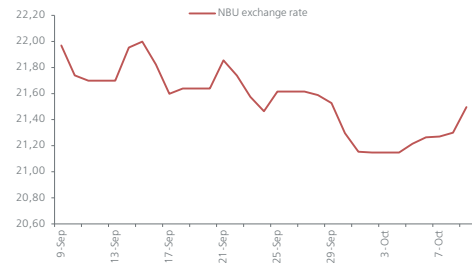
Every day in the course of the previous week, the National Bank carried out tenders to purchase foreign exchange. The weighted average exchange rate for purchasing US dollars depreciated from UAH 21.23/USD to UAH 21.69/USD in the course of the previous week. The NBU purchased US 90.9 million from market participants over the previous week against US 196.4 million purchased a week earlier.

## INTERBANK LENDING MARKET

During the previous week, rates for overnight loans on the interbank lending market did not change and stood at 18-19% per annum. Weekly resources cost 19-21% per annum, while monthly rates were registered at 20-21% per annum.

In the course of the previous week, the balance on correspondent accounts did not rise above UAH 24 billion. As of Friday morning, 9 October, the balance on correspondent accounts totaled UAH 21.9 billion.

## EXCHANGE RATE (UAH/USD)



Source: NBU, kurs.com.ua

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2014	2015
GDP, %	-6.8	-14.6 (2nd quarter)
Industrial output, %	-10.7	-5.8 (August)
Consumer price growth, % year-on-year	24.9	51.9 (September)
Producer price growth, % year-on-year	31.8	32.5 (September)
Balance of trade, USD billions	-5.4	-0.5 (January-August)
Official exchange rate, annual average, UAH/ USD	11.89	
Weighted average interbank exchange rate, annual average, UAH/USD	11.97	21.58 (January-September)
Weighted average interbank exchange rate, by year end, UAH/USD	15.79	21.30 (end of September)
Banking system assets, % of gr owth	3.0	-6.8 (January-August)

Source: the State Statistics Service, NBU



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