

Financial markets survey

19 October 2015

Trampling on the same spot

WEEKLY ISSUE

GLOBAL MARKET

The previous week was rather inert on stock platforms across the world. The curve of petroleum prices made a U-turn and started a downward trend, while stock markets were left without the main growth driver, which was effective a week earlier.

The US stock market demonstrated a slight growth based on the absence of bad news. Notwithstanding the fact that the country's economy has not entered into sustainable growth, the US public finances have gotten into a good shape: the US budget deficit was record-low over the last eight years. American consumers are acting rather confidently: the Consumer Confidence Index grew higher than expected in October 2015.

At the same time, Europe's consumer market, as before, continues to be the weak spot. In September 2015, deflation returned to the euro-area again: consumer prices slipped 0.1%, which is the evidence of the weak consumer activity among residents of the euro-area.

The standing of China's economy continues to raise anxiety. The country's imports have been falling for 11 consecutive months, which constitutes the longest period of an uninterrupted fall over the last six years. During the current year, vehicle sales in China have been growing record-slow over the last three years.

By the end of the previous week, depreciation of the US dollar against the euro stopped. The American currency started to appreciate in expectation of data on consumer confidence and industrial output in the US. The first indicator went above expectations of forecast-makers, while the second one coincided with the forecast. These factors overpowered the uncertainty of foreign exchange traders in respect of the US Federal Reserve System policies regarding the deadlines for raising the federal funds rate.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,033.1	0.9%	1.9%	-1.3%
FTSE 100 (UK)	6,378.0	-0.6%	2.4%	-2.9%
MXME (East. Eur.)	128.9	-1.2%	2.3%	7.3%
UX (Ukraine)	805.0	-4.6%	-16.4%	-22.1%
RTS (Russia)	881.2	-0.5%	5.2%	11.4%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	183.5	5.5%	14.7%	-21.9%
Steel. USD/ton	278.0	-1.8%	-10.3%	-31.0%
Oil. USD/barrel	50.5	-4.2%	1.4%	-12.0%
Gold. USD/ounce	1,176.9	1.7%	5.2%	-0.6%

Source: Thomson Reuters

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MACROECONOMICS

Agricultural output

According to information of the State Statistics Service, agricultural output in Ukraine dropped 5.3% over January-September 2015 compared to the same period in 2014. Over the above-mentioned period, output in plant-growing shrank 5.4% year-on-year, while output in livestock-breeding declined 5.1% year-on-year.

Output in plant-growing dropped mainly in connection with lower yields of the main agricultural crops. As of 1 October 2015, the overall cattle headcounts shrank 6.1%, pig headcounts declined 2.8%, and poultry headcounts went down 3.6% compared to early October 2014. Over January-September 2015, meat output slipped 1.4%, milk output dropped 4.4% and egg output fell 14.6% year-on-year.

Over January-September 2015, the total volume of products produced and sold by agricultural companies went up 1.2% year-on-year, including sales of plant-growing products rising 4.3% and sales of livestock-breeding products shrinking 5.3%. The average selling prices for agricultural products soared 54% year-on-year over the above-mentioned period, whereas prices in September shrank 7% compared to August 2015.

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

On 12 October, the National Bank allocated an overnight loan totaling UAH 24 million to one bank under 24% per annum. On 15 October, the National Bank allocated a refinancing loan totaling UAH 75 million to one bank for the period of 89 days under 22% per annum.

During the four working days of the previous week, the National Bank of Ukraine managed to raise UAH 50.5 billion against UAH 68.2 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 25.9 billion over the previous week. Nine banks purchased deposit certificates maturing in 83 days for the total of UAH 1.5 billion. The weighted average rate for the above-mentioned certificates reached 21.60% per annum. A week earlier, the weighted average rate for deposit certificates maturing in 84 days totaled 21.71% per annum.

On Friday, 16 October, the overall level of the banking system liquidity peaked record-high since the beginning of the current year. The overall level of the banking system liquidity went up thanks to both an increase in the volume of deposit certificates in circulation and growth of balance on correspondent accounts.

STOCK MARKET

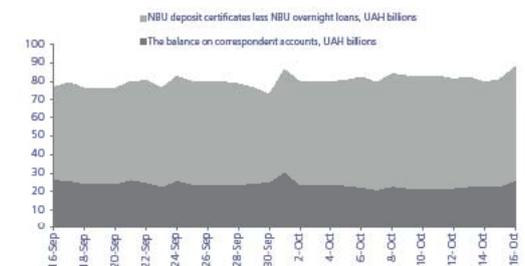
Last week, the downward trend on the Ukrainian stock market grew only stronger. By the end of the previous week, the Ukrainian Exchange (UX) Index went down 4.6%, while losses since the beginning of the current year went above 20%. On Friday, 16 October, the UX Index closed at 804.99 points.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output over January-September 2015, % year-on-year	-5.3

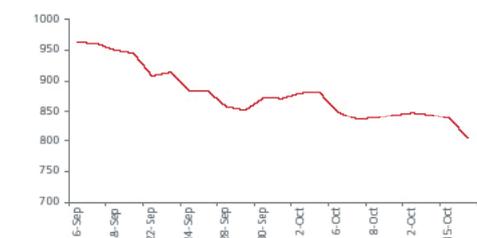
Source: the State Statistics Service

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Thomson Reuters

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.

FOREIGN EXCHANGE MARKET

For the most part of the previous week, the hryvnia exchange rate against the US dollar continued to depreciate. Trading on the interbank foreign exchange market ranged within the following limits: UAH 21.75-22.05/USD on Monday, 12 October, UAH 21.80-22.10/USD on Tuesday, 13 October, UAH 21.60-21.80/USD on Thursday, 15 October, and UAH 21.15-21.45/USD on Friday, 16 October.

The maximum foreign exchange sales volumes were registered on Friday, 16 October: above USD 0.409 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.305 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 was the highest on Tuesday, 13 October, - at UAH 22.00/USD. Over Thursday and Friday, the weighted average exchange rate for purchasing US dollars appreciated and landed at UAH 21.35/USD on Friday, 16 October. The NBU purchased USD 111.5 million from market participants over the previous week against USD 90.9 million purchased a week earlier.

INTERBANK LENDING MARKET

During the previous week, rates on the interbank lending market did not change and stood at 18-19% per annum for overnight loans. 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 stood around UAH 22-23 billion. As of Friday morning, 16 October, the balance on correspondent accounts grew to UAH 26.2 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 growth	3.0	-6.8 (January-August)

Source: the State Statistics Service, NBU



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