

Financial markets survey

16 November 2015

Huge losses

WEEKLY ISSUE

GLOBAL MARKET

The American stock market collapsed abruptly on Friday, 13 November. The S&P 500 Index lost 3.6% over the previous week, which is a record-low weekly drop over the last several months. Weak data on retail market and collapsing prices on raw materials market resulted in lower stock demand.

Investors were disappointed with weak financial indicators of Nordstrom Inc. and J.C. Penney Co, the largest American department stores. Retail sales in the US inched up a mere 0.1% in October resulting from low sales of gasoline at gas filling stations, of motor vehicle dealers and grocery stores. Analysts expected this indicator to grow 0.4%.

Producer prices in the US inched down 0.4% in October instead of going up as expected by analysts.

Bear moods quickly prevailed, and a rather good indicator of the Consumer Confidence Index for November 2015 could no longer stop the headlong collapse of the market. The US stock market indicator turned out to be in the red again compared to the value registered at the beginning of the current year.

Moods on European stock platforms were not any better. The British FTSE 100 Index lost 3.7% over the previous week.

In his speech at the European Parliament, European Central Bank (ECB) President Mario Draghi stated that downside risks in the euro-area economy were clearly visible, and inflation dynamics had somewhat weakened. These words raised expectations that the ECB will increase the volume of monetary incentives in December. However, they also raised concerns about the general standing of the European economy.

In the course of the previous week, the EUR/USD exchange rate was rather volatile. By the end of the previous week, the euro appreciated a little against the US dollar. On Friday, 13 November, trading in the "euro/US dollar" pair closed at USD 1.0777/EUR.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,023.0	-3.6%	1.4%	-1.7%
FTSE 100 (UK)	6,118.3	-3.7%	-2.4%	-6.8%
MXME (East. Eur.)	117.4	-3.8%	-8.5%	-2.3%
UX (Ukraine)	739.04	-3.4%	-12.5%	-28.5%
RTS (Russia)	814.9	-4.6%	-5.6%	3.1%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	189.5	3.6%	3.3%	-19.4%
Steel. USD/ton	265.0	0.0%	-4.7%	-34.2%
Oil. USD/barrel	43.6	-8.0%	-11.3%	-23.9%
Gold. USD/ounce	1,083.3	-0.5%	-8.6%	-8.5%

Source: Thomson Reuters

www.pumb.ua

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

MACROECONOMICS

Distribution of workers in terms of their salary size

According to information of the State Statistics Service, accrued salary of 77% permanent workers was below UAH 5,000 in September 2015, whereas only 4.9% of permanent employees received a salary above UAH 10,000.

In the industry, the share of employees earning a salary below UAH 5,000 reached 64.2%. The highest share of employees earning a salary of UAH 5,000 and above was registered in transport, as well as in financial and insurance business (44.5% and 52.0% respectively).

The share of permanent employees who worked full September 2015 and earned a minimum salary stood at 0.8%.

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 allocate refinancing loans to support liquidity of the banking system.

Over 9-12 November, the National Bank of Ukraine managed to raise UAH 47.4 billion against UAH 79.5 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 29.9 billion over the previous week. During the previous week, the weighted average rate for the longest-term deposit certificates (maturing in three months) inched up from 21.24% to 21.37% per annum.

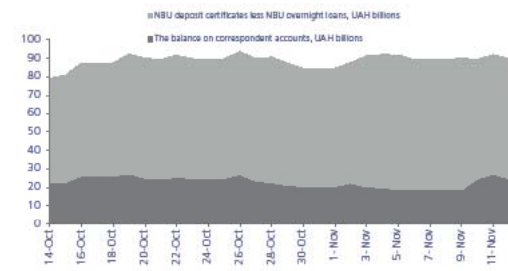
Last week, the overall level of the banking system liquidity did not change. A drop in the volume of deposit certificates in circulation was compensated by growth of the balance on correspondent accounts.

STOCK MARKET

The Ukrainian stock market finished the previous week in the red again. By the end of the previous week, the Ukrainian Exchange (UX) Index shrank 3.4% and closed at 739.04 points on Friday, 13 November.

Last week, the Ukrainian Parliament, after all, voted for a number of bills which Ukraine needs to obtain a visa-free status with the European Union. However, this fact could not beat the downward trend on the Ukrainian stock market. The downward trend will hardly be changed during the current week, since bear moods prevail on the global financial market.

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Thomson Reuters

FOREIGN EXCHANGE MARKET

During the previous week, the exchange rate of the Ukrainian hryvnia against the US dollar went above the UAH 23.00/USD mark again. In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 22.75-22.90/USD on Monday, 9 November, UAH 22.65-22.75/USD on Tuesday, 10 November, UAH 22.95-23.00/USD on Wednesday, 11 November, UAH 22.95-23.05/USD on Thursday, 12 November, and UAH 23.15-23.25/USD on Friday, 13 November. The maximum foreign exchange sales volumes were registered on Monday, 9 November: above USD 0.357 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.231 billion.

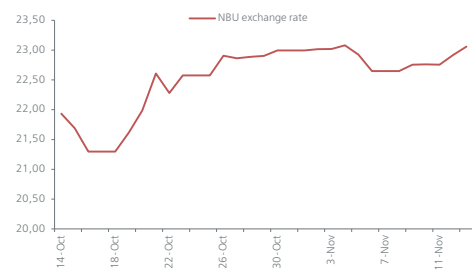
The National Bank carried out only one successful foreign exchange tender on Tuesday, 10 November. That day, the NBU purchased USD 6.7 million at the weighted average exchange rate of UAH 22.80/USD.

INTERBANK LENDING MARKET

During the previous week, the cost of overnight loans grew to 19.5-20.5% per annum. The cost of weekly and monthly resources did not change and stood at 20-21% per annum and 20-22% per annum respectively.

In the course of the previous week, the balance on correspondent accounts was growing gradually and, on Thursday, 12, November, reached a local record-high, at UAH 27.2 billion. As of Friday morning, 13 November, the balance on correspondent accounts totaled UAH 24.7 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	-5.1 (September)
Consumer price growth, % year-on-year	24.9	46.4 (October)
Producer price growth, % year-on-year	31.8	30.2 (October)
Balance of trade, USD billions	-5.4	-0.4 (January-September)
Official exchange rate, annual average, UAH/USD	11.89	
Weighted average interbank exchange rate, annual average, UAH/USD	11.97	21.62 (January-October)
Weighted average interbank exchange rate, by year end, UAH/USD	15.79	22.99 (end of October)
Banking system assets, % of growth	3.0	-8.2 (January-August)

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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