

# Financial markets survey

30 November 2015

## A short and quiet week

### WEEKLY ISSUE

#### GLOBAL MARKET

Last week, the US market worked a shortened week due to the celebration of the Thanksgiving Day on Thursday, 26 November. In the course of the previous week, there were few news items capable of having a significant impact on the market; investors were calm, while indices of the US trading platforms did not sustain serious changes.

The British FTSE 100 Index inched up 0.6% over the previous week. However, in the course of the last several weeks, growth of this index has been too weak and unsustainable to compensate the losses it suffered in the third quarter. Optimistic moods among British investors grew stronger after a statement made by UK Central Bank Governor Mark Carney saying that low interest rate in the United Kingdom were likely to remain lower "for longer".

The Ifo Business Climate Index in Germany grew unexpectedly in November to a record-high over the last 17 months. In November 2015, the Economic Sentiment Indicator (ESI) for the euro-area, which is a composite business and consumer confidence index in the euro-area economy, remained broadly stable compared to the revised indicator for October, totaling 106.1. The value of this indicator registered in October and November was record-high since May 2011. Investors expect a meeting of the European Central Bank (ECB), which is scheduled for 3 December. At this meeting, the ECB may make a decision to expand incentive measures for the euro-area economy. Among other possible options are lowering rates for deposits and boosting the volume and the deadlines of the quantitative easing (QE) program.

The exchange rate of the common European currency against the US dollar was record-low for the last seven months. For the most part of the previous week, the exchange rate remained stable. However, on Friday, 27 November, the euro exchange rate set a new record-low since April of the current year and closed at USD 1.059/EUR.

#### STOCK MARKETS

| Index             | last    | week ch. | mon. ch. | YTD    |
|-------------------|---------|----------|----------|--------|
| S&P 500 (US)      | 2,090.1 | 0.0%     | 0.0%     | 1.5%   |
| FTSE 100 (UK)     | 6,375.2 | 0.6%     | -1.0%    | -2.9%  |
| MXME (East. Eur.) | 121.0   | -3.8%    | -2.7%    | 0.8%   |
| UX (Ukraine)      | 714.4   | 1.7%     | -10.0%   | -30.9% |
| RTS (Russia)      | 856.3   | -3.6%    | 0.2%     | 8.3%   |

#### COMMODITIES

| Commodity       | last    | week ch. | mon. ch. | YTD    |
|-----------------|---------|----------|----------|--------|
| Wheat. USD/ton  | 186.5   | -0.3%    | 1.4%     | -20.6% |
| Steel. USD/ton  | 270.0   | 0.0%     | 1.9%     | -33.0% |
| Oil. USD/barrel | 44.9    | 0.4%     | -8.5%    | -21.8% |
| Gold. USD/ounce | 1,058.4 | -1.8%    | -8.4%    | -10.6% |

Source: Thomson Reuters

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**MACROECONOMICS**

**Wages**

In October 2015, real wages shrank at a more sluggish pace. Compared to October 2014, real wages in Ukraine dropped 12.7%. Shrinking real wages are connected with slower business activity and a high inflation rate.

The average monthly wage of full-time employees totaled UAH 4,532 in October 2015, which is 29.1% above the similar indicator registered in October 2014.

The lowest wages were registered in Ternopil, Chernivtsi and Kherson oblasts. The highest wages were observed in the city of Kyiv, Donetsk and Dnipropetrovsk oblasts.

**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 the previous week, the National Bank of Ukraine managed to raise UAH 56.4 billion against UAH 62.1 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 34.7 billion over the previous week. During the previous week, the weighted average rate for the longest-term deposit certificates (maturing in three months) remained unchanged and stood at 21.40% per annum.

The overall level of the banking system liquidity did not change much during the previous week. Lower volume of deposit certificates in circulation was compensated by an increase in the balance on correspondent accounts.

**STOCK MARKET**

Last week, the Ukrainian stock market finally broke off the downward trend. By the end of the previous week, the Ukrainian Exchange (UX) Index grew 1.7% and closed at 714.40 points on Friday, 27 November.

It is too early to speak about the beginning of recovery on the Ukrainian stock market. Legal issues connected with the operation of the Ukrainian Exchange should be settled to ensure regular activities on the Ukrainian stock market.

**FOREIGN EXCHANGE MARKET**

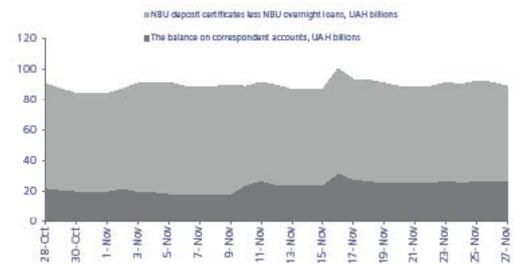
Last week, the Ukrainian national currency stopped depreciating. In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 24.00-24.20/USD on Monday, 23 November, UAH 23.85-24.05/USD on Tuesday, 24 November, UAH 23.50-23.85/USD on Wednesday, 25 November, UAH 23.45-23.65/USD on Thursday, 26 November, and UAH 23.80-24.00/USD on Friday, 27 November. Foreign exchange sales on the interbank foreign

**LATEST MACROECONOMIC DATA**

| Indicator  | Value |
|--|-------|
| Change in real wages in October 2015, % year-on-year | -12.7 |

Source: the State Statistics Service

**BANKING SYSTEM LIQUIDITY**



Source: NBU

**THE UX INDEX**



Source: Thomson Reuters

exchange market went up to USD 1.33 billion (equivalent) from USD 1.23 billion (equivalent) a week earlier. The maximum foreign exchange sales volumes were registered on Wednesday, 25 November: above USD 0.281 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.218 billion.

On 23 and 24 November, the National Bank carried out tenders to sell foreign exchange to market players. During the above-mentioned days, the NBU sold USD 28.8 million to market participants. On 26 November, the situation changed, and the NBU acted as a buyer purchasing USD 2.8 million from market participants at the weighted average exchange rate of UAH 23.43/USD.

**INTERBANK LENDING MARKET**

During the previous week, the cost of loans did not change on the interbank lending market. Rates for overnight loans equaled 19-20% per annum. The cost of weekly resources stood at 20-21% per annum, while monthly resources cost 20-22% per annum.

In the course of the previous week, the balance on correspondent accounts remained rather high, above UAH 26 billion. As of Friday morning, 27 November, the balance on correspondent accounts totaled UAH 27.5 billion

**EXCHANGE RATE (UAH/USD)**



Source: NBU

UKRAINE'S MACROECONOMIC INDICATORS

| Indicator   | 2014  | 2015                        |
|---|-------|-----------------------------|
| GDP, %  | -6.8  | -14.6<br>(2nd quarter)      |
| Industrial output, %  | -10.7 | -5.0<br>(October)           |
| Consumer price growth,<br>% year-on-year                                | 24.9  | 46.4<br>(October)           |
| Producer price growth, %<br>year-on-year                                | 31.8  | 30.2<br>(October)           |
| Balance of trade, USD<br>billions                                       | -5.4  | -0.4<br>(January-September) |
| Official exchange rate,<br>annual average, UAH/<br>USD                  | 11.89 |                             |
| Weighted average interbank<br>exchange rate, annual average,<br>UAH/USD | 11.97 | 21.62<br>(January-October)  |
| Weighted average interbank<br>exchange rate, by year end,<br>UAH/USD    | 15.79 | 22.99<br>(end of October)   |
| Banking system assets, % of gr<br>owth                                  | 3.0   | -8.2<br>(January-August)    |

Source: the State Statistics Service, NBU



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