

Financial markets survey

07 December 2015

The euro appreciates when there are few

WEEKLY ISSUE

GLOBAL MARKET

Last week, European stock platforms found themselves in the red again. On the whole, expanded incentives of the European Central Bank (ECB), which were announced by ECB President Mario Draghi, did not make it up to the expectations of investors. On Thursday, 3 December, the ECB lowered the deposit rate to a new record-low, at -0.3%, as well as extended the quantitative easing (QE) program for another six months, to March 2017, which should now include regional bonds of the euro-area countries. Apparently, investors expected larger-scale changes.

This background helped the common European currency appreciate rapidly. Over one day, the euro exchange rate against the US dollar appreciated almost 3% and closed at USD 1.0938/EUR on Thursday, 3 December, which is a record-high over the last thirty days.

American investors expected statistical data on the US labor market and a speech by Federal Reserve System (FRS) Chair Janet Yellen. Miss Yellen confirmed the existence of the necessary preconditions for raising the federal funds rate, as well as pointed that delays with a higher rate may push the economy into recession.

Evidently, this statement did not make American investors happy. However, strong data on the labor market published on the last trading day of the previous week noticeably cheered up the market and made it possible to finish the previous week without losses. According to data of the US Department of Labor, the number of jobs in the US economy grew 211,000 in November 2015. Analysts polled by the Bloomberg agency expected this indicator to grow 200,000. The rate of unemployment in the US remained at 5% in November 2015, which is a record-low for the last seven years.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,091.7	0.1%	-0.5%	1.6%
FTSE 100 (UK)	6,238.3	-2.1%	-2.7%	-5.0%
MXME (East. Eur.)	115.9	-4.3%	-8.5%	-3.6%
UX (Ukraine)	696.7	-2.5%	-11.8%	-32.6%
RTS (Russia)	811.7	-5.2%	-8.4%	2.7%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	187.0	0.3%	2.2%	-20.4%
Steel. USD/ton	270.0	0.0%	1.9%	-33.0%
Oil. USD/barrel	43.0	-4.1%	-11.5%	-25.0%
Gold. USD/ounce	1,086.6	2.7%	-1.8%	-8.2%

Source: Thomson Reuters

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MACROECONOMICS

Balance of payments

In October 2015, deficit of Ukraine’s current account balance reached USD 322 million against a deficit of USD 396 million registered in October 2014. Over January-October 2015, deficit of the country’s current account totaled USD 324 million against a deficit of USD 3.6 billion over the same period last year.

Exports of goods and services shrank at a more sluggish pace – 23.3% in October 2015 compared to 24% in September, while imports were shrinking also more slowly – 21.2% in October compared to 34.5% in September. Energy imports shrank at a more sluggish pace in connection with the beginning of the heating season: energy imports dropped 12.0% in October 2015 against 39.5% in September. Non-energy imports shrank 24.8%.

Surplus of the capital account reached USD 2 million in October 2015. Over January-October 2015, surplus of the capital account equaled USD 460 million. In October, resources under the financial account continued to flow in. Net borrowings landed at UAH 549 million in October 2015.

Surplus of the consolidated balance of payments reached USD 228 million over the first ten months of 2015.

Surplus of the consolidated balance of payments helped increase Ukraine’s international reserves to USD 13.0 billion, which provides for financing 3.1 months of future imports.

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.

The National Bank of Ukraine will start holding tenders to sell Ukrainian government bonds. The first tender to place internal government bonds will be held at trading platforms of Perspektiva and PFTS stock exchanges on 8 December 2015.

NBU OPERATIONS

On Monday, 30 November, the National Bank provided an overnight loan totaling UAH 400 million under 24% per annum to one bank.

Over the previous week, the National Bank of Ukraine managed to raise UAH 61.8 billion against UAH 56.4 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 34.9 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.

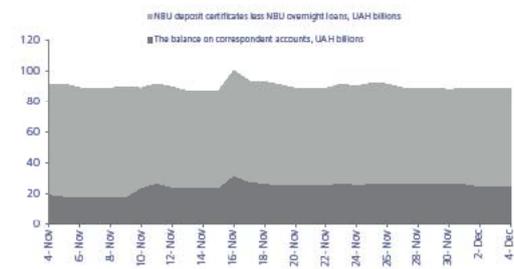
The overall level of the banking system liquidity did not change much during the previous week.

LATEST MACROECONOMIC DATA

Indicator	Value
Current account balance in October 2015, USD millions	-322

Source: the National Bank of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

STOCK MARKET

Last week, the Ukrainian Exchange (UX) Index found itself in the red again. By the end of the previous week, the UX Index lost 2.5% and closed at 696.68 points on Friday, 4 December.

FOREIGN EXCHANGE MARKET

Last week, the Ukrainian national currency exchange rate was volatile. However, attempt to hold the exchange rate below UAH 23.00/USD failed to be successful.

Trading on the interbank foreign exchange market ranged within the following limits: UAH 23.90-24.10/USD on Monday, 30 November, UAH 23.80-24.00/USD on Tuesday, 1 December, UAH 23.50-23.80/USD on Wednesday, 2 December, UAH 22.90-23.20/USD on Thursday, 3 December, and UAH 23.40-23.90/USD on Friday, 4 December. Foreign exchange sales on the interbank foreign exchange market went up to USD 1.54 billion (equivalent) from USD 1.33 billion (equivalent) a week earlier. The maximum foreign exchange sales volumes were registered on Friday, 4 December: above USD 0.342 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.251 billion.

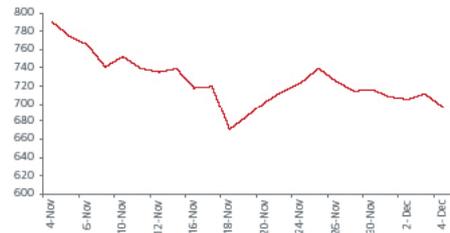
On 30 November, the National Bank held a foreign exchange tender and sold USD 16.8 million to market participants at the weighted average exchange rate of UAH 23.97/USD. On 2 and 3 December, the NBU acted as a buyer. On 2 December, the National Bank purchased USD 9.0 million at the weighted average exchange rate of UAH 23.47/USD. On 3 December, the National Bank purchased USD 2.9 million at the weighted average exchange rate of UAH 23.10/USD.

INTERBANK LENDING MARKET

Last week, the cost of lending resources on the interbank lending market inched down. By the end of the previous week, rates for overnight loans equaled 18.5-19.5% per annum. The cost of weekly resources stood at 19-20% per annum, while monthly resources cost 20-22% per annum.

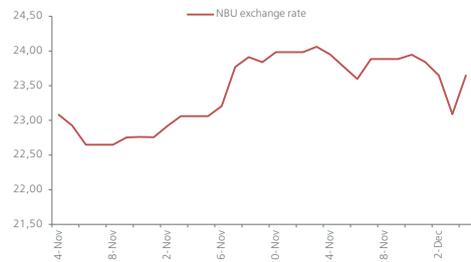
In the course of the previous week, the balance on correspondent accounts was above UAH 25 billion. As of Friday morning, 4 December, the balance on correspondent accounts totaled UAH 25.4 billion.

THE UX INDEX



Source: Thomson Reuters

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	-5.0 (October)
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	-0.9 (January-October)
Official exchange rate, annual average, UAH/ USD	11.89	
Weighted average interbank exchange rate, annual average, UAH/USD	11.97	21.82 (January-November)
Weighted average interbank exchange rate, by year end, UAH/USD	15.79	23.95 (end of October)
Banking system assets, % of gr owth	3.0	-5.4 (January-October)

Source: the State Statistics Service, NBU



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