



Financial markets survey

11 January 2016

Collapse in the new year

WEEKLY ISSUE

GLOBAL MARKET

The first trading week of 2016 was marked by a grand collapse on global financial markets. Petroleum prices that continued going down, the information that the Democratic People's Republic of Korea has successfully tested a hydrogen bomb and the panic on China's stock market became the main factors that contributed to a confident victory of "bears".

Petroleum price fall did not stop in the new year. Growing tension between Saudi Arabia and Iran did not hamper prices from falling. Traders are more inclined to pay attention to weak macroeconomic indicators and high petroleum stocks in the US.

China's stock market started the new year in a very impressive manner. On Monday, 4 January, the world registered the most serious decline of the Chinese stock market over the last three month. Investors were disappointed over a weak indicator of the official Purchasing Managers Index (PMI) in China's processing industry, which pointed to shrinking business activity and output. China's Government resorted to regulatory mechanisms to eliminate the panic. However, these measures had a rather weak impact.

As the panic on markets grew stronger, the common European currency depreciated against the US dollar, with the exchange rate going down to USD 1.0746/EUR on Tuesday, 5 January. However, by the end of the previous week, the situation stabilized, and the exchange rate returned to the values registered by the end of 2015. On Friday, 8 January, trading in the "euro/US dollar" pair closed at USD 1.0929/EUR.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1,992.0	-6.0%	-6.1%	-6.0%
FTSE 100 (UK)	5,912.4	-5.3%	-3.5%	-5.3%
MXME (East. Eur.)	105.1	-4.8%	-5.9%	-4.8%
UX (Ukraine)	678.03	-1.1%	-3.5%	-1.1%
RTS (Russia)	736.8	-2.7%	-7.0%	-2.7%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	180.5	-0.6%	-2.7%	-0.6%
Steel. USD/ton	248.0	0.0%	-8.1%	-2.0%
Oil. USD/barrel	33.6	-10.0%	-16.4%	-10.0%
Gold. USD/ounce	1,103.8	4.1%	2.9%	4.0%

Source: Thomson Reuters

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MACROECONOMICS

Inflation

According to information of the State Statistics Service, consumer prices went up 0.7% in December 2015 compared to the previous month. In annual terms, consumer inflation totaled 43.3%.

Over the previous year, prices for food products went up 41.5%. Prices for housing and utility services doubled. Prices for clothes and footwear jumped 35%. The main factors behind inflation in 2015 were shrinking supply as a result of declining output and depreciation of the national currency, which led to growing prices for imported products, as well as for domestic products with a high share of imported components.

In December 2015, producer prices inched up 0.3%. Over 2015, producer prices grew 25.4%. In the course of 2015, prices in mining industry went up 17.6%, prices in processing industry jumped 23.8%, while prices in deliveries of electricity, gas and vapor soared 33.2%.

NBU OPERATIONS

In the course of the two working days of the previous week, the National Bank of Ukraine managed to raise UAH 61.9 billion by way of placing certificates of deposit. At that, the NBU placed overnight certificates of deposit for the total of UAH 33.7 billion over the above-mentioned period. During the previous week, the weighted average rate for the longest-term deposit certificates (maturing in three months) stood at 21.22% per annum.

The overall level of the banking system liquidity remained at a record-high level registered at the end of 2015. The balance on correspondent accounts grew seriously in connection with the beginning of a new year. However, it returned to their habitual level at the beginning of the previous week. Compared to the middle of 2015, the volume of deposit certificates in circulation doubled.

STOCK MARKET

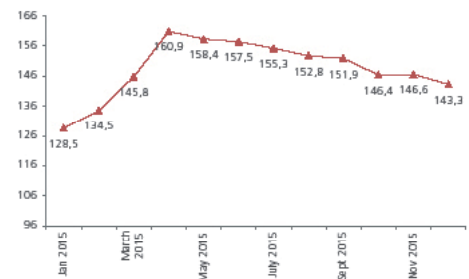
The collapse on global financial markets did not seriously influence the Ukrainian stock market, since the Ukrainian stock market operated only on 5 and 6 January in the new year. During the two trading days, the Ukrainian Exchange (UX) Index lost 1.1% and closed at 678.03 points on Wednesday, 6 January.

FOREIGN EXCHANGE MARKET

Last week, the interbank foreign exchange market operated on 5 and 6 January. During these days, trading on the interbank foreign exchange market ranged within the following limits: UAH 23.90-24.05/USD and UAH 23.30-23.45/USD respectively. Foreign exchange sales on the interbank foreign exchange market totaled USD 0.4 billion over the above-mentioned two days.

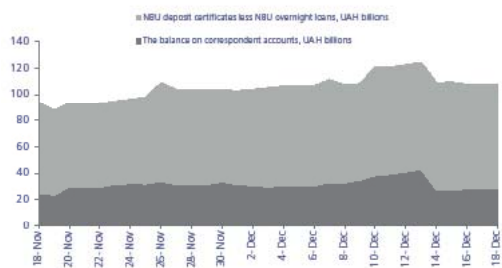
On 6 January, the National Bank purchased the total of USD 42.1 million from market participants. The weighted average exchange rate reached UAH 23.5639/USD.

CONSUMER PRICE INDEX (month-on-month of the previous year)



Source: the State Statistics Service

BANKING SYSTEM LIQUIDITY



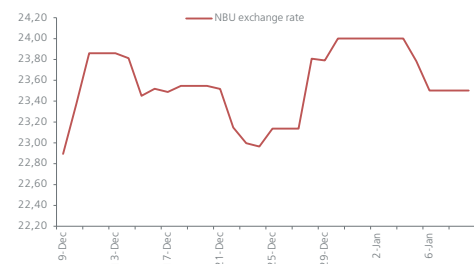
Source: NBU

THE UX INDEX



Source: Thomson Reuters

EXCHANGE RATE (UAH/USD)



Source: NBU, kurs.com.ua



INTERBANK LENDING MARKET

Over 5-6 January, rates for overnight loans equaled 18.0-19.0% per annum. The cost of weekly resources stood at 19-20% per annum, while monthly resources cost 20-22% per annum.

The balance on correspondent accounts totaled UAH 28 billion.

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2014	2015
GDP, %	-6.8	-7.2 (3rd quarter)
Industrial output, %	-10.7	-4.9 (November)
Consumer price growth, % year-on-year	24.9	43.3 (December)
Producer price growth, % year-on-year	31.8	25.4 (December)
Balance of trade, USD billions	-5.4	-1.4 (January-November)
Official exchange rate, annual average, UAH/ USD	11.89	
Weighted average interbank exchange rate, annual average, UAH/USD	11.89	21.85 (January-December)
Weighted average interbank exchange rate, by year end, UAH/USD	15.77	24.00 (end of December)
Banking system assets, % of gr owth	3.0	-3.2 (January-November)

Source: the State Statistics Service, NBU



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