

Financial markets survey

18 January 2016

Falling down

WEEKLY ISSUE

GLOBAL MARKET

During the previous week, global markets continued falling. Same as a week before, bearish moods were fostered by falling petroleum prices and a hurly-burly on the Chinese market. Pessimistic moods grew stronger because of weak statistical data of the US economy that were published at the end of the previous week. Since the beginning of the year, global stock markets became USD 3.2 trillion cheaper.

On Monday, 11 January, China's market continued to fall with a new force. In the course of trading, the Shanghai Composite Stock Index dropped 5.3%, a record-low over almost four years. Since the beginning of 2016, the above-mentioned index declined 15% because of the fears that the Chinese Government will allow a significant depreciation of the yuan, and economic recession in the country will accelerate.

By the end of the previous week, petroleum prices dropped below a new critical mark of USD 30 per barrel in connection with expectations that sanctions against Iran will be cancelled. Given such a new level of prices, approximately one third of US oil companies may go bankrupt.

A poll carried out by The Wall Street Journal in January demonstrated that economists downgraded their forecasts for economic growth in the US in 2016 to 2.5%, whereas earlier they expected a higher indicator – around 3%. In 2015, retail sales in the US inched up 2.1%, which is a record-low indicator since 2009. Industrial output went down 0.4% in December 2015, whereas experts expected it to inch down a mere 0.2%.

It seems that pessimistic moods got confidently the better of the investment community. Markets will need time to get adjusted to new much lower prices on commodity and stock markets. There is a high likelihood of new serious shocks.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1,880.3	-2.2%	-9.3%	-8.0%
FTSE 100 (UK)	5,804.1	-1.8%	-4.2%	-7.0%
MXME (East. Eur.)	97.1	-7.6%	-13.1%	-12.0%
UX (Ukraine)	659.93	-2.7%	-3.0%	-3.8%
RTS (Russia)	653.0	-11.4%	-16.8%	-13.7%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	172.5	-4.4%	-5.5%	-5.0%
Steel. USD/ton	248.0	0.0%	-7.1%	-2.0%
Oil. USD/barrel	28.9	-13.7%	-22.2%	-22.4%
Gold. USD/ounce	1,088.7	-1.4%	1.5%	2.6%

Source: Thomson Reuters

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MACROECONOMICS

Agricultural output

By the end of 2015, agricultural output in Ukraine dropped 4.8%. At that, output at agricultural enterprises declined 5.2%, and output at private farms shrank 4.3%.

In 2015, the cattle headcounts shrank 2.8%, while pig headcounts dropped 3.5%, and poultry headcounts went down 1.6%. Meat output shrank 1.4%, milk output dropped 4.0%, and egg output declined 14.3%.

NBU OPERATIONS

In the course of the previous week, the National Bank of Ukraine managed to raise UAH 89.5 billion by way of placing certificates of deposit. At that, the NBU placed overnight certificates of deposit for the total of UAH 59.9 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 21.19% per annum against 21.22% per annum a week earlier.

Last week, the overall level of the banking system liquidity went up thanks to an increase in the balance on correspondent accounts.

STOCK MARKET

Same as other financial markets across the world, the Ukrainian stock market finished the previous week in the red. During the previous week, the Ukrainian Exchange (UX) Index lost 2.7% and closed at 659.93 points on Friday, 15 January. Since the beginning of the current year, the Ukrainian stock market dropped 3.8%.

FOREIGN EXCHANGE MARKET

Last week, the Ukrainian national currency depreciated noticeably. During the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 23.40-23.70/USD on Monday, 11 January, UAH 23.15-23.45/USD on Tuesday, 12 January, UAH 23.50-23.80 /USD on Wednesday, 13 January, UAH 23.80-24.10/USD on Thursday, 14 January, UAH 24.00-24.35/USD on Friday, 15 January, and UAH 24.20-24.60/USD on Saturday, 16 January. The maximum foreign exchange sales volumes were registered on Friday, 15 January: above USD 0.282 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.216 billion. The overall foreign exchange sales on the interbank foreign exchange market totaled USD 1.3 billion over the six working days of the previous week.

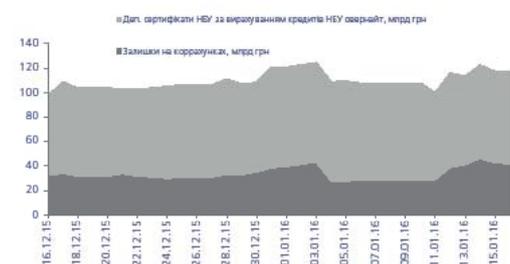
Last week, the National Bank acted as a net seller of foreign exchange. On 12 January, the National Bank purchased the total of USD 1.4 million from market participants, and the weighted average exchange rate reached UAH 23.21/USD. On 15 and 16 January, the regulator sold USD 36.6 million to market participants, and the weighted average exchange rate landed at UAH 24.29/USD and UAH 24.33/USD during those days respectively.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output in 2015, %	-4.8

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

Last week, the cost of lending resources on the interbank lending market did not change much. Rates for overnight loans equaled 18-19% 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 went up noticeably and, for the most part of the previous week, stood above UAH 40 billion. As of Saturday morning, 16 January, the balance on correspondent accounts totaled UAH 41.7 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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