

# Financial markets survey

25 January 2016

## The fall has stopped

WEEKLY ISSUE

### GLOBAL MARKET

Last week, global financial markets partially won back the losses sustained since the beginning of the current year. Growing petroleum prices, good financial indicators of corporations for the fourth quarter of 2015 and expectations of a new wave of government incentives in Europe and China were the main factors that terminated the lingering bearish trends.

China's GDP in the fourth quarter of 2015 grew 6.8% compared to the same period in the previous year. By the end of 2015, China's economy grew 6.9% (against 7.3% in 2014), which is the weakest indicator over the last 25 years. In the opinion of economists, such weak statistical data can foster new incentives on the part of the Chinese government.

On Thursday, 21 January, European Central Bank President Mario Draghi stated that monetary policy in the euro-area may be revised at the next meeting in March. Incentives for the euro-area economy provided during the previous year have not brought tangible results so far. In particular, indicators of consumer inflation continue to stay at record-low levels.

During the previous week, information on financial indicators of large corporations for the fourth quarter of 2015 began to come in. Indicators of many companies turned out to be better than expected. This news compensated the latest statistical data from the US that turned out to be unexpectedly weak. In December 2015, consumer prices in the US inched down 0.1% compared to the previous month in connection with falling prices for petroleum and other energy carriers. The number of houses in the US whose construction was started in December 2015 shrank 2.5% compared to the previous month, whereas analysts forecast that the number of new houses would increase 2.3% on the average during the previous month.

The exchange rate of the common European currency depreciated against the US dollar. Statements regarding new incentives for the euro-area economy contributed to weakening of the euro. On Friday, 22 January, trading in the "euro/US dollar" pair closed at USD 1.0794/EUR.

### STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1,906.9	1.4%	-7.6%	-6.7%
FTSE 100 (UK)	5,900.0	1.7%	-5.5%	-5.5%
MXME (East. Eur.)	100.2	3.2%	-11.4%	-9.2%
UX (Ukraine)	659.5	-0.1%	-1.9%	-3.8%
RTS (Russia)	691.4	5.9%	-12.0%	-8.7%

### COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	172.5	0.0%	-5.5%	-5.0%
Steel. USD/ton	248.0	0.0%	-7.1%	-2.0%
Oil. USD/barrel	32.2	11.2%	-13.9%	-13.7%
Gold. USD/ounce	1,097.9	0.8%	2.5%	3.5%

Source: Thomson Reuters

[www.pumb.ua](http://www.pumb.ua)

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## MACROECONOMICS

### Industrial output

In December 2015, industrial output in Ukraine shrank at a more sluggish pace. According to information of the State Statistics Service, industrial output declined 2.1% in December 2015 compared to December 2014. Over 2015, industrial output dropped 13.4% year-on-year.

Output in mining industry went up 2.7% in December 2015. However, output in mining industry fell 14.5% in the course of 2015. In particular, coal production shrank 28.1%.

Output in processing industry inched down 1.6% year-on-year in December 2015. For the entire 2015, output in processing industry shrank 13.1%. This indicator was most seriously influenced by output in steel industry falling 14.4% and output in machine-building industry shrinking 14.6% in 2015.

### NBU OPERATIONS

In the course of the previous week, the National Bank of Ukraine managed to raise UAH 80.2 billion against UAH 89.5 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 49.3 billion over the above-mentioned period. During the previous week, the weighted average rate for the longest-term deposit certificates (maturing in three months) inched down and landed at 21.13% per annum against 21.19% per annum a week earlier.

Last week, the overall level of the banking system liquidity went up thanks to both an increase in the volume of deposit certificate in circulation and an increase in the balance on correspondent accounts.

### STOCK MARKET

Last week, the Ukrainian stock market stayed totally flat. Over the previous week, the Ukrainian Exchange (UX) Index did not sustain any statistically important changes and closed at 659.50 points on Friday, 22 January. Since the beginning of the current year, the Ukrainian stock market declined 3.8%.

### FOREIGN EXCHANGE MARKET

Last week, the Ukrainian national currency continued to depreciate. In the course of trading on the interbank foreign exchange market, the UAH/USD exchange rate went above the UAH 25/USD mark. During the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 24.50-24.85/USD on Monday, 18 January, UAH 24.75-25.10/USD on Tuesday, 19 January, UAH 24.45-24.80 /USD on Wednesday, 20 January, UAH 24.35-24.70/USD on Thursday, 21 January, UAH 24.50-24.90/USD on Friday, 22 January. The maximum foreign exchange sales volumes were registered on Wednesday, 20 January: above USD 0.341 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.260 billion. The overall foreign exchange sales volumes on the interbank foreign exchange market totaled USD 1.2 billion over the previous week.

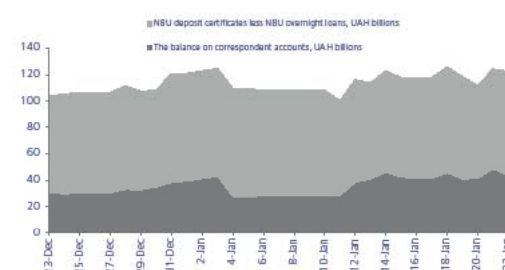
During the previous week, the National Bank held two tenders to sell foreign exchange. On 18 and 19 January, the National Bank sold the total of USD

## LATEST MACROECONOMIC DATA

Indicator	Value
Industrial output change in December 2015, % year-on-year	-2.1

Source: the State Statistics Service

## BANKING SYSTEM LIQUIDITY



Source: NBU

## THE UX INDEX



Source: Thomson Reuters



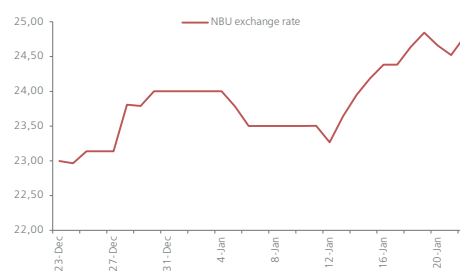
62.1 million to market participants, and the weighted average exchange rate reached UAH 24.55/USD and UAH 24.77/USD respectively.

### INTERBANK LENDING MARKET

Last week, the cost of longer-term lending resources on the interbank lending market inched down. The cost of weekly resources slipped to 18-19.5% per annum, while monthly resources cost 19-20% per annum. Rates for overnight loans remained unchanged and stood at 18-19% per annum.

During the previous week, the balance on correspondent accounts went up and, for the most part of the previous week, stood above UAH 41 billion. As of Friday morning, 22 January, the balance on correspondent accounts totaled UAH 43.4 billion.

### EXCHANGE RATE (UAH/USD)



Source: NBU, kurs.com.ua



## UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2014	2015
GDP, %	-6.8	-7.2 (3rd quarter)
Industrial output, %	-10.1	-13.4
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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