



# Financial markets survey

15 February 2016

## Markets continue falling

WEEKLY ISSUE

### GLOBAL MARKET

Markets continued falling during the previous week. Petroleum prices did not stop falling, and they set the fashion for pessimistic moods across the world.

By the end of the previous week, losses of European traders turned out to be more significant than losses of their American counterparts. As before, economic indicators of European countries are weak. Industrial output in Germany dropped 1.2% in December 2015 compared to November, whereas analysts expected it to inch up 0.5%. Industrial output in the UK went down 0.5% in the fourth quarter of 2015, which is the most serious drop over the last nearly three years.

A report delivered by Federal Reserve System Chair Janet Yellen to the US Congress on Wednesday, 10 February, included signals that pointed to weaker economic growth and worse financial situation in the US. The FRS Chair made it clear that the central bank was prepared to postpone the next increase of the federal funds rate, if global markets continue falling. However, neither statements of Janet Yellen, nor a speech by Masatsugu Asakawa, Deputy Vice Minister for International Affairs of the Japanese Ministry of Finance, saying that the country's Government was prepared to expand incentives, could calm down investors.

Against the background of falling stock markets and the lingering decline of petroleum prices, investors increased demand for gold. Last week, gold prices grew 5.5% and rose record-high since May 2015.

Weaker economic growth in the US noted in the statement made by the FRS Chair served as the main factor for depreciation of the US dollar against the common European currency. On Friday, 12 February, trading in the "euro/US dollar" pair closed at USD 1.1258/EUR, which returned the exchange rate to values registered in October of the previous year.

### STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1,864.8	-0.8%	-1.3%	-8.8%
FTSE 100 (UK)	5,707.6	-2.4%	-4.3%	-8.6%
MXME (East. Eur.)	102.0	-4.3%	0.0%	-7.5%
UX (Ukraine)	622.57	-0.7%	-8.6%	-9.2%
RTS (Russia)	689.9	-5.0%	-0.5%	-8.9%

### COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	171.0	0.3%	-0.9%	-5.8%
Steel. USD/ton	248.0	0.0%	0.0%	-2.0%
Oil. USD/barrel	33.4	-2.1%	10.1%	-10.5%
Gold. USD/ounce	1,237.7	5.5%	13.2%	16.7%

Source: Thomson Reuters

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

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## MACROECONOMICS

### Inflation

According to information of the State Statistics Service, consumer prices went up 0.9% in January 2016 compared to the previous month. In annual terms, consumer inflation slowed down to 40.3%.

The main factor behind inflation was prices for food products growing 2.2% over the previous month. Prices for food products grew mainly as a result of a seasonally shrinking supply. Prices grew the most for fruits (9.6%) and vegetables (9.1%). At the same time, the country registered that prices for clothes and footwear shrank 4.4%.

In January 2016, producer prices went down 1.1%. In annual terms, producer prices slowed down to 21.2%. Prices in mining industry dropped 3.7% because of lower prices in the production of crude oil and gas and the extraction of metallic ores. Prices in deliveries of electricity, gas and vapor went down 3.4% in connection with lower electricity rates.

### BOND MARKET

Last week, the Ministry of Finance of Ukraine managed to raise UAH 556.7 million to the State Budget of Ukraine by way of placing internal government bonds. The weighted average interest rate for bonds maturing in eighteen months did not change and totaled 19.50% per annum.

Market participants were interested in purchasing internal government bonds with a longer maturity period. The Ministry of Finance managed to raise UAH 463.7 million by way of placing internal government bonds denominated in hryvnia and maturing in three years, while the weighted average earning rate reached 19.95%.

During the current week, the Ministry of Finance plans to hold a tender on 16 February. Market participants will be offered five types of bonds denominated in hryvnia with a maturing period from three to eighteen months.

### NBU OPERATIONS

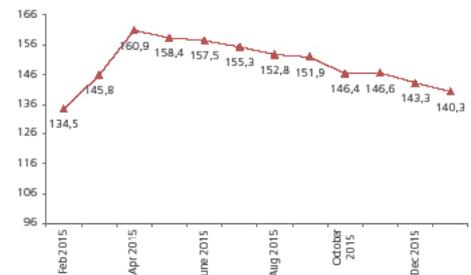
During the previous week, the NBU allocated an overnight loan to one bank on a daily basis to support liquidity. The total amount of loans allocated over the previous week reached UAH 865 million.

In the course of the previous week, the National Bank of Ukraine managed to raise UAH 69.8 billion against UAH 89.3 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 44.6 billion over the above-mentioned period. It was expected that the sum raised would be lower than a week before, since the NBU cancelled the issuance of deposit certificates maturing in three months starting from 5 February.

During the previous week, the weighted average rate for the longest-term deposit certificates (maturing in 30 days) inched down and landed at 20.40% per annum against 20.68% per annum a week earlier.

The overall level of the banking system liquidity went down by the end of the previous week. An increase in the balance on correspondent accounts, which was registered at the end of the previous week, did not manage to compensate the drop in the volume of deposit certificates in circulation.

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



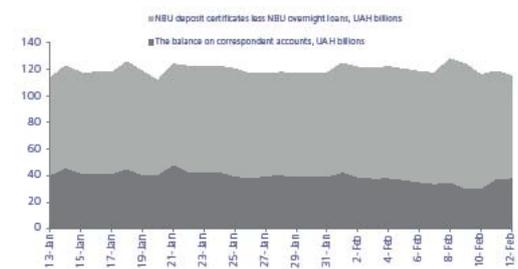
Source: the State Statistics Service

### THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of internal government bonds	Weighted average rate	Submit./satisfied bids	Funds raised, UAH millions
09 Feb	535 days	19.50%	2/2	93.0
10 Feb	1,077 days	19.95%	6/5	463.7

Source: the Ministry of Finance of Ukraine

### BANKING SYSTEM LIQUIDITY



Source: NBU

## STOCK MARKET

Last week, the Ukrainian stock market continued falling. Over the previous week, the Ukrainian Exchange (UX) Index lost 0.7% and closed at 622.57 points on Friday, 12 February.

The negative external background and the aggravating political crisis in Ukraine, which threatens with delays of the IMF financial support for an indefinite period of time, are the main factors behind the downward trend on the Ukrainian stock market.

## FOREIGN EXCHANGE MARKET

During the previous week, the Ukrainian national currency continued depreciating. By the end of the previous week, the exchange rate went up above UAH 26/USD on the interbank foreign exchange market. Last week, trading on the interbank foreign exchange market ranged within the following limits: UAH 25.75-26.00/USD on Monday, 8 February, UAH 25.85-26.05/USD on Tuesday, 9 February, UAH 25.90-26.00/USD on Wednesday, 10 February, UAH 26.00-26.15/USD on Thursday, 11 February, UAH 26.10-26.50/USD on Friday, 12 February. The maximum foreign exchange sales volumes were registered on Tuesday, 9 February: above USD 0.275 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.180 billion.

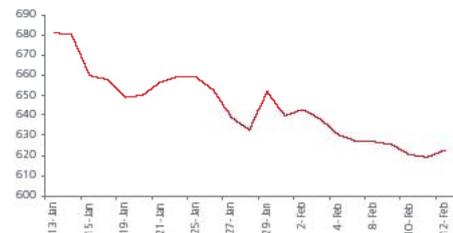
Last week, the overall foreign exchange sales volumes on the interbank foreign exchange market totaled USD 1.2 billion, which repeated the result registered a week earlier. On 10 and 12 February, the National Bank held tenders to sell foreign exchange. The overall foreign exchange sales volumes by NBU totaled USD 29.7 billion. The weighted average exchange rate reached UAH 25.92/USD on 10 February and UAH 26.15/USD on 12 February.

## INTERBANK LENDING MARKET

Last week, the cost of resources on the interbank lending market did not change seriously and remained high. Rates for overnight loans stood at 18.5-19.5% per annum. The cost of weekly resources was 19.0-20.5% per annum, while monthly resources cost 20.0-22.0% per annum.

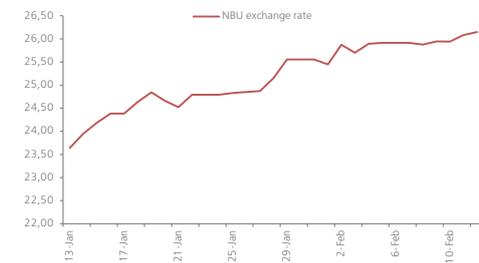
During the previous week, average indicators of the balance on correspondent accounts went down. However, by the end of each day, the balance on correspondent accounts did not drop below UAH 30 billion. As of Friday morning, 12 February, the balance on correspondent accounts totaled UAH 38.5 billion.

## THE UX INDEX



Source: Thomson Reuters

## EXCHANGE RATE (UAH/USD)



Source: NBU, kurs.com.ua

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2014	2015	2016
GDP, %	-6.8	-7.2 (3rd quarter)	
Industrial output, %	-10.1	-13.4	
Consumer price growth, % year-on-year	24.9	43.3 (December)	40.3 (January)
Producer price growth, % year-on-year	31.8	25.4 (December)	21.2 (January)
Balance of trade, USD billions	-4.6	-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)	25.56 (end of January)
Weighted average interbank exchange rate, by year end, UAH/USD	15.77	24.00 (end of December)	24.26 (January)
Banking system assets, % of gr owth	3.0	-3.2 (January-November)	

Source: the State Statistics Service, NBU



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