



Financial markets survey

29 February 2016

Lucky February

WEEKLY ISSUE

GLOBAL MARKET

Last week, indices of the leading trading platforms across the world continued growing. The positive impetus given a week earlier persisted, and markets improved their results in terms of a monthly change. As before, stock traders are closely watching petroleum prices, which have recently been setting the pace for moods on stock platforms.

In the environment of growing petroleum prices, traders are less inclined to change their moods, even if European macroeconomic indicators are, as before, not cheerful. In February 2016, the Composite Purchasing Managers Index (PMI) in the euro-area dropped record-low over the last year, while the Composite Business Confidence Index declined record-low since June 2015. Consumer prices in the euro-area inched up 0.3% in January 2016, which was weaker than analysts expected.

Meanwhile, the stream of bad macroeconomic news from the US seems to have subsided. Estimate of the US GDP growth in the fourth quarter of 2015 was unexpectedly upgraded from 0.7% to 1%. In January, durable goods orders jumped 4.9%, whereas analysts expected this indicator to grow 1.8%.

Despite the recently improved situation on stock markets, only investors who invested in gold have benefitted since the beginning of 2016. Over January-February 2016, prices for this asset soared 15%, which is a record-high growth over the last 35 years.

During the previous week, the common European currency depreciated against the US dollar because of weak data regarding inflation in the largest euro-area economies. On Friday, 26 February, trading in the "euro/US dollar" pair closed at USD 1.0931/EUR.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1,948.1	1.6%	3.5%	-4.7%
FTSE 100 (UK)	6,096.0	2.4%	1.8%	-2.3%
MXME (East. Eur.)	108.8	2.2%	6.9%	-1.4%
UX (Ukraine)	629.99	-0.6%	-1.4%	-8.1%
RTS (Russia)	757.5	4.3%	7.5%	0.1%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	169.5	-0.6%	-1.7%	-6.6%
Steel. USD/ton	248.0	0.0%	0.0%	-2.0%
Oil. USD/barrel	35.1	6.3%	6.0%	-5.8%
Gold. USD/ounce	1,222.2	-0.5%	8.6%	15.2%

Source: Thomson Reuters

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MACROECONOMICS

Industrial output

According to information of the State Statistics Service, industrial output declined 1.7% in January 2016 compared to January 2015. With due consideration for adjustment to the calendar effect, industrial output dropped 1.4%.

Output in mining and processing industries shrank 2.6% in January 2016. In particular, output in steel industry dropped 2.8%, while output in machine-building declined 3.4%.

Compared to January 2015, output of durable goods shrank the most – 6.7%. Output of investment goods shrank 2.2%, whereas energy output inched up 0.2%.

BOND MARKET

Last week, the Ministry of Finance of Ukraine managed to raise UAH 51.3 billion to the State Budget of Ukraine by way of placing internal government bonds on 23 and 24 February. The interest rate for bonds maturing in eighteen months did not change and stood at 19.5% per annum.

NBU OPERATIONS

On 24 February, the NBU allocated a loan totaling UAH 190 million to one bank to support liquidity. The loan was provided for 89 days under 22% per annum. In addition, one bank received overnight loans totaling UAH 195 million on 22 and 23 February. The interest rate for these loans stood at 24% per annum.

In the course of the previous week, the National Bank of Ukraine managed to raise UAH 51.9 billion against UAH 66.6 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 28.8 billion over the above-mentioned period.

During the previous week, the weighted average interest rate for the longest-term deposit certificates (maturing in 30 days) inched up and reached 20.14% per annum against 20.10% per annum a week earlier.

Last week, the overall level of the banking system liquidity went down mainly because of a drop in the volume of deposit certificates in circulation.

STOCK MARKET

Last week, the Ukrainian stock market remained practically flat. By the end of the previous week, the Ukrainian Exchange (UX) Index lost 0.6% and closed at 629.99 points on Friday, 26 February. Unlike the leading western markets, which registered noticeable growth over the previous two weeks, the Ukrainian stock market continues to be in the red in terms of a monthly change.

FOREIGN EXCHANGE MARKET

During the previous week, the exchange rate of the Ukrainian national currency against the US dollar was volatile. However, the trend towards depreciation lasted out. Last week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.95-27.25/

LATEST MACROECONOMIC DATA

Indicator	Value
Industrial output change in January 2016, % year-on-year	-1.7

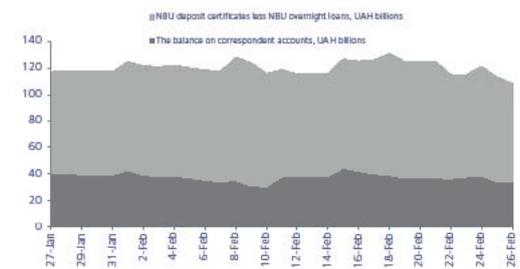
Source: the State Statistics Service

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
23 Feb	511 days	19.50%	2/1	553.8
24 Feb	1,063 days	20.00%	2/2	50,765.0

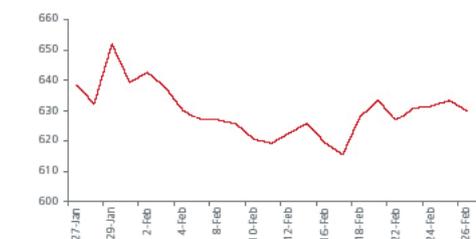
Source: the Ministry of Finance of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Thomson Reuters

USD on Monday, 22 February, UAH 27.00-27.35/USD on Tuesday, 23 February, UAH 27.10-27.40/USD on Wednesday, 24 February, UAH 26.80-27.50/USD on Thursday, 25 February, UAH 26.80-27.20/USD on Friday, 26 February. The maximum foreign exchange sales volumes were registered on Thursday, 25 February: above USD 0.25 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.176 billion.

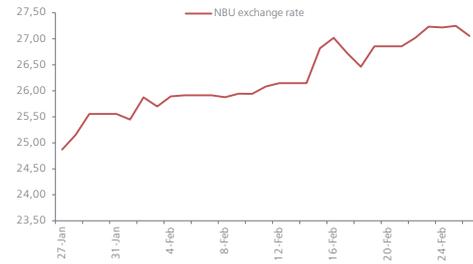
Last week, the overall foreign exchange sales volumes on the interbank foreign exchange market totaled USD 1.1 billion against USD 1.2 billion registered a week earlier. On 24 and 25 February, the National Bank held tenders to sell foreign exchange. The overall foreign exchange sales volumes by NBU totaled USD 45.3 million. The weighted average exchange rate reached UAH 27.19/USD on 24 February and UAH 27.25/USD on 25 February.

INTERBANK LENDING MARKET

By the end of the previous week, the cost of overnight loans on the interbank lending market grew to 19.00-20.00% per annum. The cost of weekly resources was 19.00-20.00% per annum, while monthly resources cost 20.00-22.00% per annum.

During the previous week, the balance on correspondent accounts went down and fluctuated within the limits of UAH 34-39 billion. As of Friday morning, 26 February, the balance on correspondent accounts totaled UAH 34.5 billion.

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	-1.7 (January)
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)	24.26 (January)
Weighted average interbank exchange rate, by year end, UAH/USD	15.77	24.00 (end of December)	25.56 (end of January)
Banking system assets, % of gr owth	3.0	-3.2 (January-November)	

Source: the State Statistics Service, NBU



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