



Financial markets survey

21 March 2016

Losses won back

WEEKLY ISSUE

GLOBAL MARKET

The leading stock platforms across the world experienced one more week of growth. By the end of the previous week, the American S&P 500 Index surpassed the value registered at the beginning of 2016, while the British FTSE 100 Index came very close to the starting point of the current year. The fact of growing petroleum prices persisted and, as before, played the role of the main reference point for investors.

On 15-16 March, the US Federal Reserve System (FRS) held a scheduled meeting. The American central bank expectedly kept the base interest rate within the previous range – 0.25-0.5%. At the moment, the FRS top officials expect that rates will be raised two times in 2016, whereas they were confident that rates will be raised four times back in December 2015. In the opinion of the Federal Open Market Committee (FOMC), slower increase of rates better assists in achieving the goals set for the economy. Macroeconomic forecasts for the US changed very little compared to December 2015, notwithstanding the fact that, at the previous meeting, the FRS downgraded its median estimate of economic growth in the US to 2.2% for the current year from 2.4% forecast earlier and to 2.1% for 2017 from 2.2%.

Economic statistical data from the US does not provide a clear picture that will make it possible to say that the country's economy is strong enough to give the FRS grounds to raise rates already in April. Retail sales in the US inched down 0.1% in February 2016 compared to the previous month. In February, the Consumer Confidence Index in the US fell record-low since October 2015 – 90 points compared to 91.7 points in February.

By the end of the previous week, the common European currency appreciated against the US dollar. Depreciation of the American currency is connected with revised expectations of a higher base interest rate in the US. On Friday, 18 March, trading in the "euro/US dollar" pair closed at USD 1.1267/EUR.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,049.6	1.4%	6.4%	0.3%
FTSE 100 (UK)	6,189.6	0.8%	2.6%	-0.8%
MXME (East. Eur.)	126.6	5.3%	17.3%	14.7%
UX (Ukraine)	633.5	-6.1%	2.9%	-7.6%
RTS (Russia)	885.1	4.7%	20.3%	16.9%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	160.5	-0.3%	-5.9%	-11.6%
Steel. USD/ton	268.0	8.1%	8.1%	5.9%
Oil. USD/barrel	41.2	2.0%	19.4%	10.5%
Gold. USD/ounce	1,254.6	0.5%	3.8%	18.3%

Source: Thomson Reuters

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MACROECONOMICS

Balance of payments

Deficit of Ukraine’s current account balance totaled USD 379 million in January 2016 against a deficit of USD 288 million registered in January 2015.

In January 2016, exports of goods and services shrank at a more rapid pace – 32.1%, whereas im-ports dropped at a more sluggish pace – 22.9%. Exports to Russia and Asia shrank the most – almost 50%. Exports to the EU countries declined 7.6%. Russia’s share in the structure of the country’s ex-ports of goods went down to 6.6% in January 2016 from 8.6% in January 2015. The share of exports to Asia dropped to 32.7% from 39.2%, whereas exports to the EU grew to 41.1% from 30.2%.

Net loans provided from abroad (the sum of the current account and the capital account) reached USD 380 million in January 2016.

Growing inflows under the financial account reached USD 500 million. Net inflows under private sector operations reached USD 479 million.

The volume of foreign exchange cash outside the banking system grew USD 107 million in January 2016.

Surplus of the consolidated balance of payments supported growth of Ukraine’s international re-serves to USD 13.4 billion in January 2016, which provides for financing 3.5 months of future im-ports.

BOND MARKET

Last week, the Ministry of Finance of Ukraine managed to raise UAH 164.4 million to the State Budget of Ukraine by way of placing internal government bonds on 15 and 16 March. The interest rate for bonds maturing in three years stood at 20.00% per annum. Market participants did not demonstrate significant interest in purchasing internal government bonds.

NBU OPERATIONS

On 16 March, the NBU allocated a loan totaling UAH 253 million to one bank to support liquidity. The loan was provided for 13 days under 22.01% per annum.

In the course of the previous week, the National Bank of Ukraine managed to raise UAH 55.8 billion by way of placing certificates of deposit. At that, the NBU placed overnight certificates of de-posit for the total of UAH 30.2 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) did not change and stood at 20.32% per annum.

Last week, the overall level of the banking system liquidity did not change much.

STOCK MARKET

Last week, the Ukrainian stock market registered an adjustment after a steep growth, which was ob-served a week earlier. By the end of the previous week, the Ukrainian Exchange (UX) Index lost 6.1% and closed at 633.52 points on Friday, 18 March.

LATEST MACROECONOMIC DATA

Indicator	Value
Current account balance in January 2016, USD millions	-379

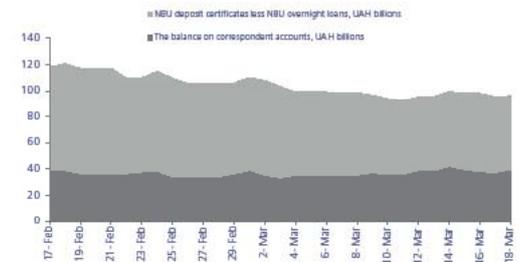
Source: the National Bank of Ukraine

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
15 March	175 days	18.00%	3/1	36.8
15 March	273 days	18.50%	1/1	31.1
15 March	490 days	19.50%	1/1	10.3
16 March	1,042 days	20.00%	1/1	81.1

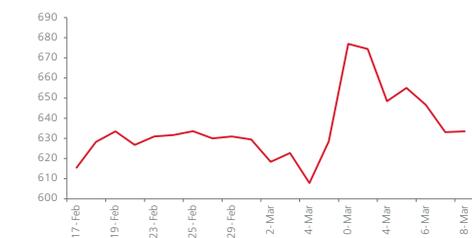
Source: the Ministry of Finance of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Thomson Reuters

Despite swift decline, the UX Index is still demonstrating growth in monthly terms.

FOREIGN EXCHANGE MARKET

Over the previous week, the exchange rate of the Ukrainian national currency against the US dollar depreciated. Last week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.30-26.75/USD on Monday, 14 March, UAH 26.70-27.00/USD on Tuesday, 15 March, UAH 26.70-27.00/USD on Wednesday, 16 March, UAH 26.35-26.85/USD on Thursday, 17 March, and UAH 26.10-26.50/USD on Friday, 18 March. The maximum foreign exchange sales volumes were registered on Monday, 14 March: above USD 0.328 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.219 billion.

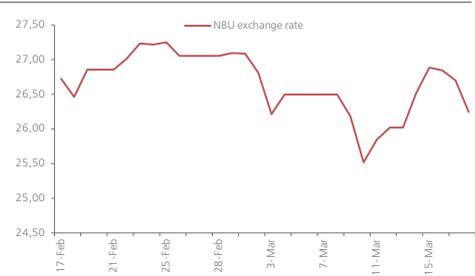
Last week, the overall foreign exchange sales volumes on the interbank foreign exchange market totaled USD 1.3 billion. On 14 and 15 March, the National Bank held tenders to sell foreign exchange. On 14 March, the National Bank sold USD 60.0 million at the weighted average exchange rate of UAH 26.50/USD. On 15 March, the National Bank sold USD 33.6 million at the weighted average exchange rate of UAH 26.89/USD. Thanks to these interventions, the NBU managed to meet an increased demand for foreign exchange. During subsequent days, the exchange rate on the interbank foreign exchange market appreciated.

INTERBANK LENDING MARKET

During the previous week, the cost of overnight loans stood at 20.0-21.0% per annum, rates for weekly resources reached 20.5-21.5% per annum, while monthly resources cost 20.0-22.0% per annum.

In the course of the previous week, the balance on correspondent accounts went up and fluctuated within the limits of UAH 38-42 billion. As of Friday morning, 18 March, the balance on correspondent accounts totaled UAH 40.0 billion.

EXCHANGE RATE (UAH/USD)



Source: NBU, kurs.com.ua

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2014	2015	2016
GDP, %	-6.8	-1.2 (4th quarter)	
Industrial output, %	-10.1	-13.4	-1.7 (January)
Consumer price growth, % year-on-year	24.9	43.3	32.7 (February)
Producer price growth, % year-on-year	31.8	25.4	17.4 (February)
Balance of trade, USD billions	-4.6	-1.2	-0.58 (January)
Official exchange rate, annual average, UAH/ USD	11.89		
Weighted average interbank exchange rate, annual average, UAH/USD	11.89	21.85	25.50 (January-February)
Weighted average interbank exchange rate, by year end, UAH/USD	15.77	24.00	27.09 (January-February)
Banking system assets, % of gr owth	3.0	-4.7	3.1 (January)

Source: the State Statistics Service, NBU



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