



Financial markets survey

18 April 2016

A positive week

WEEKLY ISSUE

GLOBAL MARKET

Last week, global financial markets registered unanimous growth. Investors expected publication of corporate financial indicators. Expectations were positive, and stock indices began to grow even before the first company indicators came in.

Petroleum prices grew in the course of the previous week and also contributed to stronger positive moods among securities traders. Players on the crude oil market demonstrated optimistic expectations regarding the meeting of the largest oil producing countries, which took place in Qatar on Sunday, 17 April. Some oil producing countries hoped that participants in the meeting could reach an agreement with respect to restricting petroleum production for the purpose of stabilizing prices on the market.

As before, data on the US labor market give good signals. The number of Americans who applied for unemployment benefit for the first time shrank record-low since December 1973. Nevertheless, other economic indicators did not demonstrate a uniform dynamics. In particular, the Consumer Confidence Index in the US fell unexpectedly in April to a record-low value since September 2015. Industrial output in the US dropped 0.6% in March 2016 compared to the previous month, whereas analysts expected it to inch down 0.1%.

The US dollar significantly appreciated against the common European currency. Revaluation of the US dollar was fostered by good data on the US labor market. On Friday, 15 April, trading in the "euro/US dollar" pair closed at USD 1.1280/EUR.

STOCK MARKETS

| Index | last | week ch. | mon. ch. | YTD |
|-------------------|---------|----------|----------|--------|
| S&P 500 (US) | 2,047.6 | -1.2% | 2.9% | 0.2% |
| FTSE 100 (UK) | 6,204.4 | 0.9% | 0.9% | -0.6% |
| MXME (East. Eur.) | 125.6 | 1.0% | 5.9% | 13.8% |
| UX (Ukraine) | 580.96 | 4.4% | -7.6% | -15.3% |
| RTS (Russia) | 879.1 | 2.0% | 5.2% | 16.1% |

COMMODITIES

| Commodity | last | week ch. | mon. ch. | YTD |
|-----------------|---------|----------|----------|-------|
| Wheat. USD/ton | 166.5 | 1.2% | 3.4% | -8.3% |
| Steel. USD/ton | 323.0 | 3.2% | 30.2% | 27.7% |
| Oil. USD/barrel | 41.9 | 8.5% | 2.1% | 12.5% |
| Gold. USD/ounce | 1,240.0 | 1.5% | -1.0% | 16.9% |

Source: Thomson Reuters

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MACROECONOMICS

Agricultural output

According to information of the State Statistics Service, agricultural output in Ukraine dropped 1.7% in the first quarter of 2016 compared to the same period in 2015.

At that, output at agricultural enterprises declined 1.4%, and output at private farms shrank 1.9%.

Corporate financial results

According to preliminary calculations, financial results before tax of large and medium enterprises in Ukraine totaled UAH 230.6 billion of losses in 2015 against UAH 389.1 billion of losses in 2014.

The share of loss-making companies declined 5.8 percentage points in 2015 and landed at 31.9%.

BOND MARKET

Last week, the Ministry of Finance of Ukraine managed to raise UAH 188.0 million to the State Budget of Ukraine by way of placing internal government bonds. Five market players submitted bids and purchased bonds maturing in January 2019. The interest rate for the above-mentioned bonds stood at 20.00%.

During the current week, the Ministry of Finance plans to hold a tender to place internal government bonds on 19 April. The Ministry of Finance will offer five types of bonds. The longest-term maturity period of bonds to be offered will be two years.

NBU OPERATIONS

On 13 April, the NBU allocated a refinancing loan totaling UAH 274.0 million to one bank to support liquidity. The loan was provided for 14 days under 22.01% per annum. The refinancing rate remained unchanged. In addition, on 15 April, one bank received an overnight loan totaling UAH 37.9 million under 24.00% per annum. Last time, an overnight loan was allocated on 9 March with the same interest rate.

In the course of the previous week, the National Bank of Ukraine managed to raise UAH 47.5 billion against UAH 64.5 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 22.6 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 down and landed at 20.18% per annum against 20.32% per annum registered a week earlier.

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

STOCK MARKET

During the previous week, the Ukrainian stock market continued to recover. Same as a week earlier, the main growth factors continued to be a favorable external background and an improvement in the situation on the country's foreign exchange market.

LATEST MACROECONOMIC DATA

| Indicator | Value |
|--|-------|
| Change in agricultural output in Q1'2016, % year-on-year | -1.7 |
| Share of loss-makers among large and medium companies in 2015, % | 31.9 |

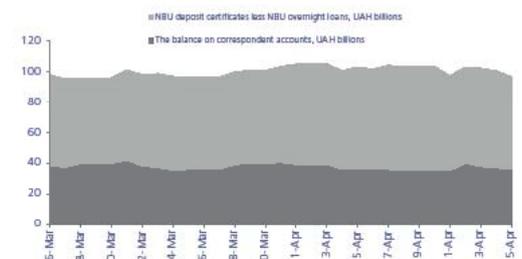
Source: the State Statistics Service

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 |
|-------------------|-----------------------------------|-----------------------|------------------------|----------------------------|
| 12 April | 1,015 days | 20.00% | 5/5 | 188.0 |

Source: the Ministry of Finance of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

By the end of the previous week, the Ukrainian Exchange (UX) Index grew 4.2% and closed at 605.38 points on Friday, 15 April.

FOREIGN EXCHANGE MARKET

During the previous week, the Ukrainian national currency continued to reevaluate, and the exchange rate consolidated below the UAH 26.00/USD mark. Trading on the interbank foreign exchange market ranged within the following limits: UAH 25.55-25.60/USD on Monday, 11 April, UAH 25.40-25.47/USD on Tuesday, 12 April, UAH 25.50-25.55/USD on Wednesday, 13 April, UAH 25.60-25.67/USD on Thursday, 14 April, and UAH 25.40-25.50/USD on Friday, 15 April. The maximum foreign exchange sales volumes were registered on Friday, 15 April: USD 0.277 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.188 billion.

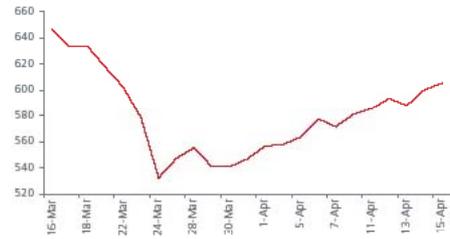
Last week, the overall foreign exchange sales volumes on the interbank foreign exchange market totaled USD 1.2 billion against USD 1.4 billion registered a week earlier. On 13 and 15 April, the National Bank held tenders to buy foreign exchange. Market participants sold USD 50.6 million to the National Bank. The weighted average exchange rate stood at UAH 25.50/USD on 13 April and UAH 25.49/USD on 15 April.

INTERBANK LENDING MARKET

During the previous week, the cost of resources on the interbank lending market did not change. The cost of overnight loans stood below 20.00-20.50% per annum, rates for weekly resources reached 20.50-21.50% per annum, while monthly resources cost 20.00-22.00% per annum.

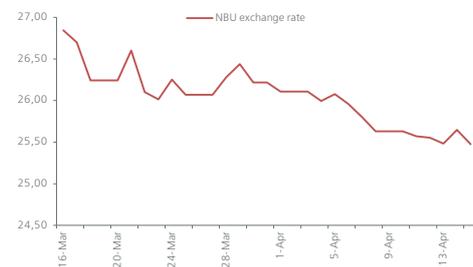
In the course of the previous week, the balance on correspondent accounts went up and, for the most part of the previous week, was above UAH 37 billion. As of Friday morning, 15 April, the balance on correspondent accounts stood at UAH 36.5 billion.

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 | -9.9 | |
| Industrial output, % | -10.1 | -13.4 | 7.6 (February) |
| Consumer price growth, % year-on-year | 24.9 | 43.3 | 20.9 (March) |
| Producer price growth, % year-on-year | 31.8 | 25.4 | 16.1 (March) |
| Balance of trade, USD billions | -4.6 | -1.2 | -0.9 (January-February) |
| Official exchange rate, annual average, UAH/USD | 11.89 | | |
| Weighted average interbank exchange rate, annual average, UAH/USD | 11.89 | 21.85 | 25.81 (January-March) |
| Weighted average interbank exchange rate, by year end, UAH/ USD | 15.77 | 24.00 | 26.22 (end of March) |
| Banking system assets, % of growth | 3.0 | -4.7 | 9.1 (January-February) |

Source: the State Statistics Service, NBU



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