



Financial markets survey

10 May 2016

Losing positions

WEEKLY ISSUE

GLOBAL MARKET

During the first week of May, prices for assets at global stock platforms continued going down. In addition to falling petroleum prices, there were fundamental indicators whose dynamics could not be ignored by investors.

Indicators of the US labor market delivered the main blow to markets during the previous week. The number of jobs in the US grew 156,000 in April 2016. Growth indicators for March were down-graded from 200,000 jobs to 194,000 jobs. Economists polled by Bloomberg agency expected this indicator to grow 195,000 on the average in April. In addition, labor productivity in the US has been going down for the second consecutive quarter (inching 1% over January-March 2016).

Weak data on the US labor market seriously influenced market expectations regarding the deadlines for raising the interest rate. Back at the beginning of the previous week, the market supported the opinion that the rate will be raised already in June. However, after the data on the labor market came out, it became clear that now the US Federal Reserve System has a rather significant argument to postpone higher rates for a later period. As it is known, labor market indicators are among the main guidelines for the US central bank to make decisions.

In the course of the previous week, there were other signals indicating that the global economic up-heaval has become weaker. Indicators of business activities in the UK and China published earlier turned out to be worse than the market expected, which raised concerns among traders regarding the situation with the global economy.

On Monday, 2 May, the exchange rate of the common European currency appreciated against the US dollar to USD 1.1529/EUR. The last time such a high exchange rate was registered was in August 2015. However, during subsequent days, the exchange rate began to depreciate, reading USD 1.1402/EUR by closing time on Friday, 6 May.

STOCK MARKETS

| Index | last | week ch. | mon. ch. | YTD |
|-------------------|---------|----------|----------|-------|
| S&P 500 (US) | 2,057.1 | -0.4% | -0.5% | 0.6% |
| FTSE 100 (UK) | 6,125.7 | -1.9% | -0.6% | -1.9% |
| MXME (East. Eur.) | 125.0 | -4.7% | 1.8% | 13.3% |
| UX (Ukraine) | 640.11 | 2.1% | 10.9% | -6.7% |
| RTS (Russia) | 912.0 | -4.1% | 5.6% | 20.5% |

COMMODITIES

| Commodity | last | week ch. | mon. ch. | YTD |
|-----------------|---------|----------|----------|-------|
| Wheat, USD/ton | 169.0 | 0.0% | 1.5% | -6.9% |
| Steel, USD/ton | 348.0 | 0.0% | 7.7% | 37.5% |
| Oil, USD/barrel | 45.4 | -5.7% | 13.9% | 21.7% |
| Gold, USD/ounce | 1,288.3 | -0.6% | 5.4% | 21.4% |

Source: Thomson Reuters

www.pumb.ua

Department of Investment Business
Andriivska St., 4, Kiev, Ukraine 04070
tel. +38 044 231 7380

MACROECONOMICS

Inflation

According to information of the State Statistics Service, consumer prices went up 3.5% in April 2016 compared to the previous month. In annual terms, consumer inflation slowed down to 9.8%. Since the beginning of the current year, consumer prices grew 5.1%.

The main factor that influenced the rate of inflation in April was a 48.4% seasonal increase in the gas rates, which resulted in growing prices for housing and other utility services. On the whole, prices for housing and utility services jumped 20.1% in April 2016.

Prices for food products inched up 0.1%, while prices for clothes and footwear grew 1.7%.

In April 2016, producer prices grew 3.6%. However, producer prices slowed down to 10.1% in annual terms. Prices in mining industry grew the most – 13.1%. In particular, prices in the extraction of iron ores went up 27.4%.

BOND MARKET

Last week, the Ministry of finance did not hold primary tenders to place internal government bonds.

During the current week, the Ministry of Finance plans to hold a tender to place internal government bonds on 10 May. The Ministry of Finance will offer five types of bonds maturing in three months to two years.

NBU OPERATIONS

On 4 May, the NBU allocated a refinancing loan totaling UAH 270.0 million to one bank to support liquidity. The loan was provided for 14 days under 21.00% per annum.

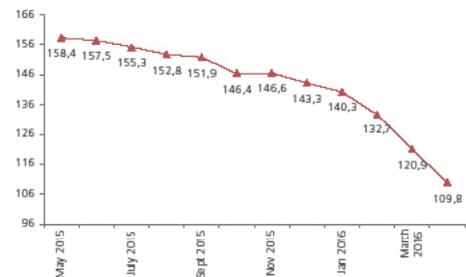
During the previous week, the weighted average interest rate for deposit certificates maturing in 14 days stood at 19.00% per annum. Last week, the overall level of the banking system liquidity re-mained practically unchanged. The total sum of deposit certificates placed during the three working days of the previous week reached UAH 54.7 billion, including overnight certificates of deposit totaling UAH 30.7 billion.

STOCK MARKET

Despite the negative external background, the Ukrainian stock market finished the first trading week of May in the green. Over the three working days of the previous week, the Ukrainian Exchange (UX) Index went up 2.1% and closed at 640.11 points on Friday, 6 May. In monthly terms, the UX Index grew more than 10%.

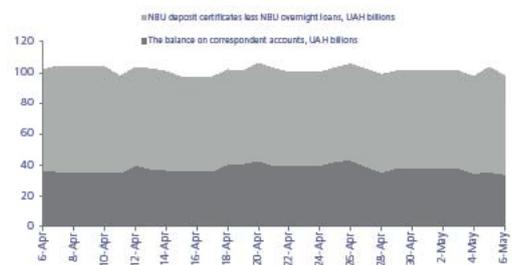
Growth of Ukraine's stock market is fostered by the situation on the country's foreign exchange market going back to normal, rapidly shrinking inflation rate, as well as the recovery of positive dynamics in the industry.

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



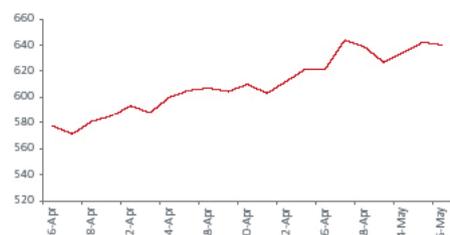
Source: the State Statistics Service

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Thomson Reuters

FOREIGN EXCHANGE MARKET

During the previous week, the Ukrainian national currency continued to revalue. However, revaluation of the Ukrainian hryvnia slowed down in the course of the last two weeks. The exchange rate consolidated below the UAH 25.20/USD mark.

Trading on the interbank foreign exchange market ranged within the following limits: UAH 25.13-25.22/USD on Wednesday, 4 May, UAH 25.11-25.17/USD on Thursday, 5 May, and UAH 25.12-25.20/USD on Friday, 6 May. The maximum foreign exchange sales volumes were registered on Thursday, 5 May: USD 0.332 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.235 billion.

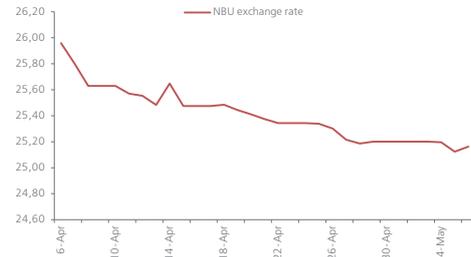
During the three working days of the previous week, the overall foreign exchange sales volumes on the interbank foreign exchange market totaled USD 0.724 billion. On 5 May, the National Bank purchased USD 94.3 million from market participants. The weighted average exchange rate for this purchase landed at UAH 25.14/USD.

INTERBANK LENDING MARKET

By the end of the previous week, the cost of overnight loans went down to 17.00-19.00% per annum. Rates for weekly resources dropped to 19.00-19.50% per annum, while monthly resources cost 19.50-20.50% per annum.

In the course of the previous week, the balance on correspondent accounts went down and, on the average, stood at UAH 35 billion. As of Friday morning, 6 May, the balance on correspondent accounts stood at UAH 34.4 billion.

EXCHANGE RATE (UAH/USD)



Source: NBU

UKRAINE'S MACROECONOMIC INDICATORS

| Indicator | 2014 | 2015 | 2016 |
|---|-------|-------|--------------------------|
| GDP, % | -6.8 | -9.9 | |
| Industrial output, % | -10.1 | -13.4 | 4.8 (March) |
| Consumer price growth, % year-on-year | 24.9 | 43.3 | 9.8 (April) |
| Producer price growth, % year-on-year | 31.8 | 25.4 | 10.1 (April) |
| Balance of trade, USD billions | -4.6 | -1.2 | -1.1 (January-March) |
| Official exchange rate, annual average, UAH/ USD | 11.89 | | |
| Weighted average interbank exchange rate, annual average, UAH/USD | 11.89 | 21.85 | 25.74 (January-April) |
| Weighted average interbank exchange rate, by year end, UAH/USD | 15.77 | 24.00 | 25.20 (end of April) |
| Banking system assets, % of gr owth | 3.0 | -4.7 | 3.6 (January-March) |

Source: the State Statistics Service, NBU



DEPARTMENT OF INVESTMENT BUSINESS

Anton Stadnik
Head of department
+38 044 231 7046
anton.stadnik@fuib.com

Marina Timbay
Trading and brokerage
+38 044 231 7053
marina.timbay@fuib.com

Yevhenia Akhtyrko
Research
+38 044 231 7380
evgeniya.ahtirko@fuib.com

**INTERNATIONAL FINANCING
AND TRANSACTION STRUCTURING**

Serhiy Zubro
+38 044 231 7055
serhiy.zubro@fuib.com

TRANSACTION SERVICES

Anton Gurban
+38 044 231 7530
anton.gurban@fuib.com

PUBLIC RELATIONS

Anna Kokoba
+38 044 231 7252
anna.kokoba@fuib.com

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