



Financial markets survey

16 May 2016

Looking for new guidelines

WEEKLY ISSUE

GLOBAL MARKET

Last week was rather quiet at global financial markets. Weekly changes of indices were insignificant. However, the American and the European markets moved in different directions by the end of the previous week.

For the most part of the previous week, the US market remained practically flat. It was expected that the market may become more dynamic by the end of the previous week, when data on retail sales and consumer confidence should be published. Notwithstanding the fact that the expected indicators turned out to be quite satisfactory and even surpassed forecasts of analysts, pessimistic moods prevailed among American traders. Investors paid attention to weak financial indicators of the leading retail chains in the US. According to estimates of experts, profits of companies included into the calculation of the Standard & Poor's 500 Index dropped 7.4% over the previous quarter.

The British FTSE 100 Index stopped falling during the previous week. European Commission Vice-President Valdis Dombrovskis stated that the European economy was at the stage of recovery; how-ever, it was still lacking dynamics. Also, the problem is that the volume of investment in Europe has not returned to the pre-crisis level yet.

By the end of the previous week, the US dollar appreciated against the common European currency. Unlike colleagues from the stock market, participants in the money market were enthusiastic regarding the information that retail sales in the US grew 1.3% in April, a record-high growth for the last thirteen months, after a 0.3% drop in March 2016. This news item was decisive for the appreciation of the US dollar exchange rate against the euro during the previous week. On Friday, 13 May, trading in the "euro/US dollar" pair closed at USD 1.1305/EUR.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,046.6	-0.5%	-1.7%	0.1%
FTSE 100 (UK)	6,138.5	0.2%	-3.5%	-1.7%
MXME (East. Eur.)	125.7	0.5%	-3.5%	13.9%
UX (Ukraine)	641.88	0.3%	9.1%	-6.4%
RTS (Russia)	921.9	1.1%	-0.1%	21.8%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	171.0	1.2%	2.7%	-5.8%
Steel, USD/ton	430.0	23.6%	31.1%	70.0%
Oil, USD/barrel	47.8	5.4%	8.3%	28.3%
Gold, USD/ounce	1,273.2	-1.2%	2.4%	20.0%

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% over January-April 2016 compared to the same period in 2015.

At that, output at agricultural enterprises declined 1.6%, and output at private farms shrank 1.8%.

GDP

According to operative estimate of the State Statistics Service, Ukraine's GDP inched up 0.1% in the first quarter of 2016 compared to the first quarter of the previous year.

BOND MARKET

Last week, the Ministry of Finance of Ukraine managed to raise UAH 711.1 million to the State Budget of Ukraine by way of placing internal government bonds.

Internal government bonds maturing in two years enjoyed the highest demand. The weighted average interest rate for the above-mentioned bonds stood at 17.90%.

During the current week, the Ministry of Finance plans to hold a tender on 17 May to place internal government bonds. The Ministry of Finance will offer five types of bonds maturing from three months to three years.

NBU OPERATIONS

On 11 May, the NBU allocated a refinancing loan totaling UAH 800.0 million to one bank to support liquidity. The loan was provided for 14 days under 21.00% per annum.

The total sum of deposit certificates placed during the four working days of the previous week reached UAH 57.6 billion, including overnight certificates of deposit totaling UAH 31.0 billion. The 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 remained practically unchanged. A decline in the volume of deposit certificates in circulation was compensated by an increase in the balance on correspondent accounts.

STOCK MARKET

During the previous week, growth on the Ukrainian stock market slowed down. Over the four working days of the previous week, the Ukrainian Exchange (UX) Index inched up 0.3% and closed at 641.88 points on Friday, 13 May.

In the environment of the difficult political and economic situation, it will be hard for the Ukrainian stock market to support a sustainable upward trend in the medium term. In future, serious fluctuations of the UX Index are quite likely.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output over January-April 2016, % year-on-year	-1.7
GDP change in Q1'2016 (operative estimate), % year-on-year	0.1

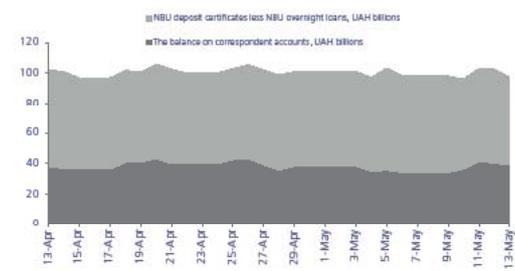
Source: the State Statistics Service

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
10 May	315 days	17.50%	1/1	86.9
10 May	707 days	17.90%	1/1	624.2

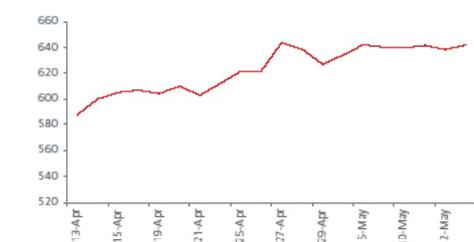
Source: the Ministry of Finance of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Thomson Reuters

FOREIGN EXCHANGE MARKET

After revaluation, which lasted for approximately one month, the Ukrainian national currency began to depreciate again during the previous week.

Trading on the interbank foreign exchange market ranged within the following limits: UAH 25.15-25.25/USD on Tuesday, 10 May, UAH 25.25-25.40/USD on Wednesday, 11 May, UAH 25.25-25.35/USD on Thursday, 12 May, and UAH 25.40-25.55/USD on Friday, 13 May. The maximum foreign exchange sales volumes were registered on Wednesday, 11 May: USD 0.308 billion (all currencies), including sales of the American currency alone for the total of more than USD 0.185 billion.

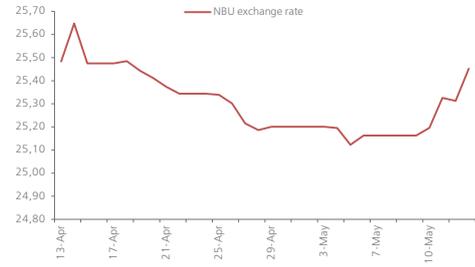
During the four working days of the previous week, the overall foreign exchange sales volumes on the interbank foreign exchange market totaled USD 1.0 billion. Last week, the National Bank did not hold any tenders to purchase or sell foreign exchange on the interbank foreign exchange market.

INTERBANK LENDING MARKET

Last week, the cost of resources at the interbank lending market remained unchanged. The cost of overnight loans stood at 17.00-18.00% per annum. Rates for weekly resources were 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 up and, for the most part of the previous week, stood above UAH 39 billion. As of Friday morning, 13 May, the balance on correspondent accounts landed at UAH 39.1 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 growth	3.0	-4.7	3.6 (January-March)

Source: the State Statistics Service, NBU



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