

Financial markets survey

11 July 2016

Recovered upsurge

WEEKLY ISSUE

GLOBAL MARKET

At the beginning of the previous week, there was a threat that markets will follow a downward trend. Petroleum prices stopped growing, while the investment community began to think about the Brexit's possible negative consequences again. During the previous week, the exchange rate of the British pound against the US dollar depreciated below USD 1.30/GBP for the first time since 1985.

The outcomes of the British referendum also brought turmoil to plans of the US Federal Reserve System. The likelihood that the US federal funds rate will be raised once again in the course of summer grew lower.

Markets began to grow again in the second half of the previous week, when petroleum prices started to recover. In addition, expectations that statistical data regarding the labor market will be good came true. Firstly, the number of Americans applying for unemployment benefit for the first time during the last week of June fell to 254,000, a record-low since the middle of April 2016. Secondly, the number of jobs in the US economy grew 287,000 in June 2016, which is a record-high growth since October 2015. Analysts forecast this indicator to grow 170,000 on the average.

The exchange rate of the common European currency depreciated against the US dollar during the previous week. Industrial output in Germany falling 1.3% in May 2016, which is a record-low decline since August 2014, was an additional factor for pessimistic moods regarding the euro-area economy. On Friday, 8 July, trading in the "euro/US dollar" pair closed at USD 1.1052/EUR.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,129.9	1.3%	0.5%	4.2%
FTSE 100 (UK)	6,590.6	0.2%	4.6%	5.6%
MXME (East. Eur.)	122.3	-0.6%	-6.0%	10.8%
UX (Ukraine)	699.19	1.5%	5.3%	1.9%
RTS (Russia)	934.4	0.1%	-3.2%	23.4%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	161.5	-3.6%	-6.1%	-11.0%
Steel. USD/ton	308.0	-1.6%	-15.2%	21.7%
Oil. USD/barrel	46.8	-7.1%	-11.0%	25.4%
Gold. USD/ounce	1,366.4	1.8%	8.3%	28.8%

Source: Thomson Reuters

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MACROECONOMICS

Inflation

According to information of the State Statistics Service, consumer prices inched down 0.2% in June 2016 compared to the previous month. In annual terms, consumer inflation slowed down to 6.9%. Since the beginning of the current year, consumer prices grew 4.9%.

Prices for food products inched down 0.6% in June. Prices for vegetables, milk and sugar shrank the most. Prices for clothes and footwear dropped 2.0%.

In June 2016, producer prices remained unchanged. In annual terms, producer prices slowed down to 15.7%. Prices in mining industry dropped 2.0%. In particular, prices in the production of coal shrank 8.1%. Prices in processing industry went up 1.5%.

BOND MARKET

On 5 July, the Ministry of Finance of Ukraine held a tender to place internal government bonds. As a result of this tender, UAH 270.9 million was raised to the State Budget of Ukraine.

Earning rates for the bonds placed went down. Compared to the previous tender, held on 21 June, the weighted average interest rate dropped from 16.85% per annum to 16.11% per annum for bonds maturing in one year and from 16.75% to 16.65% for bonds maturing in five years. Bonds maturing in five years helped raise the biggest sum.

During the current week, the Ministry of Finance plants to hold a tender on Tuesday, 12 July. The Ministry of Finance will offer four types of internal government bonds maturing in six months to two years.

NBU OPERATIONS

On 6 July, the NBU allocated a refinancing loan to one bank for the total of UAH 767.0 million. The loan was provided for 14 days, and the interest rate stood at 18.5% per annum.

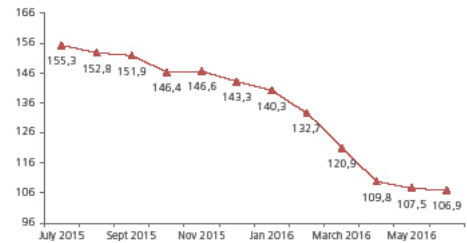
The total sum of NBU deposit certificates placed during the previous week reached UAH 76.7 billion, including over-night certificates of deposit totaling UAH 50.1 billion. The interest rate for deposit certificates maturing in 14 days is standing at 16.50% per annum and for overnight certificates of deposit – at 14.50% per annum.

During the previous week, the overall level of the banking system liquidity went up thanks to an in-crease in the volume of deposit certificates in circulation.

STOCK MARKET

On Monday, 4 July, the Ukrainian Exchange (UX) Index grew 6.1% to 730.82 points. However, the market did not manage to retain such a high position, and the UX Index landed at 699.19 points by closing time on Friday, 8 July. In weekly terms, the UX Index grew 1.5%. In monthly terms, the UX Index jumped 5.3%.

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



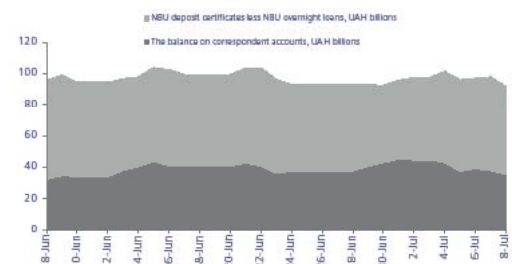
Source: the State Statistics Service

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
5 July	259 days	16.50%	4/4	70.7
5 July	350 days	16.11%	5/4	95.3
5 July	1,820 days	16.65%	7/5	104.9

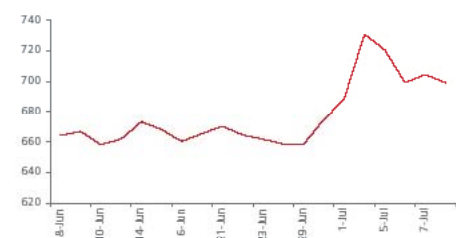
Source: the Ministry of Finance of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Thomson Reuters

FOREIGN EXCHANGE MARKET

Last week, the Ukrainian national currency ceased to revalue. In the course of the previous week, the exchange rate fluctuated around UAH 24.84/USD

Trading on the interbank foreign exchange market ranged within the following limits: UAH 24.77-24.84/USD on Monday, 4 July, UAH 24.81-24.88/USD on Tuesday, 5 July, UAH 24.80-24.87/USD on Wednesday, 6 July, UAH 24.79-24.85/USD on Thursday, 7 July, and UAH 24.79-24.86/USD on Friday, 8 July. The maximum foreign exchange sales volumes were registered on Friday, 8 July: USD 0.353 billion (all currencies), including sales of the American currency alone for the total of USD 0.228 billion.

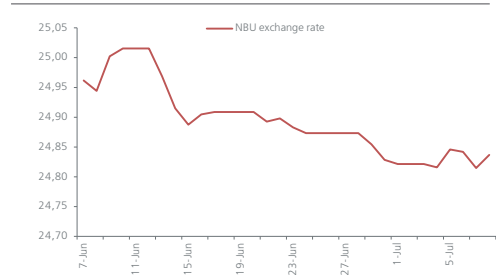
During the previous week, the overall foreign exchange sales volumes on the interbank foreign ex-change market totaled USD 1.5 billion. On 4 and 7 July, the National Bank held tenders to purchase foreign exchange on the interbank foreign exchange market. Over the above-mentioned two days, market participants sold USD 69.6 million to the National Bank. The weighted average exchange rate for these purchases stood at UAH 24.82/USD.

INTERBANK LENDING MARKET

Last week, the cost of overnight loans on the interbank lending market stood at 15.00-16.00% per annum, rates for weekly resources were 16.00-17.00% per annum, while the cost of monthly re-sources landed at 16.50-18.00% per annum.

The balance on correspondent accounts went down and, for the most part of the previous week, was below UAH 40 billion. As of Friday morning, 8 July, the balance on correspondent accounts stood at UAH 35.5 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	0.2 (May)
Consumer price growth, % year-on-year	24.9	43.3	6.9 (June)
Producer price growth, % year-on-year	31.8	25.4	15.7 (June)
Balance of trade, USD billions	-4.6	-1.2	-1.2 (January-April)
Official exchange rate, annual average, UAH/ USD	11.89		
Weighted average interbank exchange rate, annual average, UAH/USD	11.89	21.85	25.53 (January-June)
Weighted average interbank exchange rate, by year end, UAH/USD	15.77	24.00	24.83 (end of June)
Banking system assets, % of gr owth	3.0	-4.7	-0.2 (January-May)

Source: the State Statistics Service, NBU



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