

Financial markets survey

03 October 2016

Almost no change

WEEKLY ISSUE

GLOBAL MARKET

By the end of the previous week, indices of the leading global stock platforms did not register any statistically important changes. In the course of the previous week, markets were influenced by multidirectional factors, which balanced each other in the end.

Problems with the German Deutsche Bank AG were the main negative factor of the previous week. Chancellor of Germany Angela Merkel ruled out the possibility of providing government assistance to Deutsche Bank, which is attacked by American regulators demanding to pay USD 14 billion as a settlement of claims in the case on manipulated prices for mortgage securities in the period prior to the crisis of 2008. In addition, the bank will have to face serious court costs. Since the beginning of the current year, the price for the bank's shares fell more than 50%. Also, in the course of the previous week, it became known that the German bank may encounter difficulties related to withdrawing money from China obtained as a result of selling a stake in Huaxia Bank Co. for USD 3.9 billion.

Petroleum prices went up rapidly by the end of the previous week. However, their dynamics was not uniform in the course of the previous week. Algiers hosted a meeting of representatives from OPEC and other oil-producing countries where the issue of freezing crude oil production was discussed. The results of this meeting turned out to be rather unexpected: participants agreed to lower crude oil production from the current 33.24 million barrels per day to 32.50-33.00 million barrels per day. It was expected that Iran will insist upon retaining petroleum output at the current level.

During the previous week, the exchange rate of the common European currency against the US dollar remained practically unchanged, and its volatility was not high. On Friday, 30 September, trading in the "euro/US dollar" pair closed at USD 1.1238/EUR.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,168.3	0.2%	-0.4%	6.1%
FTSE 100 (UK)	6,899.3	-0.1%	1.7%	10.5%
MXME (East. Eur.)	129.1	-1.3%	2.2%	17.0%
UX (Ukraine)	810.1	-0.5%	14.0%	18.1%
RTS (Russia)	990.9	-0.3%	4.3%	30.9%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	154.5	-1.3%	-5.5%	-14.9%
Steel, USD/ton	323.0	0.0%	0.0%	27.7%
Oil, USD/barrel	49.1	6.9%	4.3%	31.6%
Gold, USD/ounce	1,315.8	-1.6%	0.6%	24.0%

Source: Thomson Reuters

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MACROECONOMICS

Wages

In August 2016, wages in Ukraine rose 15.4% in real terms compared to August 2015. Rapid growth of real wages is the result of the low baseline of the previous year, slower inflation and the recovery of economic growth in the country.

The average monthly wage of full-time employees totaled UAH 5,202 in August 2016, which 3.6 times exceeds the minimum wage. The highest wages were observed in the city of Kyiv, Donetsk and Kyiv oblasts. The lowest wages were registered in Ternopil, Chernivtsi and Kirovohrad oblasts.

Balance of payments

In August 2016, deficit of Ukraine's current account balance totaled USD 414 million against a surplus of USD 38 million in August 2015. Since the beginning of the current year, deficit of Ukraine's current account totaled USD 1.4 billion.

Deficit of trade in goods reached USD 672 million in August 2016. At the same time, growth in exports of goods was registered for the first time since the beginning of the current year. Compared to August 2015, exports of goods increased 1%. In particular, growth was registered in exports of food products, ferrous and non-ferrous metals, and mineral products. At the same time, imports of goods grew at a more rapid pace – 14.9%.

Since the beginning of the current year, exports of goods shrank 10.1%, while imports of goods declined 3.6%.

Net investments provided from abroad (the total balance of the current account and the capital account) reached USD 401 million in August 2016, whereas net loans from abroad stood at USD 46 million in August 2015. Net inflows under the financial account reached USD 417 million in August 2016.

As of 1 September 2016, Ukraine's total stocks of international reserves landed at USD 14.1 billion.

BOND MARKET

On 27 September, the Ministry of Finance of Ukraine held a tender to place internal government bonds. As a result of this tender, UAH 5.0 billion was raised to the State Budget of Ukraine against UAH 3.4 billion raised a week earlier.

One market player purchased indexed bonds maturing in seven years for the total of UAH 5.0 billion with an earning rate of 6.50% per annum. Also, another market player purchased bonds denominated in hryvnia and maturing in two years for the total of UAH 25.3 million with an earning rate of 16.00% per annum.

During the current week, the Ministry of Finance plans to hold a tender on Tuesday, 4 October. Market players will be offered four types of bonds denominated in hryvnia and maturing in six months to five years.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in real wages in August 2016, % year-on-year	15.4
Current account balance in August 2016, USD millions	-414.0

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
27 Sept	700 days	16.00%	1/1	25.3
27 Sept	2,548 days, indexed	6.50%	1/1	5,000.0

Source: the Ministry of Finance of Ukraine

NBU OPERATIONS

On 28 September, the National Bank satisfied two bids of banks for refinancing loans for the total of UAH 555.0 million for the period of fourteen days. In addition, the NBU allocated overnight loans on a daily basis over 23-29 September. The total sum of overnight loans reached UAH 2.9 billion over the previous week against UAH 2.1 billion registered a week earlier. The interest rate for refinancing loans of the NBU stood at 17.00% per annum.

The total sum of NBU deposit certificates placed during the previous week reached UAH 38.3 billion against UAH 37.5 billion placed a week earlier, including overnight certificates of deposit totaling UAH 22.2 billion. The interest rate for deposit certificates maturing in fourteen days stood at 15.00% per annum and for overnight certificates of deposit – at 13.00% per annum.

During the previous week, the overall level of the banking system liquidity remained practically unchanged.

STOCK MARKET

The Ukrainian stock market was volatile during the previous week. On Wednesday, 28 September, the Ukrainian Exchange (UX) Index reached a local record-high, landing at 833.12 points at closing time. However, during subsequent days, the market began to fall. On the last day of the previous month, the UX Index lost 2.5%.

By the end of the previous week, the UX Index lost 0.5% and closed at 810.13 points on Friday, 30 September.

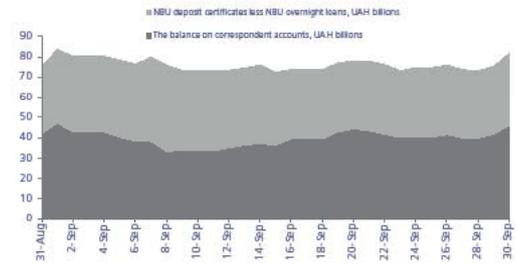
FOREIGN EXCHANGE MARKET

During the previous week, the exchange rate of the Ukrainian national currency fluctuated around UAH 25.90/USD.

Trading on the interbank foreign exchange market ranged within the following limits: UAH 25.85-25.95/USD on Monday, 26 September, UAH 25.77-25.88/USD on Tuesday, 27 September, UAH 25.85-25.95/USD on Wednesday, 28 September, UAH 25.87-25.97/USD on Thursday, 29 September, and UAH 25.88-25.98/USD on Friday, 30 September. The maximum foreign exchange sales volumes were registered on Wednesday, 28 September: USD 0.325 billion (all currencies), including sales of the American currency alone for the total of USD 0.212 billion.

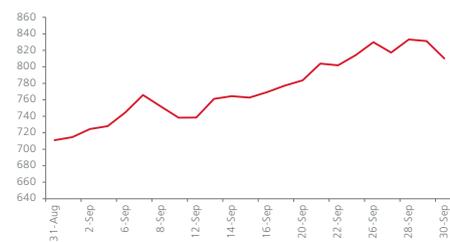
During the previous week, the overall foreign exchange sales on the interbank foreign exchange market totaled USD 1.6 billion against USD 1.5 billion registered a week earlier. Last week, the NBU purchased foreign exchange, whereas the National Bank acted as a buyer a week earlier. At tenders held on 26 and 27 September, the National Bank purchased USD 28.2 million from market participants. The weighted average exchange rate for this purchase totaled UAH 25.89/USD on 26 September and UAH 25.84/USD on 27 September. A week earlier, the NBU sold USD 10.9 million to market participants.

BANKING SYSTEM LIQUIDITY



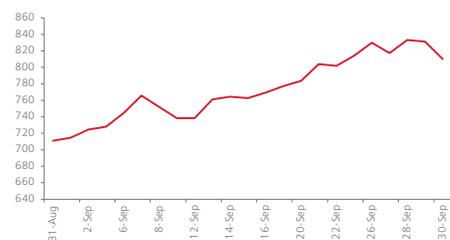
Source: NBU

THE UX INDEX



Source: Thomson Reuters

EXCHANGE RATE (UAH/USD)



Source: NBU



INTERBANK LENDING MARKET

Over the previous week, rates on the interbank lending market remained practically unchanged. By the end of the previous week, the cost of overnight loans stood at 15.00-15.50% per annum, while rates for weekly and monthly resources landed at 16.00-17.00% per annum.

During the second half of the previous week, the balance on correspondent accounts went up. As of Friday morning, 30 September, the balance on correspondent accounts stood at UAH 46.2 billion.

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2014	2015	2016
GDP, %	-6.8	-9.9	1.4 (second quarter)
Industrial output, %	-10.1	-13.4	3.4 (August)
Consumer price growth, % year-on-year	24.9	43.3	8.4 (August)
Producer price growth, % year-on-year	31.8	25.4	18.9 (August)
Balance of trade, USD billions	-4.6	-1.7	-3.0 (January-August)
Official exchange rate, annual average, UAH/USD	11.89		
Weighted average interbank exchange rate, annual average, UAH/USD	11.89	21.85	25.49 (January-September)
Weighted average interbank exchange rate, by year end, UAH/USD	15.77	24.00	25.94 (end of September)
Banking system assets, % of growth	3.0	-4.7	2.2 (January-August)

Source: the State Statistics Service, NBU



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