

Financial markets survey

17 October 2016

December is getting closer

WEEKLY ISSUE

GLOBAL MARKET

Last week, the leading global stock markets found themselves in the red. The American S&P 500 Index lost another 1%, while the British FTSE 100 Index dropped 0.4% having interrupted the period of rapid growth.

Since the middle of the previous week, petroleum prices began going down and dragging stock markets indicators down along with them. There were growing doubts regarding the agreement among petroleum-producing countries to limit petroleum output. The likelihood of an agreement for reducing petroleum output continues to remain high. However, higher petroleum prices, which will result from such an agreement, may lead to growing fuel deliveries from countries that are not part of the cartel.

The main factor that reinforced negative moods of American investors was growing expectations that the US Federal Reserve System (FRS) will raise the base interest rate in December 2016. On 12 October, the FRS published a report on its meeting, which pointed out that the central bank's top officials supported a prompt increase of interest rates in the US, if the situation in the US economy continues to develop approximately as the FRS members are expecting.

The US labor market indicators, which are one of the main factors for the FRS to make its decisions, continue to be very strong. In particular, the number of Americans applying for unemployment benefits for the first time is now record-low since 1973.

With growing expectations regarding a higher base interest rate in the background, the US dollar continued to appreciate rapidly against the common European currency. On Friday, 14 October, trading in the "euro/US dollar" pair closed at USD 1.0969/EUR.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,133.0	-1.0%	0.3%	4.4%
FTSE 100 (UK)	7,013.6	-0.4%	5.1%	12.4%
MXME (East. Eur.)	129.2	-2.3%	1.1%	17.1%
UX (Ukraine)	841.3	0.2%	10.1%	22.7%
RTS (Russia)	983.0	-1.9%	1.3%	29.9%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	160.5	1.3%	1.9%	-11.6%
Steel, USD/ton	316.0	0.0%	-1.3%	24.9%
Oil, USD/barrel	52.0	0.0%	13.3%	39.4%
Gold, USD/ounce	1,250.1	-0.5%	-5.5%	17.8%

Source: Thomson Reuters

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MACROECONOMICS

Agriculture

According to information of the State Statistics Service, agricultural output in Ukraine increased 0.9% over January-September 2016 compared to the same period of the previous year.

Over the above-mentioned period, output of plant-growing products grew 2.4%. At the same time, output of livestock-breeding products shrank 2.6%. At that, output grew 0.9% at private farms and 0.8% at agricultural enterprises.

BOND MARKET

On 11 October, the Ministry of Finance of Ukraine held a tender to place internal government bonds. As a result of this tender, UAH 107.5 million was raised to the State Budget of Ukraine.

The biggest sum – UAH 78.8 million – was raised as a result of selling internal government bonds maturing in one year. The earning rate for the above-mentioned bonds totaled 15.20% per annum.

NBU OPERATIONS

On 12 October, the National Bank satisfied three bids of banks for refinancing loans for the total of UAH 1.5 billion for the period of twenty-eight days. In addition, the NBU allocated overnight loans on a daily basis over 10-13 October. The total sum of overnight loans reached UAH 1.4 billion over the four working days of the previous week against UAH 0.959 billion allocated 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 four working days of the previous week reached UAH 28.3 billion against UAH 36.6 billion placed a week earlier, including overnight certificates of deposit totaling UAH 13.1 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

On Monday, 10 October, the Ukrainian Exchange (UX) Index reached a local record-high, growing to 854.85 points. However, the UX Index was not rising above 850 points during the remaining three trading days of the previous week.

By the end of the previous week, the UX Index did not register any statistically important changes and closed at 841.30 points on Thursday, 13 October. Since the beginning of the current year, the UX Index went up 22.7%. In monthly terms, the UX Index grew 10.1%.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output over January-September 2016, % year-on-year	0.9

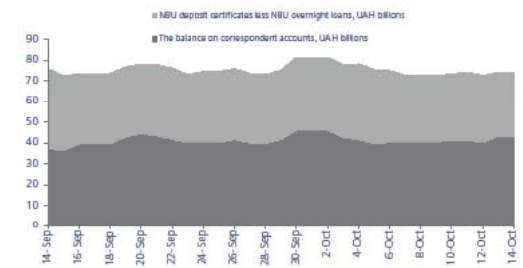
Source: the State Statistics Service

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
11 Oct.	252 days	15.30%	1/1	27.1
11 Oct.	343 days	15.20%	1/1	78.8
11 Oct.	686 days	15.50%	2/1	1.6

Source: the Ministry of Finance of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Thomson Reuters

FOREIGN EXCHANGE MARKET

By the end of the previous week, the exchange rate of the Ukrainian national currency appreciated against the US dollar and dropped below UAH 25.80/USD on the last trading day of the previous week on 13 October.

Trading on the interbank foreign exchange market ranged within the following limits: UAH 25.78-25.88/USD on Monday, 10 October, UAH 25.80-25.90/USD on Tuesday, 11 October, UAH 25.76-25.85/USD on Wednesday, 12 October, UAH 25.76-25.83/USD on Thursday, 13 October. The maximum foreign exchange sales volumes were registered on Wednesday, 12 October: USD 0.374 billion (all currencies), including sales of the American currency alone for the total of USD 0.262 billion.

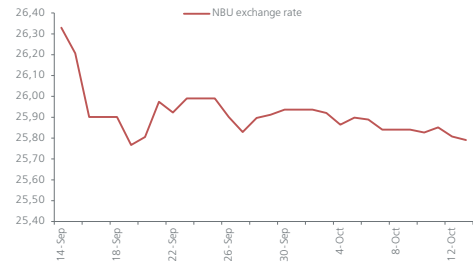
During the four working days of the previous week, the overall foreign exchange sales on the interbank foreign exchange market totaled USD 0.8 billion. At tenders held on 10, 12 and 13 October, the National Bank purchased USD 59.4 million from market participants. The weighted average exchange rate for this purchase totaled UAH 25.80/USD on 12 and 13 October. A week earlier, the NBU purchased USD 18.1 million from market participants.

INTERBANK LENDING MARKET

Over the previous week, rates on the interbank lending market went up. By the end of the previous week, the cost of overnight loans stood at 15.00-16.50% per annum, rates for weekly resources landed at 16.50-17.50% per annum and monthly resources cost 16.00-18.00% per annum.

During the previous week, the balance on correspondent accounts increased and stood above UAH 40 billion. As of Thursday morning, 13 October, the balance on correspondent accounts landed at UAH 43.3 billion.

EXCHANGE RATE (UAH/USD)



Source: NBU

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	7.9 (September)
Producer price growth, % year-on-year	31.8	25.4	19.6 (September)
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 gr owth	3.0	-4.7	2.2 (January-August)

Source: the State Statistics Service, NBU



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