

Financial markets survey

05 December 2016

Petroleum prices are on the rise again

WEEKLY ISSUE

GLOBAL MARKET

Last week was marked an event that will significantly influence the global petroleum market in the near future.

On 30 November, a meeting of OPEC members took place in Vienna where participants reached an agreement on curtailing petroleum production for the first time over the last eight years. Total oil production should be cut down 1.2 million barrels per day. Other oil producing countries that are not OPEC members should reduce petroleum production by 600,000 barrels per day, including Russia – within 300,000 barrels per day.

The agreement will come into effect in January 2017, and many experts are warning that prices are likely to be volatile until that time. The expected level of prices for the near future is USD 50-55 per barrel. There are forecasts that higher petroleum prices will result in growing production of shale oil in the US, which can also influence the level of prices as time goes by. By the end of the previous week, petroleum prices jumped 15%.

The past November turned out to be extremely successful for players of the US stock market. The Dow Jones Index grew record-high in November since March 2016, while the S&P 500 Index and the NASDAQ Composite rose record-high since July 2016. In the second half of the previous week, rapid growth was followed by an adjustment, and markets finished the previous week in the red.

Last week, the US dollar, same as the US stock market, terminated a triumphal period of its appreciation and depreciated against the common European currency. On Friday, 2 December, trading in the “euro/US dollar” pair closed at USD 1.067/EUR.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,192.0	-1.0%	4.5%	7.2%
FTSE 100 (UK)	6,730.7	-1.6%	-1.7%	7.8%
MXME (East. Eur.)	134.7	2.0%	4.7%	22.0%
UX (Ukraine)	808.5	1.2%	-2.6%	17.9%
RTS (Russia)	1,050.2	3.1%	7.9%	38.7%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	172.5	1.8%	3.3%	-5.0%
Steel, USD/ton	388.0	0.0%	22.0%	53.4%
Oil, USD/barrel	54.5	15.3%	16.2%	46.1%
Gold, USD/ounce	1,176.9	-0.5%	-9.3%	10.9%

Source: Thomson Reuters

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MACROECONOMICS

Wages

In October 2016, real wages in Ukraine grew at a more sluggish pace. Compared to October 2015, real wages rose 6.2%. The main reasons for slower increase of wages was accelerating inflation and slower growth of industrial output in October 2016.

The average monthly wage of full-time employees totaled UAH 5,350 in October 2016, which 3.7 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 Kherson oblasts.

Balance of payments

In October 2016, deficit of Ukraine's current account balance shrank to USD 234 million against USD 891 million registered in September 2016. Over January-October 2016, deficit of Ukraine's current account totaled USD 2.5 billion against a deficit of USD 303 million registered over January-October 2015.

Deficit of trade in goods reached USD 546 million in October 2016. Compared to October 2015, exports and imports of goods grew at the same pace – 0.6%.

Since the beginning of the current year, exports of goods shrank 8.8%, while imports of goods declined 2.0%.

Net investments provided from abroad (the total balance of the current account and the capital account) reached USD 220 million in October 2016, whereas net loans from abroad stood at USD 429 million in October 2015. Net inflows under the financial account reached USD 311.0 million in October 2016.

As of 1 November 2016, Ukraine's total stocks of international reserves landed at USD 15.5 billion.

BOND MARKET

Last week, bond market participants did not demonstrate any interest in purchasing internal government bonds. The Ministry of Finance of Ukraine held a tender on 29 November, which failed to bring any results.

During the current week, the Ministry of Finance plans to hold a tender on Tuesday, 6 December. The Ministry of Finance will offer five types of internal government bonds denominated in hryvnia and maturing in three months to two years.

NBU OPERATIONS

On 28 and 29 November, the NBU satisfied one bid of banks for an overnight loan on a daily basis. The total sum of overnight loans reached UAH 2.0 million over the previous week. In addition, on 30 November, the National Bank satisfied three bids of banks for refinancing loans for the total of UAH 724.9 million for the period of fourteen days. The interest rate for refinancing loans of the NBU stood at 16.00% per annum.

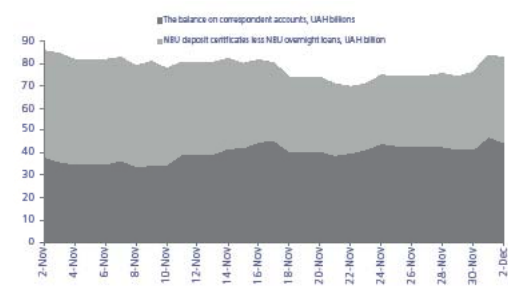
The total sum of NBU deposit certificates placed during the previous week reached UAH 48.1 billion against UAH 28.3 billion placed a week earlier, including overnight certificates of deposit totaling UAH 32.4 billion. The interest rate for deposit certificates maturing in fourteen days stood at

LATEST MACROECONOMIC DATA

Indicator	Value
Change in real wages in October 2016, % year-on-year	6.2
Current account balance in October 2016, USD millions	-234.0

Source: the State Statistics Service, NBU

BANKING SYSTEM LIQUIDITY



Source: NBU

14.00% per annum and for overnight certificates of deposit – at 12.00% per annum.

By the end of the previous week, the overall level of the banking system liquidity went up both because of an increase in the volume of deposit certificates in circulation and as a result of growing balance on correspondent accounts.

STOCK MARKET

Since the middle of November, the Ukrainian stock market has been demonstrating a weak dynamics, staying mostly flat. The Ukrainian Exchange (UX) Index has been fluctuating around 800 points. By the end of the previous week, the UX Index grew 1.2% and closed at 808.51 points on Friday, 2 December.

Since the beginning of the current year, the UX Index went up 17.9%.

FOREIGN EXCHANGE MARKET

By the end of the previous week, the exchange rate of the Ukrainian national currency depreciated. Attempts to keep the exchange rate below UAH 25.60/USD failed to be successful. On Friday, 2 December, the exchange rate landed at UAH 25.638/USD.

Trading on the interbank foreign exchange market ranged within the following limits: UAH 25.62-25.72/USD on Monday, 28 November, UAH 25.55-25.65/USD on Tuesday, 29 November, UAH 25.52-25.62/USD on Wednesday, 30 November, UAH 25.58-25.80/USD on Thursday, 1 December, and UAH 25.75-26.05/USD on Friday, 2 December. The maximum foreign exchange sales volumes were registered on Wednesday, 30 November: above USD 0.208 billion (all currencies), including sales of the American currency alone for the total of USD 0.172 billion.

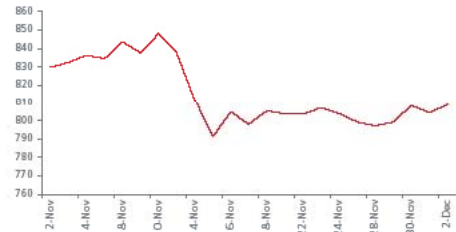
During the previous week, the overall foreign exchange sales on the interbank foreign exchange market totaled USD 0.813 billion against USD 0.767 billion a week earlier. On 29 and 30 November, the National Bank held tenders to purchase foreign exchange on the interbank foreign exchange market. At those tenders, the NBU purchased USD 12.8 million and USD 34.8 million respectively from market participants. The weighted average exchange rate totaled UAH 25.60/USD on 29 November and UAH 25.56/USD on 30 November.

INTERBANK LENDING MARKET

Last week, the cost of weekly and monthly interbank loans went down. Rates for weekly resources were 13.50-14.50% per annum, while monthly resources cost 14.00-15.00% per annum. The cost of overnight loans remained unchanged and stood at 13.50-14.50% per annum.

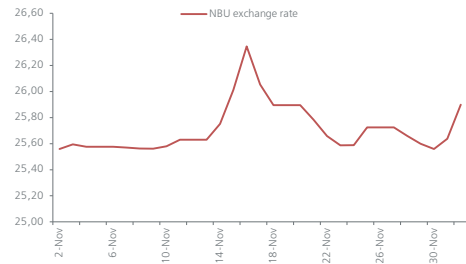
The balance on correspondent accounts went up and, for the entire previous week, stood above UAH 41 billion. As of Friday morning, 2 December, the balance on correspondent accounts landed at UAH 44.4 billion.

THE UX INDEX



Source: Thomson Reuters

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	0.8 (October)
Consumer price growth, % year-on-year	24.9	43.3	12.4 (October)
Producer price growth, % year-on-year	31.8	25.4	29.2 (October)
Balance of trade, USD billions	-4.6	-1.7	-4.1 (January-October)
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-November)
Weighted average interbank exchange rate, by year end, UAH/USD	15.77	24.00	25.56 (end of November)
Banking system assets, % of growth	3.0	-4.7	2.0 (January-October)

Source: the State Statistics Service, NBU



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