



Financial markets survey

12 December 2016

Rallying again

WEEKLY ISSUE

GLOBAL MARKET

The leading stock markets across the world lived through one more week of rapid growth. Indices of American stock markets set new historical record-highs. The British FTSE Index started registering positive growth in monthly terms and, compared to the beginning of the current year, demonstrates a higher growth indicator than the American S&P 500 Index.

Market players continued to pay serious attention to the petroleum market during the previous week. The dynamics of petroleum prices was not uniform in the course of the previous week. At the beginning of the previous week, petroleum prices fell down, since there were doubts whether participants in the agreement reached in Vienna would be able to fulfill their commitments related to limiting petroleum production. However, by the end of the previous week, these doubts almost disappeared, and forecasts for a new meeting between OPEC countries and OPEC non-members scheduled for 10 December became mostly positive.

American market investors reached a 100-percent consensus that the US Federal Reserve System (FRS) would raise the base interest rate of the central bank 0.25 percentage points to 0.5-0.75% at its meeting scheduled for 13-14 December. Statistical data on the US economy that came in during the previous week confirmed that such a decision of the US central bank would not be hasty. Over the third quarter of 2016, labor productivity in the US grew 3.1% compared to the previous quarter. Growth of productivity was registered for the first time after three quarters of decline. In December 2016, the Consumer Confidence Index in the US jumped to 98 points from 93.8 points registered in November. The December value of this indicator is a record-high since January 2015.

The US dollar appreciated against the common European currency. Investors regarded the decision of the European Central Bank made during the previous week as a controversial one. On the one hand, the central bank decided to extend the asset purchase program (QE) till December 2017. On the other, monthly securities purchases will be reduced from EUR 80 billion to EUR 60 billion starting from April 2017. On Friday, 9 December, trading in the "euro/US dollar" pair closed at USD 1.0559/EUR.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,259.5	3.1%	4.5%	10.5%
FTSE 100 (UK)	6,954.2	3.3%	0.6%	11.4%
MXME (East. Eur.)	141.2	4.8%	8.1%	27.9%
UX (Ukraine)	793.2	-1.9%	-5.3%	15.6%
RTS (Russia)	1,110.1	5.7%	12.1%	46.6%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	172.5	0.0%	3.3%	-5.0%
Steel, USD/ton	388.0	0.0%	22.0%	53.4%
Oil, USD/barrel	54.3	-0.2%	17.2%	45.7%
Gold, USD/ounce	1,157.8	-1.6%	-9.4%	9.1%

Source: Thomson Reuters

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MACROECONOMICS

Inflation

In November 2016, consumer inflation grew at a more sluggish pace. According to information of the State Statistics Service, consumer prices went up 1.8% in November 2016 compared to the previous month. In annual terms, consumer inflation totaled 12.1%. Since the beginning of the current year, consumer prices grew 11.4%.

Same as a month earlier, prices for housing and residential and utility services grew the most – 5.3%. Prices for food products rose 1.0% in November. In particular, the country registered growing prices for bread and bakery products, milk and dairy products, vegetables and sugar.

Producer prices continued to grow at a rapid pace. Producer prices went up 2.2% in November 2016 compared to the previous month. In annual terms, producer prices accelerated to 32.0%. In particular, prices in mining industry grew 4.4% as a result of growing prices in iron ores production. Prices in the delivery of electric energy, gas and vapor went up 4.5% as a result of growing rates for electricity.

BOND MARKET

Last week, the Ministry of Finance of Ukraine managed to raise UAH 18.9 million to the State Budget of Ukraine by way of selling internal government bonds maturing in three and six months at a tender held on 6 December. The total sum raised from selling bonds maturing in three months reached UAH 9.6 million. The weighted average interest rate for the above-mentioned bonds totaled 15.00% per annum. Bonds maturing in six months helped raise UAH 9.3 million and yielded 15.10% per annum.

NBU OPERATIONS

Over 5-7 December, the NBU satisfied four bids of banks for an overnight loan. The total sum of overnight loans reached UAH 160.0 million over the previous week. In addition, on 7 December, the National Bank satisfied five bids of banks for refinancing loans for the total of UAH 4.0 billion for the period of eighty-four days. The interest rate for refinancing loans of the NBU stood at 16.00% per annum.

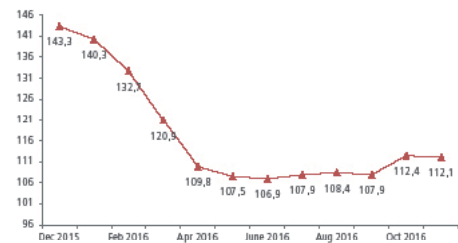
The total sum of NBU deposit certificates placed during the previous week reached UAH 57.2 billion against UAH 48.1 billion placed a week earlier, including overnight certificates of deposit totaling UAH 42.3 billion. The interest rate for deposit certificates maturing in fourteen days stood at 14.00% per annum and for overnight certificates of deposit – at 12.00% per annum.

During the previous week, the overall level of the banking system liquidity went down both because of a decline in the volume of deposit certificates in circulation and as a result of shrinking balance on correspondent accounts.

STOCK MARKET

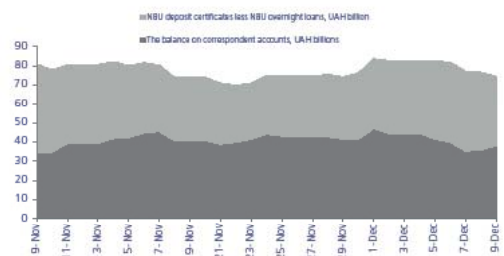
Over the previous week, the Ukrainian stock market was in discordance with trends reigning on global stock markets. During the entire previous week, the Ukrainian Exchange (UX) Index demonstrated a weak downward trend. However, on Friday, 9 December, the UX Index sustained the biggest losses and dropped 1.0%, landing below 800 points. By the end of the

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



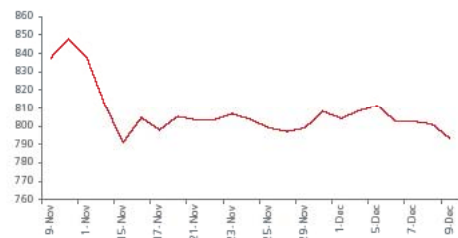
Source: the State Statistics Service

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Thomson Reuters

previous week, the UX Index lost 1.9% and closed at 793.17 points on Friday, 9 December. In monthly terms, the UX Index lost 5.3%.

FOREIGN EXCHANGE MARKET

At the beginning of the previous week, the exchange rate of the Ukrainian national currency depreciated steeply. The exchange rate went above UAH 26.00/USD. However, on Thursday, 8 December, the pressure of depreciation eased down, and the exchange rate also declined. On Friday, 9 December, the exchange rate landed at UAH 25.88/USD.

Trading on the interbank foreign exchange market ranged within the following limits: UAH 26.00-26.20/USD on Monday, 5 December, UAH 26.05-26.15/USD on Tuesday, 6 December, UAH 25.95-26.10/USD on Wednesday, 7 December, UAH 25.70-25.85/USD on Thursday, 8 December, and UAH 25.75-26.05/USD on Friday, 9 December. The maximum foreign exchange sales volumes were registered on Friday, 9 December: USD 0.198 billion (all currencies), including sales of the American currency alone for the total of USD 0.164 billion.

During the previous week, the overall foreign exchange sales on the interbank foreign exchange market totaled USD 0.809 billion against USD 0.813 billion a week earlier.

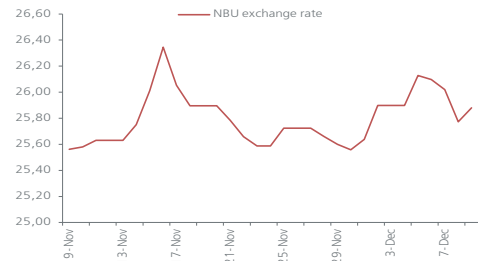
Last week, the National Bank held one tender to sell foreign exchange (5 December) and one tender to purchase foreign exchange (8 December) on the interbank foreign exchange market. As a result of the tender held on 5 December, the NBU sold USD 3.3 million to market participants. The weighted average exchange rate totaled UAH 26.0897/USD on 5 December. At a tender held on 8 December, the NBU purchased USD 45.6 million from market participants. The weighted average exchange rate for this purchase totaled UAH 25.7795/USD.

INTERBANK LENDING MARKET

Last week, the cost of weekly and monthly interbank loans remained unchanged. 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 went down and landed at 13.00-14.50% per annum.

Last week, the balance on correspondent accounts went down and, for the most part of the previous week, stood below UAH 40 billion. As of Friday morning, 9 December, the balance on correspondent accounts stood at UAH 38.0 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	0.8 (October)
Consumer price growth, % year-on-year	24.9	43.3	12.1 (November)
Producer price growth, % year-on-year	31.8	25.4	32.0 (November)
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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