



# Financial markets survey

10 January 2017

## A confident start

### WEEKLY ISSUE

#### GLOBAL MARKET

During the first week of 2017, global financial markets retained optimistic moods accumulated at the end of the previous year. Growth was registered at both the European market, and the US trading platforms.

Inflation indicators in the euro-area and the US give hope that economic growth in 2017 can accelerate. In December 2016, consumer prices in the euro-area grew 1.1% in annual terms. Thus, inflation accelerated swiftly compared to 0.6% registered in November and turned out to be record-high since September 2013.

The rate of inflation in the US was the key issue discussed at the December meeting of the Federal Open Markets Committee (FOMC). Accelerated growth of the country's GDP and inflation rate compared to those currently forecast by the Federal Reserve System (FRS) may lead to a situation where the American central bank will have to toughen monetary policy at a more rapid pace than was planned earlier.

As expected, the rate of unemployment in Germany remained record-low in December 2016, totaling 6%. At the same time, the latest indicators of the US labor market turned out to be ambiguous. The number of jobs in the US economy grew 156,000 in December 2016, which turned out to be less than analysts forecast. On the average, analysts expected this indicator to grow 175,000-180,000 jobs. Meanwhile, in December 2016, wages in the US grew at a record-high pace since June 2009 – 2.9% in annual terms.

During the previous week, the US dollar exchange rate against the common European currency was volatile. In the course of the previous week, multidirectional forces influenced the exchange rate, which finally balanced each other and, by the end of the previous week, the exchange rate landed at the level registered at the end of 2016. On Friday, 6 January, trading in the "euro/US dollar" pair closed at USD 1.0572/EUR.

#### STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,277.0	1.7%	1.6%	1.7%
FTSE 100 (UK)	7,210.1	0.9%	4.5%	0.9%
MXME (East. Eur.)	149.5	1.9%	8.2%	1.9%
UX (Ukraine)	793.9	-0.2%	-1.1%	-0.2%
RTS (Russia)	1,172.6	1.8%	9.9%	1.8%

#### COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	173.0	0.0%	0.3%	0.0%
Steel, USD/ton	388.0	0.0%	0.0%	0.0%
Oil, USD/barrel	57.1	0.5%	7.7%	0.5%
Gold, USD/ounce	1,172.7	1.8%	-0.1%	1.8%

Source: Thomson Reuters

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**MACROECONOMICS**

**Inflation**

In December 2016, consumer inflation grew at a more sluggish pace. According to information of the State Statistics Service, consumer prices went up 0.9% in December 2016 compared to the previous month. However, in annual terms, consumer inflation accelerated and landed at 12.4% by the end of 2016.

Prices for housing and residential and utility services stopped growing in December. Growth of consumer prices was caused mainly by higher prices for food products. Prices for food products grew 1.6% in December 2016. Prices for bread and dairy products grew most tangibly.

Compared to December 2015, prices for housing and residential and utility services grew 47.2%, prices for food products rose 3.3%, prices for clothes and footwear increase 5.5%, and prices for alcoholic beverages and tobacco products jumped 22.5%.

Producer prices accelerated again. Producer prices went up 3.2% in December 2016 compared to the previous month. In 2016, producer prices accelerated to 35.7%. In December, prices in mining industry grew 13.5%. In particular, prices leapt 18.9% in iron ores production and 18.6% in coal production.

**BOND MARKET**

Last week, the Ministry of Finance of Ukraine did not hold any tenders to sell internal government bonds.

According to the schedule, during the current week, the Ministry of Finance of Ukraine should hold a tender on 10 January. The Ministry of Finance of Ukraine will offer five types of internal government bonds denominated in hryvnias and maturing from three months to two years.

**NBU OPERATIONS**

On 4 January, the National Bank satisfied two bids of banks for refinancing loans for the total of UAH 656.5 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 85.6 billion, including overnight certificates of deposit totaling UAH 58.6 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.

By the end of the previous week, the overall level of the banking system liquidity went up thanks to an increase in the volume of deposit certificates in circulation.

**STOCK MARKET**

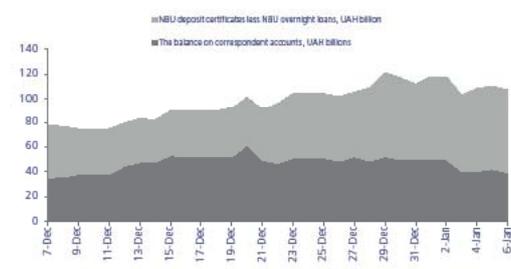
In the course of the three trading days of the previous week, the Ukrainian stock market remained practically flat. The Ukrainian Exchange (UX) Index did not register any statistically important changes and closed at 793.92 points on Friday, 6 January.

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



Source: the State Statistics Service

**BANKING SYSTEM  
LIQUIDITY**



Source: NBU

## FOREIGN EXCHANGE MARKET

On the last trading day of the previous week, 6 January, the exchange rate of the Ukrainian national currency depreciated sharply and landed at UAH 27.02/USD.

Trading on the interbank foreign exchange market ranged within the following limits: UAH 26.60-26.90/USD on Wednesday, 4 January, UAH 26.20-26.40/USD on Thursday, 5 January, and UAH 26.80-27.30/USD on Friday, 6 January. The maximum foreign exchange sales volumes were registered on Thursday, 5 January: USD 0.237 billion (all currencies), including sales of the American currency alone for the total of USD 0.205 billion.

During the three trading days of the previous week, the overall foreign exchange sales on the interbank foreign exchange market totaled USD 453.8 billion.

On 4 and 5 January, the NBU purchased surplus foreign exchange on the interbank foreign exchange market. As a result, market participants sold USD 71.6 million to the regulator (USD 3.8 million on 4 January and USD 67.8 million on 5 January). The weighted average exchange rate for these purchases totaled UAH 26.61/USD and UAH 26.30/USD respectively.

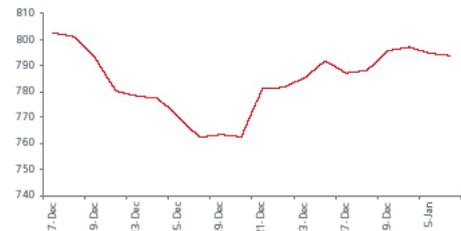
On 6 January, the National Bank held one tender to sell foreign exchange. As a result of this tender, market participants purchased USD 55.2 million. The NBU satisfied 86.9% of bids. The weighted average exchange rate for this sale totaled UAH 26.98/USD.

## INTERBANK LENDING MARKET

Last week, the cost of monthly interbank loans remained unchanged and stood at 14.00-15.00% per annum. At the same time, the cost of overnight and weekly resources went down. The cost of overnight loans landed at 11.00-13.00% per annum. Rates for weekly resources stood at 13.00-14.50% per annum.

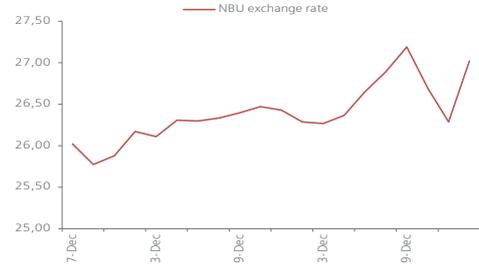
In the course of the previous week, the dynamics demonstrated by the balance on correspondent accounts was not uniform. As of Tuesday morning, 20 December, the country registered a record-high balance on correspondent accounts for the last year, equaling UAH 61.6 billion. However, next day, the balance on correspondent accounts dropped sharply to UAH 49.2 billion. As of Friday morning, 23 December, the balance on correspondent accounts stood at UAH 51.0 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	2.0 (third quarter)
Industrial output, %	-10.1	-13.4	3.7 (November)
Consumer price growth, % year-on-year	24.9	43.3	12.4 (December)
Producer price growth, % year-on-year	31.8	25.4	35.7 (December)
Balance of trade, USD billions	-4.6	-1.7	-5.0 (January-November)
Official exchange rate, annual average, UAH/ USD	11.89		
Weighted average interbank exchange rate, annual average, UAH/USD	11.89	21.85	25.54 (January-December)

Source: the State Statistics Service, NBU



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