



# Financial markets survey

23 January 2017

## Without any changes

### WEEKLY ISSUE

#### GLOBAL MARKET

For the second consecutive week, the US stock market has remained practically flat. It seems that the market is staying motionless and waiting for changes that will be brought about by policies of the newly elected US President.

Last week, market participants tried to guess policies of the US Federal Reserve System (FRS) again. Investors were disturbed by statements of two FRS representatives who voiced an opinion that the expected tax and budgetary incentive measures in the US could accelerate both an increase of central bank's interest rates and its activities aimed at reducing the unprecedented volume of assets on the books.

The opinion that the decision to raise rates should not be shelved for long was later confirmed by Chair of the Board of Governors of the Federal Reserve System Janet Yellen. She noted that waiting too long to begin moving towards the neutral rate could risk either too much inflation, financial instability, or both. At the same time, Janet Yellen mentioned the problem of slow labor productivity growth, as well as the fact that economists did not fully understand the causes of the productivity slowdown. Having considered all the given factors, experts thought that the tone of her speech was rather soft and made a conclusion that the FRS decisions to raise the base interest rates would be weighted and well-grounded.

The exchange rate of the US dollar against the common European currency was volatile during the previous week. Attempts to enhance the game for depreciation of the US dollar did not score much support. However, a weak depreciating trend persisted. On Friday, 20 January, trading in the "euro/US dollar" pair closed at USD 1.0699/EUR.

#### STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,271.3	-0.1%	0.3%	1.5%
FTSE 100 (UK)	7,198.4	-1.9%	2.2%	0.8%
MXME (East. Eur.)	146.4	-1.4%	1.2%	-0.2%
UX (Ukraine)	863.3	4.6%	10.5%	8.5%
RTS (Russia)	1,139.0	-1.7%	-0.2%	-1.2%

#### COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	173,0	0,0%	-0,6%	0,0%
Steel, USD/ton	395,0	0,0%	1,8%	1,8%
Oil, USD/barrel	55,5	0,1%	1,9%	-2,3%
Gold, USD/ounce	1209,6	1,0%	6,9%	5,0%

Source: Thomson Reuters

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## MACROECONOMICS

### Agriculture

By the end of 2016, agricultural output in Ukraine grew 6.1%. This sector grew thanks to rising output in plant-growing, whereas output in livestock breeding continues shrinking. In particular, output of plant-growing products grew 9.7% in 2016. At the same time, output of livestock-breeding products shrank 2.6%.

Rapid growth indicators in this sector were secured mainly by rising output at agricultural enterprises, while output at private farms grew at a relatively slow pace. In particular, output at agricultural enterprises rose 9.8%, while output at private farms grew 1.5%. At that, output of livestock breeding products shrank at all types of farms: 2.2% at agricultural enterprises and 2.9% at private farms. Output of plant-growing products rose 13.3% at agricultural enterprises and 3.9% at private farms.

### BOND MARKET

On 17 January, the Ministry of Finance offered internal government bonds denominated in hryvnias and maturing in three months to one year. Market participants submitted one bid for each type of bonds. The requested earning rate stood at 16.00% per annum (for bonds maturing in three to nine months) and 16.50% per annum (for bonds maturing in twelve months).

The Ministry of Finance of Ukraine did not satisfy any bids, evidently considering the requested earning rates to be too high, since, a week earlier, internal government bonds maturing in twelve months were placed with a weighted average earning rate of 15.30% per annum.

During the current week, the Ministry of Finance plans to hold a tender on Tuesday, 24 January. The Ministry of Finance will offer four types of internal government bonds denominated in hryvnias and maturing in three months to three years.

### NBU OPERATIONS

On 18 January, the National Bank satisfied one bid of banks for a refinancing loan for the total of UAH 464.0 million for the period of fourteen days. A week earlier, the total sum of loans issued for the same period stood at UAH 498.5 million. The interest rate for refinancing loans of the NBU remained unchanged and stood at 16.00% per annum.

The total sum of NBU deposit certificates placed during the previous week reached UAH 53.9 billion against UAH 53.3 billion placed a week earlier, including overnight certificates of deposit totaling UAH 31.6 billion. The interest rate for overnight certificates of deposit stood at 12.00% per annum and for deposit certificates maturing in fourteen days – at 14.00% per annum.

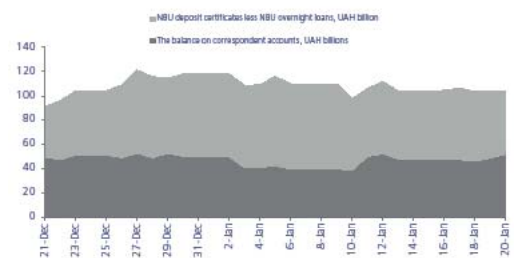
During the previous week, the overall level of the banking system liquidity remained unchanged.

### LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output in 2016, %	6.1

Source: the State Statistics Service

### BANKING SYSTEM LIQUIDITY



Source: NBU

**STOCK MARKET**

During the previous week, the Ukrainian stock market continued growing. By the end of the previous week, the Ukrainian Exchange (UX) Index rose 4.6% and closed at 863.30 points on Friday, 20 January.

Since the beginning of the current year, the UX Index grew 8.5%.

**FOREIGN EXCHANGE MARKET**

During the previous week, the exchange rate of the Ukrainian national currency appreciated. The National Bank increased foreign exchange supply on the market by way of holding tenders to sell foreign exchange.

Trading on the interbank foreign exchange market ranged within the following limits: UAH 27.65-27.80/USD on Monday, 16 January, UAH 27.55-27.70/USD on Tuesday, 17 January, UAH 27.40-27.55/USD on Wednesday, 18 January, UAH 27.40-27.50/USD on Thursday, 19 January, and UAH 27.35-27.50/USD on Friday, 20 January.

The maximum foreign exchange sales volumes were registered on Monday, 16 January: USD 0.184 billion (all currencies), including sales of the American currency alone for the total of USD 0.137 billion. During the previous week, the overall foreign exchange sales on the interbank foreign exchange market totaled USD 0.718 billion against USD 0.771 billion registered a week earlier.

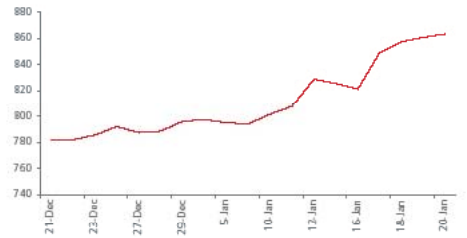
Last week, the National Bank held tenders to sell foreign exchange. On 16 January, market participants purchased USD 38.7 million. On 17 January, market players purchased USD 32.4 million. The weighted average exchange rate for these sales totaled UAH 27.72/USD and UAH 27.61/USD respectively.

**INTERBANK LENDING MARKET**

Last week, the cost of interbank weekly loans went down to 12.00-13.50% per annum. Rates for interbank overnight and monthly loans remained unchanged and stood at 11.00-13.00% per annum and 12.50-15.50% per annum respectively.

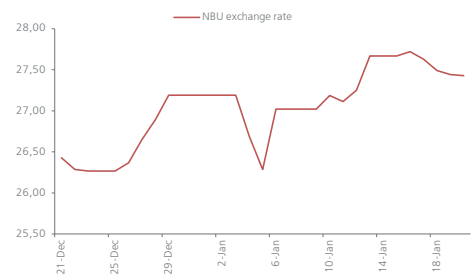
The dynamics of the balance on correspondent accounts was not uniform in the course of the previous week. In the first half of the previous week, the balance on correspondent accounts was shrinking and, as of Wednesday morning, 18 January, it stood at UAH 45.9 billion. Afterwards, the balance on correspondent accounts began to grow and, on Friday morning, 20 January, the balance on correspondent accounts reached UAH 51.7 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)
Weighted average interbank exchange rate, by year end, UAH/USD	15.77	24.00	27.19 (end of December)
Banking system assets, % of growth	3.0	-4.7	0.7 (January-November)

Source: the State Statistics Service, NBU



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