

Financial markets survey

30 January 2017

America sets new records

WEEKLY ISSUE

GLOBAL MARKET

Last week, the American stock market began to grow again, and indices of the leading stock exchanges set new historical record-highs. In particular, the S&P 500 Index grew 1.0% over the previous week and 2.5% since the beginning of the current year.

For a while, American investors moved their anxiety regarding the upcoming changes in the country's economic policies to the background and concentrated on statistical indicators and the results of corporate financial statements for the fourth quarter. Market players expected publication of good indicators on the US GDP for the fourth quarter. As things turned out, these expectations were somewhat overestimated: in annual terms, the US GDP grew 1.9% in the fourth quarter of the previous year, whereas analysts expected this indicator to grow 2.2% on the average.

The British FTSE 100 Index stopped growing over the previous week. The Supreme Court of the United Kingdom of Great Britain and Northern Ireland did not permit to initiate the Brexit without the Parliament's approval. In response, the British Government introduced a bill on launching the Brexit procedure to the Parliament on Thursday, 26 January. Members of the House of Commons of the British Parliament will begin discussing the country's withdrawal from the European Union on 31 January. It is planned that the entire process of discussion and the final vote on the above-mentioned issue should be completed on 8 February.

Economic indicators of the euro-area are gradually improving. In January 2017, the Purchasing Managers Index in the euro-area's industry grew record-high over the last six years. In the fourth quarter of 2016, the rate of unemployment in Spain fell record-low since late 2009 – to 18.63%. The Consumer Confidence in France rose record-high over the last nine years in January 2017.

At the beginning of the previous week, the US dollar depreciated against the common European currency in connection with growing uncertainty regarding US President Trump's plans. However, this trend did not prevail, and the US dollar recovered its positions on the market. On Friday, 27 January, trading in the "euro/US dollar" pair closed at USD 1.0694/EUR.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,294.7	1.0%	2.0%	2.5%
FTSE 100 (UK)	7,184.5	-0.2%	1.1%	0.6%
MXME (East. Eur.)	153.2	4.6%	6.0%	4.4%
UX (Ukraine)	859.9	-0.4%	9.1%	8.1%
RTS (Russia)	1,195.6	5.0%	5.0%	3.8%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	173.5	0.3%	0.3%	0.3%
Steel, USD/ton	395.0	0.0%	1.8%	1.8%
Oil, USD/barrel	55.5	0.1%	-1.2%	-2.3%
Gold, USD/ounce	1,191.2	-1.5%	4.3%	3.5%

Source: Thomson Reuters

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MACROECONOMICS

Industrial output

In December 2016, industrial output grew at a much more rapid pace. Compared to December 2015, industrial output grew 4.5% in December 2016. By the end of 2016, industrial output rose 2.4%.

Output in mining industry shrank 0.3% in 2016. Shrinking output in this sector was the result of lower production of crude oil, gas and iron ores. At the same time, coal production grew 4.8% by the end of 2016.

In 2016, output in processing industry accelerated to 3.5%. In particular, output in steel industry grew 5.9%, in machine-building – 1.3% and in food industry – 3.9% year-on-year.

By the end of 2016, the country registered growing output of all industrial groups of goods, except for durable consumer goods. Output of non-durable consumer goods grew the most (3.9%).

BOND MARKET

On 24 January, the Ministry of Finance held a scheduled tender to place internal government bonds. At this tender, the Ministry of Finance offered five types of internal government bonds maturing in three months to three years. Market participants showed interest only in long-term securities and submitted six bids for purchasing internal government bonds maturing in three years. The Ministry of Finance of Ukraine satisfied all bids, the total sum of this purchase reached UAH 949.7 million. The weighted average earning rate for internal government bonds maturing in three years stood at 15.74% per annum.

During the current week, the Ministry of Finance plants to hold a tender on Tuesday, 31 January. The Ministry of Finance will offer four types of internal government bonds denominated in hryvnias and maturing in March, July and November 2017, and in January 2018.

NBU OPERATIONS

On 25 January, the National Bank satisfied one bid of banks for a refinancing loan for the total of UAH 158.0 million for the period of eighty-four days. A week earlier, the total sum of loans issued for fourteen days stood at UAH 464.0 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 67.9 billion against UAH 53.9 billion placed a week earlier, including overnight certificates of deposit totaling UAH 41.6 billion. The interest rate for overnight certificates of deposit and for deposit certificates maturing in fourteen days continued to stay at 12.00% per annum and at 14.00% per annum respectively.

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.

LATEST MACROECONOMIC DATA

Indicator	Value
Industrial output change in 2016, %	2.4

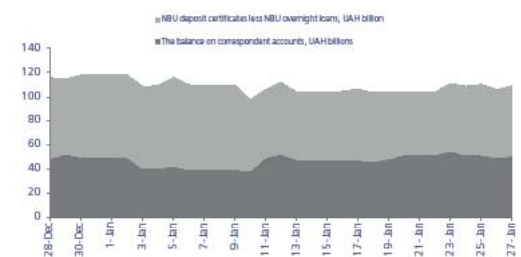
Source: the State Statistics Service

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
24 January	1,085 days	15.74%	6/6	949.7

Source: the Ministry of Finance of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

STOCK MARKET

During the previous week, the Ukrainian stock market stopped growing. By the end of the previous week, the Ukrainian Exchange (UX) Index inched down 0.4% and closed at 859.91 points on Friday, 27 January.

Since the beginning of the current year, the UX Index grew 8.1%.

FOREIGN EXCHANGE MARKET

In the course of the previous week, the exchange rate of the Ukrainian national currency continued appreciating. On Friday, 27 January, the exchange rate was registered at UAH 27.19/USD.

Trading on the interbank foreign exchange market ranged within the following limits: UAH 27.25-27.40/USD on Monday, 23 January, UAH 27.15-27.30/USD on Tuesday, 24 January, UAH 27.15-27.25/USD on Wednesday, 25 January, UAH 27.15-27.25/USD on Thursday, 26 January, and UAH 27.15-27.25/USD on Friday, 27 January.

The maximum foreign exchange sales volumes were registered on Monday, 23 January: USD 0.181 billion (all currencies), including sales of the American currency alone for the total of USD 0.135 billion.

During the previous week, the overall foreign exchange sales on the interbank foreign exchange market totaled USD 0.752 billion against USD 0.718 billion registered a week earlier.

During the previous week, the National Bank changed the direction of its transactions on the interbank foreign exchange market and offered to buy out surplus foreign exchange from banks. As a result of a tender held on 24 January, the regulator purchased USD 33.6 million from market participants, satisfying 99% of the total sum of bids submitted for this tender. The weighted average exchange rate for this purchase totaled UAH 27.12/USD.

INTERBANK LENDING MARKET

Last week, the cost of interbank overnight loans remained unchanged and stood at 11.00-13.00% per annum. Rates for interbank weekly and monthly resources went down and totaled 12.00-13.00% per annum and 12.50-15.00% per annum respectively.

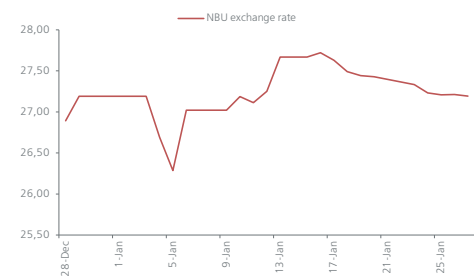
In the course of the previous week, the balance on correspondent accounts stood at a relatively high level and was above UAH 49.0 billion. As of Friday morning, 27 January, the balance on correspondent accounts reached UAH 50.5 billion.

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	2.4
Consumer price growth, % year-on-year	24.9	43.3	12.4
Producer price growth, % year-on-year	31.8	25.4	35.7
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
Weighted average interbank exchange rate, by year end, UAH/USD	15.77	24.00	27.19
Banking system assets, % of growth	3.0	-4.7	0.7 (January-November)

Source: the State Statistics Service, NBU



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