



Financial markets survey

24 July 2017

Keeping the trends

WEEKLY ISSUE

GLOBAL MARKET

In the course of the previous week, trends that formed a week earlier persisted on financial markets. The US stock market continued growing, setting new historical record-highs, while the US dollar continued depreciating against the common European currency.

The market received the main impetus on Wednesday, 19 July, when all three main stock indices in the US grew to historical record-highs spurred by data on the country's real estate market and company news. The number of new homes in the US grew 8.3% in June, whereas analysts expected this indicator to grow less – 5.77%. In addition, the number of construction permits in June grew 7.4% - to 1.254 million from the revised May indicator of 1.168 million. Analysts expected this indicator to reach 1.2 million. Over the first half of 2017, net profits of Morgan Stanley jumped 36% in annual terms – to USD 3.687 billion. Net proceeds totaled USD 19.248 billion, growing 15% in annual terms.

The British FTSE 100 Index grew 1% last week compensating the decrease over monthly period. Consumer prices in the UK in June remained at the same level registered in May, whereas retail sales grew higher than expected.

The US dollar continued depreciating against the common European currency. On Thursday, 20 July, the exchange rate went above USD 1.16/ EUR and grew record-high since January 2015. Scandals around US President Donald Trump prevent him from implementing the promised reforms, while the expectation of these reforms was an important growth incentive for the US stock markets and the US dollar exchange rate over the last months. Also, investors reacted to statements of European Central Bank President Mario Draghi saying that the ECB's management would return to the issue of curtailing incentive programs in the euro-area in fall 2017. On Friday, 21 July, trading in the "USD/EUR" pair closed at USD 1.1663/EUR.

STOCK MARKETS

Index	last	week ch., %	mon. ch., %	YTD, %
S&P 500 (US)	2,472.5	0.5	1.5	10.4
FTSE 100 (UK)	7,452.9	1.0	0.1	4.3
MXME (East. Eur.)	145.5	-0.7	5.2	-0.8
UX (Ukraine)	1081.4	3.9	4.0	35.9
RTS (Russia)	1024.9	-1.9	5.3	-11.1

COMMODITIES

Commodity	last	week ch., %	mon. ch., %	YTD, %
Wheat, USD/ton	178.5	-2.0	1.4	3.2
Steel, USD/ton	497.0	0.0	0.0	26.5
Oil, USD/barrel	48.1	-1.7	6.7	-18.3
Gold, USD/ounce	1,248.6	1.5	0.5	9.0

Source: Bloomberg

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MACROECONOMICS

Industrial output

According to information of the State Statistics Service, industrial output rose 3.3% in June 2017 (with due consideration for an adjustment to the calendar days effect). Compared to May 2017, industrial output grew 0.5%. Over January-June 2017, industrial output shrank 0.4% year-on-year.

In June, output in processing industry accelerated to 8.0% year-on-year. In particular, machine-building industry grew 15.9%, food industry rose 4.9% and pharmaceutical industry jumped 19.1% year-on-year.

Output in mining industry inched up 0.7% year-on-year in June 2017. In particular, the country registered growing output in coal production (7.2%), as well as in petroleum and gas production (3.6%).

In June 2017, the country registered growing output of all groups of goods, except for energy generation

BOND MARKET

During the previous week, market players were less interested in purchasing internal government bonds on the primary market. As a result of a tender held on 18 July, the Ministry of Finance of Ukraine managed to raise UAH 238.2 million to the State Budget of Ukraine against UAH 428.6 million raised a week earlier.

Market participants demonstrated interest in purchasing internal government bonds maturing in two and three years. The Ministry of Finance of Ukraine satisfied all three bids submitted by market participants.

During the current week, the Ministry of Finance plans to hold a tender to place internal government bonds on 25 July. The Ministry of Finance will offer three types of bonds denominated in hryvnia – maturing in six, twelve and twenty-four months, as well as internal government bonds denominated in US dollars and maturing in two years.

NBU OPERATIONS

On 18 and 20 July, the National Bank allocated overnight loans to one bank for the total of UAH 1.0 million and UAH 1.1 million respectively with an interest rate of 14.5% per annum. The total sum of NBU deposit certificates placed during the previous week, 17-21 July, reached UAH 44.2 billion, including overnight certificates of deposit totaling UAH 16.1 billion. A week earlier, the total sum of NBU deposit certificates reached UAH 32.7 billion.

During the previous week, the overall level of the banking system liquidity remained practically unchanged. A drop in the volume of deposit certificates in circulation was compensated by an increase in the balance on correspondent accounts.

STOCK MARKET

During the previous week, the Ukrainian stock market demonstrated a good growth. On Wednesday and Thursday, 19-20 July, the Ukrainian Exchange (UX) Index set new record-highs since the beginning of the current year.

On Thursday, 20 July, the UX Index closed at 1,085.31 points. On the last trading day of the previous week, the market slightly adjusted, and the UX

LATEST MACROECONOMIC DATA

Indicator	Value
Industrial output change in June 2017, % year-on-year	3.3

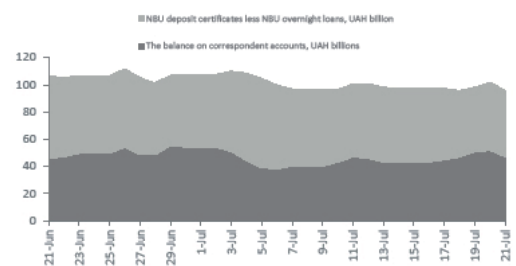
Source: the State Statistics Service

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
18 July	672 days	14.46%	1/1	101.60
18 July	1,057 days	14.54%	2/2	136.60

Source: the Ministry of Finance of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

Index closed at 1,081.43 points. By the end of the previous week, the UX Index rose 5.4%.

The UX Index grew 4.0% in monthly terms and 35.9% since the beginning of the current year.

FOREIGN EXCHANGE MARKET

Over the previous week, the exchange rate of the Ukrainian national currency appreciated. On Friday, 21 July, the exchange rate of the Ukrainian hryvnia against the US dollar set a new record-low since the beginning of the current year, having consolidated at UAH 25.89/USD.

During the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 25.95-26.00/USD on Monday, 17 July, UAH 25.91-25.96/USD on Tuesday, 18 July, UAH 25.92-25.96/USD on Wednesday, 19 July, UAH 25.90-25.96/USD on Thursday, 20 July, and UAH 25.88-25.92/USD on Friday, 21 July. The maximum foreign exchange sales volumes were registered on Friday, 21 July: USD 177.3 million (all currencies), including sales of the American currency alone for the total of USD 142.0 million.

Daily foreign exchange sales volumes on the interbank foreign exchange market were moderate without serious fluctuations from day to day. During the previous week, the overall foreign exchange sales on the interbank foreign exchange market totaled USD 784.7 million against USD 764.2 million registered a week earlier. For two consecutive weeks, the National Bank has been refraining from purchasing or selling foreign exchange with market participants at a tender.

INTERBANK LENDING MARKET

In the course of the previous week, the lower limit of the cost of interbank overnight loans went up, and rates for the above-mentioned lending resources ranged within 10.50-12.50% per annum. The cost of weekly and monthly loans remained unchanged and was registered at 10.00-13.00% per annum and 11.00-13.50% per annum respectively.

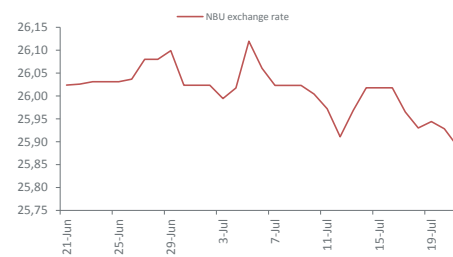
The balance on correspondent accounts went up and ranged within the limits of UAH 45.0-52.0 billion in the course of the previous week. As of Friday morning, 21 July, the balance on correspondent accounts landed at UAH 46.9 billion.

THE UX INDEX



Source: Ukrainian Exchange

EXCHANGE RATE (UAH/USD)



Source: NBU



UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2014	2015	2016
GDP, %	-9.9	2.3	2.5 (first quarter)
Industrial output, %	-13.4	2.4	3.3 (June)
Consumer price growth, % year-on-year	43.3	12.4	15.6 (June)
Producer price growth, % year-on-year	25.4	35.7	26.3 (June)
Balance of trade, USD billions	-1.7	-5.4	-1.6 (January-May)
Weighted average interbank exchange rate, annual average, UAH/USD	21.85	25.55	26.11 (January-June)
Weighted average interbank exchange rate, by year end, UAH/USD	24.00	27.19	26.02 (June)
Banking system assets, % of growth	-4.7	0.2	-0.5 (January-May)

Source: the State Statistics Service, NBU



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