



Financial markets survey

31 July 2017

A slipped-off record

WEEKLY ISSUE

GLOBAL MARKET

Last week, the American stock market stopped growing. The Standard & Poor's 500 Index set a new historical record-high on Wednesday, 26 July. However, it did not manage to keep the new height, went down over subsequent days and did not register any statistically important changes by the end of the previous week.

The market was expecting the outcomes of the FRS meeting which took place during the previous week. There was no special excitement about the FRS meeting, since rates are not expected to be changed in the nearest future. Ups and downs on the market in the course of the previous week were mainly connected with publication of corporate financial results for the second quarter of 2017.

On Friday, 28 July, markets were affected by the news about the plans of the US Food and Drug Administration (FDA) to lower nicotine content in cigarettes. In the opinion of the US FDA representatives, cigarettes will cause a lesser addiction thanks to this step. As a result of this news, the price for British American Tobacco shares floating on the London Stock Exchange fell 6.8%.

Meanwhile, the European economy has continued demonstrating new and new signs of recovery. On Tuesday, 25 July, the Government of Greece placed long-term government bonds for the first time over the last three years. The total sum of placement reached EUR 3 billion, whereas demand for bonds maturing in five years exceeded EUR 6.5 billion, which is the evidence of optimistic moods among investors regarding the future of the Greek economy.

During the first half of the previous week, the market tried to resist rapid depreciation of the US dollar against the common European currency. However, these attempts turned out to be unsuccessful and, on Thursday, 27 July, the exchange rate went above the maximum value registered one week earlier. On Friday, the exchange rate continued depreciating and, by the end of the day, trading in the "EUR/USD" pair closed at USD 1.1751/EUR, which is a record-high since January 2015.

STOCK MARKETS

Index	last	week ch., %	mon. ch., %	YTD, %
S&P 500 (US)	2,472.1	0.0	1.3	10.4
FTSE 100 (UK)	7,368.4	-1.1	-0.3	3.2
MXME (East. Eur.)	145.6	0.0	2.9	-0.8
UX (Ukraine)	1,121.9	3.7	7.1	41.0
RTS (Russia)	1,014.4	-1.0	1.2	-12.0

COMMODITIES

Commodity	last	week ch., %	mon. ch., %	YTD, %
Wheat, USD/ton	175.0	0.0	4.5	1.2
Steel, USD/ton	420.0	2.4	9.8	0.0
Oil, USD/barrel	52.5	9.3	10.5	-10.7
Gold, USD/ounce	1,264.9	1.3	1.4	10.4

Source: Bloomberg

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MACROECONOMICS

Balance of payments

In June 2017, deficit of Ukraine's current account balance totaled USD 518.0 million against a surplus of USD 88.0 million registered in June of the previous year. Over January-June 2017, deficit of the country's current account balance stood at USD 1.6 billion against a deficit of USD 0.9 billion registered over the same period in 2016.

Exports and imports of goods grew approximately at the same pace over January-June 2017: exports rose 24.8%, while imports went up 24.3%.

In June, exports of goods grew 13.6% year-on-year. Exports of goods grew in all key commodity groups (food products, ferrous metals, mineral products, and machine-building).

In June 2017, imports of goods grew 30.1% year-on-year. In particular, energy imports soared 79.1%.

Net investments provided from abroad (the total balance of the current account and the capital account) reached USD 1.6 billion over January-June 2017, while the same indicator registered over January-June 2016 totaled USD 0.9 billion.

Net inflows under the financial account reached USD 2.6 billion over January-June 2017 against USD 1.3 billion registered over the same period last year. In June, net inflows under the financial account landed at USD 825 million and were provided private sector transactions.

Surplus of Ukraine's consolidated balance of payments reached USD 306.0 million in June 2017. As of 1 July 2017, Ukraine's total stocks of international reserves landed at USD 18.0 billion.

Wages

In June 2017, real wages in Ukraine grew 18.9% year-on-year. Despite accelerating inflation, real wages continue to grow at a more rapid pace in 2017 than in 2016

The average monthly wage of full-time employees totaled UAH 7,360 in June 2017, which constitutes 230.0% of the minimum wage (UAH 3200.00). In June, the highest wages were observed in the city of Kyiv, Donetsk and Kyiv oblasts. The lowest wages were registered in Kirovohrad, Luhansk and Ternopil oblasts.

BOND MARKET

During the previous week, as a result of selling internal government bonds at a primary tender, the Ministry of Finance of Ukraine managed to raise UAH 4.6 billion to the State Budget of Ukraine – a record-high sum since the beginning of the current year. At a tender held on 25 July, market players purchased internal government bonds denominated in hryvnia and maturing in two years, as well as internal government bonds denominated in US dollars and maturing in two years.

Bonds denominated in US dollars enjoyed a rush demand. The Ministry of Finance of Ukraine satisfied 30 out of 34 bids submitted by market participants. The weighted average interest rate for the above-mentioned bonds stood at 5.34% per annum. The last time when similar bonds were placed was on 20 December 2016. That time, the weighted average interest rate stood at 6.40% per annum. A serious decline of the interest rate for these bonds is the evidence of further stabilization in the financial sector.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in real wages in June 2017, % year-on-year	18.9
Current account balance in June 2017, USD millions	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
25 July	665 days	14.46%	4/4	482.10
25 July	714 days, denom. in USD	5.34%	34/30	157.90*

* - USD millions

Source: the Ministry of Finance of Ukraine

During the current week, the Ministry of Finance plans to hold a tender on 1 August. The Ministry of Finance will offer bonds maturing in six, twelve, twenty-four, and thirty-six months.

NBU OPERATIONS

In the course of the previous week, the National Bank did not allocate refinancing loans to commercial banks. The total sum of NBU deposit certificates placed during the previous week, 24-28 July, reached UAH 47.4 billion, including overnight certificates of deposit totaling UAH 25.0 billion. A week earlier, the total sum of NBU deposit certificates reached UAH 44.2 billion.

During 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

During the previous week, the Ukrainian stock market continued growing and setting new record-highs since the beginning of the current year. On Friday, 28 July, the Ukrainian Exchange (UX) Index closed at 1,121.94 points, rising 3.7% over the previous week.

The UX Index grew 7.1% in monthly terms and 41.0% since the beginning of the current year.

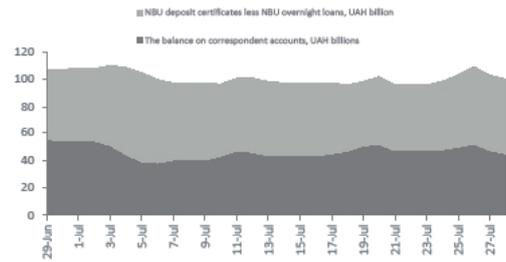
FOREIGN EXCHANGE MARKET

During the previous week, the market offered resistance to rapid appreciation of the Ukrainian national currency. On Monday, 24 July, the exchange rate continued falling and reached a new record-low since the beginning of the current year – UAH 25.82/USD. However, during subsequent days, the exchange rate began to grow and returned to UAH 25.92/USD on Friday, 28 July.

During the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 25.80-25.85/USD on Monday, 24 July, UAH 25.82-25.87/USD on Tuesday, 25 July, UAH 25.87-25.92/USD on Wednesday, 26 July, UAH 25.88-25.93/USD on Thursday, 27 July, and UAH 25.90-25.95/USD on Friday, 28 July. The maximum foreign exchange sales volumes were registered on Thursday, 27 July: USD 207.1 million (all currencies), including sales of the American currency alone for the total of USD 171.2 million.

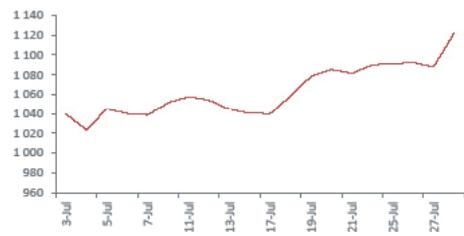
Weekly foreign exchange sales volumes on the interbank foreign exchange market totaled USD 911.5 million against USD 784.7 million registered a week earlier. For three consecutive weeks, the National Bank has been refraining from purchasing or selling foreign exchange with market participants at a tender.

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Ukrainian Exchange

EXCHANGE RATE (UAH/USD)



Source: NBU



INTERBANK LENDING MARKET

Over the previous week, the cost of interbank loans remained unchanged. Rates for overnight loans ranged within 10.50-12.50% per annum. The cost of weekly and monthly resources was registered at 10.00-13.00% per annum and 11.00-13.50% per annum respectively.

From Monday through Wednesday, the balance on correspondent accounts went up and totaled UAH 51.8 billion as of Wednesday morning, 26 July. Over subsequent days, the balance on correspondent accounts was shrinking and totaled UAH 44.7 billion as of Friday morning, 28 July.

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	-2.3 (January-June)
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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