

Financial markets survey

07 August 2017

To new records with Apple

WEEKLY ISSUE

GLOBAL MARKET

The US stock market indices demonstrated a different dynamics over the previous week. While the Standard & Poor's 500 Index registered a very slight growth by the end of the previous week, the industrial Dow Jones Index set new historical record-highs day after day and finished the previous week with a 1.2% growth.

Investors kept optimistic moods thanks to a stream of positive quarterly financial results of companies, as well as good statistical data on the labor market.

On Tuesday, 1 August, Apple Inc. published its financial results. The company's net profits grew 12% in the third quarter of the 2017 fiscal year, while its proceeds rose more than 7%, including thanks to growing sales of iPad tablets from lower price categories. Before that, iPad sales in annual terms had been shrinking for more than three consecutive years. Net profits for three months that were over on 1 July rose to USD 8.72 billion compared to USD 7.8 billion for the same period of the previous fiscal year. On Wednesday, 2 August, Apple share value grew 4.7%, reaching a new historical record-high.

The number of applications for unemployment benefit in the US has continued staying record-low for the last 44 years. At that, this indicator has not been surpassing 300,000 for 126 consecutive weeks (since Market 2015), which is a record-high since the beginning of 1970s and is the evidence of stable consolidation of the American labor market.

While the US stock market continues demonstrating great results, the US dollar continues losing its positions against the euro. On Monday, 31 July, the market reacted to the news that US President Donald Trump made the decision to dismiss White House Communications Director Anthony Scaramucci. On Thursday, 3 August, it became known that Special Counsel Robert Mueller, who is overseeing the investigation into the Russian interference in the 2016 United States elections and the deal between Mr. Trump's team and the Russian top officials, is calling the grand jury. This means a serious turning point in the large-scale investigation carried out by Mueller's team. On Thursday, 3 August, the USD/EUR exchange rate reached a new local record-high USD 1.1869/EUR. Strong statistical data on the US labor market made it possible for the US dollar to appreciate a little on the last trading day of the previous week; however, they did not help it win back the losses of the previous days. On Friday, 4 August, trading in the "EUR/USD" pair closed at USD 1.1773/EUR.

STOCK MARKETS

Index	last	week ch., %	mon. ch., %	YTD, %
S&P 500 (US)	2,476.8	0.2	1.8	10.6
FTSE 100 (UK)	7,511.7	1.9	2.0	5.2
MXME (East. Eur.)	147.4	1.3	4.3	0.5
UX (Ukraine)	1,139.5	1.6	9.0	43.2
RTS (Russia)	1,026.7	1.2	1.9	-10.9

COMMODITIES

Commodity	last	week ch., %	mon. ch., %	YTD, %
Wheat, USD/ton	171.0	0.0	1.5	-1.2
Steel, USD/ton	422.5	0.6	10.5	0.6
Oil, USD/barrel	52.4	0.4	9.0	-10.9
Gold, USD/ounce	1,257.7	-0.6	3.1	9.8

Source: Bloomberg

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MACROECONOMICS

Industry turnover

In June 2017, turnover of goods in mining and processing industries grew 22.5% (including 18.6% beyond the borders of the country) compared to June 2016. In particular, turnover grew 34.4% (15.8%) in mining industry and 20.3% (18.9%) in processing industry.

Turnover grew mainly thanks to the price factor. In particular, in June 2017, prices grew 30.5% in mining industry and 18.7% in processing industry in annual terms.

BOND MARKET

At a tender to place internal government bonds held on 1 August, the Ministry of Finance of Ukraine satisfied all bids of market participants to purchase bonds maturing in six, twelve, twenty-four, and thirty-six months. As a result of placing internal government bonds, the Ministry of Finance managed to raise UAH 484.0 million to the State Budget of Ukraine.

Compared to the latest tenders, the weighted average interest rate for the above-mentioned bonds remained unchanged.

During the current week, the Ministry of Finance plans to hold the next tender to sell internal government bonds denominated in hryvnia on 8 August. Again, the Ministry of Finance will offer bonds maturing in six, twelve, twenty-four, and thirty-six months.

NBU OPERATIONS

At its meeting held on 3 August, the Board of the National Bank left the discount rate unchanged at 12.5% per annum.

The total sum of NBU deposit certificates placed during the previous week, 31 July – 4 August, reached UAH 43.8 billion against UAH 47.4 billion registered a week earlier, including overnight certificates of deposit totaling UAH 20.4 billion. The interest rate for overnight certificates of deposit continued to stay at 10.50% per annum. The earning rate for deposit certificates maturing in fourteen days totaled 12.50% per annum.

During the previous week, the overall level of the banking system liquidity was, on the average, lower than the indicator registered a week earlier because of a drop in the volume of deposit certificates in circulation.

STOCK MARKET

During the previous week, the dynamics of the Ukrainian stock market was not uniform. On Tuesday, 1 August, the Ukrainian Exchange (UX) Index went up swiftly, reaching a new record-high since the beginning of the current year on Thursday, 3 August, - at 1,143.16 points. However, next day, the market adjusted and closed at 1,139.51 points, registering weekly growth at 1.6%.

The UX Index grew 9.0% in monthly terms and 43.2% since the beginning of the current year.

LATEST MACROECONOMIC DATA

Indicator	Value
Turnover change in mining and processing industries in June 2017, % year-on-year	22.5

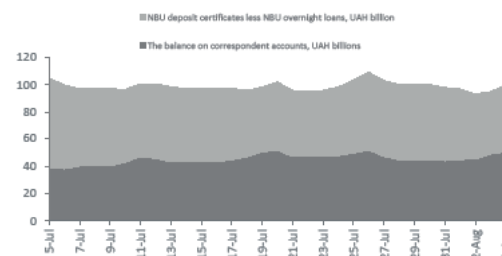
Source: the State Statistics Service

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
1 August	161 days	13.85%	1/1	141.36
1 August	343 days	14.40%	1/1	102.82
1 August	728 days	14.46%	1/1	99.73
1 August	1043 days	14.54%	5/5	140.01

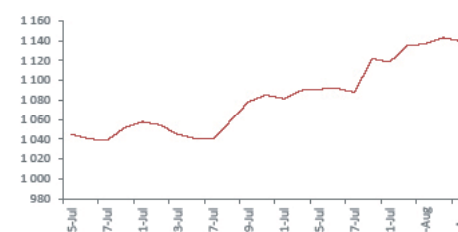
Source: the Ministry of Finance of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Ukrainian Exchange

FOREIGN EXCHANGE MARKET

During the previous week, the dynamics demonstrated by the exchange rate of the Ukrainian national currency was not uniform. From Monday through Wednesday, the exchange rate was rising, reaching UAH 25.90/USD. However, during subsequent days, the exchange rate began to slip and returned to UAH 25.84/USD on Friday, 4 August. Last time this value was registered was on 25 July.

During the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 25.80-25.90/USD on Monday, 31 July, UAH 25.82-25.90/USD on Tuesday, 1 August, UAH 25.87-25.96/USD on Wednesday, 2 August, UAH 25.85-25.93/USD on Thursday, 3 August, and UAH 25.81-25.87/USD on Friday, 4 August.

The maximum foreign exchange sales volumes were registered on Wednesday, 2 August: USD 0.248 billion (all currencies), including sales of the American currency alone for the total of USD 0.188 billion.

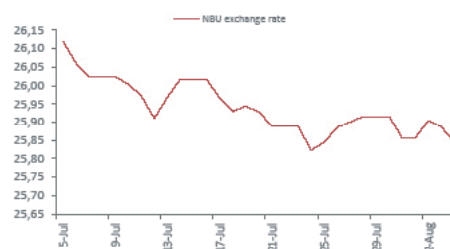
Weekly foreign exchange sales volumes on the interbank foreign exchange market totaled USD 1.077 billion against USD 0.912 billion registered a week earlier. During the previous week, the National Bank did not hold any tenders for purchasing or selling foreign exchange.

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.

Last week, the balance on correspondent accounts went up and exceeded UAH 50.0 billion by the end of the previous week. As of Friday morning, 4 August, the balance on correspondent accounts totaled UAH 50.5 billion.

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	-2.3 (January-June)
Weighted average interbank exchange rate, annual average, UAH/USD	21.85	25.55	26.65 (January-July)
Weighted average interbank exchange rate, by year end, UAH/USD	24.00	27.19	25.85 (July)
Banking system assets, % of growth	-4.7	0.2	-0.9 (January-June)

Source: the State Statistics Service, NBU



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