



Financial markets survey

21 August 2017

Unsuccessful attempts to recover

WEEKLY ISSUE

GLOBAL MARKET

In the first half of the previous week, the American stock market made attempts to recover after a sharp drop. The geopolitical tension eased up, since North Korea's supreme leader Kim Jong-Un made the decision to refrain from delivering a blow against the US air forces base on the Guam Island in the Pacific Ocean, according to messages of North Korea's mass media.

Statistical data fostered growth on the market. Retail sales in the US grew 0.6% in July compared to the previous month. This is a record-high growth rate since the beginning of 2017. This indicator managed to surpass expectations of analysts.

However, on Thursday, 17 August, the US stock market collapsed. It turned out to be the second most serious daily fall since the beginning of the current year. That day, the Standard & Poor's 500 Index lost 1.5%, while the Dow Jones Index shrank 1.2%. Again, there were growing concerns among investors regarding the possibility to implement US President Trump's program aimed at supporting business in the country, since criticism of the US President grew even stronger after the events that took place in Charlottesville. In addition, the Federal Open Market Committee's minutes demonstrated that there were debates related to inflation. There were growing doubts that the US Federal Reserve System will dare to raise the federal funds rate once again before the end of 2017, since inflation may turn to be lower than 2%.

From Monday through Wednesday, the US dollar was rapidly recovering its positions against the common European currency. On Wednesday, 16 August, trading in the "EUR/USD" pair closed at USD 1.1702/EUR, which is a record-low since 28 July. During subsequent days, the US dollar stopped appreciating. However, by the end of the previous week, the American currency grew stronger. On Friday, 18 August, trading in the "EUR/USD" pair closed at USD 1.1761/EUR.

STOCK MARKETS

Index	last	week ch., %	mon. ch., %	YTD, %
S&P 500 (US)	2,425.6	-0.6	-2.0	8.3
FTSE 100 (UK)	7,324.0	0.2	-1.4	2.5
MXME (East. Eur.)	146.5	0.1	-0.3	-0.2
UX (Ukraine)	1,125.9	-0.2	4.4	41.5
RTS (Russia)	1,027.9	0.5	-1.5	-10.8

COMMODITIES

Commodity	last	week ch., %	mon. ch., %	YTD, %
Wheat, USD/ton	167.5	0.0	-6.2	-3.2
Steel, USD/ton	440.0	2.9	7.3	4.8
Oil, USD/barrel	52.7	1.2	5.6	-10.4
Gold, USD/ounce	1,295.8	0.8	4.3	13.1

Source: Bloomberg

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MACROECONOMICS

Agriculture

According to information of the State Statistics Service, agricultural output in Ukraine shrank 2.0% year-on-year over January-July 2017. Over this period, plant-growing output dropped 3.1%, while livestock breeding output slipped 0.7%. Output at agricultural enterprises fell more seriously (-2.4%) than output at private farms (-1.5%).

Over January-July 2017, agricultural output grew in nine oblasts. Agricultural output in Zaporizhzhia, Kharkiv and Kherson oblasts grew both at agricultural enterprises and at private farms.

BOND MARKET

At a tender to place internal government bonds held on 15 August, the Ministry of Finance of Ukraine managed to raise UAH 10.3 billion to the State Budget of Ukraine. Bonds denominated in US dollars and maturing in two years enjoyed the highest demand. Thirteen participants in this tender purchased the above-mentioned bonds for the total of USD 351.5 million. The weighted average interest rate for the above-mentioned bonds stood at 5.40% per annum. Three weeks ago, the weighted average interest rate for similar bonds landed at 5.34% per annum.

During the current week, the Ministry of Finance plans to hold the next tender to sell internal government bonds on 22 August. The Ministry of Finance will offer four types of internal government bonds maturing in six months to three years.

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 six-day business week, 14-19 August, reached UAH 30.3 billion, whereas a week earlier, the total sum landed at UAH 40.1 billion over a normal five-day business week. Overnight certificates of deposit purchased over the previous week totaled UAH 12.8 billion.

During the previous week, the overall level of the banking system liquidity went down mainly 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. However, by the end of the previous week, the Ukrainian Exchange (UX) Index did not register any statistically important changes and closed at 1,125.89 points on Friday, 18 August.

The UX Index grew 4.4% in monthly terms and 41.5% since the beginning of the current year.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output over January-July 2017, % year-on-year	-2.0

Source: the State Statistics Service

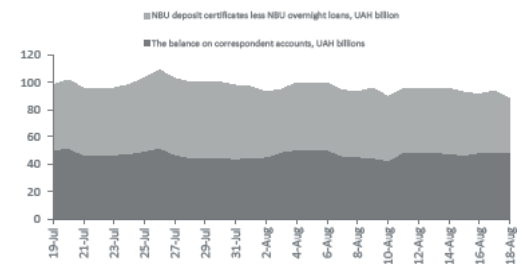
THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS

Date of placement	Type of internal government bonds	Weighted average rate	Submit./satisfied bids	Funds raised, UAH millions
15 August	329 days	14.40%	5/5	620.24
15 August	1,029 days	14.54%	2/2	677.83
15 August	693 days	5.40%	13/13	351.48*

* - USD millions

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 Ukrainian national currency continued appreciating rapidly: from Monday through Friday, the exchange rate was setting record-lows since the beginning of the current year on a daily basis. On Friday, 18 August, the exchange rate landed at UAH 25.49/USD.

During the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 25.60-25.65/USD on Monday, 14 August, UAH 25.58-25.63/USD on Tuesday, 15 August, UAH 25.55-25.60/USD on Wednesday, 16 August, UAH 25.47-25.53/USD on Thursday, 17 August, and UAH 25.47-25.53/USD on Friday, 18 August.

The maximum foreign exchange sales volumes were registered on Wednesday, 16 August: USD 298.9 million (all currencies), including sales of the American currency alone for the total of USD 247.1 million.

The overall weekly foreign exchange sales volumes on the interbank foreign exchange market totaled USD 1.1 billion against USD 0.98 billion registered a week earlier.

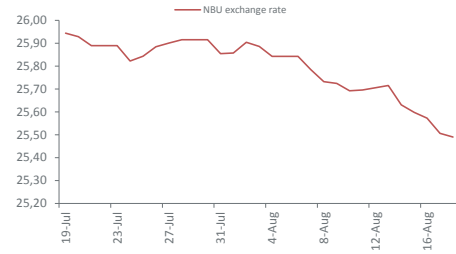
On Monday, 14 August, and Thursday, 17 August, the National Bank held tenders to purchase foreign exchange from market participants. The regulator purchased USD 46.2 million on Monday and USD 44.0 million on Thursday. The weighted average exchange rate landed at UAH 25.64/USD and UAH 25.51/USD respectively.

INTERBANK LENDING MARKET

Over the previous week, the cost of interbank loans remained unchanged. Rates for overnight loans ranged within the limits of 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.

For the most part of the previous week, the balance on correspondent accounts was above UAH 46.0 billion. However, as of Saturday morning, 19 August, the balance on correspondent accounts went down and totaled UAH 40.4 billion.

EXCHANGE RATE (UAH/USD)



Source: NBU

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2015	2016	2017
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	15.9 (July)
Producer price growth, % year-on-year	25.4	35.7	23.3 (July)
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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