



Financial markets survey

28 August 2017

Recovering optimistic moods

WEEKLY ISSUE

GLOBAL MARKET

Over the previous week, the US stock market tried to recover after two weeks of decline. It did not manage to produce a confident upturn, since the situation on the market was not uniform in the course of the previous week.

The S&P 500 Index grew 0.7% by the end of the previous week, demonstrating the best result in monthly terms. At the beginning of the previous week, moods on markets improved, since the stream of criticism aimed at US President Donald Trump subsided. Positive moods did not receive any further support, and the market began to decline.

On Thursday, 24 August, the Federal Reserve Bank of Kansas City held the annual Economic Policy Symposium in Jackson Hole. This symposium gathers representatives of central banks from the leading economies around the world, including European Central Bank President Mario Draghi and Chair of the US Federal Reserve System Janet Yellen. Stock market investors perceived that the tone of Janet Yellen's speech was not hawkish enough. In other words, they received signals that the US Federal Reserve System would not speed up the issue of raising interest rates in the nearest future. Thanks to this news, the market recovered a positive dynamics on the last trading day of the previous week.

During the previous week, the US dollar seriously depreciated against the common European currency. On Friday, 25 August, trading in the "EUR/USD" pair closed at USD 1.1924/EUR, which is a record-high exchange rate since the beginning of 2015. At the symposium in Jackson Hole, European Central Bank President Mario Draghi did not voice any special concern regarding rapid appreciation of the euro, which had been observed over the latest months. This made it possible for the market to raise the price of the European currency even higher.

STOCK MARKETS

Index	last	week ch., %	mon. ch., %	YTD, %
S&P 500 (US)	2,443.1	0.7	-1.4	9.1
FTSE 100 (UK)	7,401.5	1.1	-0.7	3.6
MXME (East. Eur.)	152.7	4.2	5.3	4.0
UX (Ukraine)	1,129.9	0.4	3.5	42.0
RTS (Russia)	1,060.5	3.2	3.9	-8.0

COMMODITIES

Commodity	last	week ch., %	mon. ch., %	YTD, %
Wheat, USD/ton	163.5	0.0	-6.6	-5.5
Steel, USD/ton	442.5	0.6	5.4	5.4
Oil, USD/barrel	52.4	-0.6	2.6	-10.9
Gold, USD/ounce	1285.3	-0.8	3.0	12.2

Source: Bloomberg

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MACROECONOMICS

Industrial output

According to information of the State Statistics Service, industrial output shrank 2.2% in July 2017 compared to July 2016 (with due consideration for an adjustment to the calendar days effect). Compared to June 2017, industrial output dropped 1.3%. Over January-July 2017, industrial output shrank 0.7% year-on-year.

Output in mining industry fell 9.4% year-on-year in July 2017. In particular, coal production dropped 26.8%. Output in the delivery of electricity, gas and vapor shrank 11.9%.

Output in processing industry slowed down in July and landed at 2.5% year-on-year. In particular, output in steel industry and oil refining declined.

In July 2017, the country registered growing output of investment goods and durable and non-durable consumer goods. Output of intermediate goods and energy generation shrank.

BOND MARKET

At a tender to place internal government bonds held on 22 August, the Ministry of Finance of Ukraine offered bonds maturing in one year. Market participants were not active: only one market player purchased the above-mentioned internal government bonds for the total of UAH 100 million. The weighted average interest rate for the above-mentioned bonds stood at 14.40% per annum.

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 shortened week (3 business days), 21-23 August, reached UAH 19.0 billion, including overnight certificates of deposit totaling UAH 11.9 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 went down. The reason behind this decline was a serious 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. After going down on Monday, 21 August, the Ukrainian Exchange (UX) Index registered a serious growth already on Tuesday, 22 August. However, the Ukrainian Exchange (UX) Index slipped a little and closed at 1,129.90 on Wednesday, 23 August, which was the last trading day of the previous week, registering weekly growth at 0.4%.

The UX Index grew 3.5% in monthly terms and 42.0% since the beginning of the current year.

LATEST MACROECONOMIC DATA

Indicator	Value
Industrial output change in July 2017, % year-on-year	-2.2

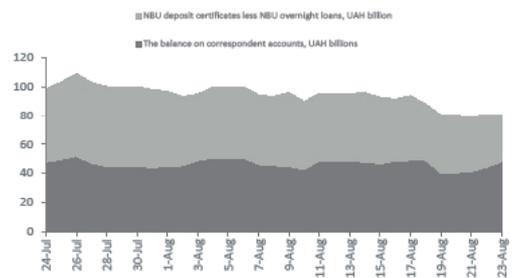
Source: the State Statistics Service

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
22 Aug.	322 days	14.40%	1/1	100.00

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, rapid appreciation of the Ukrainian national currency stopped. On Tuesday, 22 August, the market made a U-turn, and the exchange rate began to grow. On the last trading day of the previous week – Wednesday, – the exchange rate was registered at UAH 25.55/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 25.40-25.50/USD on Monday, 21 August, UAH 25.42-25.49/USD on Tuesday, 22 August, UAH 25.50-25.60/USD on Wednesday, 23 August.

The maximum foreign exchange sales volumes were registered on Monday, 21 August: USD 194 million (all currencies), including sales of the American currency alone for the total of USD 159 million.

The overall weekly foreign exchange sales volumes on the interbank foreign exchange market totaled USD 0.568 billion. On Monday, 21 August, the National Bank held a tender to purchase foreign exchange from banks. The regulator purchased USD 51 million out of USD 52 million offered by banks. The weighted average exchange rate at this tender landed at UAH 25.46/USD. At the previous tender, which took place on 17 August, the weighted average exchange rate totaled UAH 25.51/USD.

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.

During the previous week, the dynamics of the balance on correspondent accounts was positive. As of Wednesday morning, 23 August, the balance on correspondent accounts totaled UAH 48.1 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	-2.2 (July)
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	0.6 (January-July)

Source: the State Statistics Service, NBU



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