

# Financial markets survey

04 September 2017

## Compensating the losses

WEEKLY ISSUE

### GLOBAL MARKET

Last week, the American stock market continued growing, and this growth transformed into a rally. By the end of the previous week, the S&P 500 Index rose 1.4%, leveling out the losses sustained at the beginning of August. Since the beginning of the current year, the S&P 500 Index grew more than 10%. Investors took advantage of the period of a relative slackening on the geopolitical arena and paid more attention to fundamental market factors.

The global economy has successfully finished recovering after the global crisis thanks to incentive programs and low interest rates of central banks. According to estimates of the International Monetary Fund, global GDP will grow 3.5% in 2017 and 3.6% next year, after it managed to rise 3.2% in 2016. All 45 largest countries across the world in terms of GDP tracked by the Organization for Economic Cooperation and Development (OECD) can demonstrate simultaneous growth by the end of 2017 for the first time over the last decade.

The British FTSE 100 Index finished August 2017 with a positive result. However, it is still failing to compensate the losses sustained over the previous months. In August 2017, consumer prices in the euro-area grew 1.5% in annual terms, which turned out to be higher than analysts forecast. The rate of unemployment in the nineteen euro-area countries remained unchanged in July 2017 and stood at 9.1%, which is a record-low indicator since February 2009.

At the beginning of the previous week, the US dollar continued rapidly depreciating against the common European currency. On Tuesday, 29 August, the exchange rate reached USD 1.2016/EUR, which is a record-high since the end of 2014. However, on Wednesday, 30 August, the market made a U-turn, and the exchange rate began to decline. Data on the US labor market and GDP, which seriously surpassed expectations contributed to changing moods on the market. On Friday, 1 September, trading in the "EUR/USD" pair closed at USD 1.1860/EUR.

### STOCK MARKETS

Index	last	week ch., %	mon. ch., %	YTD, %
S&P 500 (US)	2,476.6	1.4	0.0	10.6
FTSE 100 (UK)	7,438.5	0.5	0.4	4.1
MXME (East. Eur.)	157.2	3.0	6.9	7.2
UX (Ukraine)	1,136.0	0.5	-0.1	42.7
RTS (Russia)	1,100.6	3.8	7.7	-4.5

### COMMODITIES

Commodity	last	week ch., %	mon. ch., %	YTD, %
Wheat, USD/ton	163.5	0.0	-4.4	-5.5
Steel, USD/ton	465.0	5.1	10.1	10.7
Oil, USD/barrel	52.8	1.5	0.6	-10.2
Gold, USD/ounce	1,320.4	2.7	4.0	15.2

Source: Bloomberg

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## MACROECONOMICS

### Balance of payments

In July 2017, deficit of Ukraine's current account balance totaled USD 594.0 million against a deficit of USD 429.0 million registered in July of the previous year. Over January-July 2017, deficit of the country's current account balance stood at USD 2.2 billion against a deficit of USD 1.4 billion registered over the same period in 2016.

Over January-July 2017, exports of goods grew 22.6%, while imports went up 23.9%. In July, exports of goods rose 9.9% year-on-year. Exports of goods grew in all key commodity groups (food products, ferrous metals, mineral products, and machine-building). In chemical industry, exports of goods shrank 17.0%. In July 2017, imports of goods grew 22.0% year-on-year. In particular, energy imports soared 60.6%.

Net investments provided from abroad (the total balance of the current account and the capital account) reached USD 2.2 billion over January-July 2017, whereas the same indicator registered over January-July 2016 totaled USD 1.3 billion. Net inflows under the financial account reached USD 2.9 billion over January-July 2017 against USD 1.8 billion registered over the same period last year. In July, net inflows under the financial account landed at USD 302 million and were provided through private sector transactions. Deficit of Ukraine's consolidated balance of payments reached USD 285.0 million in July 2017.

As of 1 August 2017, Ukraine's total stocks of international reserves landed at USD 17.8 billion.

### Wages

In July 2017, wages in Ukraine grew 17.2% year-on-year in real terms. Despite accelerating inflation, real wages continued growing at a more rapid pace in 2017 than in 2016.

The average monthly wage of full-time employees totaled UAH 7,339.00 in July 2017, which constitutes 230.0% of the minimum wage (UAH 3200.00). In July, the highest wages were observed in the city of Kyiv, Donetsk and Kyiv oblasts. The lowest wages were registered in Ternopil, Chernihiv and Chernivtsi oblasts.

## BOND MARKET

During the previous week, the Ministry of Finance of Ukraine did not hold any tenders to place internal government bonds.

During the current week, the Ministry of Finance plans to hold the next tender to sell internal government bonds on 5 September. The Ministry of Finance will offer four types of internal government bonds maturing in six months to three years.

## NBU OPERATIONS

According to the information of the National Bank of Ukraine, deposit certificates maturing in three months will be offered on the market starting from 13 September. They will be placed once a week at an interest rate tender. A tender to place deposit certificates maturing in fourteen days will be held twice a week.

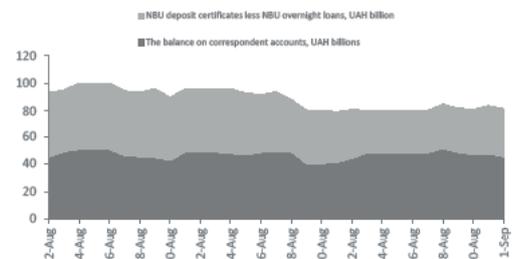
In the course of the previous week, market participants purchased deposit certificates for the total of UAH 39.5 billion, including overnight certificates

## LATEST MACROECONOMIC DATA

Indicator	Value
Current account balance in July 2017, USD millions	-594.0
Change in real wages in July 2017, % year-on-year	17.2

Source: the State Statistics Service

## BANKING SYSTEM LIQUIDITY



Source: NBU

of deposit for the total of UAH 18.9 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 remained practically unchanged.

### STOCK MARKET

During the previous week, the dynamics of the Ukrainian Exchange (UX) Index was not uniform. On Tuesday, 29 August, the UX Index lost 1.0% and went down to 1,120.55 points. During subsequent days, the UX Index was growing and recovering its positions. On Friday, 1 September, the UX Index closed at 1,136.04 points, registering growth of 0.5% by the end of the previous week.

The UX Index slipped 0.1% in monthly terms and grew 42.7% since the beginning of the current year.

### THE UX INDEX



Source: Ukrainian Exchange

### FOREIGN EXCHANGE MARKET

During the previous week, the Ukrainian national currency stopped appreciating. The market made a U-turn on Wednesday, 30 August, when the exchange rate jumped to UAH 25.57/USD from UAH 25.44/USD registered during the previous day. Over subsequent days, the national currency continued depreciating, and the exchange rate reached UAH 25.75/USD on Friday, 1 September.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 25.47-25.55/USD on Monday, 28 August, UAH 25.42-25.48/USD on Tuesday, 29 August, UAH 25.52-25.62/USD on Wednesday, 30 August, UAH 25.65-25.75/USD on Thursday, 31 August, and UAH 25.70-25.80/USD on Friday, 1 September.

### EXCHANGE RATE (UAH/USD)



Source: NBU

The maximum foreign exchange sales volumes were registered on Thursday, 31 August: USD 270 million (all currencies), including sales of the American currency alone for the total of USD 230 million. The overall weekly foreign exchange sales volumes on the interbank foreign exchange market totaled USD 1.0 billion.

On Tuesday, 29 August, the National Bank held a tender to purchase foreign exchange on the interbank foreign exchange market. The total sum of satisfied bids reached USD 32.2 million, while the weighted average exchange rate landed at UAH 25.45/USD. However, already on Thursday, 31 August, the regulator acted as a foreign exchange seller and sold USD 44.3 million on the interbank foreign exchange market with the weighted average exchange rate of UAH 25.68/USD.

### INTERBANK LENDING MARKET

Over the previous week, the cost of interbank loans remained substantially 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 11.00-13.00% per annum and 11.00-13.50% per annum respectively.

By the end of the previous week, the balance on correspondent accounts went down. As of Friday morning, 1 September, the balance on correspondent accounts totaled UAH 45.3 billion.

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	-5.8	-3.2 (January-July)
Weighted average interbank exchange rate, annual average, UAH/USD	21.85	25.55	26.52 (January-August)
Weighted average interbank exchange rate, by year end, UAH/USD	24.00	27.19	25.69 (August)
Banking system assets, % of growth	-4.7	0.2	0.6 (January-July)

Source: the State Statistics Service, NBU



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