

Financial markets survey

18 September 2017

A new peak

WEEKLY ISSUE

GLOBAL MARKET

The period of uncertainty on the US stock market was followed by a period of rapid growth. Over the previous week, the US stock indices set new historical record-highs several times. On Friday, 15 September, the Standard & Poor's 500 Index reached a new peak and closed at 2,500.23 points. The S&P 500 Index grew 1.6% in weekly terms and 11.7% since the beginning of the current year.

At the beginning of the previous week, stabilization of the situation on the Korean Peninsula, as well as normalization of weather conditions on the US territory contributed to market growth. North Korea's government abstained from launching ballistic missiles in honor of the day when the country was founded. The aftereffects of Hurricane Irma, which has weakened to a tropical storm, most likely will not be as devastating as was expected earlier. Insured damages were estimated at USD 20-40 billion. By the end of the previous week, it became known that hurricanes did not have a negative impact on consumer confidence in the US.

Meanwhile, the British FTSE 100 Index suffered a dramatic fall over the previous week. On Thursday and Friday, 14 and 15 September, daily drop of this index exceeded 1.0%. On Thursday, the Bank of England held a meeting. According to its outcomes, the regulator kept the base interest rate at 0.25% per annum and confirmed that it would repurchase assets from the market for the total of GBP 435 billion. The regulator's hints at a possible raise of the base interest rate during the nearest months resulted in appreciation of the pound sterling against the US dollar and collapsed the stock market.

The US dollar stopped depreciating against the common European currency during the previous week. From Monday through Wednesday, the exchange rate was rapidly falling and reached a record-low for the last two weeks – USD 1.1881/EUR. The news that tax reform in the country may be finished by the end of the current year fostered appreciation of the US dollar. However, the market did not find enough news to keep the US dollar at the new level, and the American currency started losing its positions again during the last two trading days of the previous week. On Friday, 15 September, trading in the "EUR/USD" pair closed at USD 1.1945/EUR.

STOCK MARKETS

Index	last	week ch., %	mon. ch., %	YTD, %
S&P 500 (US)	2,500.2	1.6	1.3	11.7
FTSE 100 (UK)	7,215.5	-2.2	-2.9	1.0
MXME (East. Eur.)	158.7	0.0	7.7	8.1
UX (Ukraine)	1,124.9	-1.0	0.4	41.3
RTS (Russia)	1,123.4	0.3	9.1	-2.5

COMMODITIES

Commodity	last	week ch., %	mon. ch., %	YTD, %
Wheat, USD/ton	165.5	0.0	-1.2	-4.3
Steel, USD/ton	490.0	-1.0	11.4	16.7
Oil, USD/barrel	55.6	3.4	11.0	-5.4
Gold, USD/ounce	1322.9	-1.7	3.9	15.4

Source: Bloomberg

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MACROECONOMICS

Agriculture

According to information of the State Statistics Service, agricultural output in Ukraine went up 0.4% over January-August 2017 compared to the same period in 2016. Over the above-mentioned period, plant-growing output grew 1.0%, whereas livestock breeding output slipped 0.7%. At that, output at agricultural enterprises rose 1.4%, whereas output at private farms shrank 0.5%.

Over January-August 2017, agricultural output fell in five oblasts – Vinnytsya, Kyiv, Kirovohrad, Poltava, and Cherkasy oblasts. Over this period, agricultural output grew the most in Rivne oblast – 9.3%.

BOND MARKET

As a result of a tender to place internal government bonds held on 12 September, the Ministry of Finance of Ukraine managed to raise UAH 0.9 billion to the State Budget of Ukraine. The Ministry of Finance satisfied bids to purchase internal government bonds maturing in one and three years. The weighted average interest rate for bonds maturing in twelve months went down compared to the previous tender and landed at 14.35% per annum. The weighted average interest rate for bonds maturing in three years went up compared to the previous tender and landed at 14.53% per annum. A week earlier, the weighted average interest rates for similar bonds were registered at 14.40% per annum and 14.50% per annum respectively.

During the current week, the Ministry of Finance plans to hold the next tender to sell internal government bonds on 19 September. The Ministry of Finance will offer internal government bonds maturing in six months to three years.

NBU OPERATIONS

On 14 September, the Board of the National Bank made a decision to keep the discount rate at 12.50% per annum.

During the previous week, the National Bank satisfied one bids for an overnight refinancing loan for the total of UAH 10.0 million. The interest rate for this loan stood at 14.50% per annum.

For the first time since February 2016, the regulator placed deposit certificates maturing in three months for the total of UAH 500.0 million at a tender held on 13 September. The NBU set a single marginal rate at 12.89% per annum. All in all, banks submitted 32 bids for this tender for the total of UAH 2.3 billion with rates ranging from 12.50% per annum to 18.00% per annum. Bids were satisfied following the principle of a single marginal rate. The next tender to place deposit certificates maturing in three months will be held on 20 September.

In the course of the previous week, market participants purchased deposit certificates for the total of UAH 26.4 billion, including overnight certificates of deposit for the total of UAH 15.1 billion. A week earlier, deposit certificates were purchased for the total of UAH 29.0 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 shrank tangibly as a result of a drop in the volume of deposit certificates in circulation.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output over January-August 2017, % year-on-year	0.4

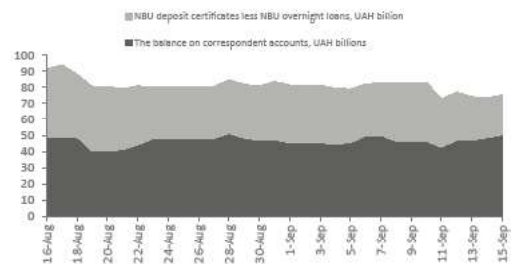
Source: the State Statistics Service

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
12 Sept	301 days	14.35%	2/1	10.45
12 Sept	1071 days	14.53%	5/4	911.73

Source: the Ministry of Finance of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

STOCK MARKET

During the previous week, the Ukrainian stock market was sliding down. By the end of the previous week, the Ukrainian Exchange (UX) Index lost 1.0% and closed at 1,124.86 points on Friday, 15 September.

The UX Index grew 0.4% in monthly terms and 41.3% since the beginning of the current year.

FOREIGN EXCHANGE MARKET

During the previous week, the Ukrainian national currency continued to depreciate, following the trend launched at the end of August. By the end of the previous week, the exchange rate reached UAH 26.22/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 25.98-26.05/USD on Monday, 11 September, UAH 26.00-26.05/USD on Tuesday, 12 September, UAH 26.04-26.13/USD on Wednesday, 13 September, UAH 26.10-26.20/USD on Thursday, 14 September, and UAH 26.18-26.26/USD on Friday, 15 September. The maximum foreign exchange sales volumes were registered on Thursday, 14 September: USD 0.237 billion (all currencies), including sales of the American currency alone for the total of USD 0.201 billion.

The overall weekly foreign exchange sales volumes on the interbank foreign exchange market totaled USD 0.97 billion.

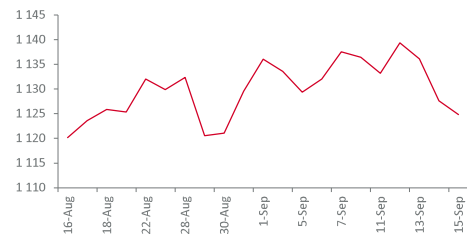
On Thursday, 14 September, the National Bank held a tender to sell foreign exchange for the total of USD 12.7 million. All in all, market participants submitted bids for purchasing foreign exchange for the total of USD 17.0 million. The weighted average exchange rate at this tender landed at UAH 26.16/USD.

INTERBANK LENDING MARKET

Over the previous week, the cost of interbank resources remained unchanged. Rates for overnight loans ranged within the limits of 11.00-13.50% per annum. The cost of weekly and monthly resources was registered at 11.00-14.00% per annum.

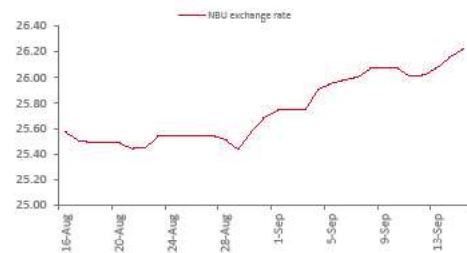
During the previous week, the balance on correspondent accounts went up. As of Friday morning, 15 September, the balance on correspondent accounts reached UAH 50.3 billion.

THE UX INDEX



Source: Ukrainian Exchange

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	16.2 (August)
Producer price growth, % year-on-year	25.4	35.7	23.6 (August)
Balance of trade, USD billions	-1.7	-5.4	-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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