



Financial markets survey

30 October 2017

A record-high without any changes

WEEKLY ISSUE

GLOBAL MARKET

The previous week was relatively quiet for financial market players. At the end of the previous week, the American Standard & Poor's 500 Index set a new historical record-high. However, by the end of the previous week, this index did not register any statistically important changes.

As of Monday, 23 October, approximately 17% of companies whose stock is used to calculate the Standard & Poor's 500 Index published their quarterly indicators. 75% of them turned out to demonstrate better-than-expected profits.

In the third quarter of 2017, the US economy grew 3.0% in annual terms. On the average, analysts expected this indicator to grow 2.7% over the previous quarter. Over the second quarter of the current year, the US GDP went up 3.1%. The last time the US economy grew at least 3.0% for two consecutive quarters was registered in 2014. At the same time, the economy has continued growing confidently despite devastating Hurricanes Harvey and Irma.

At a press-conference held during the previous week, European Central Bank President Mario Draghi stated that the ECB will not be raising the base interest rate for a long time after the quantitative easing (QE) program is over. Starting from January 2018, monthly buy-out of assets as part of the QE program will shrink from EUR 60 billion to EUR 30 billion.

On Thursday, 26 October, the US dollar swiftly appreciated against the common European currency, dropping record-low since mid July 2017. On the one hand, the House of Representatives passed the US budget resolution, which provides for a large-scale tax reform, and this facilitated the appreciation of the US dollar. On the other, expectations of traders that the European Central Bank will switch to a tougher policy did not come true. The regulator announced its intention to go on with the program of assets at low interest rates. On Friday, 27 October, trading in the "EUR/USD" pair closed at USD 1.1608/EUR.

STOCK MARKETS

Index	last	week ch., %	mon. ch., %	YTD, %
S&P 500 (US)	2,581.1	0.2	3.0	15.3
FTSE 100 (UK)	7,505.0	-0.2	2.6	5.1
MXME (East. Eur.)	157.9	-1.3	0.3	7.6
UX (Ukraine)	1,255.8	1.7	8.6	57.8
RTS (Russia)	1,118.6	-1.4	-0.7	-2.9

COMMODITIES

Commodity	last	week ch., %	mon. ch., %	YTD, %
Wheat, USD/ton	180.5	-0.6	2.6	4.3
Steel, USD/ton	487.5	0.0	-3.5	16.1
Oil, USD/barrel	60.4	4.7	5.0	2.9
Gold, USD/ounce	1,266.5	-1.2	-1.3	10.5

Source: Bloomberg

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MACROECONOMICS

Industrial output

According to information of the State Statistics Service, industrial output inched down 0.1% in September 2017 compared to September 2016 (with due consideration for an adjustment to the calendar days effect). Over January-September 2017, industrial output shrank 0.3% year-on-year.

Output in mining industry dropped 2.8% year-on-year in September 2017. In particular, coal production fell 24.2%.

In September 2017, output in processing industry grew 1.2% year-on-year. In particular, output rose 33.4% year-on-year in chemicals and chemical products and 2.2% in steel industry. Output in machine-building declined 0.3% year-on-year.

The country registered shrinking output of energy (-8.7%) and non-durable consumer goods (-0.5%) in September 2017. Output of investment goods and durable and intermediate consumer goods grew 3.0% year-on-year.

Industrial output

In September 2017, wages in Ukraine continued growing 17.2% year-on-year in real terms. Despite accelerating inflation, real wages continued rising at a more rapid pace in 2017 compared to 2016.

The average monthly nominal wage of full-time employees totaled UAH 7,351.00 in September 2017, which constitutes 230.0% of the minimum wage (UAH 3200.00). In September, the highest wages were observed in the city of Kyiv, Kyiv and Donetsk oblasts. The lowest wages were registered in Chernivtsi and Ternopil oblasts.

BOND MARKET

As a result of a tender held on Tuesday, 24 October, the Ministry of Finance of Ukraine placed internal government bonds maturing in five years for the total of UAH 1.195 billion. The weighted average interest rate for these bonds landed at 14.99% per annum. A week earlier, the Ministry of Finance placed internal government bonds maturing in five years for the total of UAH 0.387 billion, while the weighted average interest rate stood at 14.91% per annum.

In addition, the above-mentioned tender saw the placement of internal government bonds denominated in US dollars and maturing in two years for the total of USD 170.3 million. The weighted average interest rate for these bonds landed at 5.40% per annum. The last time the Ministry of Finance placed similar internal government bonds was on 15 August 2017. That time, the weighted average interest rate also stood at 5.40% per annum.

During the current week, the Ministry of Finance plans to hold a tender on 31 October. At this tender, the Ministry of Finance will offer internal government bonds denominated in hryvnia and maturing in six months to three years.

NBU OPERATIONS

The Board of the National Bank made a decision to raise the NBU discount rate from 12.50% per annum to 13.50% per annum starting from 27

LATEST MACROECONOMIC DATA

Indicator	Value
Industrial output change in September 2017, % year-on-year	-0.1
Change in real wages in September 2017, % year-on-year	17.2

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
24 Oct.	1,813 days	14.99%	7/5	1,195.37
24 Oct.	728 days, denom. USD	5.40%	7/6	170.34*

* - USD millions

Source: the Ministry of Finance of Ukraine

October 2017. The decision was made in connection with accelerating inflation. Its indicator landed at 16.4% in September 2017 in annual terms.

In the course of the previous week, market participants purchased deposit certificates for the total of UAH 48.7 billion, including overnight certificates of deposit for the total of UAH 36.9 billion. As a result of the NBU decision to raise its discount rate, the interest rates for overnight certificates of deposit grew from 10.50% per annum to 11.50% per annum. The earning rate for deposit certificates maturing in fourteen days went up from 12.50% per annum to 13.50% per annum.

On Wednesday, 25 October, the regulator satisfied one bid for placing a swap depo for the total of UAH 2.48 billion for the period of fourteen days. The interest rate for the above-mentioned transaction stood at 14.50% per annum. Same day, the National Bank held a scheduled tender to place deposit certificates maturing in three months for the total of UAH 365.0 million. The NBU set a single marginal rate at 14.35% per annum. The regulator satisfied ten out of sixteen bids submitted by market players. A week earlier, the interest rate for a similar placement totaled 14.25% per annum. The next tender to place deposit certificates maturing in three months will be held on 1 November.

During the previous week, the overall level of the banking system liquidity went up because of an increase in the volume of deposit certificates in circulation.

STOCK MARKET

The Ukrainian Exchange (UX) Index continued growing in the course of the previous week and rose 1.7% by the end of the previous week. The UX Index closed at 1,255.80 points on Friday, 27 October.

The UX Index grew 8.6% in monthly terms and 57.8% since the beginning of the current year.

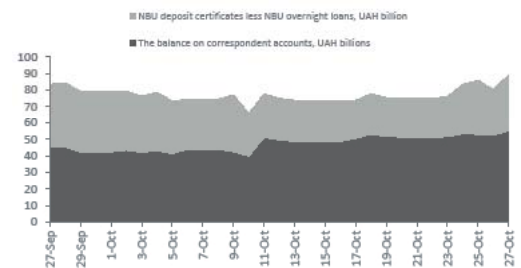
FOREIGN EXCHANGE MARKET

The Ukrainian national currency depreciated at a rapid pace during the previous week. On Friday, 27 October, the weighted average interbank exchange rate landed at UAH 26.88/USD, which is a record-high exchange rate since the second half of April 2017.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.54-26.62/USD on Monday, 23 October, UAH 26.62-26.73/USD on Tuesday, 24 October, UAH 26.74-26.83/USD on Wednesday, 25 October, UAH 26.80-26.85/USD on Thursday, 26 October, and UAH 26.80-26.93/USD on Friday, 27 October. The maximum foreign exchange sales volumes were registered on Friday, 27 October: USD 341 million (all currencies), including sales of the American currency alone for the total of USD 300 million. The overall weekly foreign exchange sales volumes on the interbank foreign exchange market totaled USD 1.3 billion.

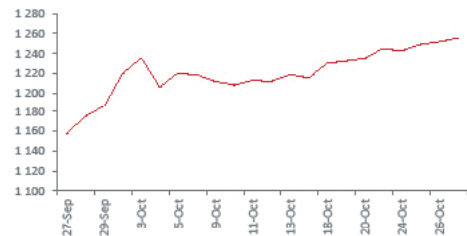
On 27 October, the National Bank held a tender to sell foreign exchange to banks. All in all, the regulator satisfied bids for the total of USD 86.1 million out of USD 100.4 million submitted by participants in this tender. The weighted average exchange rate at this tender landed at UAH 26.8649/USD.

BANKING SYSTEM LIQUIDITY



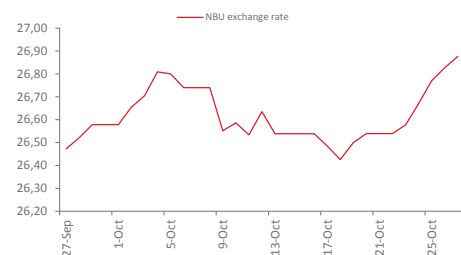
Source: NBU

THE UX INDEX



Source: Ukrainian Exchange

EXCHANGE RATE (UAH/USD)



Source: NBU



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.

By the end of the previous week, the balance on correspondent accounts went up. As of Friday morning, 27 October, the balance on correspondent accounts was registered at UAH 55.2 billion.

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2015	2016	2017
GDP, %	-9.9	2.3	2.3 (second quarter)
Industrial output, %	-13.4	2.4	-0.1 (September)
Consumer price growth, % year-on-year	43.3	12.4	16.4 (September)
Producer price growth, % year-on-year	25.4	35.7	22.4 (September)
Balance of trade, USD billions	-1.7	-5.4	-3.6 (January-August)
Weighted average interbank exchange rate, annual average, UAH/USD	21.85	25.55	26.48 (January-September)
Weighted average interbank exchange rate, by year end, UAH/USD	24.00	27.19	26.58 (September)
Banking system assets, % of growth	-4.7	0.2	1.9 (January-September)

Source: the State Statistics Service, NBU

PRICES FOR PRIMARY COMMODITIES, USD/T

Commodity	By the end of the period											
	Last	Sept 2017	Aug 2017	Jul 2017	Jun 2017	May 2017	Apr 2017	Mar 2017	Feb 2017	Jan 2017	Dec 2016	Nov 2016
Steel, slab, CIS Export Black Sea	487.5	505.0	465.0	422.5	382.5	407.5	415.0	425.0	422.5	405.0	420.0	395.0
Steel, hot-rolled coil, CIS Export Black Sea/Baltic Sea	547.5	592.5	560.0	497.5	440.0	435.0	445.0	487.5	485.0	485.0	495.0	482.5
Wheat, Ukraine, FOB Black Sea	180.5	179.0	163.5	171.0	168.5	176.0	176.0	180.0	179.0	175.0	173.0	171.5

Source: Bloomberg



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