

Financial markets survey

06 November 2017

Consumer boom

WEEKLY ISSUE

GLOBAL MARKET

In the course of the last two weeks, the US stock market was registering a weak upward trend. Over the previous week, the Standard & Poor's 500 Index rose 0.3% and set a new historical record-high again.

During the previous week, growth drivers of the American market were mainly indicators of corporate reporting and statistical data. In September, household expenditures in the US jumped 1.0% compared to the previous month. This growth turned out to be a record-high since August 2009 thanks to demand for motor vehicles: after the devastating hurricanes, Americans have to restore vehicles and equipment destroyed during the cataclysms. In October 2017, the Consumer Confidence Index in the US grew to 125.9 points, which was a record-high since December 2000.

Data on the euro-area consumer market also turned out to be rather positive. In October 2017, the Euro-Area Economic Sentiment Indicator rose to 114.0 points from the revised 113.1 points in September 2017. The October value of this index is a record-high from January 2001.

The British FTSE 100 Index also set new historical record-highs at the end of the previous week, registering weekly growth of 0.7%. The index is growing with depreciation of the British pound sterling in the background. On 2 November, the Bank of England raised the base rate for the first time over the last ten years.

In the course of the previous week, the US dollar exchange rate against the common European currency remained absolutely flat, checking how stable the exchange rate shaped a week earlier was. During the previous week, market players did not see any factors that were capable of supporting appreciation of the US dollar or letting the euro win its former positions back. On Friday, 3 November, 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) | 2,587.8 | 0.3 | 2.0 | 15.6 |
| FTSE 100 (UK) | 7,560.4 | 0.7 | 1.2 | 5.8 |
| MXME (East. Eur.) | 157.3 | -0.4 | -1.0 | 7.2 |
| UX (Ukraine) | 1,255.3 | 0.0 | 4.1 | 57.7 |
| RTS (Russia) | 1,109.4 | -0.8 | -2.4 | -3.7 |

COMMODITIES

| Commodity | last | week ch., % | mon. ch., % | YTD, % |
|-----------------|---------|-------------|-------------|--------|
| Wheat, USD/ton | 180.5 | 0.0 | 0.8 | 4.3 |
| Steel, USD/ton | 487.5 | 0.0 | -3.5 | 16.1 |
| Oil, USD/barrel | 62.1 | 3.2 | 11.6 | 5.8 |
| Gold, USD/ounce | 1,267.2 | 0.1 | -0.6 | 10.6 |

Source: Bloomberg

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MACROECONOMICS

Balance of payments

In September 2017, deficit of Ukraine's current account balance went up and totaled USD 998.0 million against a deficit of USD 943.0 million registered in September of the previous year. Over January-September 2017, deficit of the country's current account balance stood at USD 3.0 billion against a deficit of USD 2.7 billion registered over the same period in 2016.

Over January-September 2017, exports of goods grew 20.7%, while imports went up 21.9%. In September, exports of goods rose 15.8% year-on-year. Exports of goods grew thanks to expanding deliveries of food products: sunflower oil, butter and grain crops. Exports of steel products rose 7.6% year-on-year.

In September 2017, imports of goods grew thanks to both energy and non-energy imports. In particular, energy imports soared 38.7%, while non-energy imports rose 16.0%. Imports of machine-building products grew 30.4% year-on-year thanks to rising imports of passenger cars.

Net investments provided from abroad (the total balance of the current account and the capital account) reached USD 3.0 billion over January-September 2017, while the same indicator registered over January-September 2016 totaled USD 2.6 billion.

A negative balance under the item "primary revenues" totaled USD 611 million because of payments to service the debt for external government bonds. Net inflows under the financial account reached USD 5.0 billion over January-September 2017 against USD 3.6 billion registered over the same period last year. In September, net inflows under the financial account landed at USD 1.6 billion and were provided mainly through selling external government bonds.

Surplus of Ukraine's consolidated balance of payments went up and reached USD 637.0 million in September 2017. As of 1 October 2017, Ukraine's total stocks of international reserves landed at USD 18.6 billion.

BOND MARKET

As a result of a primary tender held on Tuesday, 31 October, the Ministry of Finance of Ukraine placed internal government bonds maturing in one, two and three years for the total of UAH 1.1 billion. Interest rates for internal government bonds placed at this tender grew 0.45-0.60 percentage points compared to similar bonds that were placed earlier, which is connected with a recent increase of the NBU discount rate.

During the current week, the Ministry of Finance plans to hold a tender on 7 November. At this tender, the Ministry of Finance will offer internal government bonds denominated in hryvnia and maturing in three months to three years.

NBU OPERATIONS

In the course of the previous week, market participants purchased deposit certificates for the total of UAH 61.5 billion, including overnight certificates of deposit for the total of UAH 49.1 billion. A week earlier, market players purchased certificates of deposit for the total of UAH 48.7 billion. The interest rates for overnight certificates of deposit stood at 11.50% per annum. The earning rate for deposit certificates maturing in fourteen days totaled 13.50% per annum.

LATEST MACROECONOMIC DATA

| Indicator | Value |
|---|--------|
| Current account balance in September 2017, USD millions | -998.0 |

Source: NBU

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 |
|-------------------|-----------------------------------|-----------------------|------------------------|----------------------------|
| 31 Oct. | 308 days | 14.65% | 2/2 | 519.32 |
| 31 Oct. | 637 days | 14.85% | 1/1 | 266.99 |
| 31 Oct. | 1,022 days | 14.88% | 4/4 | 356.55 |

Source: the Ministry of Finance of Ukraine

On Wednesday, 1 November, the National Bank held a scheduled tender to place deposit certificates maturing in three months for the total of UAH 274.0 million. The NBU set a single marginal rate at 15.00% per annum. The regulator satisfied nine out of twelve bids submitted by market players. A week earlier, the National Bank placed deposit certificates maturing in three months for the total of UAH 365.0 million, and the interest rate totaled 14.35% per annum.

The next tender to place deposit certificates maturing in three months will be held on 8 November.

During the previous week, the overall level of the banking system liquidity went down because of a drop in the balance on correspondent accounts.

STOCK MARKET

The dynamics of the Ukrainian Exchange (UX) Index was not uniform in the course of the previous week. By the end of the previous week, the UX Index did not register any statistically important changes. The UX Index closed at 1,255.34 points on Friday, 3 November.

The UX Index grew 4.1% in monthly terms and 57.7% since the beginning of the current year.

FOREIGN EXCHANGE MARKET

The Ukrainian national currency depreciated swiftly over the previous week. On Friday, 3 November, the weighted average interbank exchange rate went up to UAH 26.96/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.80-26.86/USD on Monday, 30 October, UAH 26.84-26.90/USD on Tuesday, 31 October, UAH 26.85-26.91/USD on Wednesday, 1 November, UAH 26.90-26.96/USD on Thursday, 2 November, and UAH 26.93-26.99/USD on Friday, 3 November. The maximum foreign exchange sales volumes were registered on Friday, 3 November: USD 230 million (all currencies), including sales of the American currency alone for the total of USD 180 million.

The overall weekly foreign exchange sales volumes on the interbank foreign exchange market totaled USD 1.0 billion against USD 1.3 billion registered a week earlier.

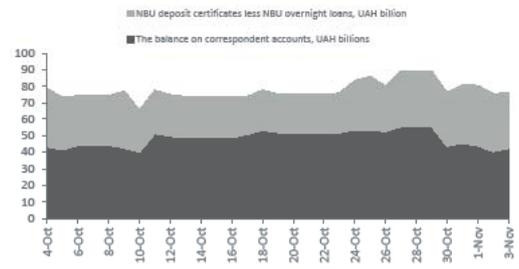
During the previous week, the National Bank did not hold any tenders to purchase or sell foreign exchange with banks.

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.

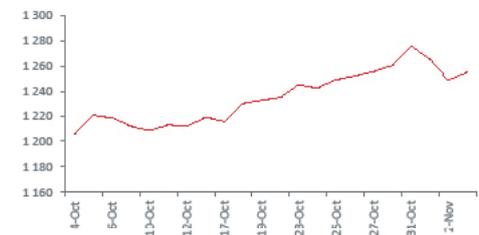
By the end of the previous week, the balance on correspondent accounts declined seriously. As of Friday morning, 3 November, the balance on correspondent accounts was registered at UAH 42.1 billion.

BANKING SYSTEM LIQUIDITY



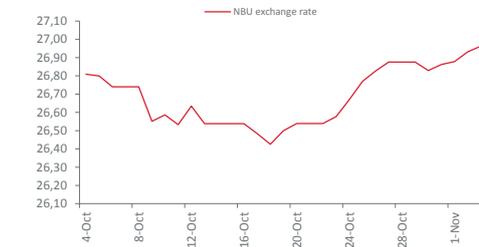
Source: NBU

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 | 2.3 (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 | -4.3 (January-September) |
| Weighted average interbank exchange rate, annual average, UAH/USD | 21.85 | 25.55 | 26.66 (January-October) |
| Weighted average interbank exchange rate, by year end, UAH/USD | 24.00 | 27.19 | 26.86 (October) |
| 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 value | Oct 2017 | Sept 2017 | Aug 2017 | Jul 2017 | Jun 2017 | May 2017 | Apr 2017 | Mar 2017 | Feb 2017 | Jan 20 17 | Dec 2016 |
| Steel, slab, CIS Export Black Sea | 487.5 | 487.5 | 505.0 | 465.0 | 422.5 | 382.5 | 407.5 | 415.0 | 425.0 | 422.5 | 405.0 | 420.0 |
| Steel, hot-rolled coil, CIS Export Black Sea/Baltic Sea | 547.5 | 547.5 | 592.5 | 560.0 | 497.5 | 440.0 | 435.0 | 445.0 | 487.5 | 485.0 | 485.0 | 495.0 |
| Wheat, Ukraine, FOB Black Sea | 180.5 | 180.5 | 179.0 | 163.5 | 171.0 | 168.5 | 176.0 | 176.0 | 180.0 | 179.0 | 175.0 | 173.0 |

Source: Bloomberg



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