

Financial markets survey

20 November 2017

The trend has not changed

WEEKLY ISSUE

GLOBAL MARKET

Over the previous week, trends on the leading stock markets across the world remained practically unchanged. For the third consecutive week, the US stock market has been staying in a side trend. By the end of the previous week, the Standard & Poor's 500 Index did not register any statistically important changes. The British FTSE 100 Index lost 0.7% over the previous week and returned to the levels registered at the beginning of October 2017. Growth of this index pushed by depreciation of the British currency did not turn out to be sustainable.

The previous week was marked by rapidly shrinking petroleum prices. The US energy inventories have been growing for the second consecutive week. This is raising anxiety among experts regarding the excess supply on the market.

During the previous week, anxiety was registered on other commodity markets. In particular, prices for nickel and iron ore dropped sharply. Markets are getting nervous because of uncertainty related to the statistical data from China, which turned out to be weaker than expected and can be the evidence of deeper structural reforms in the country and their broader aftereffects. In particular, the broad money aggregate M2 (the broadest indicator) in China grew 8.8% in annual terms in October 2017. This growth turned out to be record-slow over the entire history of observations – since January 1996.

On Tuesday, 14 November, the US dollar depreciated swiftly against the common European currency, returning to the exchange rate registered two weeks ago. Moods of investors changed quickly after the news that republican senators may postpone lower corporate taxes for a year. In addition, GDP growth in the euro-area countries turned out to be higher than forecast at the beginning of the current year. The European Commission upgraded its forecast for the euro-area GDP for 2017 to 2.2% from 1.7% expected in May. If these forecasts come true, this will be a record-high growth rate over the last decade. On Friday, 17 November, trading in the "EUR/USD" pair closed at USD 1.1790/EUR.

STOCK MARKETS

Index	last	week ch., %	mon. ch., %	YTD, %
S&P 500 (US)	2,578.9	-0.1	0.7	15.2
FTSE 100 (UK)	7,380.7	-0.7	-2.2	3.3
MXME (East. Eur.)	160.9	-1.0	-0.8	9.6
UX (Ukraine)	1,283.7	1.1	4.3	61.3
RTS (Russia)	1,132.5	-2.1	-1.3	-1.7

COMMODITIES

Commodity	last	week ch., %	mon. ch., %	YTD, %
Wheat, USD/ton	180.0	0.0	0.0	4.3
Steel, USD/ton	-0.8	4.0	-2.5	16.1
Oil, USD/barrel	465.0	-4.6	-4.6	10.7
Gold, USD/ounce	62.7	-1.3	8.5	6.9

Source: Bloomberg

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MACROECONOMICS

Agriculture

According to information of the State Statistics Service, agricultural output in Ukraine shrank 2.3% over January-October 2017 compared to the same period in 2016. In particular, plant-growing output dropped 2.9%, while livestock breeding output slipped 0.5% over the above-mentioned period. At that, output at agricultural enterprises shrank more seriously than output at private farms (-3.6% versus -0.7%).

Over January-October 2017, agricultural output fell in ten Ukrainian oblasts. Output in Cherkasy oblast shrank most seriously (-12.4%).

Over this period, agricultural output grew the most in Ternopil oblast – 7.6%.

NBU OPERATIONS

During the previous week, the National Bank provided three overnight refinancing loans for the total of UAH 33.0 million. Also, on 15 November, the regulator satisfied one bid for a refinancing loan totaling UAH 3.0 billion for the period of eighty-four days. This is a record-high refinancing loan provided since the beginning of the current year. The interest rate for the above-mentioned refinancing loans stood at 15.50% per annum.

In the course of the previous week, market participants purchased deposit certificates for the total of UAH 17.7 billion, including overnight certificates of deposit for the total of UAH 12.2 billion. A week earlier, market players purchased certificates of deposit for the total of UAH 52.7 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.

On Wednesday, 15 November, the National Bank held a scheduled tender to place deposit certificates maturing in three months for the total of UAH 300.0 million. The NBU set a single marginal rate at 15.25% 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 amount and interest rate identical to the ones of the aforementioned tender.

During the previous week, the overall level of the banking system liquidity went down because of a serious drop in the volume of deposit certificates in circulation.

STOCK MARKET

During the previous week, the dynamics of the Ukrainian Exchange (UX) Index was not uniform. Over Monday-Wednesday, the UX Index was going down. On Thursday, 16 November, the market made a U-turn, and rapid growth could be witnessed for the rest of the previous week. On Friday, 17 November, the UX Index closed at 1,283.69 points, having grown 1.1% over the previous week.

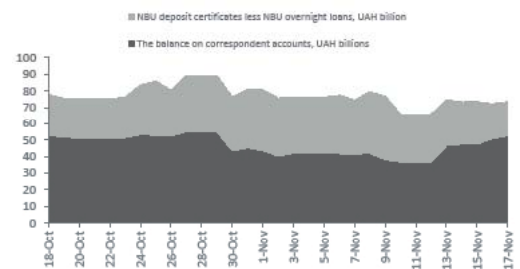
The UX Index grew 4.3% in monthly terms and 61.3% since the beginning of the current year.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output over January-October 2017, % year-on-year	-2.3

Source: the State Statistics Service

**BANKING SYSTEM
LIQUIDITY**



Source: NBU

THE UX INDEX



Source: Ukrainian Exchange

FOREIGN EXCHANGE MARKET

The exchange rate of the Ukrainian national currency remained practically unchanged in the course of the previous week. On Friday, 17 November, the weighted average interbank exchange rate landed at UAH 26.4991/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.47-26.52/USD on Monday, 13 November, UAH 26.47-26.53/USD on Tuesday, 14 November, UAH 26.46-26.51/USD on Wednesday, 15 November, UAH 26.45-26.50/USD on Thursday, 16 November, and UAH 26.47-26.53/USD on Friday, 17 November. The maximum foreign exchange sales volumes were registered on Friday, 17 November: USD 214 million (all currencies), including sales of the American currency alone for the total of USD 165 million.

The overall weekly foreign exchange sales volumes on the interbank foreign exchange market totaled USD 0.96 billion against USD 1.2 billion registered a week earlier.

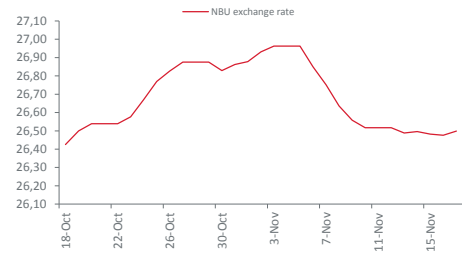
During the previous week, the National Bank did not hold any tenders to purchase or sell foreign exchange with banks.

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.

The balance on correspondent accounts went up UAH 16.0 billion over the previous week. As of Friday morning, 17 November, the balance on correspondent accounts was registered at UAH 52.8 billion.

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	14.6 (October)
Producer price growth, % year-on-year	25.4	35.7	18.8 (October)
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	465.0	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	530.0	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	180.0	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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