

Financial markets survey

20 February 2017

Setting new records

WEEKLY ISSUE

GLOBAL MARKET

A sweeping rally on the US stock market continued during the previous week. Indices of stock platforms set their new historical record-highs again. In particular, the S&P 500 Index grew 1.5% by the end of the previous week and 5.0% by the end of seven weeks that have passed since the beginning of the current year.

Last week, optimistic moods of investors grew stronger as economic statistical data came in. Practically all key indicators that came in during the previous week turned out to be better than analysts forecast.

In January, the Small Business Optimism Index in the US set a new record-high since 2004. January indicators of retail sales and consumer price growth turned out to be better than forecast. A seasonal decline of industrial output in January 2017 turned out to be smaller than forecasts.

In the course of hearings on financial services in the House of Representatives of the US Congress, Chair of the Board of Governors of the US Federal Reserve System (FRS) Janet Yellen mentioned that the US economy was close to the objectives set by the FRS, meaning the rate of inflation at approximately at 2% and the rate of unemployment close to zero. The FRS will continue cutting down incentives for the economy, but will do it gradually and with due consideration for statistical data.

Nevertheless, petroleum prices registered a downward trend over the previous week. Investors are concerned about signals indicating that the US is increasing oil well boring and petroleum production. The indicator of oil derricks operating in the US has been growing for four consecutive weeks.

During the previous week, the dynamics of the US dollar against the common European currency was not uniform. In the middle of the previous week, an appreciating trend suddenly changed into a depreciating one. However, on Friday, the US dollar resumed appreciation and, by the end of the previous week, the US dollar appreciated against the euro. On Friday, 17 February, trading in the "euro/US dollar" pair closed at USD 1.0611/EUR.

STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	2,351.2	1.5%	3.5%	5.0%
FTSE 100 (UK)	7,300.0	0.6%	0.7%	2.2%
MXME (East. Eur.)	152.6	1.0%	3.0%	4.0%
UX (Ukraine)	920.8	2.0%	7.4%	15.7%
RTS (Russia)	1,152.2	-1.0%	0.0%	0.0%

COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat, USD/ton	176.0	0.0%	1.7%	1.7%
Steel, USD/ton	363.0	-8.1%	-8.1%	-6.4%
Oil, USD/barrel	55.8	-1.6%	3.5%	-1.8%
Gold, USD/ounce	1,235.2	0.1%	2.6%	7.3%

Source: Thomson Reuters

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MACROECONOMICS

Agriculture

In January 2017, agricultural output in Ukraine shrank 2.4%. In particular, output at agricultural enterprises dropped 2.9%, while output at private farms went down 1.8%. From January through May, calculations of agricultural output are made based on data related to livestock-breeding products.

In January, agricultural output grew in seven oblasts: Cherkassy oblast, Chernihiv oblast, Khmelnytskyi oblast, Kyiv oblast, L'viv oblast, Rivne oblast, and Volyn oblast. Agricultural output in these oblasts grew mainly thanks to agricultural enterprises.

BOND MARKET

On 14 February, the Ministry of Finance of Ukraine held a scheduled tender to place internal government bonds. Market participants were offered six types of internal government bonds maturing in three months to three years. As a result of this tender, the Ministry of Finance managed to raise UAH 1.739 billion to the State Budget of Ukraine. Market participants purchased bonds maturing in two and three years.

At the next tender, scheduled for 21 February, the Ministry of Finance plans to offer four types of internal government bonds denominated in hryvnia and maturing in three months to one year.

NBU OPERATIONS

On 13 February, the National Bank allocated one overnight loan for the total of UAH 21.0 million. On 15 and 16 February, the National Bank provided one overnight loan for the total of UAH 50.0 million each. The interest rate for refinancing overnight loans of the NBU continued to stay at 16.00% per annum.

The total sum of NBU deposit certificates placed during the previous week reached UAH 38.1 billion against UAH 68.5 billion placed a week earlier, including overnight certificates of deposit totaling UAH 16.5 billion. The interest rates for overnight certificates of deposit and for deposit certificates maturing in fourteen days continued to stay at 12.00% per annum and at 14.00% per annum respectively.

By the end of the previous week, the overall level of the banking system liquidity remained unchanged, as a drop in the volume of deposit certificates in circulation was compensated by an increase in the balance on correspondent accounts.

STOCK MARKET

On Monday, 13 February, the Ukrainian Exchange (UX) Index reached a local record-high and closed at 942.57 points. During subsequent days of the previous week, the dynamics of the UX Index was not uniform. In the end, a downward trend prevailed. On Friday, 17 February, the UX Index closed 920.79 points. Over the previous week, the UX Index rose 2.0%. Since the beginning of the current year, the UX Index grew 15.7%.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output in January 2017, % year-on-year	-2.4

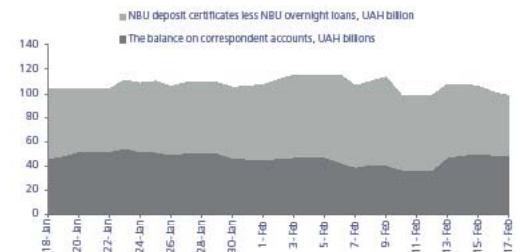
Source: the State Statistics Service

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
14 February	686 days	15.40%	4/2	356.64
14 February	1,064 days	15.49%	7/4	1,382.64

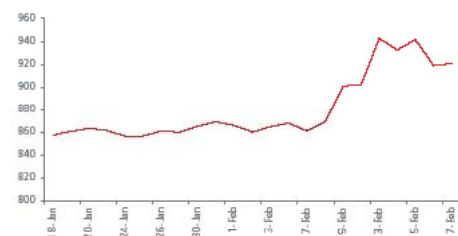
Source: the Ministry of Finance of Ukraine

BANKING SYSTEM LIQUIDITY



Source: NBU

THE UX INDEX



Source: Thomson Reuters

FOREIGN EXCHANGE MARKET

Last week, the dynamics of the exchange rate of the Ukrainian national currency was not uniform. However, by the end of the previous week, the exchange rate of the national currency appreciated. On Friday, 17 February, the exchange rate was registered at UAH 27.026/USD.

Trading on the interbank foreign exchange market ranged within the following limits: UAH 27.05-27.25/USD on Monday, 13 February, UAH 27.10-27.30/USD on Tuesday, 14 February, UAH 26.95-27.05/USD from Wednesday through Friday, 15-17 February. The maximum foreign exchange sales volumes were registered on Thursday, 16 February: USD 0.178 billion (all currencies), including sales of the American currency alone for the total of USD 0.143 billion.

During the previous week, the overall foreign exchange sales on the interbank foreign exchange market totaled USD 0.771 billion against USD 0.738 billion registered a week earlier.

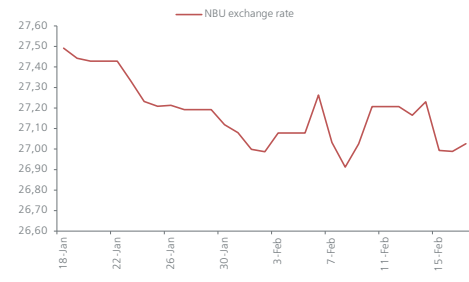
Over the previous week, the regulator held two tenders to purchase foreign exchange on the interbank foreign exchange market. On Wednesday, 15 February, the National Bank purchased USD 33.2 million, having satisfied all bids of banks that day. On Thursday, 16 February, market participants sold USD 28.4 million to the regulator. The weighted average exchange rate for these purchases totaled UAH 26.990/USD (15 February) and UAH 26.996/USD (16 February). On the whole, since the beginning of 2017, the National Bank sold USD 275.5 million. NBU purchases of foreign exchange totaled USD 214.9 million since the beginning of the current year.

INTERBANK LENDING MARKET

Over the last three weeks, the cost of interbank loans has remained unchanged. Rates for overnight loans stood at 11.00-13.00% per annum. The cost of interbank weekly and monthly resources landed at 12.00-13.00% per annum and 12.50-15.00% per annum respectively.

During the previous week, the balance on correspondent accounts went up and, for the entire previous week, stood above UAH 47.0 billion. As of Friday morning, 17 February, the balance on correspondent accounts stood at UAH 48.6 billion.

EXCHANGE RATE (UAH/USD)



Source: NBU

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2014	2015	2016
GDP, %	-9.9	2.0 (third quarter)	
Industrial output, %	-13.4	2.4	
Consumer price growth, % year-on-year	43.3	12.4	12.6
Producer price growth, % year-on-year	25.4	35.7	36.8
Balance of trade, USD billions	-1.7	-5.4	
Official exchange rate, annual average, UAH/USD			
Weighted average interbank exchange rate, annual average, UAH/USD	21.85	25.54	
Weighted average interbank exchange rate, by year end, UAH/USD	24.00	27.19	
Banking system assets, % of growth	-4.7	0.2	

Source: the State Statistics Service, NBU



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