GlobalSource UKRAINE MONTHLY REPORT

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# The IMF Stress Test

March 12, 2009

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## EXECUTIVE SUMMARY

The IMF's decision to postpone the next tranche of its loan to Ukraine has prompted negative reactions from world financial markets: investors perceived the delay as a signal of pre-default stance of the country; Standard & Poor's even downgraded Ukraine's sovereign debt. We think this is an overreaction: we see these gestures as part of the high-stakes bargaining between the Fund and the Ukrainian authorities.

The second tranche isn't, in any case, critical to the Ukrainian economy. It's for only $1.9 billion, less than the Central Bank spends on F/X intervention in a month. Yet the suspension has had a serious negative political effect, as political pressure laid the groundwork for the Fund's decision.

The IMF is heavily invested in lending to Ukraine, since this is linked to Eastern Europe>>>

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