

Daily Insight

NBU supports liquidity

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MONDAY, 19 DECEMBER 2016

Ukraine's hryvnia exchange rate per US dollar (three months through 16 December 2016)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 16 December 2016)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	N/A		
Overnight rate (interbank)	N/A		
Banks reserves (UAHm)	51,972	-2.34	+35.13
Deposit certificates* (UAHm)	35,785	+5.44	-58.77
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.2350	-0.44	+9.19
Total trade volume (US\$m)	241.26	+15.70	-33.59
UAH index PCI-based	100.425	+0.37	+2.18
UAH index PPI-based	132.606	+0.37	+0.62
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	720bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,258.07	-0.18	+10.48
MSCI EM	856.40	-0.26	+7.84
US dollar index (DXY)	102.950	-0.07	+4.38
EUR / USD	1.0451	+0.36	-3.78
Crude oil WTI (US\$/bbl)	51.90	+1.96	+40.12
Crude oil BRENT (US\$/bbl)	55.21	+2.20	+54.43
CRB, commodities index	191.43	+0.50	+8.68
Gold (US\$/ounce)	1,134.84	+0.55	+6.92

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

NBU supports liquidity

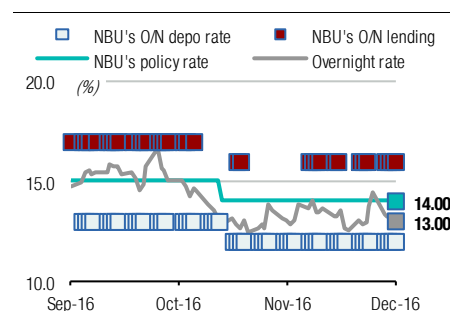
Last week, the NBU issued more than UAH3.0bn in loan refinancing to support liquidity, causing banking sector liquidity to rise to above UAH87bn, the highest this month and since August 2016.

On Friday, banking sector liquidity rose to UAH87.76bn as banks' correspondent accounts with the NBU declined to UAH51.97bn while total CDs outstanding rose to UAH35.79bn.

Investment implications: The NBU, along with several banks, is trying to prepare for a significant decline in liquidity this week, particularly as month-end tax payments begin on Wednesday. The largest outflows could be caused by withdrawing local budget deposits from banks for deposit to the treasury account at the NBU.

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Interest rates in the banks' reserves market (three months through 16 December 2016)



Source: Bloomberg, ICU.

Key indicators (as of 16 December 2016)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	N/A	N/A	N/A	N/A	N/A
Overnight	N/A	N/A	N/A	N/A	N/A
KYIV PRIME RATES (%)					
Overnight	13.50	+0bp	+0bp	+8bp	-556bp
1 week	14.50	+0bp	+0bp	+0bp	-550bp
1 month	16.33	+0bp	-17bp	-34bp	-592bp
2 months	18.00	+0bp	+0bp	-17bp	-550bp
3 months	18.17	+0bp	+17bp	-16bp	-558bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	51,972	-2.34	+36.93	+16.28	+35.13
DepCerts ³	35,785	+5.44	-12.29	-5.49	-58.77
Total	87,757	+0.69	+11.43	+6.30	-29.94
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	356,146	+0.00	+0.00	-1.90	-6.23
Banks	166,146	+5.03	+6.11	+5.78	+103.7
Residents	14,634	+2.52	+6.72	+6.28	-30.31
Non-res ⁴	6,294	-0.03	-29.20	-42.40	-71.78
Total	543,219	+1.55	+1.48	-0.29	+7.63
IMPLIED YIELDS OF THE UAH NDF MARKET (%)					
3 months	18.81	+8bp	-7bp	-813bp	+0bp
6 months	18.46	+0bp	+1bp	-398bp	-11ppt
9 months	18.56	+7bp	-8bp	-244bp	-468bp
1 year	17.33	+7bp	-5bp	-188bp	+997bp
UKRAINE SOVEREIGN EUROBOND MARKET					
CDS 5yr	720	+0bp	+0bp	+87bp	+0bp

Notes: [1] NBU's key policy rate; [2] stock of banks' reserves held at NBU; [3] stock of NBU's short-term bonds; [4] non-residents.

Source: Bloomberg, ICU.

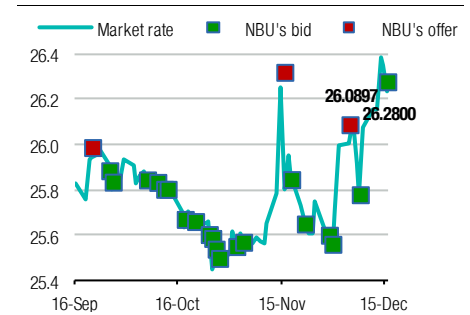
Foreign exchange markets

Key indicators (as of 16 грудня 2016)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.2350	-0.44	+0.61	+1.69	+9.19
USD ¹	102.950	-0.07	+1.34	+2.53	+4.38
EUR	1.0451	+0.36	-1.04	-2.24	-3.78
JPY	117.9300	-0.21	+2.26	+8.11	-1.90
GBP ²	1.2496	+0.63	-0.60	+0.43	-15.20
CNY	6.9615	+0.21	+0.77	+1.18	+7.20
RUB	62.0650	+0.44	-0.64	-4.14	-14.42

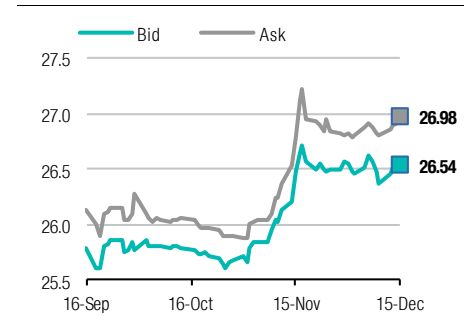
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 16 December 2016)



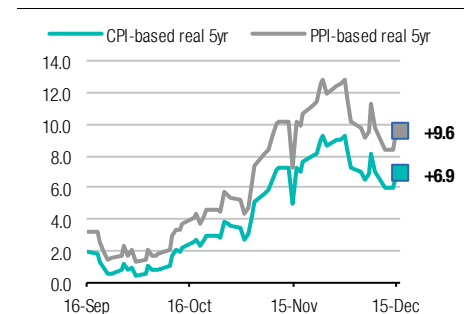
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 16 December 2016)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 16 December 2016)



Notes: [1] "+" overvalued, "-" undervalued; [2] based on the UAH's CPI- and PPI-based real TWIs. Source: ICU.

Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU [website](#).

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