

Daily Insight

Liquidity back below UAH90bn

Key messages of the today's comments

Domestic liquidity 2

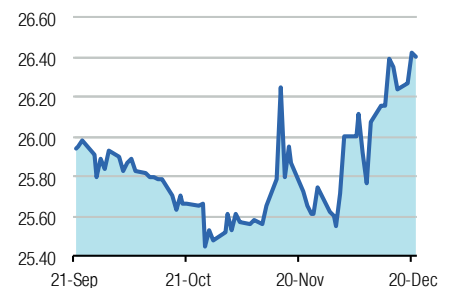
Liquidity back below UAH90bn 2

After a significant increase in liquidity that was caused by an irregularity of cashflows due to the PrivatBank nationalization and support issued by the NBU, banking sector liquidity moved back below UAH90bn yesterday, more than usual for this month, down UAH12.86bn to UAH88.76bn.

Foreign exchange markets 3

THURSDAY, 22 DECEMBER 2016

Ukraine's hryvnia exchange rate per US dollar (three months through 21 December 2016)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 21 December 2016)

| | Last | Daily chg (%) | YTD chg (%) |
|---|----------|---------------|-------------|
| DOMESTIC LIQUIDITY | | | |
| NBU key policy rate (%) | 14.00 | +0bp | -800bp |
| Overnight rate (interbank) | 13.60 | +20bp | -400bp |
| Banks reserves (UAHm) | 49,231 | -20.18 | +28.00 |
| Deposit certificates* (UAHm) | 39,528 | -35.83 | -70.78 |
| FOREIGN EXCHANGE MARKET | | | |
| UAH per US dollar | 26.4050 | -0.08 | +9.89 |
| Total trade volume (US\$m) | 126.99 | -15.53 | -65.04 |
| UAH index PCI-based | 99.681 | -0.34 | +1.42 |
| UAH index PPI-based | 131.624 | -0.34 | -0.12 |
| UKRAINE SOVEREIGN EUROBOND MARKET | | | |
| CDS 5yr | 720bp | +0bp | +0bp |
| GLOBAL FINANCIAL MARKET INDICATORS | | | |
| S&P 500 | 2,265.18 | -0.25 | +10.82 |
| MSCI EM | 851.17 | -0.02 | +7.18 |
| US dollar index (DXY) | 103.020 | -0.26 | +4.45 |
| EUR / USD | 1.0424 | +0.35 | -4.03 |
| Crude oil WTI (US\$/bbl) | 52.49 | -1.52 | +41.71 |
| Crude oil BRENT (US\$/bbl) | 54.46 | -1.61 | +52.34 |
| CRB, commodities index | 190.78 | +0.11 | +8.31 |
| Gold (US\$/ounce) | 1,131.59 | -0.06 | +6.61 |

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity back below UAH90bn

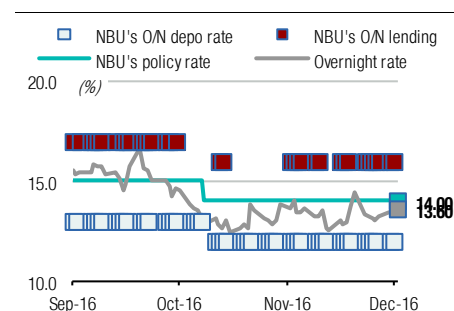
After a significant increase in liquidity that was caused by an irregularity of cashflows due to the PrivatBank nationalization and support issued by the NBU, banking sector liquidity moved back below UAH90bn yesterday, more than usual for this month, down UAH12.86bn to UAH88.76bn.

Banks' correspondent accounts with the NBU fell UAH12.45bn to UAH49.23bn while total CDs' outstanding declined just UAH0.41bn to UAH39.53bn, with a decrease in the amount of ON CDs and a large increase in 10-days CDs, with maturity prior to the New Year.

Investment implications: *This short-lived increase in liquidity and significant decline yesterday was not caused by month-end tax payments, as the state budget collected just UAH2.49bn of revenues. Moreover, the local budget could have withdrawn deposits from the banking system, which could have had the main impact on liquidity. According to NBU data, the amount of funds withdrawn from deposit accounts at PrivatBank were not significant enough to cause such a decline in liquidity.*

Taras Kotovych, Kyiv, (044) 220-0120 ext.724

Interest rates in the banks' reserves market (three months through 21 December 2016)



Source: Bloomberg, ICU.

Key indicators (as of 21 December 2016)

| | Last | Daily | Weekly | Monthly | YTD |
|---|----------------|---------------|---------------|--------------|---------------|
| | chg (%) | chg (%) | chg (%) | chg (%) | chg (%) |
| BANKS' RESERVES MARKET (%) | | | | | |
| NBU rate ¹ | 14.00 | +0bp | +0bp | +0bp | -800bp |
| Overnight | 13.60 | +20bp | +50bp | +0bp | -400bp |
| KYIV PRIME RATES (%) | | | | | |
| Overnight | 13.33 | -17bp | -17bp | -34bp | -573bp |
| 1 week | 14.50 | +0bp | +0bp | -17bp | -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 | 49,231 | -20.18 | +3.08 | +27.05 | +28.00 |
| DepCerts ³ | 39,528 | -35.83 | -28.34 | -23.68 | -70.78 |
| Total | 88,759 | -18.56 | -13.06 | +0.42 | -42.29 |
| BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION) | | | | | |
| NBU | 356,146 | +0.00 | +0.00 | -1.52 | -6.23 |
| Banks | 166,605 | +0.07 | +6.00 | +6.12 | +104.2 |
| Residents | 14,749 | +0.85 | +4.49 | +8.43 | -29.76 |
| Non-res ⁴ | 6,328 | +0.24 | -29.61 | -38.14 | -71.63 |
| Total | 543,828 | +0.05 | +1.38 | +0.25 | +7.76 |
| IMPLIED YIELDS OF THE UAH NDF MARKET (%) | | | | | |
| 3 months | N/A | N/A | N/A | N/A | N/A |
| 6 months | N/A | N/A | N/A | N/A | N/A |
| 9 months | N/A | N/A | N/A | N/A | N/A |
| 1 year | N/A | N/A | N/A | N/A | N/A |
| 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.

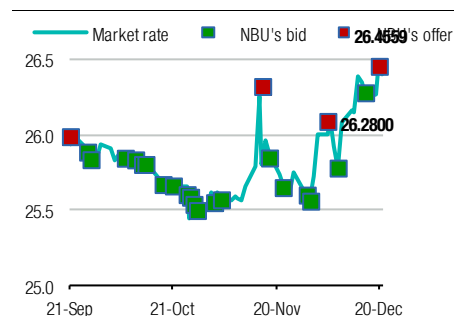
Foreign exchange markets

Key indicators (as of 21 грудня 2016)

| | Last | Daily | Weekly | Monthly | YTD |
|---|----------|---------|---------|---------|---------|
| | chg (%) | chg (%) | chg (%) | chg (%) | chg (%) |
| EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND) | | | | | |
| UAH | 26.4050 | -0.08 | +0.06 | +2.62 | +9.89 |
| USD ¹ | 103.020 | -0.26 | +1.24 | +1.95 | +4.45 |
| EUR | 1.0424 | +0.35 | -1.06 | -1.94 | -4.03 |
| JPY | 117.5500 | -0.26 | +0.44 | +6.07 | -2.22 |
| GBP ² | 1.2353 | -0.12 | -1.68 | -1.13 | -16.17 |
| CNY | 6.9440 | -0.13 | +0.57 | +0.74 | +6.93 |
| RUB | 61.2164 | -0.37 | -1.48 | -4.31 | -15.59 |

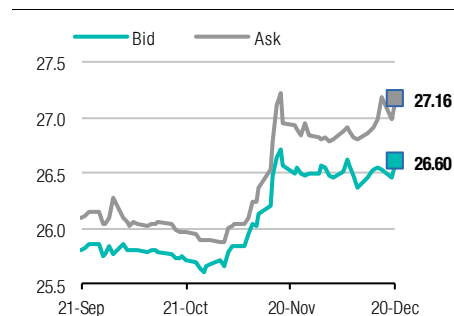
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 21 December 2016)



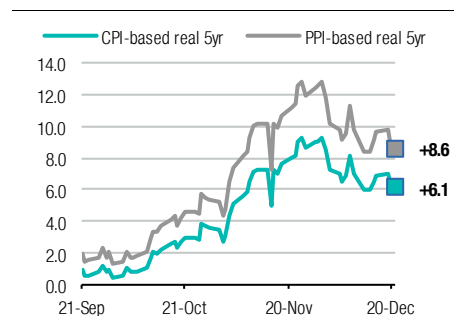
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 21 December 2016)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 21 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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11th floor, LEONARDO Business Centre
19-21 Bogdan Khmelnytsky Street
Kiev, 01030 Ukraine
Phone/Fax +38 044 2200120

WEB www.icu.ua



@ICU_UA

CORPORATE FINANCE

Makar Paseniuk, CFA, Managing Director
makar.paseniuk@icu.ua

Ivan Shvydanenko, Director
ivan.shvydanenko@icu.ua

Roman Nikitov, ACCA Director
roman.nikitov@icu.ua

Yuriy Kamarytskyi, Vice President
yuriy.kamarytskyi@icu.ua

Ruslan Kilmukhametov, Director
ruslan.kilmukhametov@icu.ua

Ruslan Patlavsky, Director
ruslan.patlavsky@icu.ua

STRATEGY AND CORPORATE DEVELOPMENT

Vlad Sinani, Director
vlad.sinani@icu.ua

SALES AND TRADING

Konstantin Stetsenko
Managing Director
konstantin.stetsenko@icu.ua

Liliya Kubytovych
Asset Management Product Sales
liliya.kubytovych@icu.ua

Sergiy Byelyayev
Fixed-Income Trading
sergiy.byelyayev@icu.ua

Yevgeniya Gryshchenko
Fixed-Income Sales
yevgeniya.gryshchenko@icu.ua

Vitaliy Sivach
Fixed-Income & FX Trading
vitaliy.sivach@icu.ua

RESEARCH DEPARTMENT

Alexander Valchyshen
Head of Research
alexander.valchyshen@icu.ua

Taras Kotovych
Senior financial analyst (Sovereign debt)
taras.kotovych@icu.ua

Alexander Martynenko
Head of corporate research
alexander.martynenko@icu.ua

Mykhaylo Demkiv
Financial analyst (Banks)
mykhaylo.demkiv@icu.ua

Bogdan Vorotilin
Financial analyst (Food & Agribusiness)
bogdan.vorotilin@icu.ua

Lee Daniels, Rolfe Haas
Editors

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