

# Daily Insight

## Liquidity steady with reallocation

### Key messages of the today's comments

#### Domestic liquidity ..... 2

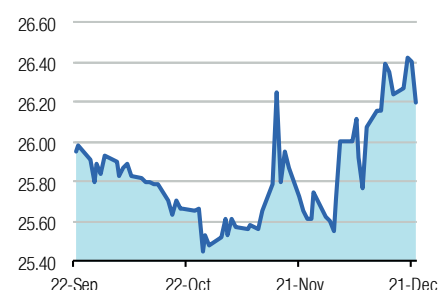
##### Liquidity steady with reallocation 2

Liquidity remained steady yesterday, up only UAH0.12bn to UAH88.88bn, with a significant reallocation of funds to CDs.

#### Foreign exchange markets ..... 3

### FRIDAY, 23 DECEMBER 2016

#### Ukraine's hryvnia exchange rate per US dollar (three months through 22 December 2016)



Source: Bloomberg.

#### Selected indicators of the financial markets (three months through 22 December 2016)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	N/A		
Overnight rate (interbank)	N/A		
Banks reserves (UAHm)	46,924	-4.69	+22.00
Deposit certificates* (UAHm)	41,959	+6.15	-51.66
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	26.1975	-0.79	+9.03
Total trade volume (US\$m)	201.15	+58.40	-44.63
UAH index PCI-based	100.265	+0.59	+2.02
UAH index PPI-based	132.395	+0.59	+0.46
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	720bp	+0bp	+0bp

#### GLOBAL FINANCIAL MARKET INDICATORS

S&P 500	2,260.96	-0.19	+10.62
MSCI EM	842.51	-1.02	+6.09
US dollar index (DXY)	103.090	+0.07	+4.52
EUR / USD	1.0437	+0.12	-3.91
Crude oil WTI (US\$/bbl)	52.95	+0.88	+42.95
Crude oil BRENT (US\$/bbl)	55.05	+1.08	+53.99
CRB, commodities index	190.31	-0.25	+8.04
Gold (US\$/ounce)	1,128.42	-0.28	+6.31

Notes: \* NBU's short-term bonds.

Source: Bloomberg, ICU.

# Domestic liquidity

## Liquidity steady with reallocation

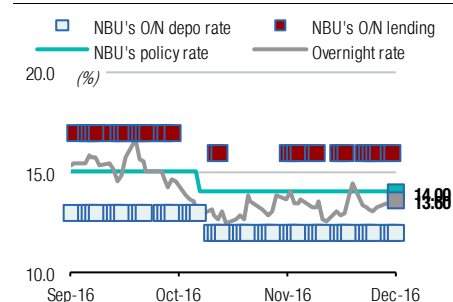
Liquidity remained steady yesterday, up only UAH0.12bn to UAH88.88bn, with a significant reallocation of funds to CDs.

Total CDs outstanding rose UAH2.43bn to UAH41.96bn, while banks' correspondent accounts fell UAH2.31bn to UAH46.92bn. Banks increased investments in ON CDs as outstanding CDs with longer maturities declining UAH0.76bn. Also, there was a positive impact on liquidity as Wednesday's VAT refund amounted to UAH1.17bn.

**Investment implications:** Liquidity held on the stabilization of transactions for PrivatBank, a small NBU loan and VAT refunds. Upcoming month-end tax payments should put negative pressure on liquidity, but most likely banking sector liquidity will not fall below UAH80bn.

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## Interest rates in the banks' reserves market (three months through 22 December 2016)



Source: Bloomberg, ICU.

## Key indicators (as of 22 December 2016)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>BANKS' RESERVES MARKET (%)</b>					
NBU rate <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Overnight	N/A	N/A	N/A	N/A	N/A
<b>KYIV PRIME RATES (%)</b>					
Overnight	12.88	-45bp	-62bp	-79bp	-618bp
1 week	14.50	+0bp	+0bp	-17bp	-550bp
1 month	16.50	+17bp	+17bp	-17bp	-575bp
2 months	18.00	+0bp	+0bp	-17bp	-550bp
3 months	18.00	-17bp	-17bp	-33bp	-575bp
<b>DOMESTIC LIQUIDITY (UAH MILLION)</b>					
Reserves <sup>2</sup>	46,924	-4.69	-11.83	+17.97	+22.00
DepCerts <sup>3</sup>	41,959	+6.15	+23.63	+28.92	-51.66
<b>Total</b>	<b>88,883</b>	<b>+0.14</b>	<b>+1.98</b>	<b>+22.90</b>	<b>-29.04</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	356,146	+0.00	+0.00	-1.52	-6.23
Banks	166,458	-0.09	+5.23	+6.03	+104.1
Residents	14,775	+0.18	+3.50	+8.63	-29.63
Non-res <sup>4</sup>	6,320	-0.13	+0.39	-38.22	-71.67
<b>Total</b>	<b>543,699</b>	<b>-0.02</b>	<b>+1.64</b>	<b>+0.23</b>	<b>+7.73</b>
<b>IMPLIED YIELDS OF THE UAH NDF MARKET (%)</b>					
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
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>					
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

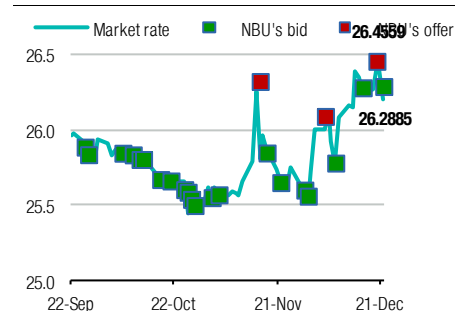
Key indicators (as of 22 грудня 2016)

	Last	Daily	Weekly	Monthly	YTD
		chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES</b> (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.1975	-0.79	-0.58	+2.11	+9.03
USD <sup>1</sup>	103.090	+0.07	+0.07	+2.03	+4.52
EUR	1.0437	+0.12	+0.22	-1.79	-3.91
JPY	117.5400	-0.01	-0.54	+5.76	-2.23
GBP <sup>2</sup>	1.2283	-0.57	-1.09	-1.13	-16.65
CNY	6.9484	+0.06	+0.02	+0.85	+7.00
RUB	60.9720	-0.40	-1.33	-4.29	-15.92

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

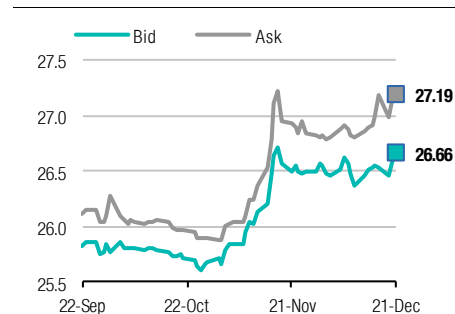
Source: Bloomberg, ICU.

**Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 22 December 2016)**



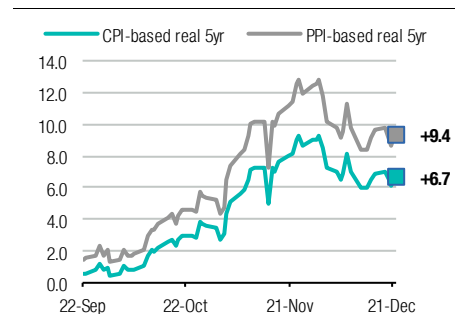
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

**Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 22 December 2016)**



Source: NBU.

**UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 22 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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