

Daily Insight

Liquidity up

Key messages of the today's comments

Domestic liquidity 2

Liquidity up 2

Total banking sector liquidity rose UAH1.88bn to UAH119.29bn yesterday. A less significant rise than at the beginning of this week, this was caused by a decline in inflows from the Treasury and higher fund outflows. Banks' correspondent accounts with the NBU increased UAH3.56bn to UAH52.24bn while total CDs outstanding slid UAH1.69bn to UAH67.06bn, with a decline in ON CDs and a slight increase in longer maturity NBU instruments.

Foreign exchange markets 3

FRIDAY, 30 DECEMBER 2016

Ukraine's hryvnia exchange rate per US dollar (three months through 29 December 2016)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 29 December 2016)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	-800bp
Overnight rate (interbank)	10.60	-80bp	-700bp
Banks reserves (UAHm)	52,235	+7.32	+35.81
Deposit certificates* (UAHm)	67,056	-30.91	-46.62
FOREIGN EXCHANGE MARKET			
UAH per US dollar	27.1000	+0.00	+12.79
Total trade volume (US\$m)	169.62	-29.78	-53.31
UAH index PCI-based	96.390	-0.62	-1.93
UAH index PPI-based	127.279	-0.62	-3.42
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	653bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,249.26	-0.03	+10.05
MSCI EM	858.44	+0.85	+8.10
US dollar index (DXY)	102.680	-0.60	+4.11
EUR / USD	1.0490	+0.74	-3.42
Crude oil WTI (US\$/bbl)	53.77	-0.54	+45.17
Crude oil BRENT (US\$/bbl)	56.85	+1.12	+59.02
CRB, commodities index	192.90	-0.07	+9.51
Gold (US\$/ounce)	1,158.15	+1.44	+9.11

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity up

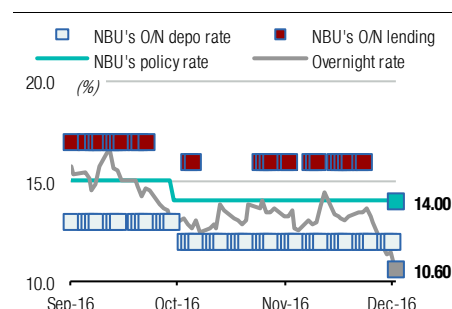
Total banking sector liquidity rose UAH1.88bn to UAH119.29bn yesterday. A less significant rise than at the beginning of this week, this was caused by a decline in inflows from the Treasury and higher fund outflows. Banks' correspondent accounts with the NBU increased UAH3.56bn to UAH52.24bn while total CDs outstanding slid UAH1.69bn to UAH67.06bn, with a decline in ON CDs and a slight increase in longer maturity NBU instruments.

Net inflows from non-NBU sourced amounted to only UAH3.68bn versus above UAH11bn on Monday. On the other hand, in an attempt to decrease pressure on FX market, the NBU sold FX at auctions, absorbing UAH2.60bn of local currency liquidity on Wednesday.

Investment implications: Liquidity continued to rise slightly, albeit less vigorously than earlier this week as the pressure of negative factors had an impact. Banks also have significant loan repayments scheduled, including a large refinancing of loans issued for PrivatBank maturing this year. As a result, although this could result in a large amount of liquidity at the end of the year, this might not exceed last year's record high liquidity level.

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

Interest rates in the banks' reserves market (three months through 29 December 2016)



Source: Bloomberg, ICU.

Key indicators (as of 29 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	10.60	-80bp	-260bp	-260bp	-700bp
KYIV PRIME RATES (%)					
Overnight	13.00	+0bp	+12bp	-50bp	-606bp
1 week	14.50	-50bp	+0bp	+0bp	-550bp
1 month	16.50	+0bp	+0bp	+17bp	-575bp
2 months	18.00	+0bp	+0bp	-17bp	-550bp
3 months	18.00	-25bp	+0bp	-33bp	-575bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	52,235	+7.32	+11.32	+26.17	+35.81
DepCerts ³	67,056	-30.91	+10.41	+40.57	-46.62
Total	119,291	-19.47	+8.08	+29.19	-23.31
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	N/A	N/A	N/A	N/A	N/A
Banks	N/A	N/A	N/A	N/A	N/A
Residents	N/A	N/A	N/A	N/A	N/A
Non-res ⁴	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A
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	653	+0bp	-67bp	+20bp	+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.

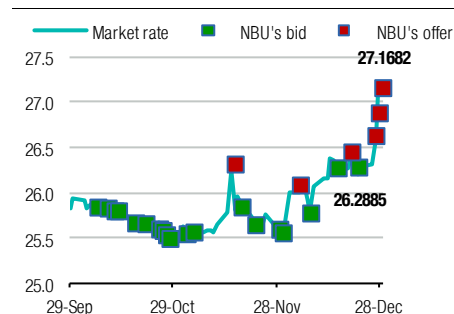
Foreign exchange markets

Key indicators (as of 29 грудня 2016)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	27.1000	+0.00	+3.44	+5.84	+12.79
USD ¹	102.680	-0.60	-0.40	+1.73	+4.11
EUR	1.0490	+0.74	+0.51	-1.50	-3.42
JPY	116.5400	-0.61	-0.85	+3.70	-3.06
GBP ²	1.2261	+0.29	-0.18	-1.86	-16.80
CNY	6.9559	-0.08	+0.11	+0.74	+7.12
RUB	60.2258	-0.43	-1.22	-7.50	-16.95

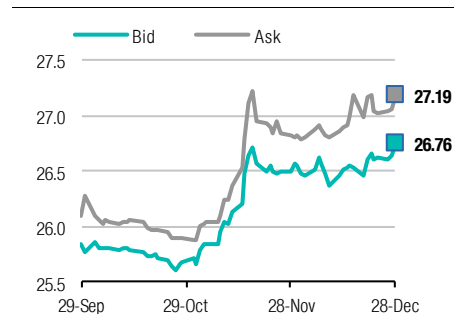
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 29 December 2016)



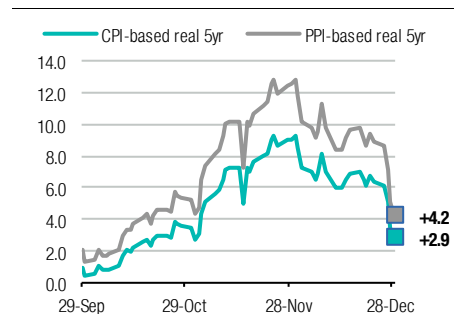
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 29 December 2016)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 29 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](#).

This page is intentionally left blank



11th floor, LEONARDO Business Centre
19-21 Bogdan Khmelnytsky Street
Kiev, 01030 Ukraine
Phone/Fax +38 044 2200120

WEB www.icu.ua    [@ICU-UA](https://twitter.com/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

Investment Capital Ukraine LLC is regulated by Securities and Stock Market State Commission of Ukraine (license numbers: dealer activity AE 263019, broker activity AE 263018, underwriting activity AE 263020 dated 11 April 2013).

DISCLAIMER

This research publication has been prepared by Investment Capital Ukraine LLC solely for information purposes for its clients. It does not constitute an investment advice or an offer or solicitation for the purchase or sale of any financial instrument. While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, Investment Capital Ukraine makes no representation that it is accurate or complete. The information contained herein is subject to change without notice. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of Investment Capital Ukraine LLC. All rights are reserved. Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates. Past performance is not indicative of future results. Investors should make their own investigations and investment decisions without relying on this report. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this report.



Additional information is available upon request.