

Daily Insight

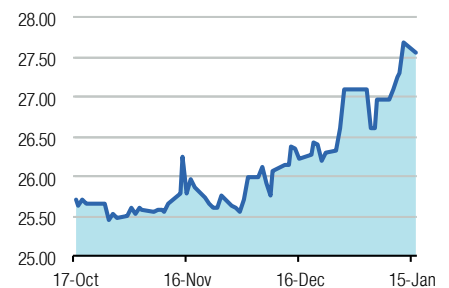
Liquidity declines

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Banking sector liquidity fell UAH4.65bn to UAH103.13bn through the end of last week following an outflow via the FX auction and the negative impact of non-monetary cash flows, mainly the accumulation of funds by the State Treasury.	
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TUESDAY, 17 JANUARY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 16 January 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 16 January 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.20	-30bp	+160bp
Banks reserves (UAHm)	47,260	-0.40	-5.35
Deposit certificates* (UAHm)	55,870	-11.98	-20.99
FOREIGN EXCHANGE MARKET			
UAH per US dollar	27.5500	-0.49	+1.66
Total trade volume (US\$m)	184.15	-34.12	+8.57
UAH index PCI-based	94.624	+0.86	-2.09
UAH index PPI-based	124.946	+0.86	-2.09
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	597bp	+0bp	-56bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,274.64	+0.18	+1.60
MSCI EM	889.11	-0.77	+3.11
US dollar index (DXY)	101.180	+0.00	-1.01
EUR / USD	1.0601	-0.39	+0.80
Crude oil WTI (US\$/bbl)	N/A	-100.00	-100.00
Crude oil BRENT (US\$/bbl)	55.86	+0.74	-1.69
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,202.85	+0.44	+4.39

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity declines

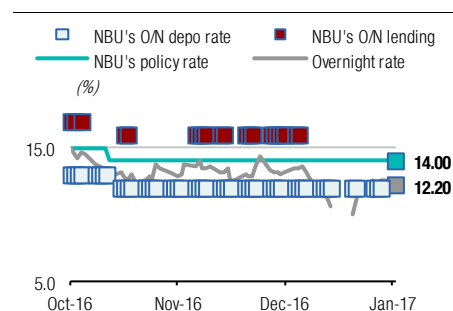
Banking sector liquidity fell UAH4.65bn to UAH103.13bn through the end of last week following an outflow via the FX auction and the negative impact of non-monetary cash flows, mainly the accumulation of funds by the State Treasury.

The decline in liquidity was caused by total CDs outstanding falling UAH4.09bn to UAH55.85bn and banks' correspondent accounts with the NBU sliding UAH0.56bn. The NBU absorbed UAH1.53bn via last Friday's FX auction as Treasury outflows amounted to UAH3.41bn.

Investment implications: The Treasury and the NBU tried to decrease liquidity's pressure on the FX exchange rate while liquidity remained above UAH100bn. It could decline through the end of the month.

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Interest rates in the banks' reserves market (three months through 16 January 2017)



Source: Bloomberg, ICU.

Key indicators (as of 16 January 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	14.00	+0bp	+0bp	+0bp	+0bp
Overnight	12.20	-30bp	+60bp	-100bp	+160bp
KYIV PRIME RATES (%)					
Overnight	13.00	+0bp	+8bp	-50bp	+0bp
1 week	14.50	+0bp	+0bp	+0bp	+0bp
1 month	16.08	+0bp	-25bp	-25bp	-42bp
2 months	18.00	+0bp	+0bp	+0bp	+0bp
3 months	18.00	+0bp	+0bp	-17bp	+0bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	47,260	-0.40	+20.02	-9.43	-5.35
DepCerts ³	55,870	-11.98	-33.19	+37.42	-20.99
Total	103,130	-6.67	-14.69	+9.68	-14.04
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	383,346	+0.00	+0.37	+7.64	+7.64
Banks	255,422	+0.55	+1.35	+53.73	+48.21
Residents	23,863	+0.56	+1.68	+63.07	+52.20
Non-res ⁴	6,555	+1.29	+4.40	+4.14	+3.19
Total	669,185	+0.24	+0.83	+23.19	+21.56
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	597	+0bp	-56bp	-123bp	-56bp

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.

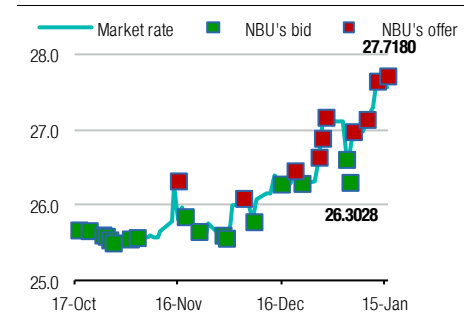
Foreign exchange markets

Key indicators (as of 16 січня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	27.5500	-0.49	+2.13	+5.01	+1.66
USD ¹	101.180	+0.00	-0.74	-1.72	-1.01
EUR	1.0601	-0.39	+0.26	+1.44	+0.80
JPY	114.2000	-0.25	-1.58	-3.16	-2.36
GBP ²	1.2047	-1.11	-0.95	-3.59	-2.37
CNY	6.9008	+0.00	-0.53	-0.87	-0.64
RUB	59.8778	+0.50	-0.44	-3.52	-2.70

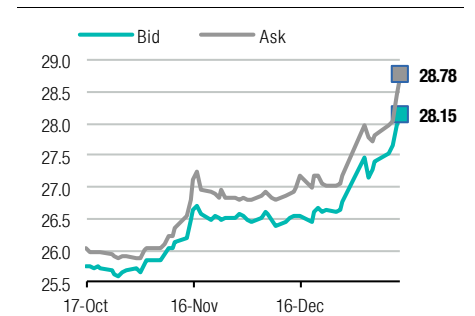
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 16 January 2017)



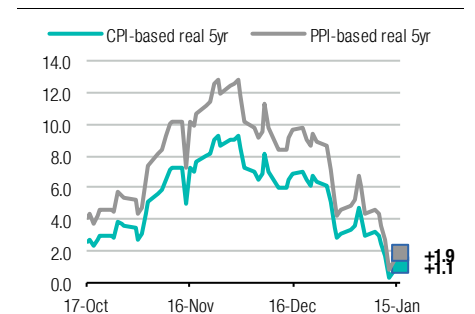
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 16 January 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 16 January 2017)



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](#).

Appendix #1: Domestic liquidity

Chart 1. Banks reserves usages over last reporting date (UAHm)

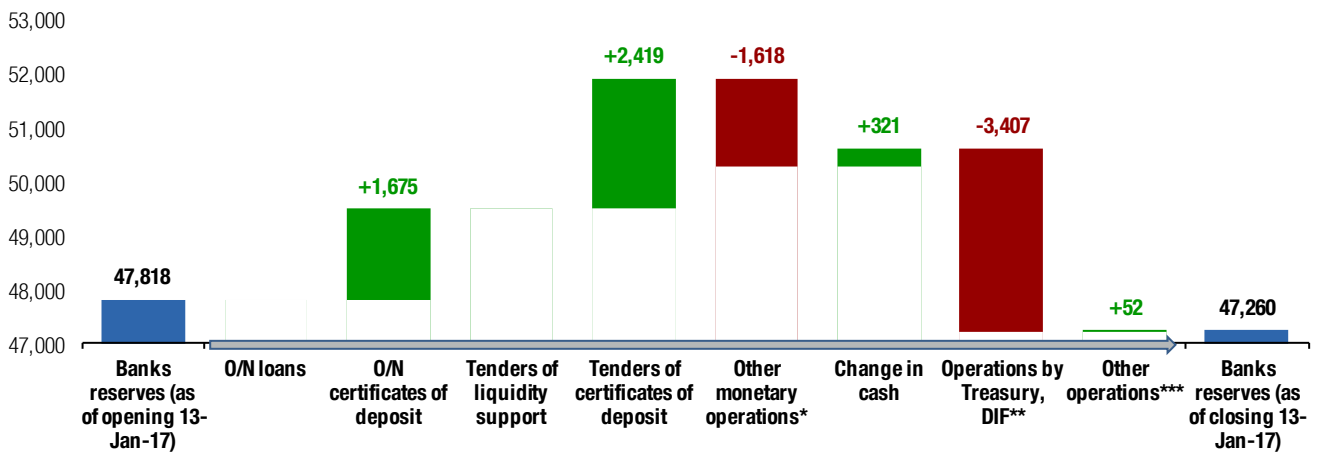
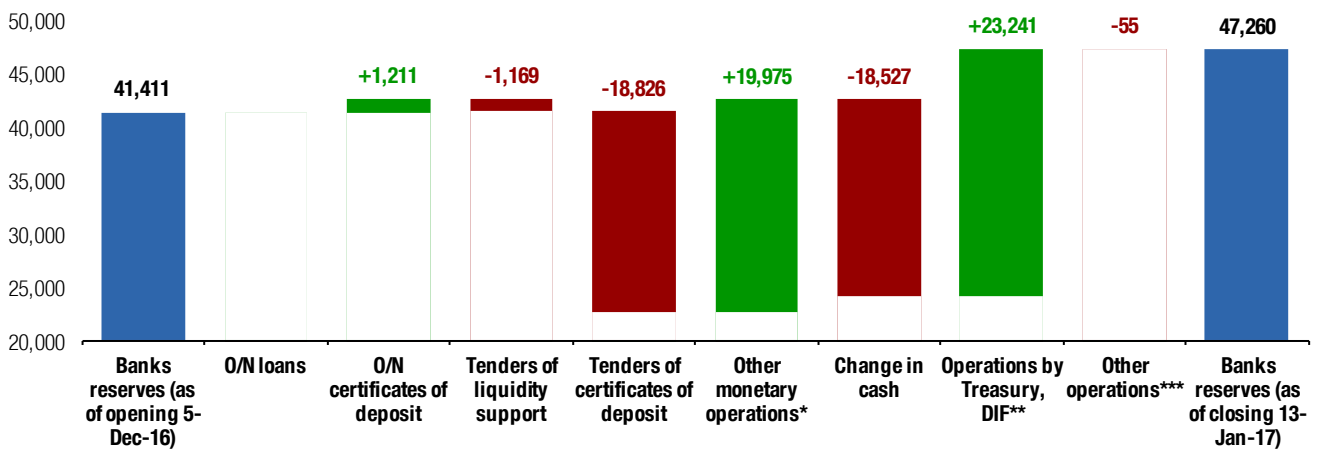
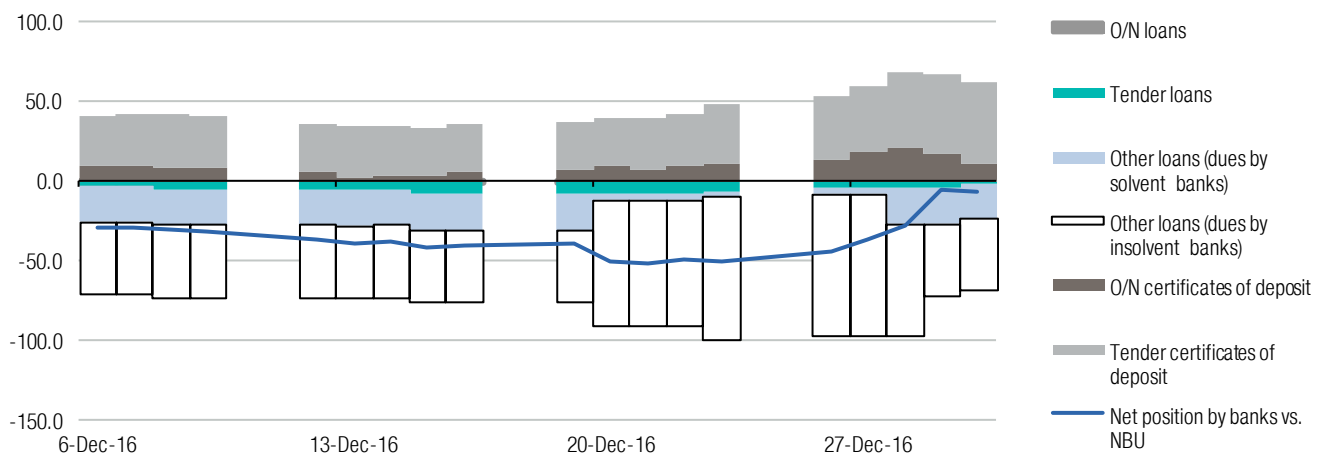


Chart 2. Banks reserves usages over last 30-day period (UAHm)



Notes: [1] data from the NBU's daily reporting https://bank.gov.ua/control/uk/publish/article?art_id=38643651&cat_id=40807142 ;
 * operations repo, purchase and sale of government bonds, FX market interventions, stabilisation loans, FX swap agreements; ** DIF – deposit insurance fund;
 *** interest payments on NBU's loans and on NBU's certificates of deposit, other operations. Source: NBU, ICU.

Chart 3. Stocks of NBU's monetary instruments and net position by banks versus NBU (UAHbn)



Source: NBU, ICU.

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