

# Daily Insight

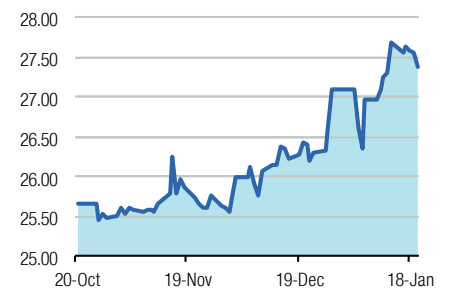
## Liquidity up prior to tax payments

### Key messages of the today's comments

<b>Domestic liquidity</b> .....	<b>2</b>
<b>Liquidity up prior to tax payments</b> .....	<b>2</b>
Last week, banking sector liquidity once more rose slightly, mostly due to the positive balance of State Treasury operations. The Treasury made UAH1.13bn of expenditures more than it collected in revenues, which accounted for nearly two-thirds of the increase in liquidity.	
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### MONDAY, 23 JANUARY 2017

#### Ukraine's hryvnia exchange rate per US dollar (three months through 20 January 2017)



Source: Bloomberg.

#### Selected indicators of the financial markets (three months through 20 January 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.40	-30bp	+180bp
Banks reserves (UAHm)	51,733	+5.75	+10.00
Deposit certificates* (UAHm)	55,599	-28.37	-36.01
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	27.3750	-0.64	+1.01
Total trade volume (US\$m)	134.61	-14.49	-20.64
UAH index PCI-based	94.686	+0.30	-2.03
UAH index PPI-based	125.028	+0.30	-2.03
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	597bp	+0bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,271.31	+0.34	+1.45
MSCI EM	893.28	-0.14	+3.60
US dollar index (DXY)	100.740	-0.41	-1.44
EUR / USD	1.0703	+0.37	+1.77
Crude oil WTI (US\$/bbl)	53.22	+3.60	-0.93
Crude oil BRENT (US\$/bbl)	55.49	+2.46	-2.34
CRB, commodities index	193.61	+0.33	+0.57
Gold (US\$/ounce)	1,210.57	+0.48	+5.06

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Liquidity up prior to tax payments

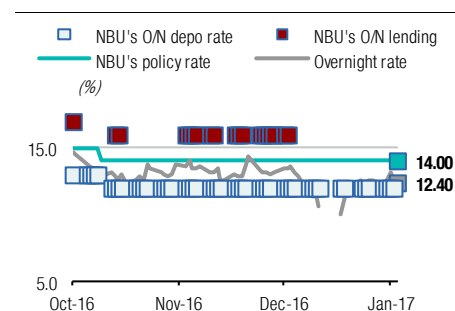
Last week, banking sector liquidity once more rose slightly, mostly due to the positive balance of State Treasury operations. The Treasury made UAH1.13bn of expenditures more than it collected in revenues, which accounted for nearly two-thirds of the increase in liquidity.

There was a reallocation of funds to banks' accounts as banks' correspondent accounts with the NBU rose UAH3.45bn to UAH51.73bn while total CDs outstanding slid UAH1.81bn to UAH55.60bn, causing banking sector liquidity to rise UAH1.64bn to UAH107.33bn.

**Investment implications: The increase in budget expenditures with a lack of outflows to the NBU without FX auctions at the end of last week had a positive impact on liquidity. As there was reallocation of funds to banks' accounts prior the month-end tax payments, we could see liquidity begin to decline today following last Friday's cash flows. The majority of outflows should occur this week through next Monday.**

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

## Interest rates in the banks' reserves market (three months through 20 January 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 20 January 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>BANKS' RESERVES MARKET (%)</b>					
NBU rate <sup>1</sup>	14.00	+0bp	+0bp	+0bp	+0bp
Overnight	12.40	-30bp	-10bp	-100bp	+180bp
<b>KYIV PRIME RATES (%)</b>					
Overnight	13.00	+0bp	+0bp	-50bp	+0bp
1 week	14.50	+0bp	+0bp	+0bp	+0bp
1 month	16.08	+0bp	+0bp	-25bp	-42bp
2 months	18.00	+0bp	+0bp	+0bp	+0bp
3 months	18.00	+0bp	+0bp	-17bp	+0bp
<b>DOMESTIC LIQUIDITY (UAH MILLION)</b>					
Reserves <sup>2</sup>	51,733	+5.75	+14.40	-11.31	+10.00
DepCerts <sup>3</sup>	55,599	-28.37	-33.59	-0.28	-36.01
<b>Total</b>	<b>107,332</b>	<b>-11.93</b>	<b>-12.30</b>	<b>-6.97</b>	<b>-15.58</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	383,346	+0.00	+0.00	+7.64	+7.64
Banks	254,768	+0.00	+0.29	+53.02	+47.83
Residents	23,819	-0.26	+0.38	+62.88	+51.92
Non-res <sup>4</sup>	6,371	-2.19	-1.55	+0.91	+0.31
<b>Total</b>	<b>668,304</b>	<b>-0.03</b>	<b>+0.11</b>	<b>+22.95</b>	<b>+21.40</b>
<b>IMPLIED YIELDS OF THE UAH NDF MARKET (%)</b>					
3 months	18.47	+194bp	+145bp	-46bp	-393bp
6 months	18.17	+103bp	+83bp	-29bp	-30bp
9 months	17.89	+73bp	+63bp	-55bp	-12bp
1 year	16.97	+56bp	+52bp	-27bp	-3bp
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>					
CDS 5yr	597	+0bp	+0bp	+0bp	+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.

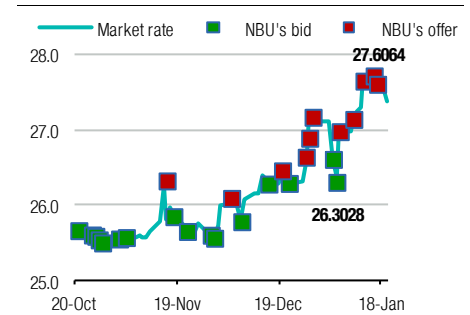
# Foreign exchange markets

## Key indicators (as of 20 січня 2017)

	Last	Daily chg (%)	Weekly chg (%)	Monthly chg (%)	YTD chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	27.3750	-0.64	-1.12	+3.60	+1.01
USD <sup>1</sup>	100.740	-0.41	-0.43	-2.47	-1.44
EUR	1.0703	+0.37	+0.56	+3.03	+1.77
JPY	114.6200	-0.21	+0.11	-2.75	-2.00
GBP <sup>2</sup>	1.2375	+0.27	+1.58	+0.06	+0.28
CNY	6.8765	+0.07	-0.35	-1.10	-0.99
RUB	59.6068	-0.47	+0.05	-2.99	-3.14

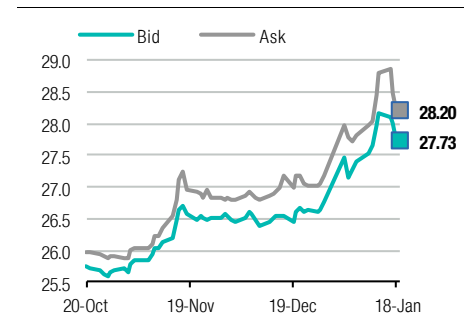
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 20 January 2017)



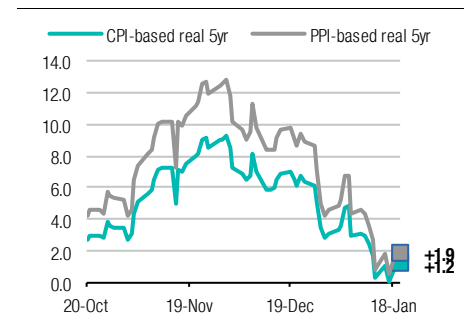
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 20 January 2017)



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 20 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)

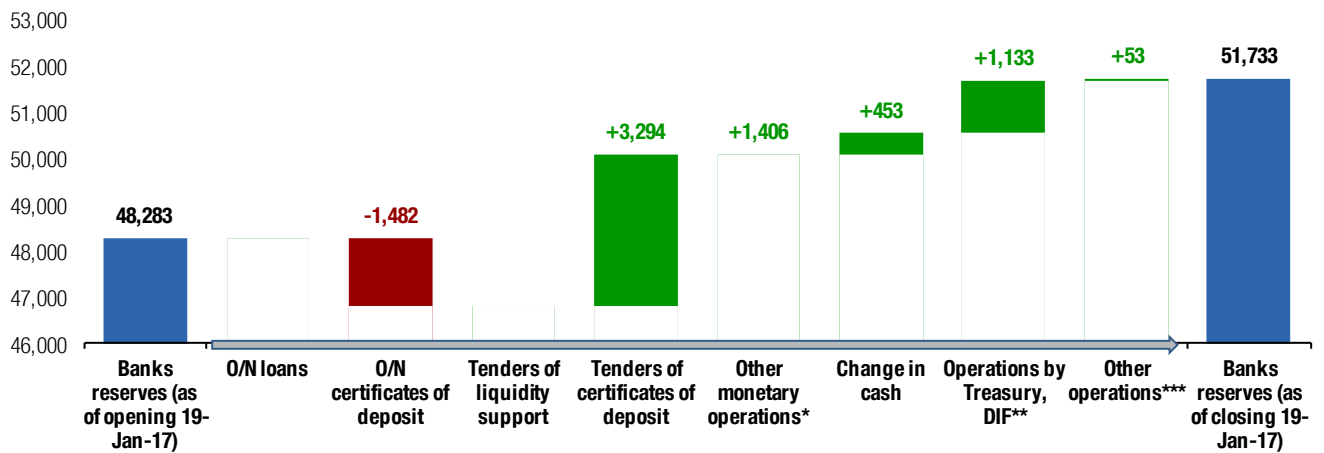
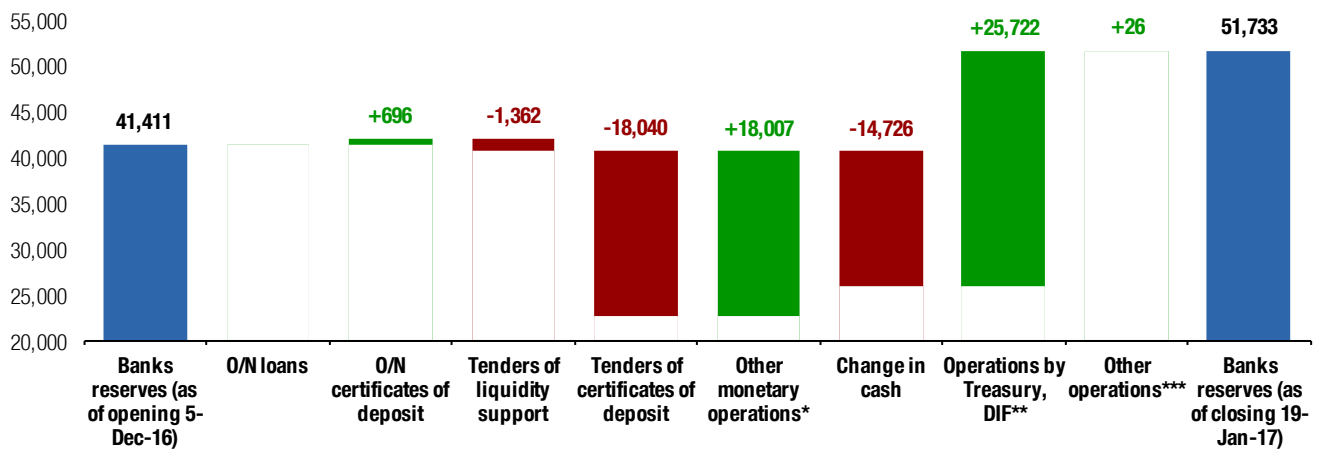
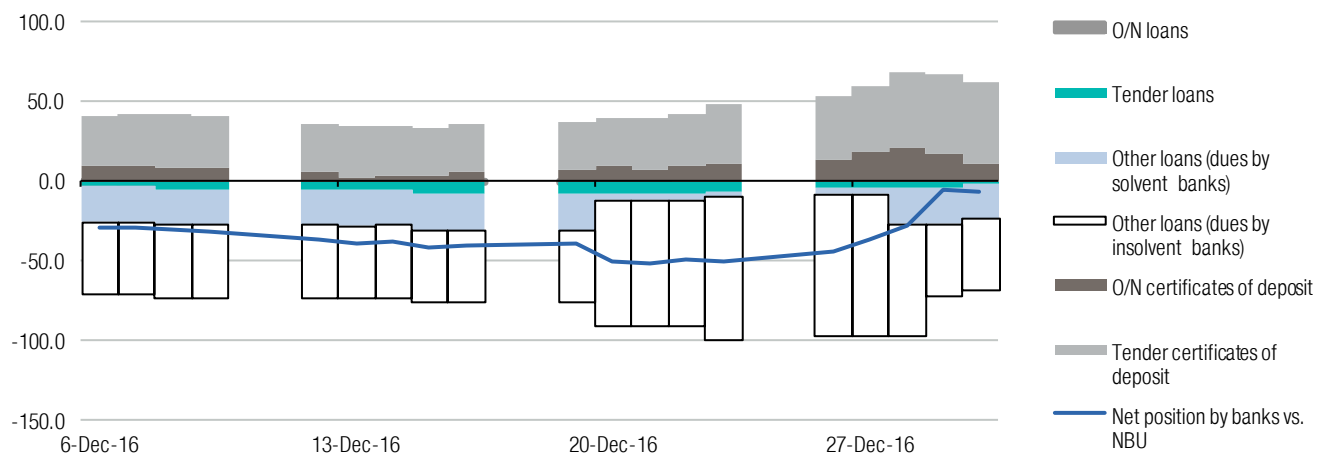


Chart 2. Banks reserves usages over last 30-day period (UAHm)



Notes: [1] data from the NBU's daily reporting [https://bank.gov.ua/control/uk/publish/article?art\\_id=38643651&cat\\_id=40807142](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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