

Daily Insight

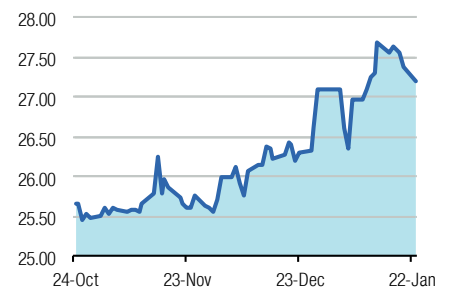
Primary auction announcement

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TUESDAY, 24 JANUARY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 23 January 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 23 January 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	11.90	-50bp	+130bp
Banks reserves (UAHm)	54,706	+5.75	+10.00
Deposit certificates* (UAHm)	52,077	-14.57	-28.52
FOREIGN EXCHANGE MARKET			
UAH per US dollar	27.2000	-0.64	+0.37
Total trade volume (US\$m)	180.57	+34.14	+6.46
UAH index PCI-based	94.993	+0.32	-1.71
UAH index PPI-based	125.434	+0.32	-1.71
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	597bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,265.20	-0.27	+1.18
MSCI EM	902.14	+0.99	+4.62
US dollar index (DXY)	100.160	-0.58	-2.01
EUR / USD	1.0765	+0.58	+2.36
Crude oil WTI (US\$/bbl)	52.75	-0.88	-1.81
Crude oil BRENT (US\$/bbl)	55.23	-0.47	-2.80
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,218.10	+0.62	+5.71

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity falls

Banking sector liquidity declined UAH0.55bn from last Friday morning to UAH106.78bn, primarily as the result of non-monetary operations.

Longer term CDs were purchased at a significantly lower amount than were redeemed, causing total CDs outstanding to fall UAH3.52bn to UAH52.08bn yesterday. Banks' correspondent accounts with the NBU rose UAH2.97bn to UAH54.71bn, this year's record high.

Investment implications: Banks continued to accumulate funds in anticipation of tax payments. As outflows should not be sizable, and liquidity is not expected to fall below UAH100bn.

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

Primary auction announcement

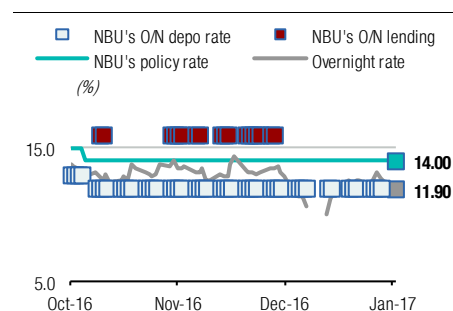
The MoF is scheduled to offer five local currency bonds with maturities from 3-months and to 3-years. Zero-coupon bonds with maturities up to one year were offered twice this year, but not yet sold, while 3-year bonds were last offered and sold in October.

The MoF sold a similar 3-year bond last October at 15.75%, when it accepted all six bids for for a total of UAH254.5bn, but attracted no demand at the consequent November offering.

Investment implications: This auction appears to be attracting more demand, albeit not significantly large, than did the previous two this year. Bank have mostly short-term liquidity and have reached their limits for new bonds. Current month-end tax payments should have a negative impact on liquidity which could elicit some bids above 15.75% which most likely will be rejected.

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Interest rates in the banks' reserves market (three months through 23 January 2017)



Source: Bloomberg, ICU.

Key indicators (as of 23 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	11.90	-50bp	-30bp	-100bp	+130bp
KYIV PRIME RATES (%)					
Overnight	13.00	+0bp	+0bp	+8bp	+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
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	54,706	+5.75	+15.76	+7.18	+10.00
DepCerts ³	52,077	-14.57	-20.37	-8.76	-28.52
Total	106,783	-10.24	-7.06	-3.96	-14.40
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	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

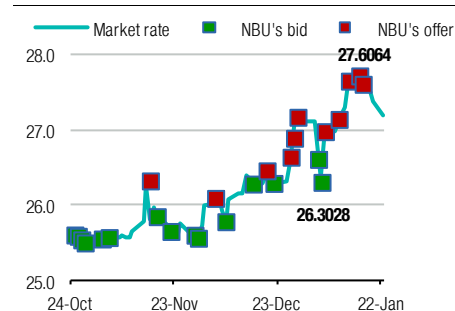
Key indicators (as of 23 січня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	27.2000	-0.64	-1.27	+3.46	+0.37
USD ¹	100.160	-0.58	-1.01	-2.77	-2.01
EUR	1.0765	+0.58	+1.55	+2.96	+2.36
JPY	112.7100	-1.67	-1.30	-3.94	-3.63
GBP ²	1.2535	+1.29	+4.05	+2.06	+1.58
CNY	6.8537	-0.33	-0.68	-1.33	-1.31
RUB	59.5520	-0.09	-0.54	-2.99	-3.23

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

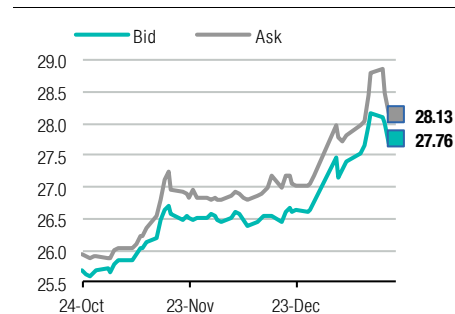
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 23 January 2017)



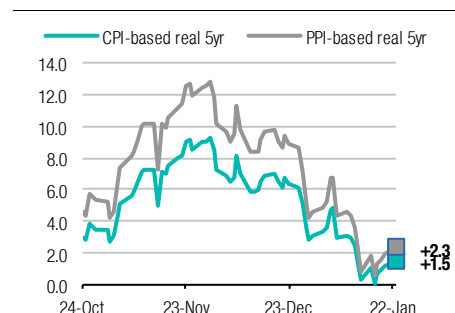
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 23 January 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 23 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)

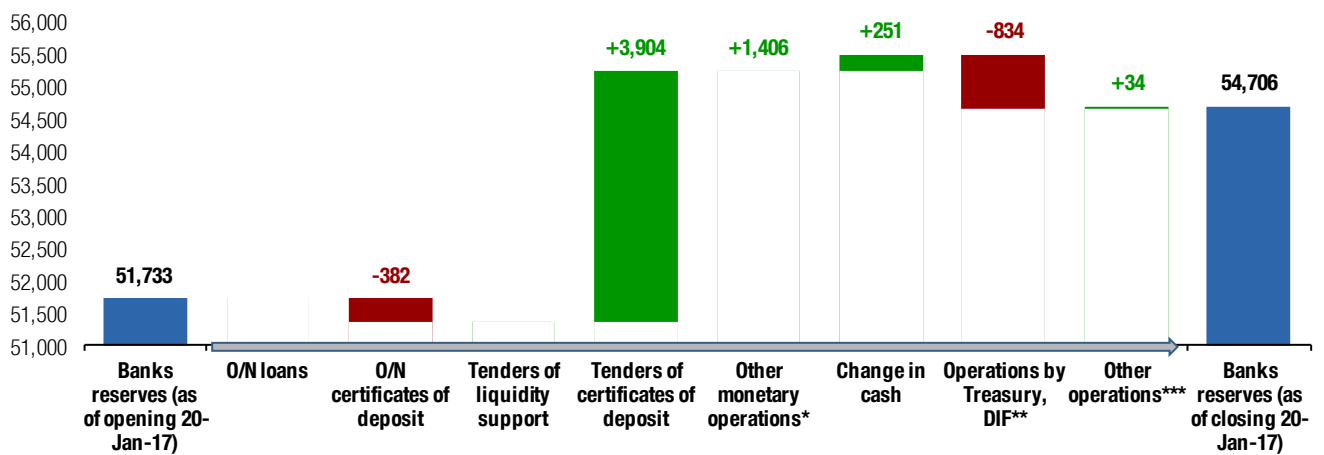
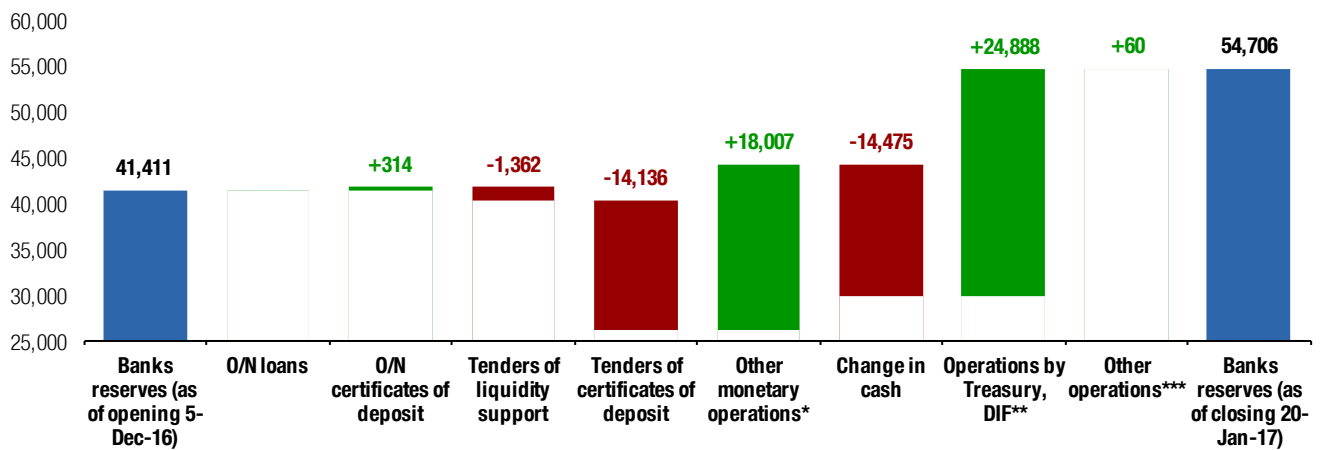
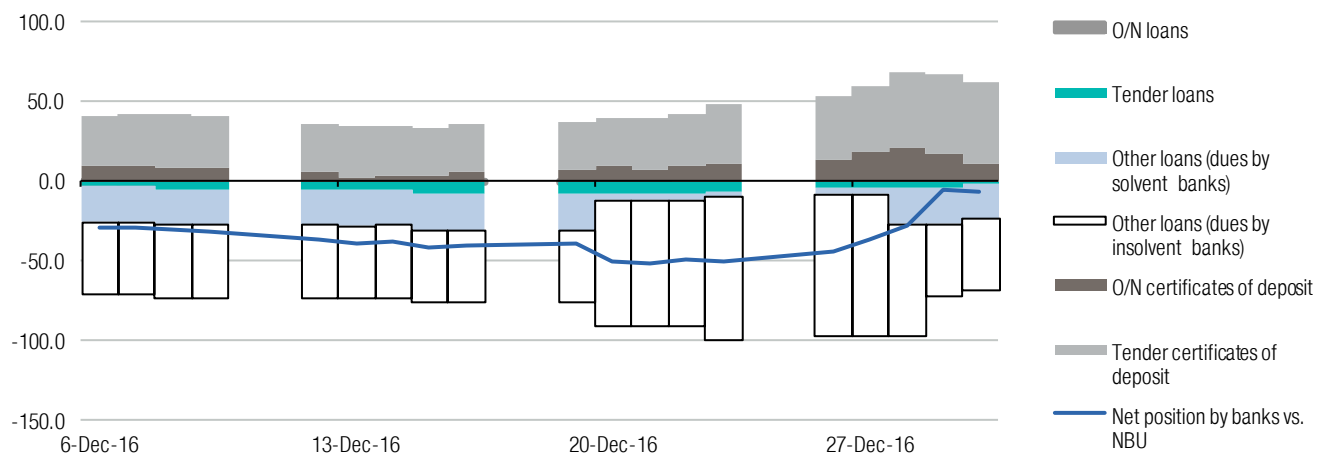


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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