

# Daily Insight

## Liquidity up, possibly short-lived

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##### Liquidity up, possibly short-lived ..... 2

Banking sector liquidity slightly recovered yesterday after a slight decline this Monday, up UAH0.66bn to UAH107.45bn, as inflows more than offset outflows to the budget.

##### Primary auction: 3-year bonds sold ..... 2

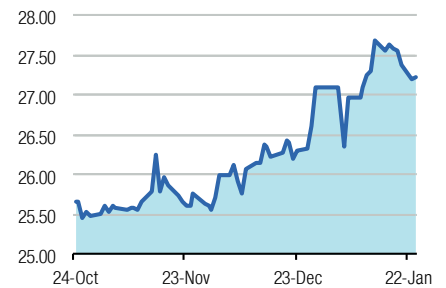
The MoF received and accepted all bids for UAH0.95bn in 3-year bonds yesterday. While it received no bids for zero-coupon bonds yesterday, no bids came in above the cut-off rate on similar bonds last seen in October for the 3-year bond.

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### WEDNESDAY, 25 JANUARY 2017

#### Ukraine's hryvnia exchange rate per US dollar (three months through 24 January 2017)



Source: Bloomberg.

#### Selected indicators of the financial markets (three months through 24 January 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.10	+20bp	+150bp
Banks reserves (UAHm)	51,358	-0.12	+3.14
Deposit certificates* (UAHm)	56,088	-22.25	-29.94
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	27.2350	+0.13	+0.50
Total trade volume (US\$m)	154.79	-14.28	-8.74
UAH index PCI-based	94.981	-0.01	-1.73
UAH index PPI-based	125.418	-0.01	-1.73
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	597bp	+0bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,280.07	+0.66	+1.84
MSCI EM	908.63	+0.72	+5.38
US dollar index (DXY)	100.350	+0.19	-1.82
EUR / USD	1.0731	-0.32	+2.03
Crude oil WTI (US\$/bbl)	53.18	+0.82	-1.01
Crude oil BRENT (US\$/bbl)	55.44	+0.38	-2.43
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,208.81	-0.76	+4.91

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Liquidity up, possibly short-lived

Banking sector liquidity slightly recovered yesterday after a slight decline this Monday, up UAH0.66bn to UAH107.45bn, as inflows more than offset outflows to the budget.

Banks bought UAH4.4bn of 14-day CDs on Monday with no offsetting redemption, causing total CDs outstanding to rise UAH4.01bn to UAH56.09bn while banks' correspondent accounts with the NBU fell UAH3.35bn to UAH51.36bn.

**Investment implications: Because of the lack of outflows to the NBU via FX auctions, liquidity increased, albeit temporarily. The NBU purchased US\$21.6m of FX yesterday, resulting in UAH0.59bn of inflows. Although this could support liquidity today, month-end tax payment outflows could make this stabilization short-lived.**

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

## Primary auction: 3-year bonds sold

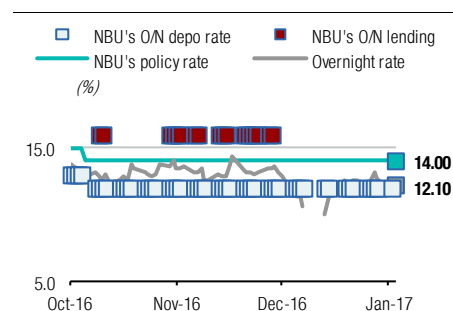
The MoF received and accepted all bids for UAH0.95bn in 3-year bonds yesterday. While it received no bids for zero-coupon bonds yesterday, no bids came in above the cut-off rate on similar bonds last seen in October for the 3-year bond.

Demand for the 3-year bond was combined from six bids at UAH946.92m (par value) which were fully accepted at the cut-off interest rate of 15.75%, unchanged from last year. There was a low bid at 15.64%, which caused the weighted average interest rate to decline to 15.74%, which was set as the rate for non-competitive bids.

**Investment implications: Budget proceeds amounted to UAH949.71m, quite a large amount for recent months, possibly signalling rising expectations of a future key monetary rate cut, albeit significantly lower than expectations last year. There also might have been some urgency in the purchase of 3-year bonds as they are next scheduled to be offered in mid-February.**

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

## Interest rates in the banks' reserves market (three months through 24 January 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 24 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	12.10	+20bp	-40bp	-80bp	+150bp
<b>KYIV PRIME RATES (%)</b>					
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
<b>DOMESTIC LIQUIDITY (UAH MILLION)</b>					
Reserves <sup>2</sup>	51,358	-0.12	+8.97	+0.50	+3.14
DepCerts <sup>3</sup>	56,088	-22.25	-23.78	-10.57	-29.94
<b>Total</b>	<b>107,446</b>	<b>-11.68</b>	<b>-9.00</b>	<b>-4.91</b>	<b>-15.25</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	383,344	+0.00	+0.00	+7.64	+7.64
Banks	254,218	-0.19	-0.54	+48.61	+47.51
Residents	23,767	-0.19	-0.41	+52.40	+51.59
Non-res <sup>4</sup>	6,349	-0.30	-3.29	+0.91	-0.04
<b>Total</b>	<b>667,679</b>	<b>-0.08</b>	<b>-0.25</b>	<b>+21.59</b>	<b>+21.28</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	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.

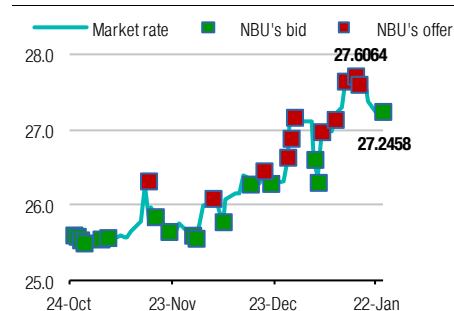
# Foreign exchange markets

## Key indicators (as of 24 січня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	27.2350	+0.13	-1.50	+3.59	+0.50
USD <sup>1</sup>	100.350	+0.19	+0.02	-2.58	-1.82
EUR	1.0731	-0.32	+0.17	+2.63	+2.03
JPY	113.7900	+0.96	+1.04	-3.02	-2.71
GBP <sup>2</sup>	1.2520	-0.12	+0.85	+1.94	+1.46
CNY	6.8590	+0.08	+0.20	-1.26	-1.24
RUB	59.2738	-0.47	-0.22	-3.44	-3.68

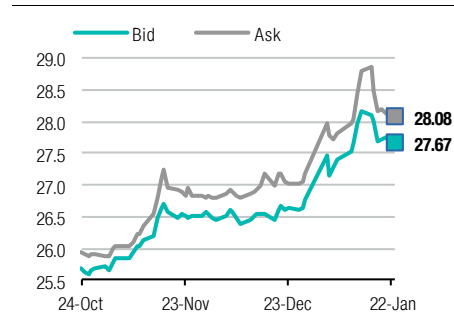
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 24 January 2017)



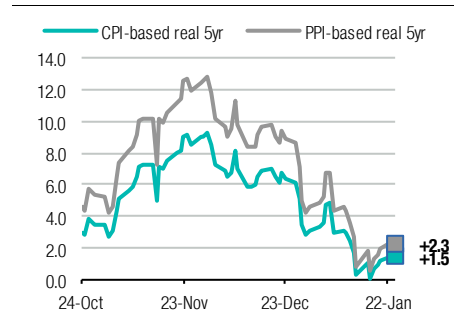
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 24 January 2017)



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 24 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)

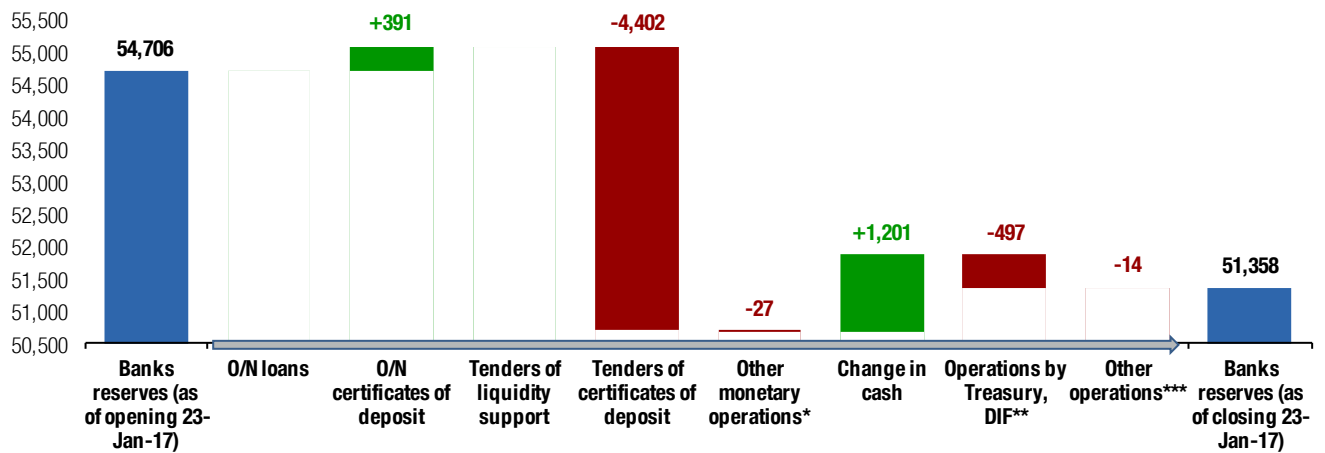
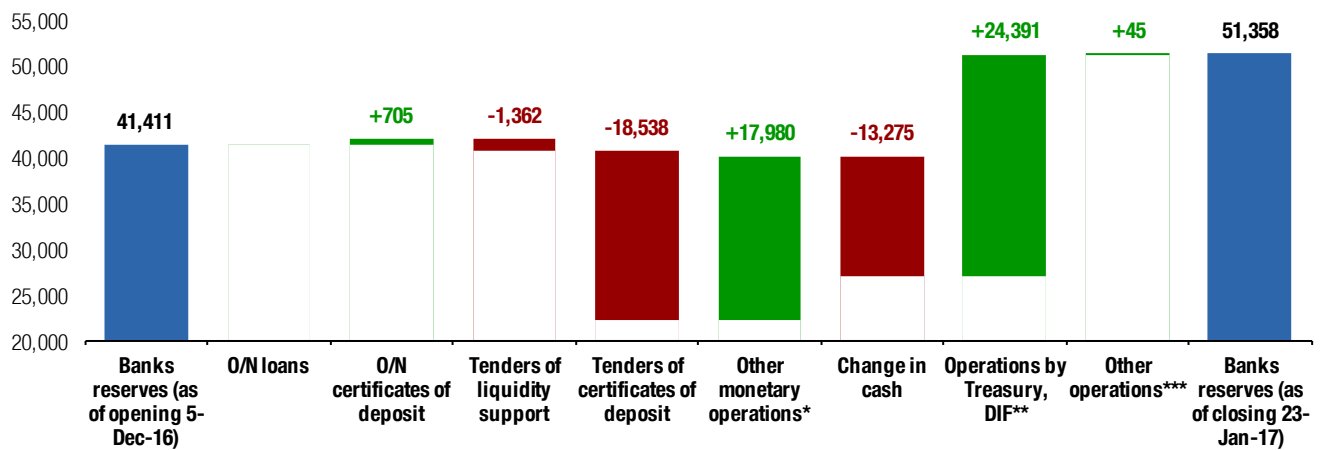
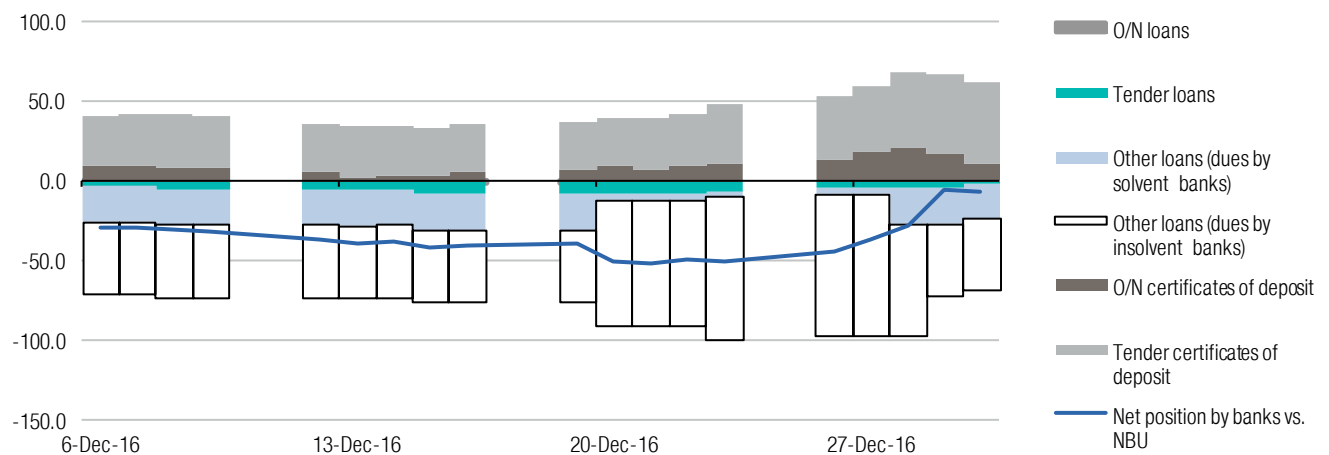


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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