

Daily Insight

Liquidity up slightly

Key messages of the today's comments

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Liquidity up slightly 2

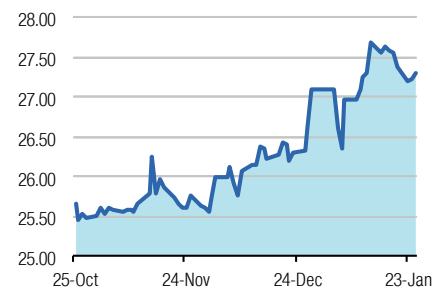
Inflows from Tuesday's FX auction caused liquidity to increase a slight UAH0.48bn as the NBU injected an additional UAH0.59bn that day. Banks' correspondent accounts with the NBU slid UAH0.06bn to UAH51.29bn while total CDs outstanding rose UAH1.26bn to UAH57.35bn, pushing banking sector liquidity up UAH1.20bn to UAH108.65bn.

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THURSDAY, 26 JANUARY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 25 January 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 25 January 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.60	+50bp	+200bp
Banks reserves (UAHm)	51,295	-0.12	+3.14
Deposit certificates* (UAHm)	57,351	-20.49	-26.73
FOREIGN EXCHANGE MARKET			
UAH per US dollar	27.2950	+0.22	+0.72
Total trade volume (US\$m)	147.40	-4.77	-13.10
UAH index PCI-based	101.899	-0.16	-1.88
UAH index PPI-based	161.167	-0.16	-1.88
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	597bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,298.37	+0.80	+2.66
MSCI EM	912.16	+0.39	+5.79
US dollar index (DXY)	100.030	-0.32	-2.13
EUR / USD	1.0748	+0.16	+2.20
Crude oil WTI (US\$/bbl)	52.75	-0.81	-1.81
Crude oil BRENT (US\$/bbl)	55.08	-0.65	-3.06
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,200.79	-0.66	+4.21

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity up slightly

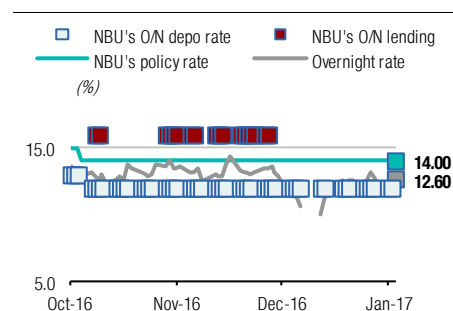
Inflows from Tuesday's FX auction caused liquidity to increase a slight UAH0.48bn as the NBU injected an additional UAH0.59bn that day. Banks' correspondent accounts with the NBU slid UAH0.06bn to UAH51.29bn while total CDs outstanding rose UAH1.26bn to UAH57.35bn, pushing banking sector liquidity up UAH1.20bn to UAH108.65bn.

Banks purchased UAH1.0bn more of 14-day CDs than were redeemed that day.

Investment implications: The Treasury appears to have immediately spent all collected revenues, softening the impact on liquidity. Additionally inflows from the NBU via FX auctions and interest repayments also have positive impact on liquidity. The new bonds purchased at Tuesday's auction should have a negative impact on liquidity today, and the Treasury could have spent the proceeds on budget expenditures yesterday.

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Interest rates in the banks' reserves market (three months through 25 January 2017)



Source: Bloomberg, ICU.

Key indicators (as of 25 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	12.60	+50bp	-60bp	-30bp	+200bp
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	51,295	-0.12	+11.80	+0.50	+3.14
DepCerts ³	57,351	-20.49	-22.99	-6.48	-26.73
Total	108,646	-12.73	-9.78	-4.99	-15.32
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	383,344	+0.00	+0.00	+7.64	+7.64
Banks	254,018	-0.08	-0.50	+48.49	+47.40
Residents	23,609	-0.67	-1.01	+51.39	+50.58
Non-res ⁴	6,329	-0.32	-3.25	+0.59	-0.36
Total	667,300	-0.06	-0.26	+21.53	+21.21
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.

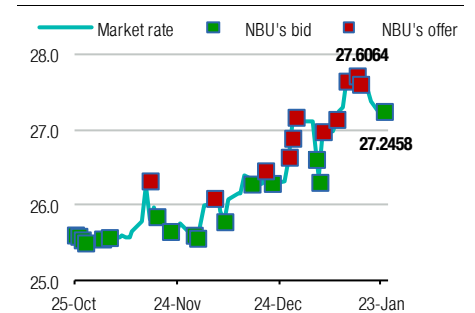
Foreign exchange markets

Key indicators (as of 25 січня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	27.2950	+0.22	-1.05	+3.82	+0.72
USD ¹	100.030	-0.32	-0.89	-2.89	-2.13
EUR	1.0748	+0.16	+1.11	+2.79	+2.20
JPY	113.2800	-0.45	-1.19	-3.45	-3.15
GBP ²	1.2634	+0.91	+3.04	+2.87	+2.38
CNY	6.8836	+0.36	+0.50	-0.90	-0.88
RUB	59.5382	+0.45	+0.04	-3.01	-3.25

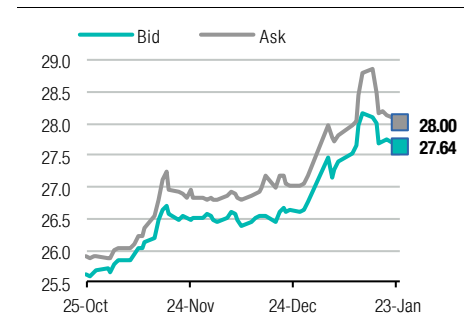
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 25 January 2017)



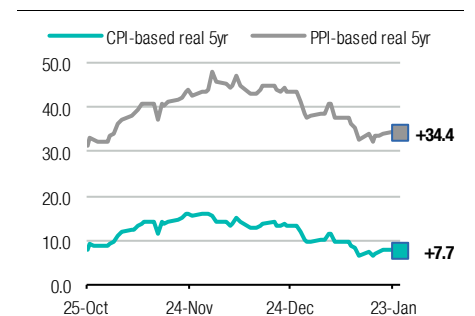
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 25 January 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 25 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)

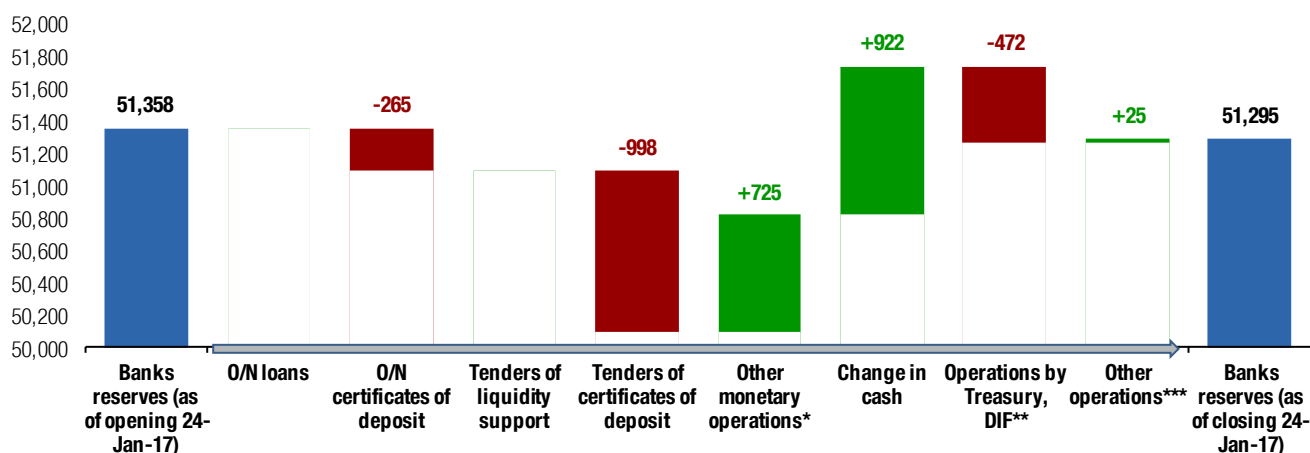
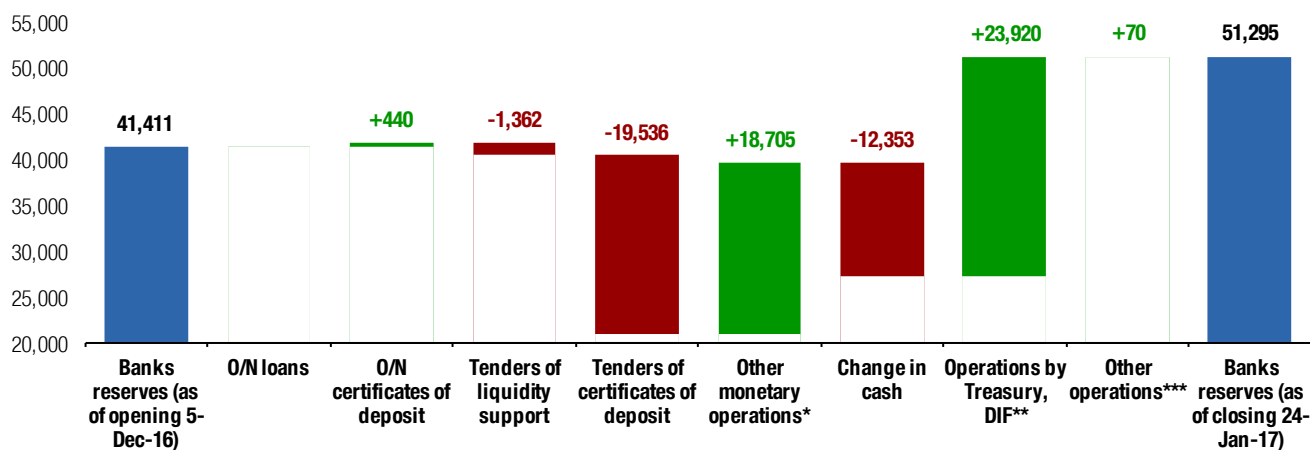
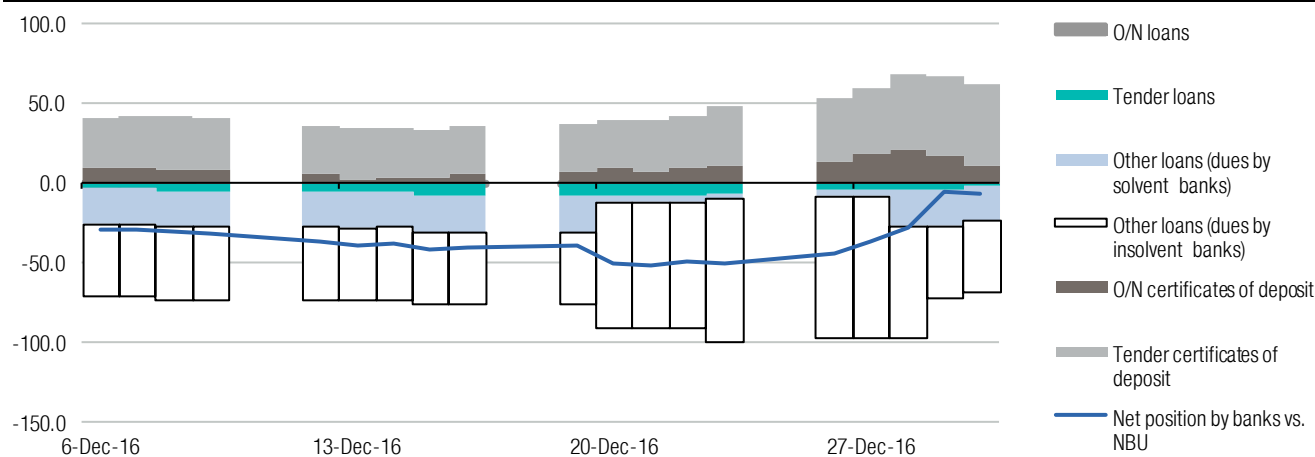


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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