

Daily Insight

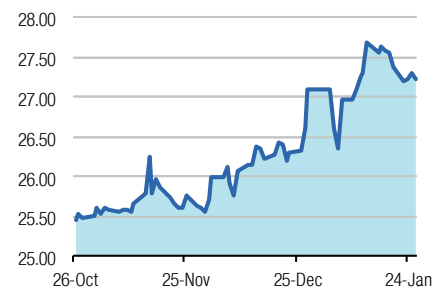
Liquidity down slightly

Key messages of the today's comments

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Banking sector liquidity fell UAH0.66bn to UAH107.99bn yesterday with some funds reallocated to CDs. Funds outflows went mostly to the budget.	
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FRIDAY, 27 JANUARY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 26 January 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 26 January 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.60	+0bp	+200bp
Banks reserves (UAHm)	49,220	+2.75	+1.69
Deposit certificates* (UAHm)	45,600	-15.96	-38.43
FOREIGN EXCHANGE MARKET			
UAH per US dollar	27.2250	-0.26	+0.46
Total trade volume (US\$m)	141.61	-3.92	-16.51
UAH index PCI-based	102.733	+0.82	-1.08
UAH index PPI-based	162.487	+0.82	-1.08
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	N/A		
US dollar index (DXY)	100.380	+0.35	-1.79
EUR / USD	1.0682	-0.61	+1.57
Crude oil WTI (US\$/bbl)	53.78	+1.95	+0.11
Crude oil BRENT (US\$/bbl)	56.24	+2.11	-1.02
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,188.55	-1.02	+3.15

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity down slightly

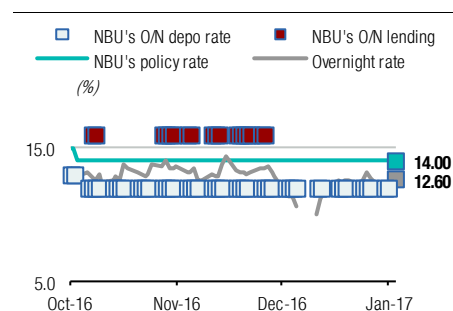
Banking sector liquidity fell UAH0.66bn to UAH107.99bn yesterday with some funds reallocated to CDs. Funds outflows went mostly to the budget.

Banks' correspondent accounts with the NBU declined UAH2.07bn to UAH49.22bn while total CDs outstanding rose UAH1.42bn to UAH58.77bn.

Investment implications: Fund outflows were bond purchases following Tuesdays' auction and month-end tax payments. At the same time, banks continued to increase investments in CD, preferring 14-day CDs. Liquidity could decline further as tax payments conclude.

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

Interest rates in the banks' reserves market (three months through 26 January 2017)



Source: Bloomberg, ICU.

Key indicators (as of 26 January 2017)

	Last	Daily	Weekly	Monthly	YTD
		chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	14.00	+0bp	+0bp	+0bp	+0bp
Overnight	12.60	+0bp	-10bp	+110bp	+200bp
KYIV PRIME RATES (%)					
Overnight	N/A	N/A	N/A	N/A	N/A
1 week	N/A	N/A	N/A	N/A	N/A
1 month	N/A	N/A	N/A	N/A	N/A
2 months	N/A	N/A	N/A	N/A	N/A
3 months	N/A	N/A	N/A	N/A	N/A
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	49,220	+2.75	+4.75	+4.15	+1.69
DepCerts ³	45,600	-15.96	-33.25	-27.79	-38.43
Total	94,820	-6.25	-15.89	-12.53	-20.61
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	383,344	+0.00	+0.00	+7.64	+7.64
Banks	254,302	+0.11	-0.18	+48.74	+47.56
Residents	23,992	+1.62	+0.47	+53.55	+53.03
Non-res ⁴	6,324	-0.08	-2.91	+0.58	-0.43
Total	667,962	+0.10	-0.08	+21.66	+21.33
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.

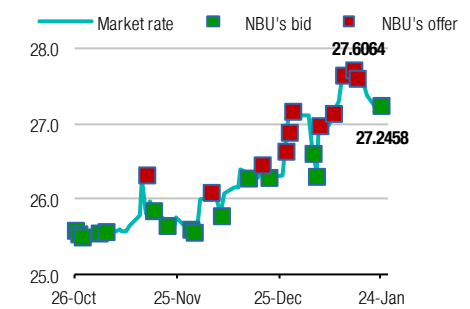
Foreign exchange markets

Key indicators (as of 26 січня 2017)

	Last	Daily chg (%)	Weekly chg (%)	Monthly chg (%)	YTD chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	27.2250	-0.26	-1.18	+3.44	+0.46
USD ¹	100.380	+0.35	-0.76	-2.52	-1.79
EUR	1.0682	-0.61	+0.17	+2.17	+1.57
JPY	114.5300	+1.10	-0.29	-2.19	-2.08
GBP ²	1.2597	-0.29	+2.07	+2.56	+2.08
CNY	N/A	N/A	N/A	N/A	N/A
RUB	60.3402	+1.35	+0.76	-1.05	-1.95

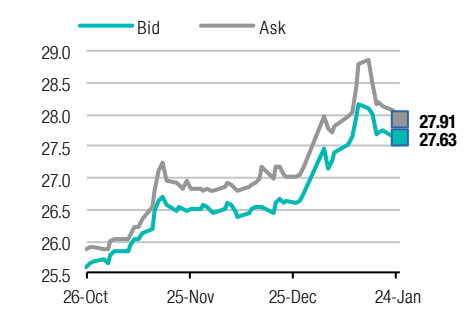
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 26 January 2017)



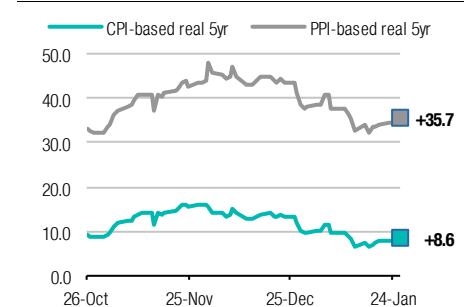
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 26 January 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 26 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)

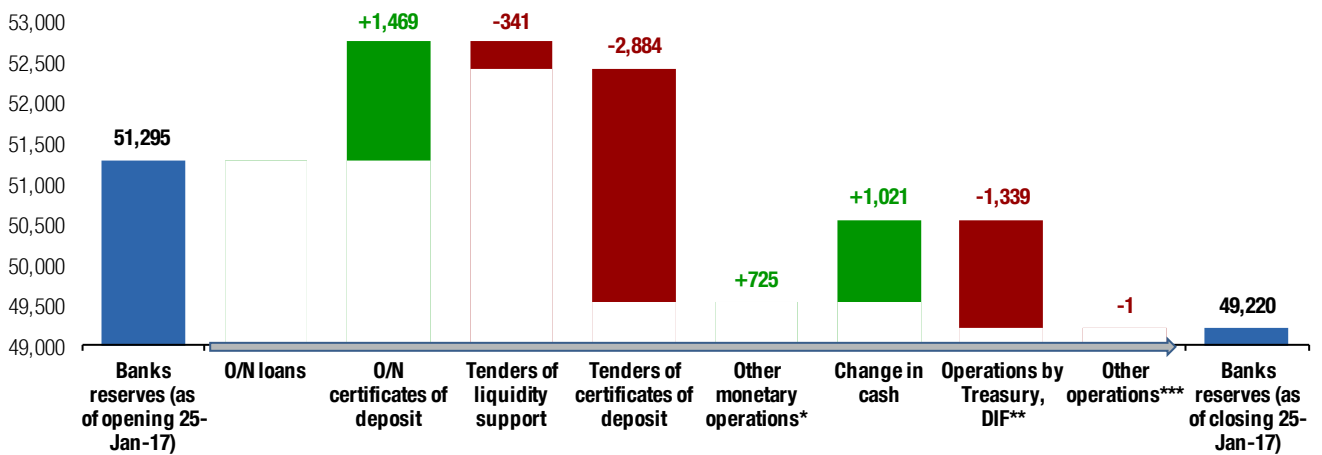
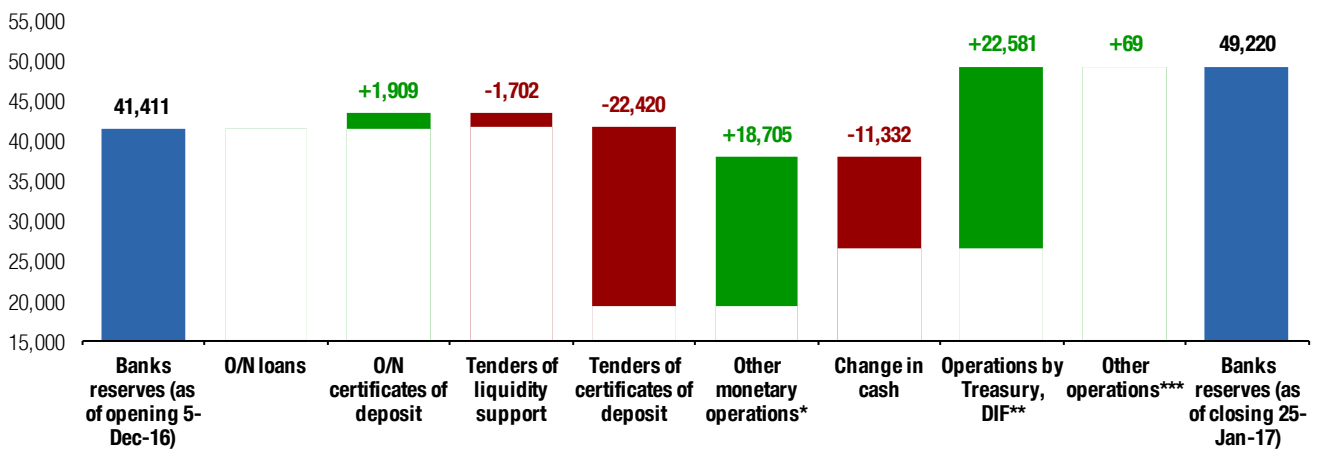
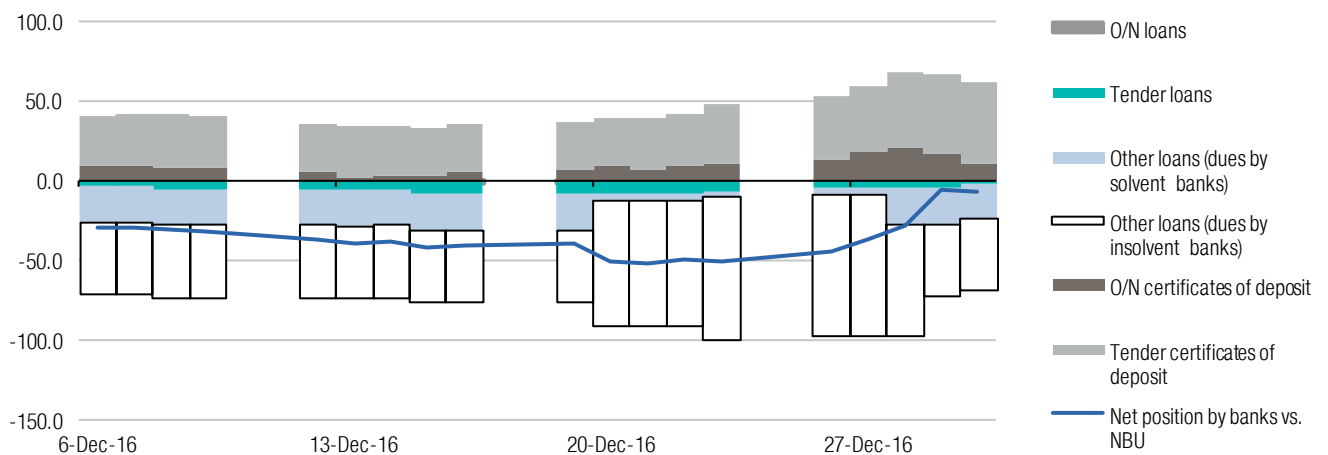


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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