

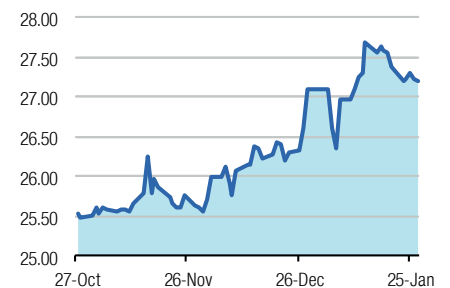
Daily Insight

Key messages of the today's comments

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At the end of last week, liquidity outflows slightly rose caused banking sector liquidity to slide UAH0.83bn to UAH107.16bn. State treasury operations had a negative impact on liquidity with UAH1.90bn of outflows last Thursday.	
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MONDAY, 30 JANUARY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 27 January 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 27 January 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	11.90	-70bp	+130bp
Banks reserves (UAHm)	50,575	-8.38	-6.83
Deposit certificates* (UAHm)	38,323	-14.03	-47.06
FOREIGN EXCHANGE MARKET			
UAH per US dollar	27.1905	-0.13	+0.33
Total trade volume (US\$m)	127.89	-9.69	-24.60
UAH index PCI-based	102.614	-0.12	-1.19
UAH index PPI-based	162.299	-0.12	-1.19
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	597bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,294.69	-0.09	+2.50
MSCI EM	915.92	-0.09	+6.22
US dollar index (DXY)	100.530	+0.15	-1.64
EUR / USD	1.0699	+0.16	+1.73
Crude oil WTI (US\$/bbl)	53.17	-1.13	-1.02
Crude oil BRENT (US\$/bbl)	55.52	-1.28	-2.29
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,191.30	+0.23	+3.39

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity outflows to the budget

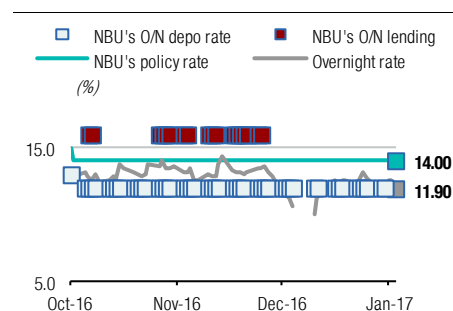
At the end of last week, liquidity outflows slightly rose caused banking sector liquidity to slide UAH0.83bn to UAH107.16bn. State treasury operations had a negative impact on liquidity with UAH1.90bn of outflows last Thursday.

Last Friday, banks' correspondent accounts with the NBU rose UAH1.35bn while total CDs outstanding slid UAH2.18bn to UAH56.58bn.

Investment implications: Based on available data, the State Treasury appears to have decreased its expenditures, making the balance of operations negative for liquidity, providing expenditures in lower amounts than collected revenues. Most likely, funds were accumulated for the VAT refund for which have been insufficient since the beginning of the year. The Treasury most likely will try to show a significant amount of funds at treasury accounts at the end of the month.

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Interest rates in the banks' reserves market (three months through 27 January 2017)



Source: Bloomberg, ICU.

Key indicators (as of 27 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	-70bp	-50bp	+60bp	+130bp
KYIV PRIME RATES (%)					
Overnight	12.92	+0bp	-8bp	-8bp	-8bp
1 week	14.50	+0bp	+0bp	-33bp	+0bp
1 month	16.08	+0bp	+0bp	-42bp	-42bp
2 months	18.00	+0bp	+0bp	+0bp	+0bp
3 months	18.00	+0bp	+0bp	-17bp	+0bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	50,575	-8.38	-10.44	-11.41	-6.83
DepCerts ³	38,323	-14.03	-40.74	-45.20	-47.06
Total	88,898	-10.82	-26.13	-29.48	-29.19
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	383,344	+0.00	+0.00	+7.64	+7.64
Banks	254,288	-0.01	-0.19	+48.42	+47.55
Residents	24,008	+0.07	+0.79	+53.50	+53.13
Non-res ⁴	6,325	+0.02	-0.72	+0.49	-0.42
Total	667,965	+0.00	-0.05	+21.58	+21.33
IMPLIED YIELDS OF THE UAH NDF MARKET (%)					
3 months	18.47	+61bp	+0bp	-46bp	-393bp
6 months	18.28	+36bp	+12bp	-28bp	-19bp
9 months	18.00	+24bp	+12bp	-57bp	-1bp
1 year	17.06	+18bp	+10bp	-31bp	+7bp
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.

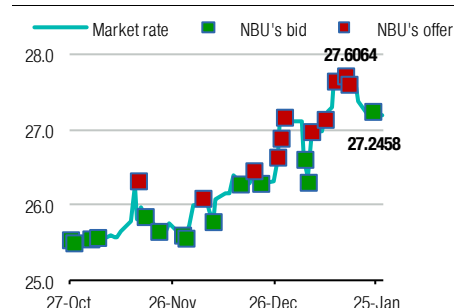
Foreign exchange markets

Key indicators (as of 27 січня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	27.1905	-0.13	-0.67	+2.22	+0.33
USD ¹	100.530	+0.15	-0.21	-2.42	-1.64
EUR	1.0699	+0.16	-0.04	+2.31	+1.73
JPY	115.1000	+0.50	+0.42	-1.98	-1.59
GBP ²	1.2555	-0.33	+1.45	+2.31	+1.74
CNY	N/A	N/A	N/A	N/A	N/A
RUB	59.8772	-0.77	+0.45	-1.28	-2.70

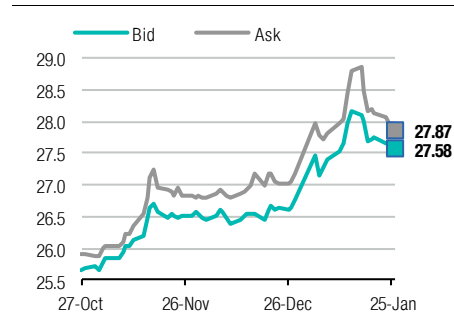
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 27 January 2017)



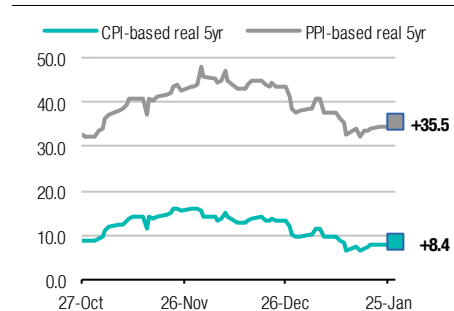
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 27 January 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 27 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)

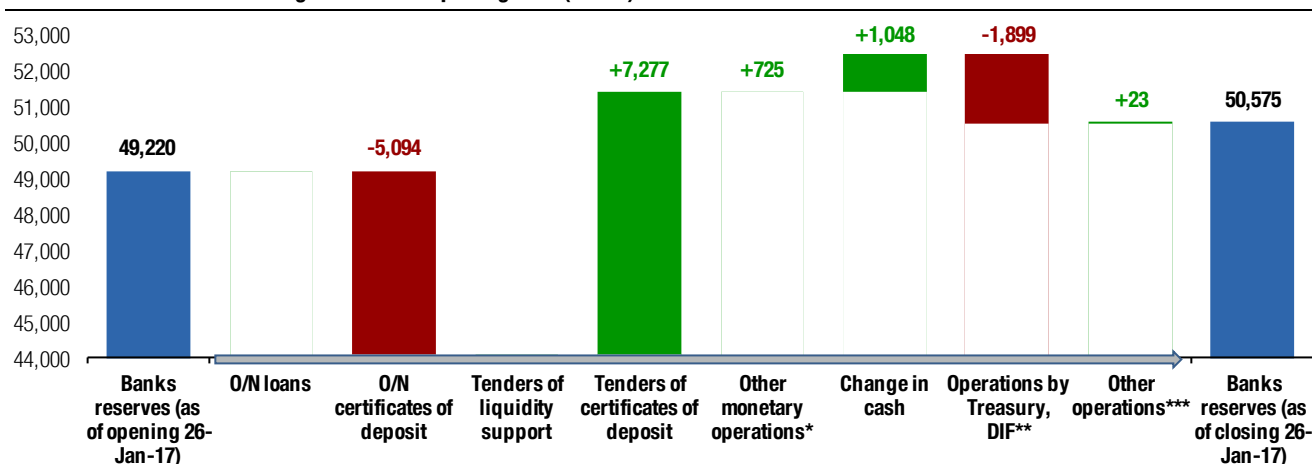
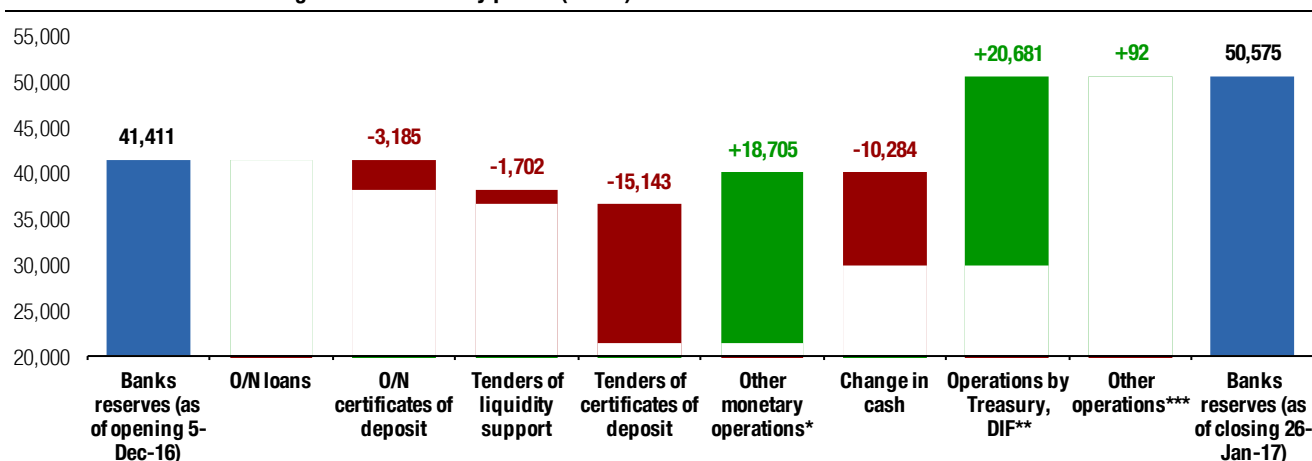
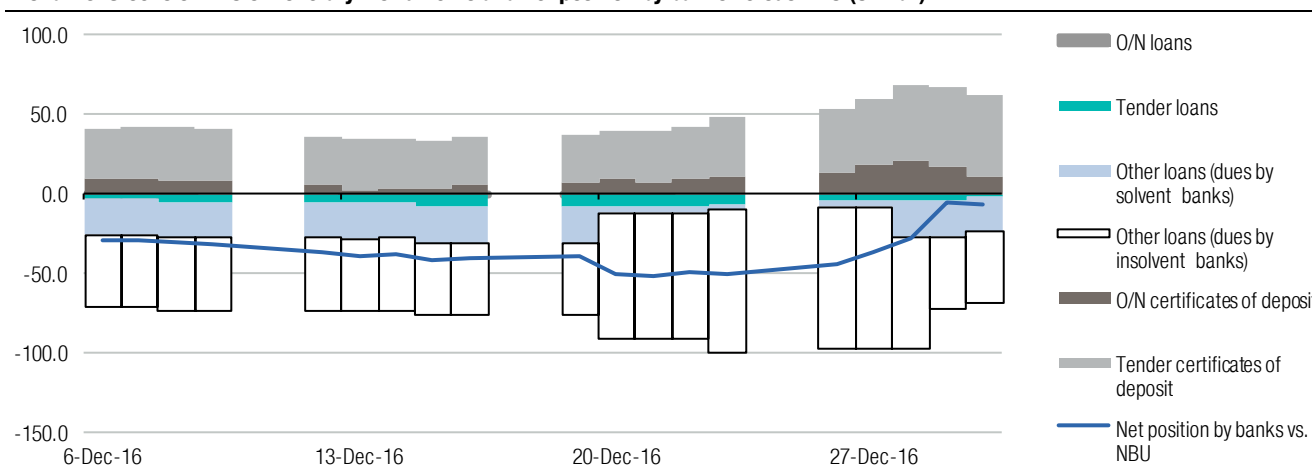


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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