

# Daily Insight

## Liquidity up

### Key messages of the today's comments

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##### Liquidity up ..... 2

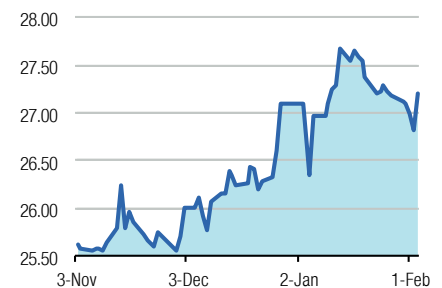
The Treasury paid UAH6.33bn of the VAT refund on the first two days of this month, leaving UAH0.50bn remaining on Friday morning. Last Thursday, the UAH4.09bn payment pushed liquidity up UAH4.52bn to UAH112.3bn, just UAH0.53bn below this year's record high at the beginning of January.

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### MONDAY, 6 FEBRUARY 2017

#### Ukraine's hryvnia exchange rate per US dollar (three months through 3 February 2017)



Source: Bloomberg.

#### Selected indicators of the financial markets (three months through 3 February 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	11.40	-60bp	+80bp
Banks reserves (UAHm)	46,935	-8.95	-14.07
Deposit certificates* (UAHm)	15,346	-30.39	-82.84
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	27.2000	+1.40	+0.37
Total trade volume (US\$m)	N/A		
UAH index PCI-based	101.452	-1.73	-2.31
UAH index PPI-based	160.461	-1.73	-2.31
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	621bp	+0bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,297.42	+0.73	+2.62
MSCI EM	918.87	+0.40	+6.56
US dollar index (DXY)	99.868	+0.08	-2.29
EUR / USD	1.0783	+0.22	+2.53
Crude oil WTI (US\$/bbl)	53.83	+0.54	+0.20
Crude oil BRENT (US\$/bbl)	56.81	+0.44	-0.02
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,220.20	+0.37	+5.90

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Liquidity up

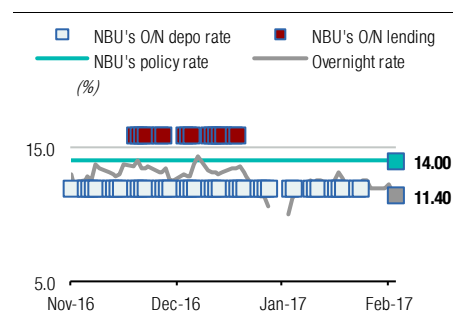
The Treasury paid UAH6.33bn of the VAT refund on the first two days of this month, leaving UAH0.50bn remaining on Friday morning. Last Thursday, the UAH4.09bn payment pushed liquidity up UAH4.52bn to UAH112.3bn, just UAH0.53bn below this year's record high at the beginning of January.

Banks increased the amount of CDs after it purchased UAH3.46bn of CDs more than it redeemed last Thursday, favoring 14-day CDs. Banks' correspondent accounts with the NBU rose a less significant UAH1.07bn. Non-monetary operations added UAH4.33bn of funds into the banking system, with a UAH0.41bn increase in cash and UAH3.91bn of net inflows from the Treasury, mainly from the VAT refund.

**Investment implications: Although the VAT refund caused a significant increase in liquidity, despite higher demand for FX, the NBU did not hold a FX auction last Friday. As a result, the liquidity increase to the near record high should decline as these funds most likely will be spent on FX.**

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

## Interest rates in the banks' reserves market (three months through 3 February 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 3 February 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	11.40	-60bp	-50bp	+0bp	+80bp
<b>KYIV PRIME RATES (%)</b>					
Overnight	12.92	+0bp	+0bp	-8bp	-8bp
1 week	14.50	+0bp	+0bp	+0bp	+0bp
1 month	16.08	+0bp	+0bp	-42bp	-42bp
2 months	18.00	+0bp	+0bp	+0bp	+0bp
3 months	18.00	+0bp	+0bp	+0bp	+0bp
<b>DOMESTIC LIQUIDITY (UAH MILLION)</b>					
Reserves <sup>2</sup>	46,935	-8.95	-15.50	+5.51	-14.07
DepCerts <sup>3</sup>	15,346	-30.39	-72.12	-84.30	-82.84
<b>Total</b>	<b>62,281</b>	<b>-14.23</b>	<b>-39.91</b>	<b>-50.79</b>	<b>-52.29</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	383,344	+0.00	+0.00	+0.37	+7.64
Banks	253,550	+0.00	-0.29	-0.75	+47.12
Residents	23,940	-0.13	-0.28	+1.07	+52.69
Non-res <sup>4</sup>	6,280	-0.04	-0.72	-2.78	-1.13
<b>Total</b>	<b>667,114</b>	<b>-0.01</b>	<b>-0.13</b>	<b>-0.07</b>	<b>+21.18</b>
<b>IMPLIED YIELDS OF THE UAH NDF MARKET (%)</b>					
3 months	18.39	-401bp	-8bp	+0bp	-402bp
6 months	18.26	-120bp	-2bp	-9bp	-20bp
9 months	17.98	-88bp	-2bp	-3bp	-3bp
1 year	17.05	-70bp	-2bp	+4bp	+5bp
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>					
CDS 5yr	621	+0bp	+25bp	+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.

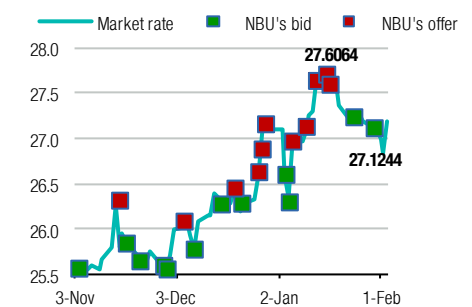
# Foreign exchange markets

## Key indicators (as of 3 лютого 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	27.2000	+1.40	+0.03	+0.37	+0.37
USD <sup>1</sup>	99.868	+0.08	-0.66	-3.24	-2.29
EUR	1.0783	+0.22	+0.79	+3.63	+2.53
JPY	112.6100	-0.17	-2.16	-4.37	-3.72
GBP <sup>2</sup>	1.2484	-0.34	-0.57	+2.02	+1.17
CNY	6.8672	-0.24	-0.24	-1.39	-1.12
RUB	59.0027	-0.69	-1.46	-3.14	-4.12

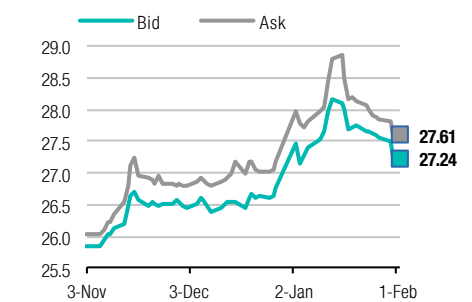
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

### Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 3 February 2017)



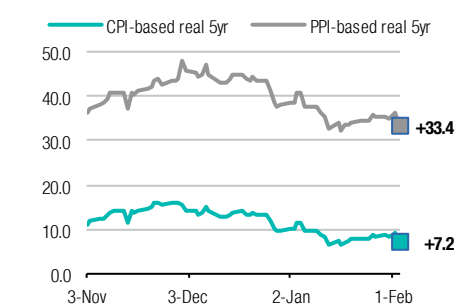
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

### Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 3 February 2017)



Source: NBU.

### UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 3 February 2017)

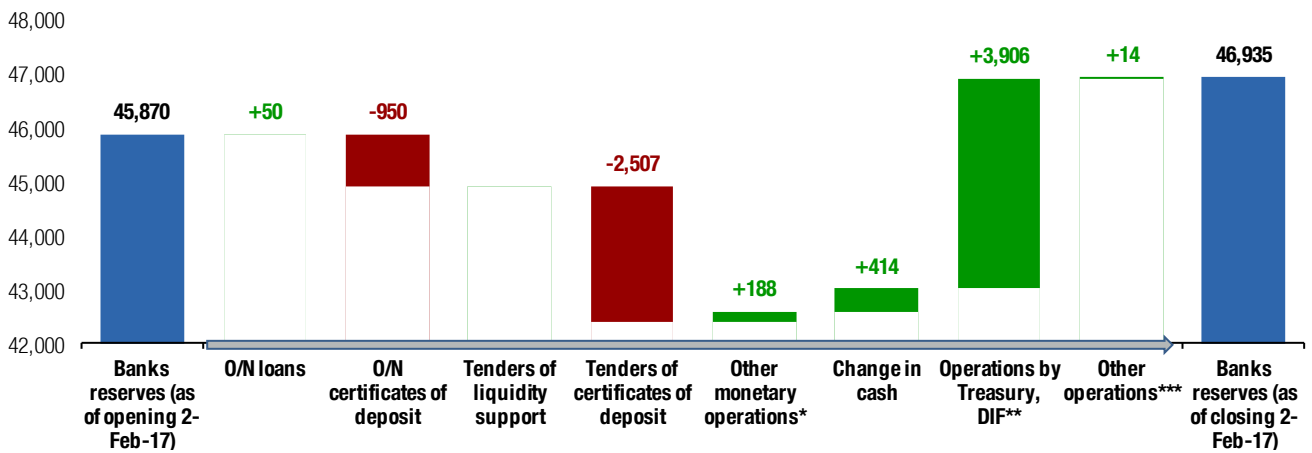


Notes: [1] "+" overvalued, "-" undervalued; [2] based on the UAH's CPI- and PPI-based real TWIs. Source: ICU.

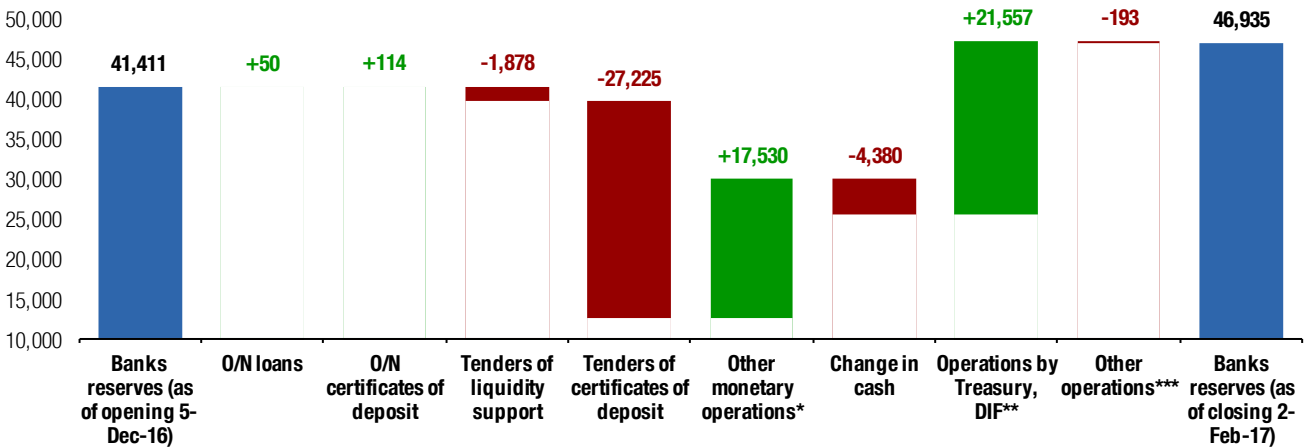
Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU [website](#).

# Appendix #1: Domestic liquidity

**Chart 1. Banks reserves usages over last reporting date (UAHm)**

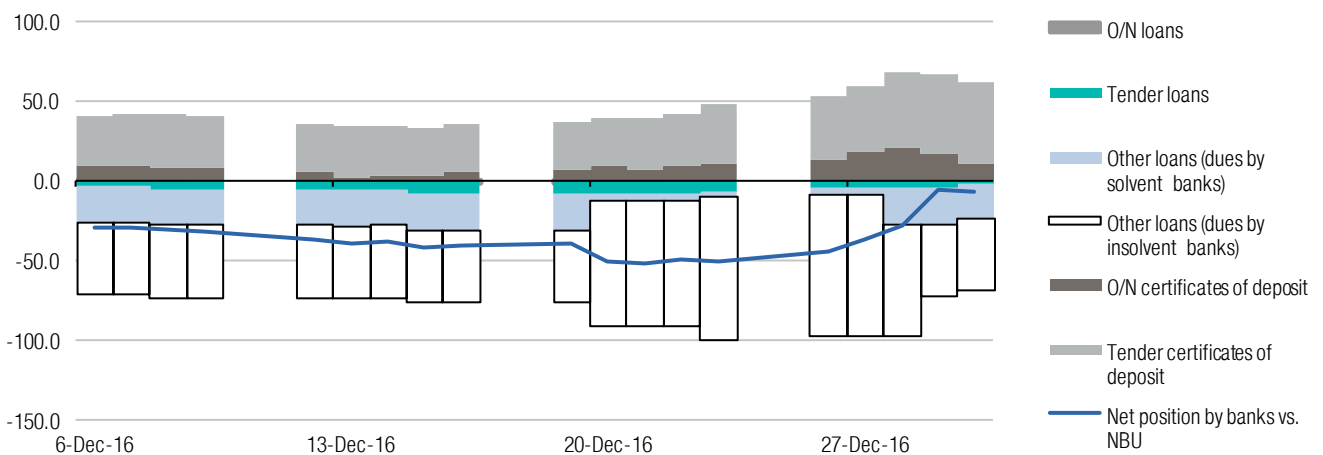


**Chart 2. Banks reserves usages over last 30-day period (UAHm)**



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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