

# Daily Insight

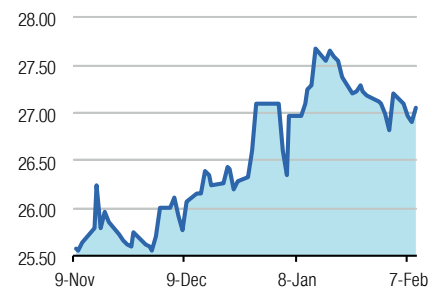
## Liquidity slightly volatile

### Key messages of the today's comments

<b>Domestic liquidity</b> .....	<b>2</b>
<b>Liquidity slightly volatile</b> .....	<b>2</b>
Banking sector liquidity recovered to UAH109.50bnn yesterday, up UAH0.94bn, reclaiming about one-third of its decline the previous day. At the same time, liquidity reallocated to CDs, collecting funds that were under pressure from the tax payment period.	
<b>Foreign exchange markets</b> .....	<b>3</b>
<b>Appendix #1: Domestic liquidity</b> .....	<b>4</b>

FRIDAY, 10 FEBRUARY 2017

### Ukraine's hryvnia exchange rate per US dollar (three months through 9 February 2017)



Source: Bloomberg.

### Selected indicators of the financial markets (three months through 9 February 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.40	-10bp	+180bp
Banks reserves (UAHm)	40,641	-1.10	-18.28
Deposit certificates* (UAHm)	0	+0.00	-100.00
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	27.0650	+0.59	-0.13
Total trade volume (US\$m)	N/A		
UAH index PCI-based	102.179	-0.66	-1.61
UAH index PPI-based	161.611	-0.66	-1.61
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	621bp	+0bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,307.87	+0.58	+3.08
MSCI EM	925.57	+0.42	+7.34
US dollar index (DXY)	100.650	+0.37	-1.53
EUR / USD	1.0655	-0.40	+1.31
Crude oil WTI (US\$/bbl)	53.00	+1.26	-1.34
Crude oil BRENT (US\$/bbl)	55.63	+0.93	-2.09
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,228.36	-1.06	+6.60

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Liquidity slightly volatile

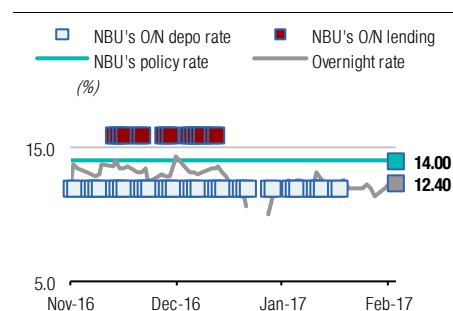
Banking sector liquidity recovered to UAH109.50bnn yesterday, up UAH0.94bn, reclaiming about one-third of its decline the previous day. At the same time, liquidity reallocated to CDs, collecting funds that were under pressure from the tax payment period.

Banks' correspondent accounts with the NBU slid UAH0.45bn to UAH40.64bn while total CDs outstanding rose UAH1.39bn to UAH68.86bn. The Treasury increased expenditures above collected revenues, having a positive impact on liquidity, but the total impact of non-monetary operations was insufficient due to the decline in cash.

**Investment implications:** Thanks to FX auctions and higher budget expenditures, liquidity was up slightly, but not to the previous level. Today m, liquidity could rise more, but be short-lived as next week quarterly tax payments begin next week. This should put pressure on liquidity.

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

## Interest rates in the banks' reserves market (three months through 9 February 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 9 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	12.40	-10bp	+40bp	+80bp	+180bp
<b>KYIV PRIME RATES (%)</b>					
Overnight	12.92	+0bp	+0bp	+0bp	-8bp
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	+0bp	+0bp
<b>DOMESTIC LIQUIDITY (UAH MILLION)</b>					
Reserves <sup>2</sup>	40,641	-1.10	-11.40	+3.62	-18.28
DepCerts <sup>3</sup>	0	+0.00	-100.0	-100.0	-100.0
<b>Total</b>	<b>40,641</b>	<b>-9.56</b>	<b>-46.23</b>	<b>-67.42</b>	<b>-67.17</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	383,344	+0.00	+0.00	+0.37	+7.64
Banks	253,863	+0.01	+0.12	+0.73	+47.31
Residents	23,882	-0.09	-0.38	+1.77	+52.32
Non-res <sup>4</sup>	6,132	-0.39	-2.40	-2.33	-3.46
<b>Total</b>	<b>667,220</b>	<b>+0.00</b>	<b>+0.01</b>	<b>+0.53</b>	<b>+21.20</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	621	+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.

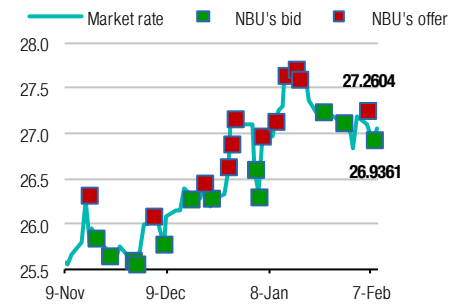
# Foreign exchange markets

## Key indicators (as of 9 лютого 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	27.0650	+0.59	+0.89	+0.33	-0.13
USD <sup>1</sup>	100.650	+0.37	+0.86	-1.26	-1.53
EUR	1.0655	-0.40	-0.97	+0.77	+1.31
JPY	113.2500	+1.18	+0.40	-2.40	-3.17
GBP <sup>2</sup>	1.2497	-0.35	-0.24	+2.75	+1.27
CNY	6.8691	+0.08	-0.22	-0.99	-1.09
RUB	58.9220	-0.43	-0.82	-2.02	-4.25

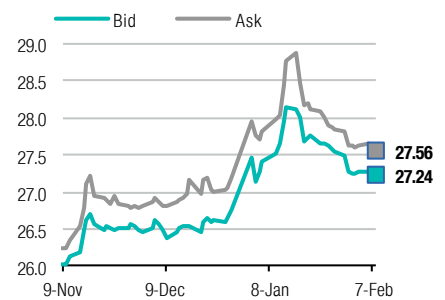
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 9 February 2017)



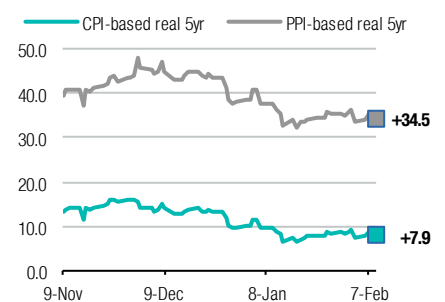
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 9 February 2017)



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 9 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)

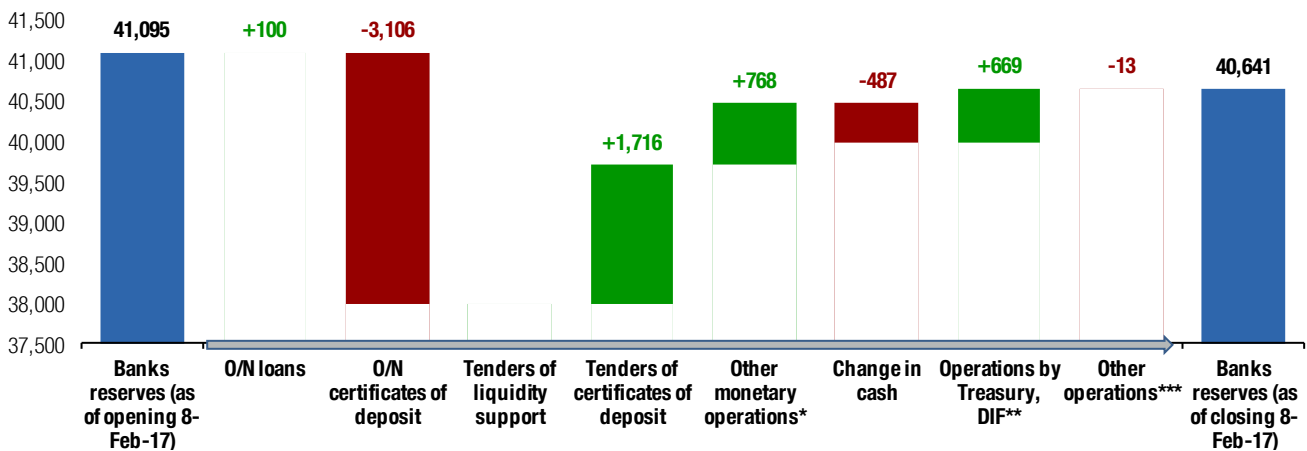
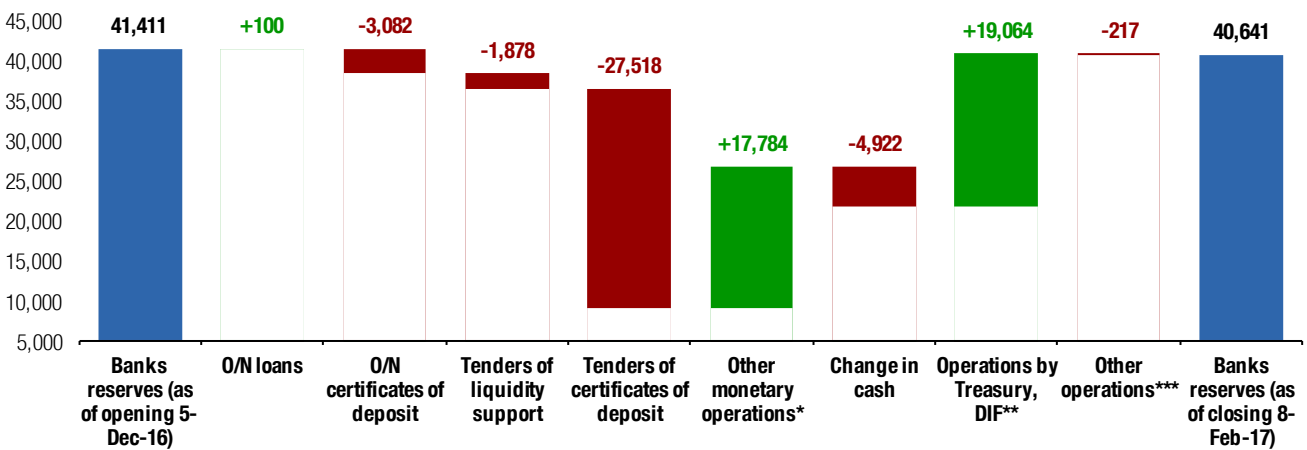
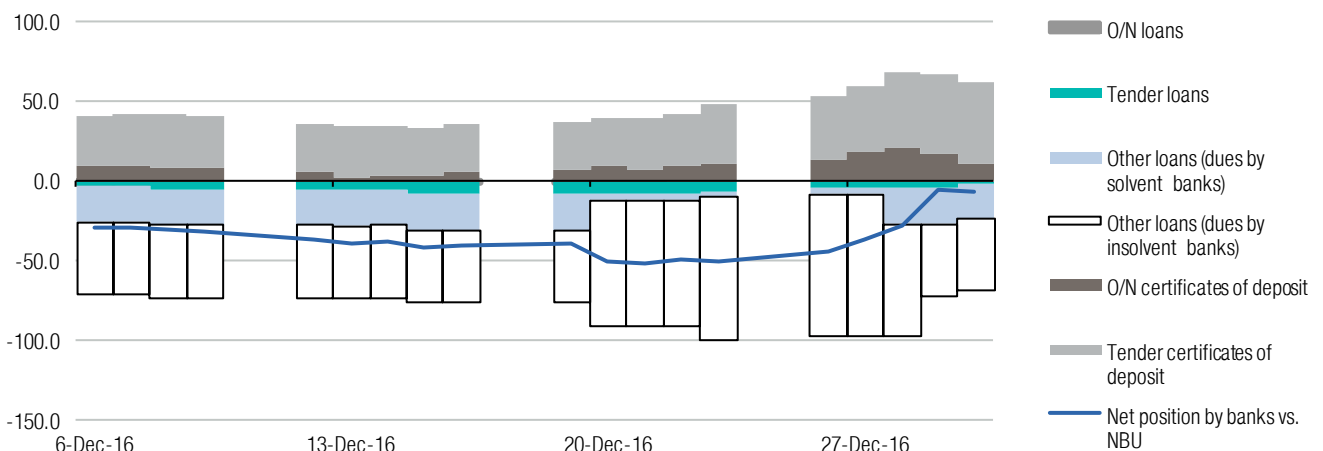


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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