

Daily Insight

Slight liquidity decline

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Liquidity began the week at UAH108.90bn, down just UAH0.63bn from last Friday, after a significant reallocation of funds from CDs to banks' accounts, most likely in preparation for quarterly tax payments schedule to start yesterday. Banks' correspondent accounts with the NBU rose UAH10.36bn to UAH47.12bn while total CDs outstanding fell UAH10.99bn to UAH61.78bn.

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TUESDAY, 14 FEBRUARY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 13 February 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 13 February 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	N/A		
Overnight rate (interbank)	N/A		
Banks reserves (UAHm)	47,119	+28.20	-5.25
Deposit certificates* (UAHm)	0	+0.00	-100.00
FOREIGN EXCHANGE MARKET			
UAH per US dollar	27.2950	+0.24	+0.72
Total trade volume (US\$m)	N/A		
UAH index PCI-based	101.072	-0.31	-2.68
UAH index PPI-based	159.860	-0.31	-2.68
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	621bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,328.25	+0.52	+3.99
MSCI EM	935.45	+0.57	+8.49
US dollar index (DXY)	100.960	+0.16	-1.22
EUR / USD	1.0598	-0.42	+0.77
Crude oil WTI (US\$/bbl)	52.93	-1.73	-1.47
Crude oil BRENT (US\$/bbl)	55.59	-1.96	-2.16
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,225.18	-0.69	+6.33

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Slight liquidity decline

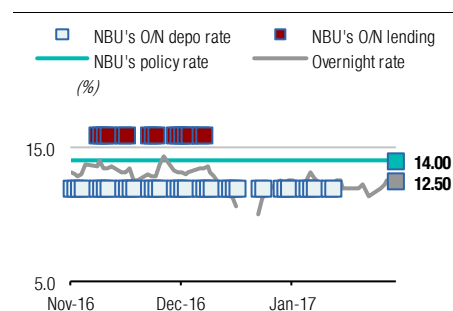
Liquidity began the week at UAH108.90bn, down just UAH0.63bn from last Friday, after a significant reallocation of funds from CDs to banks' accounts, most likely in preparation for quarterly tax payments schedule to start yesterday. Banks' correspondent accounts with the NBU rose UAH10.36bn to UAH47.12bn while total CDs outstanding fell UAH10.99bn to UAH61.78bn.

Non-monetary operations had little impact on local currency funds as inflows from the budget were reduced by the decline in cash. The NBU also absorbed UAH0.73bn of funds at last Friday's FX auction.

Investment implications: *Although liquidity remained steady for the majority of last week, it could decline today. While the budget could accumulate more funds via revenues than it will spend, non-monetary operations should have a more negative impact on liquidity.*

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Interest rates in the banks' reserves market (three months through 13 February 2017)



Source: Bloomberg, ICU.

Key indicators (as of 13 February 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	N/A	N/A	N/A	N/A	N/A
Overnight	N/A	N/A	N/A	N/A	N/A
KYIV PRIME RATES (%)					
Overnight	12.92	+0bp	+0bp	-8bp	-8bp
1 week	14.50	+0bp	+0bp	+0bp	+0bp
1 month	16.08	+0bp	+0bp	+0bp	-42bp
2 months	18.00	+0bp	+0bp	+0bp	+0bp
3 months	18.00	+0bp	+0bp	+0bp	+0bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	47,119	+28.20	+10.25	-1.46	-5.25
DepCerts ³	0	+0.00	-100.0	-100.0	-100.0
Total	47,119	+28.20	-11.80	-56.28	-57.92
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	383,344	+0.00	+0.00	+0.00	+7.64
Banks	257,977	+1.43	+1.61	+1.56	+49.69
Residents	23,862	+0.14	-0.19	+0.56	+52.20
Non-res ⁴	6,191	+0.59	-1.71	-4.34	-2.53
Total	671,373	+0.55	+0.59	+0.57	+21.95
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	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.

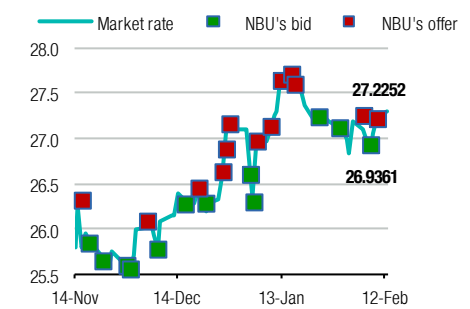
Foreign exchange markets

Key indicators (as of 13 лютого 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	27.2950	+0.24	+0.74	-1.41	+0.72
USD ¹	100.960	+0.16	+1.05	-0.22	-1.22
EUR	1.0598	-0.42	-1.41	-0.42	+0.77
JPY	113.7400	+0.46	+1.79	-0.66	-2.75
GBP ²	1.2526	+0.28	+0.46	+2.82	+1.51
CNY	6.8802	+0.02	+0.25	-0.29	-0.93
RUB	57.9535	-0.61	-1.66	-2.73	-5.82

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 13 February 2017)



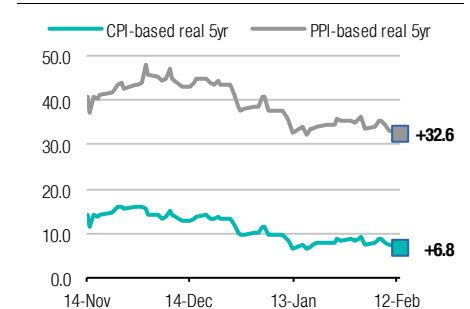
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 13 February 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 13 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)

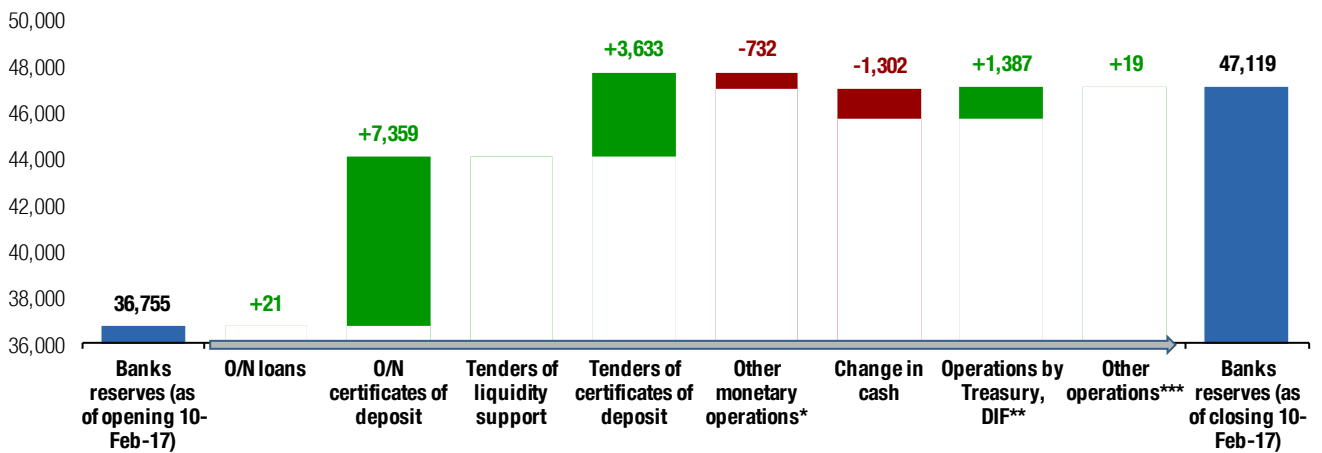
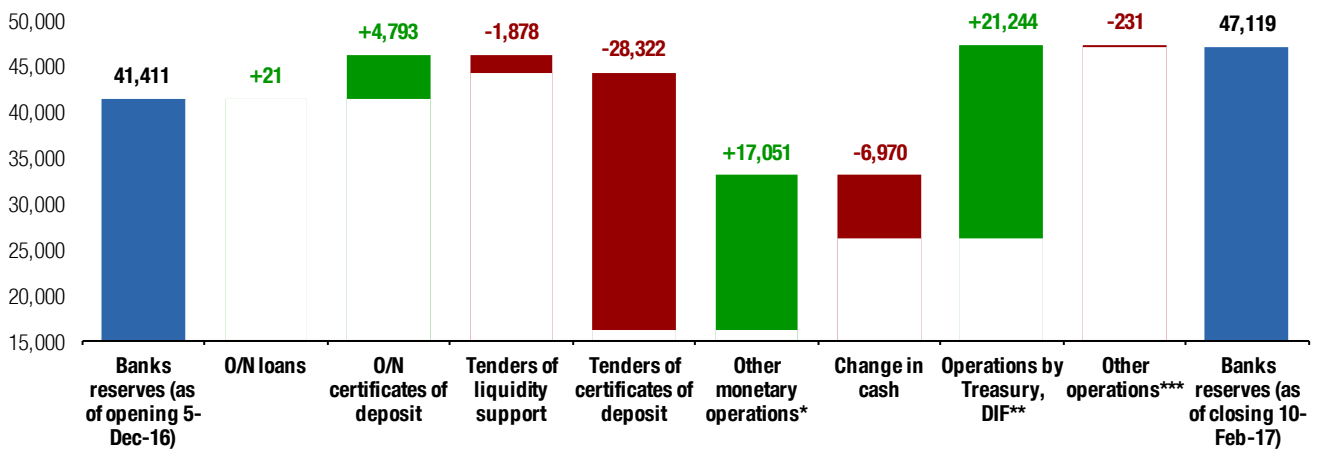
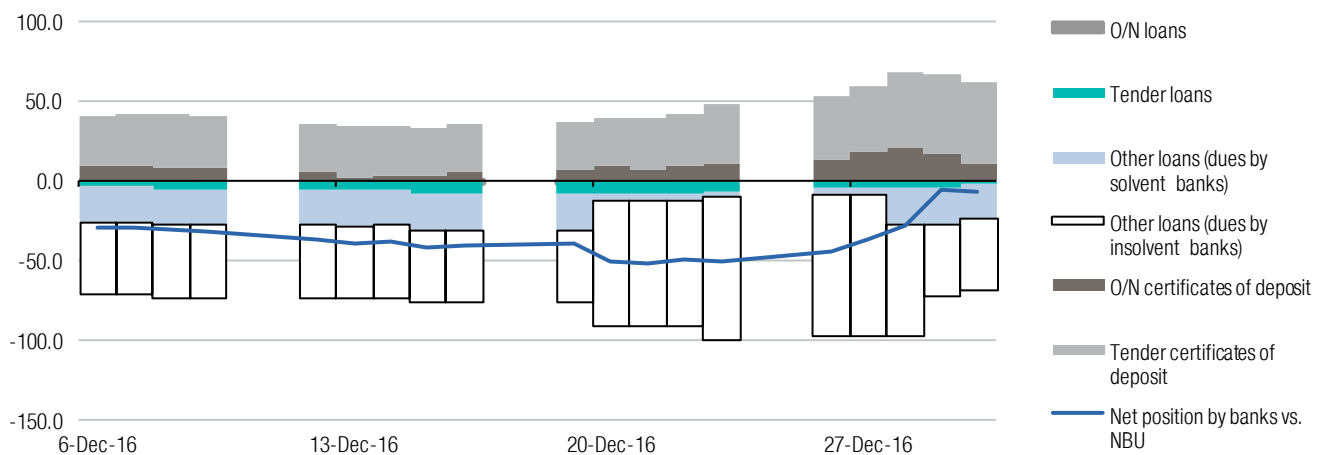


Chart 2. Banks reserves usages over last 30-day period (UAHm)



Notes: [1] data from the NBU's daily reporting https://bank.gov.ua/control/uk/publish/article?art_id=38643651&cat_id=40807142 ;
 * 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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