

Daily Insight

Liquidity steady at UAH109bn

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Banking sector liquidity rose a slight UAH0.19bn to UAH109.09bn yesterday, following routine outflows to the budget with similar expenditures. As the Treasury maintained the balance between revenues and expenditures, non-monetary operations had little impact on liquidity. At the same time, there was an additional reallocation of funds from CDs to banks' accounts.

MoF borrowed UAH1.74bn yesterday 2

As the result of yesterday's auction, the MoF will receive UAH1.74bn of new borrowings today. It accepted nearly 77% of demand and decreased interest rates for mid-term bonds. Total demand was UAH2.55bn, with maximum interest rates at the recent cut-off rates.

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WEDNESDAY, 15 FEBRUARY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 14 February 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 14 February 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.80	+50bp	+220bp
Banks reserves (UAHm)	48,837	+3.65	-1.80
Deposit certificates* (UAHm)	0	+0.00	-100.00
FOREIGN EXCHANGE MARKET			
UAH per US dollar	27.1000	-0.71	+0.00
Total trade volume (US\$m)	N/A		
UAH index PCI-based	101.328	+0.25	-2.43
UAH index PPI-based	160.265	+0.25	-2.43
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	621bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,337.58	+0.40	+4.41
MSCI EM	934.08	-0.15	+8.33
US dollar index (DXY)	101.250	+0.29	-0.94
EUR / USD	1.0578	-0.19	+0.58
Crude oil WTI (US\$/bbl)	53.20	+0.51	-0.97
Crude oil BRENT (US\$/bbl)	55.97	+0.68	-1.50
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,228.20	+0.25	+6.59

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity steady at UAH109bn

Banking sector liquidity rose a slight UAH0.19bn to UAH109.09bn yesterday, following routine outflows to the budget with similar expenditures. As the Treasury maintained the balance between revenues and expenditures, non-monetary operations had little impact on liquidity. At the same time, there was an additional reallocation of funds from CDs to banks' accounts.

Banks' correspondent accounts with the NBU rose UAH1.72bn to UAH48.84bn while total CDs outstanding slid UAH1.53bn to UAH60.25bn, the lowest amount this month.

Investment implications: The Treasury collected only UAH2.15bn of revenues this Monday, kept expenditures at the same level, and the main impact on liquidity was the amount of cash. The small increase of UAH0.19bn caused a similar increase in banking sector liquidity yesterday.

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MoF borrowed UAH1.74bn yesterday

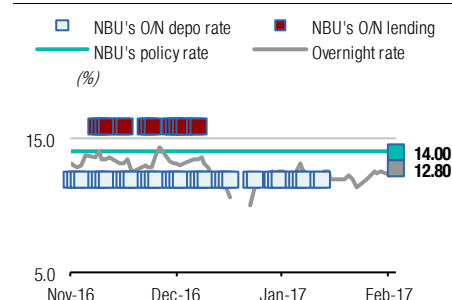
As the result of yesterday's auction, the MoF will receive UAH1.74bn of new borrowings today. It accepted nearly 77% of demand and decreased interest rates for mid-term bonds. Total demand was UAH2.55bn, with maximum interest rates at the recent cut-off rates.

6-month and 9-month bonds collected only three bids altogether, totaling UAH38.16m, which were rejected. At the same time, 2-year and 3-year bonds received UAH0.46bn and UAH2.05bn of demand, respectively, from which the MoF accepted only UAH0.35bn and UAH1.36bn of demand, including UAH0.15bn and UAH0.35bn of non-competitive demand, for 2-year and 3-year bonds, respectively.

Investment implications: The MoF took this opportunity to reduce interest rates, caused by a rush to longer bonds prior the next NBU meeting when the key monetary rate could be revised. As a result, large demand and lower interest rates forced the MoF to cut rates. This could continue next week for shorter maturities.

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Interest rates in the banks' reserves market (three months through 14 February 2017)



Source: Bloomberg, ICU.

Key indicators (as of 14 February 2017)

	Last	Daily chg (%)	Weekly chg (%)	Monthly chg (%)	YTD chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	14.00	+0bp	+0bp	+0bp	+0bp
Overnight	12.80	+50bp	+50bp	+30bp	+220bp
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	48,837	+3.65	+25.76	+2.13	-1.80
DepCerts ³	0	+0.00	-100.0	-100.0	-100.0
Total	48,837	+1.79	+10.19	-53.88	-55.60
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	383,344	+0.00	+0.00	+0.00	+7.64
Banks	257,831	-0.06	+1.27	+1.50	+49.61
Residents	23,854	-0.03	-0.11	+0.52	+52.14
Non-res ⁴	6,182	-0.13	-2.41	-4.46	-2.67
Total	671,211	-0.02	+0.46	+0.55	+21.92
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

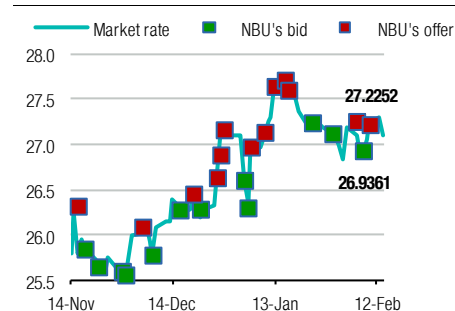
Key indicators (as of 14 лютого 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	27.1000	-0.71	+0.48	-2.11	+0.00
USD ¹	101.250	+0.29	+0.99	+0.07	-0.94
EUR	1.0578	-0.19	-0.98	-0.61	+0.58
JPY	114.2600	+0.46	+1.66	-0.20	-2.31
GBP ²	1.2468	-0.46	-0.33	+2.35	+1.04
CNY	6.8675	-0.18	-0.26	-0.48	-1.12
RUB	57.0600	-1.54	-4.08	-4.23	-7.28

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

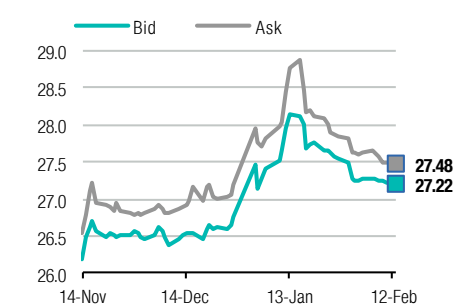
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 14 February 2017)



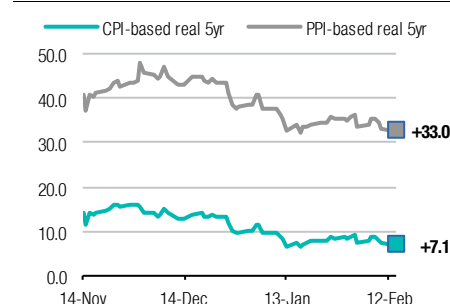
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 14 February 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 14 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)

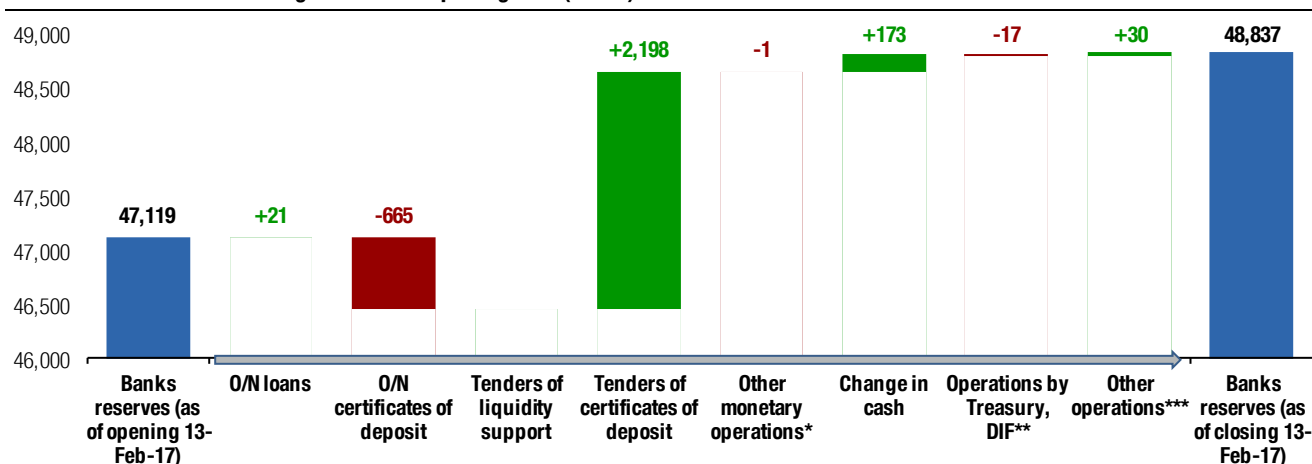
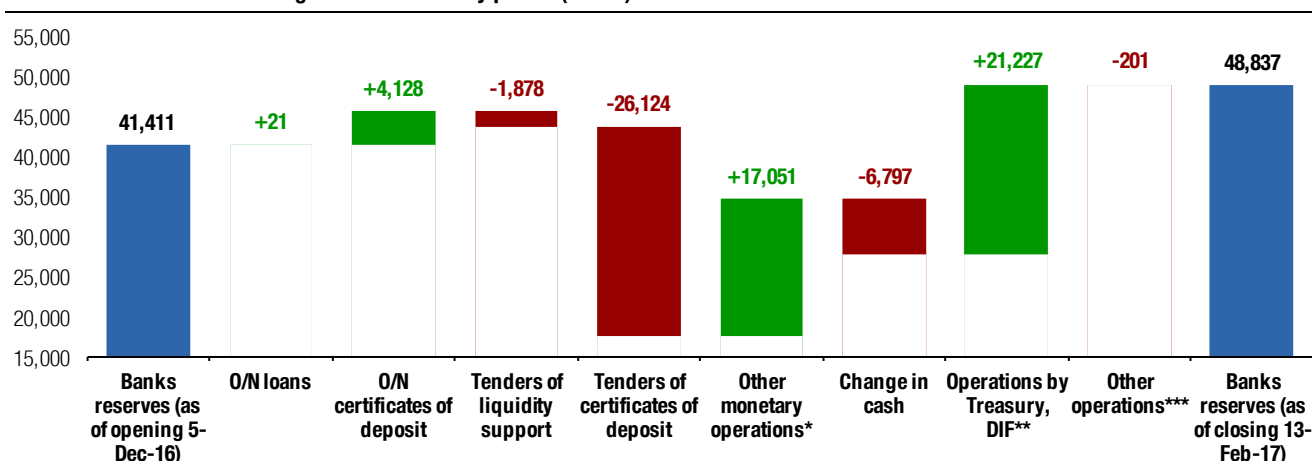


Chart 2. Banks reserves usages over last 30-day period (UAHm)

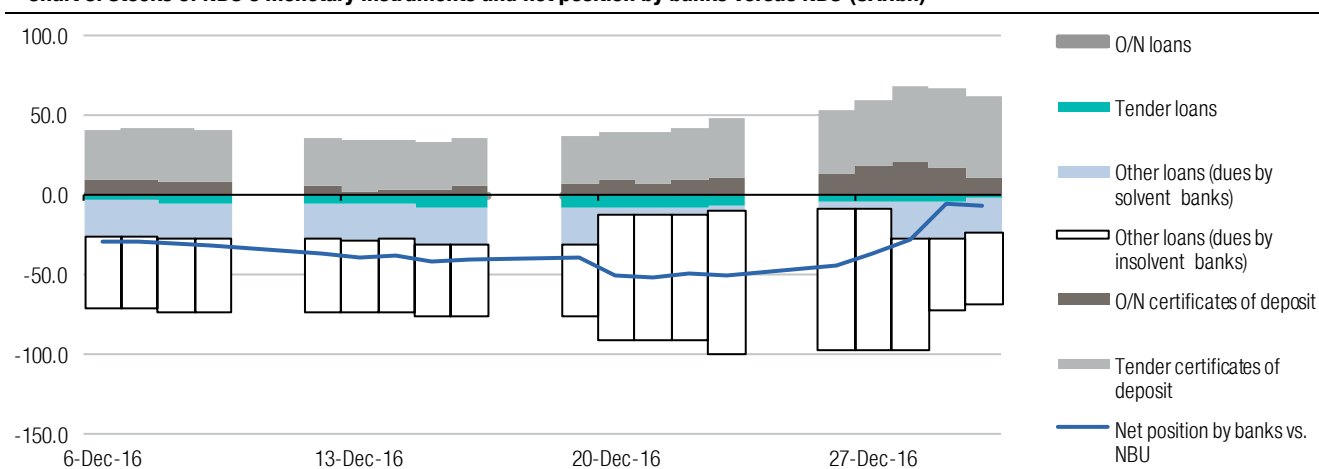


Notes: [1] data from the NBU's daily reporting https://bank.gov.ua/control/uk/publish/article?art_id=38643651&cat_id=40807142 ;

* 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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