

# Daily Insight

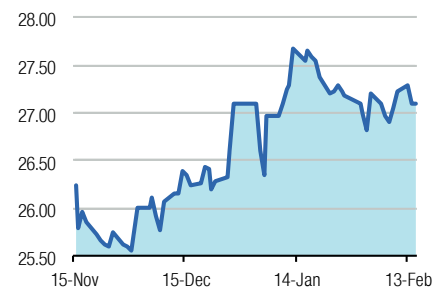
## Liquidity outflows to budget

### Key messages of the today's comments

<b>Domestic liquidity</b> .....	<b>2</b>
<b>Liquidity outflows to budget</b> .....	<b>2</b>
Banking sector liquidity declined UAH0.67bn to UAH108.41bn yesterday due to fund outflows to the budget. VAT refunds only partially offset the outflows, thus decreasing the impact of non-monetary operations to UAH0.65bn.	
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THURSDAY, 16 FEBRUARY 2017

### Ukraine's hryvnia exchange rate per US dollar (three months through 15 February 2017)



Source: Bloomberg.

### Selected indicators of the financial markets (three months through 15 February 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.90	+10bp	+230bp
Banks reserves (UAHm)	49,713	-1.67	-1.71
Deposit certificates* (UAHm)	0	+0.00	-100.00
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	27.1000	+0.00	+0.00
Total trade volume (US\$m)	157.37	-1.48	-7.22
UAH index PCI-based	101.298	-0.03	-2.46
UAH index PPI-based	160.217	-0.03	-2.46
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	621bp	+0bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,349.25	+0.50	+4.93
MSCI EM	941.78	+0.82	+9.22
US dollar index (DXY)	101.200	-0.05	-0.99
EUR / USD	1.0581	+0.03	+0.61
Crude oil WTI (US\$/bbl)	52.82	-0.71	-1.68
Crude oil BRENT (US\$/bbl)	55.63	-0.61	-2.09
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,225.94	-0.18	+6.39

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Liquidity outflows to budget

Banking sector liquidity declined UAH0.67bn to UAH108.41bn yesterday due to fund outflows to the budget. VAT refunds only partially offset the outflows, thus decreasing the impact of non-monetary operations to UAH0.65bn.

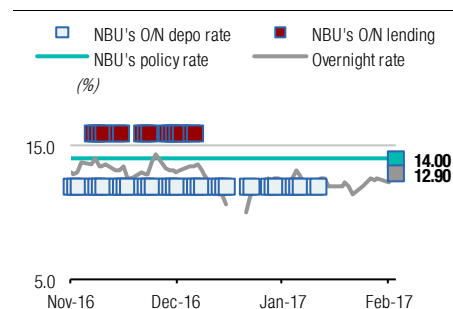
Banks' correspondent accounts with the NBU rose UAH0.88bn to UAH49.71bn, the largest amount this month, while total CDs outstanding declined UAH1.55bn to UAH58.70bn.

**Investment implications: The UAH 0.40bn VAT refund decreased the impact of expenditure cuts, and the negative impact from the Treasury was UAH0.63bn. At the same time, the budget collected UAH2.91bn of revenues, of which UAH0.40bn was spent on the VAT refund.**

**Yesterday, outflows via bond purchases amounted to UAH1.74bn while the NBU paid UAH0.90bn via FX auctions as it purchased US\$33.20m of FX. As the Treasury yet again appears to have kept expenditures lower than collected revenues, liquidity should decline.**

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

## Interest rates in the banks' reserves market (three months through 15 February 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 15 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	12.90	+10bp	+40bp	+40bp	+230bp
<b>KYIV PRIME RATES (%)</b>					
Overnight	13.00	+8bp	+8bp	+0bp	+0bp
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
<b>DOMESTIC LIQUIDITY (UAH MILLION)</b>					
Reserves <sup>2</sup>	49,713	-1.67	+18.95	+2.23	-1.71
DepCerts <sup>3</sup>	0	+0.00	+0.00	-100.0	-100.0
<b>Total</b>	<b>49,713</b>	<b>-1.67</b>	<b>+18.95</b>	<b>-54.65</b>	<b>-56.34</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	383,344	+0.00	+0.00	+0.00	+7.64
Banks	261,514	+1.43	+3.03	+2.95	+51.75
Residents	23,874	+0.08	-0.13	+0.61	+52.27
Non-res <sup>4</sup>	6,195	+0.21	+0.65	-4.26	-2.46
<b>Total</b>	<b>674,927</b>	<b>+0.55</b>	<b>+1.15</b>	<b>+1.10</b>	<b>+22.60</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.

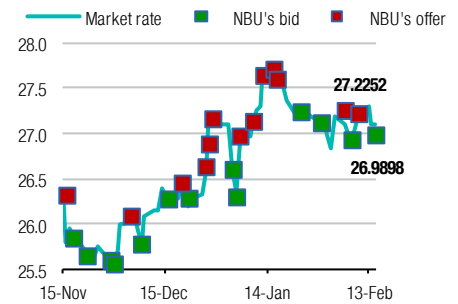
# Foreign exchange markets

## Key indicators (as of 15 лютого 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	27.1000	+0.00	+0.72	-2.11	+0.00
USD <sup>1</sup>	101.200	-0.05	+0.92	+0.02	-0.99
EUR	1.0581	+0.03	-1.09	-0.58	+0.61
JPY	114.3900	+0.11	+2.20	-0.09	-2.20
GBP <sup>2</sup>	1.2468	+0.00	-0.58	+2.35	+1.04
CNY	6.8646	-0.04	+0.01	-0.52	-1.16
RUB	57.1287	+0.12	-3.46	-4.11	-7.16

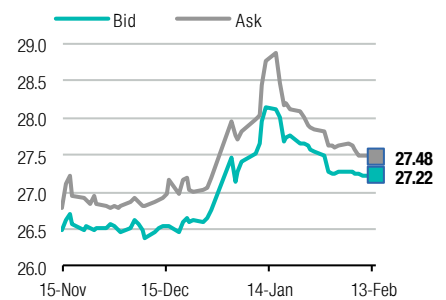
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 15 February 2017)



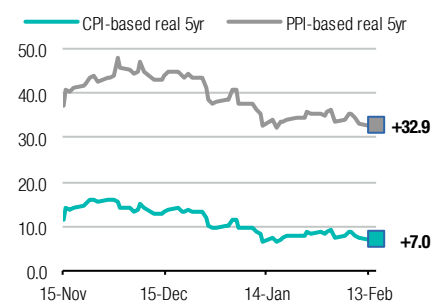
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 15 February 2017)



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 15 February 2017)

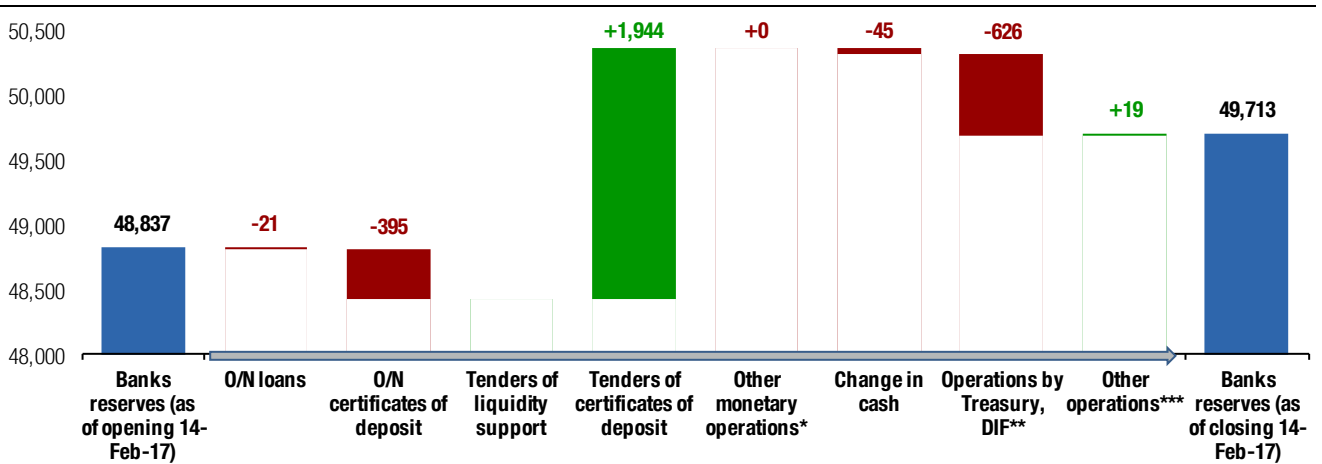


Notes: [1] "+" overvalued, "-" undervalued; [2] based on the UAH's CPI- and PPI-based real TWIs. Source: ICU.

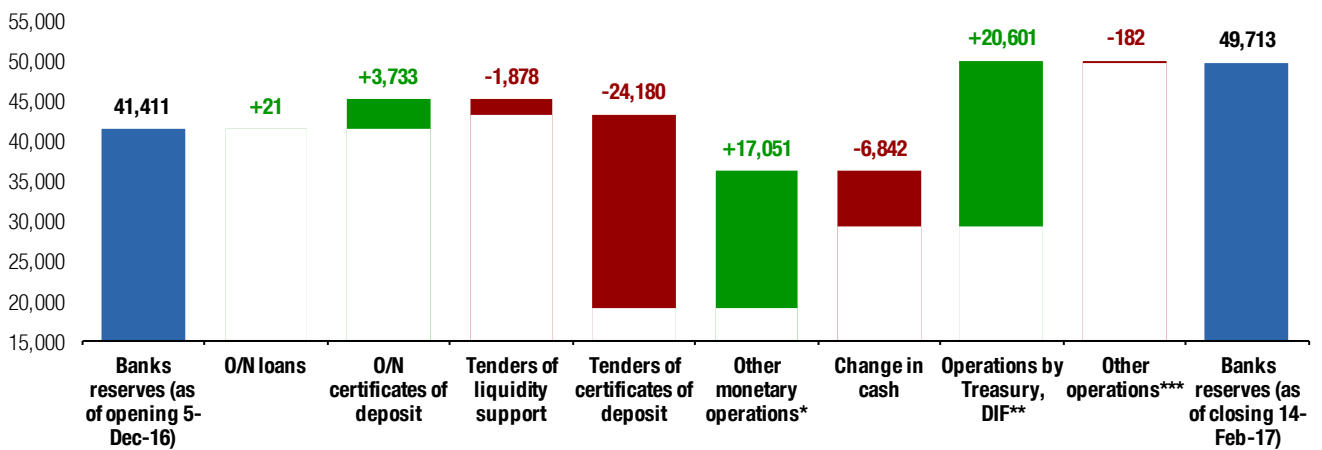
Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU [website](#).

# Appendix #1: Domestic liquidity

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

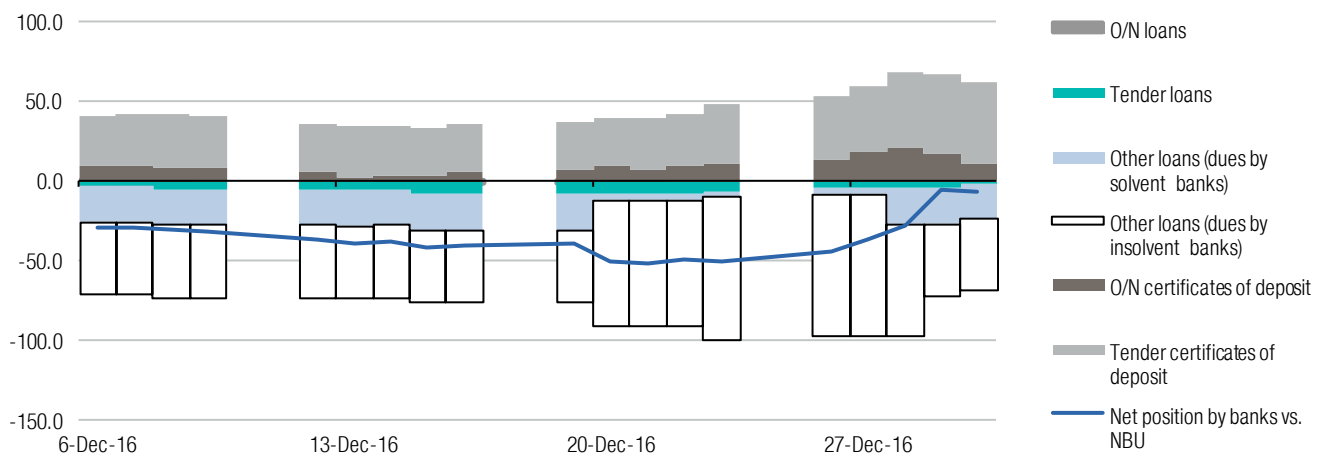


**Chart 2. Banks reserves usages over last 30-day period (UAHm)**



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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