

Daily Insight

Liquidity declines

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Due to significant fund outflows to the budget, the total impact of non-monetary operations was UAH3.99bn. These outflows caused banking sector liquidity to fell UAH3.20bn to UAH105.22bn yesterday. Only inflows via an FX auction and small loans from the NBU offset some of the outflows.	
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FRIDAY, 17 FEBRUARY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 16 February 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 16 February 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.80	-10bp	+220bp
Banks reserves (UAHm)	48,884	-0.57	-2.26
Deposit certificates* (UAHm)	0	+0.00	-100.00
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.9650	-0.50	-0.50
Total trade volume (US\$m)	177.52	+12.80	+4.66
UAH index PCI-based	101.476	+0.18	-2.29
UAH index PPI-based	160.499	+0.18	-2.29
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	621bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,347.22	-0.09	+4.84
MSCI EM	945.62	+0.41	+9.67
US dollar index (DXY)	100.440	-0.75	-1.73
EUR / USD	1.0674	+0.88	+1.49
Crude oil WTI (US\$/bbl)	N/A		
Crude oil BRENT (US\$/bbl)	N/A		
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,239.10	+1.07	+7.54

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity declines

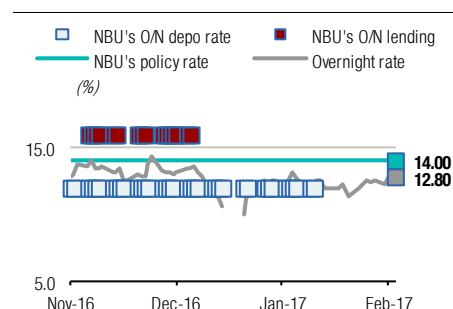
Due to significant fund outflows to the budget, the total impact of non-monetary operations was UAH3.99bn. These outflows caused banking sector liquidity to fell UAH3.20bn to UAH105.22bn yesterday. Only inflows via an FX auction and small loans from the NBU offset some of the outflows.

Banks' correspondent accounts with the NBU declined UAH0.83bn to UAH48.88bn, but there was a significant reallocation of funds from CDs as total CDs outstanding fell UAH2.37bn to UAH56.34bn.

Investment implications: Inflows from the NBU via FX auctions amounted to 0.90bn and loans amounted to UAH0.19bn were the main compensations for liquidity. Net outflows to the budget amounted to UAH4.00bn via tax payments (the state budget received UAH3.02bn of revenues), while the budget also received UAH1.74bn in proceeds from Tuesdays' auction.

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Interest rates in the banks' reserves market (three months through 16 February 2017)



Source: Bloomberg, ICU.

Key indicators (as of 16 February 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	14.00	+0bp	+0bp	+0bp	+0bp
Overnight	12.80	-10bp	+40bp	+60bp	+220bp
KYIV PRIME RATES (%)					
Overnight	13.00	+0bp	+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
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	48,884	-0.57	+19.60	+2.85	-2.26
DepCerts ³	0	+0.00	+0.00	-100.0	-100.0
Total	48,884	-0.57	+19.60	-52.87	-56.59
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	N/A	N/A	N/A	N/A	N/A
Banks	N/A	N/A	N/A	N/A	N/A
Residents	N/A	N/A	N/A	N/A	N/A
Non-res ⁴	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A
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.

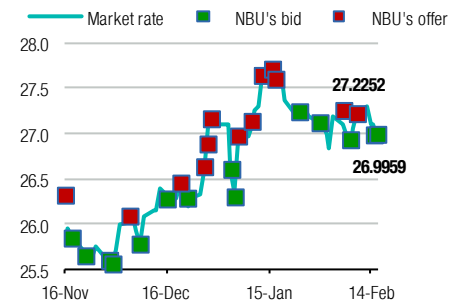
Foreign exchange markets

Key indicators (as of 16 лютого 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.9650	-0.50	-0.37	-2.12	-0.50
USD ¹	100.440	-0.75	-0.21	-0.73	-1.73
EUR	1.0674	+0.88	+0.18	+0.69	+1.49
JPY	113.2400	-1.01	-0.01	-0.84	-3.18
GBP ²	1.2489	+0.17	-0.06	+3.67	+1.21
CNY	6.8530	-0.17	-0.23	-0.69	-1.32
RUB	57.6154	+0.85	-2.22	-3.78	-6.37

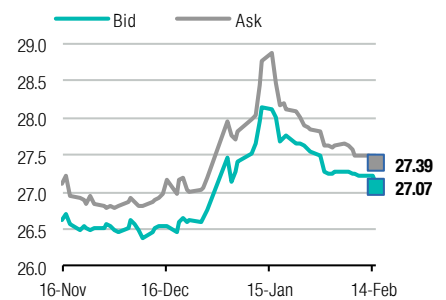
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 16 February 2017)



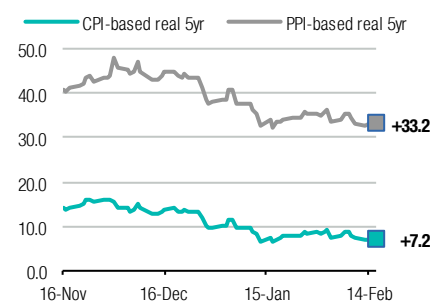
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 16 February 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 16 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)

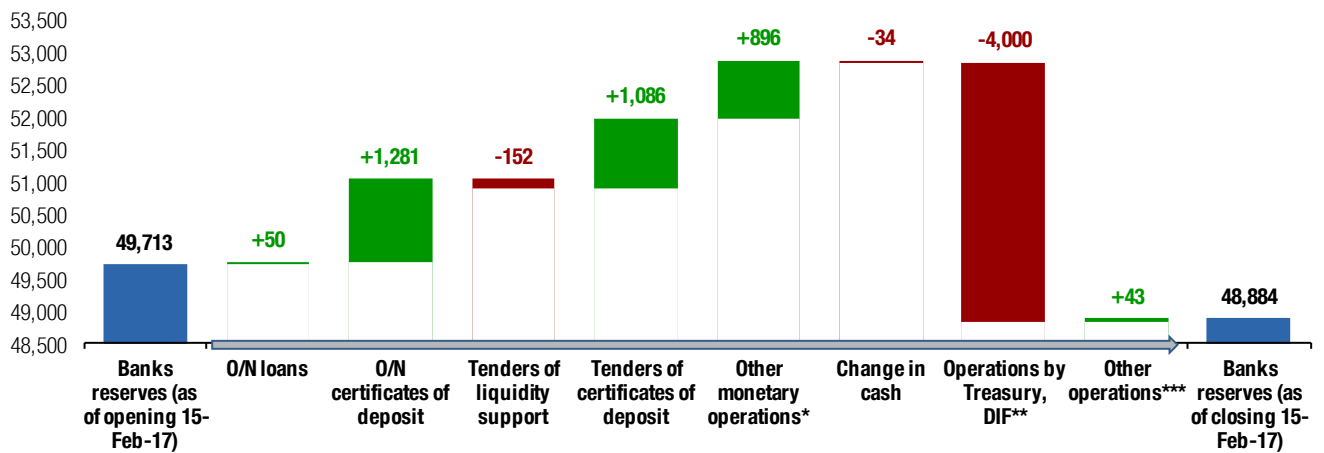
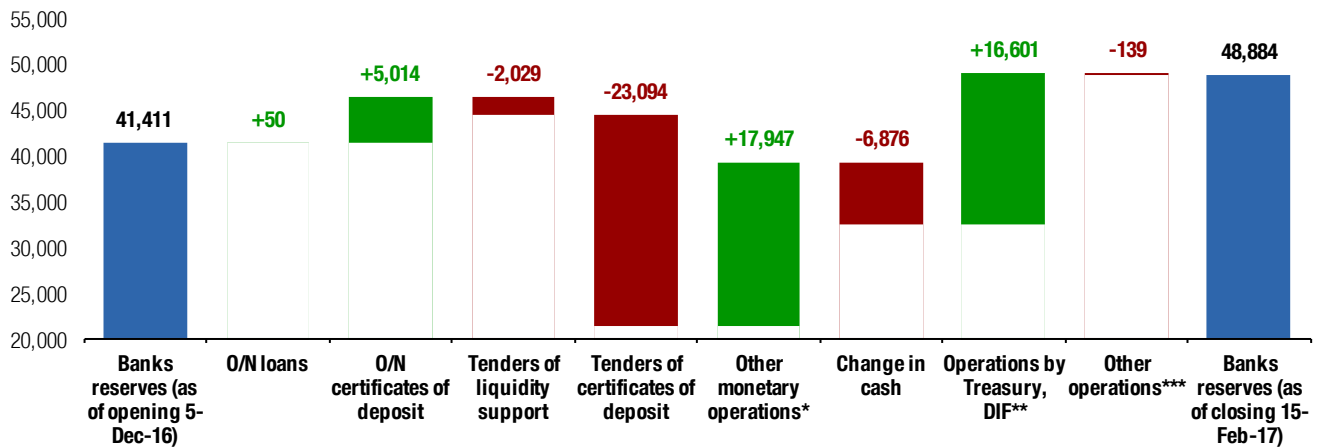
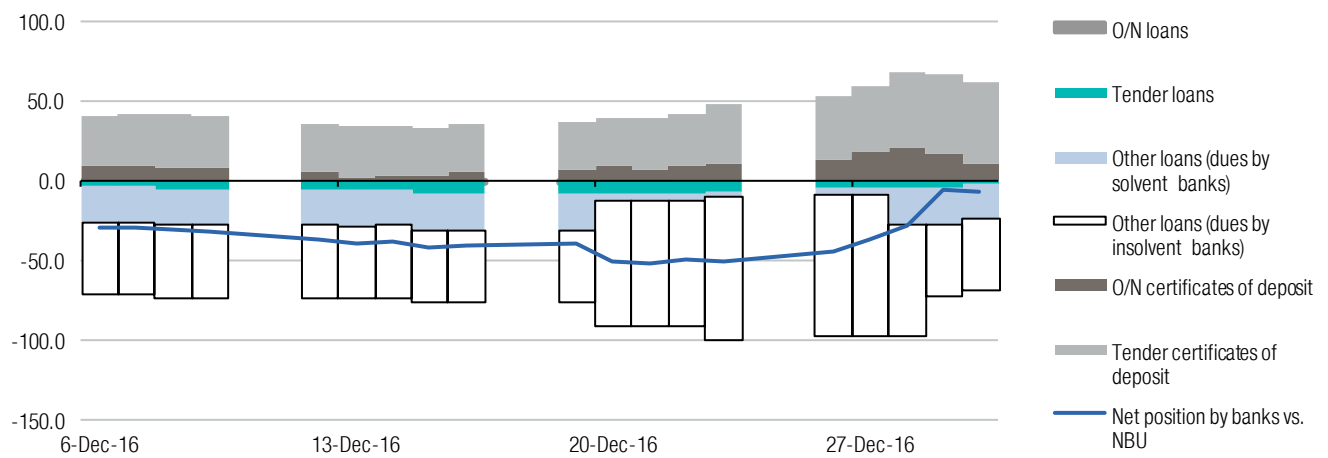


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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