

# Daily Insight

## Budget accumulate funds

### Key messages of the today's comments

<b>Domestic liquidity</b> .....	<b>2</b>
<b>Budget accumulate funds</b> .....	<b>2</b>
As a result of last week's outflows, banking sector liquidity fell to UAH95.20bn, the lowest for this year and since December 23, 2016. Last Friday, banks' correspondent accounts with the NBU fell UAH3.07bn to UAH45.54bn and total CDs outstanding declined UAH2.64bn to UAH49.66bn that day.	
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TUESDAY, 21 FEBRUARY 2017

### Ukraine's hryvnia exchange rate per US dollar (three months through 20 February 2017)



Source: Bloomberg.

### Selected indicators of the financial markets (three months through 20 February 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	N/A		
Overnight rate (interbank)	N/A		
Banks reserves (UAHm)	45,540	+7.05	-1.97
Deposit certificates* (UAHm)	0	+0.00	-100.00
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	27.0025	-0.12	-0.36
Total trade volume (US\$m)	80.36	-40.10	-52.63
UAH index PCI-based	101.635	-0.07	-2.13
UAH index PPI-based	160.750	-0.07	-2.13
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	601bp	+0bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,351.16	+0.17	+5.02
MSCI EM	943.58	+0.48	+9.43
US dollar index (DXY)	100.950	+0.00	-1.23
EUR / USD	1.0614	-0.02	+0.92
Crude oil WTI (US\$/bbl)	N/A	-100.00	-100.00
Crude oil BRENT (US\$/bbl)	56.18	+0.66	-1.13
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,238.50	+0.29	+7.48

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Budget accumulate funds

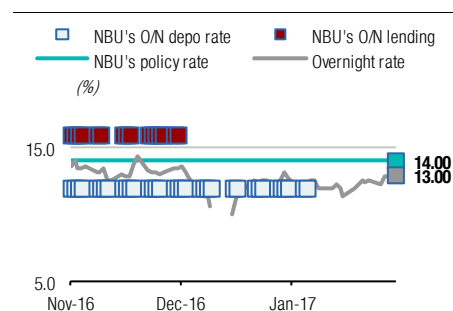
As a result of last week's outflows, banking sector liquidity fell to UAH95.20bn, the lowest for this year and since December 23, 2016. Last Friday, banks' correspondent accounts with the NBU fell UAH3.07bn to UAH45.54bn and total CDs outstanding declined UAH2.64bn to UAH49.66bn that day.

While these funds were absorbed by the budget at Treasury accounts, non-monetary operations last Friday caused outflows of UAH5.65bn, including net outflow to the budget of UAH5.31bn, as total budget revenues amounted to UAH8bn.

**Investment implications: Actual fund outflows from the banking sector were UAH13.70bn, while the net impact of Treasury absorption was UAH14.98bn last week. As yesterday was the last day of quarterly tax payments, outflows should decline through the end of the month. However, liquidity will remain under month-end tax payment pressure.**

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

## Interest rates in the banks' reserves market (three months through 20 February 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 20 February 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>BANKS' RESERVES MARKET (%)</b>					
NBU rate <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Overnight	N/A	N/A	N/A	N/A	N/A
<b>KYIV PRIME RATES (%)</b>					
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
<b>DOMESTIC LIQUIDITY (UAH MILLION)</b>					
Reserves <sup>2</sup>	45,540	+7.05	+3.47	-5.76	-1.97
DepCerts <sup>3</sup>	0	+0.00	+0.00	-100.0	-100.0
<b>Total</b>	<b>45,540</b>	<b>+7.05</b>	<b>+3.47</b>	<b>-54.58</b>	<b>-56.46</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	382,074	+0.00	-0.33	-0.33	+7.28
Banks	262,407	+0.05	+1.72	+3.00	+52.26
Residents	23,998	+0.06	+0.57	+0.75	+53.06
Non-res <sup>4</sup>	6,027	+0.12	-2.64	-5.40	-5.11
<b>Total</b>	<b>674,507</b>	<b>+0.02</b>	<b>+0.47</b>	<b>+0.93</b>	<b>+22.52</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	601	+0bp	-20bp	+4bp	+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.

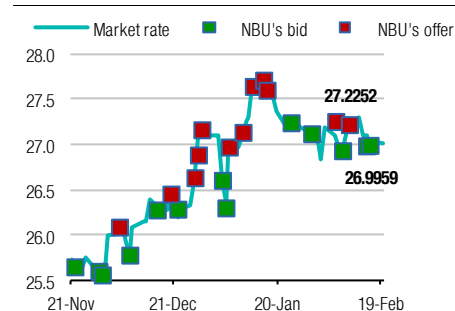
# Foreign exchange markets

## Key indicators (as of 20 лютого 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	27.0025	-0.12	-1.07	-1.36	-0.36
USD <sup>1</sup>	100.950	+0.00	-0.01	+0.21	-1.23
EUR	1.0614	-0.02	+0.15	-0.83	+0.92
JPY	113.1000	+0.23	-0.56	-1.33	-3.30
GBP <sup>2</sup>	1.2463	+0.41	-0.50	+0.71	+1.00
CNY	6.8785	+0.17	-0.02	+0.03	-0.96
RUB	57.9786	-0.54	+0.04	-2.73	-5.78

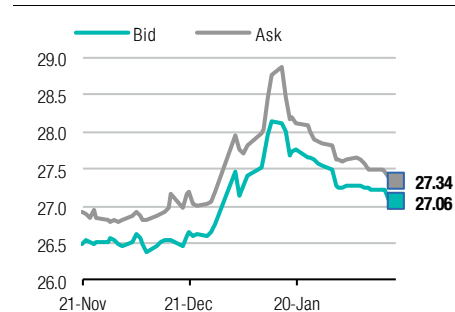
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 20 February 2017)



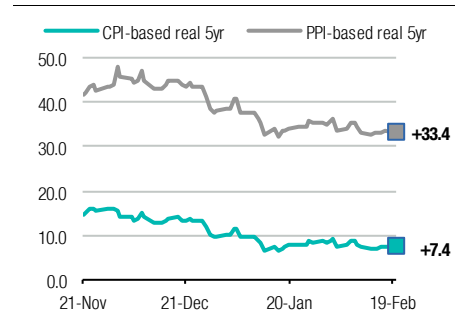
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 20 February 2017)



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 20 February 2017)

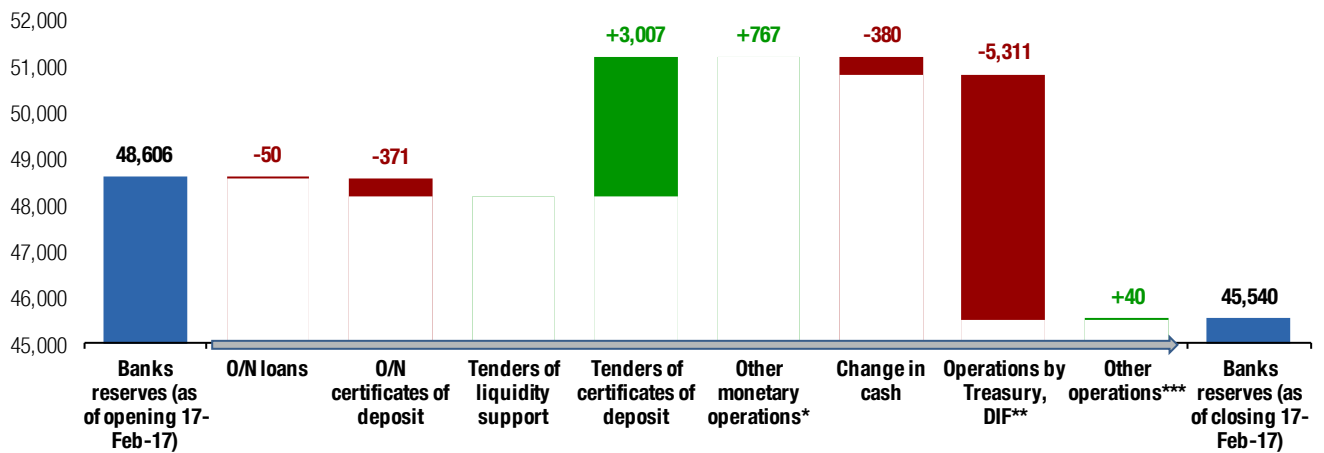


Notes: [1] "+" overvalued, "-" undervalued; [2] based on the UAH's CPI- and PPI-based real TWIs. Source: ICU.

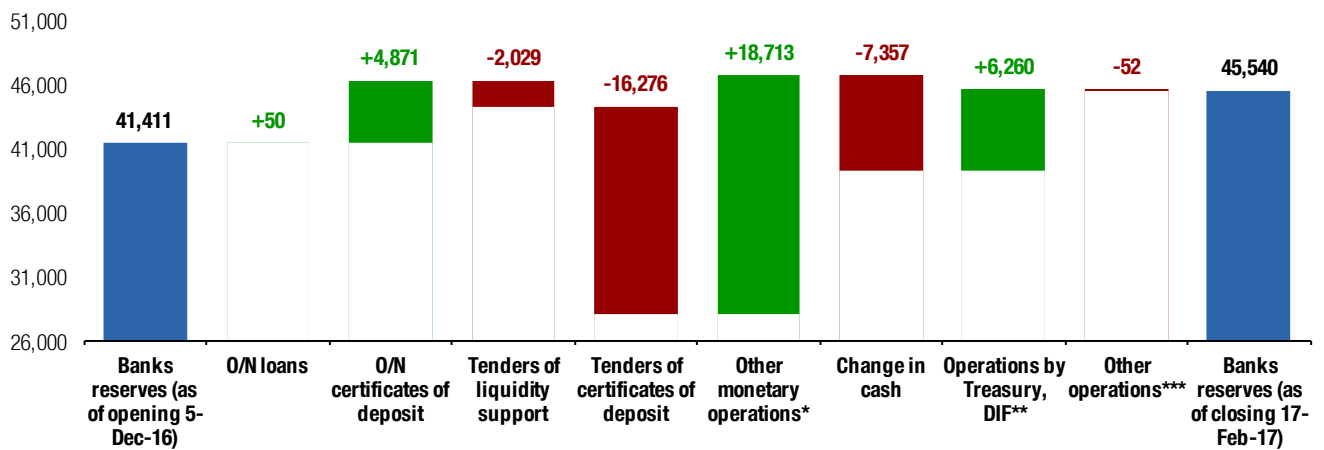
Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU [website](#).

# Appendix #1: Domestic liquidity

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

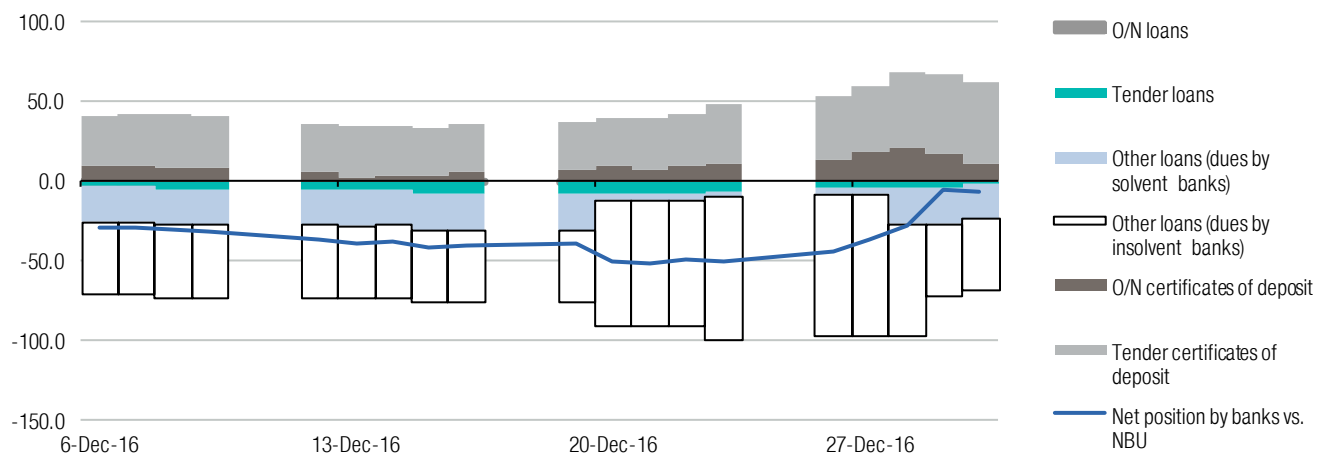


**Chart 2. Banks reserves usages over last 30-day period (UAHm)**



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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