

Daily Insight

Liquidity down slightly

Key messages of the today's comments

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Liquidity down slightly 2

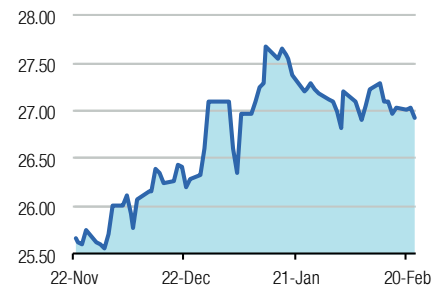
Banking sector liquidity declined UAH0.43bn yesterday, as the result of Tuesdays cashflows in which budget revenues prevailed on expenditures. The net impact of non-monetary transactions was minus UAH0.45bn, but included UAH1.07 of net outflows to the budget which partially was offset by an increase in cash. Banks' correspondent accounts with the NBU slid UAH0.71bn to UAH48.04bn while total CDs outstanding was up UAH0.29bn to UAH48.25bn, causing banking sector liquidity to slide UAH0.43bn to UAH96.29bn.

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THURSDAY, 23 FEBRUARY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 22 February 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 22 February 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.90	-50bp	+230bp
Banks reserves (UAHm)	48,040	-0.27	-3.66
Deposit certificates* (UAHm)	0	+0.00	-100.00
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.9250	-0.39	-0.65
Total trade volume (US\$m)	129.56	-16.12	-23.62
UAH index PCI-based	102.034	+0.42	-1.75
UAH index PPI-based	161.381	+0.42	-1.75
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	601bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,362.82	-0.11	+5.54
MSCI EM	950.95	+0.56	+10.28
US dollar index (DXY)	101.220	-0.15	-0.97
EUR / USD	1.0558	+0.21	+0.39
Crude oil WTI (US\$/bbl)	53.59	-1.36	-0.24
Crude oil BRENT (US\$/bbl)	55.84	-1.45	-1.72
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,237.55	+0.15	+7.40

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity down slightly

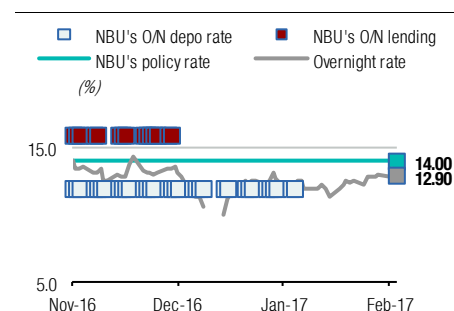
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As the result of Tuesday's auction, banks had to pay UAH0.71bn for new bonds yesterday, which should increase pressure on liquidity. With month-end tax payments beginning, liquidity should decline further.

Investment implications: According to our assumptions, debt interest repayments yesterday should have been received by the NBU, and will not compensate for payments for new bond purchases. Also, there could be additional prevailing budget revenues on expenditures. As the NBU also made no injections via an FX auction, liquidity has little reason to not decline today.

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Interest rates in the banks' reserves market (three months through 22 February 2017)



Source: Bloomberg, ICU.

Key indicators (as of 22 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	12.90	-50bp	+0bp	+50bp	+230bp
KYIV PRIME RATES (%)					
Overnight	13.00	+0bp	+0bp	+0bp	+0bp
1 week	14.50	+0bp	+0bp	+0bp	+0bp
1 month	16.13	+13bp	+5bp	+5bp	-37bp
2 months	18.00	+0bp	+0bp	+0bp	+0bp
3 months	18.00	+0bp	+0bp	+0bp	+0bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	48,040	-0.27	-3.63	-7.39	-3.66
DepCerts ³	0	+0.00	+0.00	-100.0	-100.0
Total	48,040	-0.27	-3.63	-55.36	-57.21
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	382,074	+0.00	-0.33	-0.33	+7.28
Banks	262,412	-0.03	+0.34	+3.00	+52.27
Residents	24,011	+0.46	+0.57	+0.80	+53.14
Non-res ⁴	6,030	+0.06	-2.66	-5.35	-5.06
Total	674,527	+0.01	-0.06	+0.93	+22.53
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	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.

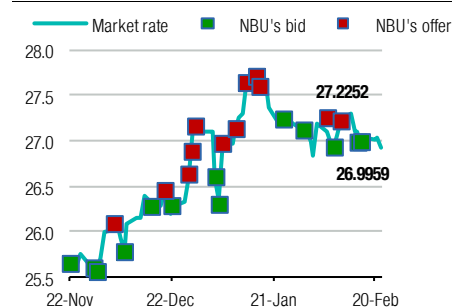
Foreign exchange markets

Key indicators (as of 22 лютого 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.9250	-0.39	-0.65	-1.64	-0.65
USD ¹	101.220	-0.15	+0.02	+0.48	-0.97
EUR	1.0558	+0.21	-0.22	-1.35	+0.39
JPY	113.3100	-0.33	-0.94	-1.14	-3.12
GBP ²	1.2450	-0.18	-0.14	+0.61	+0.89
CNY	6.8778	-0.09	+0.19	+0.02	-0.97
RUB	58.0441	+1.08	+1.60	-2.62	-5.68

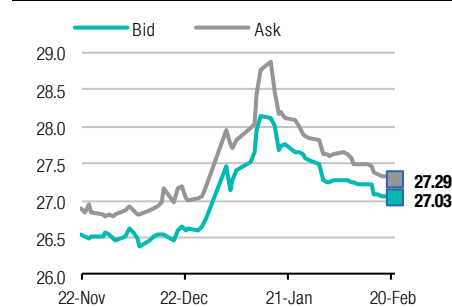
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 22 February 2017)



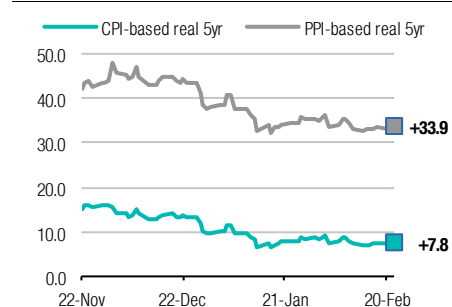
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 22 February 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 22 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)

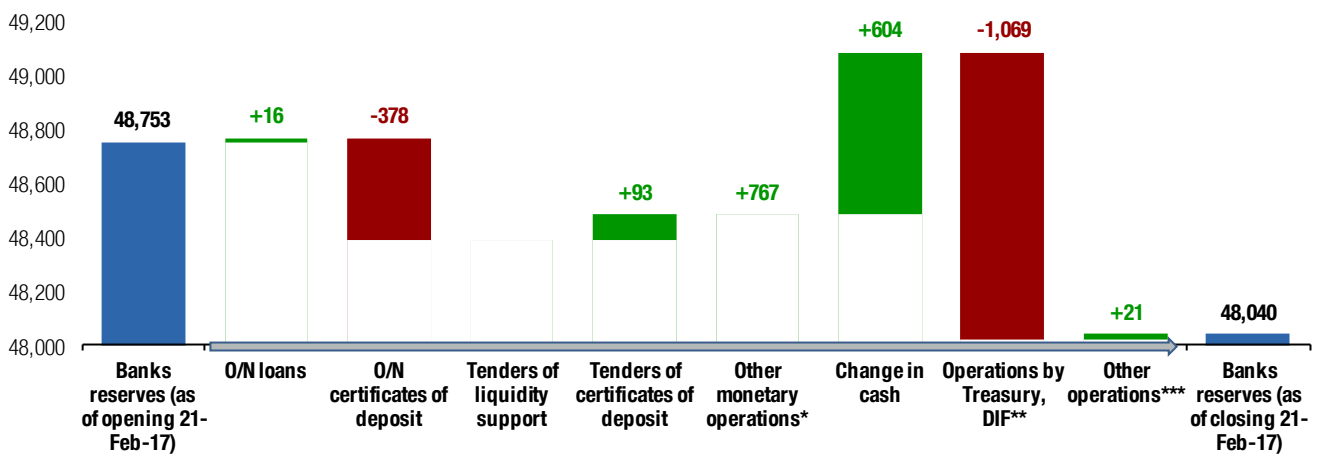
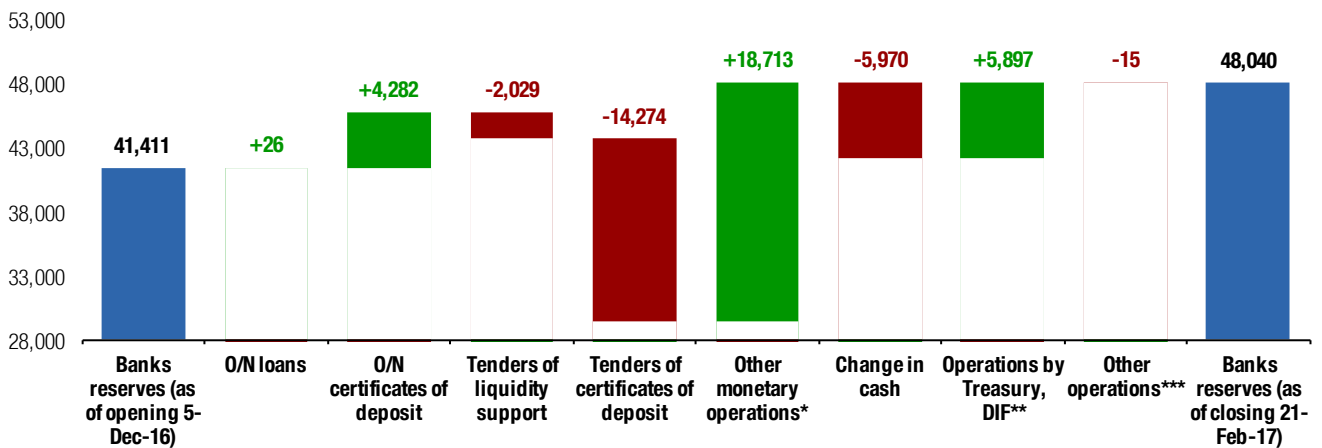
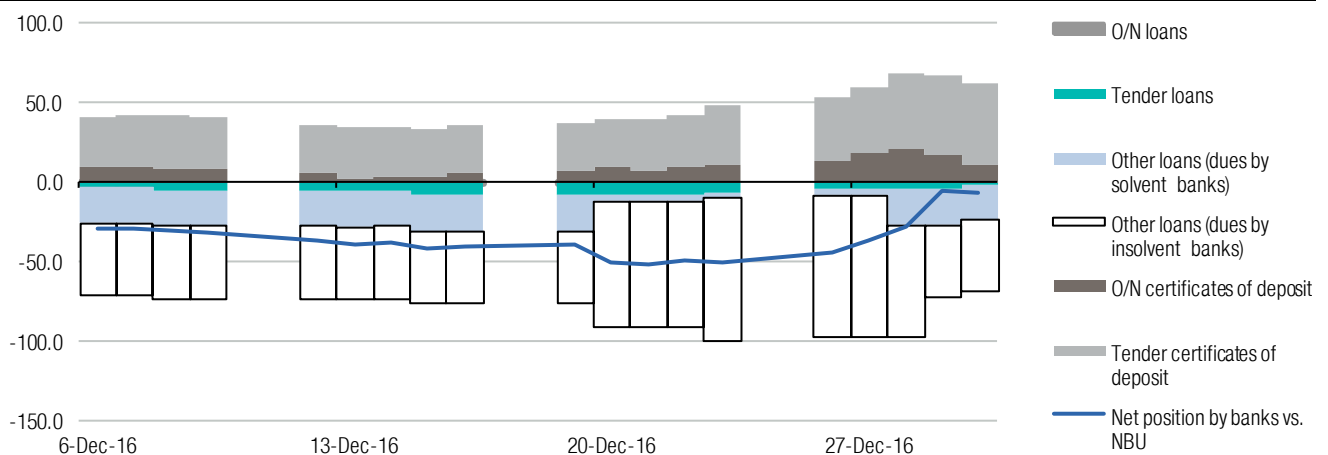


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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