

Daily Insight

Liquidity reallocation

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Liquidity reallocation

After increasing significantly on Monday and following Tuesday's transactions, liquidity slid a mere UAH0.29bn to UAH106.90bn yesterday. At the same time, there was significant reallocation of funds to CDs as banks' correspondent accounts with the NBU fell UAH5.66bn to UAH48.73bn while total CDs outstanding rose UAH5.40bn to UAH58.17bn.

THURSDAY, 2 MARCH 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 1 March 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 1 March 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.40	+0bp	+180bp
Banks reserves (UAHm)	48,734	-18.00	-19.65
Deposit certificates* (UAHm)	58,171	-23.48	-28.49
FOREIGN EXCHANGE MARKET			
UAH per US dollar	27.1750	-0.04	+0.28
Total trade volume (US\$m)	161.52	+5.48	-4.77
UAH index PCI-based	101.443	+0.24	-2.32
UAH index PPI-based	160.447	+0.24	-2.32
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	616bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,395.96	+1.37	+7.02
MSCI EM	938.47	+0.22	+8.84
US dollar index (DXY)	101.780	+0.65	-0.42
EUR / USD	1.0547	-0.27	+0.29
Crude oil WTI (US\$/bbl)	53.83	-0.33	+0.20
Crude oil BRENT (US\$/bbl)	56.36	-0.27	-0.81
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,249.48	+0.09	+8.44

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity reallocation

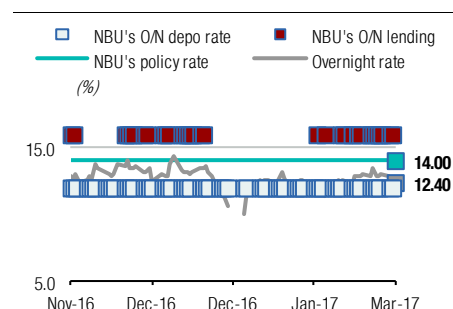
After increasing significantly on Monday and following Tuesday's transactions, liquidity slid a mere UAH0.29bn to UAH106.90bn yesterday. At the same time, there was significant reallocation of funds to CDs as banks' correspondent accounts with the NBU fell UAH5.66bn to UAH48.73bn while total CDs outstanding rose UAH5.40bn to UAH58.17bn.

Non-monetary operation had an insufficient positive impact of UAH0.22bn, including over one billion increase in cash while outflows through Treasury operations amounted to UAH0.73bn.

Investment implications: March started with a significant level of liquidity, but today after yesterday's new bond purchases, liquidity should decline to below UAH105bn. The large increase in CDs outstanding was caused by UAH4.14bn of a 14-day CDs purchase on top of the UAH3.31bn of 14-day CDs that was redeemed on Tuesday and refinanced in new CDs.

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Interest rates in the banks' reserves market (three months through 1 March 2017)



Source: Bloomberg, ICU.

Key indicators (as of 1 March 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	14.00	+0bp	+0bp	+0bp	+0bp
Overnight	12.40	+0bp	-50bp	+180bp	+180bp
KYIV PRIME RATES (%)					
Overnight	13.00	+0bp	+0bp	+0bp	+0bp
1 week	14.50	+0bp	+0bp	+0bp	+0bp
1 month	16.13	+0bp	+0bp	-37bp	-37bp
2 months	18.00	+0bp	+0bp	+0bp	+0bp
3 months	18.00	+0bp	+0bp	+0bp	+0bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	48,734	-18.00	-16.81	-19.65	-19.65
DepCerts ³	58,171	-23.48	-7.75	-28.49	-28.49
Total	106,905	-20.98	-12.27	-24.56	-24.56
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	382,074	+0.00	+0.00	+7.28	+7.28
Banks	272,951	-0.04	+4.02	+58.38	+58.38
Residents	24,580	+2.11	+2.37	+56.78	+56.78
Non-res ⁴	5,925	+0.37	-1.74	-6.71	-6.71
Total	685,531	+0.06	+1.63	+24.53	+24.53
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	616	+0bp	+15bp	+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.

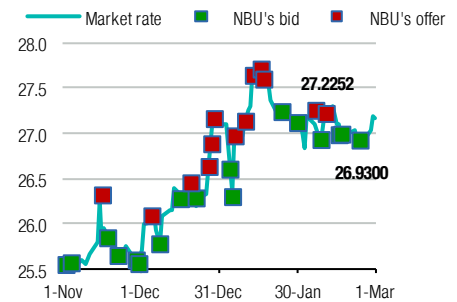
Foreign exchange markets

Key indicators (as of 1 березня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	27.1750	-0.04	+0.93	+0.28	+0.28
USD ¹	101.780	+0.65	+0.55	-0.42	-0.42
EUR	1.0547	-0.27	-0.10	+0.29	+0.29
JPY	113.7300	+0.85	+0.37	-2.76	-2.76
GBP ²	1.2293	-0.70	-1.26	-0.38	-0.38
CNY	6.8819	+0.22	+0.06	-0.91	-0.91
RUB	58.3195	-0.10	+0.47	-5.23	-5.23

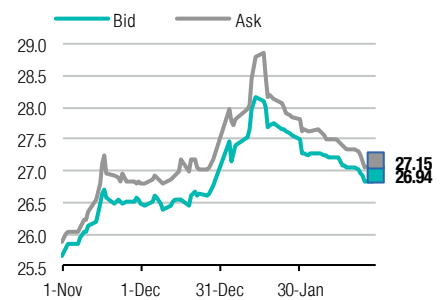
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 1 March 2017)



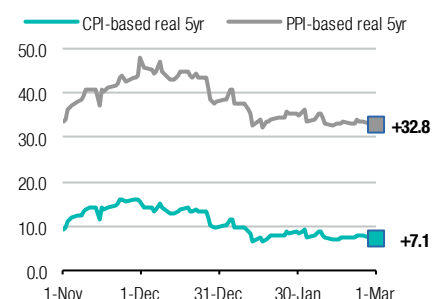
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 1 March 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 1 March 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)

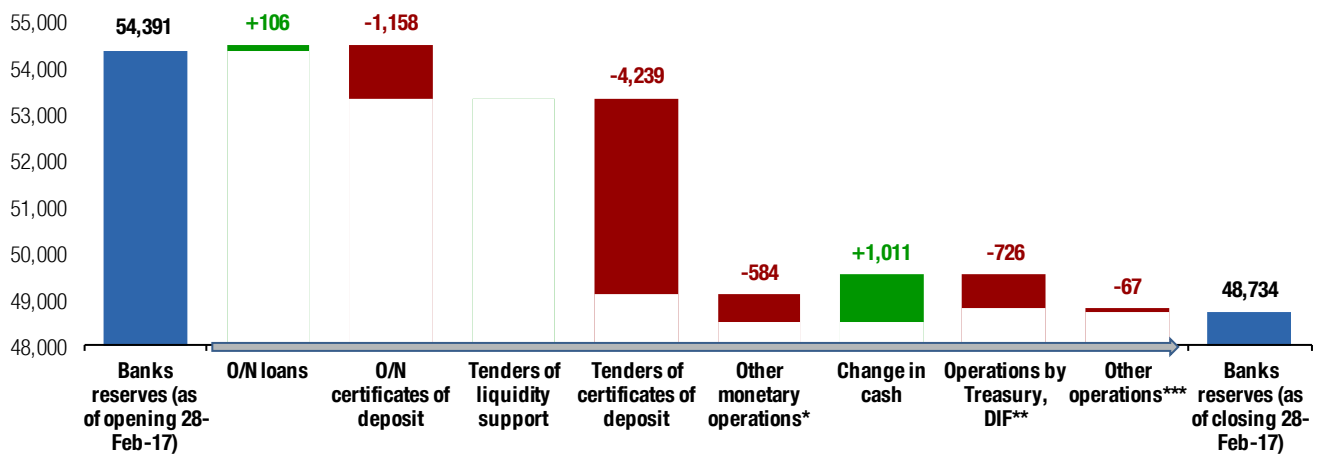
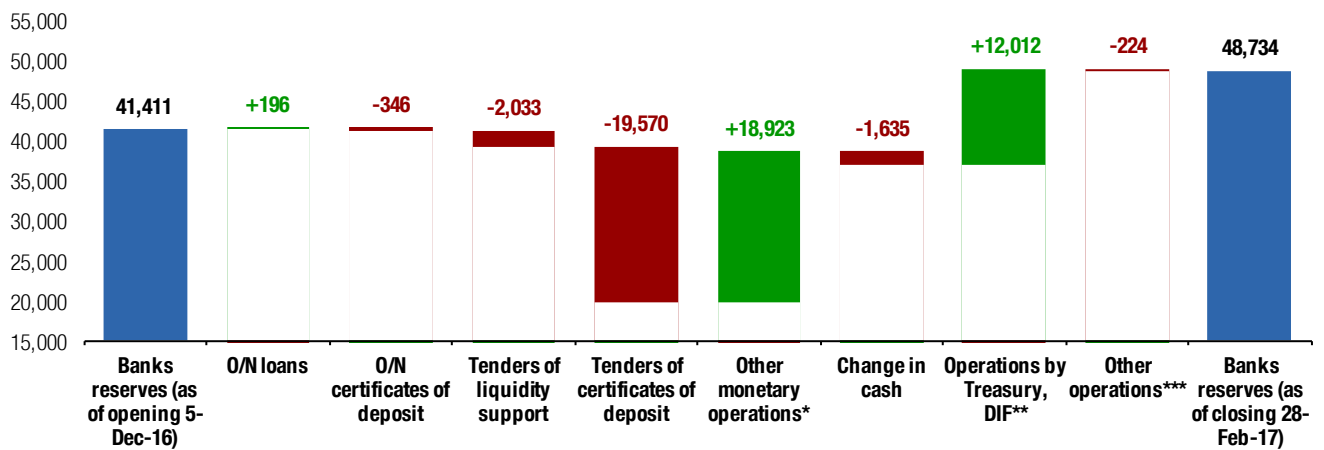
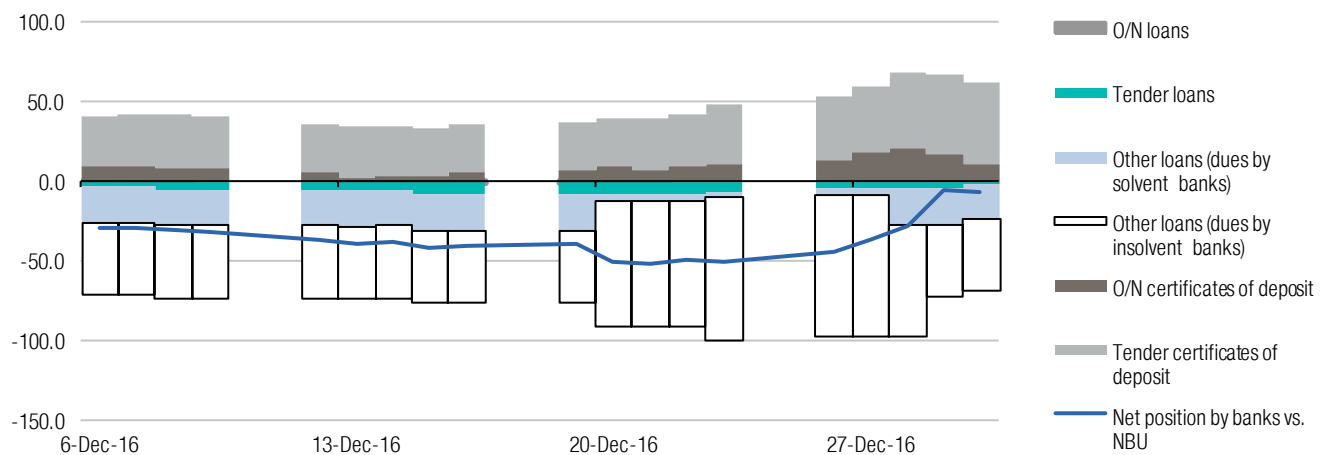


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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