

Daily Insight

Liquidity up slightly

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Liquidity up slightly 2

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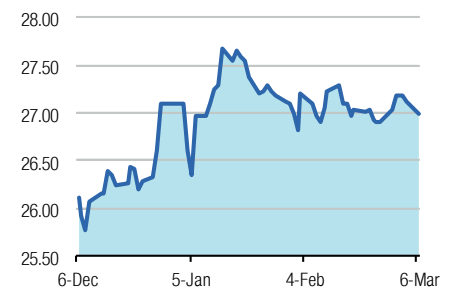
Ukrainian authorities reach agreement on Third Review of Extended Fund Facility program 3

This program that began in March 2015 constitutes a total of SDR 12.348 billion financing (about US\$17.5 billion) for 4 years to support Ukraine's economic recovery, maintain financial stability and promote new reforms. Further financing under this program entails the disbursement of SDR 734.05 million (about US\$ 1 billion) and increasing the total amount to SDR 6,178.26 million (about US\$ 8.32 billion) to come in the second half of March.

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TUESDAY, 7 MARCH 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 6 March 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 6 March 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.20	+0bp	+160bp
Banks reserves (UAHm)	39,981	-2.64	-21.73
Deposit certificates* (UAHm)	55,891	-7.28	-16.74
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.9850	-0.46	-0.42
Total trade volume (US\$m)	143.37	+9.94	-15.47
UAH index PCI-based	102.359	+0.74	-1.44
UAH index PPI-based	161.895	+0.74	-1.44
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	615bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,375.31	-0.33	+6.10
MSCI EM	934.42	+0.36	+8.37
US dollar index (DXY)	101.640	+0.10	-0.56
EUR / USD	1.0582	-0.38	+0.62
Crude oil WTI (US\$/bbl)	53.20	-0.24	-0.97
Crude oil BRENT (US\$/bbl)	56.01	+0.20	-1.43
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,225.29	-0.75	+6.34

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity up slightly

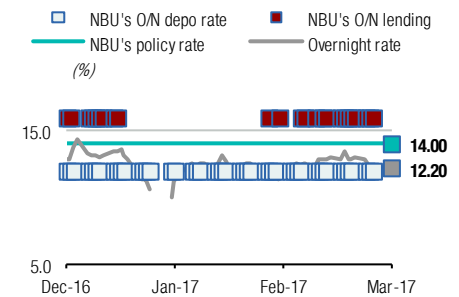
Last Friday, non-monetary operations caused banking sector liquidity to rise UAH0.93bn from a UAH1.81bn inflow from the Treasury and a cash decrease of UAH0.99bn, resulting a banking sector liquidity to increase to UAH103.69bn.

Banks' correspondent accounts with the NBU fell UAH2.88bn to UAH39.98bn yesterday, while total CDs outstanding rose UAH3.81bn to UAH63.71bn.

Investment implications: Last Friday Treasury operations had a positive impact, most likely due to a decline in the amount of collected revenues while expenditures were higher. Over the next two weeks, volatility in liquidity should be low but could see some attempted to increase.

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Interest rates in the banks' reserves market (three months through 6 March 2017)



Source: Bloomberg, ICU.

Key indicators (as of 6 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	12.20	+0bp	-60bp	+20bp	+160bp
KYIV PRIME RATES (%)					
Overnight	N/A	N/A	N/A	N/A	N/A
1 week	N/A	N/A	N/A	N/A	N/A
1 month	N/A	N/A	N/A	N/A	N/A
2 months	N/A	N/A	N/A	N/A	N/A
3 months	N/A	N/A	N/A	N/A	N/A
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	39,981	-2.64	-23.97	-8.92	-21.73
DepCerts ³	55,891	-7.28	+9.87	-24.30	-16.74
Total	95,872	-5.35	-7.74	-18.39	-18.95
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	384,574	+0.00	+0.65	+0.32	+7.98
Banks	275,378	+0.05	+0.97	+8.46	+59.79
Residents	22,136	-0.06	-8.19	-7.41	+41.19
Non-res ⁴	5,916	+0.09	+0.48	-6.06	-6.85
Total	688,005	+0.02	+0.47	+3.08	+24.98
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	615	+0bp	+2bp	-6bp	+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

Ukrainian authorities reach agreement on Third Review of Extended Fund Facility program

This program that began in March 2015 constitutes a total of SDR 12.348 billion financing (about US\$17.5 billion) for 4 years to support Ukraine's economic recovery, maintain financial stability and promote new reforms. Further financing under this program entails the disbursement of SDR 734.05 million (about US\$ 1 billion) and increasing the total amount to SDR 6,178.26 million (about US\$ 8.32 billion) to come in the second half of March.

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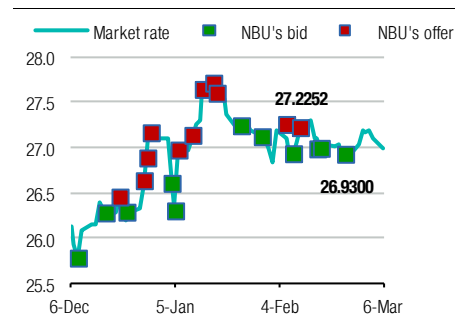
Key indicators (as of 6 березня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.9850	-0.46	-0.18	-0.41	-0.42
USD ¹	101.640	+0.10	+0.50	+1.73	-0.56
EUR	1.0582	-0.38	-0.05	-1.56	+0.62
JPY	113.8900	-0.13	+1.06	+1.92	-2.62
GBP ²	1.2236	-0.45	-1.66	-1.87	-0.84
CNY	6.8970	-0.10	+0.38	+0.50	-0.69
RUB	58.2610	+0.04	+0.23	-1.14	-5.32

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

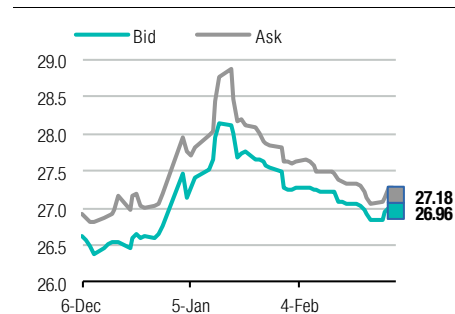
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 6 March 2017)



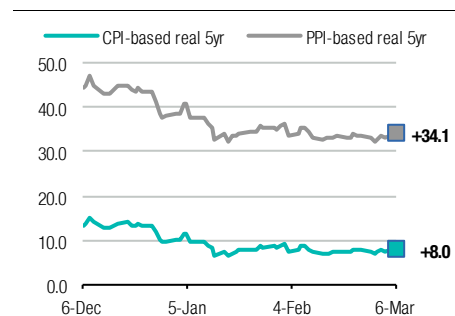
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 6 March 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 6 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)

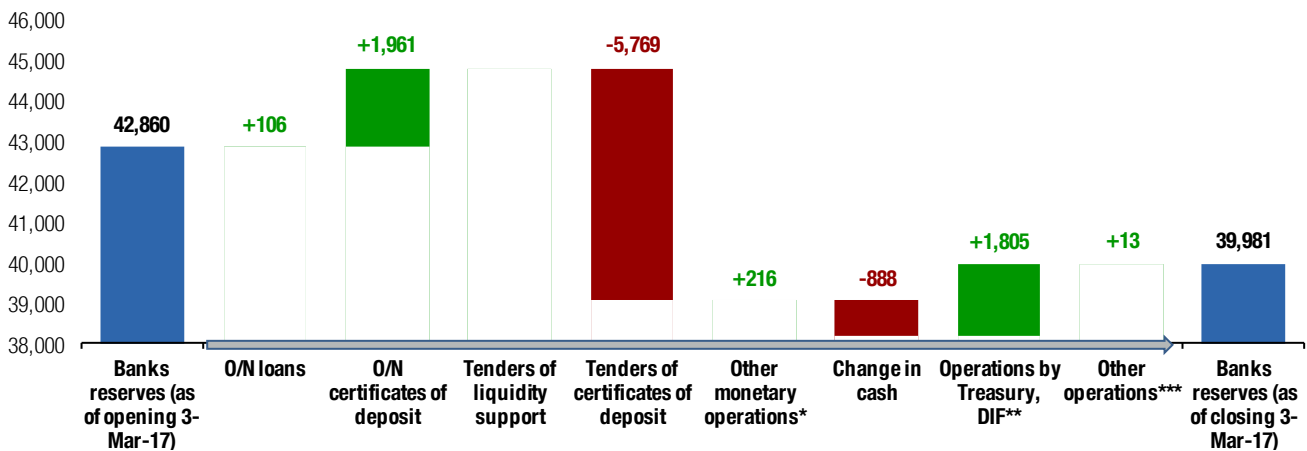
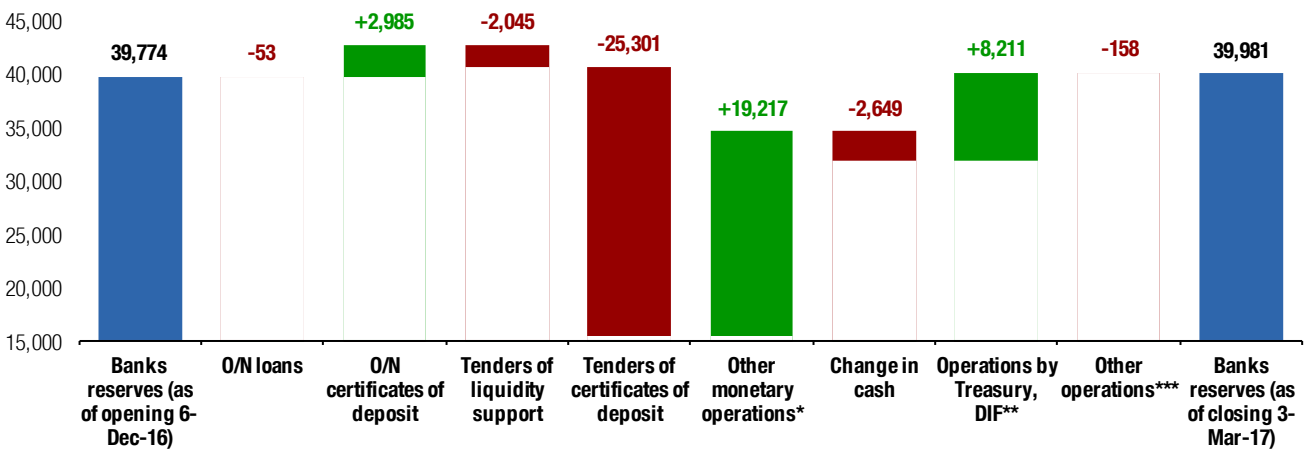
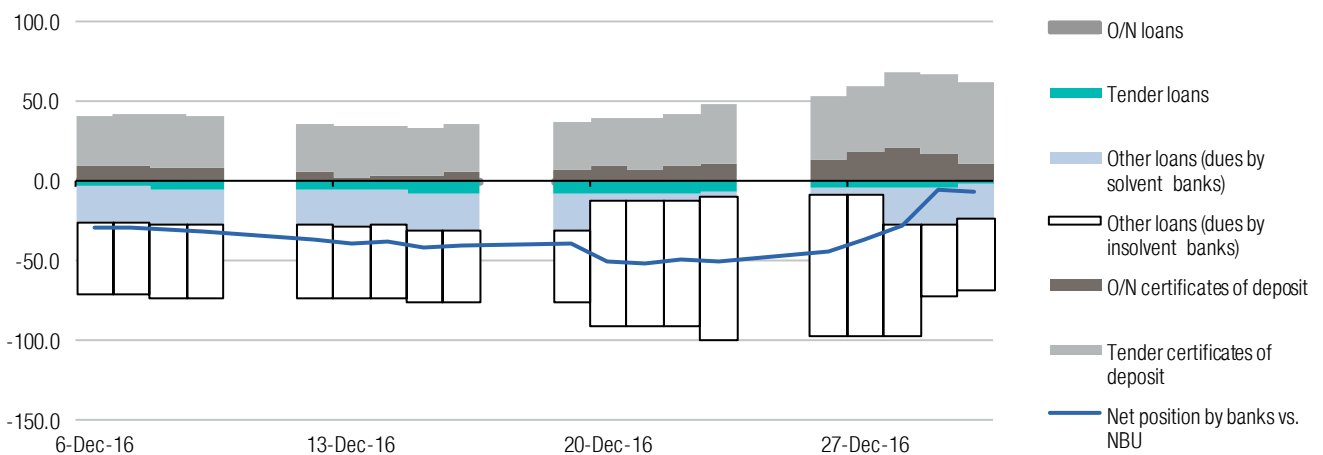


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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