

Daily Insight

Liquidity slightly volatile

Key messages of the today's comments

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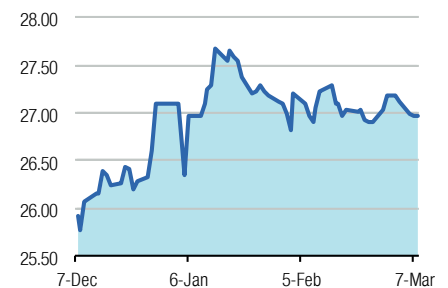
 This Monday, cash in the banking system declined for the third consecutive day, which without inflows caused decline in banking sector liquidity. As cash slid UAH1.08bn while the Treasury operations balance fell UAH0.05bn, banks' correspondent accounts with the NBU slid UAH1.05bn to UAH38.93bn and total CDs outstanding rose a mere UAH0.21bn to UAH63.92bn.

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THURSDAY, 9 MARCH 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 7 March 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 7 March 2017)

| | Last | Daily chg (%) | YTD chg (%) |
|---|----------|---------------|-------------|
| DOMESTIC LIQUIDITY | | | |
| NBU key policy rate (%) | 14.00 | +0bp | +0bp |
| Overnight rate (interbank) | 12.40 | +20bp | +180bp |
| Banks reserves (UAHm) | 38,926 | -2.76 | -23.88 |
| Deposit certificates* (UAHm) | 73,176 | -17.16 | -2.60 |
| FOREIGN EXCHANGE MARKET | | | |
| UAH per US dollar | 26.9650 | -0.07 | -0.50 |
| Total trade volume (US\$m) | 185.06 | +29.08 | +9.11 |
| UAH index PCI-based | 102.569 | +0.21 | -1.23 |
| UAH index PPI-based | 162.228 | +0.21 | -1.23 |
| UKRAINE SOVEREIGN EUROBOND MARKET | | | |
| CDS 5yr | 607bp | -8bp | +0bp |
| GLOBAL FINANCIAL MARKET INDICATORS | | | |
| S&P 500 | 2,362.98 | -0.23 | +5.55 |
| MSCI EM | 936.50 | +0.22 | +8.61 |
| US dollar index (DXY) | 101.810 | +0.17 | -0.39 |
| EUR / USD | 1.0566 | -0.15 | +0.47 |
| Crude oil WTI (US\$/bbl) | 53.14 | -0.11 | -1.08 |
| Crude oil BRENT (US\$/bbl) | 55.92 | -0.16 | -1.58 |
| CRB, commodities index | 188.02 | -0.74 | -2.33 |
| Gold (US\$/ounce) | 1,215.85 | -0.77 | +5.52 |

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity slightly volatile

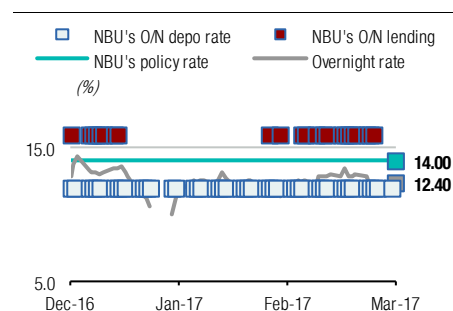
This Monday, cash in the banking system declined for the third consecutive day, which without inflows caused decline in banking sector liquidity. As cash slid UAH1.08bn while the Treasury operations balance fell UAH0.05bn, banks' correspondent accounts with the NBU slid UAH1.05bn to UAH38.93bn and total CDs outstanding rose a mere UAH0.21bn to UAH63.92bn.

With this slight reallocation and outflows, liquidity slid UAH0.84bn to UAH102.85bn.

Investment implications: *As expected, without last week's pressure of tax payments and VAT refund, liquidity remained steady at the beginning of the week. It should remain at around UAH103bn with some volatility.*

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

Interest rates in the banks' reserves market (three months through 7 March 2017)



Source: Bloomberg, ICU.

Key indicators (as of 7 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 | +20bp | +0bp | +10bp | +180bp |
| 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 | 38,926 | -2.76 | -30.40 | -2.52 | -23.88 |
| DepCerts ³ | 73,176 | -17.16 | +14.87 | -16.36 | -2.60 |
| Total | 112,102 | -12.16 | -8.11 | -11.53 | -12.06 |
| BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION) | | | | | |
| NBU | 384,574 | +0.00 | +0.65 | +0.32 | +7.98 |
| Banks | 275,065 | -0.11 | +0.74 | +8.04 | +59.61 |
| Residents | 22,099 | -0.17 | -8.20 | -7.46 | +40.95 |
| Non-res ⁴ | 5,897 | -0.33 | -0.11 | -6.92 | -7.16 |
| Total | 687,635 | -0.05 | +0.37 | +2.92 | +24.91 |
| IMPLIED YIELDS OF THE UAH NDF MARKET (%) | | | | | |
| 3 months | 13.39 | -113bp | +235bp | -616bp | -902bp |
| 6 months | 18.49 | -6bp | +8bp | -18bp | +3bp |
| 9 months | 18.21 | -4bp | +11bp | -9bp | +20bp |
| 1 year | 17.28 | -3bp | +12bp | -2bp | +28bp |
| UKRAINE SOVEREIGN EUROBOND MARKET | | | | | |
| CDS 5yr | 607 | -8bp | -9bp | -14bp | +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.

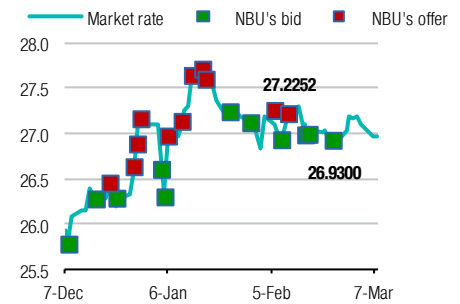
Foreign exchange markets

Key indicators (as of 7 березня 2017)

| | Last | Daily | Weekly | Monthly | YTD |
|---|----------|---------|---------|---------|---------|
| | chg (%) | chg (%) | chg (%) | chg (%) | chg (%) |
| EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND) | | | | | |
| UAH | 26.9650 | -0.07 | -0.81 | -0.02 | -0.50 |
| USD ¹ | 101.810 | +0.17 | +0.68 | +1.55 | -0.39 |
| EUR | 1.0566 | -0.15 | -0.09 | -1.10 | +0.47 |
| JPY | 113.9800 | +0.08 | +1.07 | +1.41 | -2.55 |
| GBP ² | 1.2200 | -0.29 | -1.45 | -2.47 | -1.13 |
| CNY | 6.9025 | +0.08 | +0.52 | +0.25 | -0.61 |
| RUB | 58.1892 | -0.12 | -0.33 | -2.18 | -5.44 |

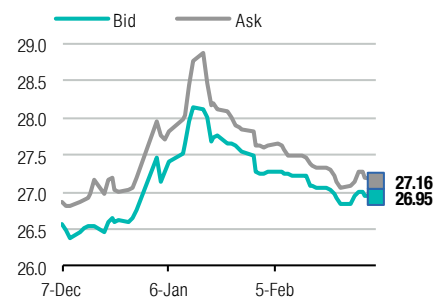
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 7 March 2017)



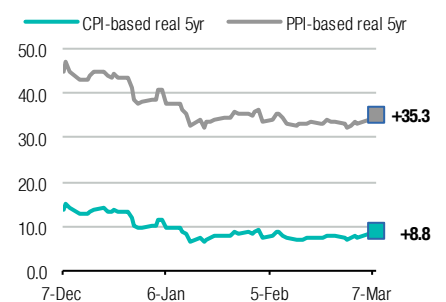
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 7 March 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 7 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)

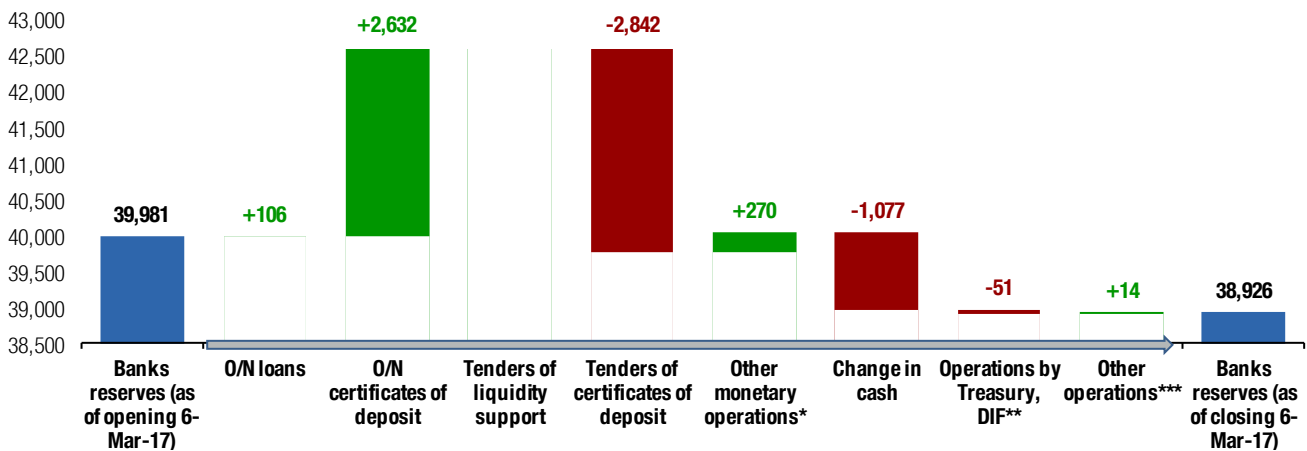
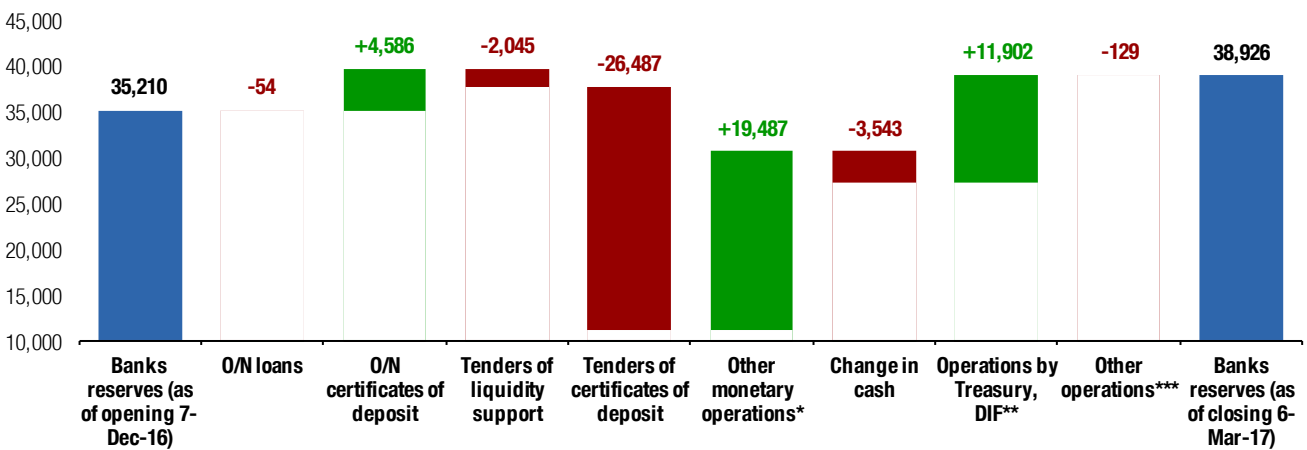
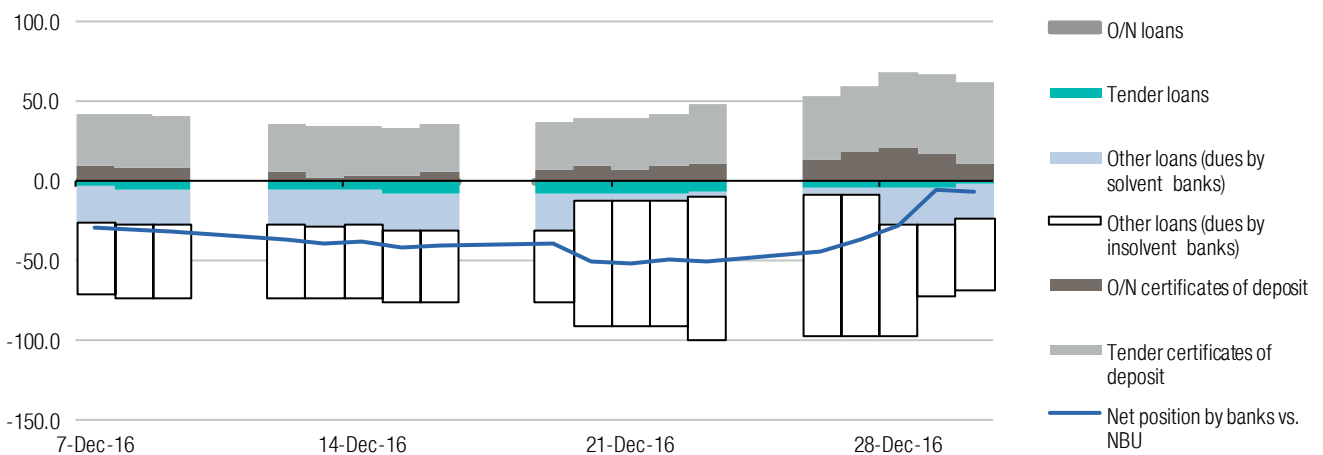


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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