

Daily Insight

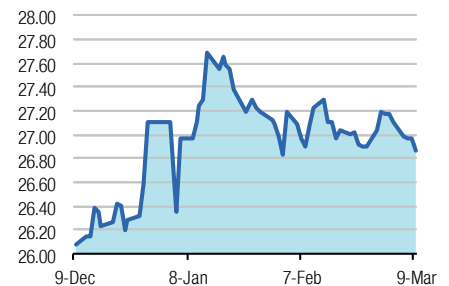
Liquidity decline

Key messages of the today's comments

Domestic liquidity	2
Liquidity decline	2
As cash in banks declined on Monday and Tuesday, banking sector liquidity continued to fall as the Treasury balanced revenues and expenditures. As a result, non-monetary operations caused a UAH1.69bn decline that matched the banking sector liquidity decline.	
Foreign exchange markets	3
Appendix #1: Domestic liquidity	4

FRIDAY, 10 MARCH 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 9 March 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 9 March 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	N/A		
Overnight rate (interbank)	N/A		
Banks reserves (UAHm)	37,854	-2.76	-23.88
Deposit certificates* (UAHm)	72,562	-0.84	+16.59
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.8650	-0.37	-0.87
Total trade volume (US\$m)	N/A		
UAH index PCI-based	103.645	+0.49	-0.20
UAH index PPI-based	163.930	+0.49	-0.20
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	615bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,364.87	+0.08	+5.63
MSCI EM	922.94	-1.28	+7.04
US dollar index (DXY)	101.850	-0.22	-0.35
EUR / USD	1.0577	+0.34	+0.57
Crude oil WTI (US\$/bbl)	49.28	-1.99	-8.27
Crude oil BRENT (US\$/bbl)	52.19	-1.73	-8.15
CRB, commodities index	183.22	-0.99	-4.83
Gold (US\$/ounce)	1,201.17	-0.59	+4.24

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity decline

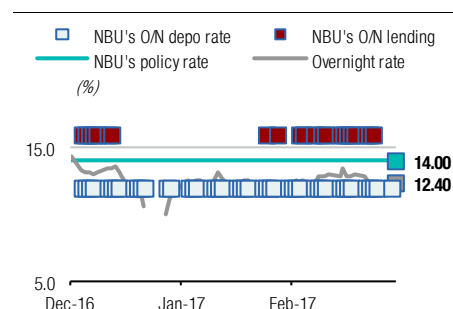
As cash in banks declined on Monday and Tuesday, banking sector liquidity continued to fall as the Treasury balanced revenues and expenditures. As a result, non-monetary operations caused a UAH1.69bn decline that matched the banking sector liquidity decline.

Yesterday, banks' correspondent accounts with the NBU were down UAH1.07bn to UAH37.85bn and total CDs outstanding slid UAH0.61bn to UAH63.31bn, causing banking sector liquidity to decline UAH1.69bn to UAH101.16bn.

Investment implications: *Liquidity, under the pressure of cash outflows, remains above UAH100bn. If outflows decline further, or the Treasury increases expenditures of VAT refunds, liquidity should stay above UAH100bn.*

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Interest rates in the banks' reserves market (three months through 9 March 2017)



Source: Bloomberg, ICU.

Key indicators (as of 9 March 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	N/A	N/A	N/A	N/A	N/A
Overnight	N/A	N/A	N/A	N/A	N/A
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	37,854	-2.76	-5.28	-6.86	-23.88
DepCerts ³	72,562	-0.84	+16.00	+5.38	+16.59
Total	110,416	-1.50	+7.70	+0.84	-1.39
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	384,574	+0.00	+0.65	+0.32	+7.98
Banks	275,058	+0.00	-0.18	+8.35	+59.60
Residents	21,862	-1.07	-11.44	-8.46	+39.44
Non-res ⁴	5,884	-0.21	-0.75	-4.03	-7.36
Total	687,379	-0.04	-0.12	+3.02	+24.86
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	-1bp	-7bp	+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.

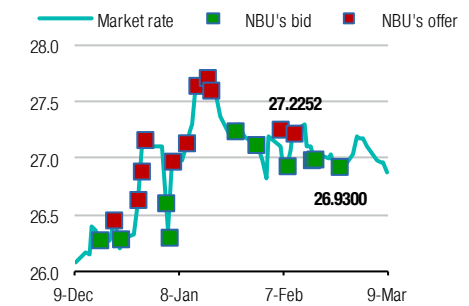
Foreign exchange markets

Key indicators (as of 9 березня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.8650	-0.37	-1.16	-0.74	-0.87
USD ¹	101.850	-0.22	-0.34	+1.19	-0.35
EUR	1.0577	+0.34	+0.67	-0.73	+0.57
JPY	114.9500	+0.52	+0.47	+1.50	-1.72
GBP ²	1.2165	-0.02	-0.83	-2.66	-1.42
CNY	6.9110	-0.03	+0.31	+0.61	-0.49
RUB	59.2795	+0.64	+0.72	+0.61	-3.67

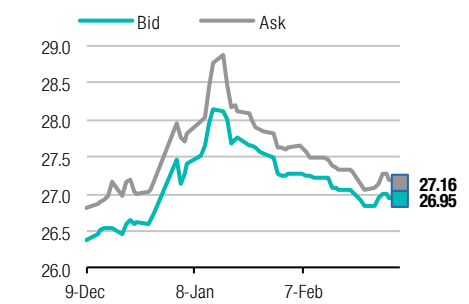
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 9 March 2017)



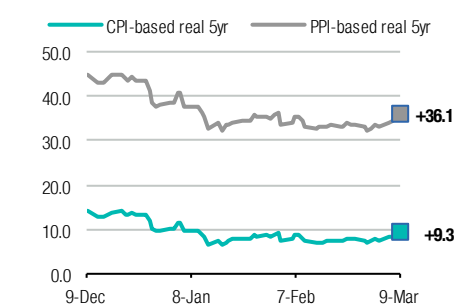
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 9 March 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 9 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)

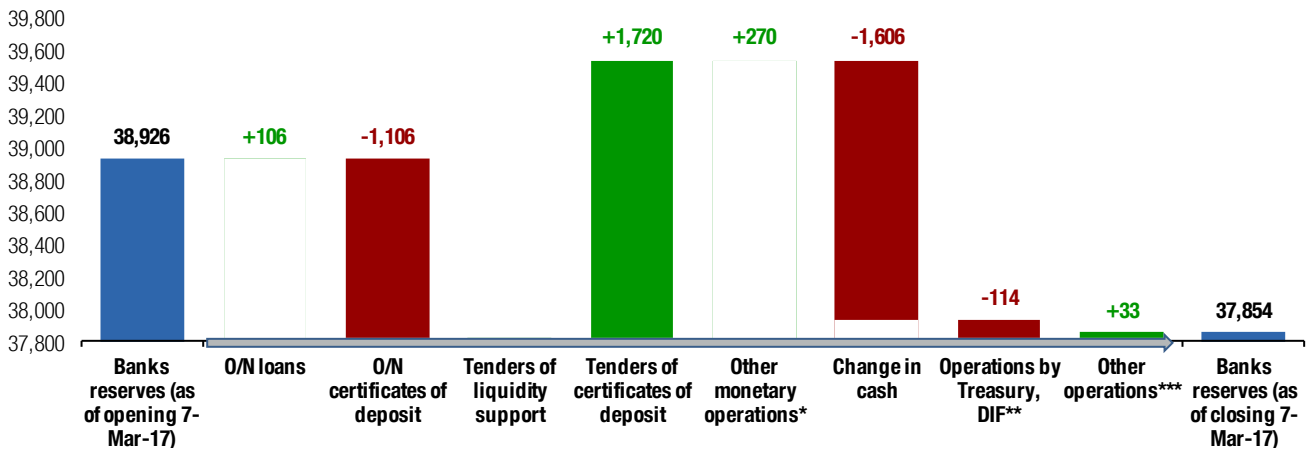
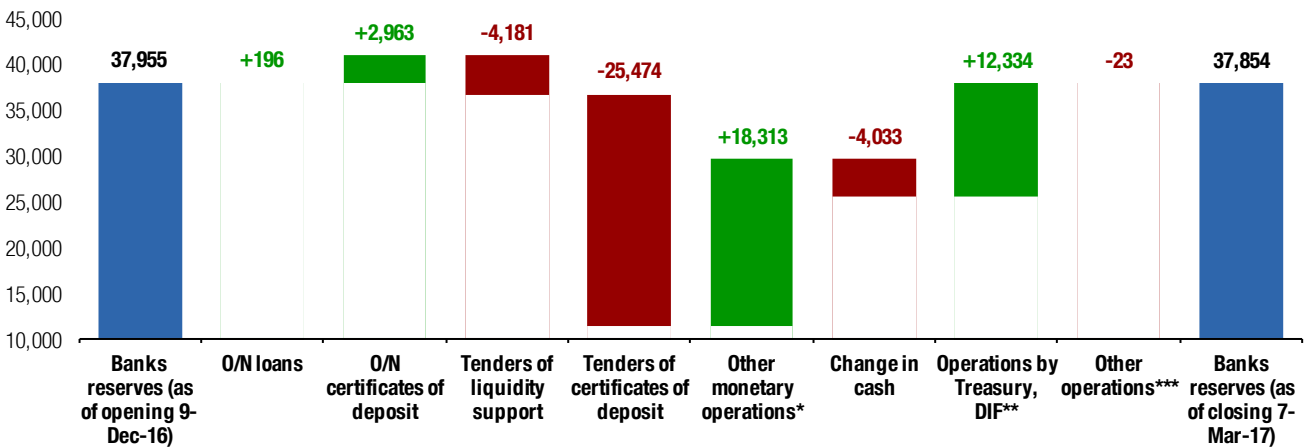
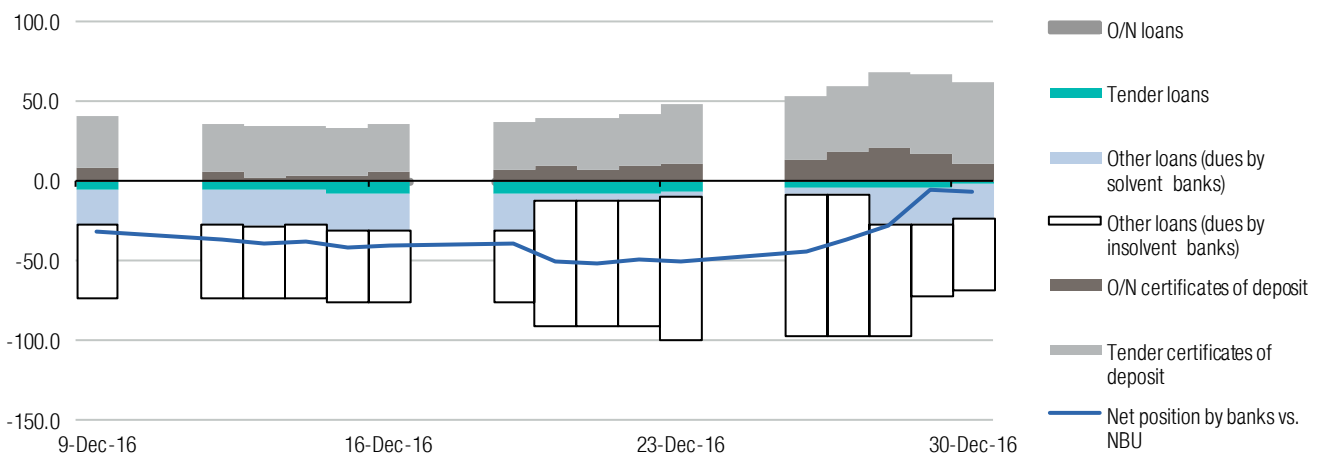


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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