

Daily Insight

Liquidity steady with reallocation

Key messages of the today's comments

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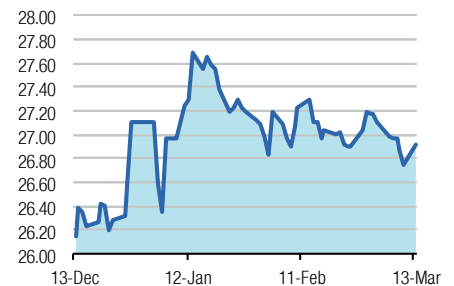
This week started with UAH102.28bn of banking sector liquidity, up only UAH0.37bn from last Friday. This amount is similar to the inflow from last Friday's NBU FX auction. Banks' correspondent accounts with the NBU rose UAH6.22bn to UAH41.21bn while total CDs outstanding fell UAH5.85bn to UAH61.08bn.

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TUESDAY, 14 MARCH 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 13 March 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 13 March 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.70	+0bp	+210bp
Banks reserves (UAHm)	41,206	+10.10	-8.77
Deposit certificates* (UAHm)	64,235	-9.10	-6.19
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.9200	+0.64	-0.66
Total trade volume (US\$m)	185.40	-7.04	+9.31
UAH index PCI-based	102.963	-0.51	-0.86
UAH index PPI-based	162.850	-0.51	-0.86
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	615bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,373.47	+0.04	+6.01
MSCI EM	938.50	+1.33	+8.84
US dollar index (DXY)	101.310	+0.06	-0.88
EUR / USD	1.0653	-0.19	+1.29
Crude oil WTI (US\$/bbl)	48.40	-0.19	-9.90
Crude oil BRENT (US\$/bbl)	51.35	-0.04	-9.63
CRB, commodities index	183.16	+0.28	-4.86
Gold (US\$/ounce)	1,204.06	-0.06	+4.49

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity steady with reallocation

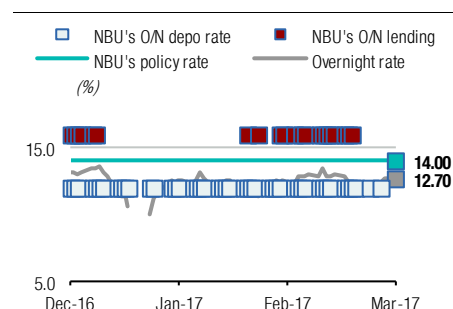
This week started with UAH102.28bn of banking sector liquidity, up only UAH0.37bn from last Friday. This amount is similar to the inflow from last Friday's NBU FX auction. Banks' correspondent accounts with the NBU rose UAH6.22bn to UAH41.21bn while total CDs outstanding fell UAH5.85bn to UAH61.08bn.

Non-monetary operations once more had a negative impact on liquidity with a UAH0.41bn outflow, the result of a UAH1.28bn cash outflow which was partially offset by a UAH0.85bn Treasury inflow.

Investment implications: *With no pressure from tax payments, liquidity remained steady at around UAH102bn. While there were no large VAT refunds scheduled, the Treasury kept a positive balance of revenues and expenditures which provided some inflow to support liquidity. As month-end tax payments begin next week, over the next few days liquidity should remain steady with low volatility.*

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

Interest rates in the banks' reserves market (three months through 13 March 2017)



Source: Bloomberg, ICU.

Key indicators (as of 13 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	12.70	+0bp	+50bp	+40bp	+210bp
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	41,206	+10.10	+13.48	-3.71	-8.77
DepCerts ³	64,235	-9.10	-19.98	-5.50	-6.19
Total	105,441	-1.60	-8.14	-4.72	-7.34
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	384,574	+0.00	+0.00	+0.32	+7.98
Banks	274,596	-0.10	-0.28	+6.44	+59.34
Residents	22,084	+0.34	-0.24	-7.45	+40.86
Non-res ⁴	5,725	-2.54	-3.23	-7.52	-9.86
Total	686,979	-0.05	-0.15	+2.32	+24.79
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.

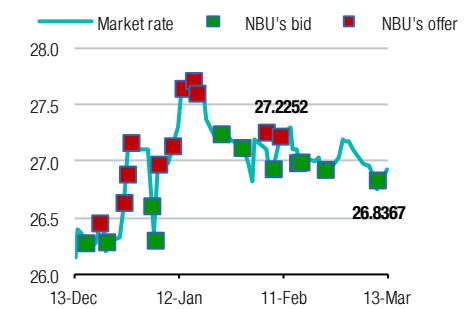
Foreign exchange markets

Key indicators (as of 13 березня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.9200	+0.64	-0.24	-1.37	-0.66
USD ¹	101.310	+0.06	-0.32	+0.35	-0.88
EUR	1.0653	-0.19	+0.67	+0.52	+1.29
JPY	114.8800	+0.08	+0.87	+1.00	-1.78
GBP ²	1.2219	+0.43	-0.14	-2.45	-0.98
CNY	6.9143	+0.07	+0.25	+0.50	-0.44
RUB	58.8066	-0.30	+0.94	+1.47	-4.44

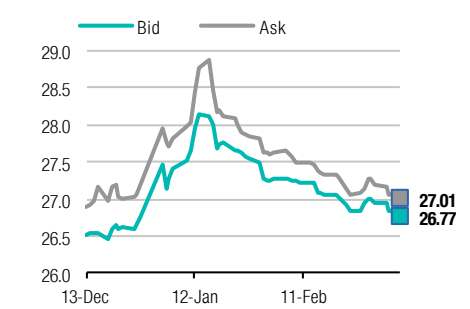
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 13 March 2017)



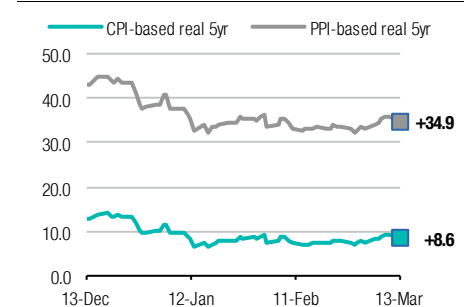
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 13 March 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 13 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)

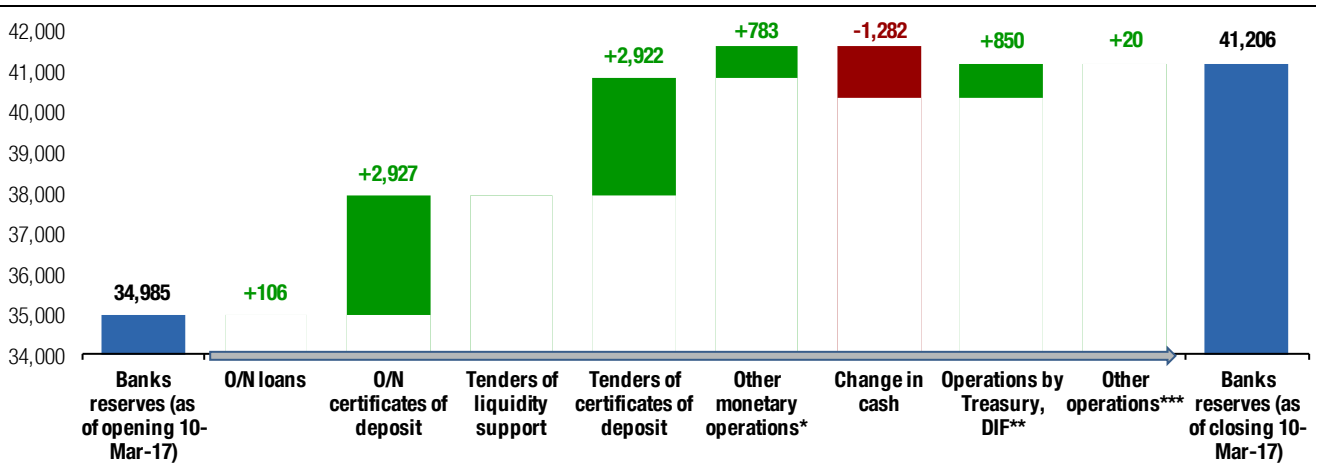
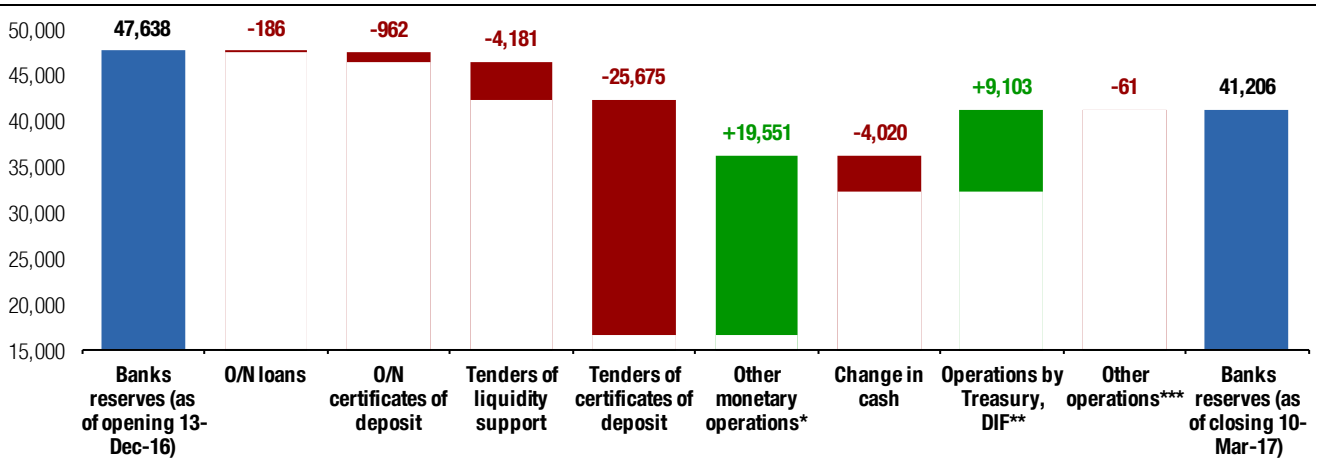
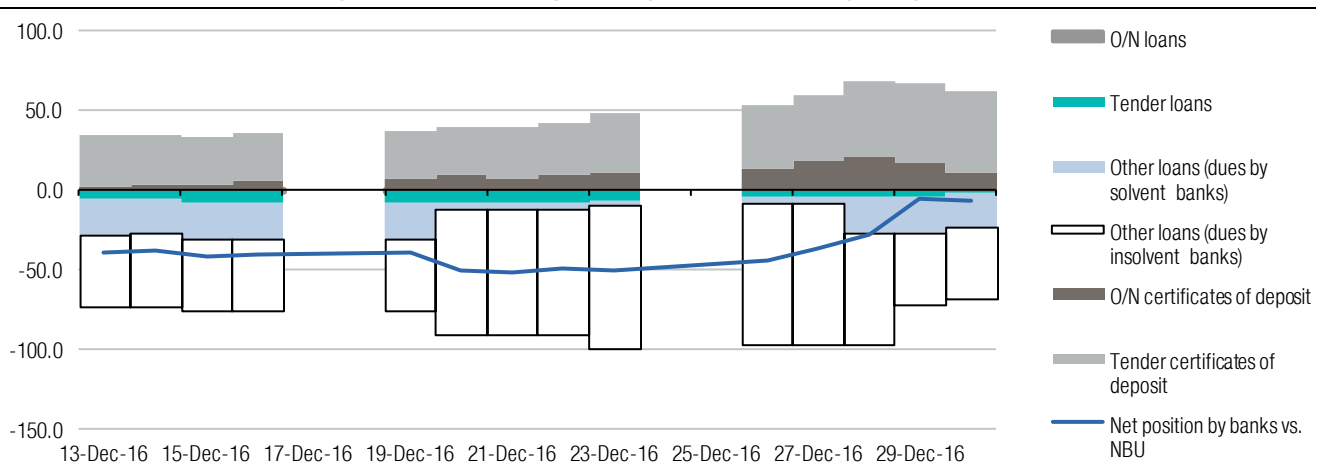


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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11th floor, LEONARDO Business Centre
19-21 Bogdan Khmelnytsky Street
Kiev, 01030 Ukraine
Phone/Fax +38 044 2200120

WEB www.icu.ua



[@ICU-UA](https://twitter.com/ICU-UA)

CORPORATE FINANCE

Makar Paseniuk, CFA, Managing Director
makar.paseniuk@icu.ua

Ivan Shvydanenko, Director
ivan.shvydanenko@icu.ua

Roman Nikitov, ACCA Director
roman.nikitov@icu.ua

Yuriy Kamarytskyi, Vice President
yuriy.kamarytskyi@icu.ua


Ruslan Kilmukhametov, Director
ruslan.kilmukhametov@icu.ua

Ruslan Patlavsky, Director
ruslan.patlavsky@icu.ua

STRATEGY AND CORPORATE DEVELOPMENT

Vlad Sinani, Director
vlad.sinani@icu.ua

SALES AND TRADING

Konstantin Stetsenko 
Managing Director
konstantin.stetsenko@icu.ua


Liliya Kubytovych 
Asset Management Product Sales
liliya.kubytovych@icu.ua

Sergiy Byelyayev
Fixed-Income Trading
sergiy.byelyayev@icu.ua


Yevgeniya Gryshchenko
Fixed-Income Sales
yevgeniya.gryshchenko@icu.ua


Vitaliy Sivach 
Fixed-Income & FX Trading
vitaliy.sivach@icu.ua

RESEARCH DEPARTMENT

Alexander Valchyshen 
Head of Research
alexander.valchyshen@icu.ua

Taras Kotovych 
Senior financial analyst (Sovereign debt)
taras.kotovych@icu.ua

Alexander Martynenko 
Head of corporate research
alexander.martynenko@icu.ua

Mykhaylo Demkiv 
Financial analyst (Banks)
mykhaylo.demkiv@icu.ua

Bogdan Vorotilin 
Financial analyst (Food & Agribusiness)
bogdan.vorotilin@icu.ua

Lee Daniels, Rolfe Haas
Editors

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