

# Daily Insight

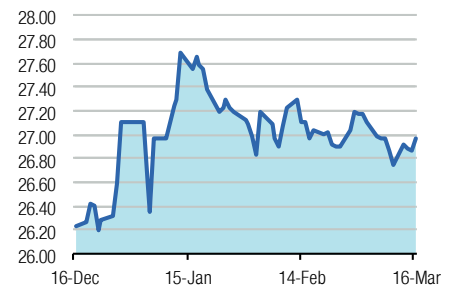
## NBU injects liquidity via FX auction

### Key messages of the today's comments

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<b>NBU injects liquidity via FX auction</b> .....	<b>2</b>
The NBU purchased US\$25.1m of FX on Wednesday, injecting UAH0.68bn into the banking system, the main source for the increase in liquidity yesterday. The Treasury also spent more than it collected in revenues and received financing, pushing inflows up a net UAH0.36bn.	
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FRIDAY, 17 MARCH 2017

### Ukraine's hryvnia exchange rate per US dollar (three months through 16 March 2017)



Source: Bloomberg.

### Selected indicators of the financial markets (three months through 16 March 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.30	-50bp	+170bp
Banks reserves (UAHm)	52,799	-6.00	-0.20
Deposit certificates* (UAHm)	59,247	-7.62	-12.06
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	26.9650	+0.33	-0.50
Total trade volume (US\$m)	132.37	-8.70	-21.96
UAH index PCI-based	101.645	-0.87	-2.12
UAH index PPI-based	160.766	-0.87	-2.12
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	615bp	+0bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,381.38	-0.16	+6.37
MSCI EM	963.20	+2.09	+11.71
US dollar index (DXY)	100.360	-0.38	-1.81
EUR / USD	1.0766	+0.30	+2.37
Crude oil WTI (US\$/bbl)	48.75	-0.23	-9.25
Crude oil BRENT (US\$/bbl)	51.74	-0.14	-8.94
CRB, commodities index	184.04	+0.13	-4.40
Gold (US\$/ounce)	1,226.42	+0.55	+6.44

Notes: \* NBU's short-term bonds.

Source: Bloomberg, ICU.

# Domestic liquidity

## NBU injects liquidity via FX auction

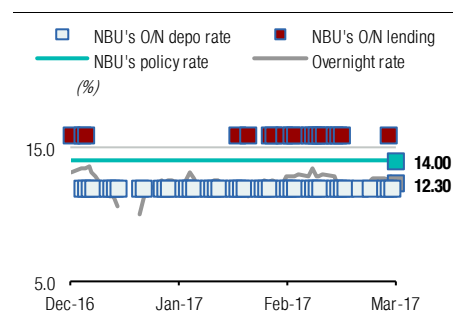
The NBU purchased US\$25.1m of FX on Wednesday, injecting UAH0.68bn into the banking system, the main source for the increase in liquidity yesterday. The Treasury also spent more than it collected in revenues and received financing, pushing inflows up a net UAH0.36bn.

At the same time, there was an additional reallocation of funds from CDs to banks' accounts. Total CDs outstanding fell UAH3.94bn to UAH50.0bn while banks' correspondent accounts with the NBU rose UAH4.90bn to UAH52.80bn, which pushed total banking sector liquidity up UAH0.96bn to UAH102.79bn.

**Investment implications: Liquidity remains above UAH100bn as a result of the additional funds from the NBU. During the recent few days, although total CDs outstanding fell UAH16.90bn, these funds were reallocated to banks accounts, most likely in anticipation of new outflows.**

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

## Interest rates in the banks' reserves market (three months through 16 March 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 16 March 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>BANKS' RESERVES MARKET (%)</b>					
NBU rate <sup>1</sup>	14.00	+0bp	+0bp	+0bp	+0bp
Overnight	12.30	-50bp	-10bp	-50bp	+170bp
<b>KYIV PRIME RATES (%)</b>					
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
<b>DOMESTIC LIQUIDITY (UAH MILLION)</b>					
Reserves <sup>2</sup>	52,799	-6.00	+31.12	+1.53	-0.20
DepCerts <sup>3</sup>	59,247	-7.62	-24.57	-2.85	-12.06
<b>Total</b>	<b>112,047</b>	<b>-6.86</b>	<b>-5.48</b>	<b>-0.81</b>	<b>-6.79</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	384,071	-0.13	-0.13	+0.52	+7.84
Banks	285,374	+2.08	+3.75	+8.83	+65.59
Residents	22,308	-0.04	+2.04	-6.71	+42.28
Non-res <sup>4</sup>	5,598	-0.08	-4.86	-8.94	-11.86
<b>Total</b>	<b>697,351</b>	<b>+0.77</b>	<b>+1.45</b>	<b>+3.41</b>	<b>+26.67</b>
<b>IMPLIED YIELDS OF THE UAH NDF MARKET (%)</b>					
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
<b>UKRAINE SOVEREIGN EUROBOOND MARKET</b>					
CDS 5yr	615	+0bp	+0bp	-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.

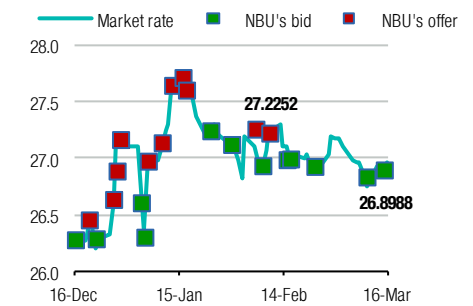
# Foreign exchange markets

## Key indicators (as of 16 березня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	26.9650	+0.33	+0.37	+0.00	-0.50
USD <sup>1</sup>	100.360	-0.38	-1.46	-0.08	-1.81
EUR	1.0766	+0.30	+1.79	+0.86	+2.37
JPY	113.3100	-0.06	-1.43	+0.06	-3.12
GBP <sup>2</sup>	1.2360	+0.56	+1.60	-1.03	+0.16
CNY	6.8980	-0.24	-0.19	+0.66	-0.68
RUB	57.8081	-1.12	-2.48	+0.33	-6.06

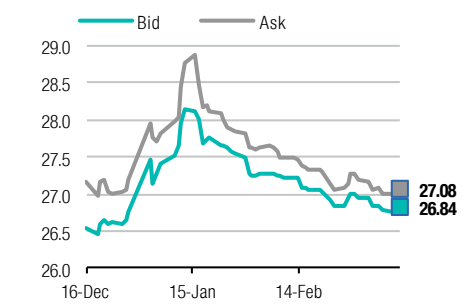
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 16 March 2017)



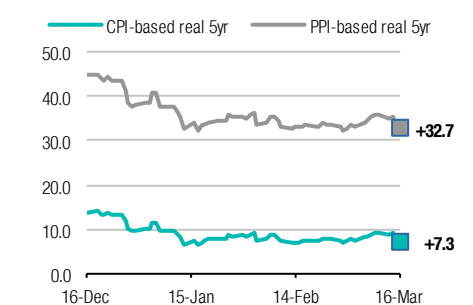
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 16 March 2017)



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 16 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)

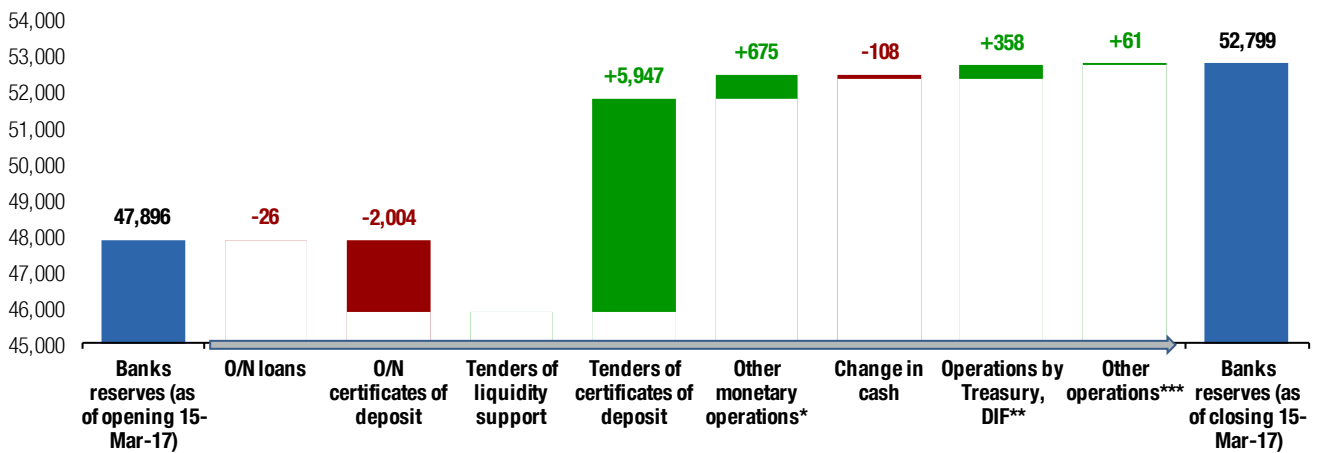
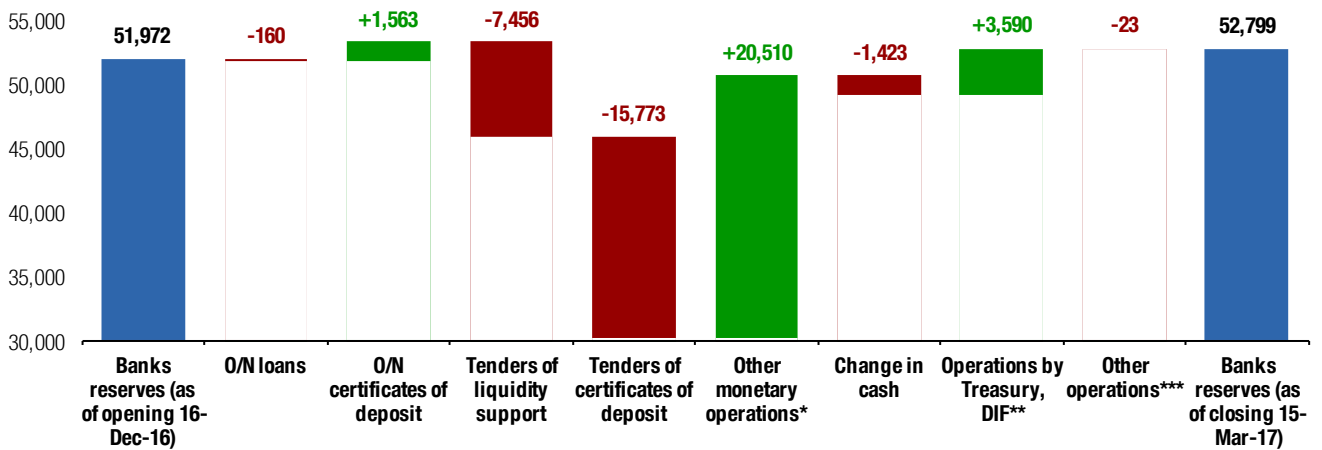
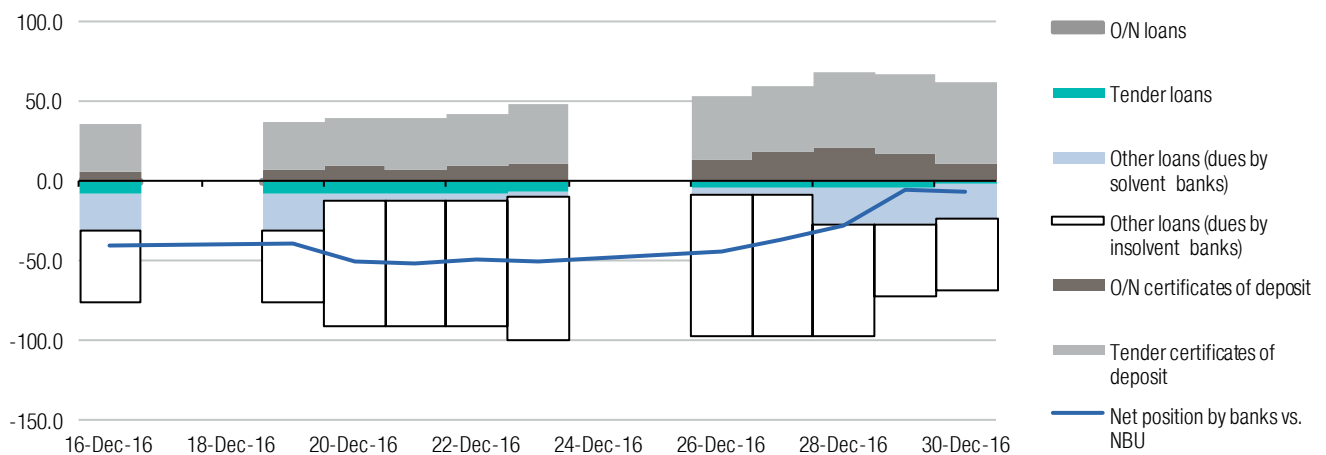


Chart 2. Banks reserves usages over last 30-day period (UAHm)



Notes: [1] data from the NBU's daily reporting [https://bank.gov.ua/control/uk/publish/article?art\\_id=38643651&cat\\_id=40807142](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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