

Daily Insight

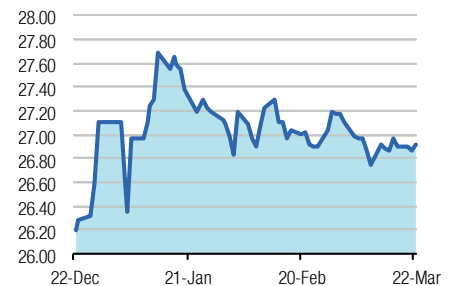
Liquidity unchanged

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Banking sector liquidity remained steady yesterday, down a slight UAH0.02bn. Treasury operations caused outflows of UAH1.05bn which were offset by an increase in cash of UAH0.63bn and UAH0.42 in monetary operations.	
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THURSDAY, 23 MARCH 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 22 March 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 22 March 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	N/A		
Overnight rate (interbank)	N/A		
Banks reserves (UAHm)	50,165	-0.06	+0.87
Deposit certificates* (UAHm)	62,643	+0.02	+0.65
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.9200	+0.17	-0.66
Total trade volume (US\$m)	N/A		
UAH index PCI-based	101.547	-0.06	-2.22
UAH index PPI-based	160.612	-0.06	-2.22
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	615bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,348.45	+0.19	+4.90
MSCI EM	966.97	-0.63	+12.14
US dollar index (DXY)	99.677	-0.14	-2.48
EUR / USD	1.0797	-0.13	+2.66
Crude oil WTI (US\$/bbl)	48.04	-0.41	-10.57
Crude oil BRENT (US\$/bbl)	50.64	-0.63	-10.88
CRB, commodities index	183.85	-0.24	-4.50
Gold (US\$/ounce)	1,248.54	+0.32	+8.35

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity unchanged

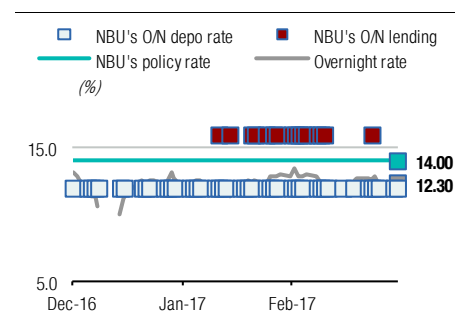
Banking sector liquidity remained steady yesterday, down a slight UAH0.02bn. Treasury operations caused outflows of UAH1.05bn which were offset by an increase in cash of UAH0.63bn and UAH0.42 in monetary operations.

The NBU did not hold FX auctions on Tuesday as banks reinvested all received funds from CD redemptions into new CDs. The Treasury paid no VAT refunds, and banks' correspondent accounts with the NBU slid UAH0.03bn to UAH50.17bn while total CDs outstanding rose UAH0.01bn to UAH53.39bn.

Investment implications: Liquidity remained unchanged, most likely due to a low amount of tax payments made on Tuesday. According to Treasury data, the budget received approximately UAH3.0bn. Most tax payments should be paid later this month, causing liquidity to decline.

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Interest rates in the banks' reserves market (three months through 22 March 2017)



Source: Bloomberg, ICU.

Key indicators (as of 22 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	50,165	-0.06	+4.74	+4.42	+0.87
DepCerts ³	62,643	+0.02	-0.87	+29.84	+0.65
Total	112,808	-0.01	+1.55	+17.16	+0.75
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	384,071	+0.00	-0.13	+0.52	+7.84
Banks	285,091	-0.04	+1.98	+8.64	+65.43
Residents	22,763	-0.02	+2.00	-5.20	+45.19
Non-res ⁴	5,379	-0.14	-3.99	-10.80	-15.31
Total	697,304	-0.02	+0.76	+3.38	+26.66
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	+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.

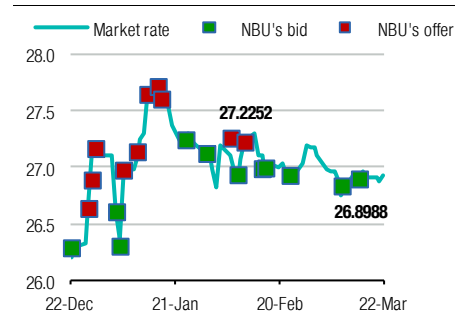
Foreign exchange markets

Key indicators (as of 22 березня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.9200	+0.17	+0.17	-0.02	-0.66
USD ¹	99.677	-0.14	-1.06	-1.52	-2.48
EUR	1.0797	-0.13	+0.59	+2.26	+2.66
JPY	111.1600	-0.49	-1.96	-1.90	-4.96
GBP ²	1.2485	+0.06	+1.58	+0.28	+1.18
CNY	6.8819	-0.08	-0.48	+0.06	-0.91
RUB	57.7540	+0.11	-1.21	-0.50	-6.15

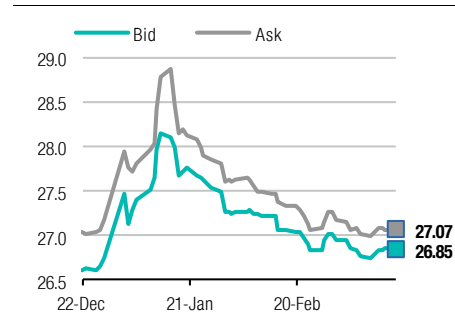
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 22 March 2017)



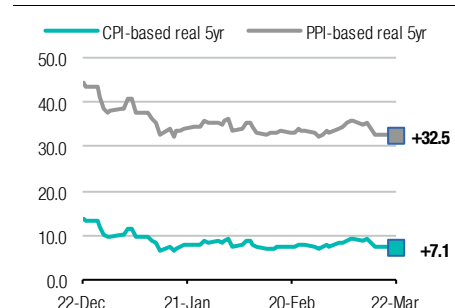
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 22 March 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 22 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)

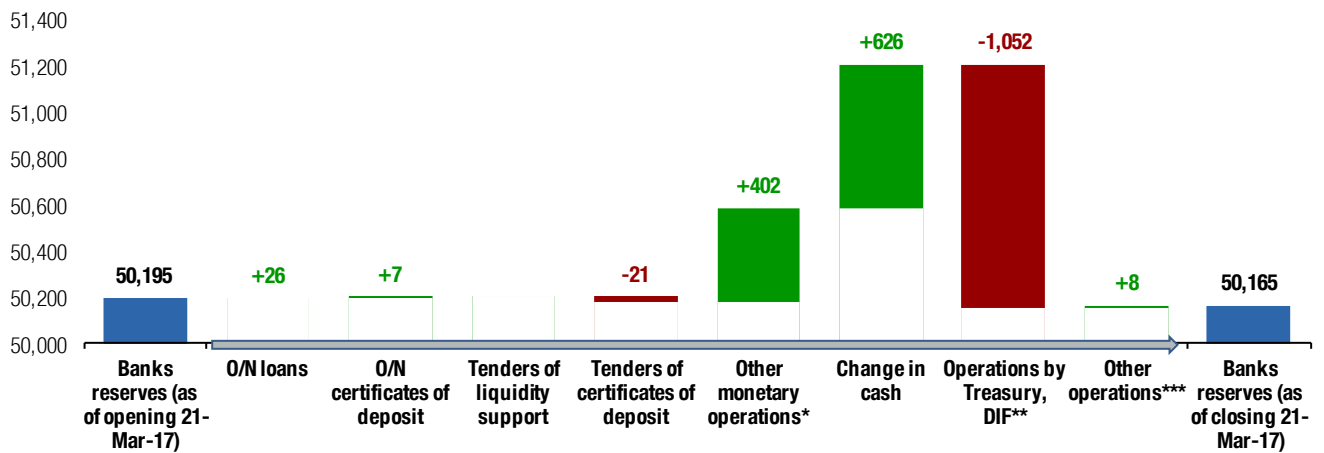
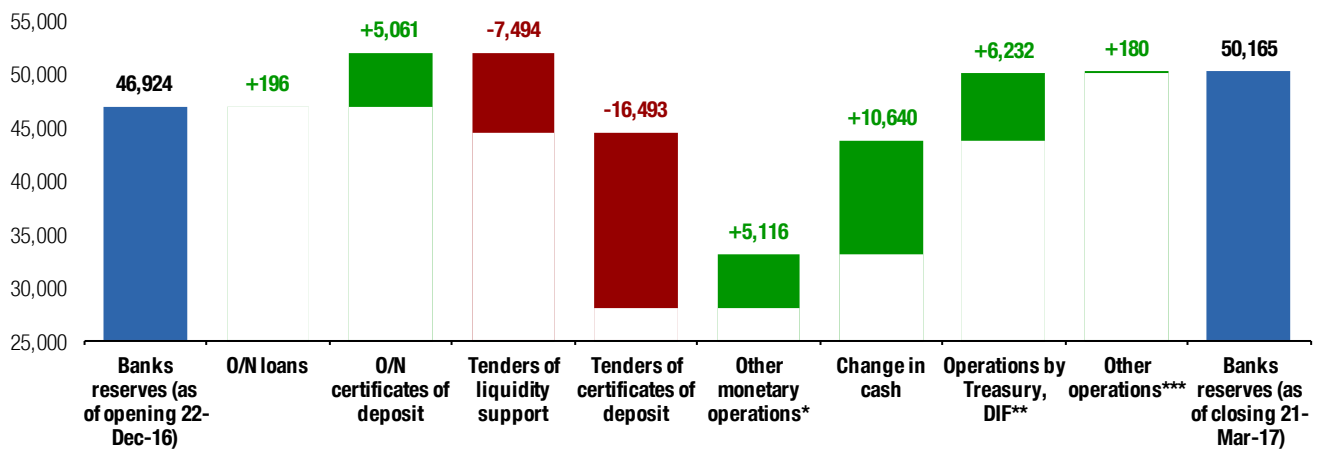
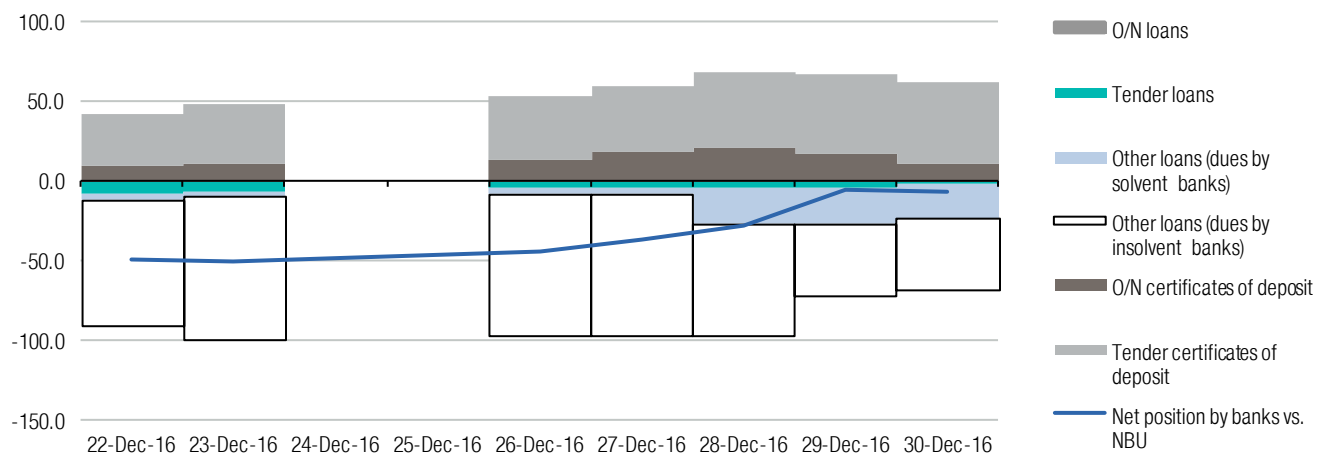


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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