

# Daily Insight

## Insufficient liquidity decline

### Key messages of the today's comments

#### Domestic liquidity ..... 2

##### Insufficient liquidity decline ..... 2

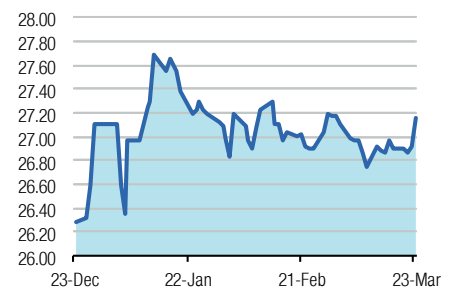
This Wednesday was insufficient misbalance in Treasury operations, caused outflows to budget at UAH0.46bn, which were mostly covered by increase in cash amount. As the result, non-monetary operations had insufficient impact on liquidity by UAH0.08bn. But total amount of banking sector liquidity slid UAH0.33bn to UAH103.23bn.

#### Foreign exchange markets ..... 3

#### Appendix #1: Domestic liquidity ..... 4

FRIDAY, 24 MARCH 2017

#### Ukraine's hryvnia exchange rate per US dollar (three months through 23 March 2017)



Source: Bloomberg.

#### Selected indicators of the financial markets (three months through 23 March 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.30	+30bp	+170bp
Banks reserves (UAHm)	45,668	+1.24	-7.03
Deposit certificates* (UAHm)	66,813	-17.65	-11.60
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	27.1550	+0.87	+0.20
Total trade volume (US\$m)	169.20	+26.29	-0.24
UAH index PCI-based	100.554	-0.98	-3.17
UAH index PPI-based	159.041	-0.98	-3.17
<b>UKRAINE SOVEREIGN EUROBOOND MARKET</b>			
CDS 5yr	615bp	+0bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,345.96	-0.11	+4.79
MSCI EM	967.92	+0.10	+12.25
US dollar index (DXY)	99.760	+0.08	-2.40
EUR / USD	1.0783	-0.13	+2.53
Crude oil WTI (US\$/bbl)	47.70	-0.71	-11.21
Crude oil BRENT (US\$/bbl)	50.56	-0.16	-11.02
CRB, commodities index	183.64	-0.11	-4.61
Gold (US\$/ounce)	1,245.30	-0.26	+8.07

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Insufficient liquidity decline

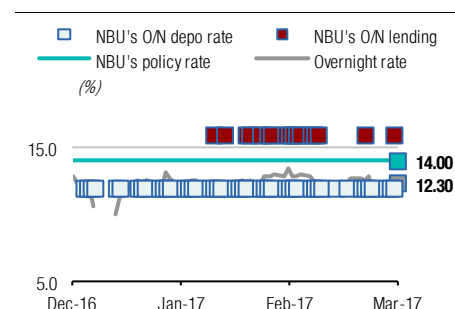
This Wednesday was insufficient misbalance in Treasury operations, caused outflows to budget at UAH0.46bn, which were mostly covered by increase in cash amount. As the result, non-monetary operations had insufficient impact on liquidity by UAH0.08bn. But total amount of banking sector liquidity slid UAH0.33bn to UAH103.23bn.

But inside the liquidity there was funds reallocation from banks' accounts to CDs. Banks' correspondent accounts with the NBU fell UAH4.50bn to UAH45.67bn, while total CDs outstanding rose UAH4.17bn to UAH57.56bn.

**Investment implications: Treasury collected insufficient amount of revenues, at about UAH2.5bn, as tax payers could postpone payment to the end of this week or month. This allow liquidity to remain steady with insufficient volatility. Difference between impact of non-monetary operations and liquidity decline could be the result of partially paid debt repayments to the NBU. So, currently there are reasons to anticipate that liquidity could decline sharply and we will see slight increase in funding cost for short period of time.**

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

## Interest rates in the banks' reserves market (three months through 23 March 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 23 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	+30bp	+0bp	-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>	45,668	+1.24	-12.43	-3.49	-7.03
DepCerts <sup>3</sup>	66,813	-17.65	-7.14	+14.64	-11.60
<b>Total</b>	<b>112,481</b>	<b>-9.98</b>	<b>-9.63</b>	<b>+5.58</b>	<b>-9.57</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	384,071	+0.00	+0.00	+0.52	+7.84
Banks	285,324	+0.14	+0.12	+8.66	+65.79
Residents	22,723	+0.43	+2.30	-5.06	+45.55
Non-res <sup>4</sup>	5,393	+0.51	-3.17	-7.93	-14.66
<b>Total</b>	<b>697,511</b>	<b>+0.08</b>	<b>+0.10</b>	<b>+3.42</b>	<b>+26.80</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 EUROBOND MARKET</b>					
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.

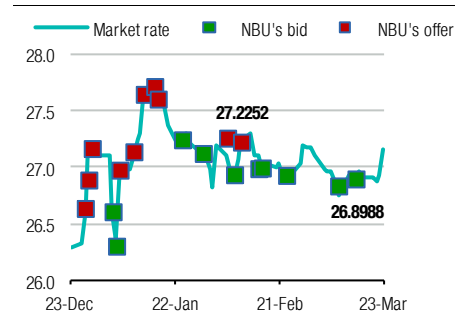
# Foreign exchange markets

## Key indicators (as of 23 березня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	27.1550	+0.87	+0.70	+0.93	+0.20
USD <sup>1</sup>	99.760	+0.08	-0.60	-1.28	-2.40
EUR	1.0783	-0.13	+0.16	+1.90	+2.53
JPY	110.9400	-0.20	-2.09	-1.48	-5.15
GBP <sup>2</sup>	1.2521	+0.29	+1.30	-0.28	+1.47
CNY	6.8863	+0.06	-0.17	+0.29	-0.85
RUB	57.3510	-0.70	-0.79	-0.73	-6.80

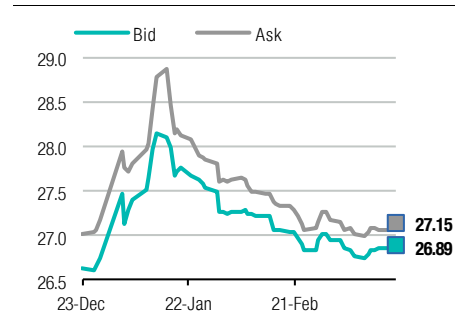
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 23 March 2017)



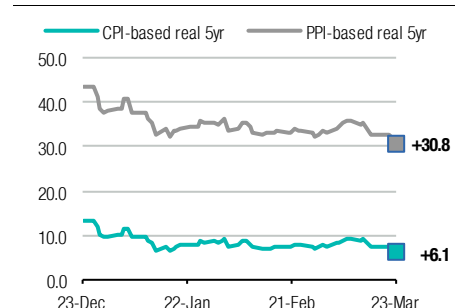
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 23 March 2017)



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 23 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)

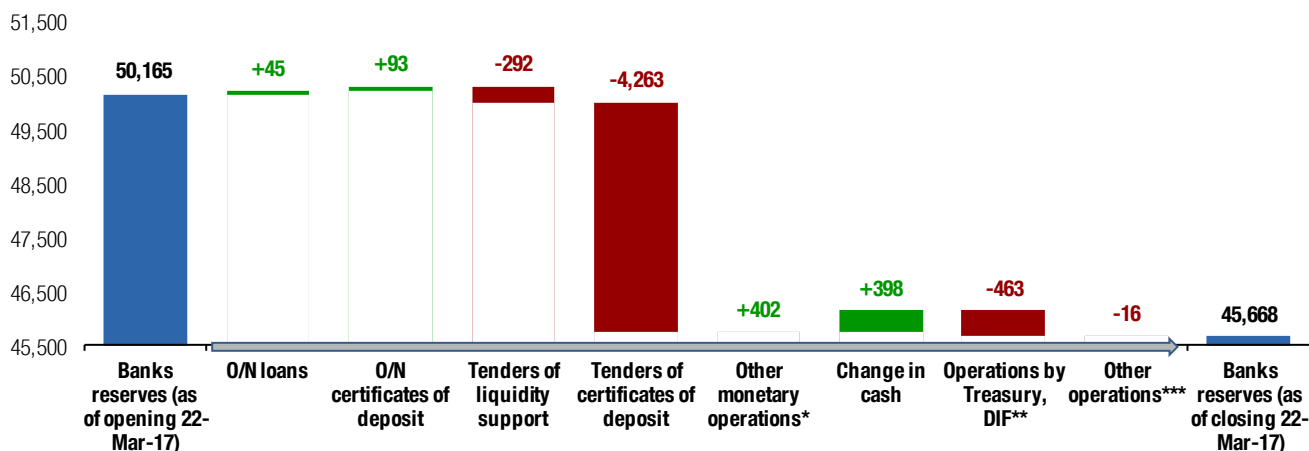
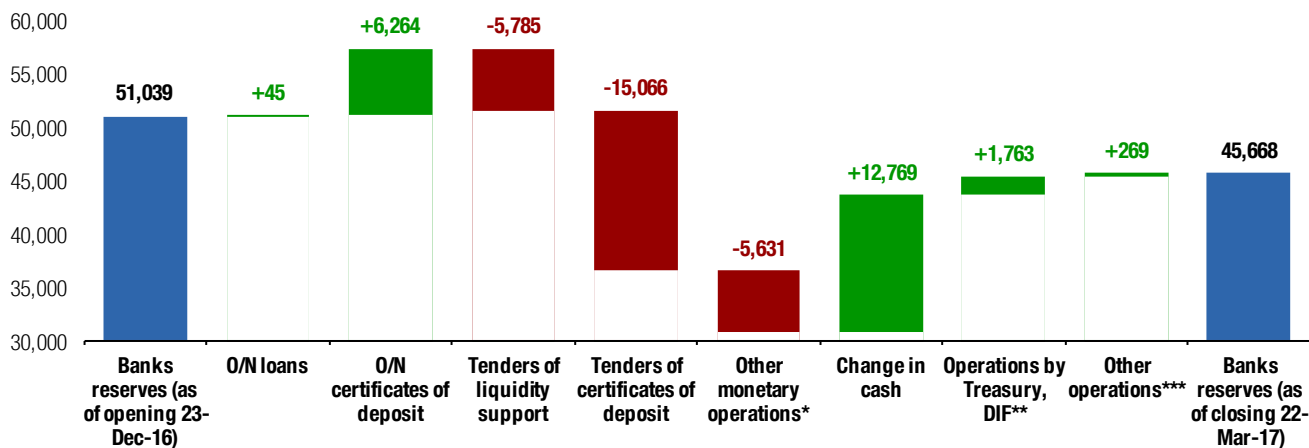
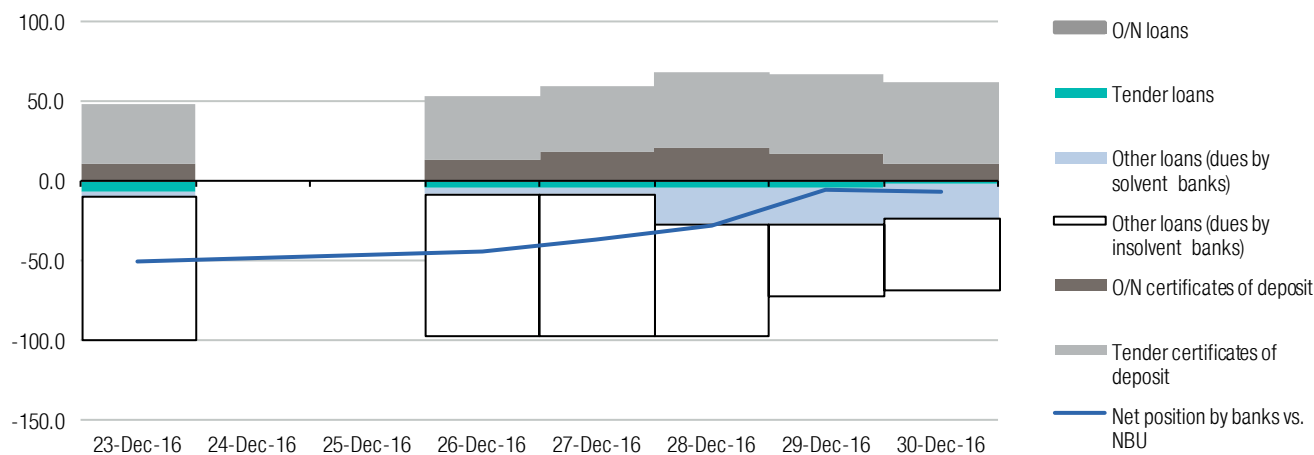


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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.

This page is intentionally left blank



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

**WEB** [www.icu.ua](http://www.icu.ua)    [@ICU\\_UA](https://twitter.com/ICU_UA)

## CORPORATE FINANCE

**Makar Paseniuk, CFA**, Managing Director  
[makar.paseniuk@icu.ua](mailto:makar.paseniuk@icu.ua)

**Ivan Shvydanenko**, Director  
[ivan.shvydanenko@icu.ua](mailto:ivan.shvydanenko@icu.ua)

**Roman Nikitov, ACCA** Director  
[roman.nikitov@icu.ua](mailto:roman.nikitov@icu.ua)

**Yuriy Kamarytskyi**, Vice President  
[yuriy.kamarytskyi@icu.ua](mailto:yuriy.kamarytskyi@icu.ua)


**Ruslan Kilmukhametov**, Director  
[ruslan.kilmukhametov@icu.ua](mailto:ruslan.kilmukhametov@icu.ua)

**Ruslan Patlavsky**, Director  
[ruslan.patlavsky@icu.ua](mailto:ruslan.patlavsky@icu.ua)

## STRATEGY AND CORPORATE DEVELOPMENT

**Vlad Sinani**, Director  
[vlad.sinani@icu.ua](mailto:vlad.sinani@icu.ua)

## SALES AND TRADING

**Konstantin Stetsenko**   
Managing Director  
[konstantin.stetsenko@icu.ua](mailto:konstantin.stetsenko@icu.ua)


**Liliya Kubytovych**   
Asset Management Product Sales  
[liliya.kubytovych@icu.ua](mailto:liliya.kubytovych@icu.ua)

**Sergiy Byelyayev**  
Fixed-Income Trading  
[sergiy.byelyayev@icu.ua](mailto:sergiy.byelyayev@icu.ua)


**Yevgeniya Gryshchenko**  
Fixed-Income Sales  
[yevgeniya.gryshchenko@icu.ua](mailto:yevgeniya.gryshchenko@icu.ua)


**Vitaliy Sivach**   
Fixed-Income & FX Trading  
[vitaliy.sivach@icu.ua](mailto:vitaliy.sivach@icu.ua)

## RESEARCH DEPARTMENT

**Alexander Valchyshen**   
Head of Research  
[alexander.valchyshen@icu.ua](mailto:alexander.valchyshen@icu.ua)

**Taras Kotovych**   
Senior financial analyst (Sovereign debt)  
[taras.kotovych@icu.ua](mailto:taras.kotovych@icu.ua)

**Alexander Martynenko**   
Head of corporate research  
[alexander.martynenko@icu.ua](mailto:alexander.martynenko@icu.ua)

**Mykhaylo Demkiv**   
Financial analyst (Banks)  
[mykhaylo.demkiv@icu.ua](mailto:mykhaylo.demkiv@icu.ua)

**Bogdan Vorotilin**   
Financial analyst (Food & Agribusiness)  
[bogdan.vorotilin@icu.ua](mailto:bogdan.vorotilin@icu.ua)

**Lee Daniels, Rolfe Haas**  
Editors

Investment Capital Ukraine LLC is regulated by Securities and Stock Market State Commission of Ukraine (license numbers: dealer activity AE 263019, broker activity AE 263018, underwriting activity AE 263020 dated 11 April 2013).

## DISCLAIMER

This research publication has been prepared by Investment Capital Ukraine LLC solely for information purposes for its clients. It does not constitute an investment advice or an offer or solicitation for the purchase or sale of any financial instrument. While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, Investment Capital Ukraine makes no representation that it is accurate or complete. The information contained herein is subject to change without notice. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of Investment Capital Ukraine LLC. All rights are reserved. Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates. Past performance is not indicative of future results. Investors should make their own investigations and investment decisions without relying on this report. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this report.



**Additional information is available upon request.**