

Daily Insight

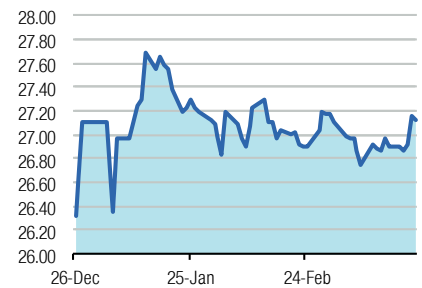
Liquidity down slightly

Key messages of the today's comments

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Last Thursday, the Treasury collected more than UAH9bn of revenues, which were mostly spent on expenditures. The impact of Treasury operations was UAH0.60bn, partially offset by an increase in cash, that caused non-monetary operations to have a negative impact of UAH0.36bn.	
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MONDAY, 27 MARCH 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 24 March 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 24 March 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.40	+10bp	+180bp
Banks reserves (UAHm)	46,236	+1.24	-7.03
Deposit certificates* (UAHm)	55,019	-4.78	-15.83
FOREIGN EXCHANGE MARKET			
UAH per US dollar	27.1250	-0.11	+0.09
Total trade volume (US\$m)	N/A		
UAH index PCI-based	100.437	-0.12	-3.29
UAH index PPI-based	158.856	-0.12	-3.29
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	615bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,343.98	-0.08	+4.70
MSCI EM	969.13	+0.13	+12.39
US dollar index (DXY)	99.627	-0.13	-2.53
EUR / USD	1.0798	+0.14	+2.67
Crude oil WTI (US\$/bbl)	47.97	+0.57	-10.70
Crude oil BRENT (US\$/bbl)	50.80	+0.47	-10.59
CRB, commodities index	183.47	-0.10	-4.70
Gold (US\$/ounce)	1,243.45	-0.15	+7.91

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity down slightly

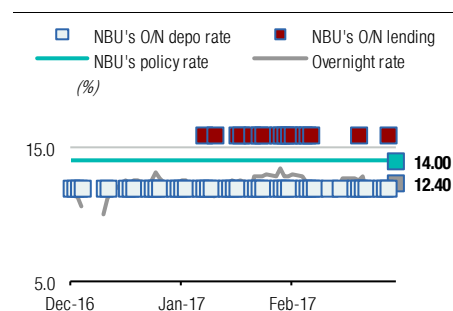
Last Thursday, the Treasury collected more than UAH9bn of revenues, which were mostly spent on expenditures. The impact of Treasury operations was UAH0.60bn, partially offset by an increase in cash, that caused non-monetary operations to have a negative impact of UAH0.36bn.

There was also a slight reallocation of funds from CDs to banks' accounts, as banks purchased UAH10.82bn of new CDs, while the NBU repaid UAH11.79bn in older CDs redemptions. This resulted in total CDs outstanding to decline UAH0.97bn to UAH56.59bn. At the same time, banks' correspondent accounts with the NBU rose UAH0.57bn to UAH46.24bn. Ultimately, banking sector liquidity fell a mere UAH0.40bn to UAH102.83bn.

Investment implications: *The positive aspect of the Treasury's spending a majority of its received funds is that its impact on liquidity remained low. If this continues through the end of the month, liquidity should not decline below UAH100bn, even if there is a scheduled VAT refund.*

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Interest rates in the banks' reserves market (three months through 24 March 2017)



Source: Bloomberg, ICU.

Key indicators (as of 24 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	12.40	+10bp	+20bp	-60bp	+180bp
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	46,236	+1.24	-6.84	-5.33	-7.03
DepCerts ³	55,019	-4.78	-16.97	+10.17	-15.83
Total	101,255	-3.92	-13.70	+0.92	-13.12
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	384,071	+0.00	+0.00	+0.52	+7.84
Banks	285,727	+0.14	+0.10	+4.88	+65.79
Residents	22,820	+0.43	+0.72	-5.43	+45.55
Non-res ⁴	5,420	+0.51	-3.51	-7.72	-14.66
Total	698,039	+0.08	+0.04	+1.97	+26.80
IMPLIED YIELDS OF THE UAH NDF MARKET (%)					
3 months	19.18	+610bp	+427bp	+576bp	-322bp
6 months	18.44	+35bp	-15bp	-19bp	-3bp
9 months	18.12	+24bp	-14bp	-16bp	+11bp
1 year	17.19	+18bp	-14bp	-13bp	+19bp
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.

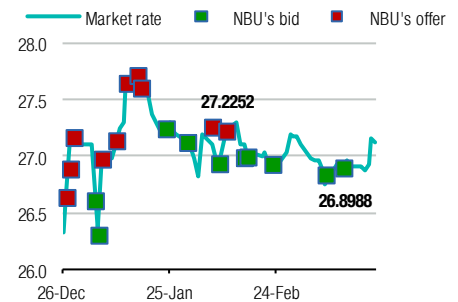
Foreign exchange markets

Key indicators (as of 24 березня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	27.1250	-0.11	+0.84	+0.82	+0.09
USD ¹	99.627	-0.13	-0.67	-1.29	-2.53
EUR	1.0798	+0.14	+0.56	+1.97	+2.67
JPY	111.3400	+0.36	-1.21	-1.29	-4.81
GBP ²	1.2473	-0.38	+0.62	-0.69	+1.08
CNY	6.8837	-0.04	-0.29	+0.18	-0.88
RUB	56.9344	-0.73	-0.43	-1.39	-7.48

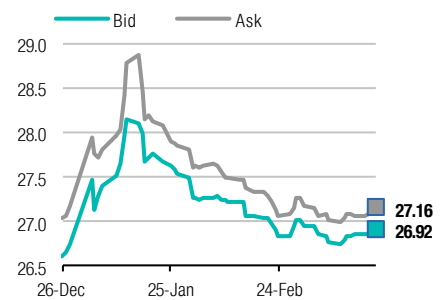
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 24 March 2017)



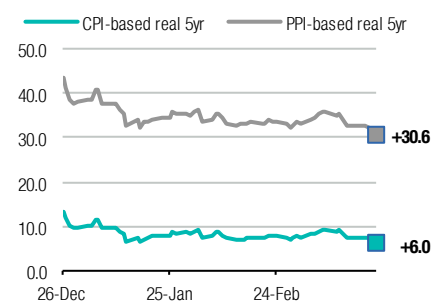
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 24 March 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 24 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)

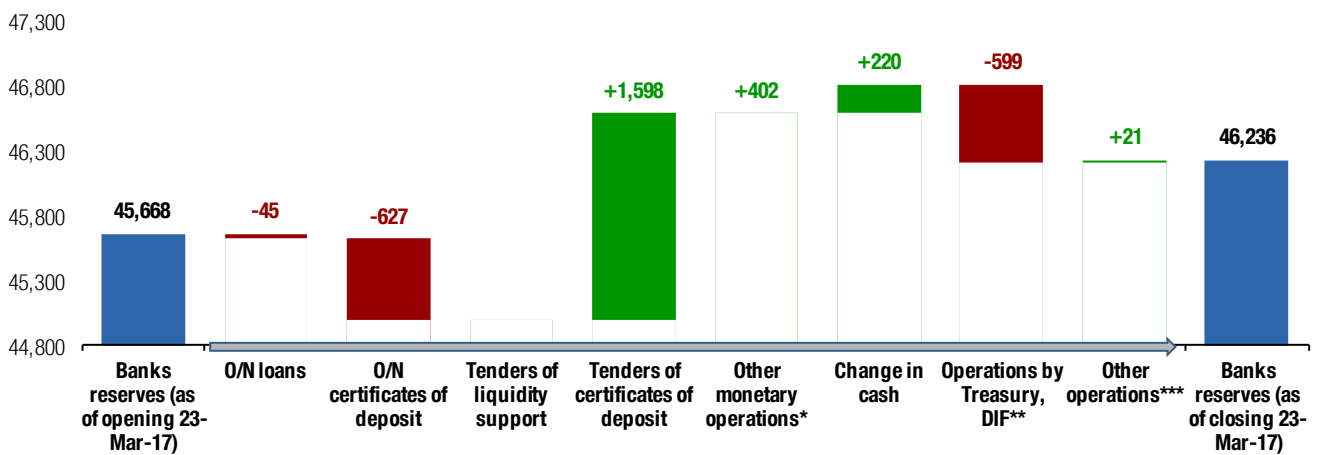
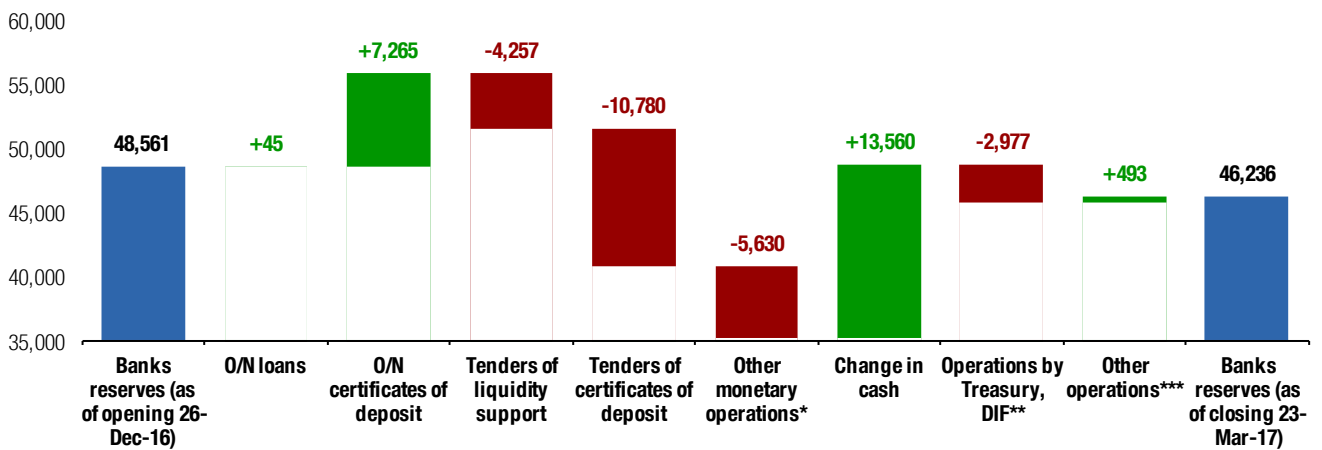
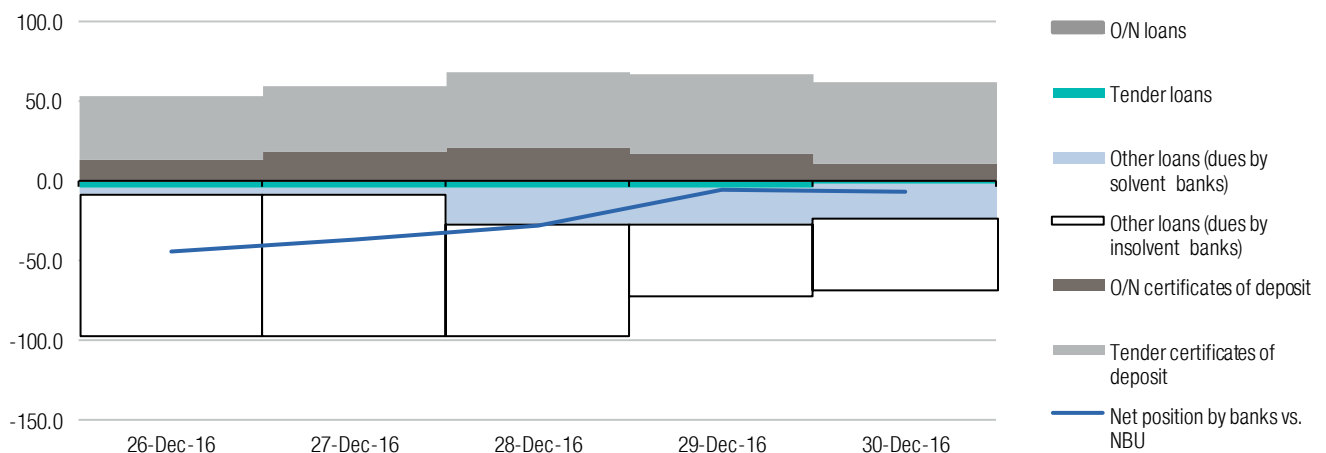


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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