

# Daily Insight

## Liquidity continues to decline

### Key messages of the today's comments

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##### Liquidity continues to decline ..... 2

This Wednesday's cashflows failed to support liquidity, resulting in a further decline. The Treasury once more caused fund outflows of UAH2.36bn after collecting about UAH7bn of revenues as VAT refunds remained at previous levels. Moreover, one bank refinanced a UAH0.25bn loan for an additional 84 days.

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FRIDAY, 31 MARCH 2017

#### Ukraine's hryvnia exchange rate per US dollar (three months through 30 March 2017)



Source: Bloomberg.

#### Selected indicators of the financial markets (three months through 30 March 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.50	-10bp	+190bp
Banks reserves (UAHm)	42,365	+0.14	-14.69
Deposit certificates* (UAHm)	69,390	-13.48	-3.54
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	26.9650	-0.19	-0.50
Total trade volume (US\$m)	199.84	+8.42	+17.82
UAH index PCI-based	101.207	+0.36	-2.55
UAH index PPI-based	160.073	+0.36	-2.55
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	615bp	+0bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,368.06	+0.29	+5.77
MSCI EM	969.47	-0.25	+12.43
US dollar index (DXY)	100.410	+0.41	-1.76
EUR / USD	1.0674	-0.85	+1.49
Crude oil WTI (US\$/bbl)	50.35	+1.70	-6.27
Crude oil BRENT (US\$/bbl)	52.96	+1.03	-6.79
CRB, commodities index	185.52	+0.17	-3.63
Gold (US\$/ounce)	1,242.67	-0.87	+7.85

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Liquidity continues to decline

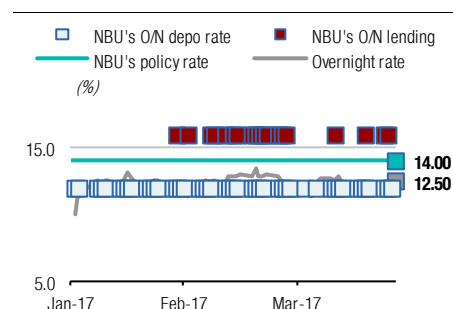
This Wednesday's cashflows failed to support liquidity, resulting in a further decline. The Treasury once more caused fund outflows of UAH2.36bn after collecting about UAH7bn of revenues as VAT refunds remained at previous levels. Moreover, one bank refinanced a UAH0.25bn loan for an additional 84 days.

Banks' correspondent accounts with the NBU fell UAH1.31bn to UAH42.37bn while total CDs outstanding rose a mere UAH0.17bn to UAH60.14bn, causing total banking sector liquidity to decline UAH1.14bn to UAH102.50bn. With the repayment of a UAH0.10bn ON loan, liquidity declined UAH1.04bn, parallel to the net impact of non-monetary operations, as UAH2.36bn of outflows to the Treasury were offset by a UAH1.31bn increase in cash.

**Investment implications: The Treasury increased the accumulation of funds at the end of the month, causing liquidity to decline. However, liquidity is not expected to decline below UAH100b this month. As yesterday was the last day of month-end tax payments, today we should see its impact on liquidity. As today's cashflows could cause an increase in liquidity, April could start with a higher treasury account balance, reflecting the difference in banking system liquidity above UAH100bn.**

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

## Interest rates in the banks' reserves market (three months through 30 March 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 30 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	12.50	-10bp	+20bp	+10bp	+190bp
<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>	42,365	+0.14	-7.10	-22.00	-14.69
DepCerts <sup>3</sup>	69,390	-13.48	-10.14	+13.76	-3.54
<b>Total</b>	<b>111,755</b>	<b>-8.31</b>	<b>-8.91</b>	<b>-4.39</b>	<b>-8.49</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	N/A	N/A	N/A	N/A	N/A
Banks	N/A	N/A	N/A	N/A	N/A
Residents	N/A	N/A	N/A	N/A	N/A
Non-res <sup>4</sup>	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</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	+0bp	-1bp	+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.

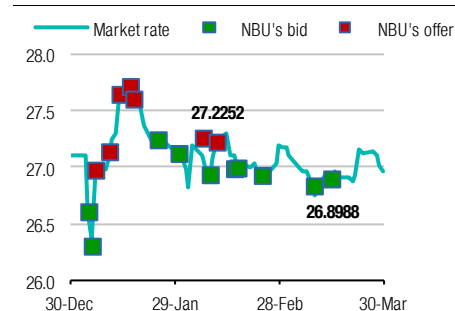
# Foreign exchange markets

## Key indicators (as of 30 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	-0.19	-0.70	-0.81	-0.50
USD <sup>1</sup>	100.410	+0.41	+0.65	-0.70	-1.76
EUR	1.0674	-0.85	-1.01	+0.93	+1.49
JPY	111.9200	+0.79	+0.88	-0.75	-4.31
GBP <sup>2</sup>	1.2468	+0.27	-0.42	+0.71	+1.04
CNY	6.8894	-0.01	+0.05	+0.33	-0.80
RUB	56.1037	-0.91	-2.17	-3.90	-8.83

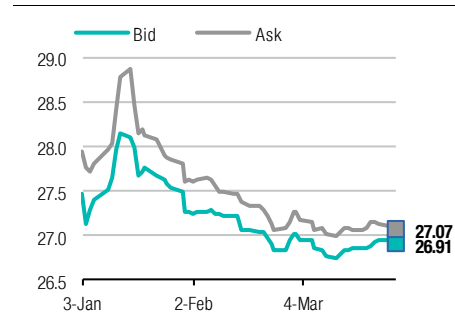
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 30 March 2017)



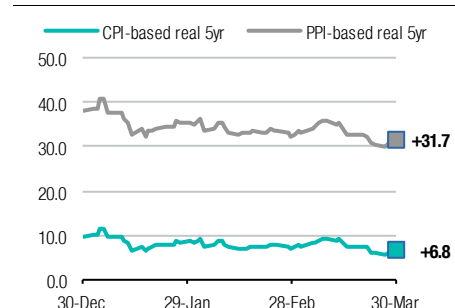
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 30 March 2017)



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 30 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)

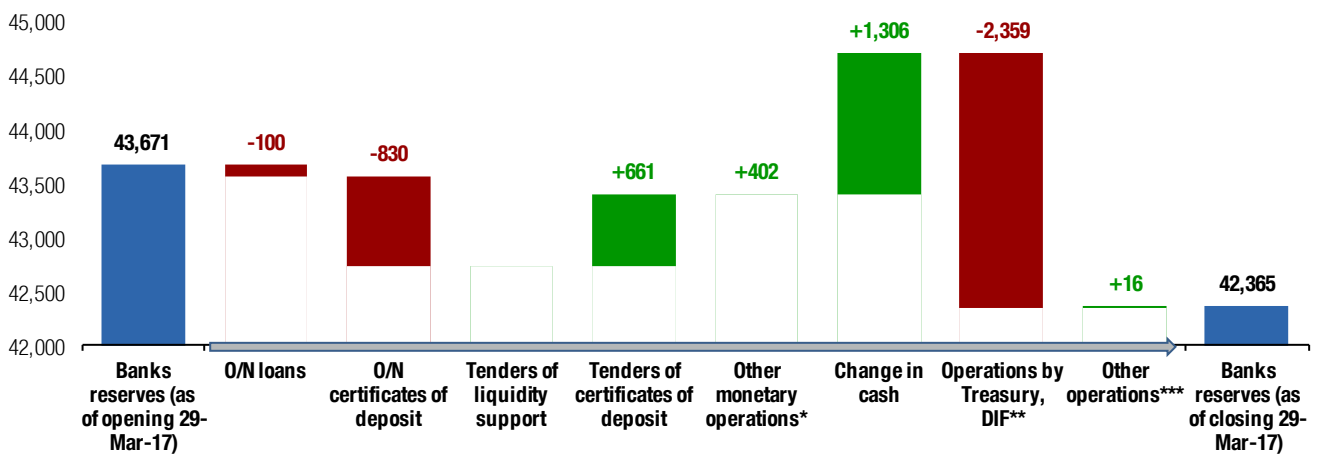
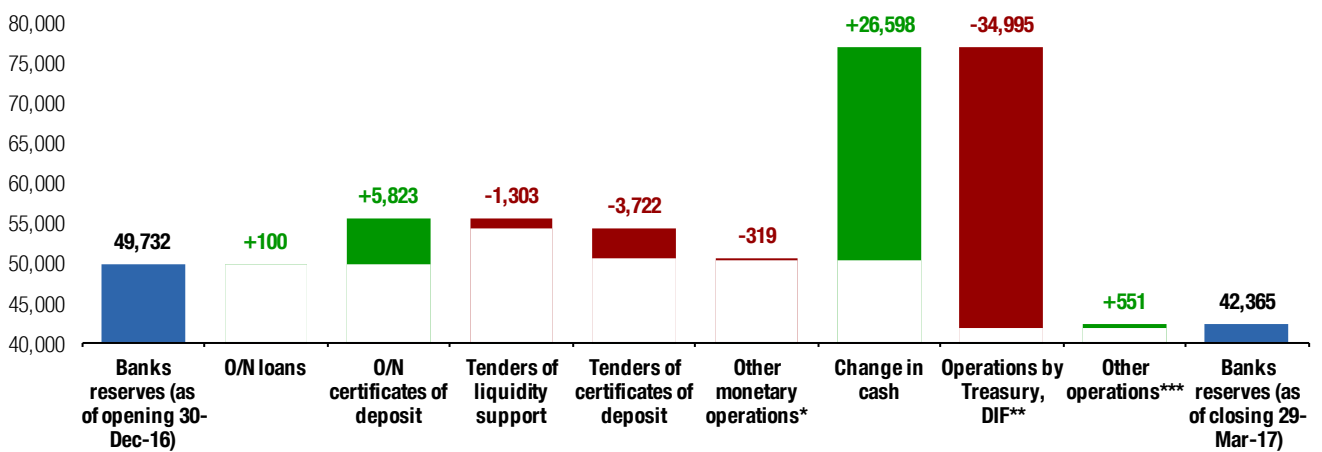
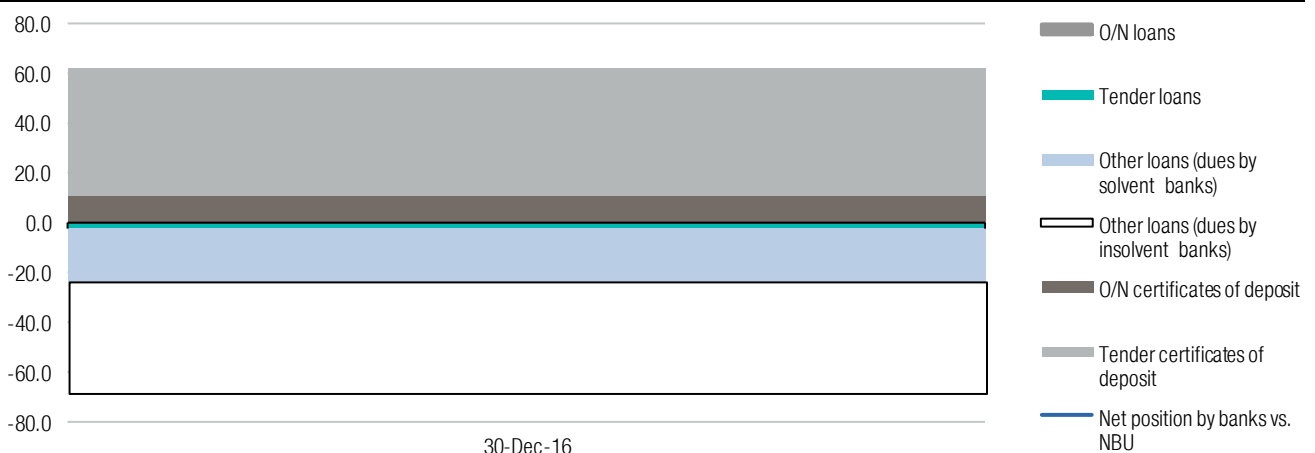


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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