

# Daily Insight

## Primary auction today

### Key messages of the today's comments

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

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

Banking sector liquidity fell UAH2.12bn to UAH104.30bn yesterday as banks' correspondent accounts with the NBU declined UAH0.81bn to UAH39.88bn and total CDs outstanding were down UAH1.31bn to UAH64.42bn last Friday. Non-monetary operations caused fund outflows of UAH2.53bn, which were partially offset by other NBU monetary operations.

##### Primary auction today ..... 2

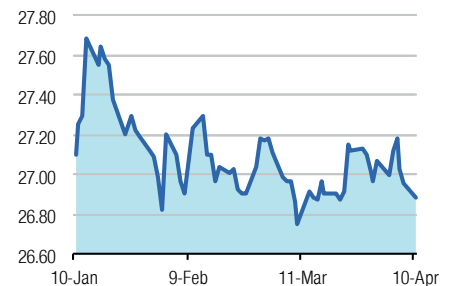
At today's auction, the MoF will offer only two bonds with redemption this September and next February. These bonds, with 6-month and 12-month maturities, are the basic tenors in the auction schedule for 2Q17, and will be offered each auction. The 6-month bonds were sold many auctions ago, while the 12-month bonds were sold last week at 14.90%.

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TUESDAY, 11 APRIL 2017

#### Ukraine's hryvnia exchange rate per US dollar (three months through 10 April 2017)



Source: Bloomberg.

#### Selected indicators of the financial markets (three months through 10 April 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.60	-80bp	+200bp
Banks reserves (UAHm)	39,885	-2.00	-19.80
Deposit certificates* (UAHm)	73,670	-14.25	+1.50
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	26.8800	-0.30	-0.81
Total trade volume (US\$m)	149.23	-21.96	-12.02
UAH index PCI-based	102.380	+0.34	-1.42
UAH index PPI-based	161.929	+0.34	-1.42
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	620bp	+0bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,357.16	+0.07	+5.29
MSCI EM	958.00	-0.38	+11.10
US dollar index (DXY)	101.020	-0.16	-1.16
EUR / USD	1.0596	+0.05	+0.75
Crude oil WTI (US\$/bbl)	53.08	+1.61	-1.19
Crude oil BRENT (US\$/bbl)	55.98	+1.34	-1.48
CRB, commodities index	187.63	+0.28	-2.54
Gold (US\$/ounce)	1,254.70	+0.02	+8.89

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Liquidity continues to decline

Banking sector liquidity fell UAH2.12bn to UAH104.30bn yesterday as banks' correspondent accounts with the NBU declined UAH0.81bn to UAH39.88bn and total CDs outstanding were down UAH1.31bn to UAH64.42bn last Friday. Non-monetary operations caused fund outflows of UAH2.53bn, which were partially offset by other NBU monetary operations.

The Treasury collected UAH5.7bn into its accounts against slightly lower expenditures, resulting in UA0.43bn of outflows. The main portion of outflows was caused by a UAH2.11bn decline in cash.

**Investment implications: Cash in banks has declined over the past three days, being the main reason for the decline in liquidity. Last Friday, the Treasury began paying VAT refunds again, albeit in small amounts. When the new VAT refund mechanism comes into full effect, inflows to liquidity could increase.**

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

## Primary auction today

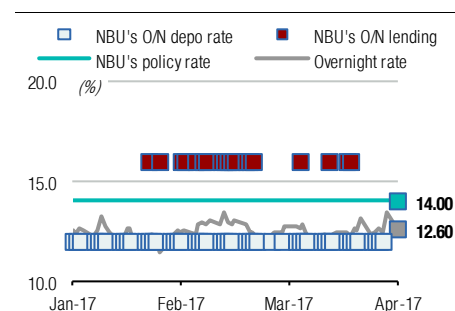
At today's auction, the MoF will offer only two bonds with redemption this September and next February. These bonds, with 6-month and 12-month maturities, are the basic tenors in the auction schedule for 2Q17, and will be offered each auction. The 6-month bonds were sold many auctions ago, while the 12-month bonds were sold last week at 14.90%.

While this auction, the last prior to the NBU's monetary committee meeting, should collect large demand a key monetary rate cut has occurred in the past, this time anticipations are different.

**Investment implications: At previous auctions, the MoF routinely satisfied the main portion of actual demand because a rate cut routinely occurred. However, we do not expect large bids today as the market does not expect a key rate cut. We expect bids be concentrated on 12-month bonds and partially accepted at interest rates unchanged from last week's 14.90%.**

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

## Interest rates in the banks' reserves market (three months through 10 April 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 10 April 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	12.60	-80bp	+30bp	-10bp	+200bp
<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>	39,885	-2.00	-12.18	+14.01	-19.80
DepCerts <sup>3</sup>	73,670	-14.25	-15.32	-17.08	+1.50
<b>Total</b>	<b>113,555</b>	<b>-6.36</b>	<b>-11.40</b>	<b>-4.35</b>	<b>-5.03</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	381,089	+0.00	-0.50	-0.91	+7.00
Banks	285,477	-0.14	+0.19	+3.85	+65.65
Residents	23,099	-0.36	-0.61	+4.95	+47.33
Non-res <sup>4</sup>	5,407	-0.47	-0.18	-7.96	-14.87
<b>Total</b>	<b>695,071</b>	<b>-0.07</b>	<b>-0.22</b>	<b>+1.12</b>	<b>+26.26</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	620	+0bp	-9bp	+5bp	+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.

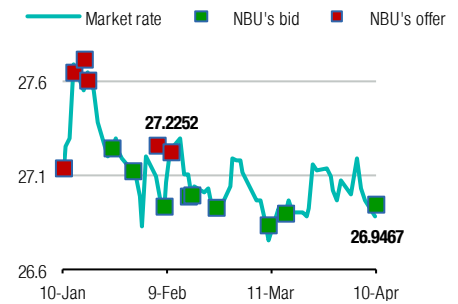
# Foreign exchange markets

## Key indicators (as of 10 квітня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	26.8800	-0.30	-0.44	+0.49	-0.81
USD <sup>1</sup>	101.020	-0.16	+0.48	-0.23	-1.16
EUR	1.0596	+0.05	-0.69	-0.72	+0.75
JPY	110.9400	-0.14	+0.04	-3.35	-5.15
GBP <sup>2</sup>	1.2415	+0.36	-0.57	+2.04	+0.61
CNY	6.9030	+0.04	+0.23	-0.09	-0.60
RUB	57.1718	-0.16	+1.91	-3.07	-7.09

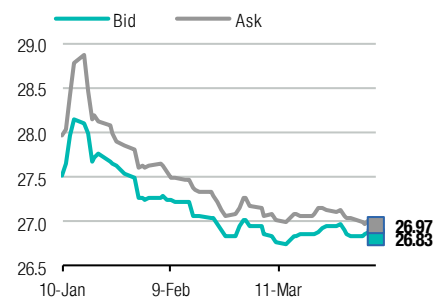
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 10 April 2017)



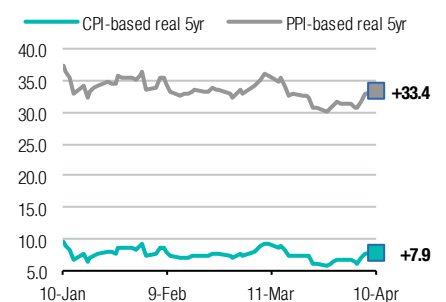
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 10 April 2017)



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 10 April 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)

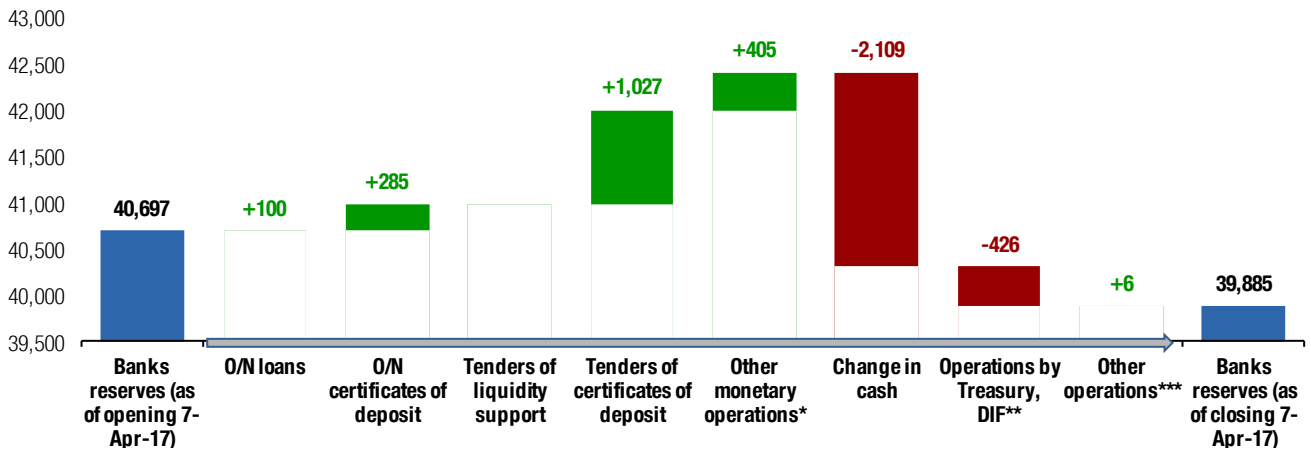
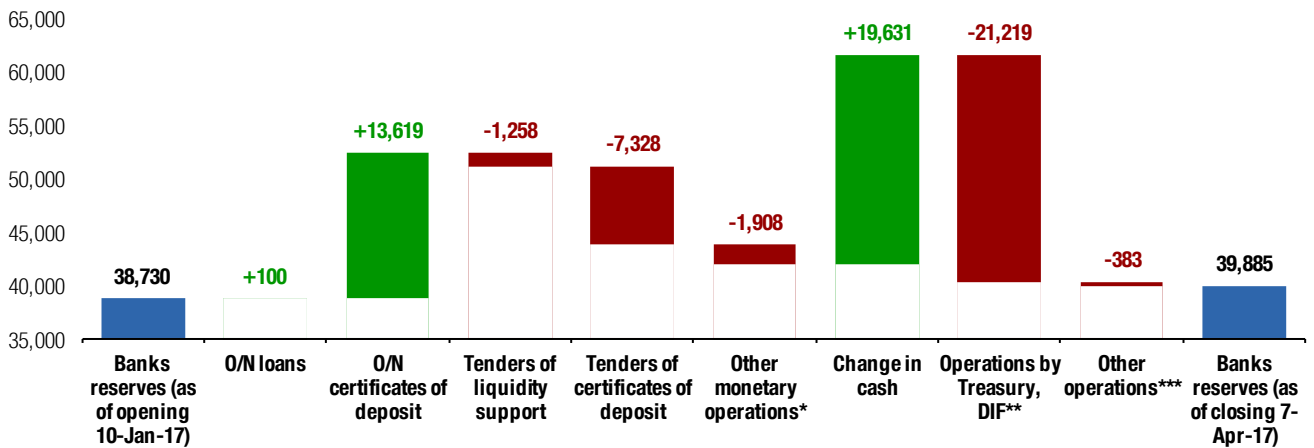
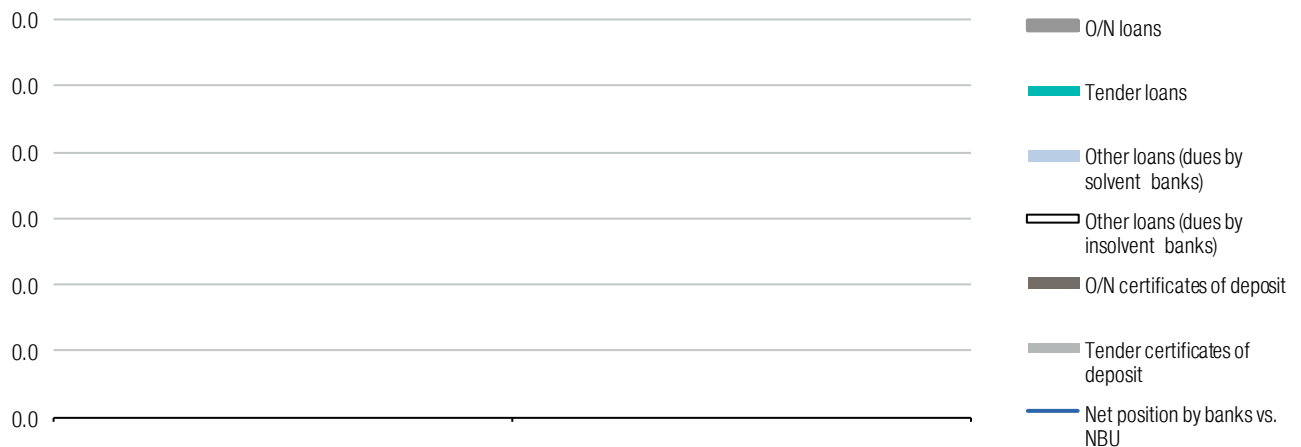


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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