

Daily Insight

NBU offsets outflows

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This Tuesday, the NBU held the second FX-auction this month, purchasing US\$50m of FX, and infusing UAH1.35bn of liquidity into the banking system, offsetting UAH2.10bn of outflows via autonomous factors. The Treasury caused an outflow of UAH0.63bn while it collected only UAH3bn. Most of the negative impact on liquidity caused a UAH1.47vb decline in cash.	
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THURSDAY, 13 APRIL 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 12 April 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 12 April 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.30	-20bp	+170bp
Banks reserves (UAHm)	43,245	+0.19	-13.04
Deposit certificates* (UAHm)	62,890	-8.54	-7.59
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.8700	-0.09	-0.85
Total trade volume (US\$m)	N/A		
UAH index PCI-based	101.824	-0.32	-1.95
UAH index PPI-based	161.050	-0.32	-1.95
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	620bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,344.93	-0.38	+4.74
MSCI EM	958.20	+0.39	+11.13
US dollar index (DXY)	100.780	+0.07	-1.40
EUR / USD	1.0665	+0.57	+1.41
Crude oil WTI (US\$/bbl)	53.11	-0.54	-1.14
Crude oil BRENT (US\$/bbl)	55.86	-0.66	-1.69
CRB, commodities index	187.38	-0.33	-2.66
Gold (US\$/ounce)	1,286.92	+0.97	+11.69

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

NBU offsets outflows

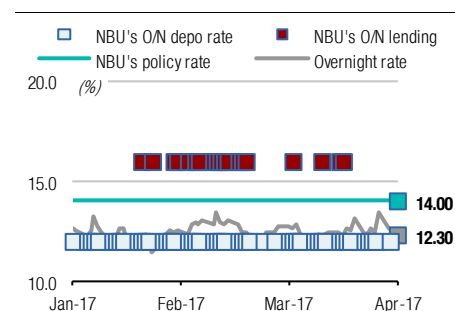
This Tuesday, the NBU held the second FX-auction this month, purchasing US\$50m of FX, and infusing UAH1.35bn of liquidity into the banking system, offsetting UAH2.10bn of outflows via autonomous factors. The Treasury caused an outflow of UAH0.63bn while it collected only UAH3bn. Most of the negative impact on liquidity caused a UAH1.47vb decline in cash.

Banks' correspondent accounts with the NBU rose a mere UAH0.08bn to UAH43.24bn, while total CDs outstanding slid UAH0.84bn to UAH60.18bn, causing banking sector liquidity to slide UAH0.76bn to UAH103.42bn.

Investment implications: The decline in cash seen over the past five days was partially offset by higher Treasury expenditures and/or NBU monetary operations. Despite these compensations, liquidity continued to decline, falling below UAH104bn yesterday, having lost more than UAH7.0bn since the beginning of the month. If this trend continues, month-end tax payments that begin next week could push liquidity below UAH100bn. Only higher VAT refunds and budget expenditures could support liquidity and maintain it at the current level.

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Interest rates in the banks' reserves market (three months through 12 April 2017)



Source: Bloomberg, ICU.

Key indicators (as of 12 April 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	14.00	+0bp	+0bp	+0bp	+0bp
Overnight	12.30	-20bp	-30bp	-40bp	+170bp
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	43,245	+0.19	+3.17	+23.61	-13.04
DepCerts ³	62,890	-8.54	-22.83	-24.50	-7.59
Total	106,135	-6.95	-15.19	-11.16	-11.80
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	381,089	+0.00	-0.50	-0.91	+7.00
Banks	285,251	-0.02	-0.06	+3.77	+65.52
Residents	23,023	-0.28	-0.29	+4.60	+46.84
Non-res ⁴	5,391	-0.15	-0.83	-8.23	-15.13
Total	694,754	-0.02	-0.32	+1.08	+26.20
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	620	+0bp	+0bp	+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.

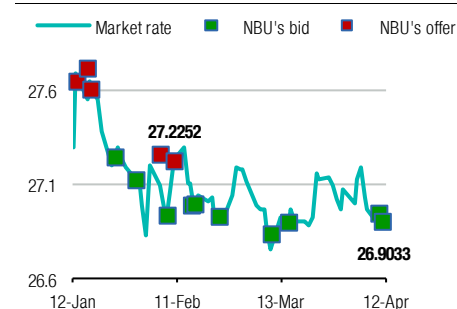
Foreign exchange markets

Key indicators (as of 12 квітня 2017)

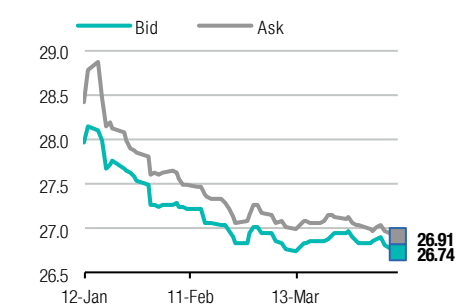
	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.8700	-0.09	-1.16	+0.45	-0.85
USD ¹	100.780	+0.07	+0.22	-0.46	-1.40
EUR	1.0665	+0.57	+0.02	-0.07	+1.41
JPY	109.0300	-0.54	-1.51	-5.02	-6.78
GBP ²	1.2540	+0.39	+0.46	+3.07	+1.62
CNY	6.8915	-0.01	-0.05	-0.26	-0.77
RUB	56.6059	-0.63	+0.46	-4.03	-8.01

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

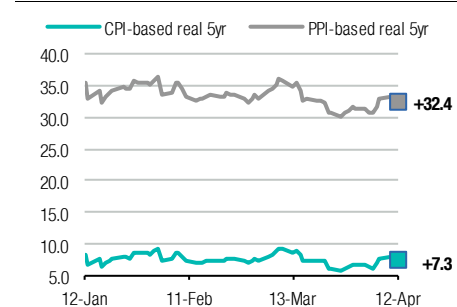
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 12 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 12 April 2017)


Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 12 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)

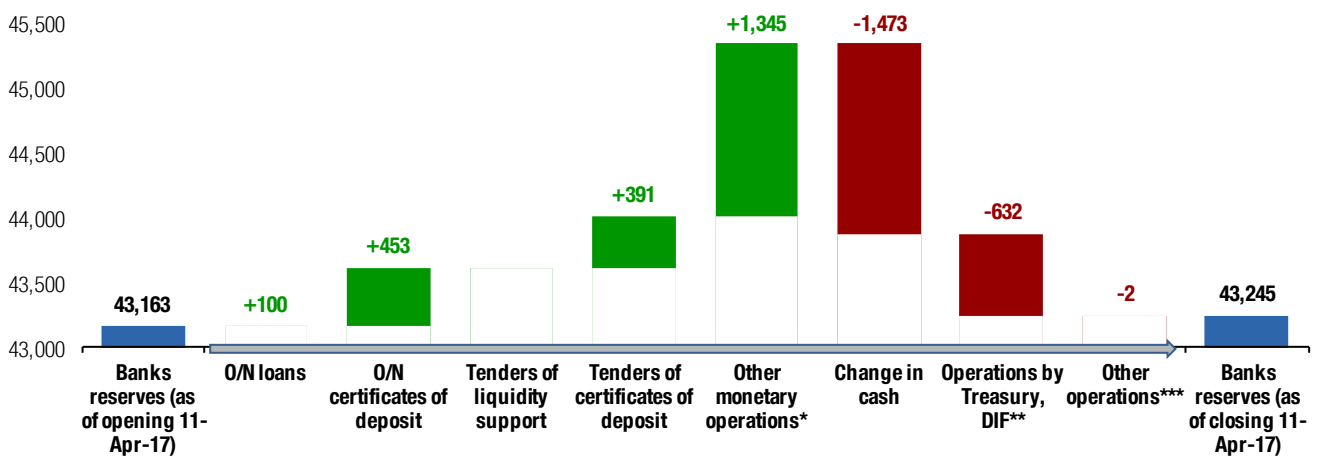
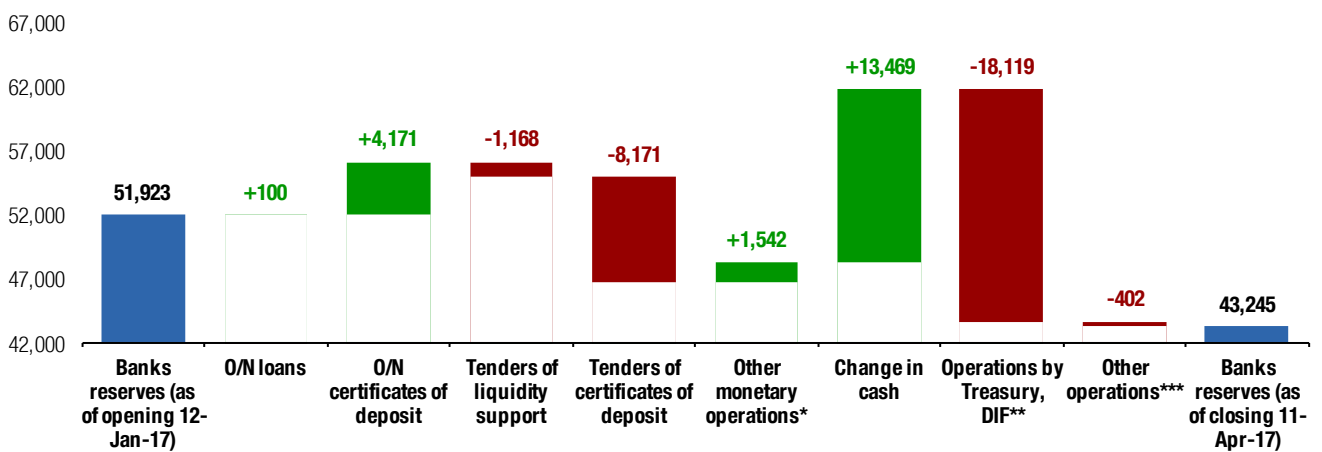
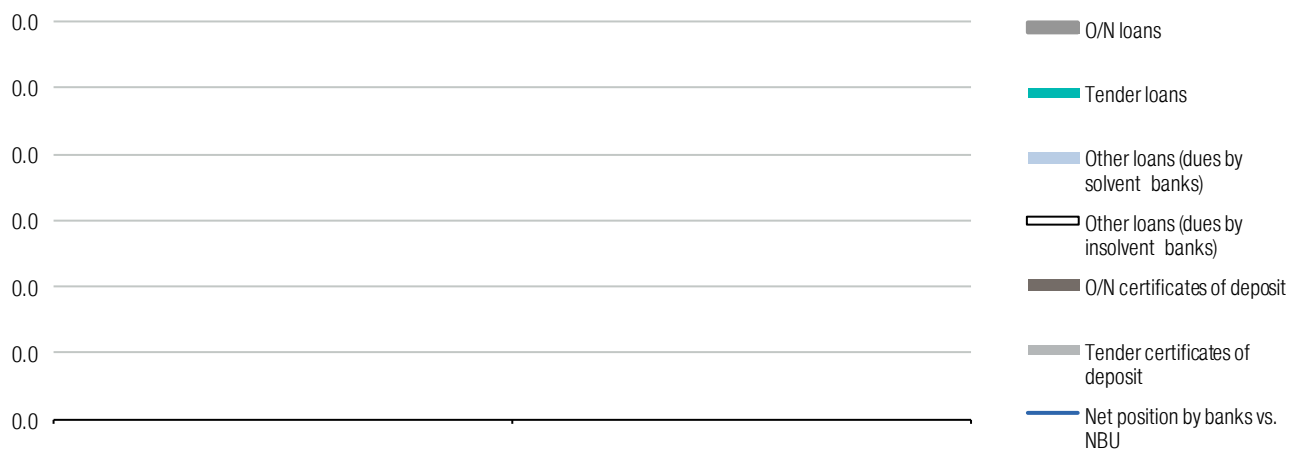


Chart 2. Banks reserves usages over last 90-day period (UAHm)



Notes: [1] data from the NBU's daily reporting https://bank.gov.ua/control/uk/publish/article?art_id=38643651&cat_id=40807142 ;
 * 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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