

Daily Insight

Liquidity remains above UAH103bn

Key messages of the today's comments

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Liquidity remains above UAH103bn 2

Following Wednesday's cashflows, total banking sector liquidity declined, albeit less significantly than the day before, down UAH0.40bn to UAH10.02bn. There also was a slight reallocation of funds from banks' accounts to CDs. Banks increased the purchase of 14-day CDs, buying UAH1.39bn more than were redeemed, while ON CDs outstanding were up UAH0.21bn. As a result, total CDs outstanding rose UAH1.60bn to UAH61.78bn, while banks' correspondent accounts with the NBU fell UAH2.00bn to UAH41.24bn.

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FRIDAY, 14 APRIL 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 13 April 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 13 April 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	12.50	+0bp	-150bp
Overnight rate (interbank)	12.80	+50bp	+220bp
Banks reserves (UAHm)	41,240	+8.31	-10.18
Deposit certificates* (UAHm)	71,031	-11.03	+1.54
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.8500	-0.07	-0.92
Total trade volume (US\$m)	154.62	-10.93	-8.84
UAH index PCI-based	101.974	+0.15	-1.81
UAH index PPI-based	161.287	+0.15	-1.81
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	620bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,328.95	-0.68	+4.03
MSCI EM	962.85	+0.49	+11.66
US dollar index (DXY)	100.560	-0.22	-1.61
EUR / USD	1.0613	-0.49	+0.91
Crude oil WTI (US\$/bbl)	53.18	+0.13	-1.01
Crude oil BRENT (US\$/bbl)	55.89	+0.05	-1.64
CRB, commodities index	187.77	+0.21	-2.46
Gold (US\$/ounce)	1,287.88	+0.07	+11.77

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity remains above UAH103bn

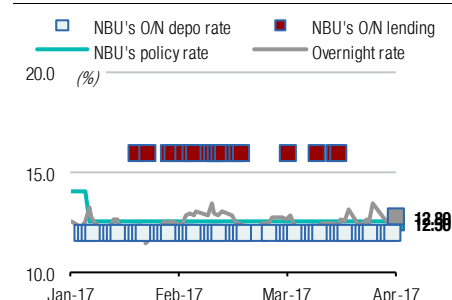
Following Wednesday's cashflows, total banking sector liquidity declined, albeit less significantly than the day before, down UAH0.40bn to UAH10.02bn. There also was a slight reallocation of funds from banks' accounts to CDs. Banks increased the purchase of 14-day CDs, buying UAH1.39bn more than were redeemed, while ON CDs outstanding were up UAH0.21bn. As a result, total CDs outstanding rose UAH1.60bn to UAH61.78bn, while banks' correspondent accounts with the NBU fell UAH2.00bn to UAH41.24bn.

The key outflow, being a UAH1.61bn decline in cash, was offset by UAH0.70bn from the Treasury and a UAH0.51bn injection from the NBU.

Investment implications: *Although liquidity remained rather steady due to inflows from the Treasury and NBU, most likely it will continue to decline. Banks' could decrease investments in CDs, although not significantly, following yesterday's key monetary rate cut, with a soft impact on liquidity.*

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Interest rates in the banks' reserves market (three months through 13 April 2017)



Source: Bloomberg, ICU.

Key indicators (as of 13 April 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	12.50	+0bp	+0bp	+0bp	-150bp
Overnight	12.80	+50bp	+40bp	+10bp	+220bp
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	41,240	+8.31	+9.73	+8.40	-10.18
DepCerts ³	71,031	-11.03	-16.70	-10.14	+1.54
Total	112,272	-3.92	-7.47	-3.29	-3.67
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	379,889	-0.31	-0.31	-1.22	+6.67
Banks	285,149	-0.04	-0.36	+3.84	+65.46
Residents	23,075	+0.23	-0.11	+4.49	+47.18
Non-res ⁴	5,387	-0.07	-1.03	-5.90	-15.18
Total	693,500	-0.18	-0.33	+0.95	+25.97
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

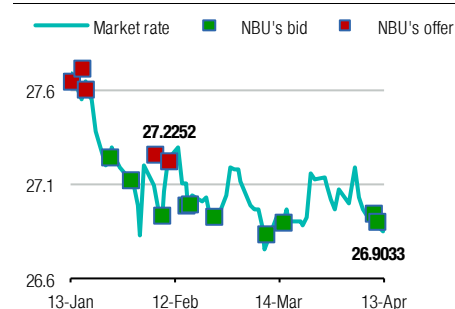
Key indicators (as of 13 квітня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.8500	-0.07	-0.65	-0.26	-0.92
USD ¹	100.560	-0.22	-0.11	-0.74	-1.61
EUR	1.0613	-0.49	-0.29	-0.38	+0.91
JPY	109.0900	+0.06	-1.55	-5.04	-6.73
GBP ²	1.2503	-0.30	+0.26	+2.32	+1.32
CNY	6.8900	-0.02	-0.11	-0.35	-0.79
RUB	56.2837	-0.57	-0.04	-4.29	-8.54

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

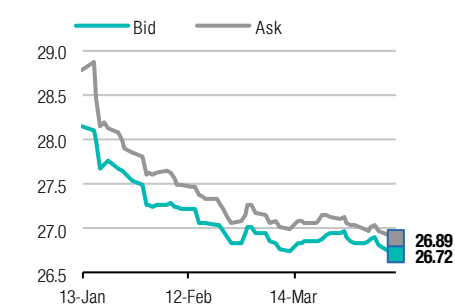
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 13 April 2017)



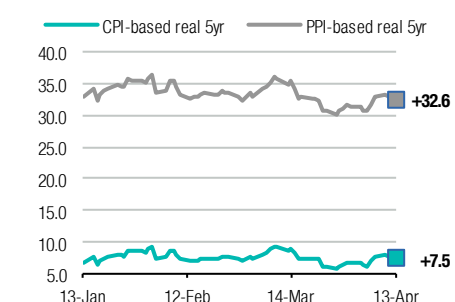
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 13 April 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 13 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)

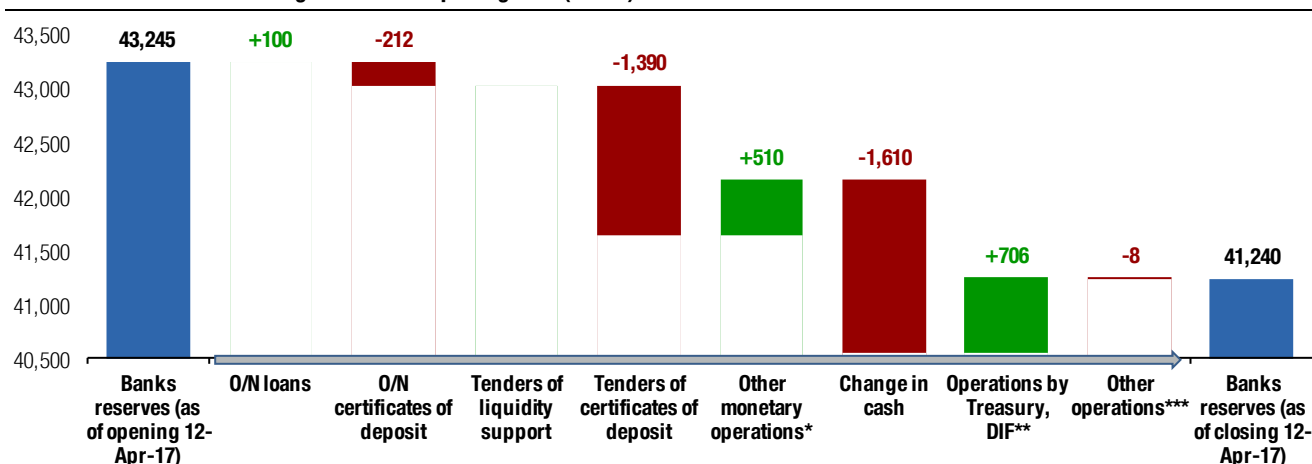
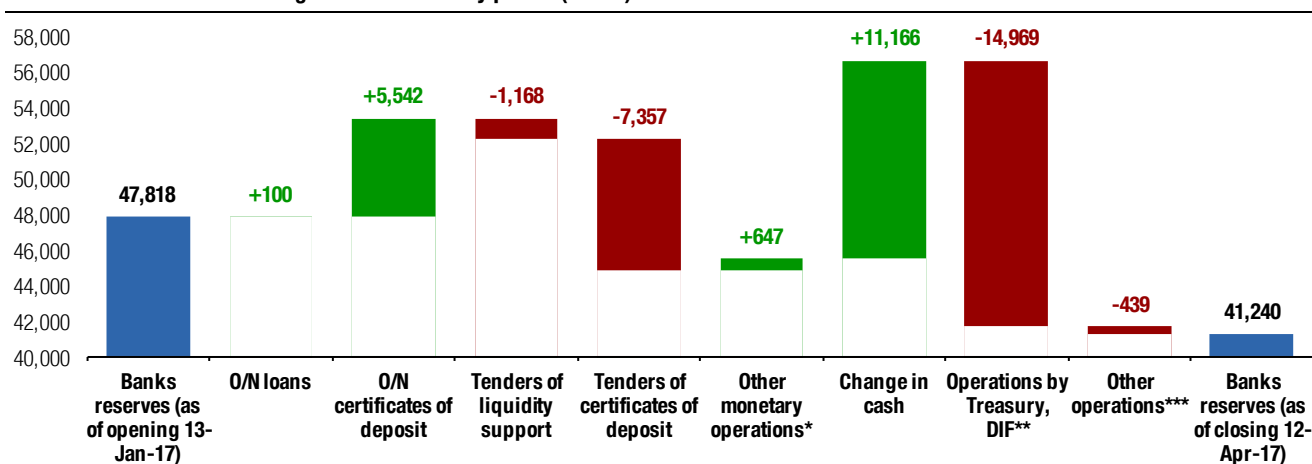


Chart 2. Banks reserves usages over last 90-day period (UAHm)

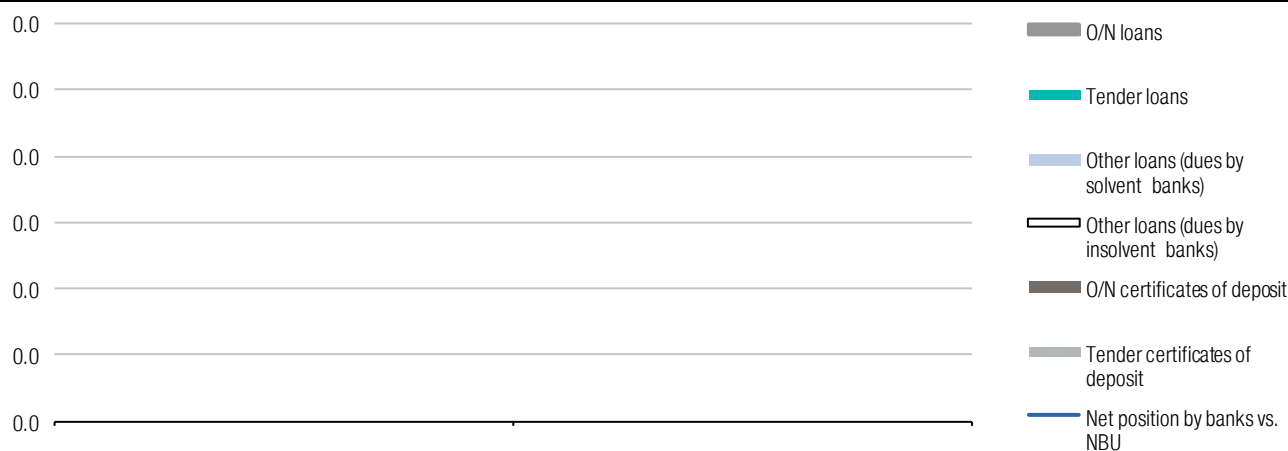


Notes: [1] data from the NBU's daily reporting https://bank.gov.ua/control/uk/publish/article?art_id=38643651&cat_id=40807142 ;

* 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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