

Daily Insight

Liquidity steady

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At the end of last week, liquidity appears to have stabilized with very low volatility. Last Friday total local currency liquidity rose a mere UAH0.32bn to UAH103.04bn, relatively unchanged from last Thursday morning, while funds were reallocated from CDs to banks' accounts. Banks' correspondent accounts with the NBU rose UAH2.97bn to UAH47.64bn while total CDs outstanding fell UAH2.66bn to UAH55.40bn.

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WEDNESDAY, 19 APRIL 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 18 April 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 18 April 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	N/A		
Overnight rate (interbank)	N/A		
Banks reserves (UAHm)	47,639	+6.02	+1.56
Deposit certificates* (UAHm)	64,654	-19.57	-16.45
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.7800	-0.18	-1.18
Total trade volume (US\$m)	N/A		
UAH index PCI-based	101.768	-0.10	-2.01
UAH index PPI-based	160.961	-0.10	-2.01
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	620bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,342.19	-0.29	+4.62
MSCI EM	957.70	-0.52	+11.07
US dollar index (DXY)	99.499	-0.79	-2.65
EUR / USD	1.0730	+0.82	+2.03
Crude oil WTI (US\$/bbl)	52.41	-0.46	-2.44
Crude oil BRENT (US\$/bbl)	54.89	-0.85	-3.40
CRB, commodities index	186.54	-0.45	-3.10
Gold (US\$/ounce)	1,289.60	+0.38	+11.92

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity steady

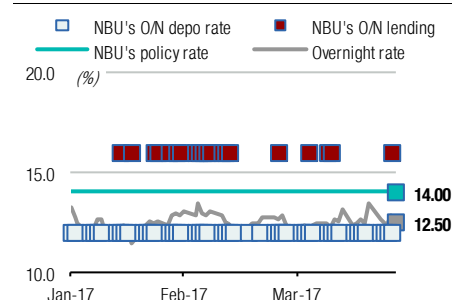
At the end of last week, liquidity appears to have stabilized with very low volatility. Last Friday total local currency liquidity rose a mere UAH0.32bn to UAH103.04bn, relatively unchanged from last Thursday morning, while funds were reallocated from CDs to banks' accounts. Banks' correspondent accounts with the NBU rose UAH2.97bn to UAH47.64bn while total CDs outstanding fell UAH2.66bn to UAH55.40bn.

Although the key impact on liquidity has routinely involved autonomous or non-monetary operations, last Friday they mostly offset one another. While cash fell UAH1.95bn, higher budget expenditures and positive Treasury outflows of UAH1.53bn and other operations caused non-monetary operations to decline UAH0.35bn. This negative impact was compensated by the NBU via non-classified monetary operations of UAH0.67bn.

Investment implications: *The Treasury increased expenditures, allowing it with the NBU to support stability in liquidity and a slight recovery to keep it around UAH103bn. Most likely, the NBU had some REPOs or other operations with FX to provide inflows into liquidity, and we should not see significant volatility through the end of this week, depending on budget expenditures and VAT refunds.*

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Interest rates in the banks' reserves market (three months through 18 April 2017)



Source: Bloomberg, ICU.

Key indicators (as of 18 April 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	N/A	N/A	N/A	N/A	N/A
Overnight	N/A	N/A	N/A	N/A	N/A
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	47,639	+6.02	+17.02	+1.77	+1.56
DepCerts ³	64,654	-19.57	-26.00	-17.58	-16.45
Total	112,293	-8.71	-9.63	-9.06	-8.45
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	379,889	+0.00	-0.31	-1.09	+6.67
Banks	284,859	-0.07	-0.16	-0.20	+65.29
Residents	23,140	+0.03	+0.22	+2.13	+47.59
Non-res ⁴	5,374	-0.19	-0.45	-4.33	-15.38
Total	693,262	-0.03	-0.23	-0.65	+25.93
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

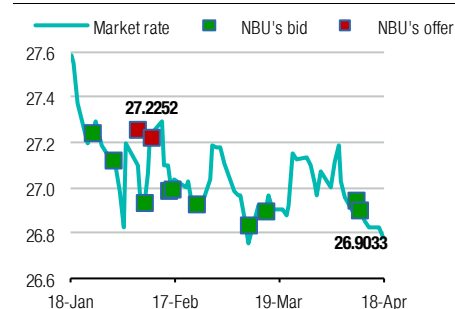
Key indicators (as of 18 квітня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.7800	-0.18	-0.43	-0.45	-1.18
USD ¹	99.499	-0.79	-1.20	-0.80	-2.65
EUR	1.0730	+0.82	+1.18	-0.07	+2.03
JPY	108.4300	-0.44	-1.09	-3.79	-7.29
GBP ²	1.2841	+2.20	+2.80	+3.59	+4.06
CNY	6.8820	+0.02	-0.15	-0.31	-0.91
RUB	56.2594	+0.62	-1.23	-1.61	-8.58

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

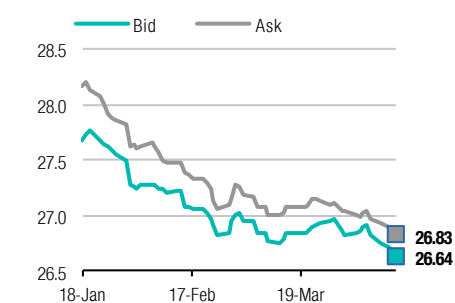
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 18 April 2017)



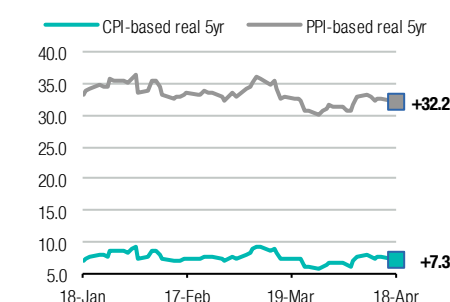
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 18 April 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 18 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)

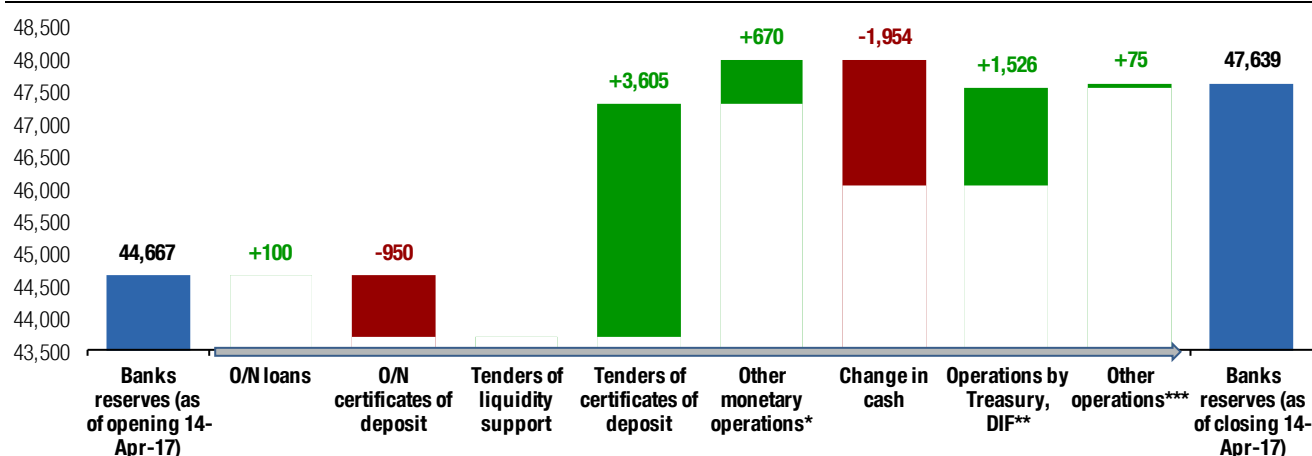
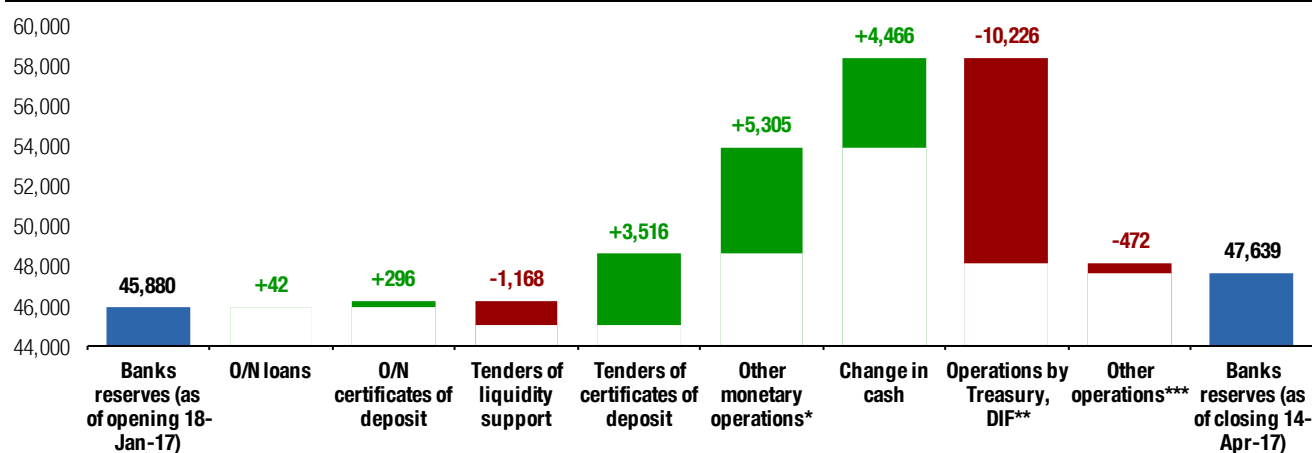


Chart 2. Banks reserves usages over last 90-day period (UAHm)

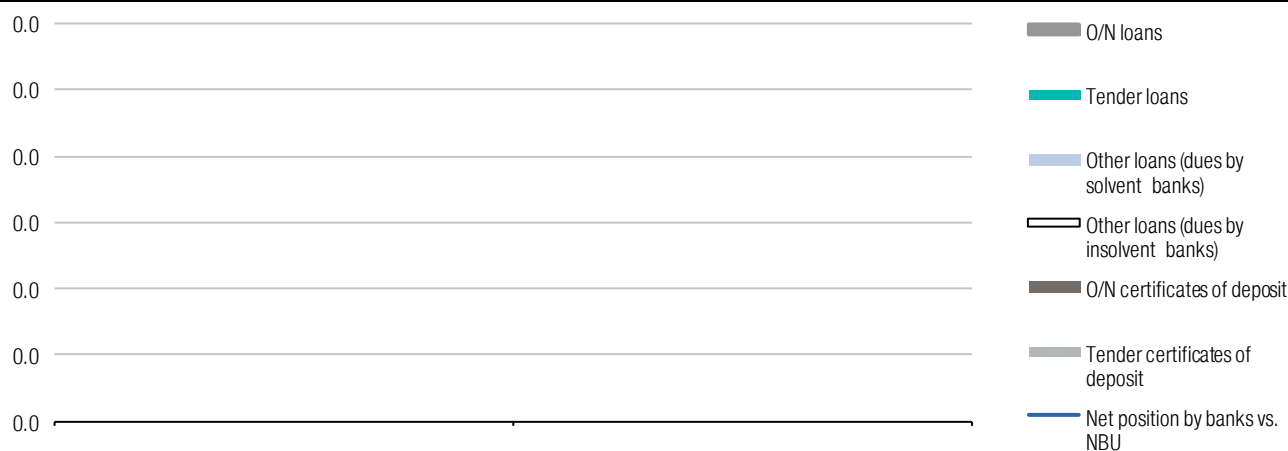


Notes: [1] data from the NBU's daily reporting https://bank.gov.ua/control/uk/publish/article?art_id=38643651&cat_id=40807142 ;

* 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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