

Daily Insight

Banks' portfolio steady

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Banks' portfolio steady 2

According to NBU data, following this Wednesday's cashflows, all bond portfolios declined: the NBU portfolio fell UAH1.97bn, the banks' portfolio slid UAH0.45bn, the other residents' portfolio was down UAH1.36bn, and the non-residents slid a mere UAH0.01bn. The smallest decline was seen in banks' portfolio which slid slightly to UAH284.54bn.

Liquidity significant increase 2

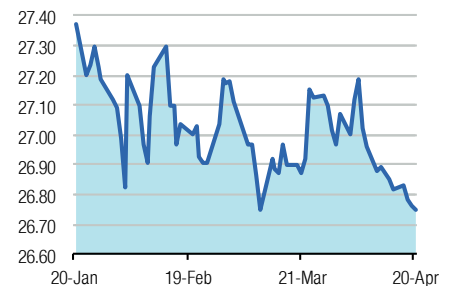
This Wednesday autonomous non-monetary operation caused significant support for liquidity, provided additional UAH2.52bn of funds. This amount was combined mainly from inflow made by Treasury at UAH1.59bn, and also UAH0.91 via cash increase with UAH0.02bn via other operation. Additionally, the NBU provided UAH1.10bn of funds, including UAH0.29bn of 2-weeks loans and UAH0.81bn of other operations.

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FRIDAY, 21 APRIL 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 20 April 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 20 April 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.10	+40bp	+150bp
Banks reserves (UAHm)	51,847	+2.65	+4.25
Deposit certificates* (UAHm)	52,202	-15.85	-16.13
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.7500	-0.06	-1.29
Total trade volume (US\$m)	135.53	-44.91	-20.09
UAH index PCI-based	101.970	-0.11	-1.81
UAH index PPI-based	161.280	-0.11	-1.81
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	620bp	+1bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,355.84	+0.76	+5.23
MSCI EM	958.45	+0.58	+11.15
US dollar index (DXY)	99.778	+0.04	-2.38
EUR / USD	1.0717	+0.06	+1.90
Crude oil WTI (US\$/bbl)	50.71	+0.54	-5.60
Crude oil BRENT (US\$/bbl)	52.99	+0.11	-6.74
CRB, commodities index	183.04	-0.48	-4.92
Gold (US\$/ounce)	1,281.89	+0.13	+11.25

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Banks' portfolio steady

According to NBU data, following this Wednesday's cashflows, all bond portfolios declined: the NBU portfolio fell UAH1.97bn, the banks' portfolio slid UAH0.45bn, the other residents' portfolio was down UAH1.36bn, and the non-residents slid a mere UAH0.01bn. The smallest decline was seen in banks' portfolio which slid slightly to UAH284.54bn.

On Tuesday, the MoF held a successful primary auction in which it sold UAH2.73bn (par value) of new bonds, with the purchasing date on Wednesday. This was only a partial refinancing of debt repayments as total local currency repayments were UAH8.25bn, including UAH6.39bn in principal repayments. As the MoF refinanced only 42.7% of the redemption, portfolios changed as a consequence.

Investment implications: According to our estimates, portfolios declined as a result of debt redemptions and changes in the UAH/USD exchange rate. Due to the exchange rate change, the banks' portfolio slid around UAH0.19bn; due to refinancing, it was down only UAH0.26bn. As banks are the main bondholders, they could purchase a main portion of the new bonds, while other market players buy the remainder later.

Liquidity significant increase

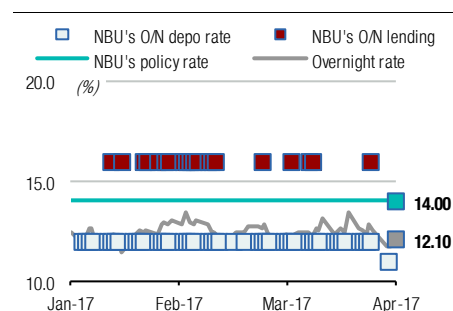
This Wednesday autonomous non-monetary operation caused significant support for liquidity, provided additional UAH2.52bn of funds. This amount was combined mainly from inflow made by Treasury at UAH1.59bn, and also UAH0.91 via cash increase with UAH0.02bn via other operation. Additionally, the NBU provided UAH1.10bn of funds, including UAH0.29bn of 2-weeks loans and UAH0.81bn of other operations.

As the result, total amount of banking sector liquidity was up UAH3.32bn to UAH106.62bn, including increase in banks' correspondent accounts with the NBU UAH1.34bn to UAH51.85bn and in total CDs outstanding UAH1.98bn to UAH54.77bn. Banks increased amount of CDs in both parts, in 14-days and overnight instruments.

Investment implications: Significant payment in debt repayments was main source for liquidity increase, as according to our assumptions NBU received at least UAH3.0bn and UAH2.8bn were paid for new bonds. With additional inflows from NBU liquidity increase becomes more significant, and was very positive prior the month-end tax payments period.

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Interest rates in the banks' reserves market (three months through 20 April 2017)



Source: Bloomberg, ICU.

Key indicators (as of 20 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	12.10	+40bp	-70bp	+0bp	+150bp
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	51,847	+2.65	+25.72	+0.60	+4.25
DepCerts ³	52,202	-15.85	-26.51	-14.94	-16.13
Total	104,050	-7.55	-7.32	-7.85	-7.07
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	377,915	-0.52	-0.52	-1.60	+6.11
Banks	284,544	-0.16	-0.21	-0.26	+65.11
Residents	21,789	-5.87	-5.57	-4.30	+38.98
Non-res ⁴	5,369	-0.22	-0.33	-0.39	-15.46
Total	689,618	-0.55	-0.56	-1.13	+25.27
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	+1bp	+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.

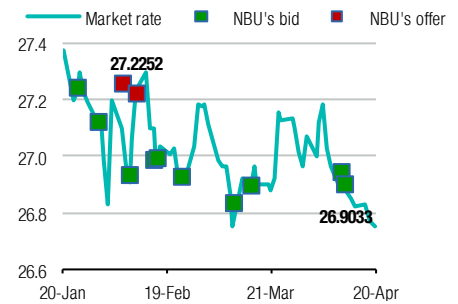
Foreign exchange markets

Key indicators (as of 20 квітня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.7500	-0.06	-0.37	-0.56	-1.29
USD ¹	99.778	+0.04	-0.78	-0.63	-2.38
EUR	1.0717	+0.06	+0.98	-0.20	+1.90
JPY	109.3200	+0.42	+0.21	-2.87	-6.53
GBP ²	1.2813	+0.28	+2.48	+3.68	+3.83
CNY	6.8822	-0.08	-0.11	-0.38	-0.90
RUB	56.1498	-0.71	-0.24	-2.07	-8.76

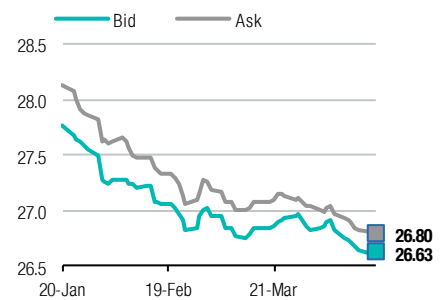
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 20 April 2017)



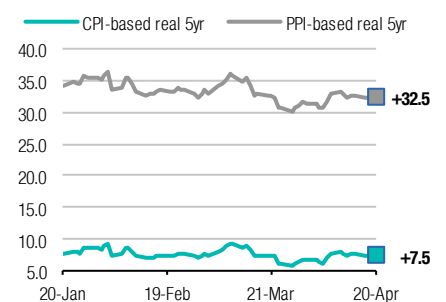
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 20 April 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 20 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)

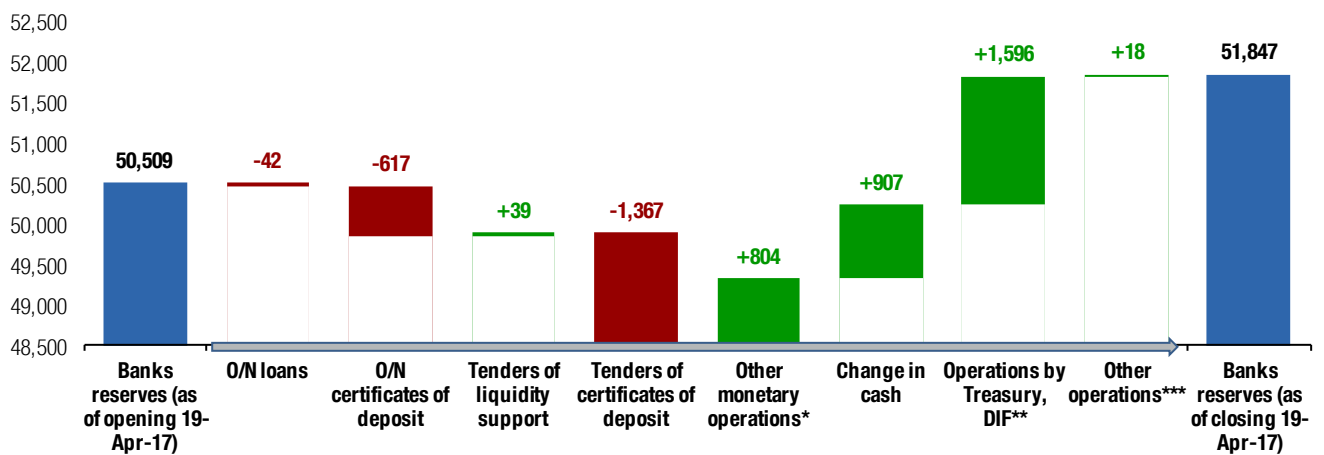
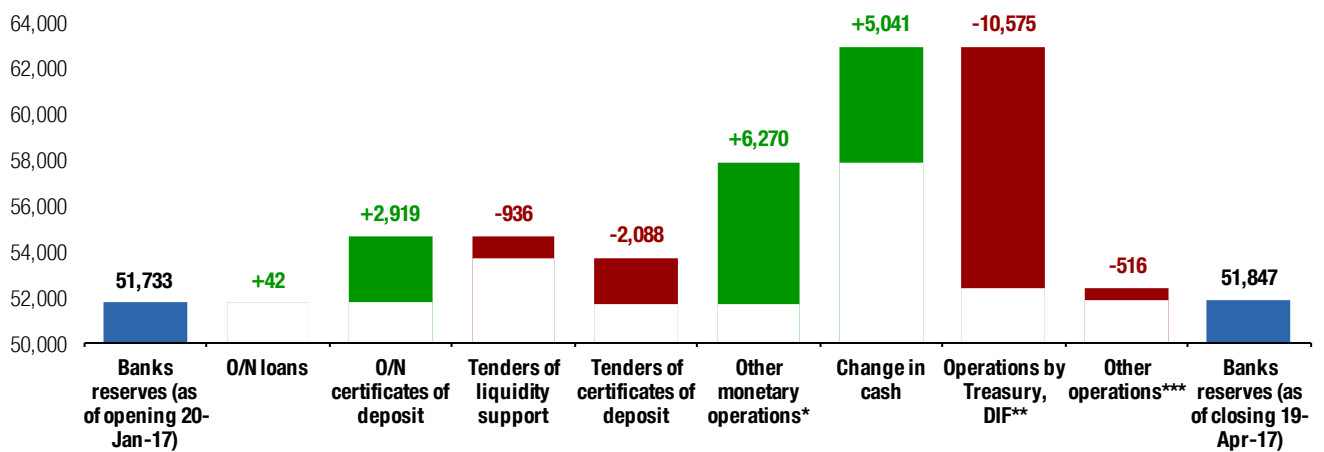
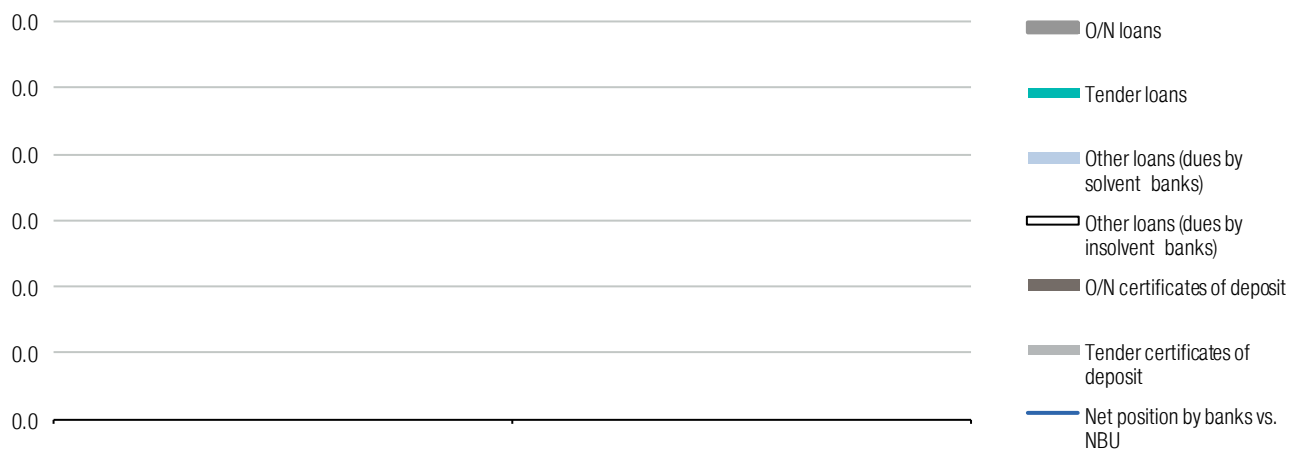


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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