

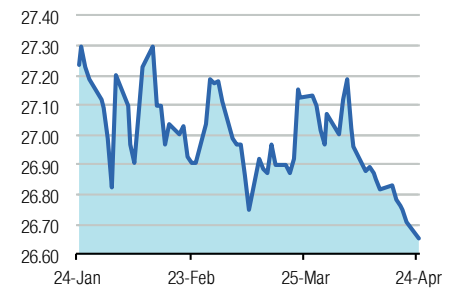
# Daily Insight

## Primary auction today

### Key messages of the today's comments

### TUESDAY, 25 APRIL 2017

#### Ukraine's hryvnia exchange rate per US dollar (three months through 24 April 2017)



Source: Bloomberg.

#### Selected indicators of the financial markets (three months through 24 April 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.10	-30bp	+150bp
Banks reserves (UAHm)	49,495	-1.51	-1.98
Deposit certificates* (UAHm)	66,623	-10.95	-4.68
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	26.6550	-0.19	-1.64
Total trade volume (US\$m)	170.71	+9.39	+0.65
UAH index PCI-based	101.418	-0.80	-2.34
UAH index PPI-based	160.407	-0.80	-2.34
<b>UKRAINE SOVEREIGN EUROBOOND MARKET</b>			
CDS 5yr	620bp	+0bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,374.15	+1.08	+6.04
MSCI EM	971.36	+1.00	+12.65
US dollar index (DXY)	99.092	-0.89	-3.05
EUR / USD	1.0868	+1.30	+3.34
Crude oil WTI (US\$/bbl)	49.23	-0.79	-8.36
Crude oil BRENT (US\$/bbl)	51.60	-0.69	-9.19
CRB, commodities index	180.93	-0.52	-6.02
Gold (US\$/ounce)	1,276.19	-0.62	+10.75

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

Source: Bloomberg, ICU.

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

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

Today, the MoF will offer only two zero-coupon local currency bonds with 6-month and 10-month maturities. According to the schedule, the next auction will be held on 16 May, and a mid-term bond auction scheduled for 23 May and later in June. This could stimulate additional demand prior to the three week break.

##### Liquidity steady ..... 2

Last Friday, the impact of autonomous non-monetary operations was insufficient and mostly compensated by NBU operations. Outflows via non-monetary operations was UAH544m while the NBU injected UAH535m, causing liquidity to decline as it started this week at UAH106.87bn.

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# Domestic liquidity

## Primary auction today

Today, the MoF will offer only two zero-coupon local currency bonds with 6-month and 10-month maturities. According to the schedule, the next auction will be held on 16 May, and a mid-term bond auction scheduled for 23 May and later in June. This could stimulate additional demand prior to the three week break.

The last time 6-month bonds were sold was in February, while 10-month bonds were sold two weeks ago at 14.85% prior the recent key monetary rate cut by the NBU. Following last week's weighted average interest rate for 3-year bonds decline of 30bp, rates for other maturities also could occur-possibly to 14.0% for 6-month and 14.50% for 10-month bonds.

**Investment implications: We anticipate some bids of UAH200-300m for 10-month bonds And no demand for 6-month bonds.**

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

## Liquidity steady

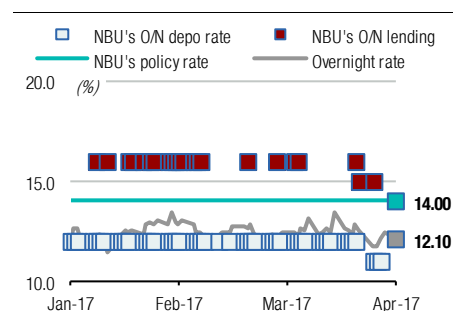
Last Friday, the impact of autonomous non-monetary operations was insufficient and mostly compensated by NBU operations. Outflows via non-monetary operations was UAH544m while the NBU injected UAH535m, causing liquidity to decline as it started this week at UAH106.87bn.

Banks significantly reallocated funds to 14-day CDs, purchasing UAH2.43bn as than it decreased ON CDs by UAH1.06bn, causing total CDs outstanding to increase UAH1.37bn to UAH57.37bn. Also, banks' decreased the amount of funds held at banks' correspondent accounts with the NBU by UAH1.38bn to UAH49.50bn.

**Investment implication: Prior the outflows via month-end tax payments, the week started with high liquidity after an insufficient increase in revenues with no VAT refunds. This resulted in accumulating funds at the account as it UAH10bn from the NBU. The Treasury has enough funds for all payments and could support the recovery of liquidity.**

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## Interest rates in the banks' reserves market (three months through 24 April 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 24 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	12.10	-30bp	-40bp	-30bp	+150bp
<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>	49,495	-1.51	+9.14	+5.44	-1.98
DepCerts <sup>3</sup>	66,623	-10.95	-11.86	-9.89	-4.68
<b>Total</b>	<b>116,118</b>	<b>-6.92</b>	<b>-3.48</b>	<b>-3.57</b>	<b>-3.48</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	377,915	+0.00	-0.52	-1.60	+6.11
Banks	284,047	-0.04	-0.35	-0.59	+64.82
Residents	22,076	+0.05	-4.57	-3.26	+40.80
Non-res <sup>4</sup>	5,359	-0.09	-0.49	-1.14	-15.63
<b>Total</b>	<b>689,396</b>	<b>-0.02</b>	<b>-0.59</b>	<b>-1.24</b>	<b>+25.23</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	+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.

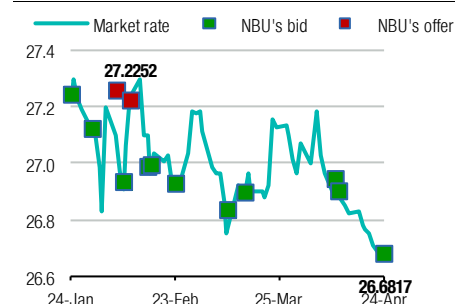
# Foreign exchange markets

## Key indicators (as of 24 квітня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	26.6550	-0.19	-0.64	-1.73	-1.64
USD <sup>1</sup>	99.092	-0.89	-1.19	-0.54	-3.05
EUR	1.0868	+1.30	+2.11	+0.65	+3.34
JPY	109.7700	+0.62	+0.79	-1.41	-6.15
GBP <sup>2</sup>	1.2796	-0.16	+1.84	+2.59	+3.70
CNY	6.8847	-0.02	+0.06	+0.01	-0.87
RUB	55.8164	-1.50	-0.17	-1.96	-9.30

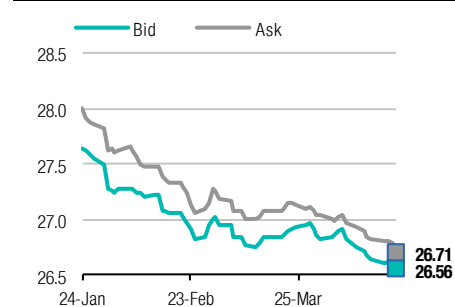
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 24 April 2017)



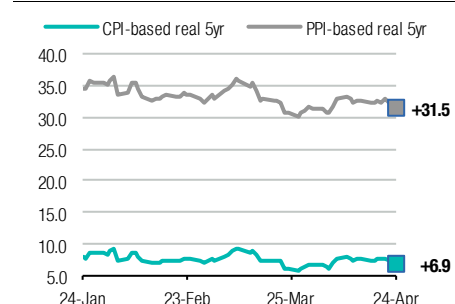
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 24 April 2017)



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 24 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)

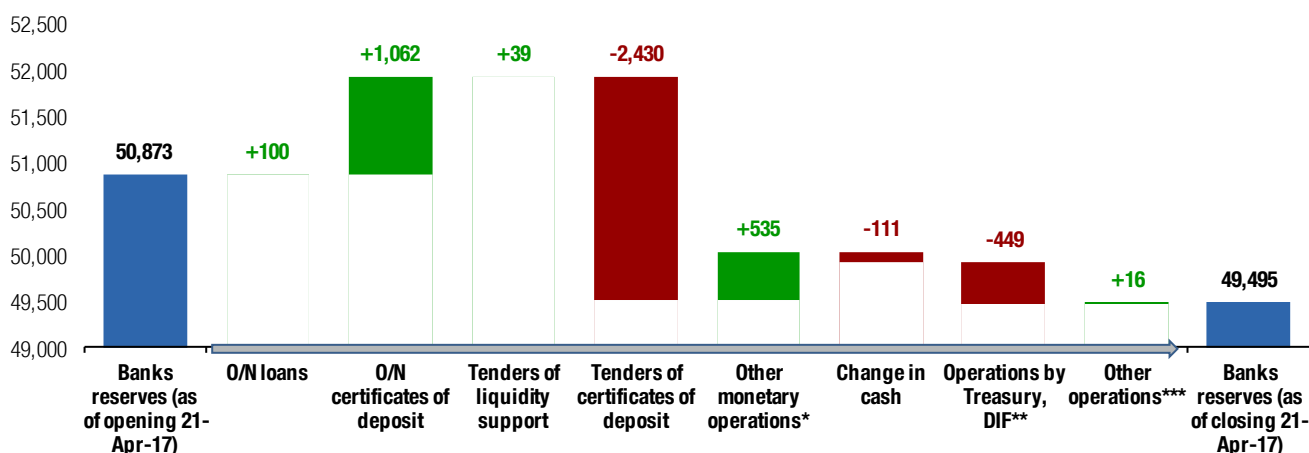
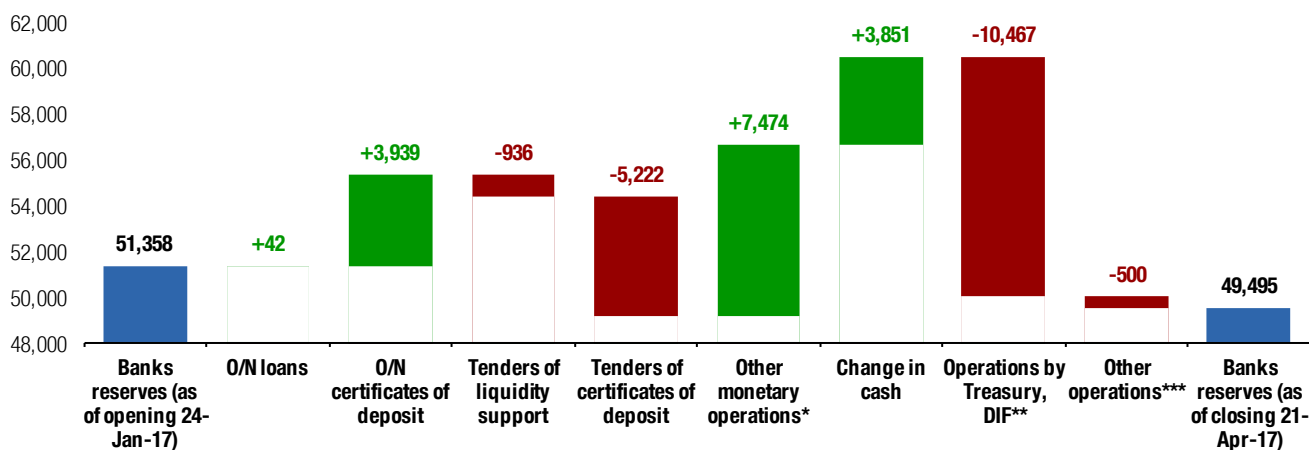
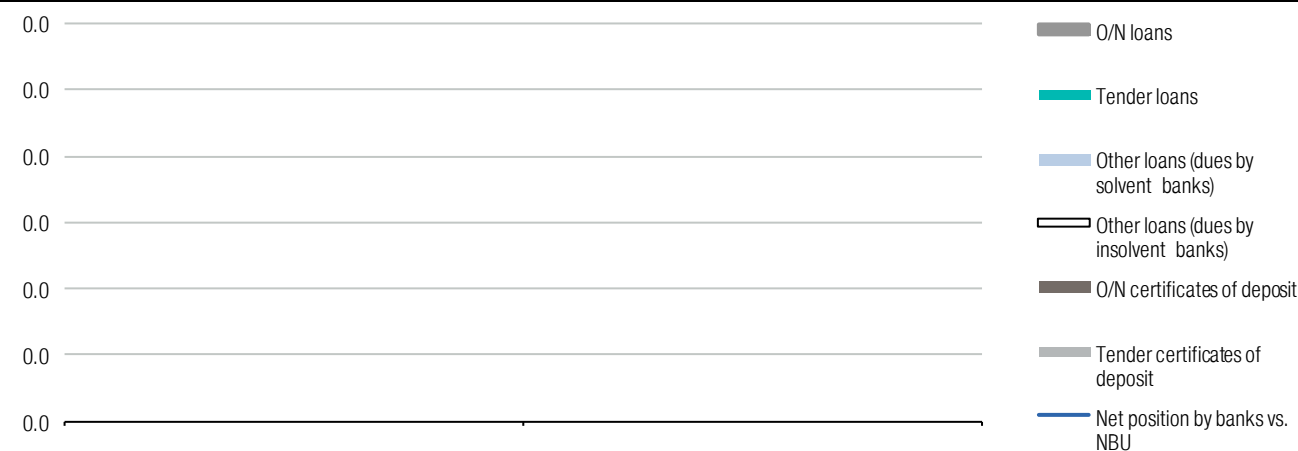


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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