

Daily Insight

Liquidity continues to increase

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Liquidity continues to increase 2

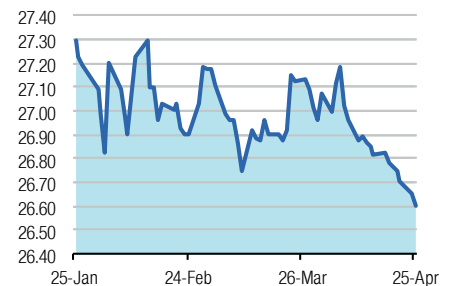
After a nearly two-week break, the NBU on Monday renewed FX auctions and during two days purchased almost US\$95m of FX for UAH2.53bn. The purchase of FX and UAH1.33bn payment this Monday was the main part of a UAH1.49bn of injection from the NBU via other monetary operations.

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WEDNESDAY, 26 APRIL 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 25 April 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 25 April 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	11.60	-50bp	+100bp
Banks reserves (UAHm)	48,749	+1.93	-0.08
Deposit certificates* (UAHm)	59,328	-6.62	-10.98
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.6000	-0.21	-1.85
Total trade volume (US\$m)	193.52	+13.36	+14.09
UAH index PCI-based	101.448	+0.03	-2.31
UAH index PPI-based	160.454	+0.03	-2.31
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	620bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,388.61	+0.61	+6.69
MSCI EM	982.65	+1.16	+13.96
US dollar index (DXY)	98.785	-0.31	-3.35
EUR / USD	1.0926	+0.53	+3.89
Crude oil WTI (US\$/bbl)	49.56	+0.67	-7.74
Crude oil BRENT (US\$/bbl)	52.10	+0.97	-8.31
CRB, commodities index	181.91	+0.54	-5.51
Gold (US\$/ounce)	1,264.24	-0.94	+9.72

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity continues to increase

After a nearly two-week break, the NBU on Monday renewed FX auctions and during two days purchased almost US\$95m of FX for UAH2.53bn. The purchase of FX and UAH1.33bn payment this Monday was the main part of a UAH1.49bn of injection from the NBU via other monetary operations.

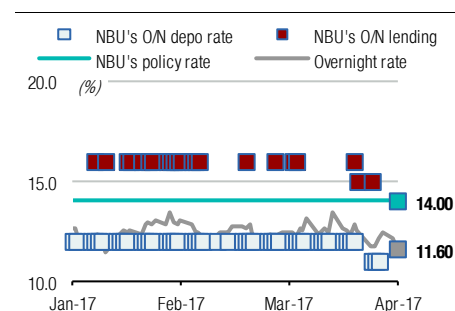
NBU funds, along with UAH0.28bn in autonomous non-monetary operations, supported the UAH2.10bn increase in liquidity this Monday. The Treasury's UAH0.54bn outflow was offset by a UAH0.83bn increase in cash.

Moreover, funds were reallocated to CDs. Banks' correspondent accounts with the NBU slid UAH0.75bn to UAH48.75bn while total CDs outstanding rose UAH2.84bn to UAH60.22bn. Banks mostly increased purchases of 14-day CDs, with UAH1.73bn of additional CDs, while total ON CDs rose only UAH0.79bn.

Investment implications: Despite month-end tax payments, budget revenues were insufficient on Monday amidst insignificant Treasury operation outflows. As banks appear not to anticipate a significant decline in liquidity, they continued to increase CDs outstanding. Yesterday's NBU inflow via the FX auction should be the main source for yesterday's support of liquidity as the Treasury did not utilize NBU funds received last Friday. As a result, liquidity should not change significantly in today's published data.

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Interest rates in the banks' reserves market (three months through 25 April 2017)



Source: Bloomberg, ICU.

Key indicators (as of 25 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	11.60	-50bp	-10bp	-80bp	+100bp
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	48,749	+1.93	+4.31	+7.48	-0.08
DepCerts ³	59,328	-6.62	-14.31	-15.85	-10.98
Total	108,077	-2.76	-6.41	-6.23	-6.14
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	377,915	+0.00	-0.52	-1.60	+6.11
Banks	283,896	-0.05	-0.34	-0.64	+64.73
Residents	22,071	-0.02	-4.62	-3.28	+40.77
Non-res ⁴	5,342	-0.32	-0.61	-1.45	-15.90
Total	689,223	-0.03	-0.58	-1.26	+25.20
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.

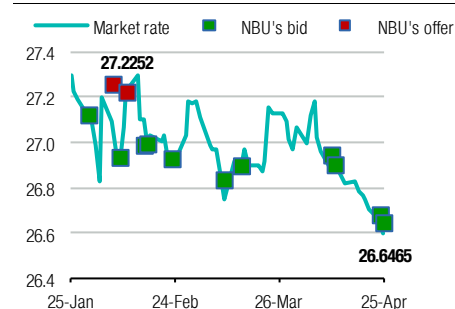
Foreign exchange markets

Key indicators (as of 25 квітня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.6000	-0.21	-0.67	-1.94	-1.85
USD ¹	98.785	-0.31	-0.72	-0.85	-3.35
EUR	1.0926	+0.53	+1.83	+1.19	+3.89
JPY	111.0900	+1.20	+2.45	-0.22	-5.02
GBP ²	1.2842	+0.36	+0.01	+2.96	+4.07
CNY	6.8847	+0.00	+0.04	+0.01	-0.87
RUB	56.1379	+0.58	-0.22	-1.40	-8.77

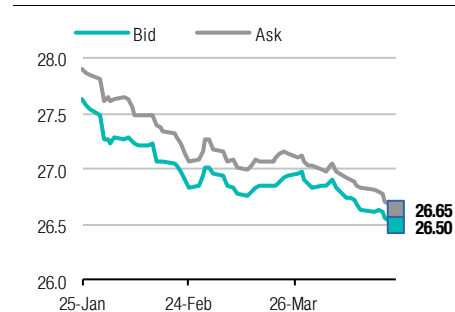
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 25 April 2017)



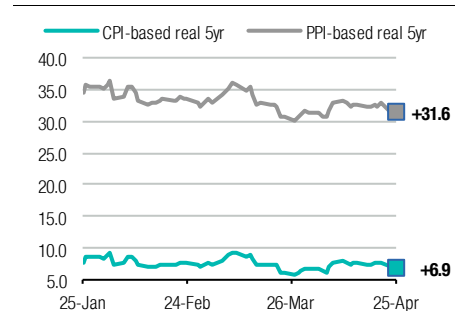
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 25 April 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 25 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)

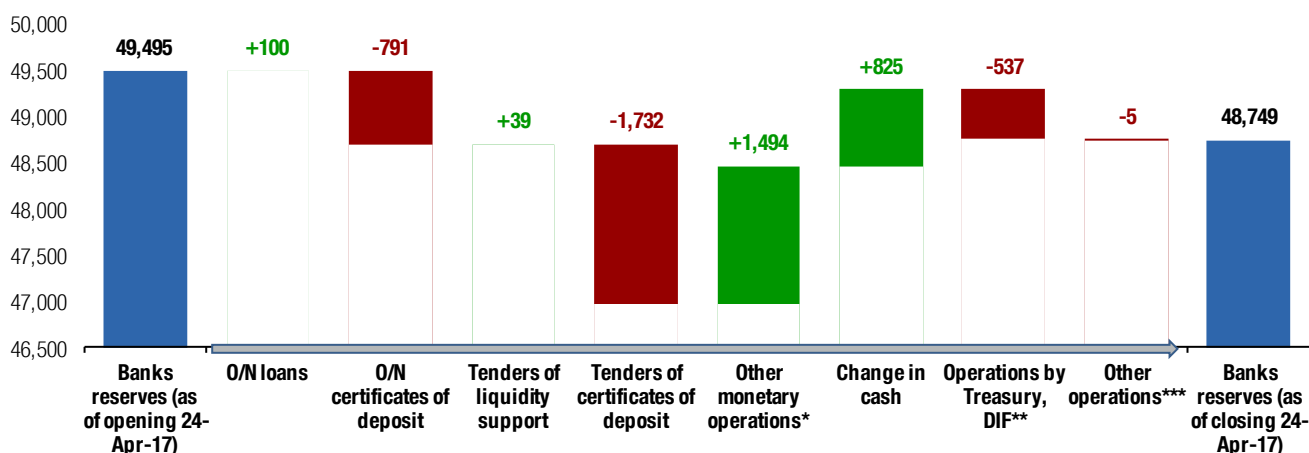
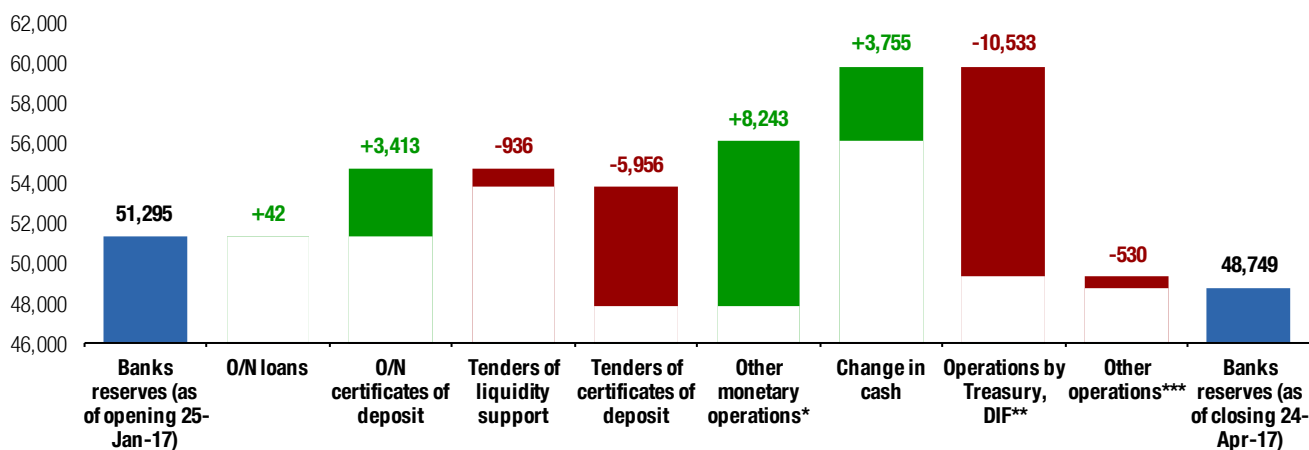
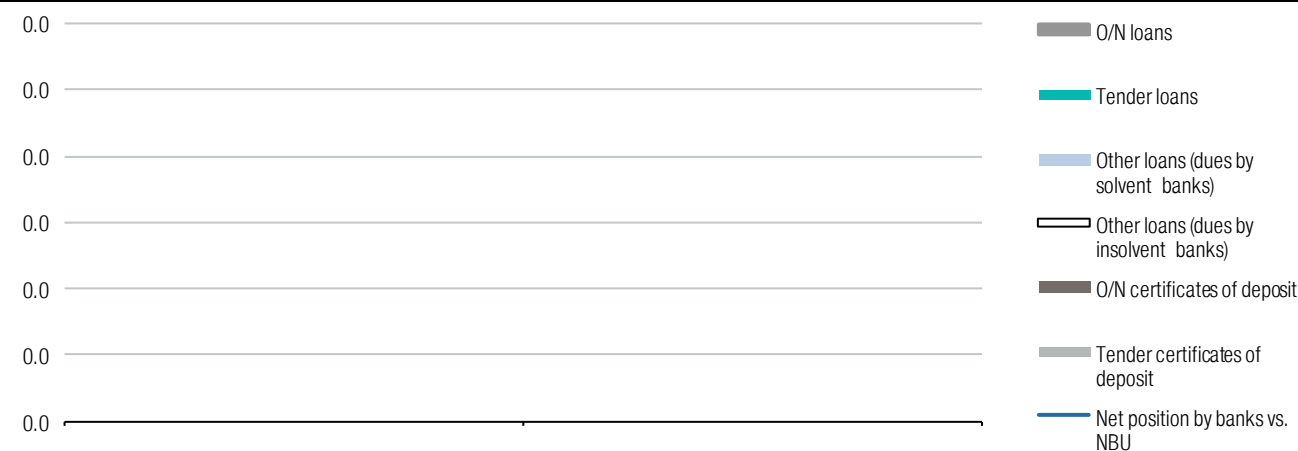


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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