

Daily Insight

Liquidity steady

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This Monday, liquidity rose just UAH0.16bn to UAH116.71bn, with a slight reallocation of funds to CDs. Banks' correspondent accounts with the NBU slid UAH2.55bn to UAH46.41bn while total CDs outstanding rose UAH2.71bn to UAH70.30bn. As 14-day CDs outstanding rose UAH4.05bn, ON CDs slid UAH1.34bn.

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WEDNESDAY, 17 MAY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 16 May 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 16 May 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	13.00	+0bp	-100bp
Overnight rate (interbank)	11.60	+0bp	+100bp
Banks reserves (UAHm)	46,411	-7.12	-13.32
Deposit certificates* (UAHm)	59,515	+0.00	-4.38
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.4300	+0.00	-2.47
Total trade volume (US\$m)	165.60	+3.29	-2.37
UAH index PCI-based	108.201	-0.45	+0.19
UAH index PPI-based	166.764	-0.45	-0.96
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	590bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,400.67	-0.07	+7.23
MSCI EM	1,015.05	+0.48	+17.72
US dollar index (DXY)	98.105	-0.81	-4.02
EUR / USD	1.1083	+0.98	+5.38
Crude oil WTI (US\$/bbl)	48.66	-0.39	-9.42
Crude oil BRENT (US\$/bbl)	51.65	-0.33	-9.10
CRB, commodities index	182.14	-0.33	-5.39
Gold (US\$/ounce)	1,237.06	+0.52	+7.36

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity steady

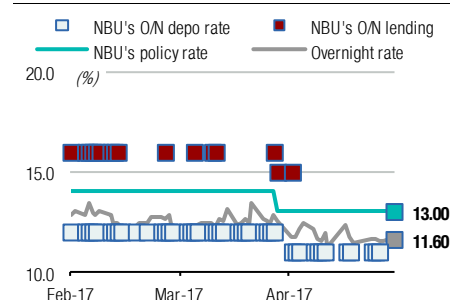
This Monday, liquidity rose just UAH0.16bn to UAH116.71bn, with a slight reallocation of funds to CDs. Banks' correspondent accounts with the NBU slid UAH2.55bn to UAH46.41bn while total CDs outstanding rose UAH2.71bn to UAH70.30bn. As 14-day CDs outstanding rose UAH4.05bn, ON CDs slid UAH1.34bn.

The main impact of non-monetary autonomous operations was as follows: increases of UAH83m in cash, UAH72m in Treasury inflows, and UAH3m in other operations.

Investment implications: Total liquidity remains high and stable, and banks expect no volatility, namely rapid and significant liquidity declines or large outflows. Funds at Treasury accounts are significant as the NBU provides ample funds. No large VAT refunds are scheduled, and yesterday's UAH117m refund will have little impact on liquidity.

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Interest rates in the banks' reserves market (three months through 16 May 2017)



Source: Bloomberg, ICU.

Key indicators (as of 16 May 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	13.00	+0bp	+0bp	+0bp	-100bp
Overnight	11.60	+0bp	+20bp	-90bp	+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	46,411	-7.12	-0.97	-3.49	-13.32
DepCerts ³	59,515	+0.00	-12.44	-11.58	-4.38
Total	105,926	-3.12	-7.96	-8.35	-8.35
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	377,915	+0.00	+0.00	-0.52	+6.11
Banks	282,940	-0.03	-0.05	-0.74	+64.18
Residents	22,291	+0.52	+0.45	-3.64	+42.18
Non-res ⁴	5,305	-0.01	-0.05	-1.49	-16.48
Total	688,451	+0.00	-0.01	-0.72	+25.06
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	590	+0bp	-10bp	-30bp	+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

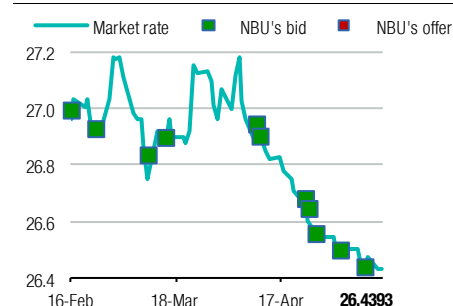
Key indicators (as of 16 травня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.4300	+0.00	-0.26	-1.45	-2.47
USD ¹	98.105	-0.81	-1.56	-2.39	-4.02
EUR	1.1083	+0.98	+1.92	+4.38	+5.38
JPY	113.1200	-0.59	-0.75	+4.12	-3.28
GBP ²	1.2917	+0.16	-0.13	+3.15	+4.68
CNY	6.8867	-0.10	-0.30	+0.02	-0.84
RUB	56.5819	+0.38	-3.14	+0.71	-8.05

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

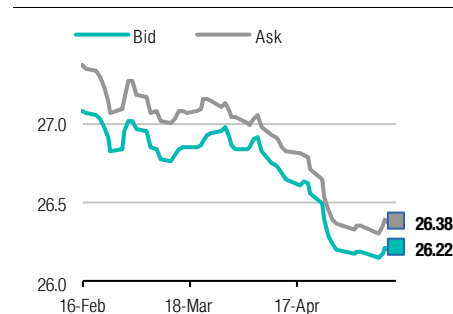
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 16 May 2017)



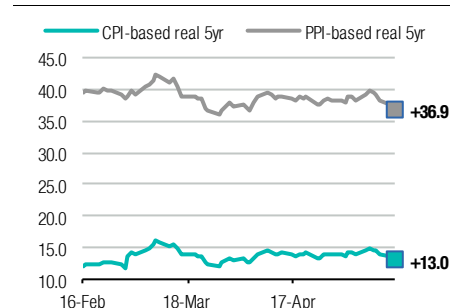
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 16 May 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 16 May 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)

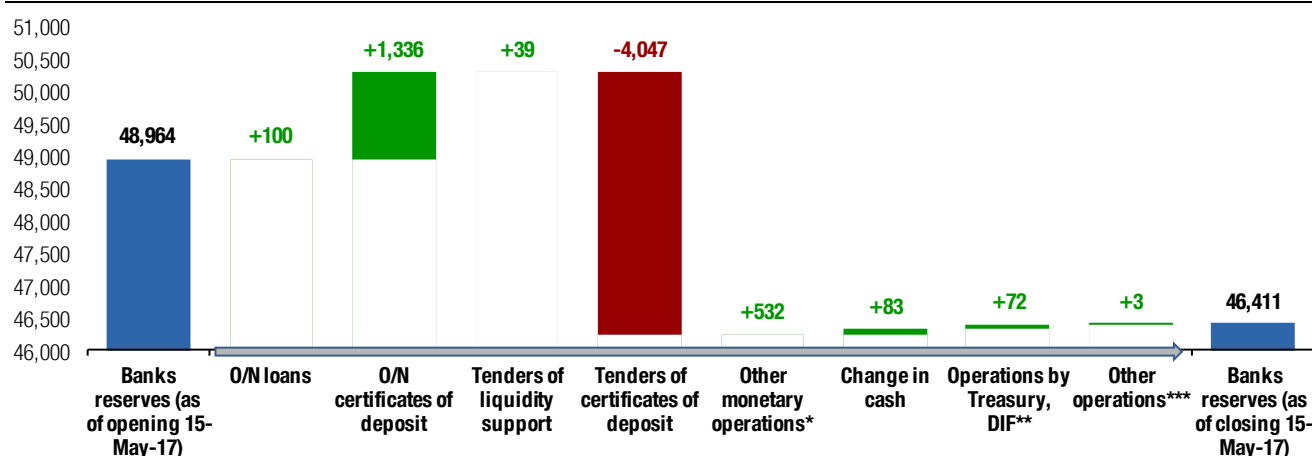
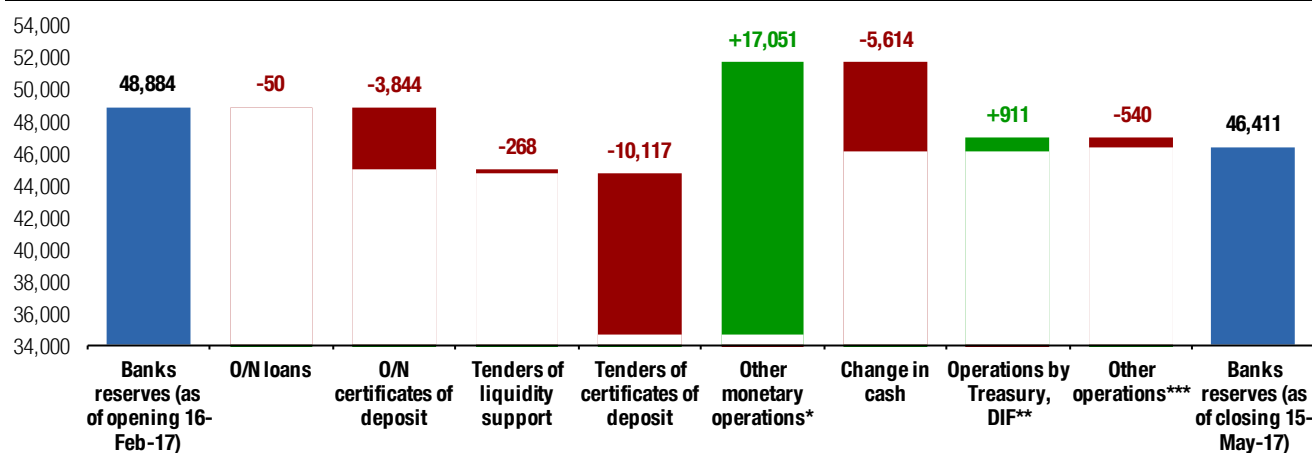


Chart 2. Banks reserves usages over last 90-day period (UAHm)

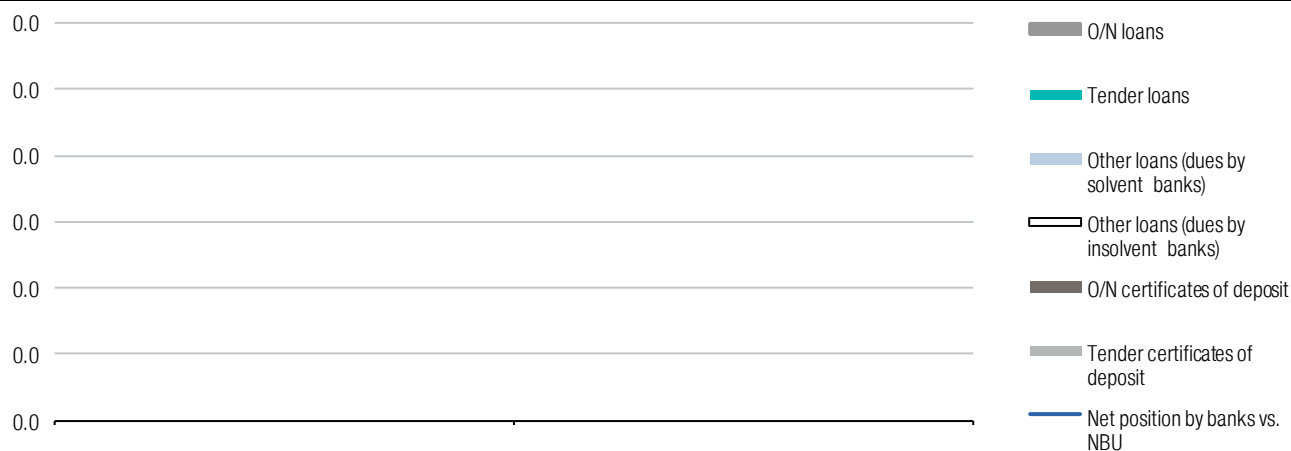


Notes: [1] data from the NBU's daily reporting https://bank.gov.ua/control/uk/publish/article?art_id=38643651&cat_id=40807142 ;

* 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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