

Daily Insight

CDs outstanding increase

Key messages of the today's comments

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CDs outstanding increase 2

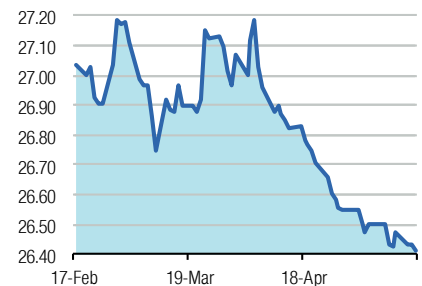
Following Tuesday's tender, total CDs outstanding rose UAH1.94bn to UAH72.24bn, the largest amount over the last three months and very close to this year's record high of UAH73.61bn seen at the beginning of the year. This Tuesday's increase was caused by a UAH3.70bn purchase of 14-day CDs as ON CD sales slid to UAH4.97bn. At the same time, banks' correspondent accounts with the NBU slid UAH3.30bn to UAH43.11bn.

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THURSDAY, 18 MAY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 17 May 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 17 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)	43,109	-7.12	-13.32
Deposit certificates* (UAHm)	72,235	-21.09	-8.42
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.4125	-0.07	-2.54
Total trade volume (US\$m)	N/A		
UAH index PCI-based	108.203	+0.00	+0.19
UAH index PPI-based	166.766	+0.00	-0.95
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	590bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,357.03	-1.82	+5.28
MSCI EM	1,008.63	-0.63	+16.97
US dollar index (DXY)	97.575	-0.54	-4.53
EUR / USD	1.1159	+0.69	+6.10
Crude oil WTI (US\$/bbl)	49.07	+0.84	-8.66
Crude oil BRENT (US\$/bbl)	52.21	+1.08	-8.11
CRB, commodities index	183.24	+0.61	-4.81
Gold (US\$/ounce)	1,261.22	+1.95	+9.46

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

CDs outstanding increase

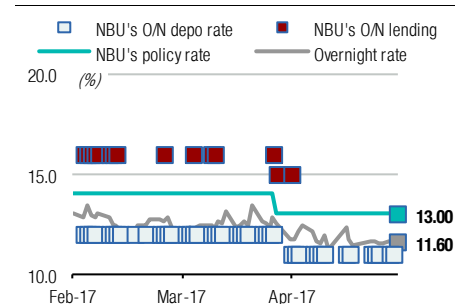
Following Tuesday's tender, total CDs outstanding rose UAH1.94bn to UAH72.24bn, the largest amount over the last three months and very close to this year's record high of UAH73.61bn seen at the beginning of the year. This Tuesday's increase was caused by a UAH3.70bn purchase of 14-day CDs as ON CD sales slid to UAH4.97bn. At the same time, banks' correspondent accounts with the NBU slid UAH3.30bn to UAH43.11bn.

The NBU provided a paltry UAH0.16bn into the banking system on Tuesday against UAH1.52bn of outflows via non-monetary autonomous operations. Cash slid UAH0.31bn while outflows to the budget via Treasury operations were UAH1.21bn.

Investment implications: Liquidity remains sensitive to Treasury operations while the NBU occasionally utilizes alternative monetary operations. Today's indicators will include yesterday's FX auction where the NBU purchased US\$50m of FX with UAH1.32bn of local currency funds. If the Treasury restricts outflows, liquidity could recover to above UAH116bn. Investments in CDs could rise once more as main outflows will be seen next week.

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Interest rates in the banks' reserves market (three months through 17 May 2017)



Source: Bloomberg, ICU.

Key indicators (as of 17 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	+0bp	-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	43,109	-7.12	-5.35	-3.49	-13.32
DepCerts ³	72,235	-21.09	-11.73	-15.31	-8.42
Total	115,344	-9.06	-4.75	-6.33	-6.32
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	377,915	+0.00	+0.00	-0.52	+6.11
Banks	282,864	-0.03	-0.13	-0.77	+64.13
Residents	22,258	-0.15	+0.59	-3.79	+41.96
Non-res ⁴	5,297	-0.15	-0.29	-1.63	-16.60
Total	688,333	-0.02	-0.04	-0.74	+25.03
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.

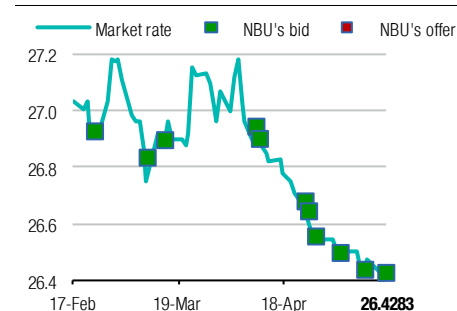
Source: Bloomberg, ICU.

Foreign exchange markets

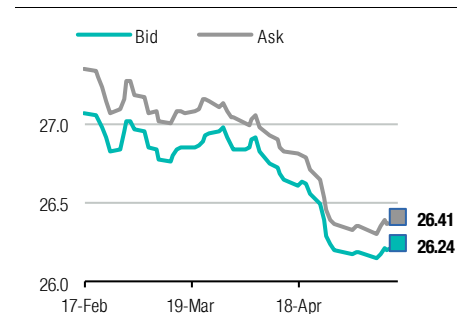
Key indicators (as of 17 травня 2017)

	Last	Daily chg (%)	Weekly chg (%)	Monthly chg (%)	YTD chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.4125	-0.07	-0.07	-1.55	-2.54
USD ¹	97.575	-0.54	-2.10	-2.71	-4.53
EUR	1.1159	+0.69	+2.68	+4.85	+6.10
JPY	110.8300	-2.02	-3.02	+1.76	-5.24
GBP ²	1.2970	+0.41	+0.25	+3.22	+5.11
CNY	6.8784	-0.12	-0.36	-0.03	-0.96
RUB	57.1172	+0.95	-0.60	+2.16	-7.18

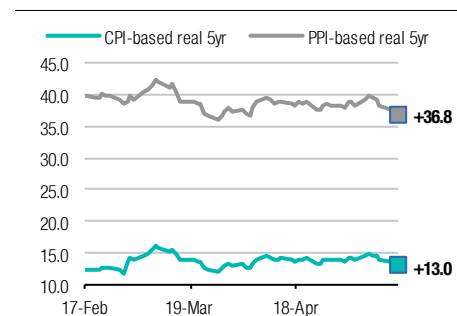
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 17 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 17 May 2017)


Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 17 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)

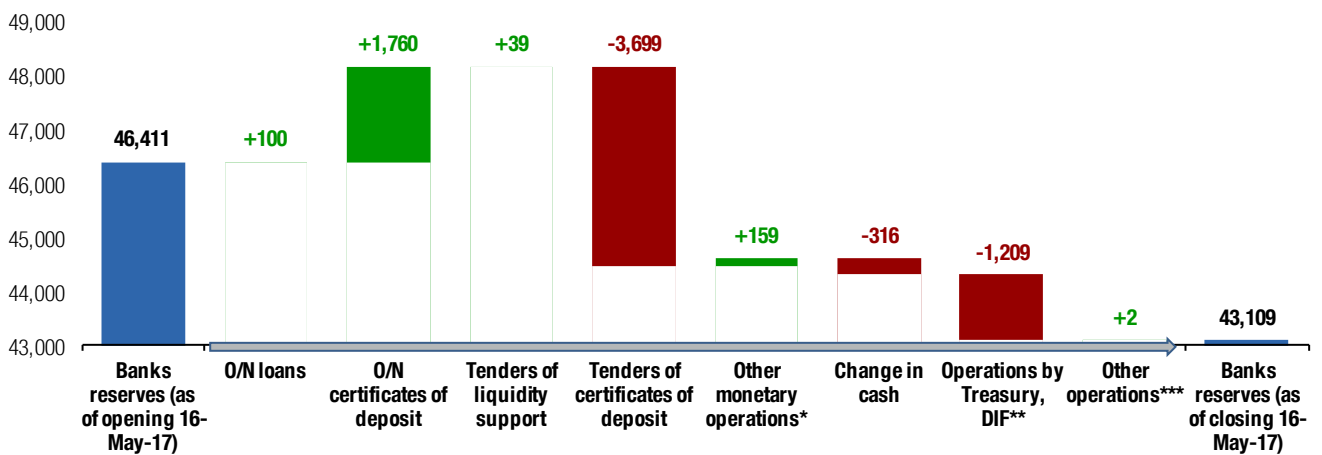
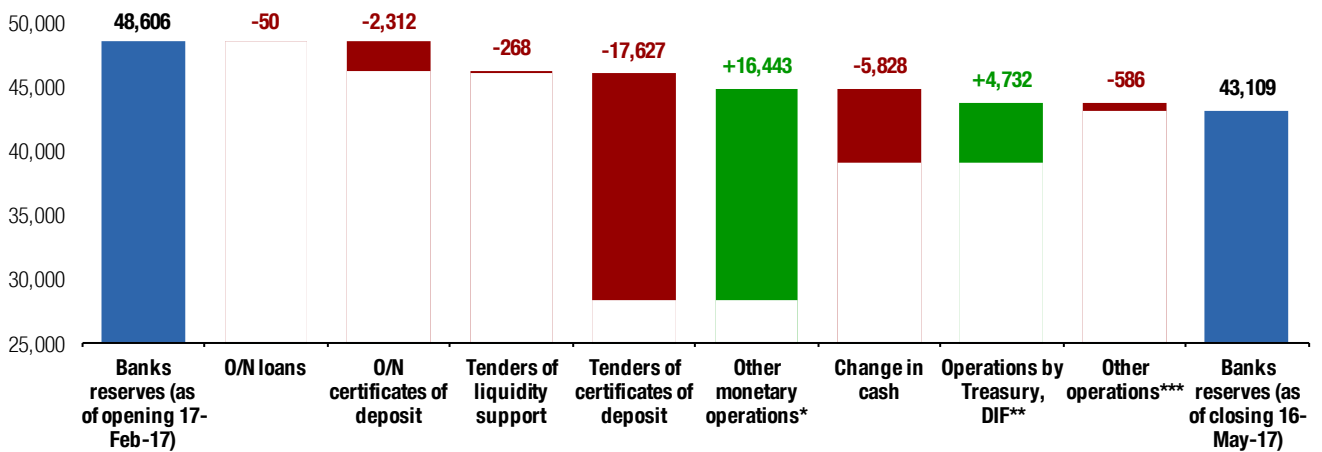
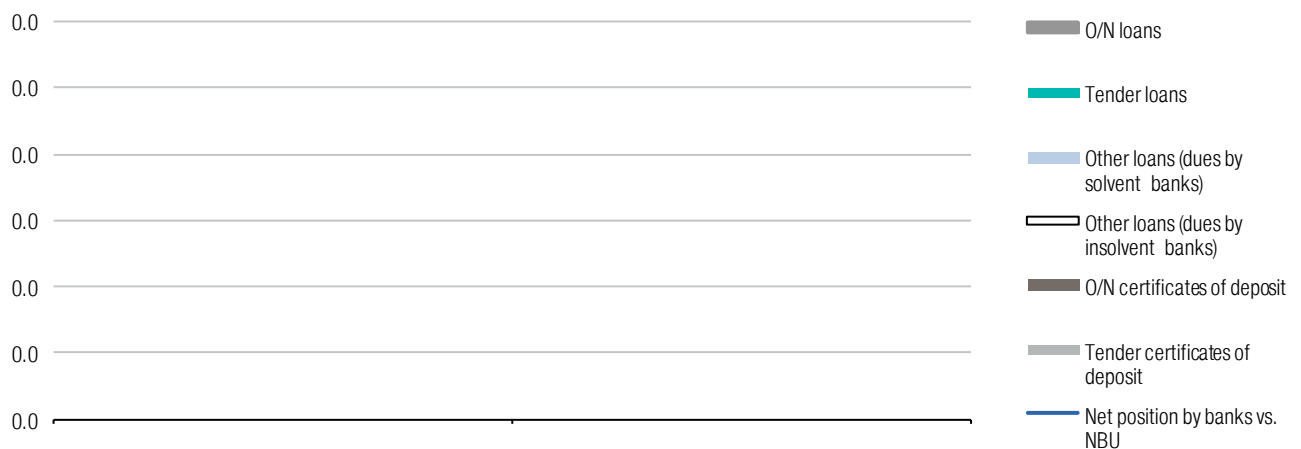


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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