

# Daily Insight

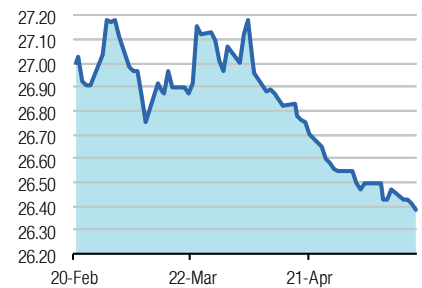
## Liquidity steady with reallocations

### Key messages of the today's comments

<b>Domestic liquidity</b> .....	<b>2</b>
<b>Liquidity steady with reallocations</b> .....	<b>2</b>
This Wednesday, non-monetary operations remained caused UAH1.59bn in fund outflows, with UAH1.12bn to Treasury accounts and a UAH0.46 cash decline. They were mostly covered by UAH1.32bn of inflows from the NBU via FX purchasing at Wednesday's auctions.	
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FRIDAY, 19 MAY 2017

### Ukraine's hryvnia exchange rate per US dollar (three months through 18 May 2017)



Source: Bloomberg.

### Selected indicators of the financial markets (three months through 18 May 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	13.00	+0bp	-100bp
Overnight rate (interbank)	11.80	+20bp	+120bp
Banks reserves (UAHm)	47,890	+11.09	-3.70
Deposit certificates* (UAHm)	67,190	-16.92	-10.31
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	26.3850	-0.10	-2.64
Total trade volume (US\$m)	167.59	-19.26	-1.20
UAH index PCI-based	108.958	+0.70	+0.89
UAH index PPI-based	167.931	+0.70	-0.26
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	607bp	+17bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,365.72	+0.37	+5.67
MSCI EM	988.38	-2.01	+14.63
US dollar index (DXY)	97.879	+0.31	-4.24
EUR / USD	1.1103	-0.50	+5.57
Crude oil WTI (US\$/bbl)	49.35	+0.57	-8.13
Crude oil BRENT (US\$/bbl)	52.51	+0.57	-7.59
CRB, commodities index	182.51	-0.40	-5.20
Gold (US\$/ounce)	1,247.14	-1.12	+8.23

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Liquidity steady with reallocations

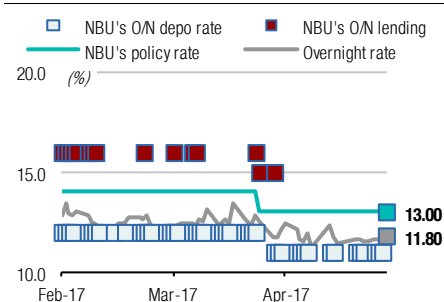
This Wednesday, non-monetary operations remained caused UAH1.59bn in fund outflows, with UAH1.12bn to Treasury accounts and a UAH0.46 cash decline. They were mostly covered by UAH1.32bn of inflows from the NBU via FX purchasing at Wednesday's auctions.

Banks' correspondent accounts with the NBU rose UAH4.78bn to UAH47.89bn, while total CDs outstanding fell UAH5.05bn to UAH67.19bn. Banks did not change the balance of ON CDs, but they did purchase fewer 14-day certificates, most likely in anticipation of outflows via month-end tax payments next week.

**Investment implications:** *The decline in CDs outstanding could be short-lived, and next week banks could increase their amount if the NBU increases expenditures, causing liquidity to rise. Current liquidity remains at UAH115bn and most likely could be at that level or increase next week.*

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

## Interest rates in the banks' reserves market (three months through 18 May 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 18 May 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>BANKS' RESERVES MARKET (%)</b>					
NBU rate <sup>1</sup>	13.00	+0bp	+0bp	+0bp	-100bp
Overnight	11.80	+20bp	+20bp	+10bp	+120bp
<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>	47,890	+11.09	-8.45	+0.53	-3.70
DepCerts <sup>3</sup>	67,190	-16.92	-6.43	-13.66	-10.31
<b>Total</b>	<b>115,080</b>	<b>-10.73</b>	<b>-8.25</b>	<b>-8.51</b>	<b>-8.25</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	377,915	+0.00	+0.00	-0.52	+6.11
Banks	279,716	-1.11	-1.16	-1.81	+62.31
Residents	21,572	-3.08	-2.52	-6.77	+37.59
Non-res <sup>4</sup>	5,294	-0.07	-0.15	-1.50	-16.66
<b>Total</b>	<b>684,497</b>	<b>-0.56</b>	<b>-0.56</b>	<b>-1.26</b>	<b>+24.34</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	607	+17bp	+17bp	-13bp	+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.

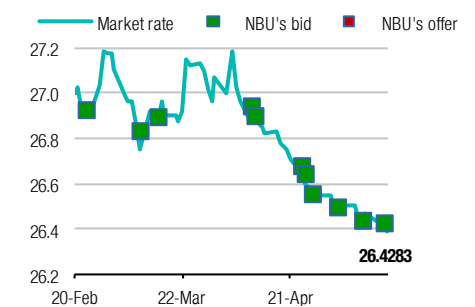
# Foreign exchange markets

## Key indicators (as of 18 травня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	26.3850	-0.10	-0.15	-1.47	-2.64
USD <sup>1</sup>	97.879	+0.31	-1.75	-1.63	-4.24
EUR	1.1103	-0.50	+2.23	+3.48	+5.57
JPY	111.4900	+0.60	-2.08	+2.82	-4.68
GBP <sup>2</sup>	1.2938	-0.25	+0.40	+0.76	+4.85
CNY	6.8892	+0.16	-0.21	+0.10	-0.80
RUB	57.5484	+0.75	+0.84	+2.29	-6.48

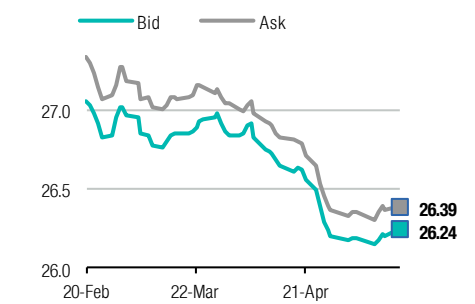
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 18 May 2017)



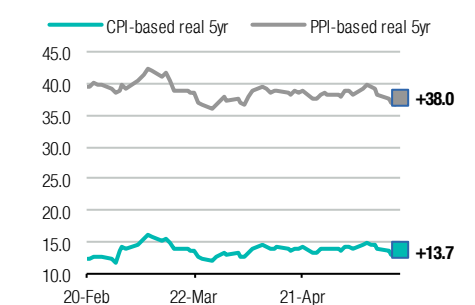
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 18 May 2017)



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 18 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)

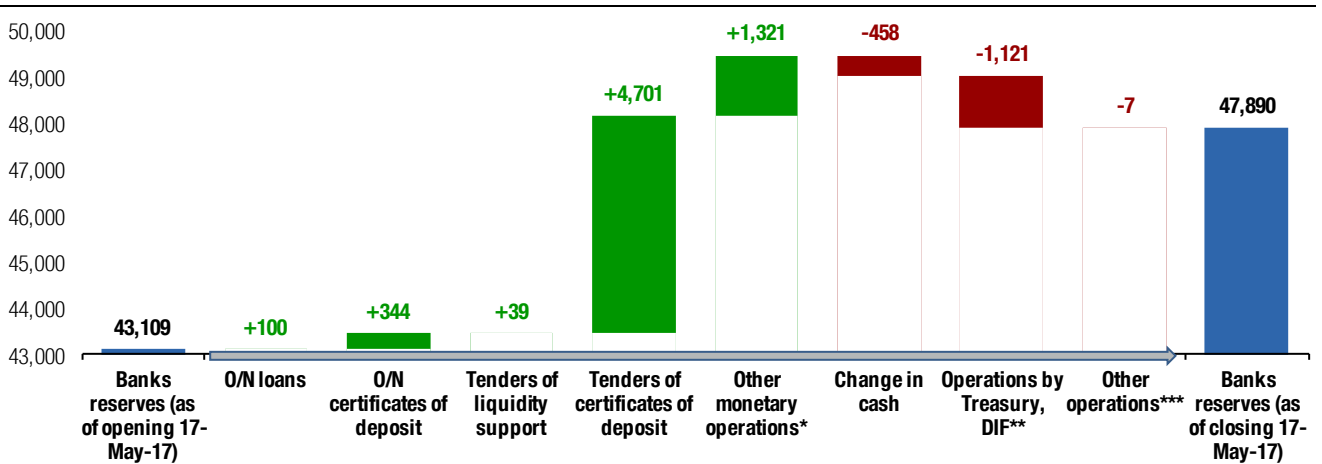
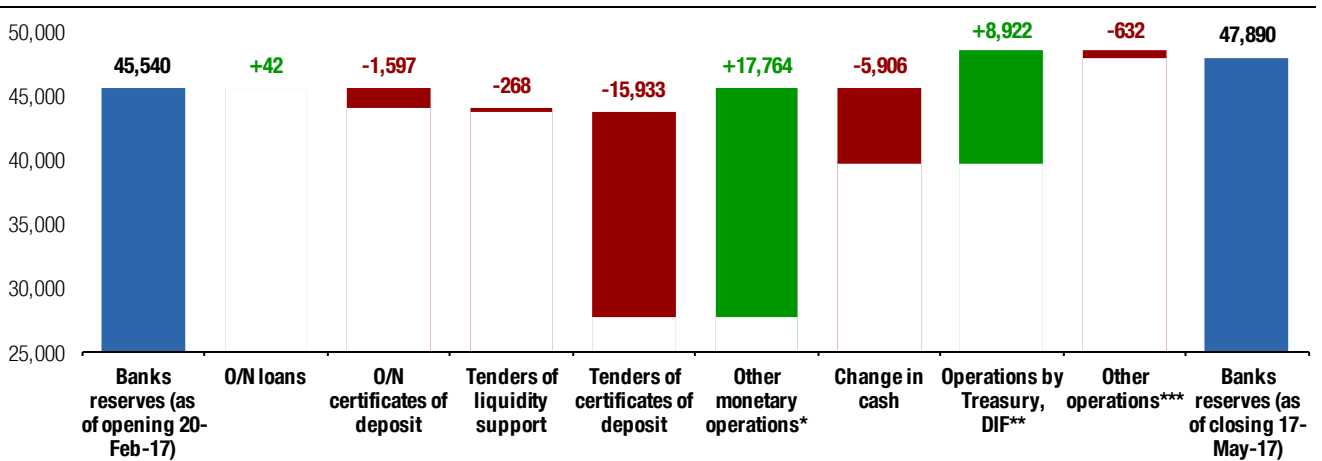


Chart 2. Banks reserves usages over last 90-day period (UAHm)



Notes: [1] data from the NBU's daily reporting [https://bank.gov.ua/control/uk/publish/article?art\\_id=38643651&cat\\_id=40807142](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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