

Daily Insight

Liquidity down slightly

Key messages of the today's comments

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Liquidity down slightly 2

As expected, the net outflow to the Treasury slowed to UAH1.24bn on Tuesday: cash increased UAH0.80bn and net impact of non-monetary operations amounted to UAH0.42bn, causing the same decline in liquidity to UAH106.93bn. The NBU had no impact on liquidity with regard to loans or other monetary operations.

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THURSDAY, 1 JUNE 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 31 May 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 31 May 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	N/A		
Overnight rate (interbank)	N/A		
Banks reserves (UAHm)	46,633	-2.87	-6.23
Deposit certificates* (UAHm)	60,298	+1.62	-3.12
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.3150	+0.13	-2.90
Total trade volume (US\$m)	192.53	-0.87	+13.51
UAH index PCI-based	107.901	-0.43	-0.09
UAH index PPI-based	166.300	-0.43	-1.23
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	595bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,411.80	-0.05	+7.73
MSCI EM	1,005.33	-0.64	+16.59
US dollar index (DXY)	96.922	-0.37	-5.17
EUR / USD	1.1244	+0.52	+6.91
Crude oil WTI (US\$/bbl)	48.32	-2.70	-10.05
Crude oil BRENT (US\$/bbl)	50.76	-2.08	-10.67
CRB, commodities index	179.77	-0.86	-6.62
Gold (US\$/ounce)	1,268.94	+0.46	+10.13

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity down slightly

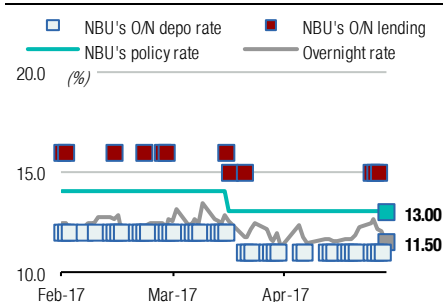
As expected, the net outflow to the Treasury slowed to UAH1.24bn on Tuesday: cash increased UAH0.80bn and net impact of non-monetary operations amounted to UAH0.42bn, causing the same decline in liquidity to UAH106.93bn. The NBU had no impact on liquidity with regard to loans or other monetary operations.

At the same time, the structure of liquidity was changed as CDs increased: total CDs outstanding rose UAH0.96bn to UAH60.30bn while banks' correspondent accounts fell UAH1.38bn to UAH46.63bn. For the second consecutive day, banks prefer 14-day over ON maturities.

Investment implications: As month-end tax payments conclude, liquidity should recover above UAH110bn, as exhibited by the recent increase in CDs outstanding, with 14-day maturities preferred. The Treasury decreased its impact on liquidity and over the following few days we could see inflows instead of outflows from the Treasury.

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Interest rates in the banks' reserves market (three months through 31 May 2017)



Source: Bloomberg, ICU.

Key indicators (as of 31 May 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	N/A	N/A	N/A	N/A	N/A
Overnight	N/A	N/A	N/A	N/A	N/A
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	46,633	-2.87	+6.15	+3.30	-6.23
DepCerts ³	60,298	+1.62	+1.39	-23.56	-3.12
Total	106,931	-0.39	+3.41	-13.79	-4.50
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	376,165	+0.00	-0.46	-0.46	+5.62
Banks	281,427	+0.00	+0.55	-0.70	+63.30
Residents	22,558	-0.56	+2.36	+1.68	+43.88
Non-res ⁴	5,280	-0.13	+0.17	-0.77	-16.87
Total	685,430	-0.02	+0.05	-0.49	+24.51
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	595	+0bp	+0bp	-17bp	+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.

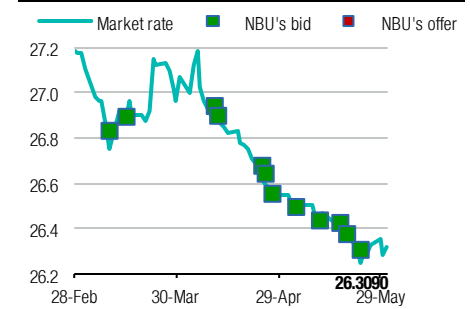
Foreign exchange markets

Key indicators (as of 31 травня 2017)

	Last	Daily chg (%)	Weekly chg (%)	Monthly chg (%)	YTD chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.3150	+0.13	+0.17	-0.87	-2.90
USD ¹	96.922	-0.37	-0.32	-2.15	-5.17
EUR	1.1244	+0.52	+0.22	+3.20	+6.91
JPY	110.7800	-0.06	-0.64	-0.64	-5.28
GBP ²	1.2890	+0.24	-0.63	-0.47	+4.46
CNY	6.8180	-0.55	-1.05	-1.10	-1.83
RUB	56.6172	+0.09	+0.23	-0.55	-8.00

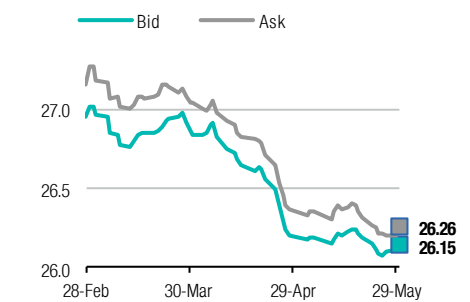
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 31 May 2017)



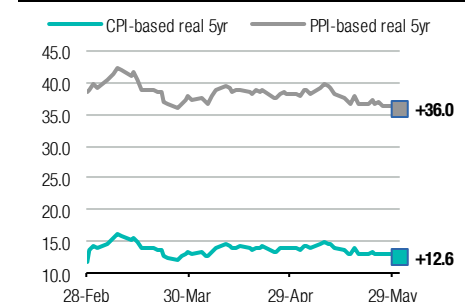
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 31 May 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 31 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)

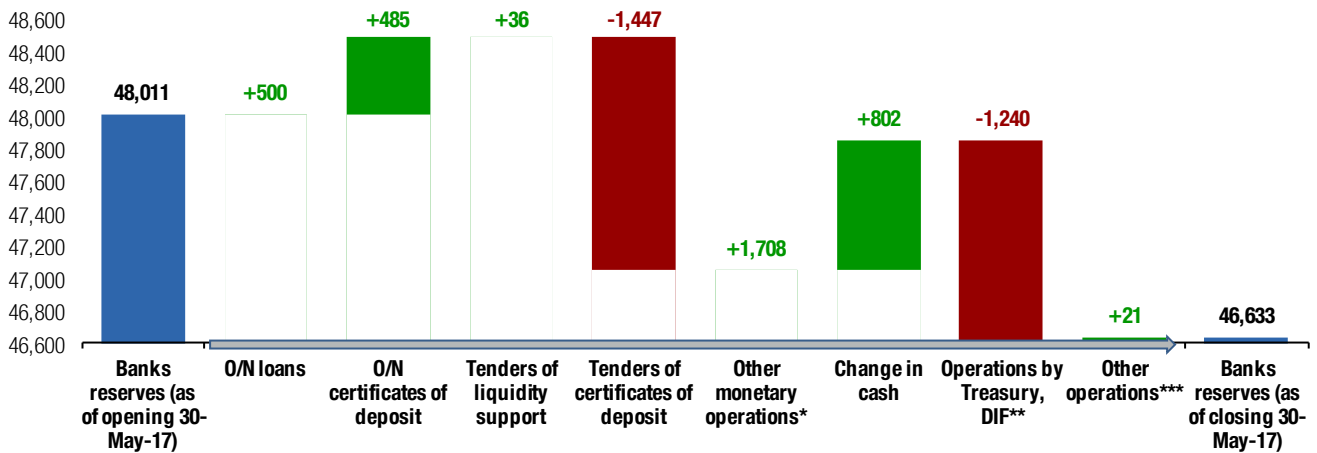
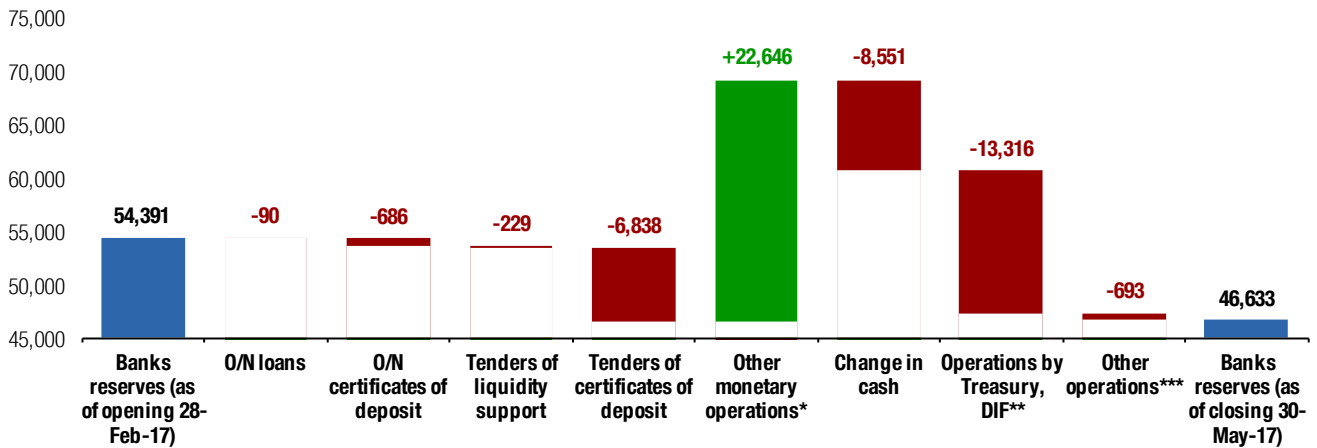
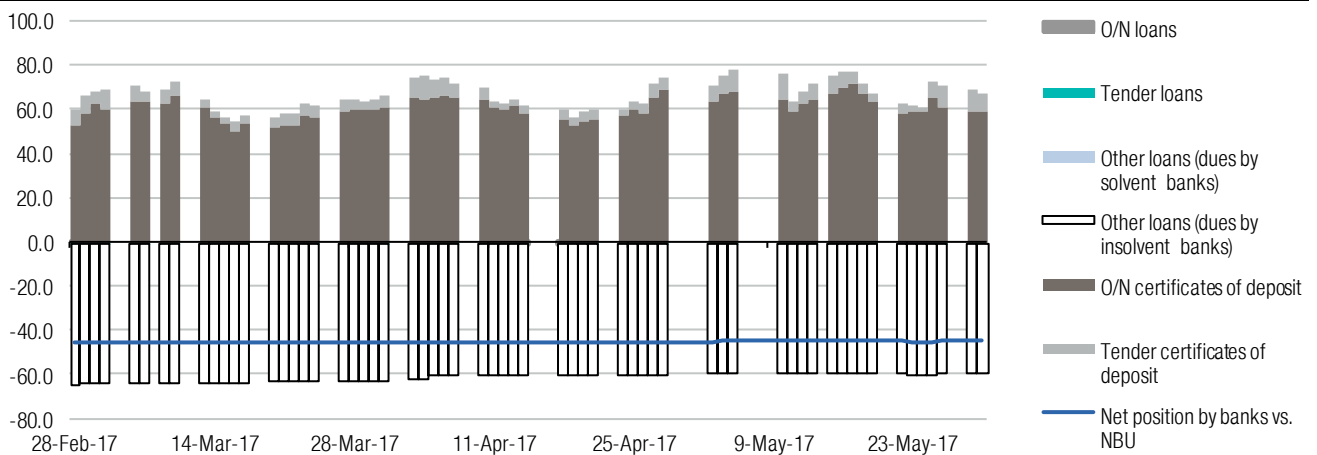


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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