

Daily Insight

Liquidity steady

Key messages of the today's comments

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Total banking sector liquidity remained unchanged yesterday, down a mere UAH0.10bn to UAH110.73bn after cash flows this Wednesday and a slight reallocation of funds from banks' accounts to CDs. Total CDs outstanding was up UAH1.31bn to UAH68.44bn while banks' correspondent accounts with the NBU slid UAH1.41bn to UAH42.29bn. At Wednesday's tender, banks purchased a large amount of 2-week CDs that was UAH2.03bn lower than the same maturity CDs redeemed that day. This situation was seen for the first time this month.

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FRIDAY, 9 JUNE 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 8 June 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 8 June 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	N/A		
Overnight rate (interbank)	N/A		
Banks reserves (UAHm)	42,293	-6.44	-20.43
Deposit certificates* (UAHm)	68,438	-11.25	-2.41
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.1225	-0.22	-3.61
Total trade volume (US\$m)	115.94	-29.37	-31.65
UAH index PCI-based	108.912	+0.30	+0.84
UAH index PPI-based	167.860	+0.30	-0.30
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	550bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,433.79	+0.03	+8.71
MSCI EM	1,019.07	+0.33	+18.18
US dollar index (DXY)	96.918	+0.18	-5.18
EUR / USD	1.1214	-0.38	+6.63
Crude oil WTI (US\$/bbl)	45.64	-0.17	-15.04
Crude oil BRENT (US\$/bbl)	47.86	-0.42	-15.77
CRB, commodities index	176.10	+0.28	-8.53
Gold (US\$/ounce)	1,278.05	-0.70	+10.92

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity steady

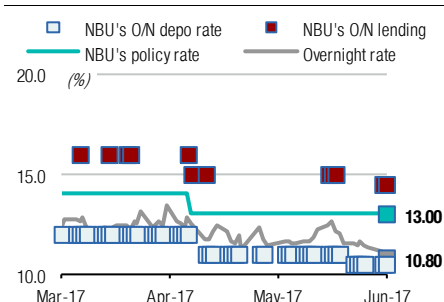
Total banking sector liquidity remained unchanged yesterday, down a mere UAH0.10bn to UAH110.73bn after cash flows this Wednesday and a slight reallocation of funds from banks' accounts to CDs. Total CDs outstanding was up UAH1.31bn to UAH68.44bn while banks' correspondent accounts with the NBU slid UAH1.41bn to UAH42.29bn. At Wednesday's tender, banks purchased a large amount of 2-week CDs that was UAH2.03bn lower than the same maturity CDs redeemed that day. This situation was seen for the first time this month.

The impact of non-monetary autonomous operations amounted to minus UAH2.11bn, where the main part was UAH1.71bn to Treasury accounts along with a cash decline. Also on this Wednesday, the Treasury received large UAH6bn which was mostly salary taxes. The above mentioned outflows were offset by the NBU, providing UAH2.04bn of funds, including UAH1.31bn via an FX auction.

Investment implications: Liquidity remains steady despite a large outflow to the budget against less significant expenditures, which were offset by the NBU. We do not anticipate further large outflows this week, as large revenues are usually seen at the end of the first week of each month. Moreover, tax payments occur in the second half of the month.

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Interest rates in the banks' reserves market (three months through 8 June 2017)



Source: Bloomberg, ICU.

Key indicators (as of 8 June 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	42,293	-6.44	-12.70	-9.10	-20.43
DepCerts ³	68,438	-11.25	-3.93	-10.64	-2.41
Total	110,731	-9.41	-7.60	-10.04	-10.42
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	N/A	N/A	N/A	N/A	N/A
Banks	N/A	N/A	N/A	N/A	N/A
Residents	N/A	N/A	N/A	N/A	N/A
Non-res ⁴	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A
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	550	+0bp	-45bp	-50bp	+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.

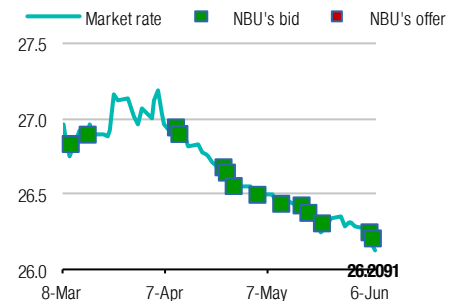
Foreign exchange markets

Key indicators (as of 8 червня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.1225	-0.22	-0.69	-1.42	-3.61
USD ¹	96.918	+0.18	-0.11	-2.16	-5.18
EUR	1.1214	-0.38	-0.16	+2.65	+6.63
JPY	110.0200	+0.18	-0.88	-2.86	-5.93
GBP ²	1.2956	-0.03	+0.79	+0.12	+4.99
CNY	6.8003	+0.07	+0.03	-1.51	-2.08
RUB	56.9124	-0.32	+0.41	-2.40	-7.52

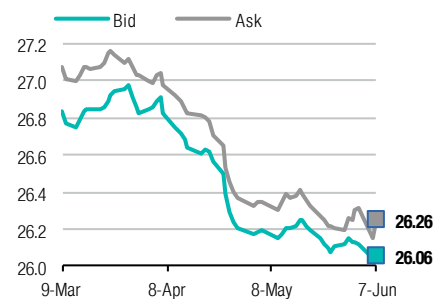
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 8 June 2017)



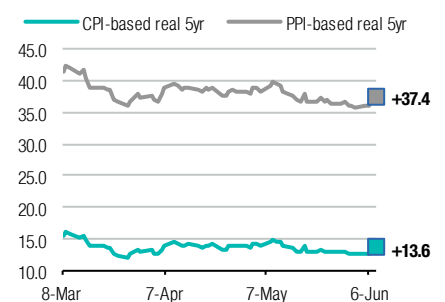
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 8 June 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 8 June 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)

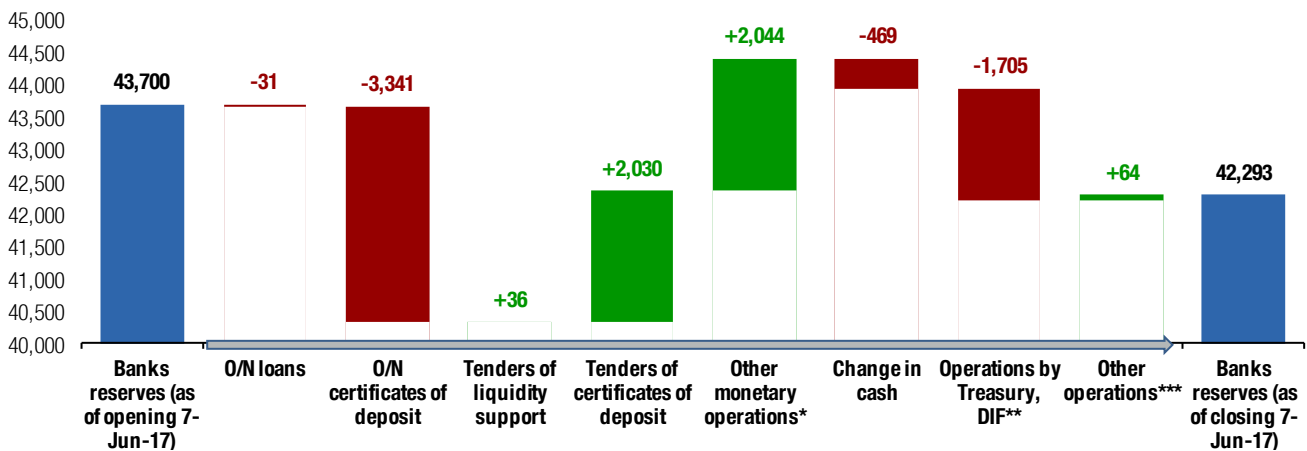
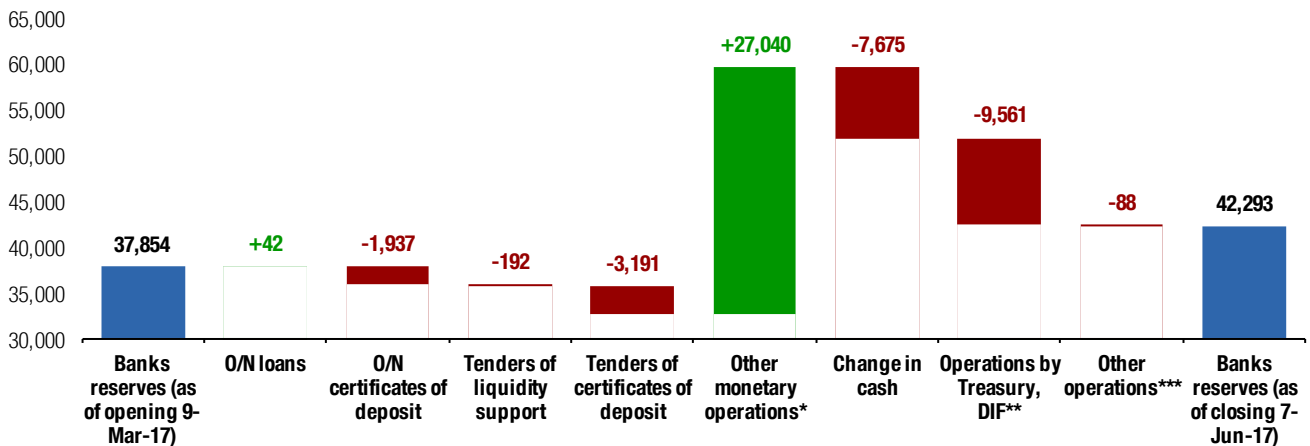
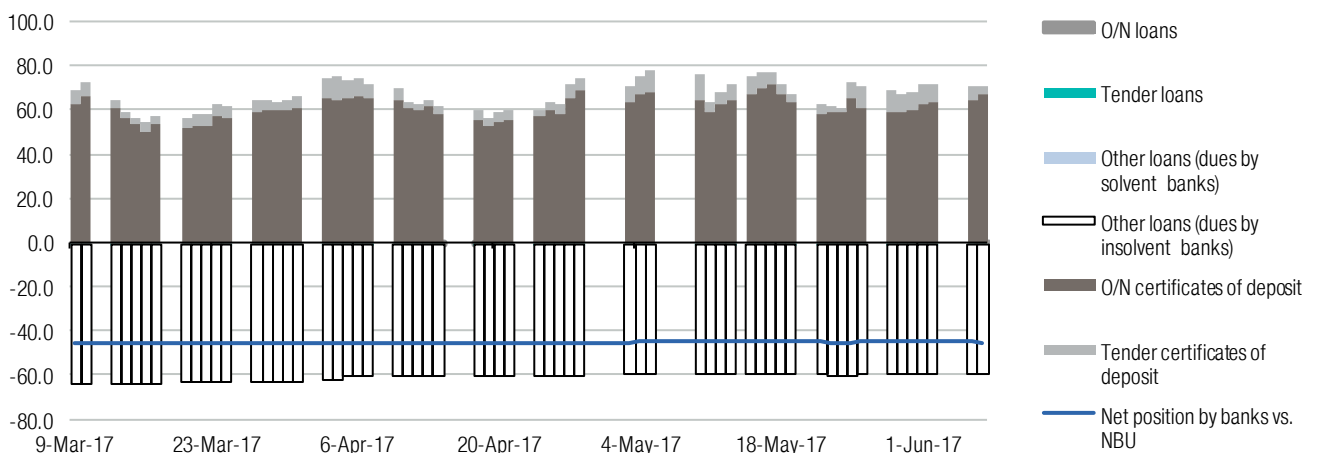


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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