

Daily Insight

Liquidity up with reallocation of funds

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This Monday, banks decreased investments in CDs by UAH3.20bn to 69.92bn as funds were reallocated to banks' accounts. Banks' correspondent accounts with the NBU rose UAH5.10bn to UAH45.01bn due to significant inflows from NBU and Treasury. As a result, total banking sector liquidity was up UAH1.89bn to UAH114.93bn.

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WEDNESDAY, 14 JUNE 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 13 June 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 13 June 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	12.50	+0bp	-150bp
Overnight rate (interbank)	11.30	+0bp	+70bp
Banks reserves (UAHm)	45,007	+2.26	-7.45
Deposit certificates* (UAHm)	69,924	-13.76	-3.11
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.0300	-0.15	-3.95
Total trade volume (US\$m)	165.16	+15.35	-2.63
UAH index PCI-based	109.271	+0.10	+1.18
UAH index PPI-based	168.413	+0.10	+0.02
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	550bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,440.35	+0.45	+9.00
MSCI EM	1,009.78	+0.09	+17.11
US dollar index (DXY)	96.975	-0.17	-5.12
EUR / USD	1.1211	+0.07	+6.60
Crude oil WTI (US\$/bbl)	46.46	+0.82	-13.51
Crude oil BRENT (US\$/bbl)	48.72	+0.89	-14.26
CRB, commodities index	175.83	-0.06	-8.66
Gold (US\$/ounce)	1,266.60	+0.06	+9.92

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity up with reallocation of funds

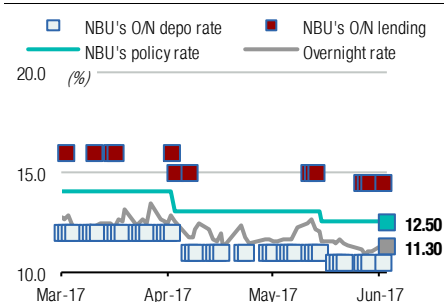
This Monday, banks decreased investments in CDs by UAH3.20bn to 69.92bn as funds were reallocated to banks' accounts. Banks' correspondent accounts with the NBU rose UAH5.10bn to UAH45.01bn due to significant inflows from NBU and Treasury. As a result, total banking sector liquidity was up UAH1.89bn to UAH114.93bn.

The key inflow was UAH1.51bn from the NBU via monetary operations, mostly via purchasing of FX at Monday's auction. Autonomous operations were only UAH0.42bn, as UAH1.07bn of inflows from the Treasury offset a cash decline.

Investment implications: Inflows from the NBU are the main source for the increase in liquidity, as autonomous operations mostly offset each other during recent days. As yesterday's FX purchasing was less significant than on Monday, today's increase in liquidity could be minor, making it unlikely to reach the years' record high. Also, today banks will pay UAH1.09bn in bond purchases, thus not supporting a further increase in liquidity.

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Interest rates in the banks' reserves market (three months through 13 June 2017)



Source: Bloomberg, ICU.

Key indicators (as of 13 June 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	12.50	+0bp	+0bp	-50bp	-150bp
Overnight	11.30	+0bp	+20bp	-20bp	+70bp
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	45,007	+2.26	+5.30	-7.41	-7.45
DepCerts ³	69,924	-13.76	-7.29	-6.99	-3.11
Total	114,931	-7.48	-2.23	-7.17	-5.04
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	373,943	+0.00	-0.32	-1.05	+5.00
Banks	280,686	-0.11	-0.19	-0.83	+62.87
Residents	22,649	+0.58	+0.17	+2.11	+44.46
Non-res ⁴	63	-0.19	-98.80	-98.81	-99.00
Total	677,341	-0.03	-1.00	-1.61	+23.04
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	-41bp	+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.

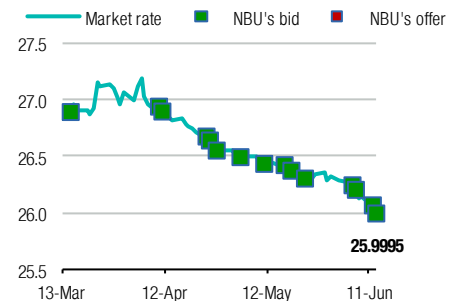
Foreign exchange markets

Key indicators (as of 13 червня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.0300	-0.15	-0.78	-1.66	-3.95
USD ¹	96.975	-0.17	+0.35	-2.29	-5.12
EUR	1.1211	+0.07	-0.59	+2.56	+6.60
JPY	110.0700	+0.11	+0.60	-2.92	-5.89
GBP ²	1.2754	+0.75	-1.22	-1.06	+3.35
CNY	6.7991	+0.01	+0.06	-1.46	-2.10
RUB	56.9961	-0.12	+0.88	-0.16	-7.38

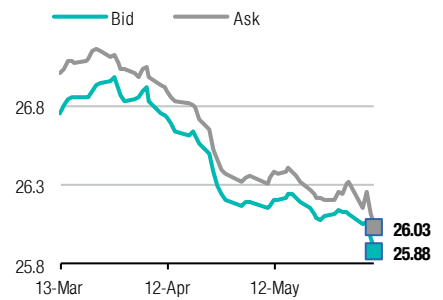
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 13 June 2017)



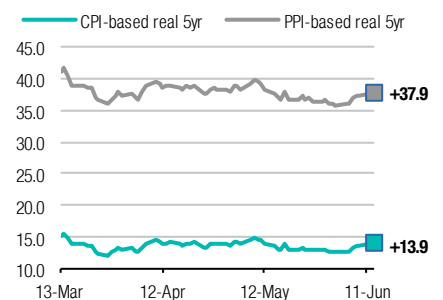
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 13 June 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 13 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)

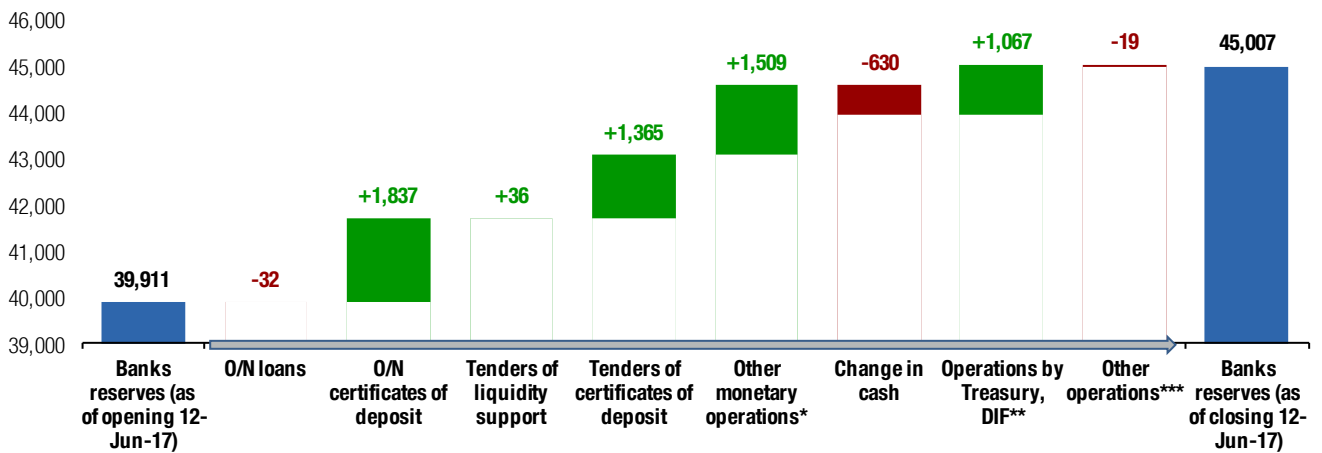
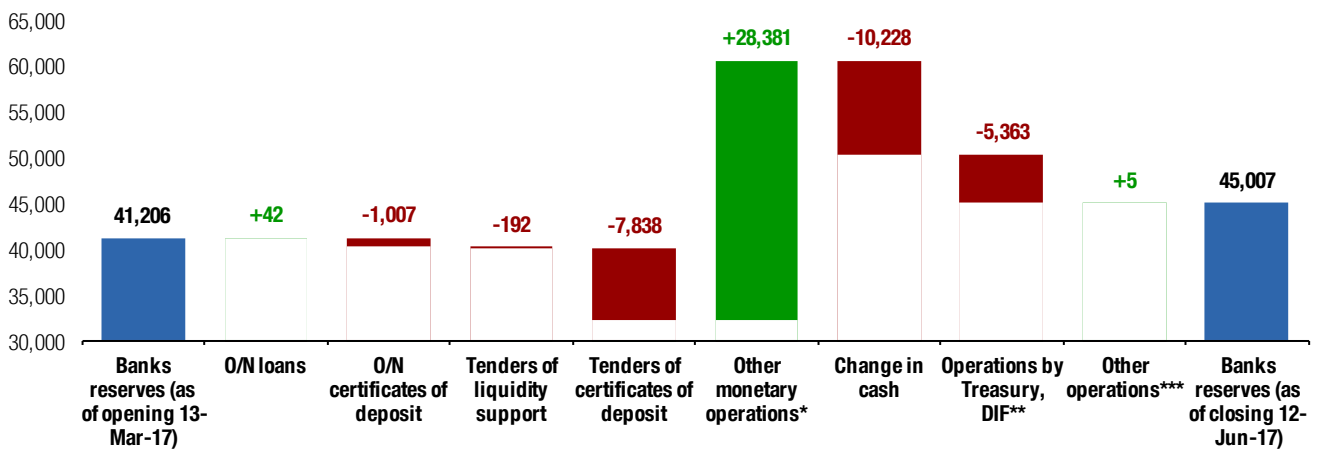
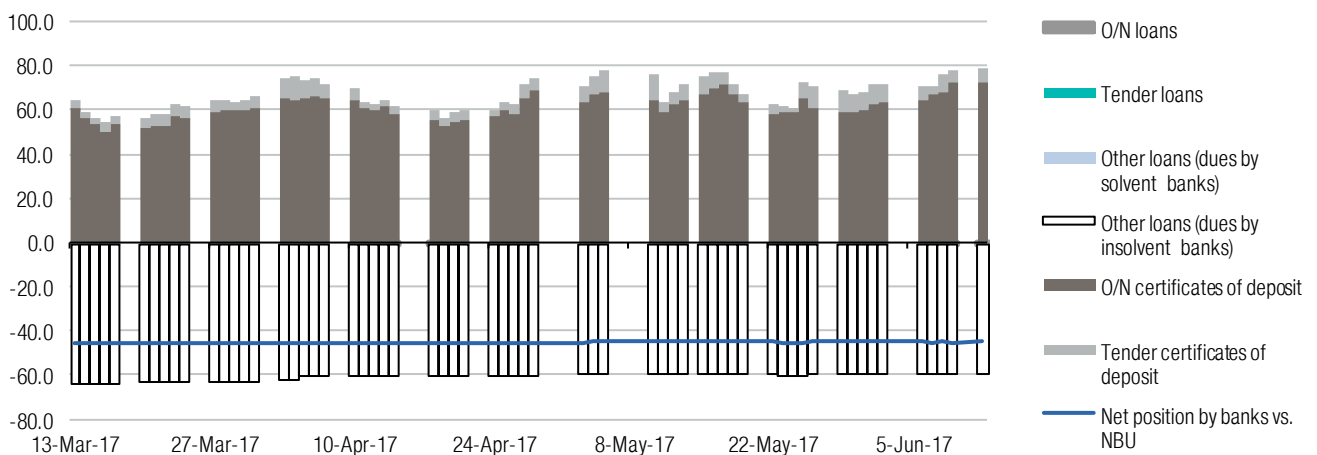


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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