

Daily Insight

Liquidity down slightly

Key messages of the today's comments

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Liquidity down slightly 2

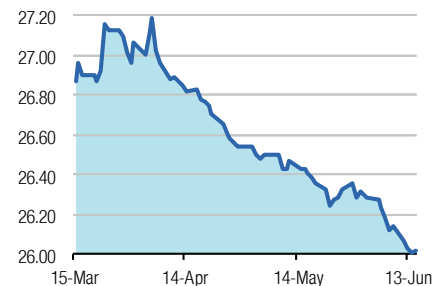
Another UAH0.54bn decline in cash combined with a UAH0.27bn surplus in Treasury operations caused banking sector liquidity to fall UAH0.26bn to UAH115.02bn yesterday. The NBU provided no new funds as it refinanced only loans that had matured.

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FRIDAY, 16 JUNE 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 15 June 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 15 June 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	12.50	+0bp	-150bp
Overnight rate (interbank)	11.10	+0bp	+50bp
Banks reserves (UAHm)	48,831	+6.10	-1.81
Deposit certificates* (UAHm)	66,186	-15.96	-10.63
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.0175	+0.03	-3.99
Total trade volume (US\$m)	150.97	-27.26	-10.99
UAH index PCI-based	110.058	+0.58	+1.91
UAH index PPI-based	169.626	+0.58	+0.74
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	558bp	-1bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,432.46	-0.22	+8.65
MSCI EM	1,003.64	-0.99	+16.40
US dollar index (DXY)	97.433	+0.51	-4.67
EUR / USD	1.1145	-0.65	+5.97
Crude oil WTI (US\$/bbl)	44.46	-0.60	-17.24
Crude oil BRENT (US\$/bbl)	46.92	-0.17	-17.42
CRB, commodities index	172.78	-0.14	-10.25
Gold (US\$/ounce)	1,253.92	-0.54	+8.82

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity down slightly

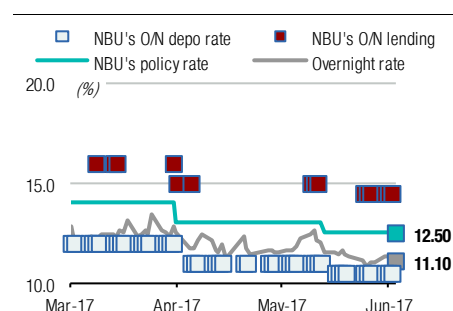
Another UAH0.54bn decline in cash combined with a UAH0.27bn surplus in Treasury operations caused banking sector liquidity to fall UAH0.26bn to UAH115.02bn yesterday. The NBU provided no new funds as it refinanced only loans that had matured.

Banks' correspondent accounts with the NBU rose for the fourth consecutive day, up UAH2.81bn to UAH48.83bn yesterday, while total CDs outstanding fell UAH3.06bn to UAH66.19bn. Banks decreased purchases of 14-day CDs, purchasing UAH3.94bn of new CDs against UAH7.23bn of redemptions.

Investment implications: Liquidity remained above UAH115bn and should stay around this level until month-end tax payments begin next week. Low inflows from the Treasury could be caused by new bond purchases following Tuesday's auction and debt repayments to the NBU.

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Interest rates in the banks' reserves market (three months through 15 June 2017)



Source: Bloomberg, ICU.

Key indicators (as of 15 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	11.10	+0bp	+10bp	-50bp	+50bp
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	48,831	+6.10	+15.46	-0.27	-1.81
DepCerts ³	66,186	-15.96	-18.73	-17.70	-10.63
Total	115,017	-9.03	-5.51	-10.23	-6.56
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	373,007	-0.25	-0.25	-1.30	+4.73
Banks	281,312	+0.27	+0.05	-0.61	+63.23
Residents	22,905	+1.72	+1.15	+3.29	+46.09
Non-res ⁴	63	+0.08	-98.81	-98.81	-99.00
Total	677,287	+0.03	-0.85	-1.62	+23.03
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	558	-1bp	+8bp	-32bp	+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.

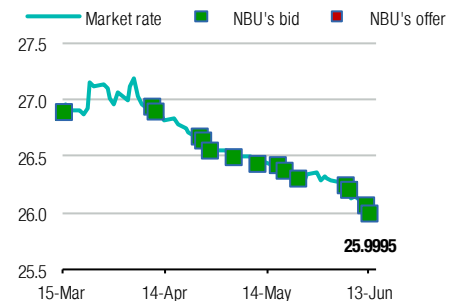
Foreign exchange markets

Key indicators (as of 15 червня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.0175	+0.03	-0.40	-1.56	-3.99
USD ¹	97.433	+0.51	+0.53	-1.49	-4.67
EUR	1.1145	-0.65	-0.62	+1.55	+5.97
JPY	110.9300	+1.23	+0.83	-2.51	-5.16
GBP ²	1.2758	+0.05	-1.53	-1.07	+3.39
CNY	6.8078	+0.24	+0.11	-1.24	-1.98
RUB	57.8495	+0.79	+1.65	+2.63	-5.99

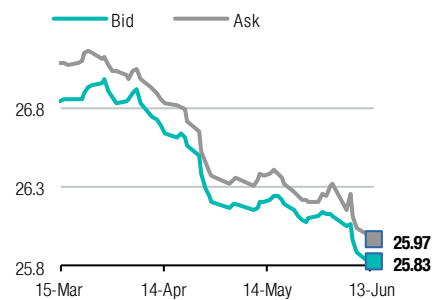
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 15 June 2017)



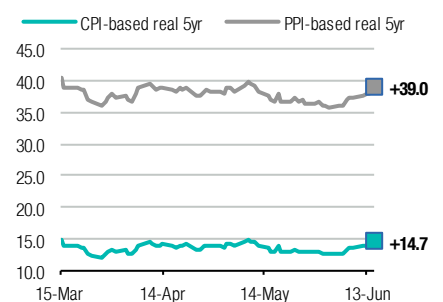
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 15 June 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 15 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)

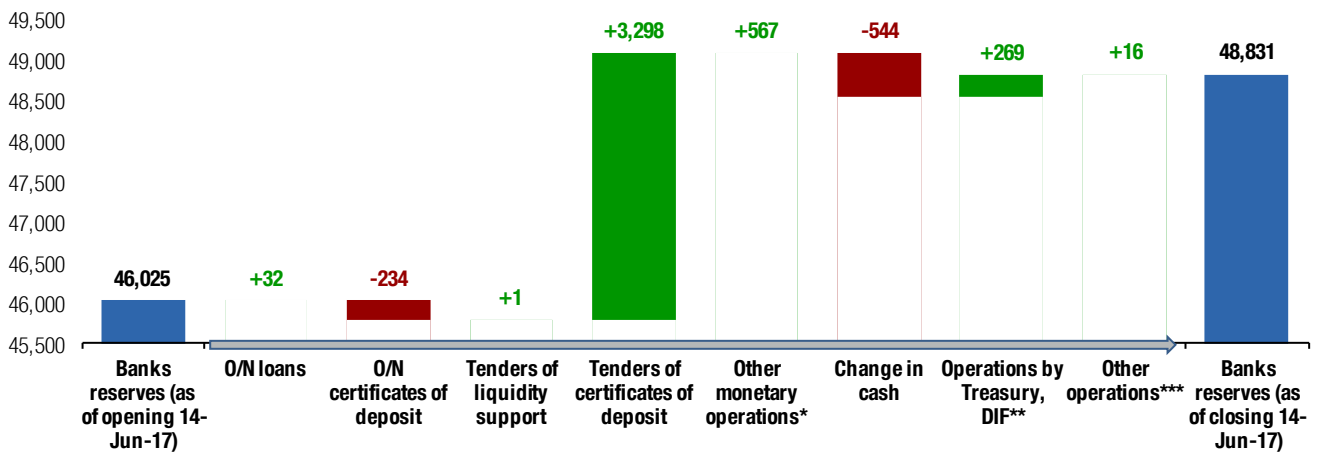
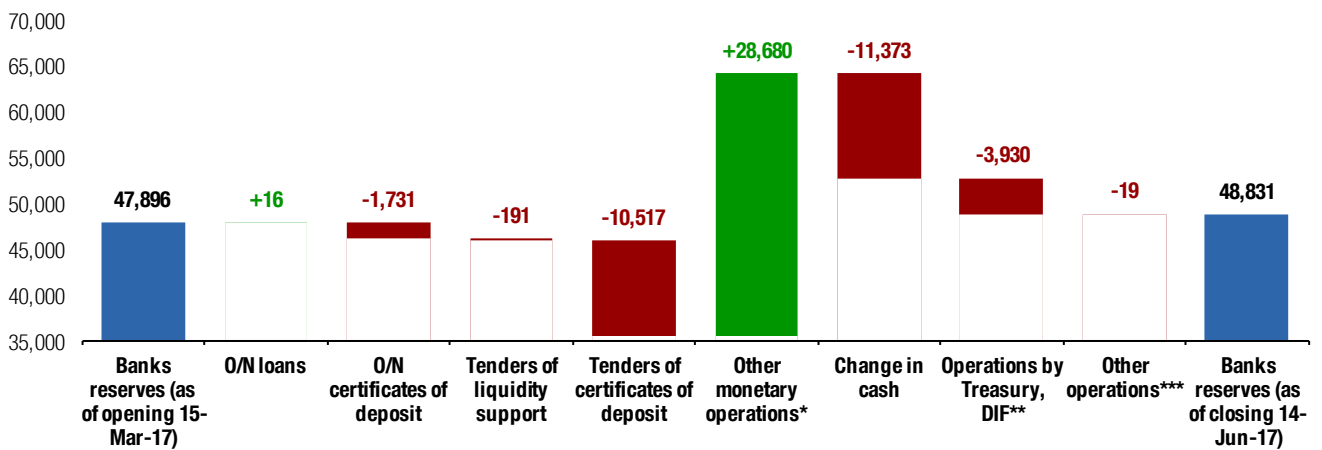
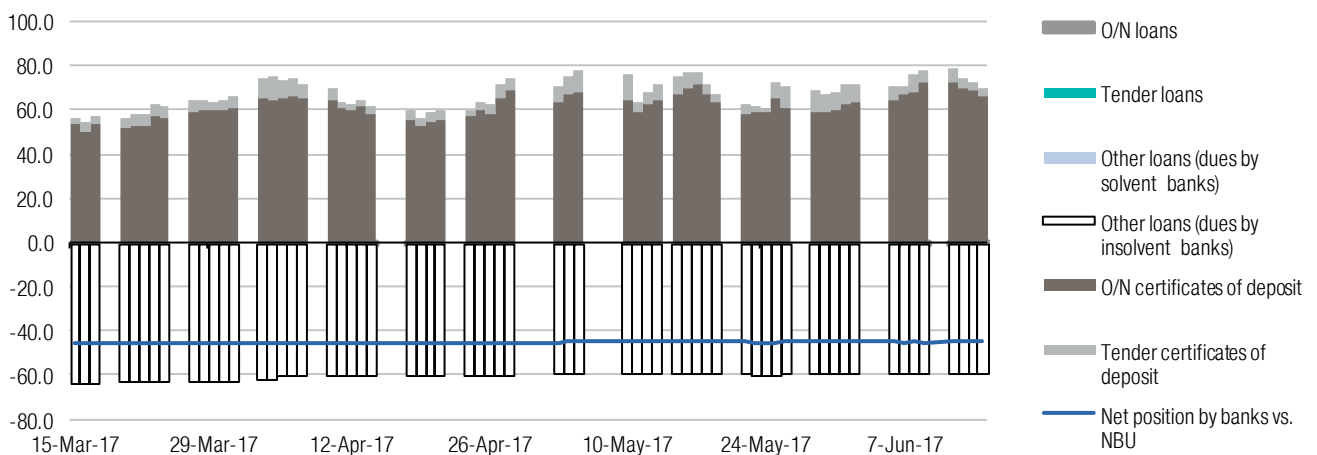


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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