

Daily Insight

Liquidity near record high

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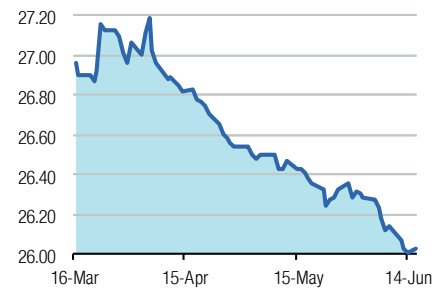
As a result of significant budget expenditures last Thursday, the State Treasury caused an increase in liquidity of UAH2.20bn to UAH117.22bn, or UAH0.21bn below this year's record high seen at the end of April. Treasury inflows of UAH2.94bn were offset of cash outflows, with a net positive impact of autonomous operations of UAH2.21bn. The NBU provided no additional funds.

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MONDAY, 19 JUNE 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 16 June 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 16 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)	49,007	+4.18	+2.66
Deposit certificates* (UAHm)	68,215	-19.46	-11.72
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.0250	+0.03	-3.97
Total trade volume (US\$m)	195.21	+29.30	+15.09
UAH index PCI-based	109.696	-0.33	+1.57
UAH index PPI-based	169.068	-0.33	+0.41
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	570bp	+12bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,433.15	+0.03	+8.68
MSCI EM	1,003.12	-0.05	+16.33
US dollar index (DXY)	97.164	-0.28	-4.94
EUR / USD	1.1198	+0.48	+6.48
Crude oil WTI (US\$/bbl)	44.74	+0.63	-16.72
Crude oil BRENT (US\$/bbl)	47.37	+0.96	-16.63
CRB, commodities index	173.05	+0.16	-10.11
Gold (US\$/ounce)	1,253.65	-0.02	+8.80

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity near record high

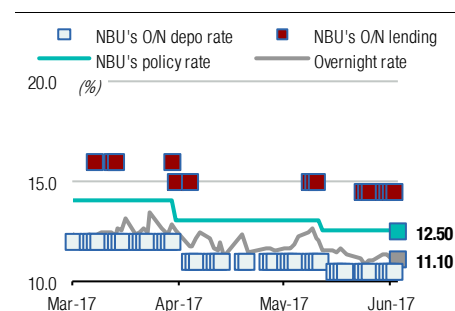
As a result of significant budget expenditures last Thursday, the State Treasury caused an increase in liquidity of UAH2.20bn to UAH117.22bn, or UAH0.21bn below this year's record high seen at the end of April. Treasury inflows of UAH2.94bn were offset of cash outflows, with a net positive impact of autonomous operations of UAH2.21bn. The NBU provided no additional funds.

Banks' correspondent accounts with the NBU rose a mere UAH0.18bn to UAH49.01bn while total CDs outstanding increased UAH2.03bn to UAH68.22bn.

Investment implications: According to Treasury data, VAT refunds were minor, having little impact on routine expenditures. There could have been new deposits by local budgets. If the situation remains steady with large inflows from the Treasury, next week could open at a new record high level of liquidity this year.

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Interest rates in the banks' reserves market (three months through 16 June 2017)



Source: Bloomberg, ICU.

Key indicators (as of 16 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	49,007	+4.18	+29.03	+10.01	+2.66
DepCerts ³	68,215	-19.46	-24.35	-21.84	-11.72
Total	117,222	-9.57	-5.53	-9.18	-5.33
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	373,007	+0.00	-0.25	-1.30	+4.73
Banks	281,273	-0.01	+0.09	-0.59	+63.21
Residents	22,905	+0.00	+1.41	+2.75	+46.09
Non-res ⁴	60	-5.09	-5.54	-98.87	-99.05
Total	677,245	-0.01	-0.06	-1.63	+23.02
IMPLIED YIELDS OF THE UAH NDF MARKET (%)					
3 months	9.80	-501bp	-484bp	-6bp	-13ppt
6 months	13.68	-2bp	+10bp	+29bp	-479bp
9 months	14.41	-1bp	+8bp	+21bp	-359bp
1 year	15.61	-1bp	+7bp	+20bp	-139bp
UKRAINE SOVEREIGN EUROBOND MARKET					
CDS 5yr	570	+12bp	+20bp	-20bp	+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.

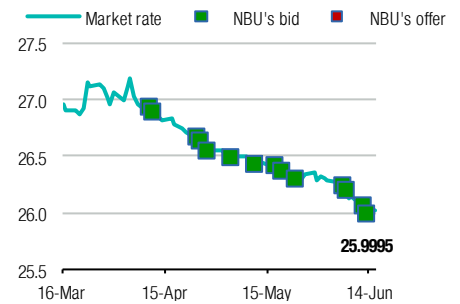
Foreign exchange markets

Key indicators (as of 16 червня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.0250	+0.03	-0.46	-1.53	-3.97
USD ¹	97.164	-0.28	-0.11	-0.96	-4.94
EUR	1.1198	+0.48	+0.03	+1.04	+6.48
JPY	110.8800	-0.05	+0.51	-1.98	-5.20
GBP ²	1.2783	+0.20	+0.29	-1.04	+3.59
CNY	6.8105	+0.04	+0.18	-1.11	-1.94
RUB	57.6300	-0.38	+1.04	+1.85	-6.35

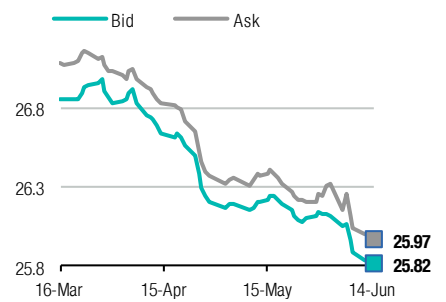
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 16 June 2017)



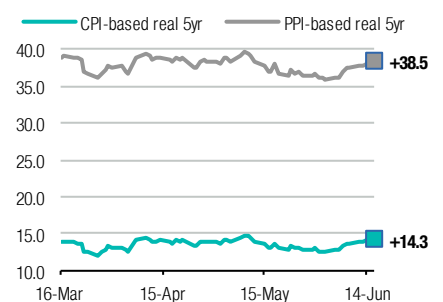
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 16 June 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 16 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)

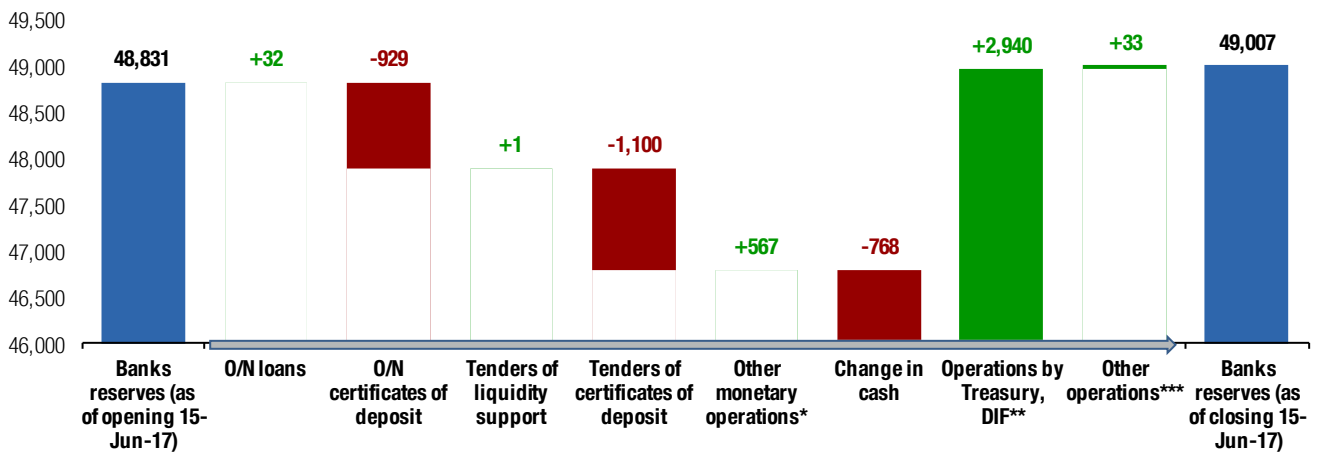
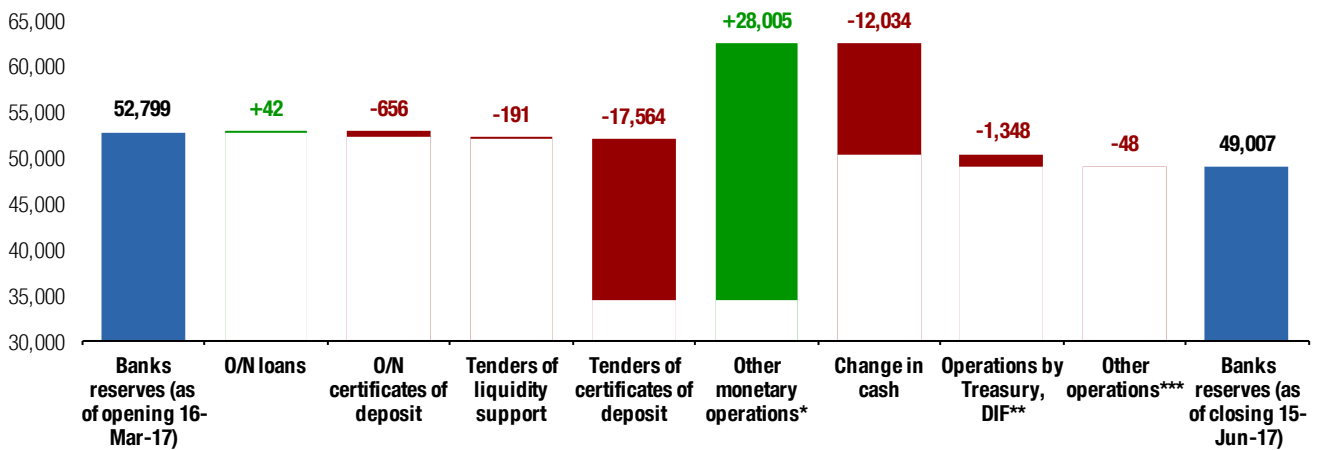
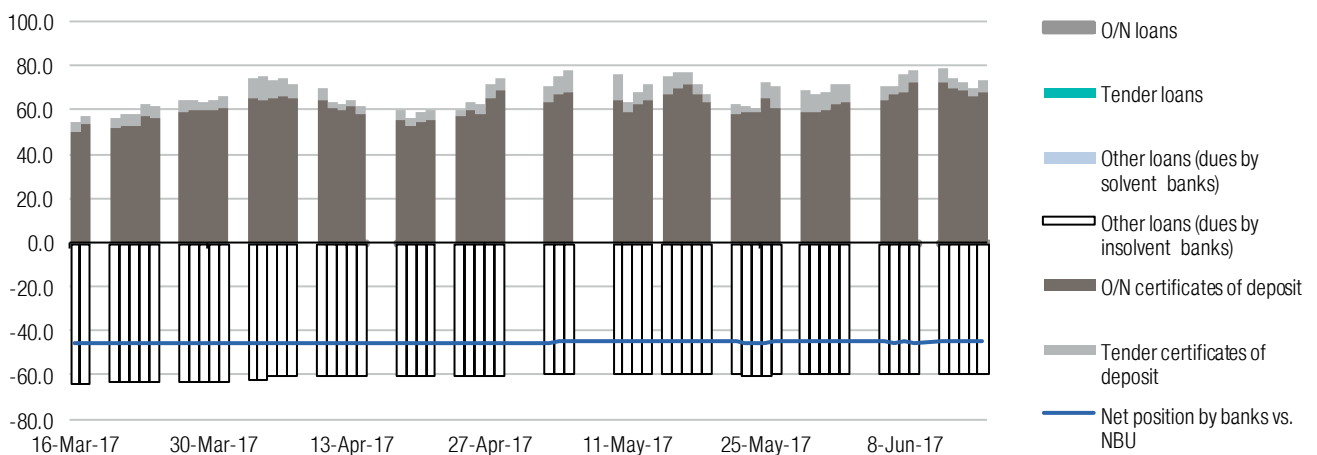


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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