

# Daily Insight

## Liquidity continues to decline

### Key messages of the today's comments

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##### Liquidity continues to decline ..... 2

On Tuesday, for the second consecutive day, there was a significant outflow of funds to Treasury accounts when the Treasury collected about UAH7.9bn of different revenues. However, due to lower expenditures, the negative balance of operations was UAH3.35bn. The minor increase in cash had no real impact on liquidity, resulting in negative impact of autonomous non-monetary operations of UAH3.30bn. Banks refinanced a UAH0.04bn ON loan for one week, repaying it to the NBU the same day.

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THURSDAY, 22 JUNE 2017

#### Ukraine's hryvnia exchange rate per US dollar (three months through 21 June 2017)



Source: Bloomberg.

#### Selected indicators of the financial markets (three months through 21 June 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	12.50	+0bp	-150bp
Overnight rate (interbank)	11.00	-10bp	+40bp
Banks reserves (UAHm)	45,747	+2.51	-5.71
Deposit certificates* (UAHm)	64,857	-22.26	-18.99
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	26.0200	-0.04	-3.99
Total trade volume (US\$m)	192.14	-12.20	+13.28
UAH index PCI-based	110.993	+0.22	+2.77
UAH index PPI-based	171.067	+0.22	+1.60
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	579bp	+9bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,435.61	-0.06	+8.79
MSCI EM	1,006.47	-0.22	+16.72
US dollar index (DXY)	97.559	-0.21	-4.55
EUR / USD	1.1168	+0.31	+6.19
Crude oil WTI (US\$/bbl)	42.53	-2.25	-20.83
Crude oil BRENT (US\$/bbl)	44.82	-2.61	-21.12
CRB, commodities index	167.42	-1.32	-13.03
Gold (US\$/ounce)	1,246.55	+0.29	+8.18

Notes: \* NBU's short-term bonds.

Source: Bloomberg, ICU.

# Domestic liquidity

## Liquidity continues to decline

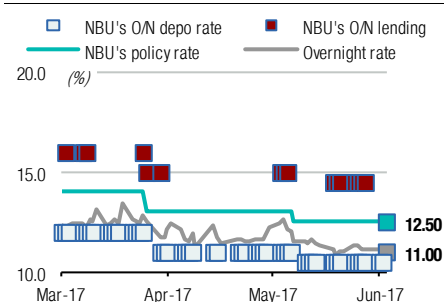
On Tuesday, for the second consecutive day, there was a significant outflow of funds to Treasury accounts when the Treasury collected about UAH7.9bn of different revenues. However, due to lower expenditures, the negative balance of operations was UAH3.35bn. The minor increase in cash had no real impact on liquidity, resulting in negative impact of autonomous non-monetary operations of UAH3.30bn. Banks refinanced a UAH0.04bn ON loan for one week, repaying it to the NBU the same day.

As a result of Tuesday's outflows, banking sector liquidity fell UAH3.34bn to UAH110.60bn. Banks' correspondent accounts with the NBU declined UAH1.43bn to UAH45.75bn and total CDs outstanding fell UAH1.91bn to UAH64.86bn. Banks decreased the amount of purchases (versus same day redemptions) of ON CDs by UAH0.83bn and in 14-day CDs by UAH1.08bn.

**Investment implications: The Treasury continued to collect funds at accounts, likely prior to a large VAT refund usually scheduled at the end of month, despite launching automatic refunds. If expenditures will remain lower than revenues, liquidity should continue to decline further but still remain high.**

**Taras Kotovych, Kyiv, (044) 220-0120 ext.724**

## Interest rates in the banks' reserves market (three months through 21 June 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 21 June 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>BANKS' RESERVES MARKET (%)</b>					
NBU rate <sup>1</sup>	12.50	+0bp	+0bp	-50bp	-150bp
Overnight	11.00	-10bp	-10bp	-120bp	+40bp
<b>KYIV PRIME RATES (%)</b>					
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
<b>DOMESTIC LIQUIDITY (UAH MILLION)</b>					
Reserves <sup>2</sup>	45,747	+2.51	+1.89	-0.04	-5.71
DepCerts <sup>3</sup>	64,857	-22.26	-27.20	-20.96	-18.99
<b>Total</b>	<b>110,604</b>	<b>-12.02</b>	<b>-15.58</b>	<b>-12.09</b>	<b>-13.09</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	373,007	+0.00	-0.25	-1.30	+4.73
Banks	281,425	-0.02	+0.31	+0.57	+63.30
Residents	22,849	+0.33	+1.47	+3.71	+45.73
Non-res <sup>4</sup>	60	+0.03	-4.92	-98.86	-99.05
<b>Total</b>	<b>677,341</b>	<b>+0.00</b>	<b>+0.04</b>	<b>-1.13</b>	<b>+23.04</b>
<b>IMPLIED YIELDS OF THE UAH NDF MARKET (%)</b>					
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
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>					
CDS 5yr	579	+9bp	+20bp	-18bp	+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.

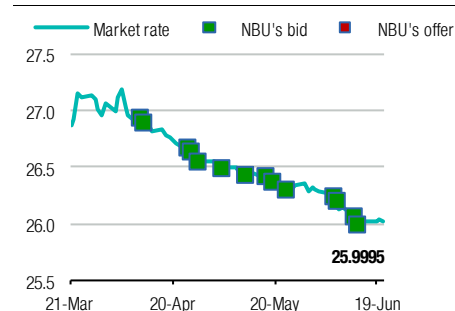
# Foreign exchange markets

## Key indicators (as of 21 червня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	26.0200	-0.04	+0.04	-1.29	-3.99
USD <sup>1</sup>	97.559	-0.21	+0.64	+0.43	-4.55
EUR	1.1168	+0.31	-0.45	-0.34	+6.19
JPY	111.3800	-0.06	+1.64	+0.11	-4.77
GBP <sup>2</sup>	1.2671	+0.33	-0.63	-2.80	+2.68
CNY	6.8295	+0.00	+0.56	-0.81	-1.66
RUB	60.2822	+1.17	+5.03	+5.96	-2.04

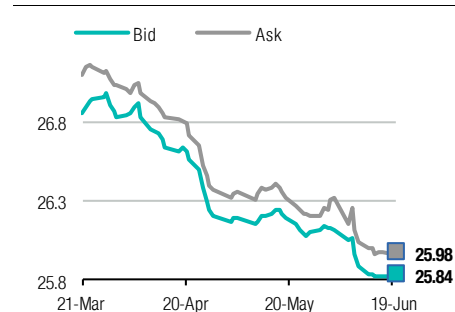
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 21 June 2017)



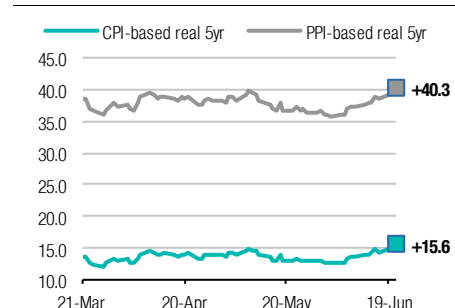
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 21 June 2017)



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 21 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)

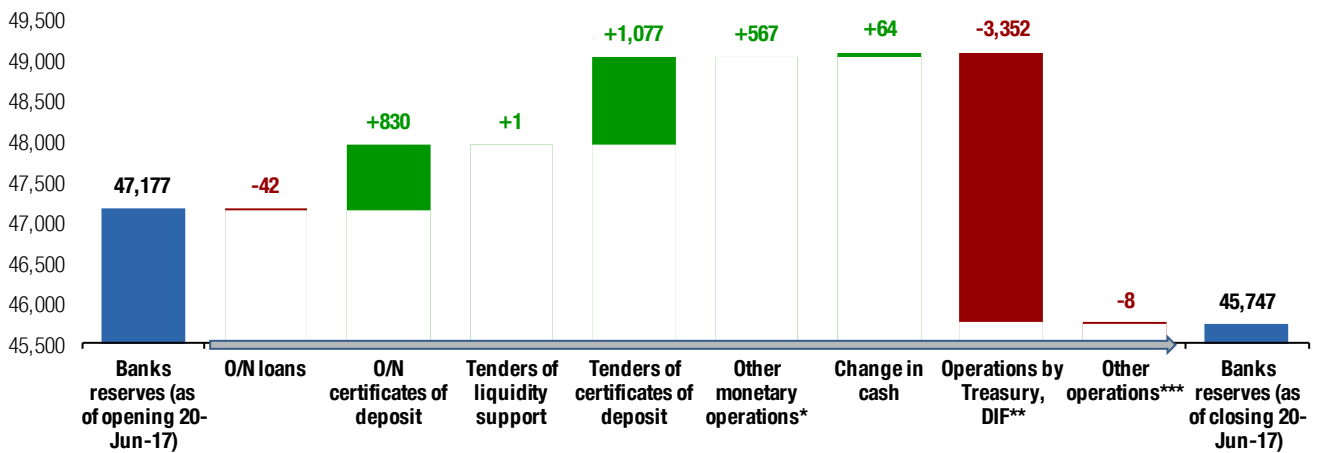
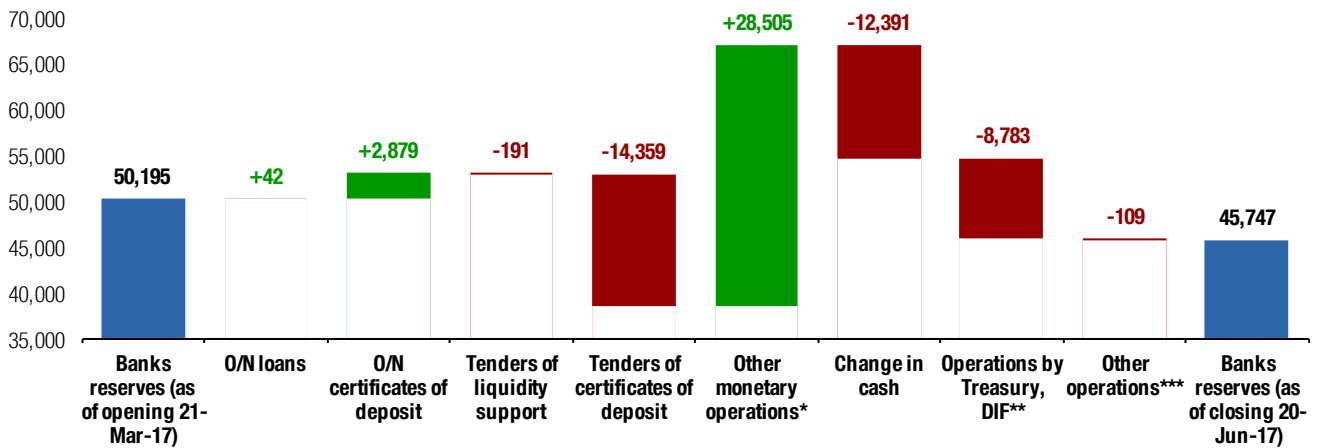
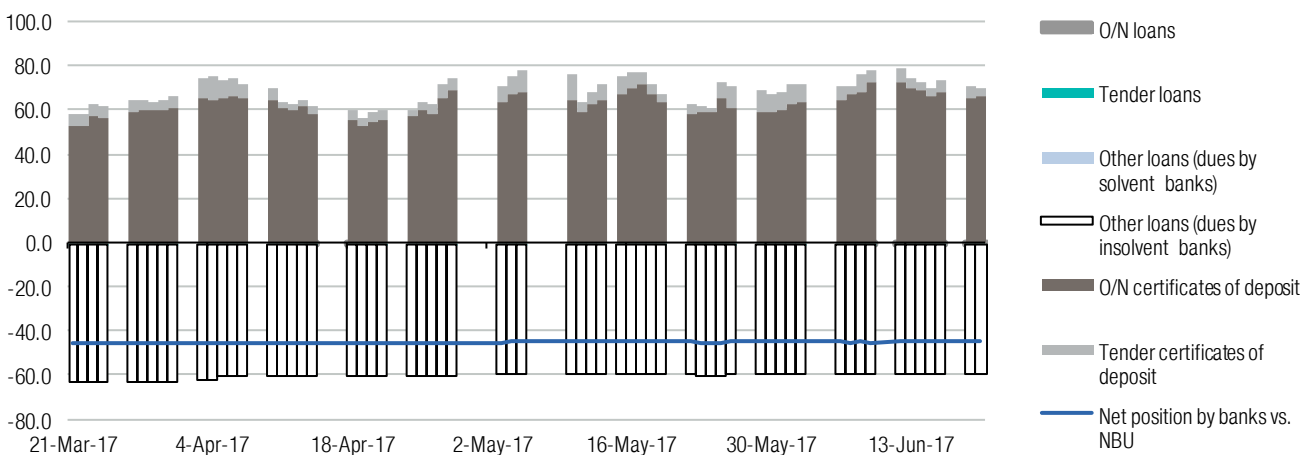


Chart 2. Banks reserves usages over last 90-day period (UAHm)



Notes: [1] data from the NBU's daily reporting [https://bank.gov.ua/control/uk/publish/article?art\\_id=38643651&cat\\_id=40807142](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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