

# Daily Insight

## Treasury accumulates funds

### Key messages of the today's comments

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##### Treasury accumulates funds ..... 2

During the first three days of this week, the Treasury's operations balance was negative, above UAH3bn every day. This Wednesday, the Treasury absorbed UAH3.04bn, almost the entire UAH3.05bn negative impact of non-monetary autonomous operations, ultimately causing banking sector liquidity to decline over three days by UAH9.48bn to UAH107.56bn yesterday morning.

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FRIDAY, 23 JUNE 2017

#### Ukraine's hryvnia exchange rate per US dollar (three months through 22 June 2017)



Source: Bloomberg.

#### Selected indicators of the financial markets (three months through 22 June 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	12.50	+0bp	-150bp
Overnight rate (interbank)	11.30	+30bp	+70bp
Banks reserves (UAHm)	46,895	+5.36	-0.65
Deposit certificates* (UAHm)	60,670	-3.53	-5.96
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	26.0250	+0.02	-3.97
Total trade volume (US\$m)	94.97	-50.57	-44.01
UAH index PCI-based	110.908	-0.08	+2.69
UAH index PPI-based	170.936	-0.08	+1.52
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	585bp	+6bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,434.50	-0.05	+8.74
MSCI EM	1,008.81	+0.23	+16.99
US dollar index (DXY)	97.593	+0.03	-4.52
EUR / USD	1.1152	-0.14	+6.04
Crude oil WTI (US\$/bbl)	42.74	+0.49	-20.44
Crude oil BRENT (US\$/bbl)	45.22	+0.89	-20.42
CRB, commodities index	166.50	-0.55	-13.51
Gold (US\$/ounce)	1,250.45	+0.31	+8.52

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Treasury accumulates funds

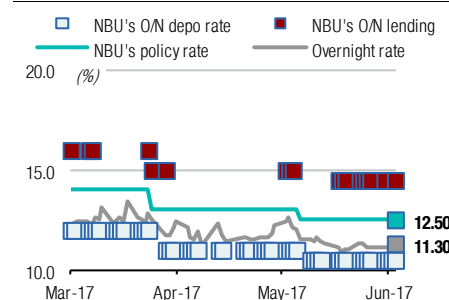
During the first three days of this week, the Treasury's operations balance was negative, above UAH3bn every day. This Wednesday, the Treasury absorbed UAH3.04bn, almost the entire UAH3.05bn negative impact of non-monetary autonomous operations, ultimately causing banking sector liquidity to decline over three days by UAH9.48bn to UAH107.56bn yesterday morning.

This Wednesday, banks significantly decreased investments in CDs as total CDs outstanding fell UAH4.19bn to UAH60.67bn: 14-day CDs declined UAH4.46bn while ON CDs slid only UAH0.27bn, versus same day CD redemptions. Banks' correspondent accounts rose UAH1.15bn to UAH46.89bn.

**Investment implications: The Treasury appears to have accumulated funds for future expenditures and possibly VAT refunds. As the Treasury has injected UAH10.2bn into the banking system since the beginning of the month, UAH9.5bn of current outflows appears to be insignificant. Ahead of the end of the month, the Treasury could try to maintain the balance and not increase volatility at the accounts' balance going into the new month.**

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

## Interest rates in the banks' reserves market (three months through 22 June 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 22 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	11.30	+30bp	+20bp	-110bp	+70bp
<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>	46,895	+5.36	+1.18	+14.34	-0.65
DepCerts <sup>3</sup>	60,670	-3.53	-11.57	-0.31	-5.96
<b>Total</b>	<b>107,565</b>	<b>+0.35</b>	<b>-6.16</b>	<b>+5.90</b>	<b>-3.60</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	373,007	+0.00	+0.00	-1.30	+4.73
Banks	280,718	-0.25	-0.21	+0.20	+62.89
Residents	22,807	-0.19	-0.43	+3.70	+45.46
Non-res <sup>4</sup>	320	+433.0	+406.4	-93.94	-94.96
<b>Total</b>	<b>676,852</b>	<b>-0.07</b>	<b>-0.06</b>	<b>-1.24</b>	<b>+22.95</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	585	+6bp	+27bp	-10bp	+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

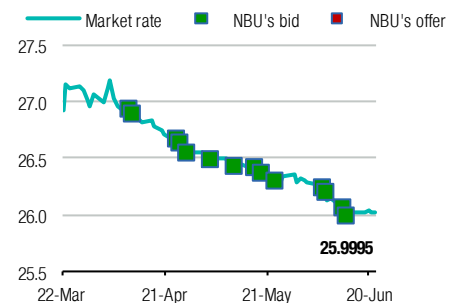
Key indicators (as of 22 червня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES</b> (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.0250	+0.02	+0.03	-1.15	-3.97
USD <sup>1</sup>	97.593	+0.03	+0.16	+0.63	-4.52
EUR	1.1152	-0.14	+0.06	-0.76	+6.04
JPY	111.3300	-0.04	+0.36	+0.03	-4.81
GBP <sup>2</sup>	1.2682	+0.09	-0.60	-2.45	+2.77
CNY	6.8348	+0.08	+0.40	-0.75	-1.59
RUB	59.9889	-0.49	+3.70	+5.92	-2.52

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

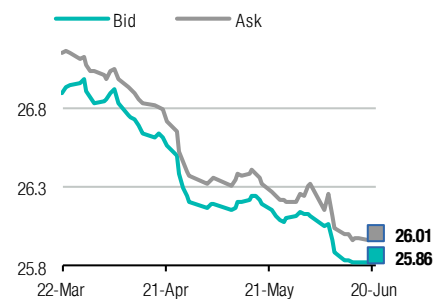
Source: Bloomberg, ICU.

**Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 22 June 2017)**



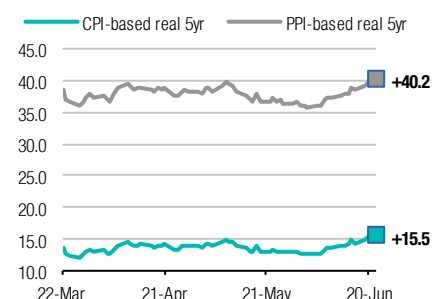
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

**Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 22 June 2017)**



Source: NBU.

**UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 22 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)

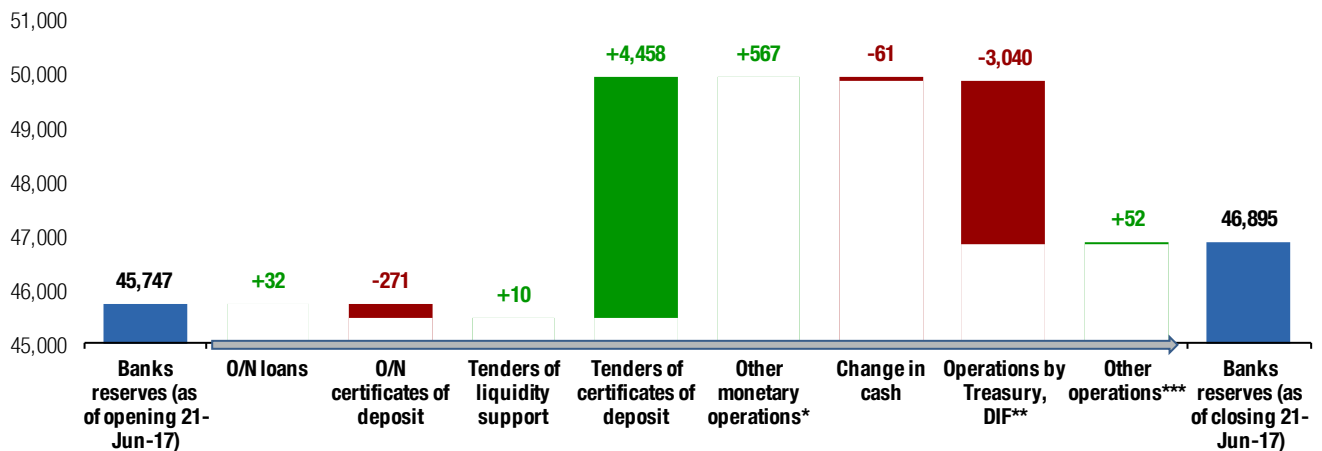
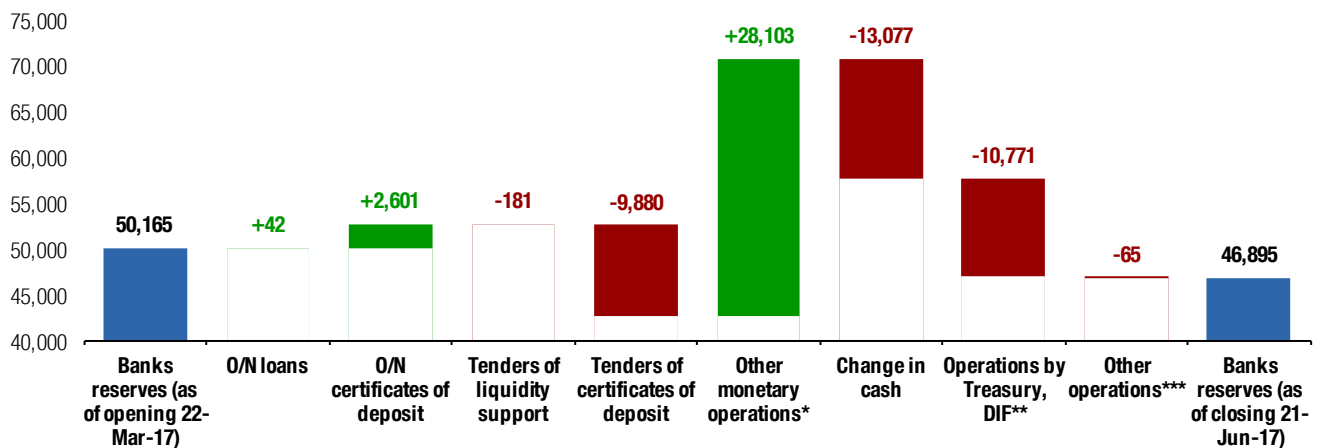


Chart 2. Banks reserves usages over last 90-day period (UAHm)

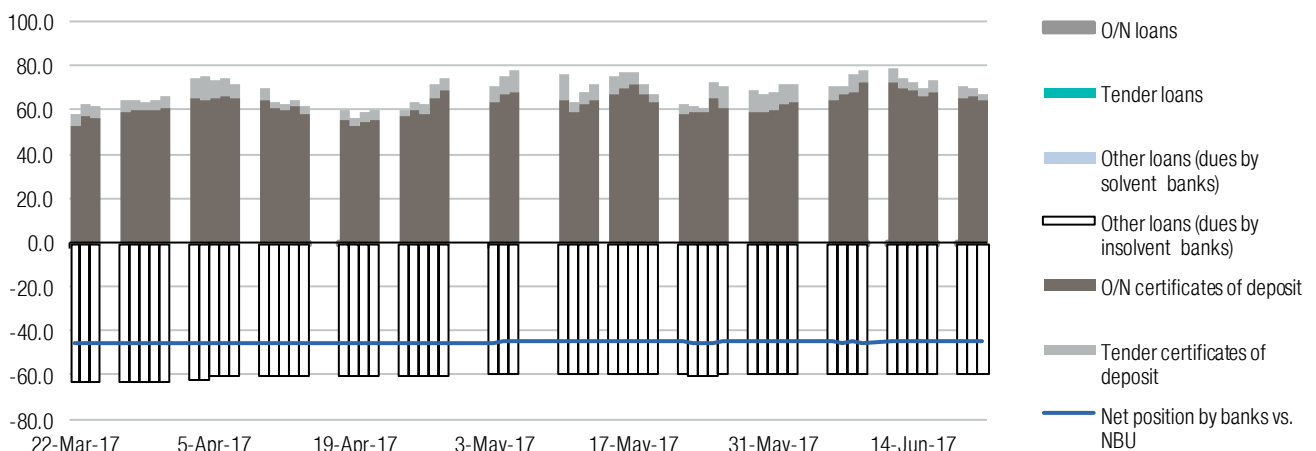


Notes: [1] data from the NBU's daily reporting [https://bank.gov.ua/control/uk/publish/article?art\\_id=38643651&cat\\_id=40807142](https://bank.gov.ua/control/uk/publish/article?art_id=38643651&cat_id=40807142) ;

\* 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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