

Daily Insight

Liquidity down

Key messages of the today's comments

Domestic liquidity 2

Liquidity down 2

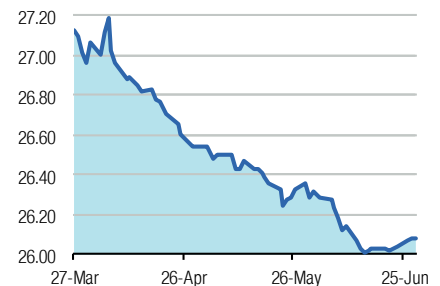
This Monday, the Treasury caused a significant decline in liquidity, due to the negative balance of its operations at UAH5.26bn. After receiving over UAH14bn of funds, of which UAH4.44bn were from government authorities and companies, UAH13.3bn of which appear to be dividends from Naftogaz (UAH9bn of which were paid last week, according to Treasury data). This Monday, the Treasury paid in only UAH1.68bn in VAT refunds.

Foreign exchange markets 3

Appendix #1: Domestic liquidity 4

THURSDAY, 29 JUNE 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 27 June 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 27 June 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	12.50	+0bp	-150bp
Overnight rate (interbank)	10.80	-40bp	+20bp
Banks reserves (UAHm)	48,504	+13.55	+10.75
Deposit certificates* (UAHm)	57,813	-21.51	-27.09
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.0750	+0.02	-3.78
Total trade volume (US\$m)	115.85	-0.26	-31.70
UAH index PCI-based	109.719	-0.39	+1.59
UAH index PPI-based	169.103	-0.39	+0.43
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	585bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,440.69	+0.88	+9.02
MSCI EM	1,016.68	-0.24	+17.91
US dollar index (DXY)	96.394	-1.06	-5.69
EUR / USD	1.1339	+1.40	+7.82
Crude oil WTI (US\$/bbl)	44.24	+1.98	-17.65
Crude oil BRENT (US\$/bbl)	46.65	+1.79	-17.90
CRB, commodities index	170.01	+0.86	-11.69
Gold (US\$/ounce)	1,247.13	+0.19	+8.23

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity down

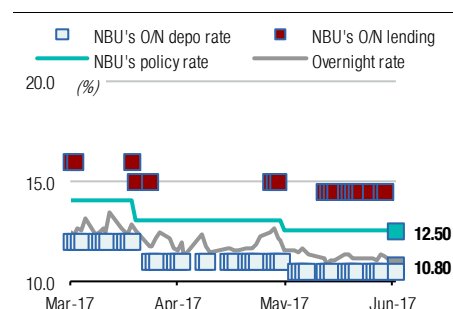
This Monday, the Treasury caused a significant decline in liquidity, due to the negative balance of its operations at UAH5.26bn. After receiving over UAH14bn of funds, of which UAH4.44bn were from government authorities and companies, UAH13.3bn of which appear to be dividends from Naftogaz (UAH9bn of which were paid last week, according to Treasury data). This Monday, the Treasury paid in only UAH1.68bn in VAT refunds.

As a result, banking sector liquidity declined UAH4.69bn to UAH106.32bn through Tuesday morning. Banks' correspondent accounts with the NBU fell UAH5.27bn to UAH48.50bn while total CDs outstanding rose UAH0.58bn to UAH57.81bn. As opposed to last week, banks decreased the amount of ON CDs on Monday, and increased purchases of 14-days CDs.

Investment implications: Due to Naftogaz and Treasury information, recent outflows to the budget were mostly from Naftogaz dividend payments, and only part of the outflows was from month-end tax payments. Through the end of the month, volatility should be less significant.

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Interest rates in the banks' reserves market (three months through 27 June 2017)



Source: Bloomberg, ICU.

Key indicators (as of 27 June 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	12.50	+0bp	+0bp	+0bp	-150bp
Overnight	10.80	-40bp	-30bp	-70bp	+20bp
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	48,504	+13.55	+16.75	+9.84	+10.75
DepCerts ³	57,813	-21.51	-32.04	-25.60	-27.09
Total	106,317	-5.51	-11.84	-9.61	-10.29
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	373,007	+0.00	+0.00	-0.84	+4.73
Banks	280,427	+0.01	-0.37	-0.22	+62.72
Residents	23,154	-0.06	+1.67	+2.11	+47.68
Non-res ⁴	320	+0.02	+433.5	-93.91	-94.95
Total	676,908	+0.00	-0.06	-1.20	+22.96
IMPLIED YIELDS OF THE UAH NDF MARKET (%)					
3 months	9.94	+8bp	-461bp	+5bp	-12ppt
6 months	13.72	+11bp	+14bp	+26bp	-475bp
9 months	14.43	+8bp	+9bp	+19bp	-358bp
1 year	15.21	+5bp	+5bp	-22bp	-178bp
UKRAINE SOVEREIGN EUROBOND MARKET					
CDS 5yr	585	+0bp	+15bp	-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.

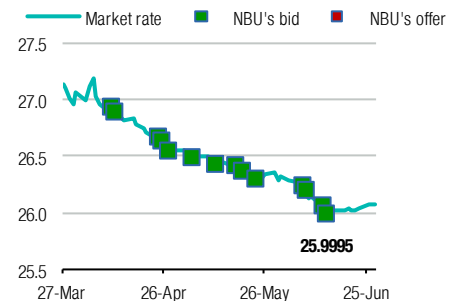
Foreign exchange markets

Key indicators (as of 27 червня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.0750	+0.02	+0.17	-0.97	-3.78
USD ¹	96.394	-1.06	-1.40	-1.08	-5.69
EUR	1.1339	+1.40	+1.84	+1.39	+7.82
JPY	112.3500	+0.44	+0.81	+0.92	-3.94
GBP ²	1.2814	+0.72	+1.46	+0.08	+3.84
CNY	6.8126	-0.42	-0.24	-0.63	-1.91
RUB	59.4216	+1.03	-0.27	+5.14	-3.44

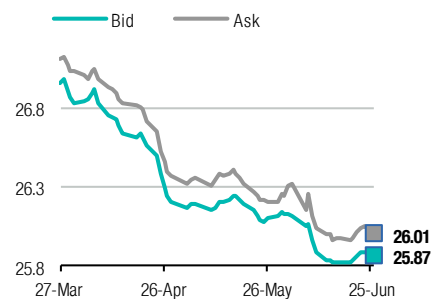
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 27 June 2017)



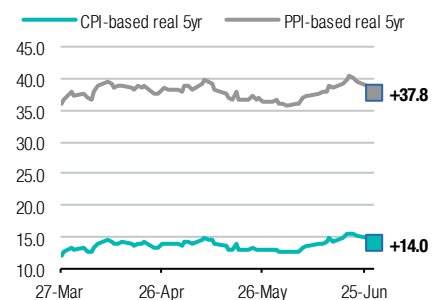
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 27 June 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 27 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)

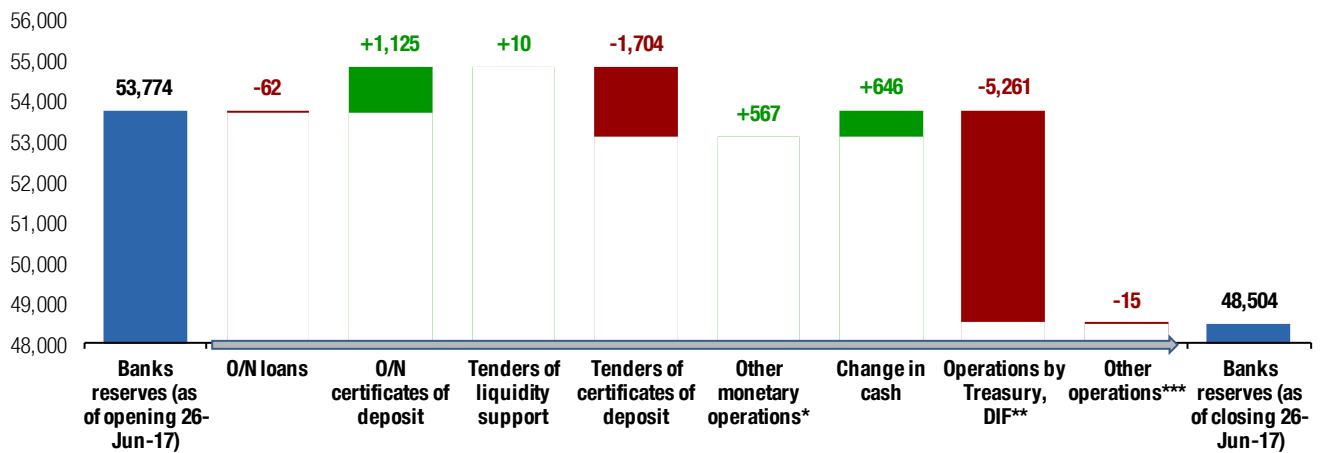
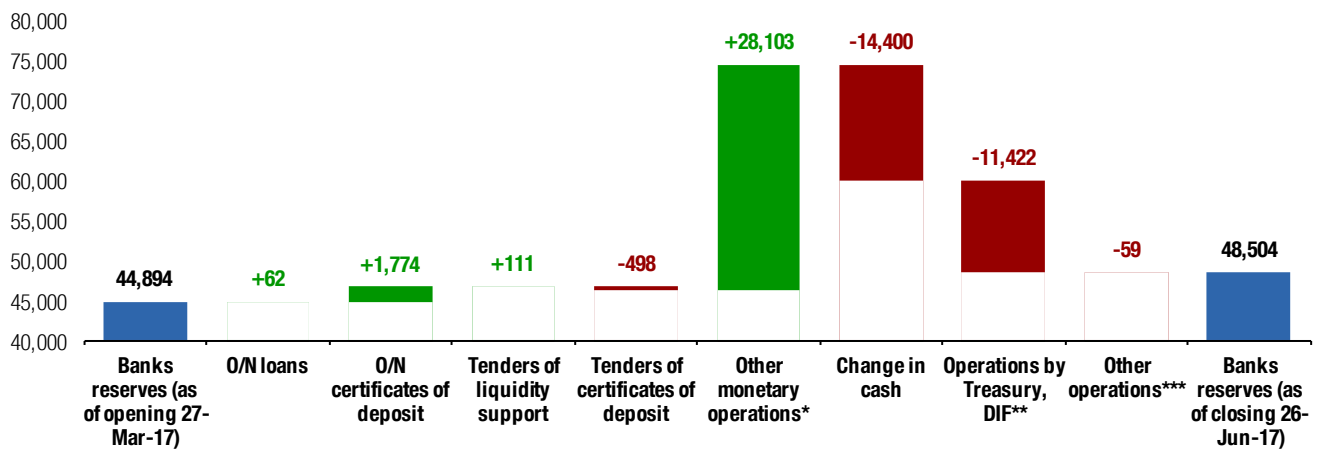
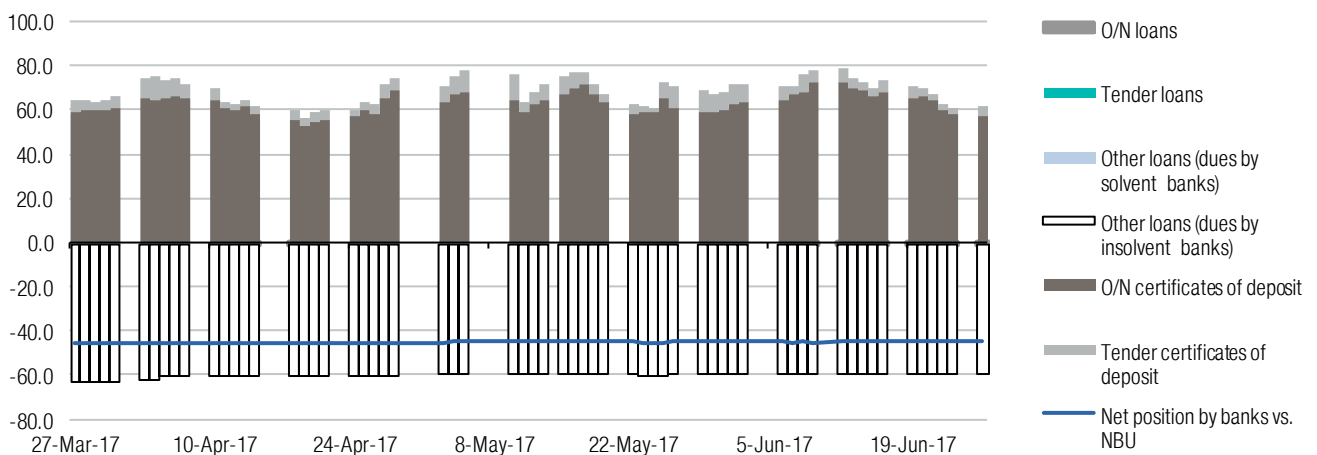


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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