

Daily Insight

Banks increased CDs outstanding

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Banks increased CDs outstanding 2

As the month begins, liquidity should become more stable, and, therefore, banks will increase investments in CDs. On Monday, UAH5.67bn more CDs were purchased than were redeemed. There was a preference for 14-day CDs over ON certificates. However, there was a renewed wave of outflows to Treasury accounts, and liquidity declined UAH1.03bn to UAH103.30bn. As a result, due to the increase in CDs combined with outflows, banks' correspondent accounts with the NBU fell UAH6.71bn to UAH44.09bn.

Auction comment: Inactive auction 2

Yesterday was the first auction according to the new schedule that takes into account demand from primary dealers. It was not particularly successful. Out of three bonds offered, there was demand for only two bonds, and the amount raised was insufficient.

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WEDNESDAY, 5 JULY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 4 July 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 4 July 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	12.50	+0bp	-150bp
Overnight rate (interbank)	10.90	-60bp	+30bp
Banks reserves (UAHm)	44,088	-13.21	-11.35
Deposit certificates* (UAHm)	41,375	-12.86	-42.07
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.0550	+0.25	-3.86
Total trade volume (US\$m)	126.53	+7.34	-25.40
UAH index PCI-based	109.831	-0.14	+1.69
UAH index PPI-based	169.275	-0.14	+0.54
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	585bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,429.01	+0.23	+8.49
MSCI EM	1,006.72	-0.74	+16.75
US dollar index (DXY)	96.218	+0.00	-5.86
EUR / USD	1.1346	-0.16	+7.88
Crude oil WTI (US\$/bbl)	N/A	-100.00	-100.00
Crude oil BRENT (US\$/bbl)	49.61	-0.14	-12.69
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,223.26	+0.26	+6.16

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Banks increased CDs outstanding

As the month begins, liquidity should become more stable, and, therefore, banks will increase investments in CDs. On Monday, UAH5.67bn more CDs were purchased than were redeemed. There was a preference for 14-day CDs over ON certificates. However, there was a renewed wave of outflows to Treasury accounts, and liquidity declined UAH1.03bn to UAH103.30bn. As a result, due to the increase in CDs combined with outflows, banks' correspondent accounts with the NBU fell UAH6.71bn to UAH44.09bn.

The impact of non-monetary operations amounted to UAH1.23bn, including UAH1.89bn of outflows to the Treasury, which was partially compensated by an increase in cash. The amount of funds provided by the NBU via monetary operations was insufficient, at UAH0.33bn, but banks repaid UAH0.13bn in loans via redemption.

Investment implications: *On Monday, banks made some payments, which they were not able to do last week, due to the cyberattack against their electronic systems. So, the decline in liquidity should reverse, which is indicated by the increase in CDs outstanding.*

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

Auction comment: Inactive auction

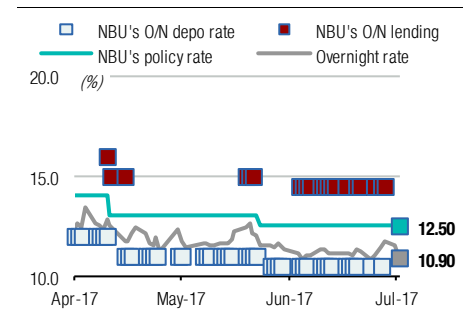
Yesterday was the first auction according to the new schedule that takes into account demand from primary dealers. It was not particularly successful. Out of three bonds offered, there was demand for only two bonds, and the amount raised was insufficient.

There were three bids amounting to UAH244.6m. One was for five-month bonds at UAH100m, and two bids at UAH144.6m for three-year bonds (all at par value). Interest rates for these bonds were the same as before: five-month bonds were sold at 13.85%, only 3bp lower than at the end of May, for bonds with maturities of 14 days longer. Three-year bonds were sold at the same conditions as a week ago, at 14.54%.

Investment implications: *Based on these results, it looks like the market was not ready for these new offerings. New maturities could receive additional demand next week, although amounts may fall short of what the MoF wants since large redemptions are not scheduled.*

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

Interest rates in the banks' reserves market (three months through 4 July 2017)



Source: Bloomberg, ICU.

Key indicators (as of 4 July 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	12.50	+0bp	+0bp	+0bp	-150bp
Overnight	10.90	-60bp	-10bp	-40bp	+30bp
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	44,088	-13.21	-9.10	-2.52	-11.35
DepCerts ³	41,375	-12.86	-37.64	-43.74	-42.07
Total	85,463	-12.24	-29.45	-31.39	-33.02
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	371,007	+0.00	-0.54	-1.10	+4.17
Banks	281,003	-0.06	+0.21	-0.06	+63.05
Residents	23,203	+0.23	+0.21	+2.59	+47.99
Non-res ⁴	320	-0.04	-0.09	-93.92	-94.96
Total	675,533	-0.02	-0.20	-1.26	+22.71
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	585	+0bp	+0bp	-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.

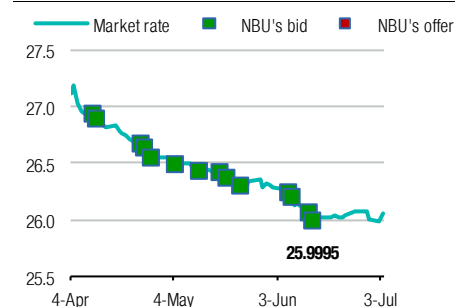
Foreign exchange markets

Key indicators (as of 4 липня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.0550	+0.25	-0.08	-0.86	-3.86
USD ¹	96.218	+0.00	-0.18	-0.51	-5.86
EUR	1.1346	-0.16	+0.06	+0.59	+7.88
JPY	113.2800	-0.09	+0.83	+2.61	-3.15
GBP ²	1.2920	-0.15	+0.83	+0.25	+4.70
CNY	6.8007	+0.01	-0.17	-0.14	-2.08
RUB	59.4306	+0.35	+0.02	+4.94	-3.42

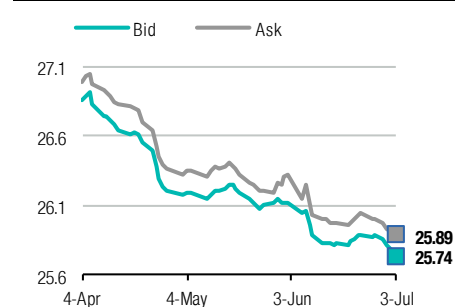
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 4 July 2017)



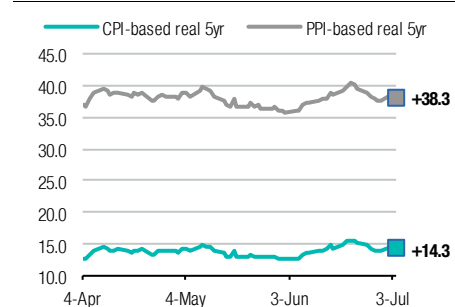
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 4 July 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 4 July 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)

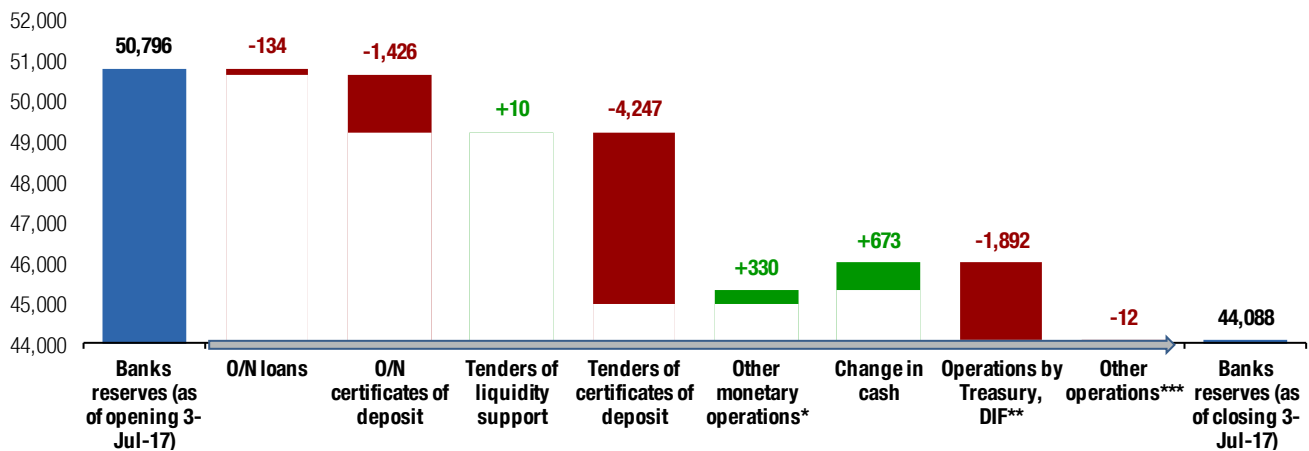
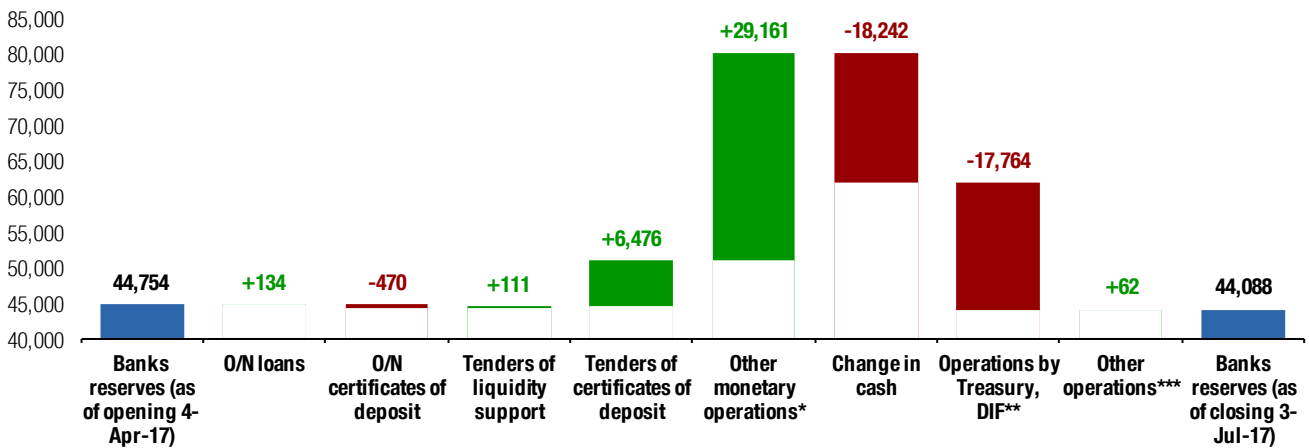
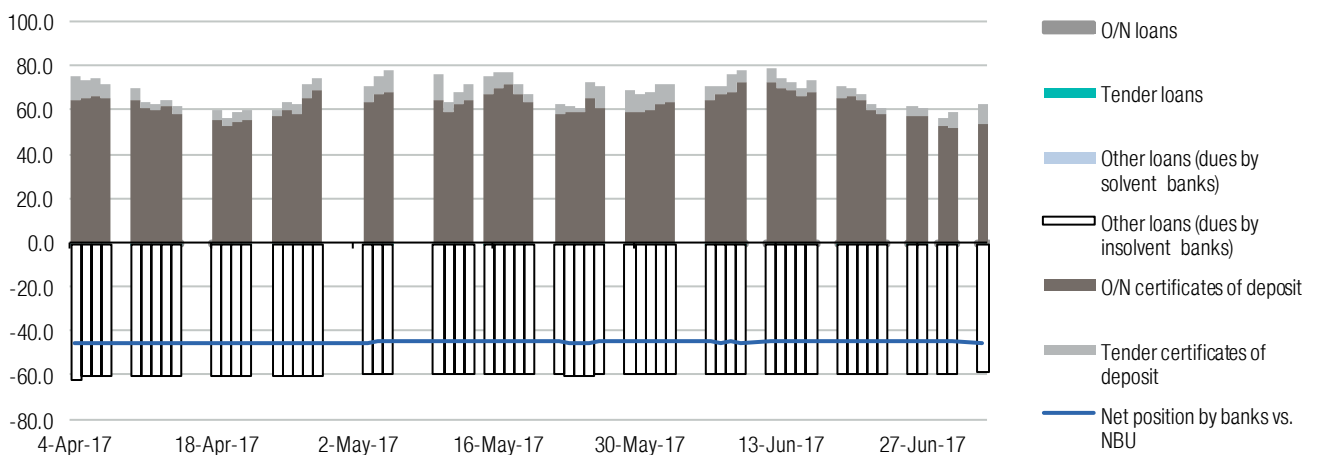


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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11th floor, LEONARDO Business Centre
19-21 Bogdan Khmelnytsky Street
Kiev, 01030 Ukraine
Phone/Fax +38 044 2200120

WEB www.icu.ua



[@ICU-UA](https://twitter.com/ICU-UA)

CORPORATE FINANCE

Makar Paseniuk, CFA, Managing Director
makar.paseniuk@icu.ua

Ivan Shvydanenko, Director
ivan.shvydanenko@icu.ua

Roman Nikitov, ACCA Director
roman.nikitov@icu.ua

Yuriy Kamarytskyi, Vice President
yuriy.kamarytskyi@icu.ua

Ruslan Kilmukhametov, Director
ruslan.kilmukhametov@icu.ua

Ruslan Patlavsky, Director
ruslan.patlavsky@icu.ua

STRATEGY AND CORPORATE DEVELOPMENT

Vlad Sinani, Director
vlad.sinani@icu.ua

SALES AND TRADING

Konstantin Stetsenko
Managing Director
konstantin.stetsenko@icu.ua

Liliya Kubytovych
Asset Management Product Sales
liliya.kubytovych@icu.ua

Sergiy Byelyayev
Fixed-Income Trading
sergiy.byelyayev@icu.ua

Yevgeniya Gryshchenko
Fixed-Income Sales
yevgeniya.gryshchenko@icu.ua

Vitaliy Sivach
Fixed-Income & FX Trading
vitaliy.sivach@icu.ua

RESEARCH

Alexander Valchyshen
Head of Research
alexander.valchyshen@icu.ua

Taras Kotovych
Senior financial analyst (Sovereign debt)
taras.kotovych@icu.ua

Alexander Martynenko
Head of corporate research
alexander.martynenko@icu.ua

Mykhaylo Demkiv
Financial analyst (Banks)
mykhaylo.demkiv@icu.ua

Bogdan Vorotilin
Financial analyst (Food & Agribusiness)
bogdan.vorotilin@icu.ua

Lee Daniels, Rolfe Haas
Editors

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