



# Daily Insight

## Liquidity continues to increase

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##### Liquidity continues to increase 2

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##### Markets take a breath after continued dollar slide 3

The hryvnia slightly declined on Wednesday, down 0.16% to 25.8849 USD/UAH, per the NBU, due to a UAH9bn increase in banks' reserves during Monday and Tuesday. The UAH sold for 25.88 USD/UAH versus 25.69 USD/UAH to buy in the Ukrainian cash market. The hryvnia's CPI-based real trade-weighted index fell 0.74% to 108.75, while in year-on-year terms, this index was up 7.99% from 100.7 last year.

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### THURSDAY, 27 JULY 2017

#### Ukraine's hryvnia exchange rate per US dollar (three months through 26 July 2017)



Source: Bloomberg.

#### Selected indicators of the financial markets (three months through 26 July 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	12.50	+0bp	-150bp
Overnight rate (interbank)	10.80	-10bp	+20bp
Banks reserves (UAHm)	51,791	+4.54	+4.14
Deposit certificates* (UAHm)	53,733	+6.11	-13.67
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	25.8800	+0.15	-4.50
Total trade volume (US\$m)	196.73	-2.46	+15.98
UAH index CPI-based	108.754	-0.72	+0.70
UAH index PPI-based	167.616	-0.72	-0.45
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	585bp	+0bp	-68bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,477.83	+0.03	+10.68
MSCI EM	1,062.29	+0.06	+23.20
US dollar index (DXY)	93.672	-0.41	-8.35
EUR / USD	1.1734	+0.75	+11.57
Crude oil WTI (US\$/bbl)	48.75	+1.80	-9.25
Crude oil BRENT (US\$/bbl)	50.97	+1.53	-10.30
CRB, commodities index	179.45	+1.01	-6.78
Gold (US\$/ounce)	1,260.55	+0.84	+9.40

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Liquidity continues to increase

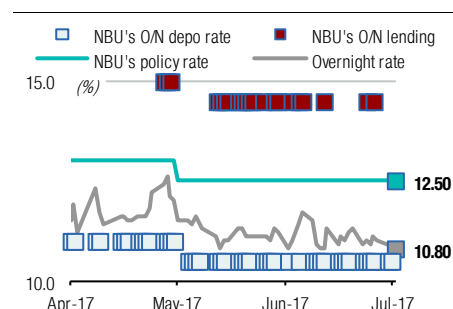
Due to the positive impact of autonomous non-monetary operations, total banking sector liquidity rose UAH5.34bn to UAH105.52bn yesterday. Banks' correspondent accounts with the NBU increased UAH2.25bn to UAH41.79bn and total CDs outstanding was up UAH3.09bn to UAH53.73bn. Banks mostly increased purchases of 14-day CDs, buying UAH2.64bn more than the amount refinanced. ON CDs rose a mere UAH0.45bn this Tuesday.

For the second consecutive day, the impact of non-monetary operations was positive and came from Treasury injections. This Tuesday, only autonomous operations caused an increase in liquidity, including UAH4.64bn of inflows from the Treasury and UAH0.70bn from cash. The NBU did not provide or absorb any funds.

**Investment implications:** Despite collected revenues amounting to above UAH10bn yesterday, the impact of Treasury operations was positive, causing a majority of the liquidity increase. As banks purchased an additional portion of CDs with redemption in August, they most likely do not expect large outflows or need for funds. As currently liquidity rose above UAH105bn, the possibility of it declining below UAH100bn is low but remains possible through the end of the month.

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## Interest rates in the banks' reserves market (three months through 26 July 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 26 July 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	+0bp	-150bp
ON rate	10.80	-10bp	-10bp	+0bp	+20bp
ON \$ swap	11.52	-2bp	-19bp	+33bp	+5bp
<b>DOMESTIC LIQUIDITY (UAH MILLION)</b>					
Reserves <sup>2</sup>	51,791	+4.54	+2.70	-3.69	+4.14
DepCerts <sup>3</sup>	53,733	+6.11	+9.19	-6.12	-13.67
<b>Total</b>	<b>105,524</b>	<b>+5.33</b>	<b>+5.90</b>	<b>-4.94</b>	<b>-5.76</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	367,904	+0.00	-0.84	-1.37	+3.30
Banks	292,499	+0.03	-0.18	+4.32	+69.72
Residents	21,613	-0.09	+0.13	-6.71	+37.85
Non-res <sup>4</sup>	3	-0.61	+147.3	-98.99	-99.95
<b>Total</b>	<b>682,020</b>	<b>+0.01</b>	<b>-0.52</b>	<b>+0.76</b>	<b>+23.89</b>
<b>IMPLIED YIELDS OF THE UAH NDF MARKET (%)</b>					
1 month	7.01	-188bp	-802bp	-732bp	-15ppt
3 months	10.41	+23bp	-49bp	+85bp	-12ppt
6 months	11.22	+4bp	-169bp	-217bp	-683bp
1 year	11.28	-16bp	-49bp	-327bp	-471bp
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>					
CDS 5yr	585	+0bp	+0bp	+0bp	-68bp

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

## Markets take a breath after continued dollar slide

The hryvnia slightly declined on Wednesday, down 0.16% to 25.8849 USD/UAH, per the NBU, due to a UAH9bn increase in banks' reserves during Monday and Tuesday. The UAH sold for 25.88 USD/UAH versus 25.69 USD/UAH to buy in the Ukrainian cash market. The hryvnia's CPI-based real trade-weighted index fell 0.74% to 108.75, while in year-on-year terms, this index was up 7.99% from 100.7 last year.

Despite US congress voting for additional sanctions on Russia, the ruble was steady as higher oil prices caused by a lower US stockpile offset the negative news. The list of restrictions was softer than investors expected. On Wednesday, the ruble closed up 0.8% to 59.4 USD/RUB.

The US Dollar index was 94.04-94.28 ahead of the Federal Reserve's policy decision and pulled back from a 13-month low. Investors are looking for some hints on when the Fed will start reducing its \$4.5 trillion balance sheet and if a rate hike will occur this year. But, after the Fed's holds its key policy rate unchanged and said that it starts to trim balance sheet relatively soon, the DXY index decreased 0.4% to 93.67 on Wednesday, while as of 9.00 am Thursday, the DXY index was 93.4.

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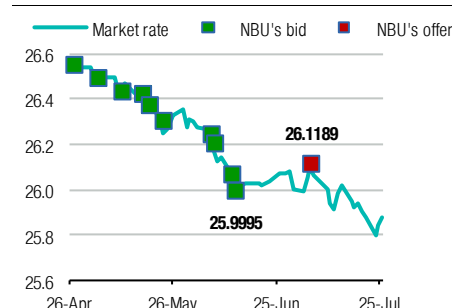
Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU [website](#).

## Key indicators (as of 26 липня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	25.8800	+0.15	-0.24	-0.73	-4.50
USD <sup>1</sup>	93.672	-0.41	-1.17	-3.85	-8.35
EUR	1.1734	+0.75	+1.90	+4.94	+11.57
JPY	111.1800	-0.63	-0.71	-0.61	-4.94
GBP <sup>2</sup>	1.3122	+0.74	+0.77	+3.14	+6.34
CNY	6.7540	+0.04	+0.03	-1.27	-2.75
RUB	59.4212	-0.79	+0.74	+1.03	-3.44

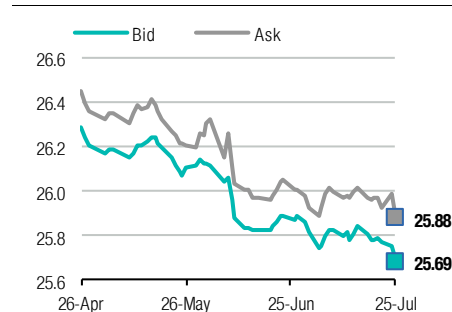
Notes: [1] DXY, US dollar index; [2] British pound.  
 Source: Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 26 July 2017)



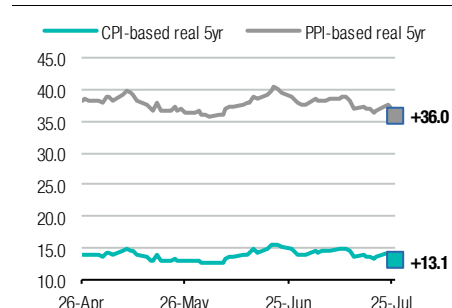
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 26 July 2017)



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 26 July 2017)



Notes: [1] "+" overvalued, "-" undervalued; [2] based on the UAH's CPI- and PPI-based real TWIs. Source: ICU.

# Appendix #1: Domestic liquidity

Chart 1. Banks reserves usages over last reporting date (UAHm)

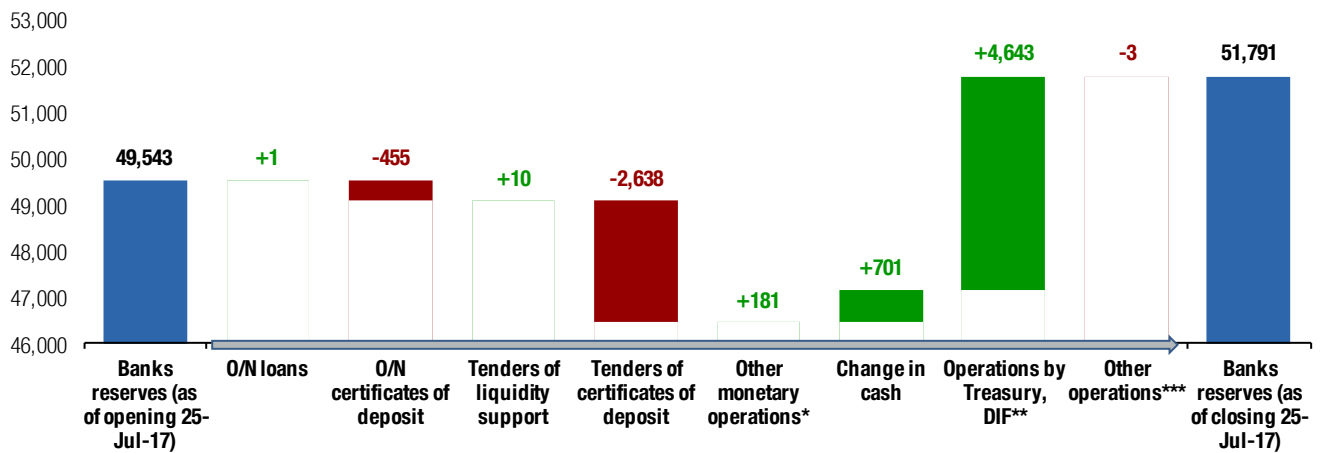
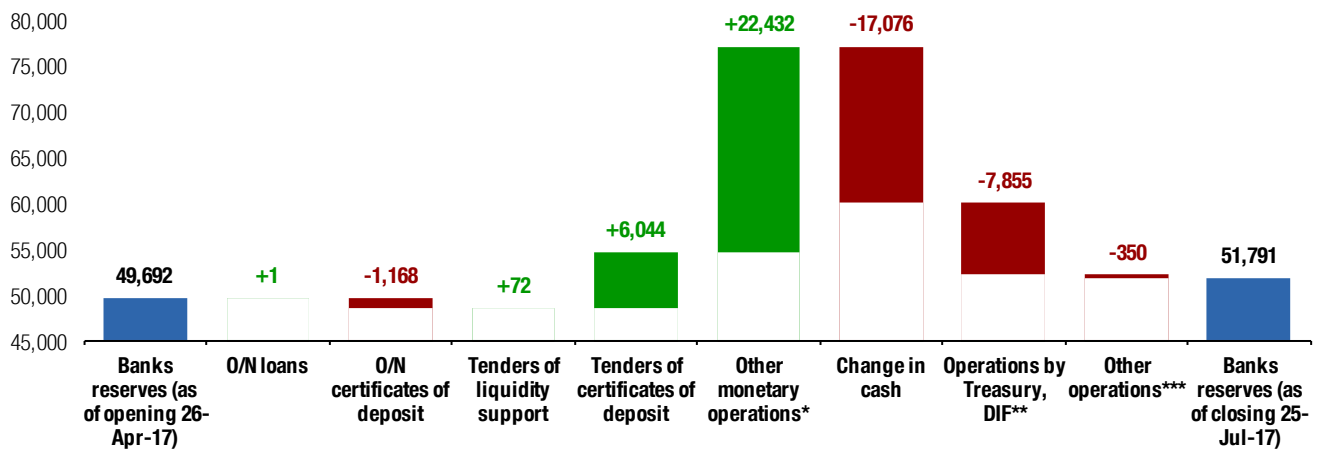
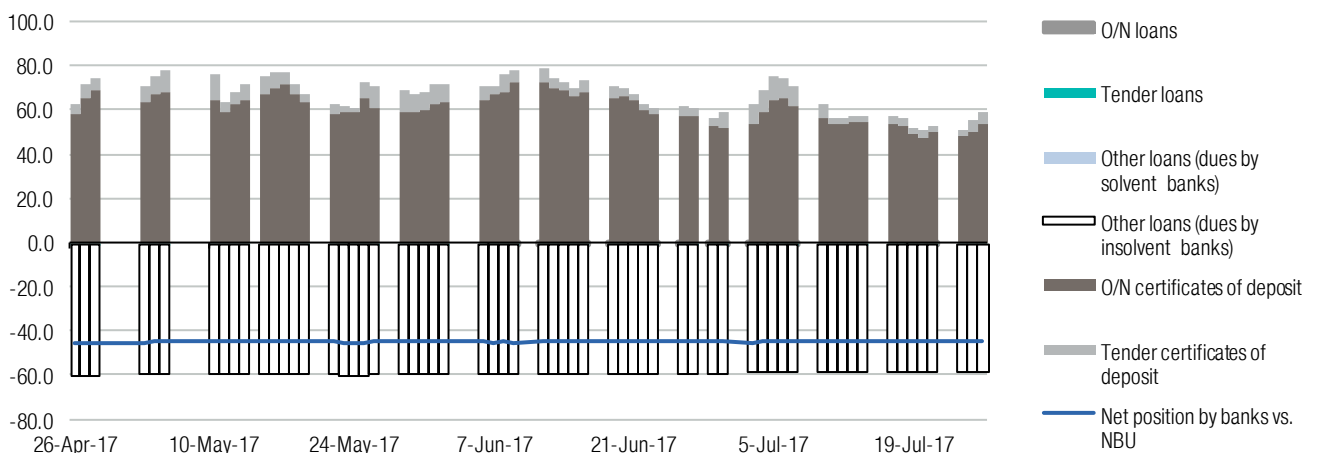


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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