

Daily Insight

Hryvnia down

Key messages of the today's comments

Domestic liquidity **2**

Liquidity up **2**

Liquidity recovered from the year's low to UAH74.95bn, up UAH2.06bn, or 2.8%. **2**

Foreign exchange markets **3**

Hryvnia down **3**

The hryvnia depreciated further, following a previous 0.7% increase, as it fell 0.1% to 26.5862 USD/UAH, most likely as a correction after appreciating significantly. There were no fundamental factors that weighed on the hryvnia. While the USD depreciated on global markets, the hryvnia was sold for 26.67 USD/UAH versus 26.89 to buy in the Ukrainian cash market. Its CPI-based real trade-weighted index fell 0.77% to 105.51; in year-on-year terms, it is up 3.86% from 101.59 last year. **3**

Appendix #1: Domestic liquidity **4**

WEDNESDAY, 11 OCTOBER 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 10 October 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 10 October 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	12.50	+0bp	-150bp
Overnight rate (interbank)	11.50	-40bp	+90bp
Banks reserves (UAHm)	39,943	-5.88	-19.68
Deposit certificates* (UAHm)	35,009	+14.95	-43.75
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.5700	+0.32	-1.96
Total trade volume (US\$m)	182.64	+14.79	+7.68
UAH index CPI-based	105.505	-0.77	-2.31
UAH index PPI-based	162.609	-0.77	-3.42
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	450bp	+0bp	-203bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,550.64	+0.23	+13.93
MSCI EM	1,112.53	+1.10	+29.02
US dollar index (DXY)	93.290	-0.41	-8.73
EUR / USD	1.1808	+0.58	+12.28
Crude oil WTI (US\$/bbl)	50.92	+2.70	-5.21
Crude oil BRENT (US\$/bbl)	56.61	+1.47	-0.37
CRB, commodities index	183.20	+1.24	-4.84
Gold (US\$/ounce)	1,288.03	+0.32	+11.78

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity up

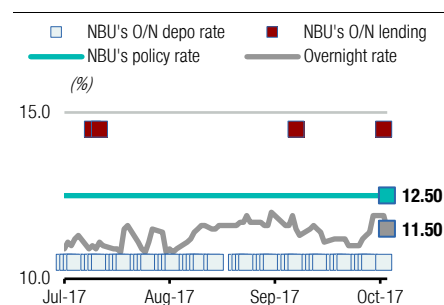
Liquidity recovered from the year's low to UAH74.95bn, up UAH2.06bn, or 2.8%.

The State Treasury's operations amounted to UAH1.7bn while cash had an inverse impact on liquidity.. Thus, the overall positive impact from autonomous factors amounted to almost UAH1.4bn. Banks' correspondent accounts with the NBU decreased by almost UAH2.5bn, while total CDs outstanding increased by UAH4.55bn, the main part of which were overnight CDs.

ICU view: The positive effect from the State Treasury was the main factor in increasing liquidity. In addition, the NBU through other monetary operations increased the amount of reserve funds by UAH0.36bn.

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Interest rates in the banks' reserves market (three months through 10 October 2017)



Source: Bloomberg, ICU.

Key indicators (as of 10 October 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	12.50	+0bp	+0bp	+0bp	-150bp
ON rate	11.50	-40bp	+30bp	-40bp	+90bp
ON \$ swap	11.93	-13bp	+17bp	-17bp	+46bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	39,943	-5.88	-5.28	-14.18	-19.68
DepCerts ³	35,009	+14.95	-3.01	+6.61	-43.75
Total	74,952	+2.83	-4.23	-5.58	-33.06
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	360,573	+0.00	-0.46	-0.80	+1.24
Banks	308,444	-0.21	-0.17	+0.73	+78.98
Residents	23,432	-0.10	+0.63	+0.47	+49.46
Non-res ⁴	2,799	-0.01	+0.01	+61.48	-55.93
Total	695,249	-0.10	-0.29	+0.07	+26.29
IMPLIED YIELDS OF THE UAH NDF MARKET (%)					
1 month	12.11	-28bp	+100bp	-7bp	-10ppt
3 months	12.21	-10bp	+29bp	+17bp	-986bp
6 months	12.16	-11bp	-360bp	+1bp	-589bp
1 year	11.60	-3bp	+9bp	-10bp	-439bp
UKRAINE SOVEREIGN EUROBOND MARKET					
CDS 5yr	450	+0bp	-17bp	+5bp	-203bp

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

Hryvnia down

The hryvnia depreciated further, following a previous 0.7% increase, as it fell 0.1% to 26.5862 USD/UAH, most likely as a correction after appreciating significantly. There were no fundamental factors that weighed on the hryvnia. While the USD depreciated on global markets, the hryvnia was sold for 26.67 USD/UAH versus 26.89 to buy in the Ukrainian cash market. Its CPI-based real trade-weighted index fell 0.77% to 105.51; in year-on-year terms, it is up 3.86% from 101.59 last year.

Geopolitical tension had a negative impact on the US dollar. Information about the possible launch of an intercontinental missile by North Korea forced investors to look at safe haven assets. The expectation of the key policy rate hike at the end of the year temporarily lost its effect, thus the DXY index traded at 93.137 - 93.738, closing down 0.4% to 93.29.

The euro appreciated against the US dollar due to strong German statistics and comments of ECB officials. Industrial production in Germany rose at the greatest pace in six years in August. An ECB executive board member noted that the bank needs to taper its asset purchasing to stop the program in 2018. Thus, the EUR/USD pair traded within 1.1739 - 1.1825 EUR/USD, having appreciated 0.6% to 1.1808 EUR/USD. The Chinese yuan increased against the US dollar on Tuesday, as the PBOC chief said that the bank must accelerate the process of transferring to market exchange rate versus state control. The renminbi appreciated 0.8% to 6.5743 USD/CNY.

The Russian ruble appreciated on Tuesday on the back of strong oil prices which increased as Saudi Arabia announced that it would reduce its oil export volume in November. The simultaneous depreciation of the US dollar also supported the ruble which, during the day, traded at 57.8111-58.4085 USD/RUB, having appreciated 0.55% to 57.9751.

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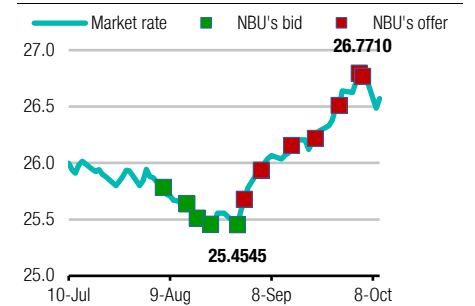
Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU [website](#).

Key indicators (as of 10 October 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.5700	+0.32	-0.56	+1.94	-1.96
USD ¹	93.290	-0.41	-0.30	+2.12	-8.73
EUR	1.1808	+0.58	+0.54	-1.89	+12.28
JPY	112.4500	-0.20	-0.35	+4.27	-3.86
GBP ²	1.3203	+0.46	-0.26	+0.02	+6.99
CNY	6.5743	-0.77	-1.18	+1.23	-5.34
RUB	57.9751	-0.54	+0.06	+1.06	-5.79

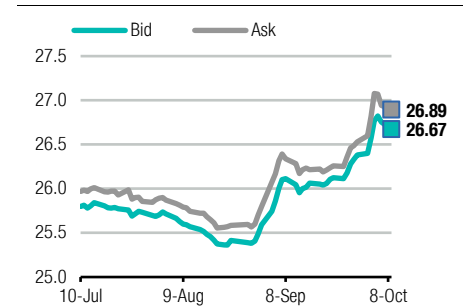
Notes: [1] DXY, US dollar index; [2] British pound.
 Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 10 October 2017)



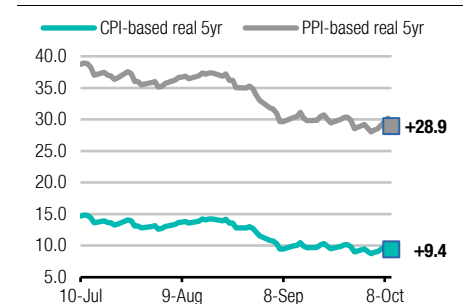
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 10 October 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 10 October 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)

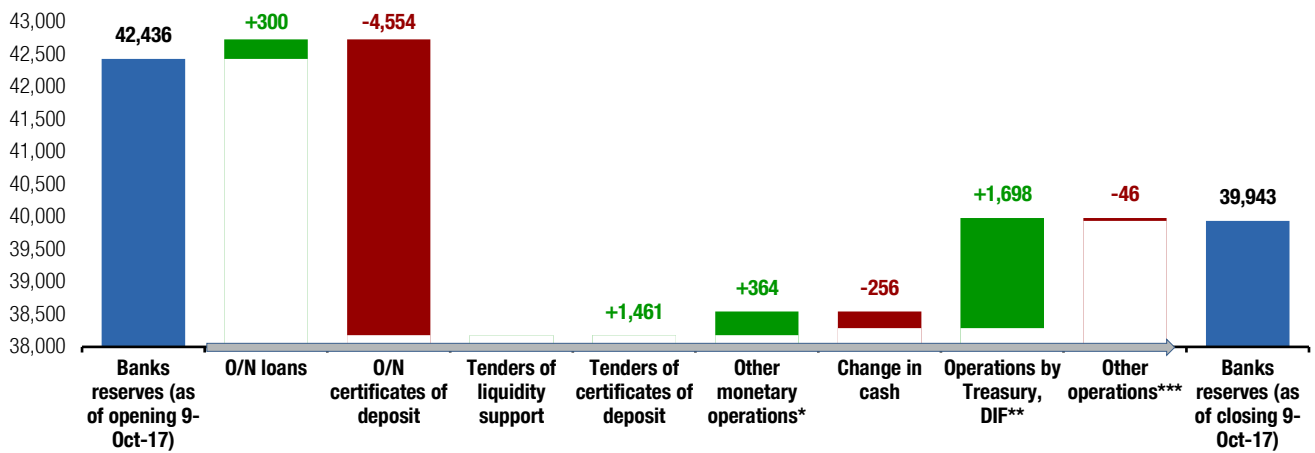
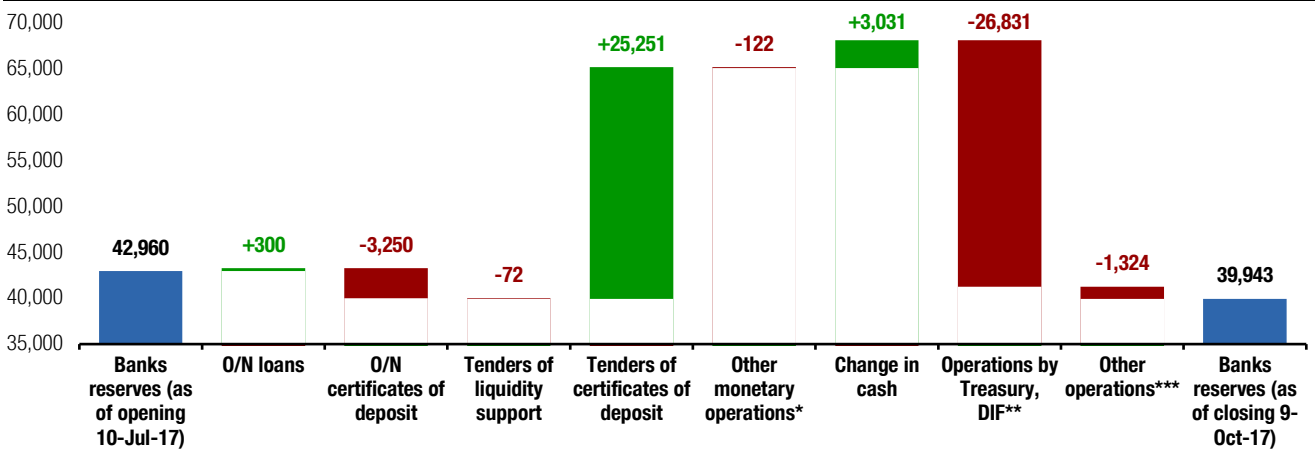
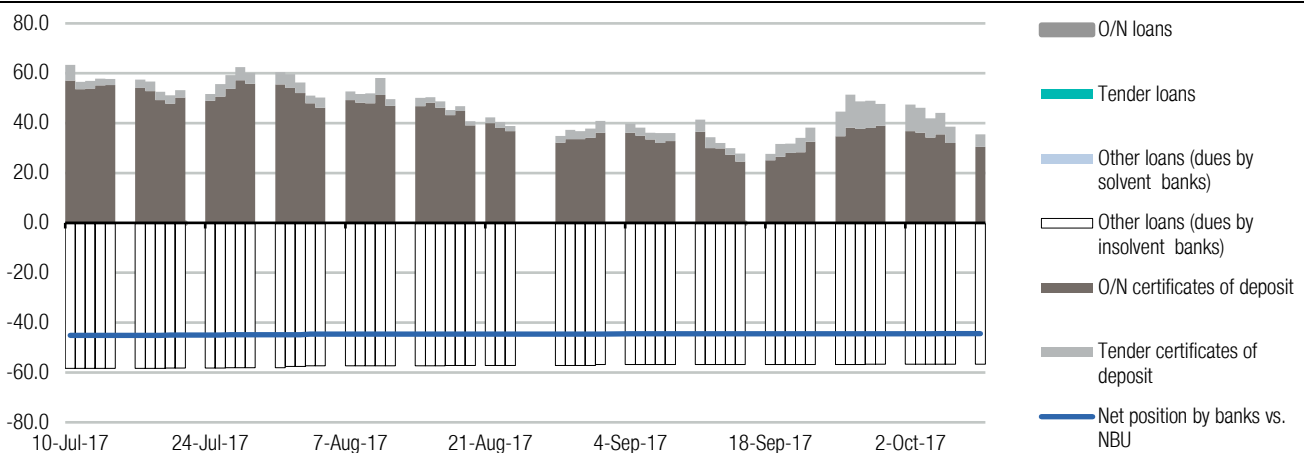


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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