



Focus
Ukraine

Markets
Money & bond markets,
FX market, macroeconomics

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Daily Insight

Liquidity steady

Key messages of the today's comments

Domestic liquidity

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Liquidity steady

Last Thursday, liquidity remained rather steady above UAH79bn, up only UAH0.22bn to UAH79.50bn, as a result of non-monetary operations' impact of UAH0.22bn. With UAH0.15bn was injected by the Treasury, UAH0.06 via cash exchange into reserves and UAH0.01bn via other operations, the NBU provided no any additional funds for liquidity. 2

Foreign exchange markets

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Hryvnia extends losses.....

At the end of the week, the hryvnia weakened another 0.2% to 26.9136 USD/UAH, down 1.6% for the week, as a result of higher liquidity and the Thanksgiving holiday in the US (which caused a decline of 0.8%). Although the USD also weakened this week, it provided no support to the hryvnia. On Friday, in the local market the hryvnia sold for 26.66 USD/UAH versus 26.85 to buy at the Ukrainian cash market. Its CPI-based real trade-weighted index fell 0.56% to 111.32; in year-on-year terms, it is down 1.5% from 112.98 last year. 3

Appendix #1: Domestic liquidity

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MONDAY, 27 NOVEMBER 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 24 November 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 24 November 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	N/A		
Overnight rate (interbank)	N/A		
Banks reserves (UAHm)	55,416	-4.05	+11.43
Deposit certificates* (UAHm)	24,082	+11.89	-61.31
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.9100	+0.32	-0.70
Total trade volume (US\$m)	216.19	+25.76	+27.46
UAH index CPI-based	111.316	-0.56	+3.06
UAH index PPI-based	168.752	-0.56	+0.20
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	434bp	+0bp	-219bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,602.42	+0.21	+16.24
MSCI EM	1,154.26	+0.16	+33.86
US dollar index (DXY)	92.782	-0.47	-9.22
EUR / USD	1.1933	+0.69	+13.46
Crude oil WTI (US\$/bbl)	58.95	+0.00	+9.74
Crude oil BRENT (US\$/bbl)	63.86	+0.49	+12.39
CRB, commodities index	192.22	+0.32	-0.15
Gold (US\$/ounce)	1,288.80	-0.20	+11.85

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity steady

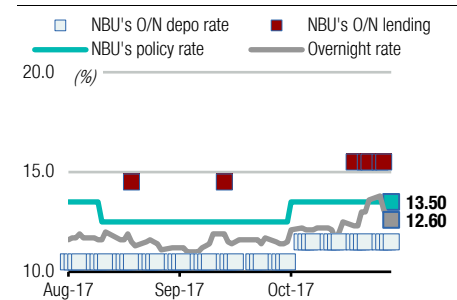
Last Thursday, liquidity remained rather steady above UAH79bn, up only UAH0.22bn to UAH79.50bn, as a result of non-monetary operations' impact of UAH0.22bn. With UAH0.15bn was injected by the Treasury, UAH0.06 via cash exchange into reserves and UAH0.01bn via other operations, the NBU provided no any additional funds for liquidity.

There was a significant reallocation of funds into CDs. Banks increased total CDs outstanding by UAH2.56bn to UAH24.08bn, while banks' correspondent accounts with the NBU declined UAH2.34bn to UAH55.42bn. Banks mostly purchased ON CDs, up UAH2.00bn, while 2-week CDs rose only UAH0.56bn.

ICU view: *With no taxes due last Thursday, liquidity remained steady. Month-end tax payments should cause liquidity to decline this week through the end of this month.*

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Interest rates in the banks' reserves market (three months through 24 November 2017)



Source: Bloomberg, ICU.

Key indicators (as of 24 November 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	N/A	N/A	N/A	N/A	N/A
ON rate	N/A	N/A	N/A	N/A	N/A
ON \$ swap	11.74	-41bp	-89bp	+31bp	+27bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	55,416	-4.05	+5.08	+3.85	+11.43
DepCerts ³	24,082	+11.89	+12.61	-2.05	-61.31
Total	79,498	+0.27	+7.25	+1.99	-29.00
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	360,573	+0.00	+0.00	+0.00	+1.24
Banks	309,968	+0.95	-0.91	+0.45	+79.86
Residents	21,337	+0.12	-1.32	-5.60	-9.52
Non-res ⁴	4,786	+0.14	-9.68	+48.35	-24.65
Total	697,776	+0.45	-0.49	+0.29	+26.75
IMPLIED YIELDS OF THE UAH NDF MARKET (%)					
1 month	16.32	-53bp	+9bp	+53bp	-599bp
3 months	15.26	+27bp	+9bp	+39bp	-681bp
6 months	12.67	-2bp	+14bp	+2bp	-537bp
1 year	11.76	+4bp	-35bp	+13bp	-423bp
UKRAINE SOVEREIGN EUROBOND MARKET					
CDS 5yr	434	+0bp	+0bp	+3bp	-219bp

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 extends losses

At the end of the week, the hryvnia weakened another 0.2% to 26.9136 USD/UAH, down 1.6% for the week, as a result of higher liquidity and the Thanksgiving holiday in the US (which caused a decline of 0.8%). Although the USD also weakened this week, it provided no support to the hryvnia. On Friday, in the local market the hryvnia sold for 26.66 USD/UAH versus 26.85 to buy at the Ukrainian cash market. Its CPI-based real trade-weighted index fell 0.56% to 111.32; in year-on-year terms, it is down 1.5% from 112.98 last year.

The USD traded lower against the basket of other major currencies at the end of the week. With no domestic statistics released on Friday, the USD remained under influence of the latest Fed minutes which revealed concerns over weak inflation. Meanwhile, IHS Markit recently reported that the US composite PMI hit a 4-month low in November, indicating an economic slowdown. The DXY index traded at 92.675-93.249, down 0.5% to 92.78, a 5-week low.

The euro soared on the back of news that Merkel made progress in forming a new coalition in the German parliament. In addition, the IFO business climate index rose more than expected in October, causing the euro to trade at 1.1837-1.1944 EUR/USD, closing up 0.7% to 1.1933 EUR/USD, the strongest since mid-September.

The Chinese renminbi fell 0.3% to 6.6018 USD/CNY despite a weaker USD and the PBOC's decision to strengthen the reference rate by 0.32%. The Russian ruble was relatively flat against the USD on Friday until it strengthened at the end of the trading session as the USD plunged. The ruble traded at 58.2542-58.7424 USD/RUB, closing at 58.4488 USD/RUB.

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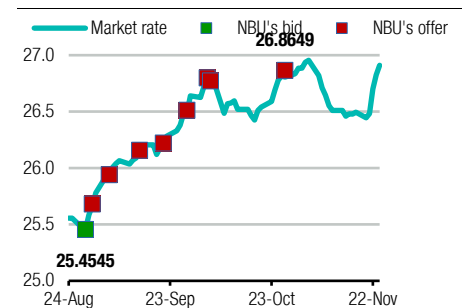
Key indicators (as of 24 November 2017)

	Last	Daily	Weekly	Monthly	YTD
		chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.9100	+0.32	+1.57	+0.82	-0.70
USD ¹	92.782	-0.47	-0.94	-1.06	-9.22
EUR	1.1933	+0.69	+1.21	+1.46	+13.46
JPY	111.5300	+0.28	-0.51	-2.08	-4.64
GBP ²	1.3337	+0.21	+0.92	+1.55	+8.08
CNY	6.6018	+0.28	-0.38	-0.51	-4.94
RUB	58.4488	-0.01	-0.98	+1.39	-5.02

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

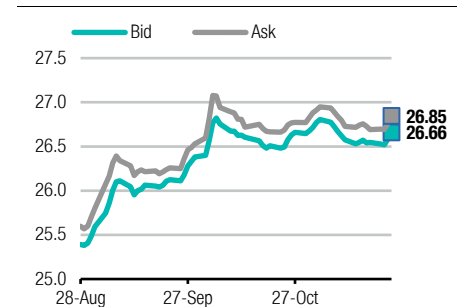
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 24 November 2017)



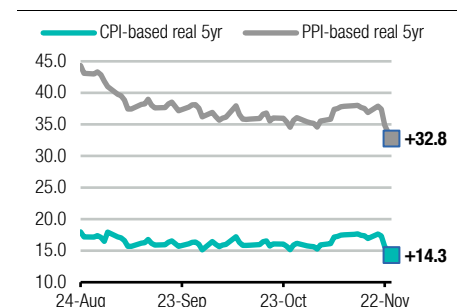
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 24 November 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 24 November 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](http://www.icu.ua).

Appendix #1: Domestic liquidity

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

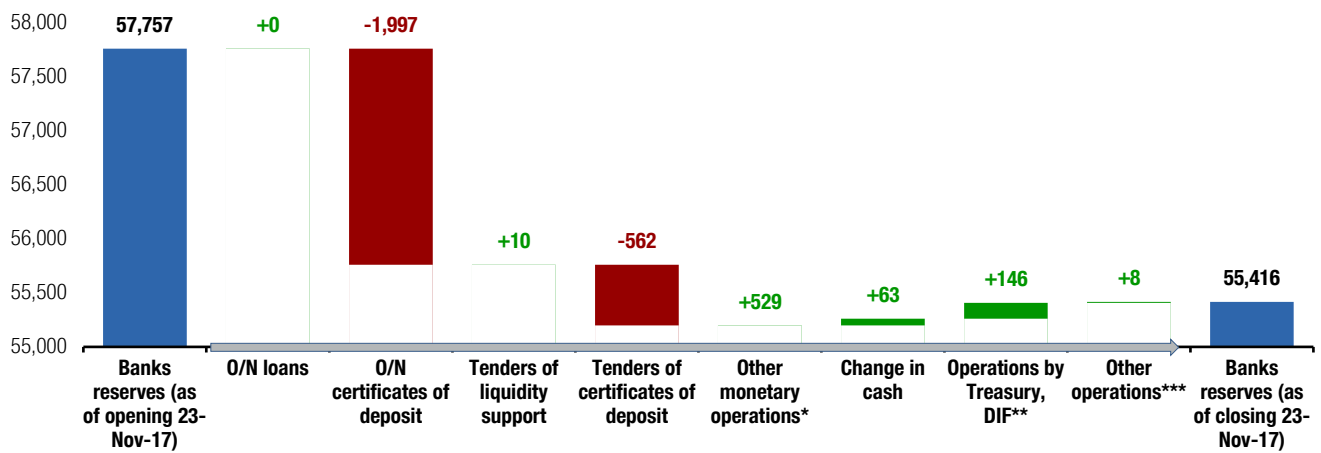
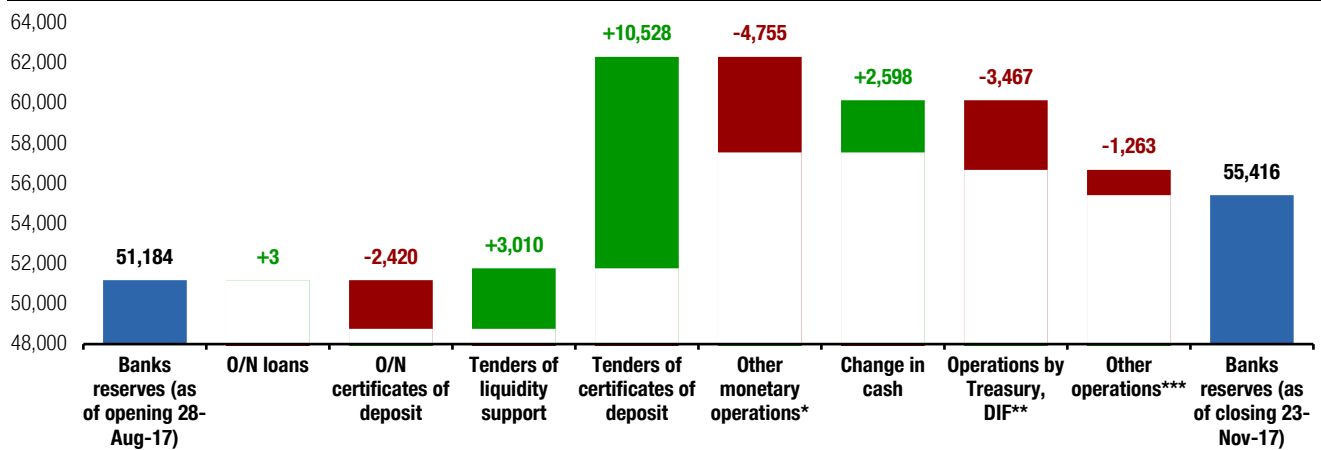


Chart 2. Banks reserves usages over last 90-day period (UAHm)

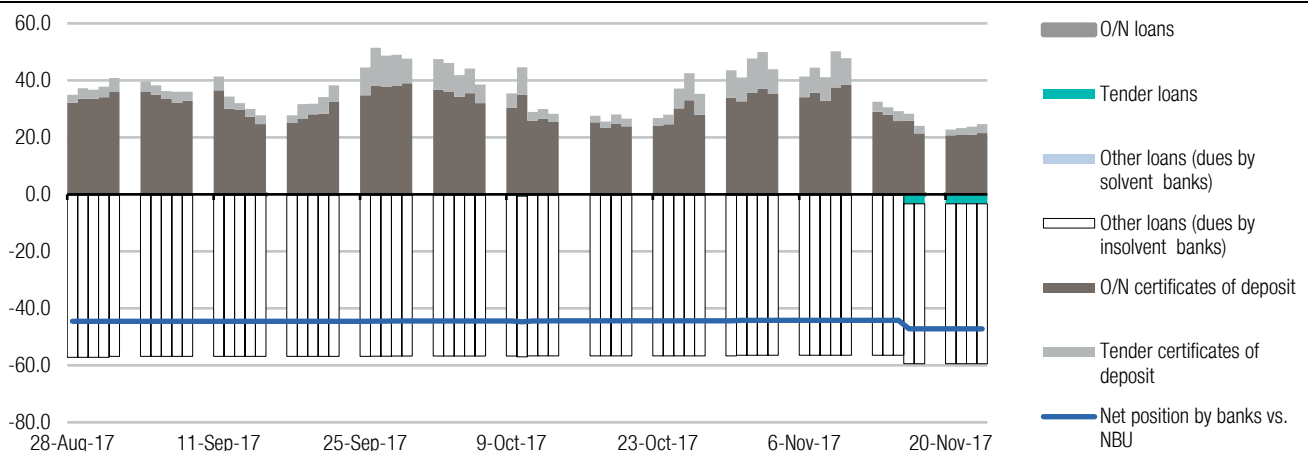


Notes: [1] data from the NBU's daily reporting https://bank.gov.ua/control/uk/publish/article?art_id=38643651&cat_id=40807142 ;

* 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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