

Daily Insight

Hryvnia exceeds 27.9/USD

Key messages of the today's comments

MONDAY, 5 FEBRUARY 2018

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Liquidity steady 2

On the first day of February, liquidity (except for the government bond portfolio) remained unchanged, up only UAH0.03bn to UAH97.99bn, as the result of an NBU ON loan decrease by UAH0.40bn to UAH1.20b and a slight reallocation from CDs to reserves. Banks' correspondent accounts with the NBU rose UAH0.52bn while total CDs outstanding was down UAH0.49bn. 2

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The hryvnia weakened on Friday, starting at 27.9375 UAH/USD, only to cut its losses and close at 27.8871 UAH/USD, down 0.1%. It sold for 27.74 UAH/USD versus 27.98 to buy at the Ukrainian cash market. Its CPI-based real trade-weighted index rose 0.5% to 105.32; in year-on-year terms, it is down 2.38% from 107.89 last year. 3

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Ukraine's hryvnia exchange rate per US dollar (three months through 2 February 2018)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 2 February 2018)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	16.00	+0bp	+150bp
Overnight rate (interbank)	15.30	+30bp	+250bp
Banks reserves (UAHm)	46,352	+1.12	-3.45
Deposit certificates* (UAHm)	51,638	-0.94	-11.12
FOREIGN EXCHANGE MARKET			
UAH per US dollar	27.8550	-0.04	-0.77
Total trade volume (US\$m)	217.10	+38.13	-12.61
UAH index CPI-based	105.318	+0.50	-1.67
UAH index PPI-based	166.961	+0.50	-1.67
UKRAINE SOVEREIGN EUROBOOND MARKET			
CDS 5yr	317bp	+0bp	-115bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,762.13	-2.12	+3.31
MSCI EM	1,230.83	-1.43	+6.25
US dollar index (DXY)	89.195	+0.59	-3.18
EUR / USD	1.2463	-0.38	+3.82
Crude oil WTI (US\$/bbl)	65.45	-0.53	+8.33
Crude oil BRENT (US\$/bbl)	68.58	-1.54	+2.56
CRB, commodities index	198.35	+0.00	+2.31
Gold (US\$/ounce)	1,332.90	-1.17	+2.29

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity steady

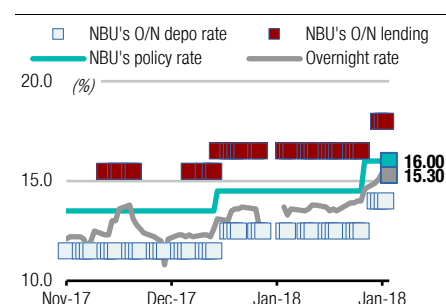
On the first day of February, liquidity (except for the government bond portfolio) remained unchanged, up only UAH0.03bn to UAH97.99bn, as the result of an NBU ON loan decrease by UAH0.40bn to UAH1.20b and a slight reallocation from CDs to reserves. Banks' correspondent accounts with the NBU rose UAH0.52bn while total CDs outstanding was down UAH0.49bn.

The Treasury started this month with low tax collections of UAH2.18bn, which was exceeded by expenditures, and used funds accumulated in January. The net balance of Treasury operations was UAH0.76bn of inflows in liquidity and additional funds from other non-monetary operations. Per routine at the beginning of the month, banks increased the exchange of funds into cash which decreased the positive impact from non-monetary operations to UAH0.43bn, which was enough to stabilize liquidity.

ICU view: Total liquidity remained steady due to a partial ON loan repayment. Banks increase cash at the beginning of the month, per routine, which should have a negative impact on liquidity.

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Interest rates in the banks' reserves market (three months through 2 February 2018)



Source: Bloomberg, ICU.

Key indicators (as of 2 February 2018)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	16.00	+0bp	+0bp	+150bp	+150bp
ON rate	15.30	+30bp	+70bp	+0bp	+250bp
ON \$ swap	14.59	+31bp	+12bp	+0bp	+0bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	46,352	+1.12	-35.13	+23.64	-3.45
DepCerts ³	51,638	-0.94	+64.45	-22.95	-11.12
Total	97,990	+0.03	-4.73	-6.24	-7.65
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	358,570	+0.00	+0.00	-0.56	-0.56
Banks	352,990	+0.82	-3.18	-2.17	-2.17
Residents	23,035	+0.32	-1.06	+3.73	+3.73
Individuals	1,508	+2.34	-2.20	+2.73	+2.73
Non-res ⁴	9,333	+11.16	+59.28	+78.81	+78.81
Total	745,435	+0.53	-1.12	-0.64	-0.64
IMPLIED YIELDS OF THE UAH NDF MARKET (%)					
1 month	8.92	+3bp	+3bp	-562bp	-689bp
3 months	8.61	-5bp	-124bp	-376bp	-232bp
6 months	7.69	+120bp	-226bp	-444bp	-472bp
1 year	7.28	+1bp	-442bp	-480bp	-485bp
UKRAINE SOVEREIGN EUROBOND MARKET					
CDS 5yr	317	+0bp	-23bp	-110bp	-115bp

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 exceeds 27.9/USD

The hryvnia weakened on Friday, starting at 27.9375 UAH/USD, only to cut its losses and close at 27.8871 UAH/USD, down 0.1%. It sold for 27.74 UAH/USD versus 27.98 to buy at the Ukrainian cash market. Its CPI-based real trade-weighted index rose 0.5% to 105.32; in year-on-year terms, it is down 2.38% from 107.89 last year.

The US dollar strengthened after the number of new jobs surpassed expectations, up 200,000 in January versus the expected 184,000, while the unemployment rate remained at 4.1%. The DXY traded at 88.591-89.425, up 0.6% to 89.195.

The euro traded at 1.241-1.2518 USD/EUR, down 0.4% to 1.2463, on the strength of the USD. The Chinese yuan also slightly decreased to 6.3008 CNY/USD.

The Russian ruble, also down against the USD as oil prices also fell, traded at 55.8857-56.6067, weakening 1% to 56.5411 RUB/USD.

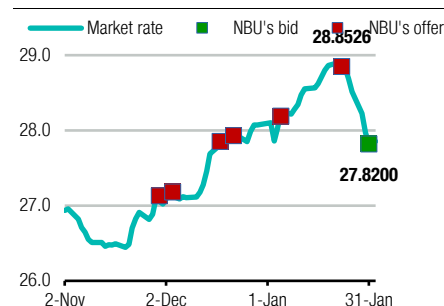
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Key indicators (as of 2 February 2018)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	27.8550	-0.04	-2.31	-0.87	-0.77
USD ¹	89.195	+0.59	+0.14	-2.91	-3.18
EUR	1.2463	-0.38	+0.29	+3.35	+3.82
JPY	110.1700	+0.70	+1.46	-1.89	-2.24
GBP ²	1.4118	-1.02	-0.30	+3.89	+4.48
CNY	6.3008	+0.07	-0.43	-2.96	-3.17
RUB	56.5411	+1.04	+0.54	-1.66	-1.99

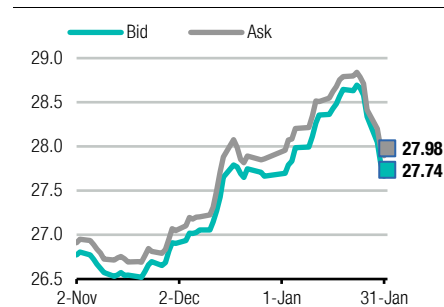
Notes: [1] DXY, US dollar index; [2] British pound.
 Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 2 February 2018)



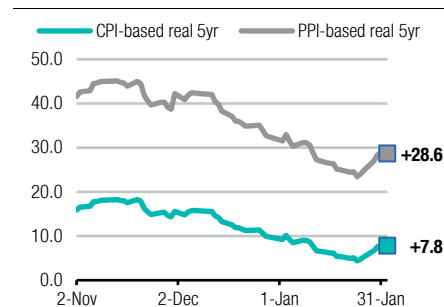
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 2 February 2018)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 2 February 2018)



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)

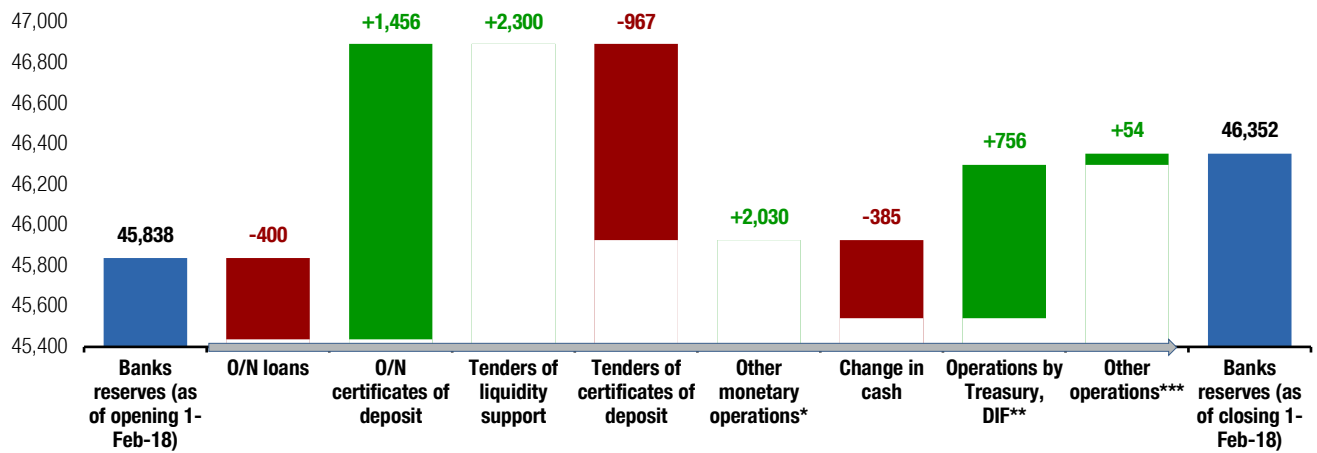
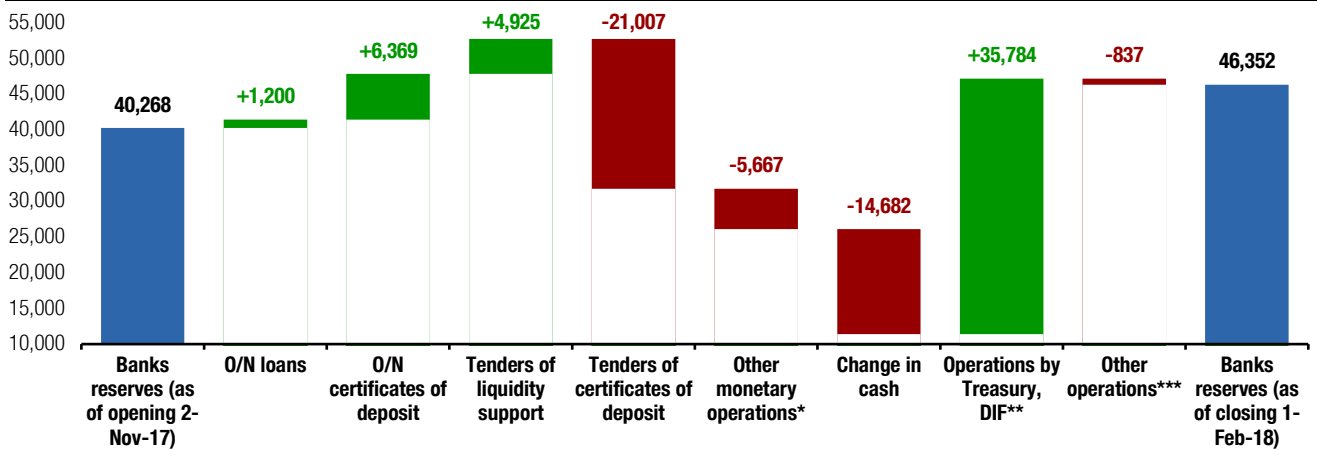
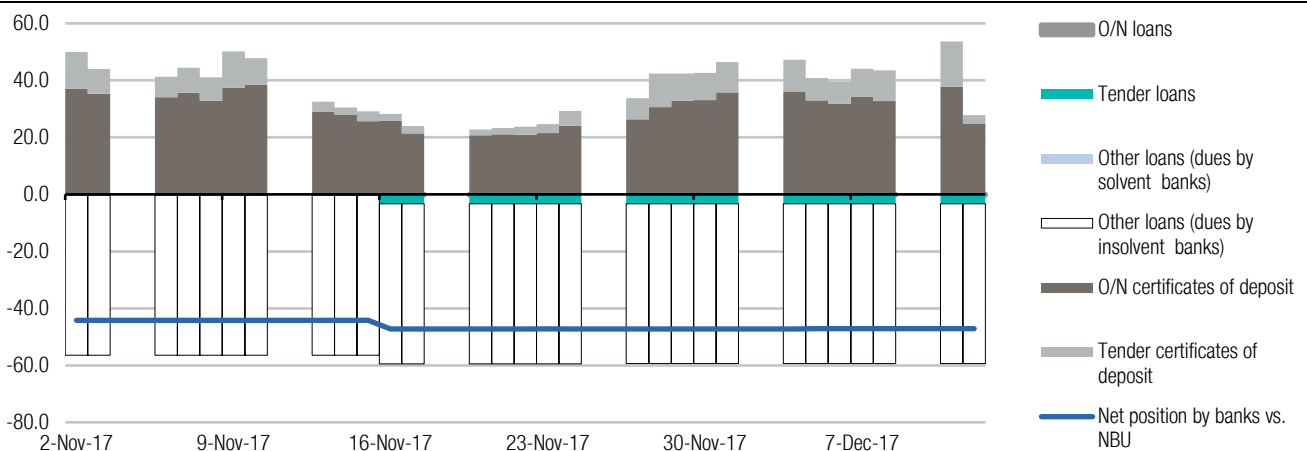


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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