

Daily Insight

Liquidity expected to decline

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Liquidity expected to decline 2

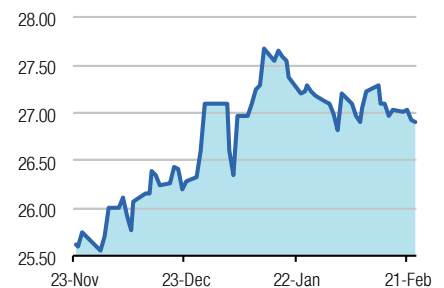
As anticipated, banking sector liquidity declined slightly after Wednesday's cashflows as outflows were partially offset by NBU injections. This Wednesday, the NBU issued UAH0.41bn of loans, of which only UAH0.03bn was a rollover of older loans. In yesterday's indicators, banks' correspondent accounts with the NBU slid UAH0.13bn while total CDs outstanding fell UAH0.26bn. As a result, banking sector liquidity declined UAH0.39bn yesterday.

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FRIDAY, 24 FEBRUARY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 23 February 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 23 February 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.80	-10bp	+220bp
Banks reserves (UAHm)	47,909	+1.94	-1.80
Deposit certificates* (UAHm)	47,992	-20.05	-38.35
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.9050	-0.07	-0.72
Total trade volume (US\$m)	184.75	+42.60	+8.92
UAH index PCI-based	101.905	-0.13	-1.87
UAH index PPI-based	161.177	-0.13	-1.87
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	601bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,363.81	+0.04	+5.58
MSCI EM	952.12	+0.12	+10.42
US dollar index (DXY)	101.050	-0.17	-1.13
EUR / USD	1.0582	+0.23	+0.62
Crude oil WTI (US\$/bbl)	54.45	+1.60	+1.36
Crude oil BRENT (US\$/bbl)	56.58	+1.33	-0.42
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,249.78	+0.99	+8.46

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity expected to decline

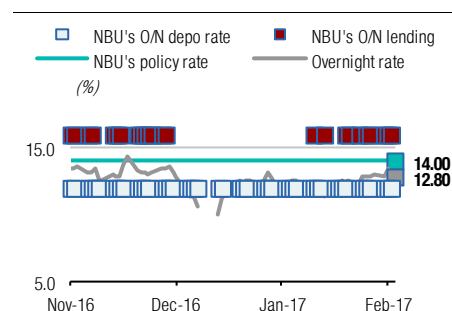
As anticipated, banking sector liquidity declined slightly after Wednesday's cashflows as outflows were partially offset by NBU injections. This Wednesday, the NBU issued UAH0.41bn of loans, of which only UAH0.03bn was a rollover of older loans. In yesterday's indicators, banks' correspondent accounts with the NBU slid UAH0.13bn while total CDs outstanding fell UAH0.26bn. As a result, banking sector liquidity declined UAH0.39bn yesterday.

Fund outflows to the budget were significant, with net outflows of UAH1.62bn, partially offset by NBU loans and higher cash.

Investment implications: Liquidity could decline further today as a result of month-end tax payments and one-day loans. While some outflows were covered by inflows from the NBU via an FX auction at which the NBU purchased US\$12.5m of FX paying UAH0.34bn in local currency.

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Interest rates in the banks' reserves market (three months through 23 February 2017)



Source: Bloomberg, ICU.

Key indicators (as of 23 February 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	14.00	+0bp	+0bp	+0bp	+0bp
Overnight	12.80	-10bp	+0bp	+90bp	+220bp
KYIV PRIME RATES (%)					
Overnight	13.00	+0bp	+0bp	+0bp	+0bp
1 week	14.50	+0bp	+0bp	+0bp	+0bp
1 month	16.13	+0bp	+5bp	+5bp	-37bp
2 months	18.00	+0bp	+0bp	+0bp	+0bp
3 months	18.00	+0bp	+0bp	+0bp	+0bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	47,909	+1.94	-0.09	-10.73	-1.80
DepCerts ³	47,992	-20.05	-31.89	-26.32	-38.35
Total	95,901	-9.07	-17.12	-18.33	-22.12
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	382,074	+0.00	+0.00	-0.33	+7.28
Banks	262,958	+0.21	+0.29	+3.24	+52.58
Residents	24,037	+0.11	+0.52	+0.94	+53.31
Non-res ⁴	5,887	-2.38	-4.24	-7.56	-7.31
Total	674,957	+0.06	+0.09	+1.01	+22.60
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	601	+0bp	-20bp	+4bp	+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.

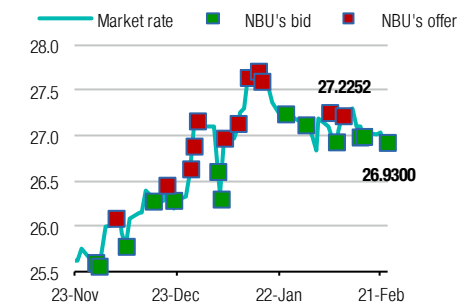
Foreign exchange markets

Key indicators (as of 23 лютого 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.9050	-0.07	-0.22	-1.08	-0.72
USD ¹	101.050	-0.17	+0.61	+0.89	-1.13
EUR	1.0582	+0.23	-0.86	-1.70	+0.62
JPY	112.6100	-0.62	-0.56	-0.09	-3.72
GBP ²	1.2556	+0.85	+0.54	+0.17	+1.75
CNY	6.8661	-0.17	+0.19	+0.18	-1.14
RUB	57.7743	-0.46	+0.28	-2.99	-6.12

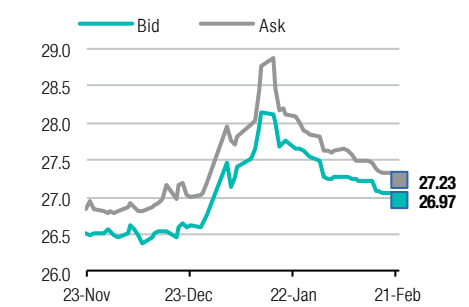
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 23 February 2017)



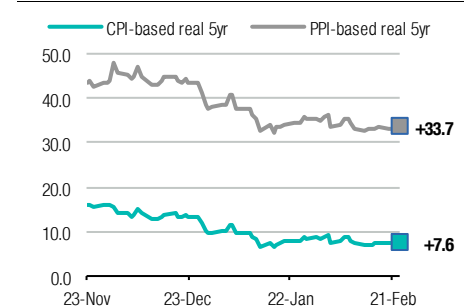
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 23 February 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 23 February 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)

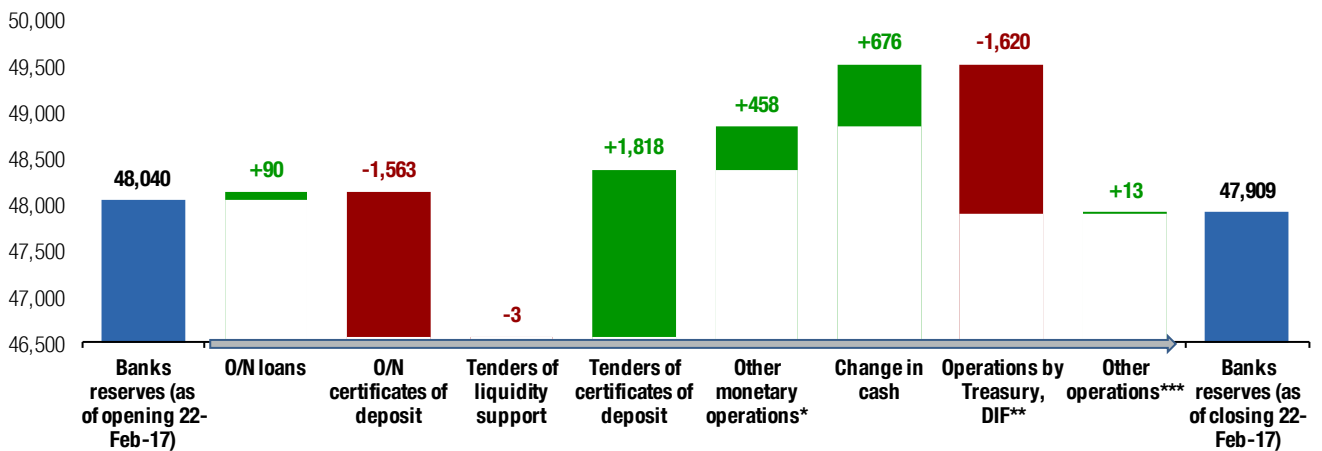
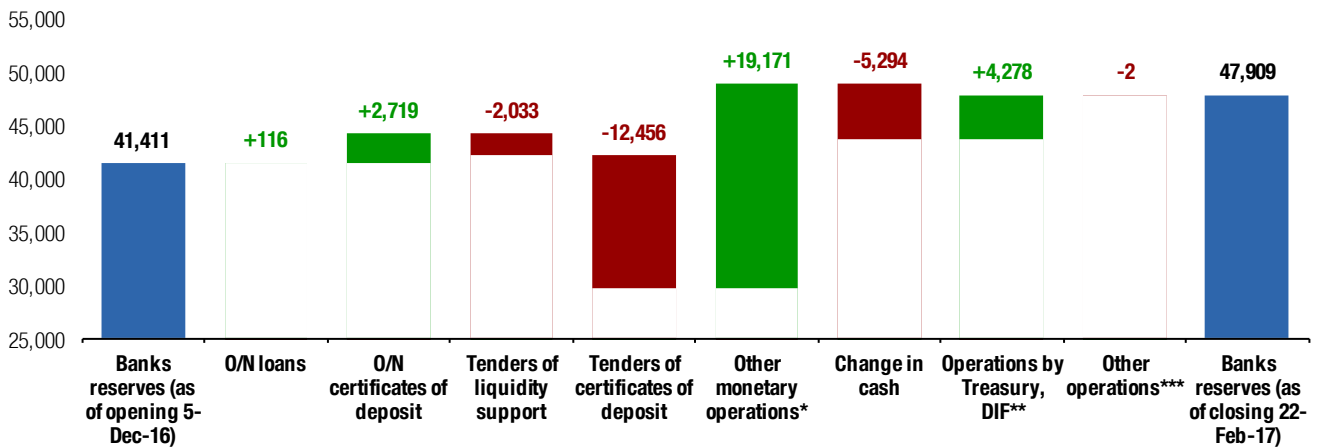
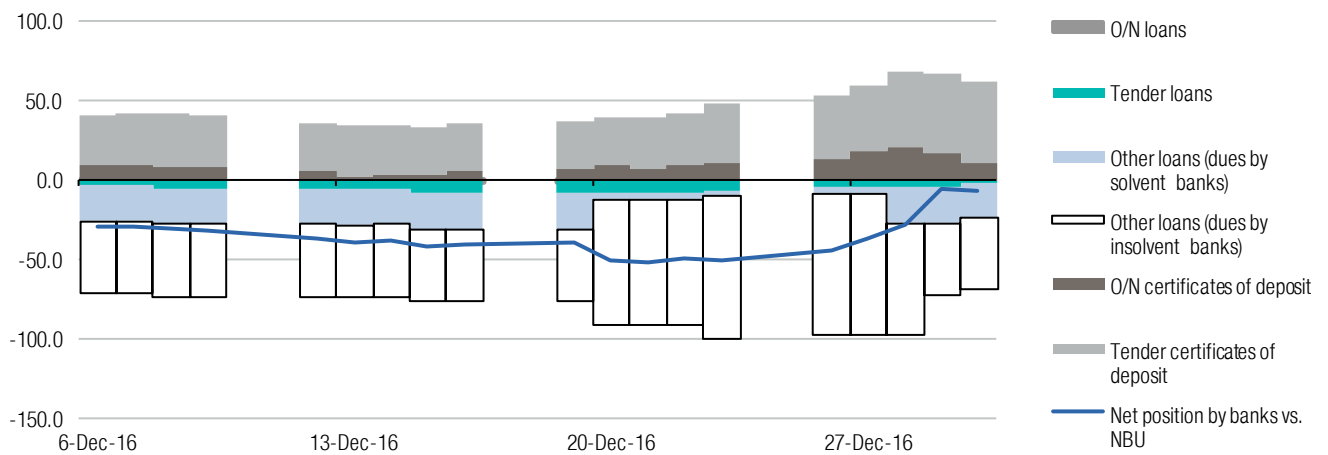


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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