

# Daily Insight

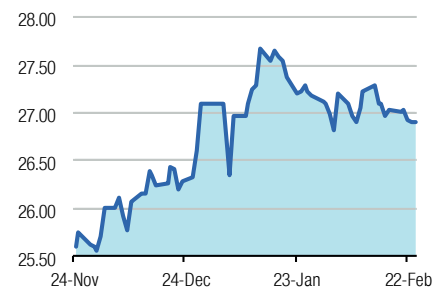
## Liquidity up slightly

### Key messages of the today's comments

|  |          |
|--|----------|
| <b>Domestic liquidity</b> .....  | <b>2</b> |
| <b>Liquidity up slightly</b> .....   | <b>2</b> |
| At the end of last week, liquidity recovered a mere UAH0.49bn to UAH96.39bn, slightly offsetting outflows accumulated over the two previous days. Banks' correspondent accounts with the NBU rose UA0.93bn while total CDs outstanding slid UAH0.44bn to UAH47.56bn. |          |
| <b>Foreign exchange markets</b> .....  | <b>3</b> |
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### MONDAY, 27 FEBRUARY 2017

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



Source: Bloomberg.

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

|   | Last     | Daily chg (%) | YTD chg (%) |
|---|----------|---------------|-------------|
| <b>DOMESTIC LIQUIDITY</b>                 |          |               |             |
| NBU key policy rate (%)                   | 14.00    | +0bp          | +0bp        |
| Overnight rate (interbank)                | 13.00    | +20bp         | +240bp      |
| Banks reserves (UAHm)                     | 48,837   | +4.83         | +2.94       |
| Deposit certificates* (UAHm)              | 47,555   | -21.66        | -40.14      |
| <b>FOREIGN EXCHANGE MARKET</b>            |          |               |             |
| UAH per US dollar                         | 26.9050  | +0.00         | -0.72       |
| Total trade volume (US\$m)                | 155.30   | -15.94        | -8.44       |
| UAH index PCI-based                       | 101.876  | -0.03         | -1.90       |
| UAH index PPI-based                       | 161.132  | -0.03         | -1.90       |
| <b>UKRAINE SOVEREIGN EUROBOND MARKET</b>  |          |               |             |
| CDS 5yr                                   | 601bp    | +0bp          | +0bp        |
| <b>GLOBAL FINANCIAL MARKET INDICATORS</b> |          |               |             |
| S&P 500                                   | 2,367.34 | +0.15         | +5.74       |
| MSCI EM                                   | 943.52   | -0.90         | +9.42       |
| US dollar index (DXY)                     | 100.930  | -0.12         | -1.25       |
| EUR / USD                                 | 1.0589   | +0.07         | +0.68       |
| Crude oil WTI (US\$/bbl)                  | 54.37    | -0.15         | +1.21       |
| Crude oil BRENT (US\$/bbl)                | 56.50    | -0.14         | -0.56       |
| CRB, commodities index                    | N/A      |               |             |
| Gold (US\$/ounce)                         | 1,253.09 | +0.26         | +8.75       |

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Liquidity up slightly

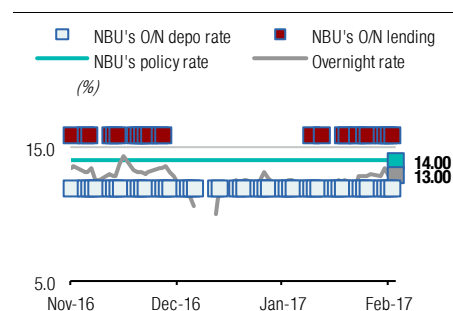
At the end of last week, liquidity recovered a mere UAH0.49bn to UAH96.39bn, slightly offsetting outflows accumulated over the two previous days. Banks' correspondent accounts with the NBU rose UA0.93bn while total CDs outstanding slid UAH0.44bn to UAH47.56bn.

The impact of non-monetary operations showed an increase of UAH0.34bn including a Treasury deficit of UAH0.44bn. The main source that covered outflows to budget was an increase in cash.

**Investment implications: Liquidity rose as the Treasury decreased the difference between collected revenues and expenditures. As it is the end of the month, liquidity remains under the pressure of tax payments and should decline further.**

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



Source: Bloomberg, ICU.

## Key indicators (as of 24 February 2017)

|   | Last           | Daily        | Weekly        | Monthly       | YTD           |
|---|----------------|--------------|---------------|---------------|---------------|
|   | chg (%)        | chg (%)      | chg (%)       | chg (%)       | chg (%)       |
| <b>BANKS' RESERVES MARKET (%)</b>                   |                |              |               |               |               |
| NBU rate <sup>1</sup>                               | 14.00          | +0bp         | +0bp          | +0bp          | +0bp          |
| Overnight   | 13.00          | +20bp        | +0bp          | +90bp         | +240bp        |
| <b>KYIV PRIME RATES (%)</b>                         |                |              |               |               |               |
| Overnight   | 12.88          | -12bp        | -12bp         | -12bp         | -12bp         |
| 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          |
| <b>DOMESTIC LIQUIDITY (UAH MILLION)</b>             |                |              |               |               |               |
| Reserves <sup>2</sup>                               | 48,837         | +4.83        | +5.33         | -0.31         | +2.94         |
| DepCerts <sup>3</sup>                               | 47,555         | -21.66       | -28.76        | -33.58        | -40.14        |
| <b>Total</b>  | <b>96,392</b>  | <b>-8.24</b> | <b>-12.34</b> | <b>-17.68</b> | <b>-21.00</b> |
| <b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b> |                |              |               |               |               |
| NBU   | 382,074        | +0.00        | +0.00         | -0.33         | +7.28         |
| Banks   | 272,441        | +3.61        | +3.87         | +7.17         | +58.09        |
| Residents   | 24,132         | +0.39        | +0.62         | +1.53         | +53.92        |
| Non-res <sup>4</sup>                                | 5,874          | -0.23        | -2.42         | -7.49         | -7.52         |
| <b>Total</b>  | <b>684,521</b> | <b>+1.42</b> | <b>+1.51</b>  | <b>+2.52</b>  | <b>+24.34</b> |
| <b>IMPLIED YIELDS OF THE UAH NDF MARKET (%)</b>     |                |              |               |               |               |
| 3 months  | 13.42          | -745bp       | -52bp         | -521bp        | -898bp        |
| 6 months  | 18.63          | +8bp         | +24bp         | +35bp         | +16bp         |
| 9 months  | 18.28          | +5bp         | +19bp         | +30bp         | +27bp         |
| 1 year  | 17.32          | +3bp         | +15bp         | +28bp         | +32bp         |
| <b>UKRAINE SOVEREIGN EUROBOND MARKET</b>            |                |              |               |               |               |
| CDS 5yr   | 601            | +0bp         | +0bp          | +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.

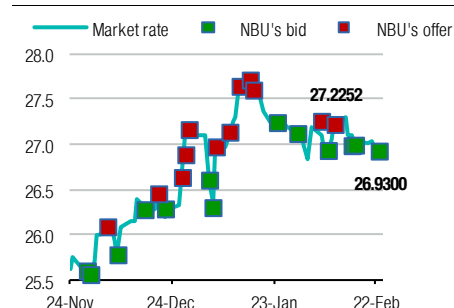
# Foreign exchange markets

Key indicators (as of 24 лютого 2017)

|   | Last     | Daily   | Weekly  | Monthly | YTD     |
|---|----------|---------|---------|---------|---------|
|   | chg (%)  | chg (%) | chg (%) | chg (%) | chg (%) |
| <b>EXCHANGE RATES</b> (PER US DOLLAR, EXCEPT EURO, POUND) |          |         |         |         |         |
| UAH   | 26.9050  | +0.00   | -0.48   | -1.21   | -0.72   |
| USD <sup>1</sup>  | 100.930  | -0.12   | -0.02   | +0.58   | -1.25   |
| EUR   | 1.0589   | +0.07   | -0.25   | -1.32   | +0.68   |
| JPY   | 112.8000 | +0.17   | -0.04   | -0.87   | -3.56   |
| GBP <sup>2</sup>  | 1.2560   | +0.03   | +1.19   | +0.32   | +1.78   |
| CNY   | 6.8710   | +0.07   | +0.07   | +0.17   | -1.07   |
| RUB   | 57.7351  | -0.07   | -0.95   | -2.60   | -6.18   |

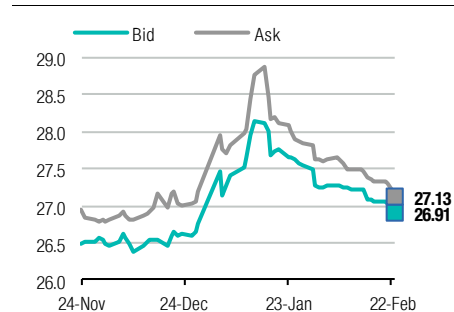
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

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



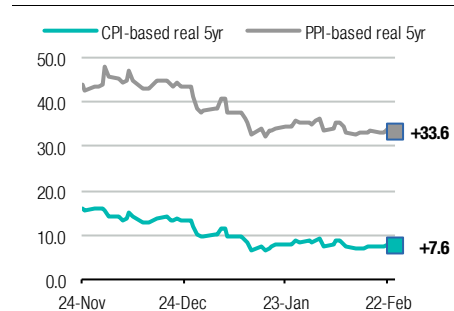
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

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



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 24 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)

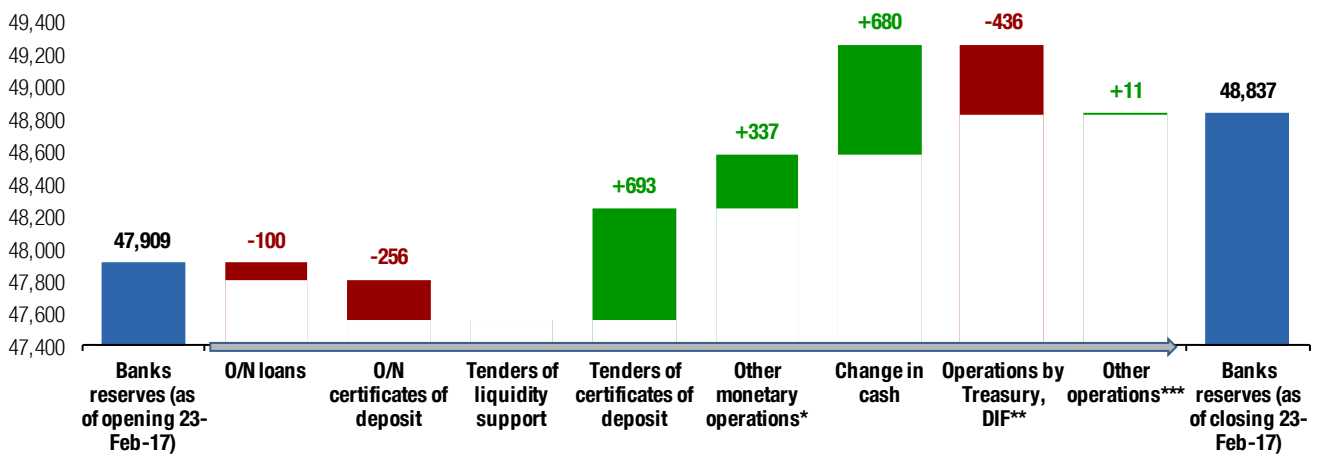
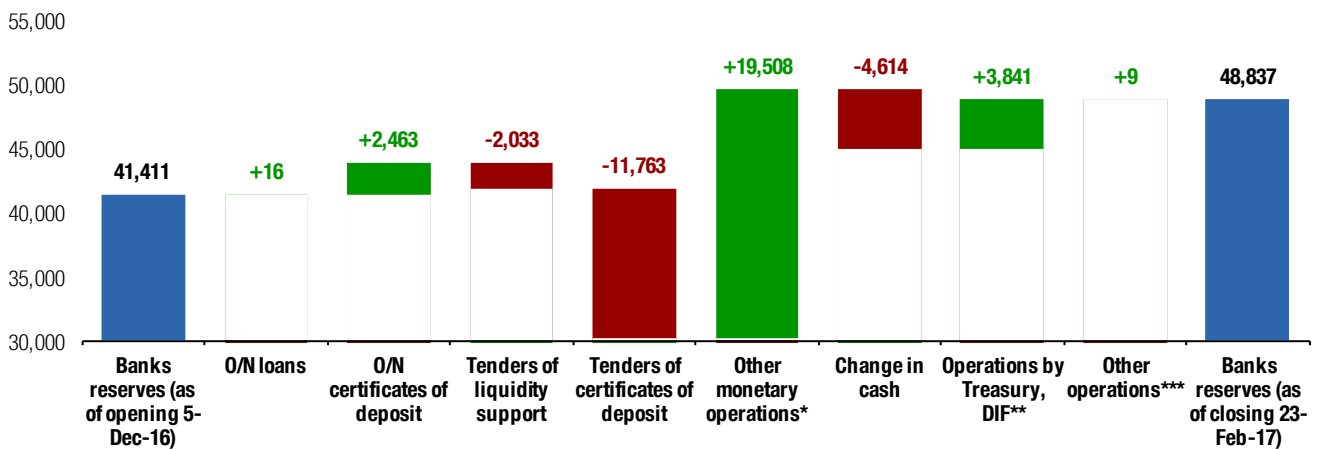
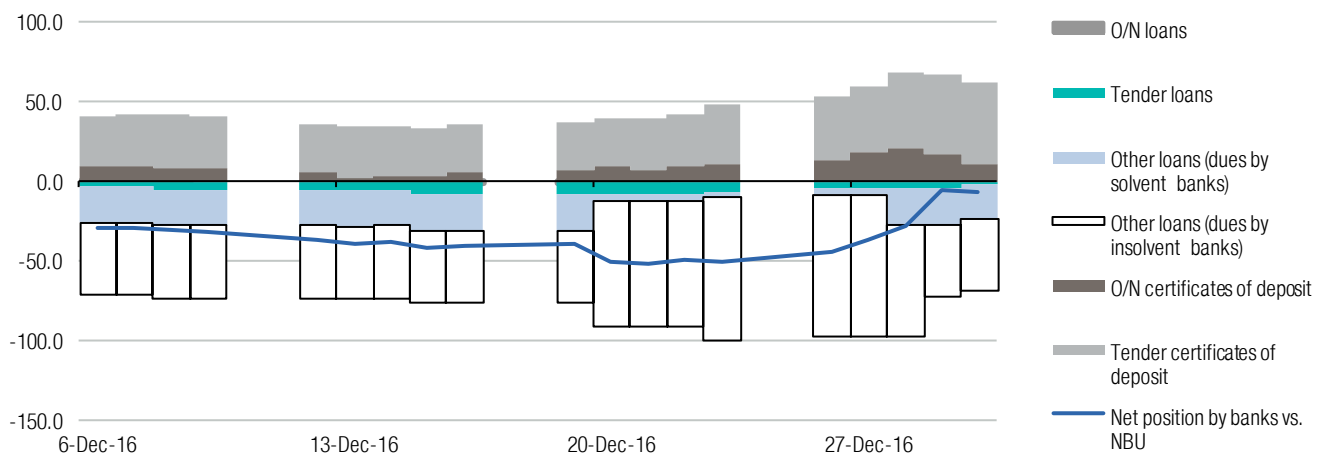


Chart 2. Banks reserves usages over last 30-day period (UAHm)



Notes: [1] data from the NBU's daily reporting [https://bank.gov.ua/control/uk/publish/article?art\\_id=38643651&cat\\_id=40807142](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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