

Daily Insight

Liquidity down slightly

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Despite higher revenues to the Treasury of nearly UAH9.6bn last Friday, the impact of its operations was insufficient, resulting in outflows of UAH0.95bn. Although this outflow was partially offset by an increase in cash of UAH0.28bn, there were outflows via other operations of UAH0.14bn. The impact of autonomous non-monetary operations amounted to UAH0.81bn. Additional NBU monetary operations caused an outflow of UAH0.11bn, resulting in total outflows of UAH0.91bn, causing liquidity to decline to UAH110.22bn.

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TUESDAY, 30 MAY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 29 May 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 29 May 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	N/A		
Overnight rate (interbank)	N/A		
Banks reserves (UAHm)	50,665	+1.04	+1.88
Deposit certificates* (UAHm)	59,552	-2.35	-4.32
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.3550	+0.09	-2.75
Total trade volume (US\$m)	N/A		
UAH index PCI-based	108.139	-0.02	+0.13
UAH index PPI-based	166.667	-0.02	-1.01
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	595bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,415.82	+0.03	+7.91
MSCI EM	1,015.19	-0.18	+17.73
US dollar index (DXY)	97.442	+0.00	-4.66
EUR / USD	1.1164	-0.17	+6.15
Crude oil WTI (US\$/bbl)	N/A	-100.00	-100.00
Crude oil BRENT (US\$/bbl)	52.29	+0.27	-7.97
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,269.50	+0.21	+10.17

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity down slightly

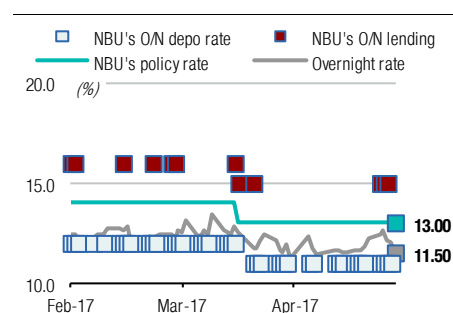
Despite higher revenues to the Treasury of nearly UAH9.6bn last Friday, the impact of its operations was insufficient, resulting in outflows of UAH0.95bn. Although this outflow was partially offset by an increase in cash of UAH0.28bn, there were outflows via other operations of UAH0.14bn. The impact of autonomous non-monetary operations amounted to UAH0.81bn. Additional NBU monetary operations caused an outflow of UAH0.11bn, resulting in total outflows of UAH0.91bn, causing liquidity to decline to UAH110.22bn.

ON CDs were down UAH0.14bn and 14-day CDs fell to UAH1.30bn, causing total CDs outstanding to decrease UAH1.43bn to UAH59.52bn. Banks' correspondent accounts with the NBU rose only UAH0.52bn, accumulating only a portion of funds withdrawn from CDs.

Investment implications: The Treasury remains the main source for volatility in liquidity, and the impact was minimized recently by an increase in expenditures. On the other hand, such high revenues are usually received only once per month, and yesterday and today we could see lower outflows to Treasury accounts. At the same time, the Treasury could decrease expenditures and the net impact could be negative and significant. With this in mind, we do not anticipate a large decline in liquidity.

Taras Kotovych, Kyiv, (044) 220-0120 ext.724

Interest rates in the banks' reserves market (three months through 29 May 2017)



Source: Bloomberg, ICU.

Key indicators (as of 29 May 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
Overnight	N/A	N/A	N/A	N/A	N/A
KYIV PRIME RATES (%)					
Overnight	N/A	N/A	N/A	N/A	N/A
1 week	N/A	N/A	N/A	N/A	N/A
1 month	N/A	N/A	N/A	N/A	N/A
2 months	N/A	N/A	N/A	N/A	N/A
3 months	N/A	N/A	N/A	N/A	N/A
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	50,665	+1.04	+17.25	+12.23	+1.88
DepCerts ³	59,552	-2.35	+1.43	-24.51	-4.32
Total	110,217	-0.82	+8.13	-11.14	-1.57
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	N/A	N/A	N/A	N/A	N/A
Banks	N/A	N/A	N/A	N/A	N/A
Residents	N/A	N/A	N/A	N/A	N/A
Non-res ⁴	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A
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	595	+0bp	+0bp	-17bp	+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.

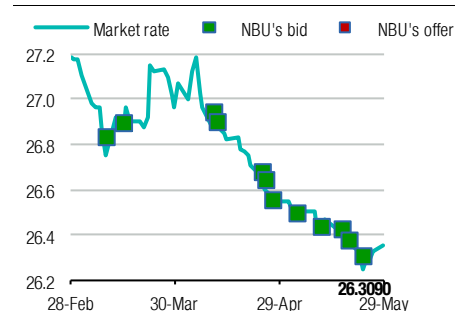
Foreign exchange markets

Key indicators (as of 29 травня 2017)

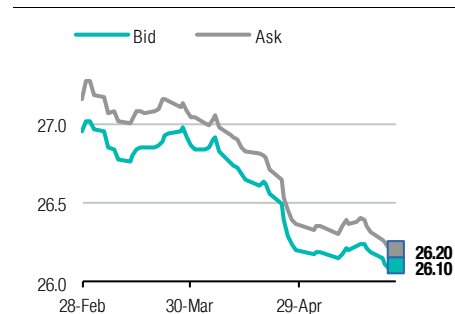
	Last	Daily chg (%)	Weekly chg (%)	Monthly chg (%)	YTD chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.3550	+0.09	+0.10	-0.72	-2.75
USD ¹	97.442	+0.00	+0.47	-1.62	-4.66
EUR	1.1164	-0.17	-0.65	+2.47	+6.15
JPY	111.2700	-0.05	-0.03	-0.20	-4.86
GBP ²	1.2840	+0.28	-1.23	-0.86	+4.05
CNY	N/A	N/A	N/A	N/A	N/A
RUB	56.5029	-0.02	-0.24	-0.75	-8.18

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

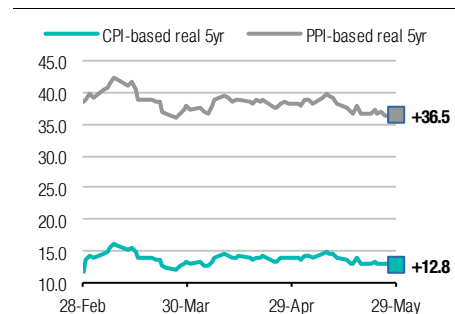
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 29 May 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 29 May 2017)


Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 29 May 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)

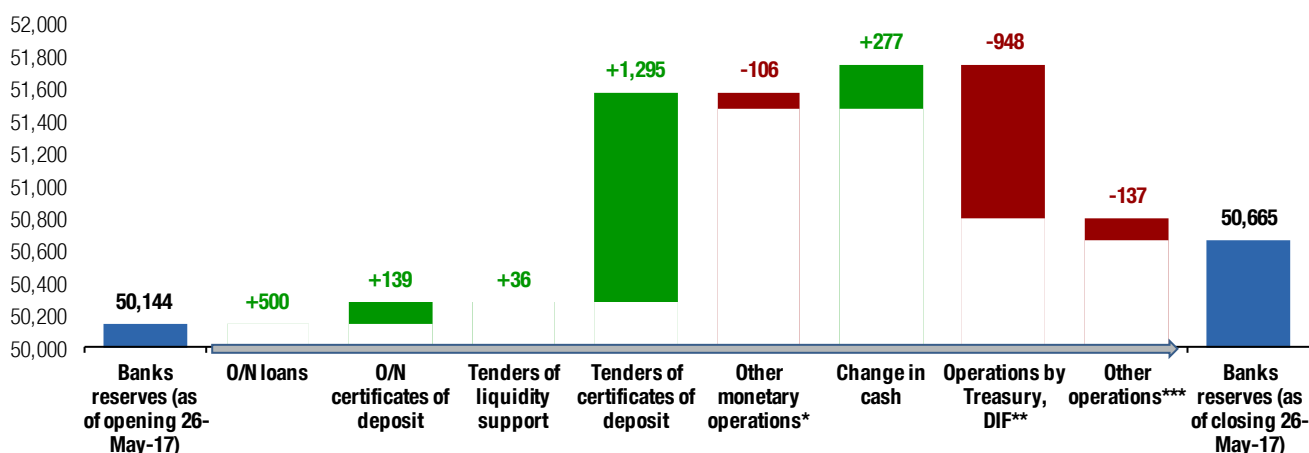
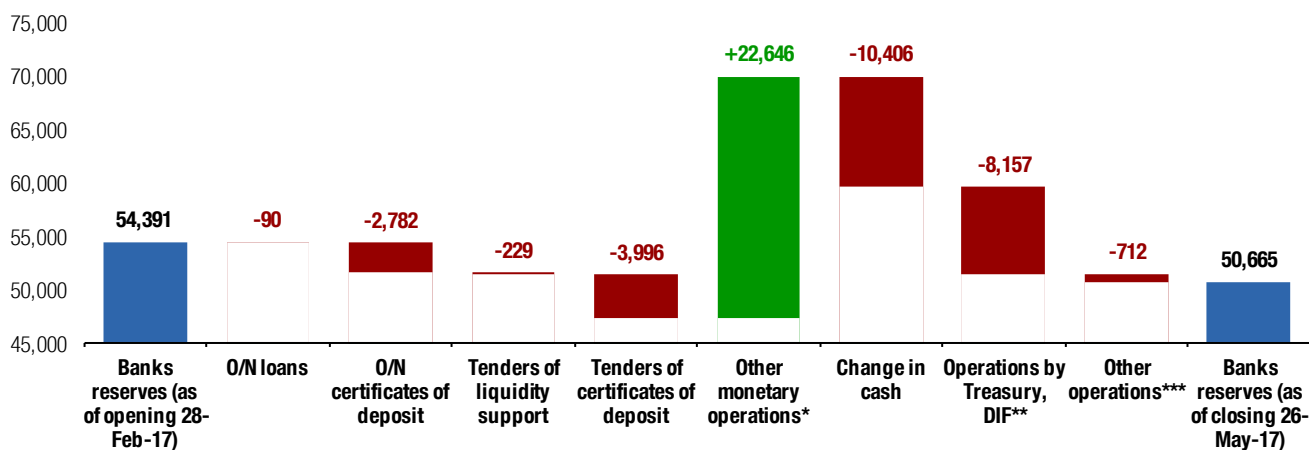
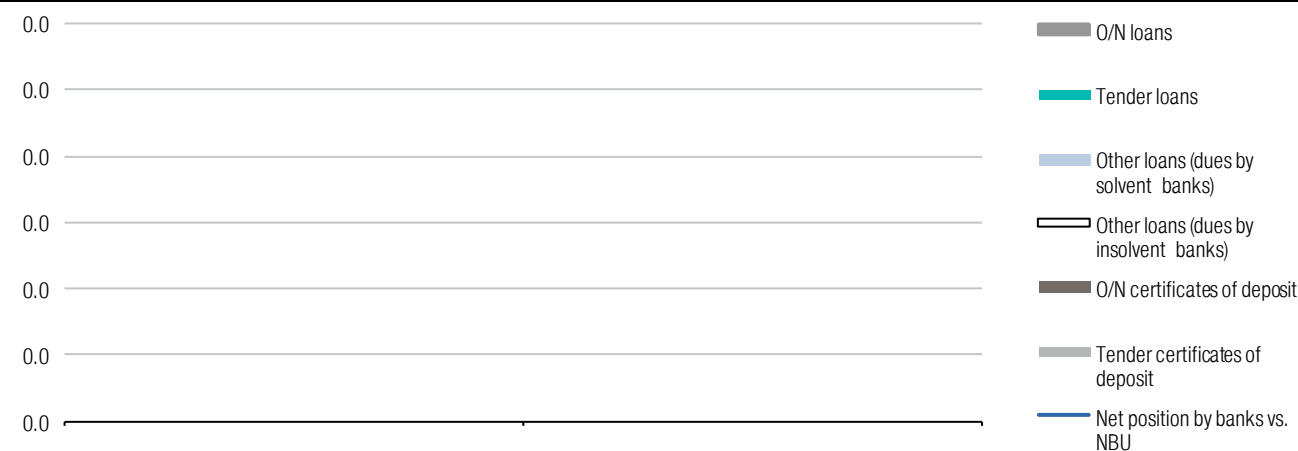


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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11th floor, LEONARDO Business Centre
19-21 Bogdan Khmelnytsky Street
Kiev, 01030 Ukraine
Phone/Fax +38 044 2200120

WEB www.icu.ua



@ICU_UA

CORPORATE FINANCE

Makar Paseniuk, CFA, Managing Director
makar.paseniuk@icu.ua

Ivan Shvydanenko, Director
ivan.shvydanenko@icu.ua

Roman Nikitov, ACCA Director
roman.nikitov@icu.ua

Yuriy Kamarytskyi, Vice President
yuriy.kamarytskyi@icu.ua

Ruslan Kilmukhametov, Director
ruslan.kilmukhametov@icu.ua

Ruslan Patlavsky, Director
ruslan.patlavsky@icu.ua

STRATEGY AND CORPORATE DEVELOPMENT

Vlad Sinani, Director
vlad.sinani@icu.ua

SALES AND TRADING

Konstantin Stetsenko
Managing Director
konstantin.stetsenko@icu.ua

Liliya Kubytovych
Asset Management Product Sales
liliya.kubytovych@icu.ua

Sergiy Byelyayev
Fixed-Income Trading
sergiy.byelyayev@icu.ua

Yevgeniya Gryshchenko
Fixed-Income Sales
yevgeniya.gryshchenko@icu.ua

Vitaliy Sivach
Fixed-Income & FX Trading
vitaliy.sivach@icu.ua

RESEARCH

Alexander Valchyshen
Head of Research
alexander.valchyshen@icu.ua

Taras Kotovych
Senior financial analyst (Sovereign debt)
taras.kotovych@icu.ua

Alexander Martynenko
Head of corporate research
alexander.martynenko@icu.ua

Mykhaylo Demkiv
Financial analyst (Banks)
mykhaylo.demkiv@icu.ua

Bogdan Vorotilin
Financial analyst (Food & Agribusiness)
bogdan.vorotilin@icu.ua

Lee Daniels, Rolfe Haas
Editors

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