

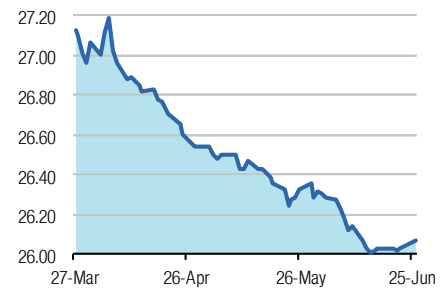
Daily Insight

Liquidity continues to increase

Key messages of the today's comments

TUESDAY, 27 JUNE 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 26 June 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 26 June 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	12.50	+0bp	-150bp
Overnight rate (interbank)	10.80	-40bp	+20bp
Banks reserves (UAHm)	53,774	-9.80	-2.47
Deposit certificates* (UAHm)	57,234	-15.32	-22.13
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.0699	+0.14	-3.80
Total trade volume (US\$m)	116.15	-30.43	-31.52
UAH index PCI-based	110.153	-0.32	+1.99
UAH index PPI-based	169.772	-0.32	+0.83
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	585bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,439.07	+0.03	+8.94
MSCI EM	1,019.11	+0.74	+18.19
US dollar index (DXY)	97.426	+0.17	-4.68
EUR / USD	1.1182	-0.11	+6.32
Crude oil WTI (US\$/bbl)	43.38	+0.86	-19.25
Crude oil BRENT (US\$/bbl)	45.83	+0.64	-19.34
CRB, commodities index	168.57	+0.49	-12.44
Gold (US\$/ounce)	1,244.73	-0.96	+8.02

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

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Last week ended with banking sector liquidity up UAH3.07bn to UAH111.01bn, as the result of Treasury injections. According to the NBU, the positive balance of Treasury operations was UAH3.57bn, covering all outflows. Following a cash decline, there was a positive non-monetary operations balance increase of UAH3.03bn. Most funds were injected by the Treasury from a UAH2.28bn VAT refund last Friday.

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Domestic liquidity

Liquidity continues to increase

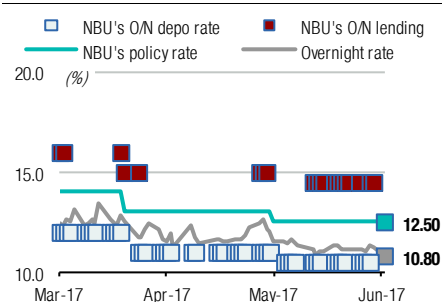
Last week ended with banking sector liquidity up UAH3.07bn to UAH111.01bn, as the result of Treasury injections. According to the NBU, the positive balance of Treasury operations was UAH3.57bn, covering all outflows. Following a cash decline, there was a positive non-monetary operations balance increase of UAH3.03bn. Most funds were injected by the Treasury from a UAH2.28bn VAT refund last Friday.

Banks' correspondent accounts rose significantly, up UAH4.37bn to UAH53.77bn, partially due to fund reallocations from CDs. Total CDs outstanding slid UAH1.30bn to UAH57.23bn, as total ON CDs rose and 14-day CDs fell.

Investment implications: The Treasury increased VAT refunds at the end of the month, but this time it was not via the routine one large payment, but broken into smaller payments over several days. If payments continue, liquidity will be volatile at around UAH110bn with possible increase depending on current budget expenditures.

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Interest rates in the banks' reserves market (three months through 26 June 2017)



Source: Bloomberg, ICU.

Key indicators (as of 26 June 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	12.50	+0bp	+0bp	+0bp	-150bp
Overnight	10.80	-40bp	-30bp	-70bp	+20bp
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	53,774	-9.80	-5.00	-3.27	-2.47
DepCerts ³	57,234	-15.32	-26.55	-20.53	-22.13
Total	111,008	-12.65	-17.15	-12.74	-13.40
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	373,007	+0.00	+0.00	-0.84	+4.73
Banks	280,393	+0.01	-0.35	-0.22	+62.72
Residents	23,168	-0.06	+1.46	+2.11	+47.68
Non-res ⁴	320	+0.02	+433.6	-93.91	-94.95
Total	676,888	+0.00	-0.06	-1.20	+22.96
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	585	+0bp	+15bp	-10bp	+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.

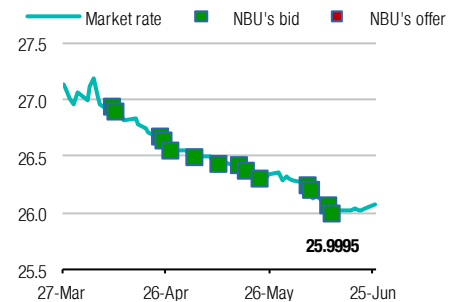
Foreign exchange markets

Key indicators (as of 26 червня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.0699	+0.14	+0.17	-0.99	-3.80
USD ¹	97.426	+0.17	-0.13	-0.02	-4.68
EUR	1.1182	-0.11	+0.30	-0.01	+6.32
JPY	111.8600	+0.52	+0.30	+0.48	-4.36
GBP ²	1.2723	+0.04	-0.11	-0.63	+3.10
CNY	6.8411	+0.07	+0.32	-0.21	-1.50
RUB	58.8163	-1.07	+0.58	+4.07	-4.42

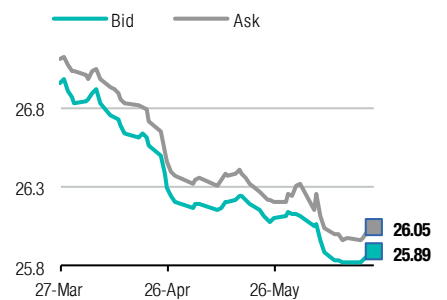
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 26 June 2017)



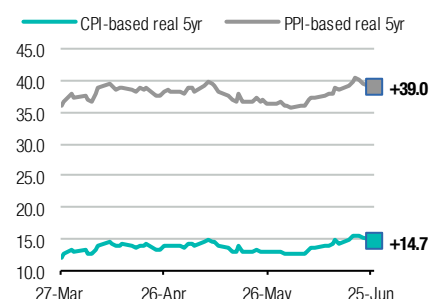
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 26 June 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 26 June 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)

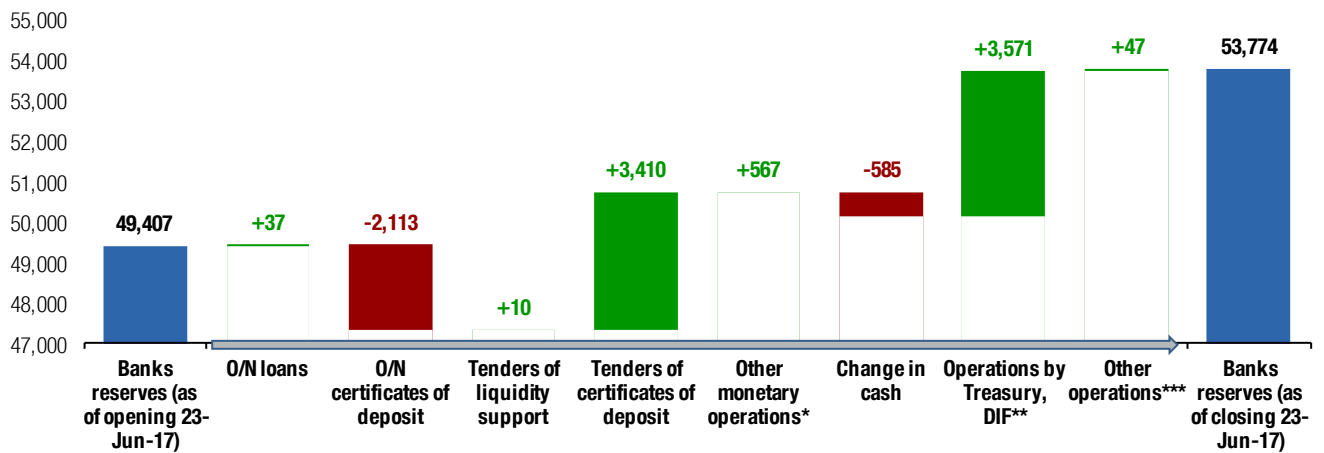
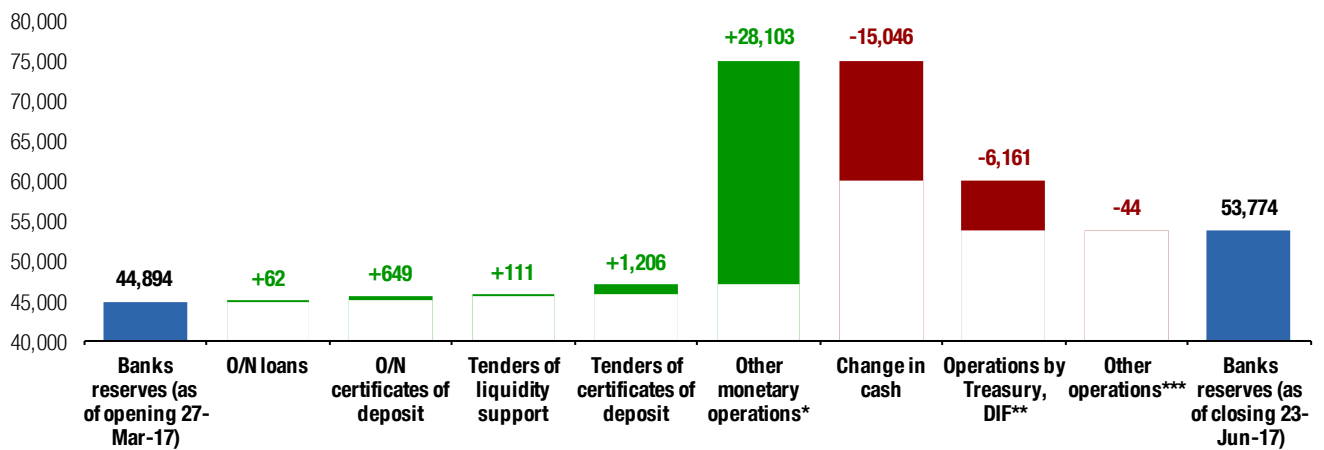
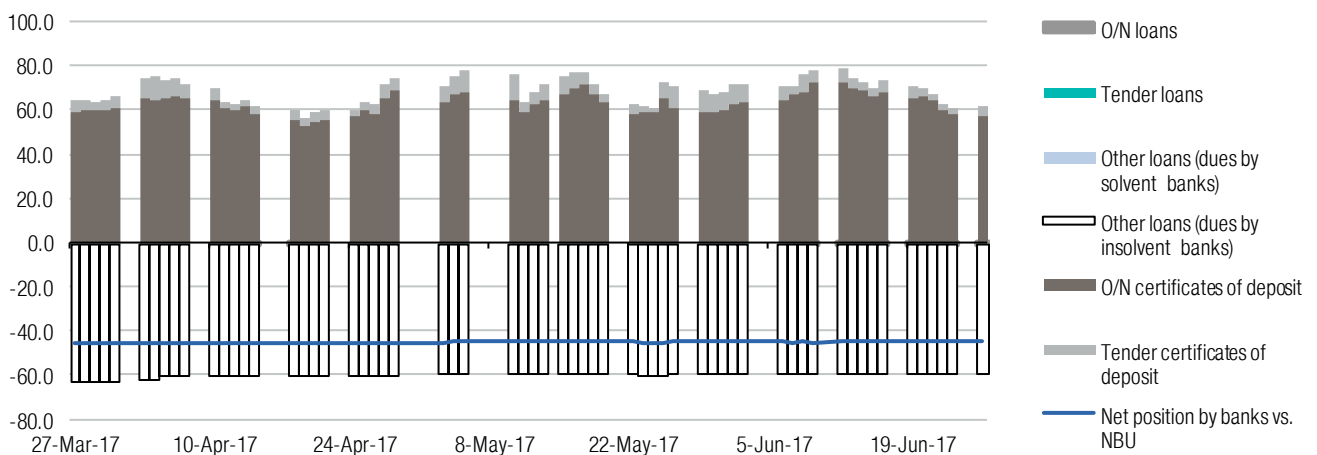


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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