

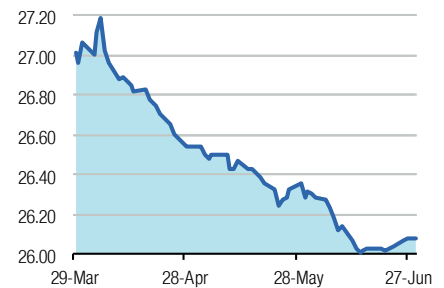
Daily Insight

Liquidity stabilization and reallocation

Key messages of the today's comments

FRIDAY, 30 JUNE 2017

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



Source: Bloomberg.

Selected indicators of the financial markets (three months through 29 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)	55,078	+13.55	+10.75
Deposit certificates* (UAHm)	52,899	-8.50	-15.01
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.0800	+0.02	-3.76
Total trade volume (US\$m)	53.27	-54.02	-68.60
UAH index PCI-based	109.261	-0.18	+1.17
UAH index PPI-based	168.398	-0.18	+0.01
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	585bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,419.70	-0.86	+8.08
MSCI EM	1,014.02	+0.19	+17.60
US dollar index (DXY)	95.628	-0.40	-6.44
EUR / USD	1.1441	+0.55	+8.79
Crude oil WTI (US\$/bbl)	44.93	+0.42	-16.36
Crude oil BRENT (US\$/bbl)	47.42	+0.23	-16.54
CRB, commodities index	171.89	+0.53	-10.71
Gold (US\$/ounce)	1,245.52	-0.30	+8.09

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

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After significant fund outflows to Treasury accounts, caused by Naftogaz payments of dividends and taxes, the balance of Treasury's operations on Tuesday was positive, with UAH1.44bn of inflows. With a slight increase in cash and an low outflows via other operations, the impact of non-monetary cashflows amounted to UAH1.56bn. Also, the NBU issued UAH0.10bn of ON loans to one bank, banking sector liquidity rose UAH1.66bn to UAH107.98bn.

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Domestic liquidity

Liquidity stabilization and reallocation

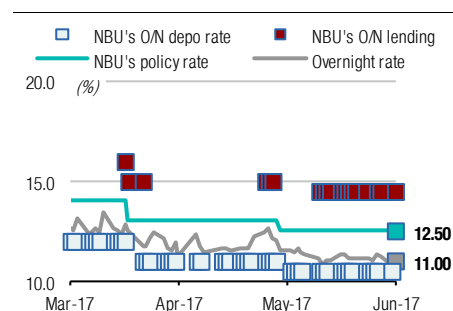
After significant fund outflows to Treasury accounts, caused by Naftogaz payments of dividends and taxes, the balance of Treasury's operations on Tuesday was positive, with UAH1.44bn of inflows. With a slight increase in cash and an low outflows via other operations, the impact of non-monetary cashflows amounted to UAH1.56bn. Also, the NBU issued UAH0.10bn of ON loans to one bank, banking sector liquidity rose UAH1.66bn to UAH107.98bn.

At the same time, banks significantly decreased investments in CDs by UAH4.91bn to UAH52.90bn, reallocating these funds to banks' accounts. Banks' correspondent accounts with the NBU rose UAH6.57bn to UAH55.08bn this day. The reallocation was the result of purchasing only UAH3.91bn of 14-day CDs rather than making UAH8.87bn of payments in similar CD redemptions. The amount of ON CDs remains unchanged.

Investment implications: The fund reallocation could be the result of Tuesday's cyber attack which resulted in blocking of activity in some banks that received redemptions. Most likely after activity is restored, the balance of CDs outstanding could rise significantly. It is unlikely that the increase in banks' correspondent accounts was in preparation for the last two days of month-end tax payments. There appears to be no need to accumulate funds, particularly prior to the public holiday.

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



Source: Bloomberg, ICU.

Key indicators (as of 29 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	55,078	+13.55	+17.45	+8.71	+10.75
DepCerts ³	52,899	-8.50	-12.81	-11.17	-15.01
Total	107,977	+1.56	+0.38	-2.03	-3.57
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	371,007	-0.54	-0.54	-1.37	+4.17
Banks	280,604	+0.06	-0.04	-0.23	+62.82
Residents	23,165	+0.05	+1.57	+2.03	+47.75
Non-res ⁴	321	+0.17	+0.22	-93.92	-94.95
Total	675,097	-0.27	-0.26	-1.50	+22.63
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	+0bp	-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.

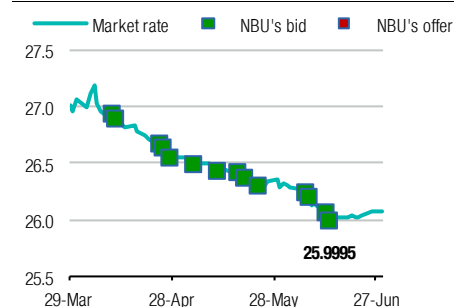
Foreign exchange markets

Key indicators (as of 29 червня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.0800	+0.02	+0.21	-1.04	-3.76
USD ¹	95.628	-0.40	-2.01	-1.86	-6.44
EUR	1.1441	+0.55	+2.59	+2.48	+8.79
JPY	112.1800	-0.11	+0.76	+0.82	-4.09
GBP ²	1.3007	+0.63	+2.56	+1.30	+5.41
CNY	6.7870	-0.19	-0.70	-1.00	-2.28
RUB	59.4193	+0.28	-0.95	+5.16	-3.44

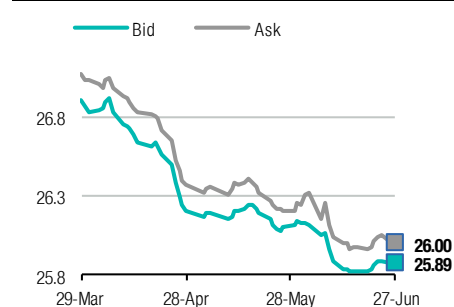
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

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



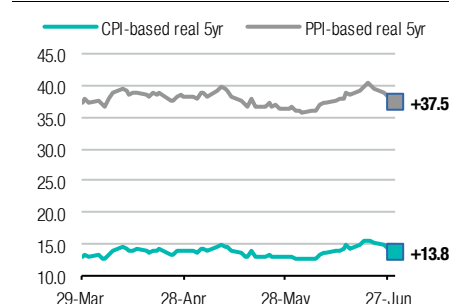
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

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



Source: NBU.

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

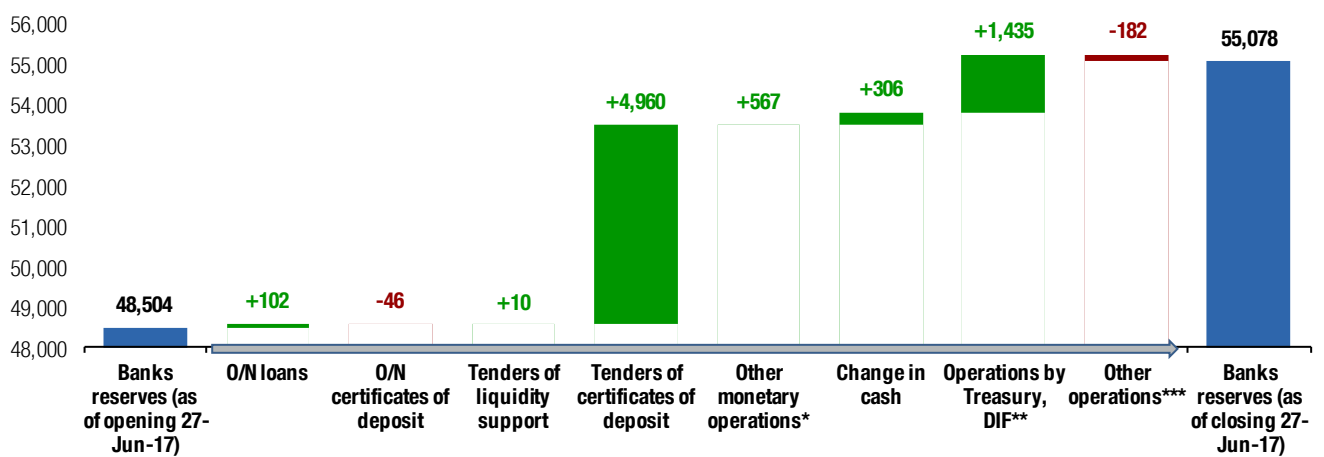
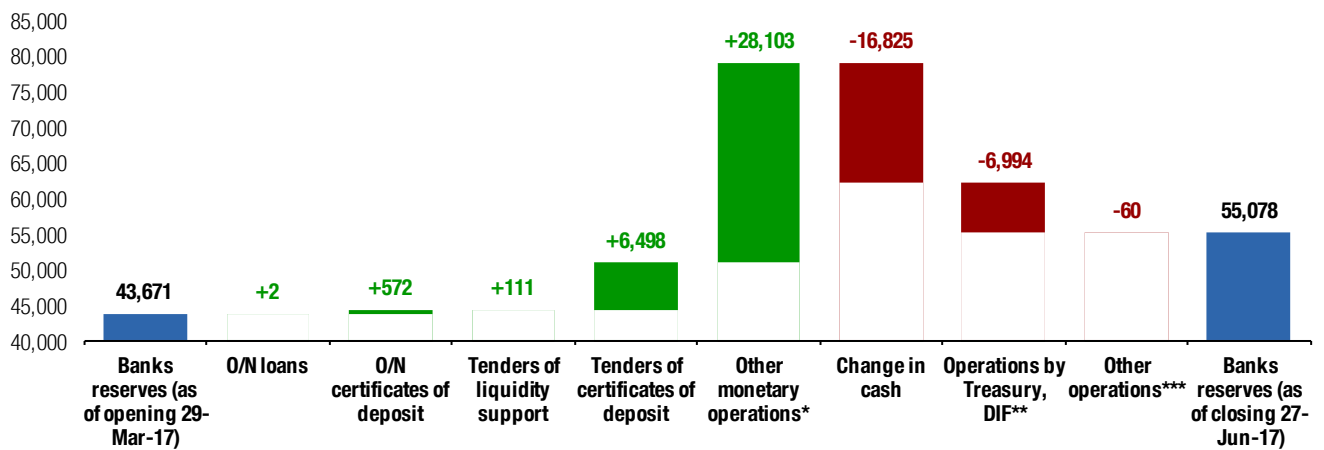
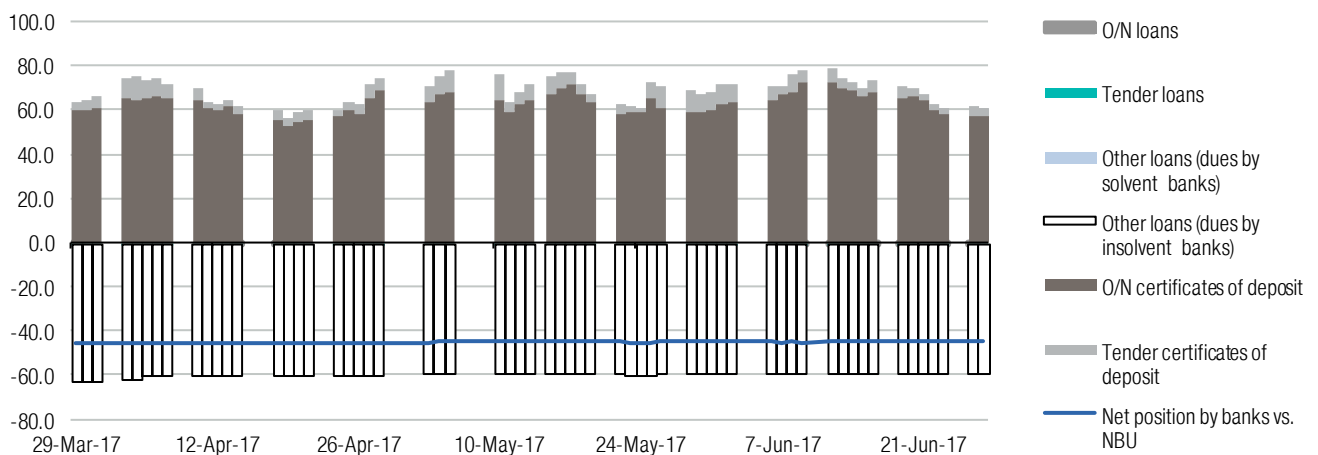


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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