

# Daily Insight

## UAH near 7-month low

### Key messages of the today's comments

#### Domestic liquidity 2

##### Liquidity steady .....2

At Tuesday's close, banking sector liquidity remained steady with fund reallocations to CDs. Total liquidity declined UAH0.15bn to UAH80.14bn as banks reallocated funds from reserves to CDs, purchasing additional 2-week CDs instead of ON instruments. Total CDs outstanding rose UAH2.25bn to UAH32.90bn as 2-week CDs rose UAH4.43bn and ON CDs declined UAH2.18bn; banks' correspondent accounts with the NBU declined UAH2.40bn to UAH47.24bn. 2

#### Foreign exchange markets 3

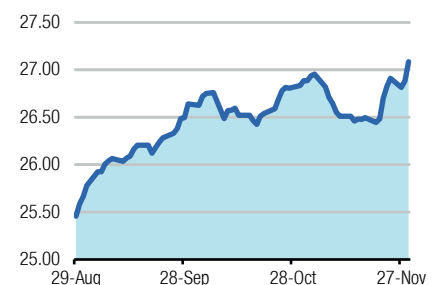
##### UAH near 7-month low .....3

The hryvnia weakened another 0.5% to 27.0139 USD/UAH, having extended its Tuesday losses. The key drivers of the UAH's depreciation were excess demand for the USD in the local FX market and higher liquidity. Although the USD was globally weaker on Wednesday, it did not support the hryvnia. In the local market, the hryvnia sold for 26.69 USD/UAH versus 26.83 to buy at the Ukrainian cash market. Its CPI-based real trade-weighted index fell 0.66% to 111.08; in year-on-year terms, it is down 1.55% from 112.80 last year. 3

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THURSDAY, 30 NOVEMBER 2017

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



Source: Bloomberg.

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

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	13.50	+0bp	-50bp
Overnight rate (interbank)	12.00	-10bp	+140bp
Banks reserves (UAHm)	47,241	-4.83	-5.01
Deposit certificates* (UAHm)	32,901	+7.33	-47.14
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	27.0850	+0.75	-0.06
Total trade volume (US\$m)	217.64	-22.90	+28.32
UAH index CPI-based	111.083	-0.66	+2.84
UAH index PPI-based	168.399	-0.66	-0.01

#### UKRAINE SOVEREIGN EUROBOND MARKET

CDS 5yr	434bp	+0bp	-219bp
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#### GLOBAL FINANCIAL MARKET INDICATORS

S&P 500	2,626.07	-0.04	+17.30
MSCI EM	1,141.38	-0.45	+32.37
US dollar index (DXY)	93.164	-0.11	-8.85
EUR / USD	1.1847	+0.06	+12.65
Crude oil WTI (US\$/bbl)	57.30	-1.19	+6.66
Crude oil BRENT (US\$/bbl)	63.11	-0.79	+11.07
CRB, commodities index	190.90	-0.16	-0.83
Gold (US\$/ounce)	1,283.89	-0.78	+11.42

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Liquidity steady

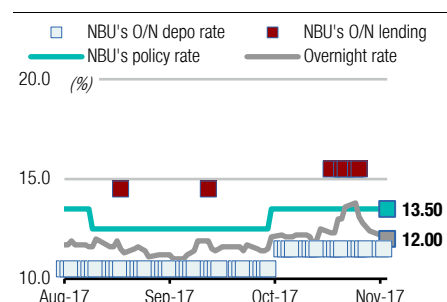
At Tuesday's close, banking sector liquidity remained steady with fund reallocations to CDs. Total liquidity declined UAH0.15bn to UAH80.14bn as banks reallocated funds from reserves to CDs, purchasing additional 2-week CDs instead of ON instruments. Total CDs outstanding rose UAH2.25bn to UAH32.90bn as 2-week CDs rose UAH4.43bn and ON CDs declined UAH2.18bn; banks' correspondent accounts with the NBU declined UAH2.40bn to UAH47.24bn.

The negative impact of non-monetary autonomous operations declined to UAH0.15bn as the net outflow to Treasury accounts declined to UAH1.22bn, mostly offset by an increase in reserves due to cash exchanges. The NBU performed no additional monetary operations having an impact on liquidity.

**ICU view: Liquidity remained steady with very little decline due to the negative impact from non-monetary operations. During the last two days of November (yesterday and today), the decline in liquidity could have accelerated, but most likely total banking sector liquidity should not fall below UAH75bn.**

**Taras Kotovych, Kyiv, (044) 377-7040 ext.724**

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



Source: Bloomberg, ICU.

## Key indicators (as of 29 November 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>BANKS' RESERVES MARKET (%)</b>					
NBU rate <sup>1</sup>	13.50	+0bp	+0bp	+0bp	-50bp
ON rate	12.00	-10bp	-80bp	-10bp	+140bp
ON \$ swap	11.95	+8bp	+0bp	+9bp	+48bp
<b>DOMESTIC LIQUIDITY (UAH MILLION)</b>					
Reserves <sup>2</sup>	47,241	-4.83	-19.52	-14.42	-5.01
DepCerts <sup>3</sup>	32,901	+7.33	+57.21	+17.97	-47.14
<b>Total</b>	<b>80,142</b>	<b>-0.19</b>	<b>+0.65</b>	<b>-3.55</b>	<b>-28.43</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	360,573	+0.00	+0.00	+0.00	+1.24
Banks	310,083	+0.15	-0.74	-1.19	+80.19
Residents	21,240	+0.10	-1.61	-4.01	-9.85
Non-res <sup>4</sup>	4,787	+0.00	-9.85	+4.14	-24.63
<b>Total</b>	<b>697,828</b>	<b>+0.07</b>	<b>-0.42</b>	<b>-0.59</b>	<b>+26.85</b>
<b>IMPLIED YIELDS OF THE UAH NDF MARKET (%)</b>					
1 month	13.53	-257bp	+4bp	-226bp	-878bp
3 months	14.31	-87bp	-65bp	-86bp	-776bp
6 months	12.41	-44bp	-27bp	-26bp	-564bp
1 year	11.57	-19bp	-19bp	-13bp	-442bp
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>					
CDS 5yr	434	+0bp	+0bp	-13bp	-219bp

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

## UAH near 7-month low

The hryvnia weakened another 0.5% to 27.0139 USD/UAH, having extended its Tuesday losses. The key drivers of the UAH's depreciation were excess demand for the USD in the local FX market and higher liquidity. Although the USD was globally weaker on Wednesday, it did not support the hryvnia. In the local market, the hryvnia sold for 26.69 USD/UAH versus 26.83 to buy at the Ukrainian cash market. Its CPI-based real trade-weighted index fell 0.66% to 111.08; in year-on-year terms, it is down 1.55% from 112.80 last year.

The US dollar struggled to find direction yesterday despite strong macroeconomic statistics. According to the second estimate, real GDP rose 3.3% QoQ in seasonally adjusted annualized terms in the third quarter, beating expectations of 3.2% growth. This was the highest economic growth rate in three years. At the same time, US pending home sales also rose more than expected in October. However, the DXY index fell 0.1% to 93.16 due to a stronger euro.

The economic confidence in the Eurozone rose to 114.6 in November, the highest level since 2000, while German inflation increased to 1.8% YoY in the same month, up from 1.6% YoY in October. However, solid US statistics, which supported the USD, had an opposite effect on the euro, restricting its growth as it only strengthened 0.1% to 1.1847 EUR/USD.

The Russian ruble fell 0.4% to 58.6348 USD/RUB on the back of volatile oil prices. At the same time, the ruble got some support thanks to strong demand for Russian domestic government bonds at Wednesday's auction. The Chinese renminbi was traditionally stable, closing down 0.1% to 6.6167 USD/CNY.

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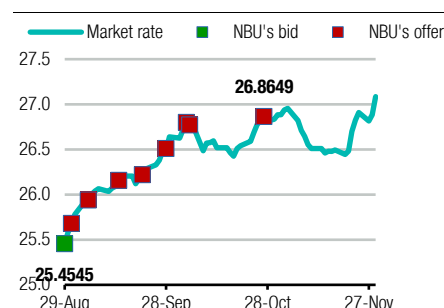
Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU [website](#).

## Key indicators (as of 29 November 2017)

	Last	Daily chg (%)	Weekly chg (%)	Monthly chg (%)	YTD chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	27.0850	+0.75	+1.44	+1.04	-0.06
USD <sup>1</sup>	93.164	-0.11	-0.06	-1.85	-8.85
EUR	1.1847	+0.06	+0.21	+2.06	+12.65
JPY	111.9300	+0.40	+0.64	-1.53	-4.30
GBP <sup>2</sup>	1.3409	+0.52	+0.63	+2.14	+8.66
CNY	6.6167	+0.13	+0.10	-0.51	-4.73
RUB	58.6348	+0.37	+0.38	+0.92	-4.72

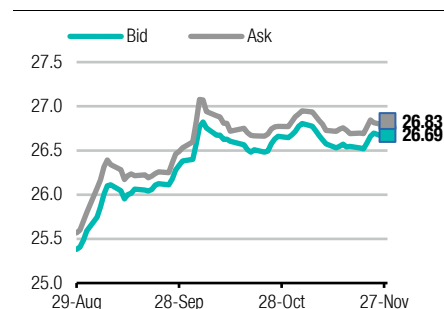
Notes: [1] DXY, US dollar index; [2] British pound.  
 Source: Bloomberg, ICU.

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



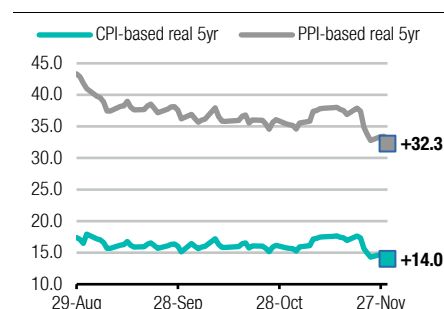
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

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



Source: NBU.

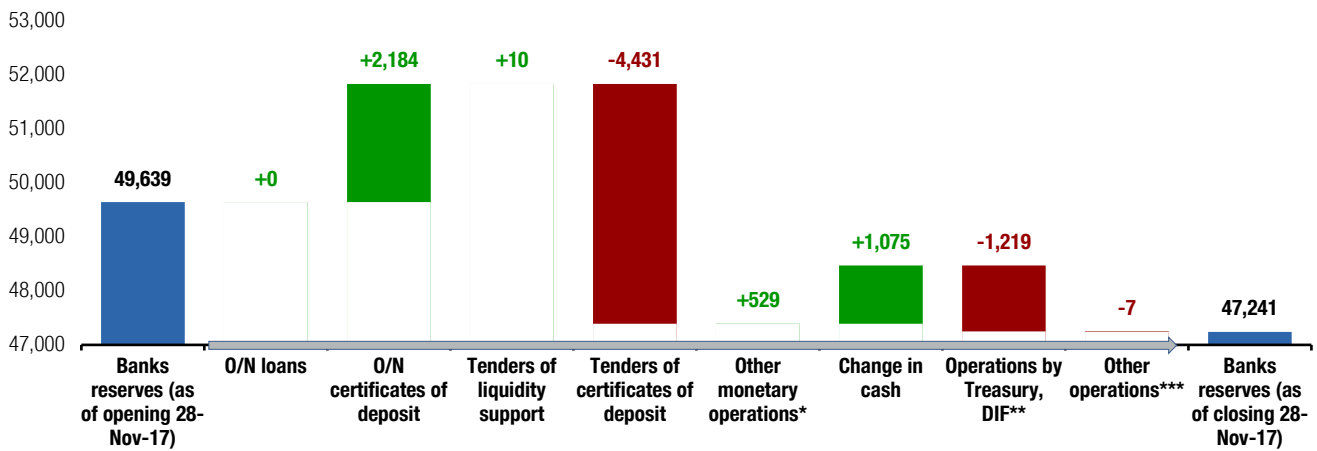
## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 29 November 2017)



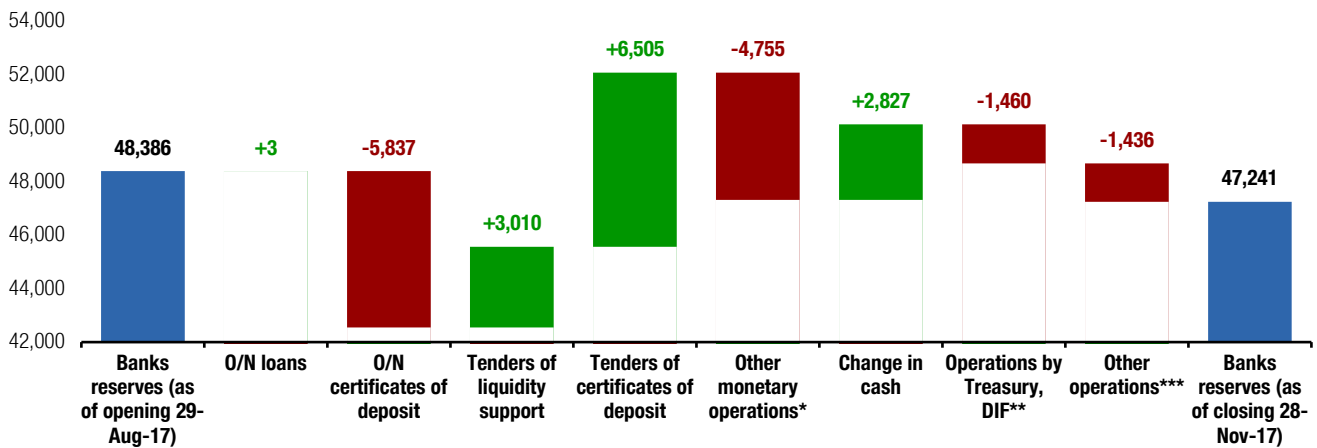
Notes: [1] "+" overvalued, "-" undervalued; [2] based on the UAH's CPI- and PPI-based real TWIs. Source: ICU.

# Appendix #1: Domestic liquidity

**Chart 1. Banks reserves usages over last reporting date (UAHm)**

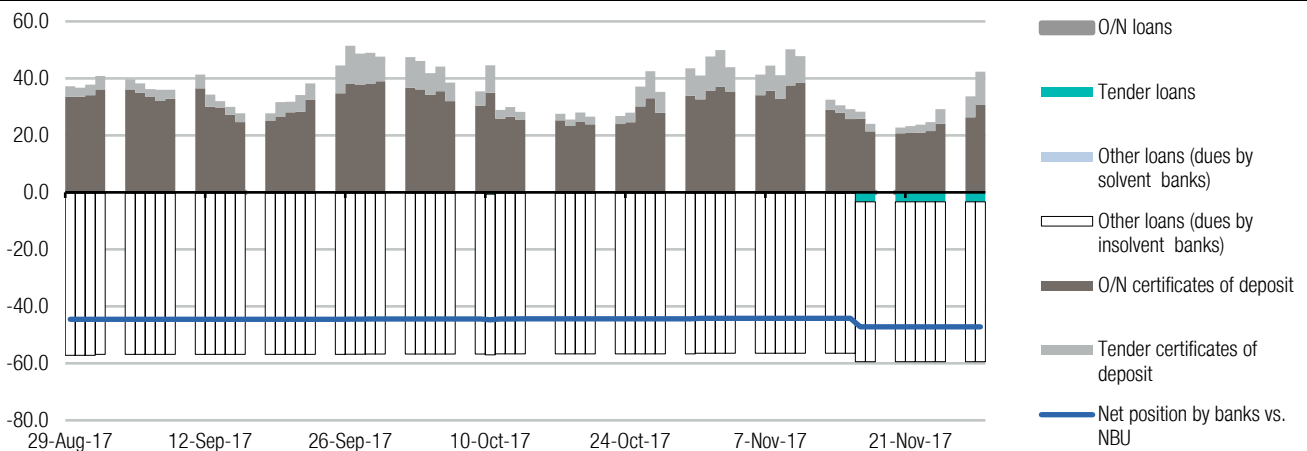


**Chart 2. Banks reserves usages over last 90-day period (UAHm)**



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