Focus
Ukraine

Markets
Money & bond markets, FX market, macroeconomics

Research team
Taras Kotovych

Daily Insight

Liquidity steady with reallocation

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On Tuesday, operations were insufficient overall, but they did result in a slight increase in total banking-sector liquidity, which was up UAH0.11bn to UAH103.42bn. But within that liquidity, we saw a significant reallocation of funds. Total CDs outstanding were up UAH5.25bn to UAH64.47bn, while banks' correspondent-account balances with the NBU fell UAH5.14bn to UAH38.95bn.

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THURSDAY, 6 JULY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 5 July 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 5 July 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	12.50	+0bp	-150bp
Overnight rate (interbank)	10.80	-10bp	+20bp
Banks reserves (UAHm)	38,950	-2.35	-23.52
Deposit certificates* (UAHm)	64,467	-28.96	-26.42
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.1000	+0.17	-3.69
Total trade volume (US$m)	185.54	+46.64	+9.39
UAH index PCI-based	109.908	+0.07	+1.77
UAH index PPI-based	169.394	+0.07	+0.61
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	585bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,432.54	+0.15	+8.65
MSCI EM	1,009.85	+0.31	+17.12
US dollar index (DXY)	96.290	+0.07	-5.79
EUR / USD	1.1352	+0.05	+7.94
Crude oil WTI (US$/bbl)	45.13	+0.00	-15.99
Crude oil BRENT (US$/bbl)	47.79	-3.67	-15.89
CRB, commodities index	173.65	-1.42	-9.80
Gold (US$/ounce)	1,226.98	+0.30	+6.48

Notes: * NBU's short-term bonds.
Source: Bloomberg, ICU.

READ FIRST THE DISCLOSURES SECTION (ON LAST PAGE) FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATION

Domestic liquidity

Liquidity steady with reallocation

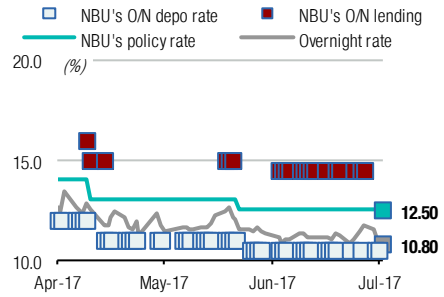
On Tuesday, operations were insufficient overall, but they did result in a slight increase in total banking-sector liquidity, which was up UAH0.11bn to UAH103.42bn. But within that liquidity, we saw a significant reallocation of funds. Total CDs outstanding were up UAH5.25bn to UAH64.47bn, while banks' correspondent-account balances with the NBU fell UAH5.14bn to UAH38.95bn.

The impact of non-monetary operations amounted to UAH0.11bn, as the decline in cash was compensated by the Treasury, which injected UAH0.25bn into the banking system. NBU did not provide any funds this Tuesday via monetary operations.

Investment implications: Liquidity is steadying, but this indicator could decline again after the FX auction on Wednesday. The NBU sold US$34.9m and absorbed UAH0.91bn of funds. If the Treasury did not increase its expenditures over received revenues, liquidity would have declined once more. At the same time, banks increased purchases of CDs yesterday, likely in anticipation of the NBU board meeting on monetary policy today, when the key monetary rate could be cut again.

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Interest rates in the banks' reserves market (three months through 5 July 2017)



Source: Bloomberg, ICU.

Key indicators (as of 5 July 2017)

	Last	Daily chg (%)	Weekly chg (%)	Monthly chg (%)	YTD chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate[1]	12.50	+0bp	+0bp	+0bp	-150bp
Overnight	10.80	-10bp	-20bp	-50bp	+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]	38,950	-2.35	-21.58	-15.90	-23.52
DepCerts[3]	64,467	-28.96	-20.78	-28.54	-26.42
Total	**103,417**	-18.94	-21.15	-23.31	-25.13
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	371,007	+0.00	-0.54	-1.10	+4.17
Banks	280,762	-0.09	+0.12	-0.14	+62.91
Residents	23,162	-0.18	+0.03	+2.41	+47.73
Non-res[4]	321	+0.26	+0.17	-93.90	-94.95
Total	**675,251**	-0.04	-0.24	-1.30	+22.66
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.

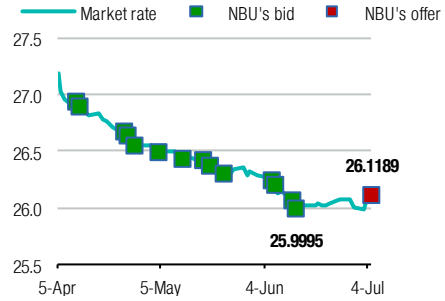
Foreign exchange markets

Key indicators (as of 5 липня 2017)

	Last	Daily chg (%)	Weekly chg (%)	Monthly chg (%)	YTD chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.1000	+0.17	+0.10	-0.65	-3.69
USD[1]	96.290	+0.07	+0.29	-0.53	-5.79
EUR	1.1352	+0.05	-0.23	+0.87	+7.94
JPY	113.2600	-0.02	+0.85	+2.54	-3.16
GBP[2]	1.2934	+0.11	+0.06	+0.23	+4.81
CNY	6.8019	+0.02	+0.03	-0.03	-2.06
RUB	59.9870	+0.94	+1.24	+5.95	-2.52

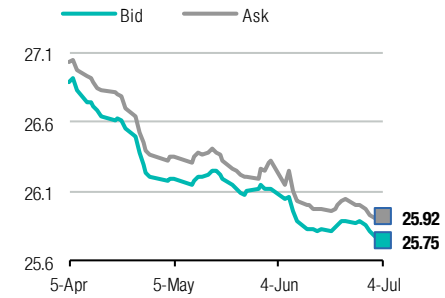
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 5 July 2017)



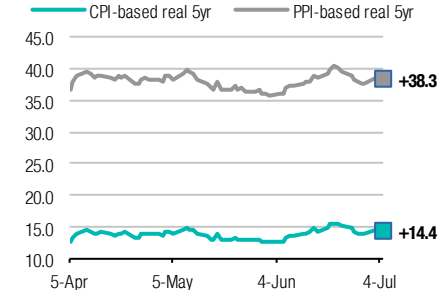
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 5 July 2017)



Source: NBU.

UAH exchange rate misalignment[1] from fundamental level[2] (%) (three months through 5 July 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)

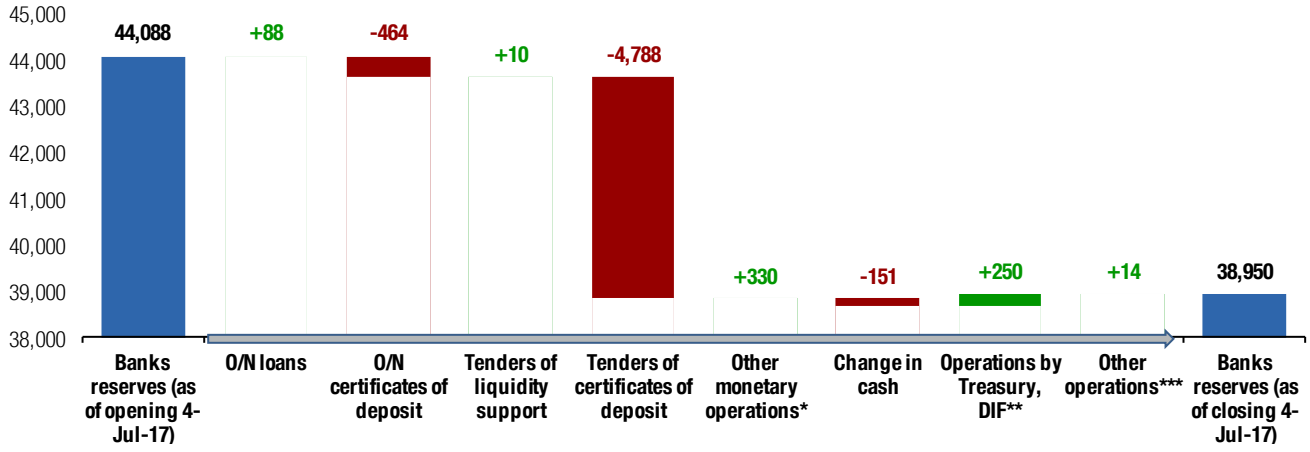
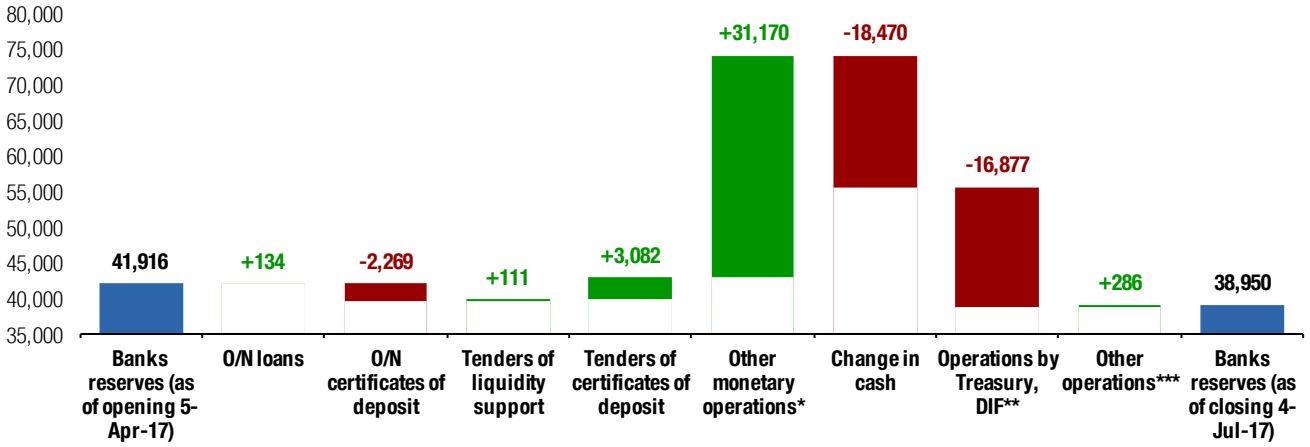
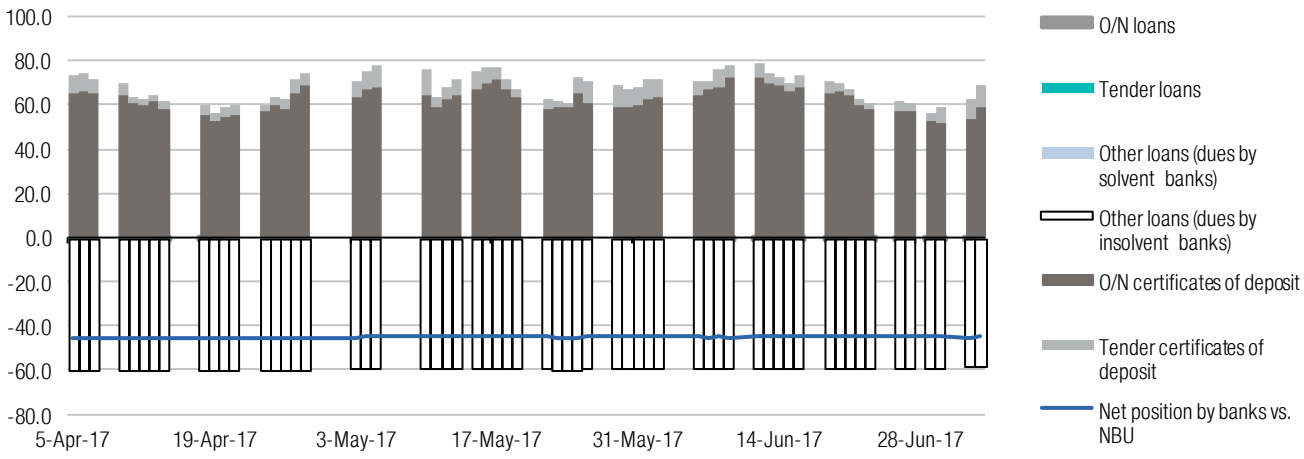


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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