

# Daily Insight

## Budget resources rise significantly

### Key messages of the today's comments

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##### Budget resources rise significantly ..... 2

At the end of January, the budget collected at the Treasury account UAH34.87bn, the largest for the end of January since 2003 and more than seen last year at the end of any month, and UAH20bn more than at the beginning of the year. This amount of funds was collected during month-end tax payments and also due to the lack of a VAT refund. Also, on Tuesday the m budget spend more than it received in revenues, which supported the increase in banking sector liquidity.

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THURSDAY, 2 FEBRUARY 2017

#### Ukraine's hryvnia exchange rate per US dollar (three months through 1 February 2017)



Source: Bloomberg.

#### Selected indicators of the financial markets (three months through 1 February 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.30	+30bp	+170bp
Banks reserves (UAHm)	45,349	+1.15	-7.77
Deposit certificates* (UAHm)	28,268	-20.45	-63.87
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	26.9850	-0.39	-0.42
Total trade volume (US\$m)	112.10	-56.57	-33.91
UAH index PCI-based	102.943	+0.48	-0.87
UAH index PPI-based	162.820	+0.48	-0.87
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	621bp	+0bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,279.55	+0.03	+1.82
MSCI EM	913.00	+0.41	+5.88
US dollar index (DXY)	99.641	+0.13	-2.51
EUR / USD	1.0769	-0.27	+2.40
Crude oil WTI (US\$/bbl)	53.88	+2.03	+0.30
Crude oil BRENT (US\$/bbl)	56.80	+2.20	-0.04
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,209.78	-0.07	+4.99

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Budget resources rise significantly

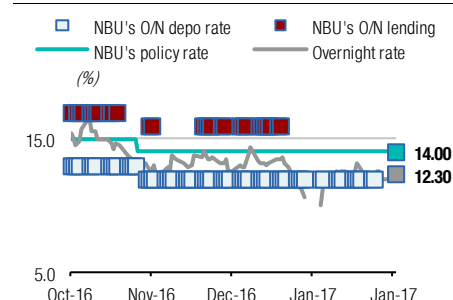
At the end of January, the budget collected at the Treasury account UAH34.87bn, the largest for the end of January since 2003 and more than seen last year at the end of any month, and UAH20bn more than at the beginning of the year. This amount of funds was collected during month-end tax payments and also due to the lack of a VAT refund. Also, on Tuesday the m budget spend more than it received in revenues, which supported the increase in banking sector liquidity.

Banks' correspondent accounts with the NBU slid a mere UAH0.22bn to UAH41.35bn while total CDs outstanding rose UAH1.86bn to UAH60.65bn, causing banking sector liquidity to rise UAH1.64bn to UAH106bn yesterday.

**Investment implications:** Banks started to increase liquidity level after month-end tax payments, with a large amount of funds at the Treasury account budget to provide more expenditures soon, supporting the increase in liquidity. As a result, liquidity should rise more this week. As the Treasury made no VAT refunds in January, there could be some quite soon in February, providing liquidity with new sources.

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## Interest rates in the banks' reserves market (three months through 1 February 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 1 February 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>BANKS' RESERVES MARKET (%)</b>					
NBU rate <sup>1</sup>	14.00	+0bp	+0bp	+0bp	+0bp
Overnight	12.30	+30bp	-30bp	+170bp	+170bp
<b>KYIV PRIME RATES (%)</b>					
Overnight	12.88	-12bp	-12bp	-12bp	-12bp
1 week	14.50	+0bp	+0bp	+0bp	+0bp
1 month	16.00	-8bp	-8bp	-50bp	-50bp
2 months	18.00	+0bp	+0bp	+0bp	+0bp
3 months	18.00	+0bp	+0bp	+0bp	+0bp
<b>DOMESTIC LIQUIDITY (UAH MILLION)</b>					
Reserves <sup>2</sup>	45,349	+1.15	-10.58	-7.77	-7.77
DepCerts <sup>3</sup>	28,268	-20.45	-60.79	-63.87	-63.87
<b>Total</b>	<b>73,617</b>	<b>-7.15</b>	<b>-37.08</b>	<b>-38.95</b>	<b>-38.95</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
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 <sup>4</sup>	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>IMPLIED YIELDS OF THE UAH NDF MARKET (%)</b>					
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
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>					
CDS 5yr	621	+0bp	+25bp	+0bp	+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

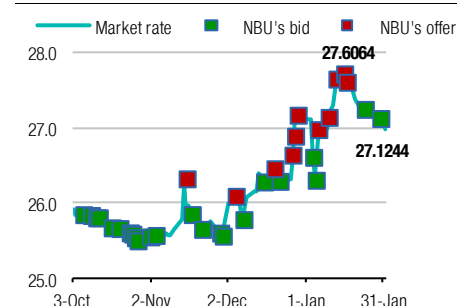
Key indicators (as of 1 лютого 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES</b> (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.9850	-0.39	-1.14	-0.42	-0.42
USD <sup>1</sup>	99.641	+0.13	-0.39	-2.51	-2.51
EUR	1.0769	-0.27	+0.20	+2.40	+2.40
JPY	113.2500	+0.40	-0.03	-3.17	-3.17
GBP <sup>2</sup>	1.2659	+0.64	+0.20	+2.59	+2.59
CNY	N/A	N/A	N/A	N/A	N/A
RUB	60.1416	-0.08	+1.01	-2.27	-2.27

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

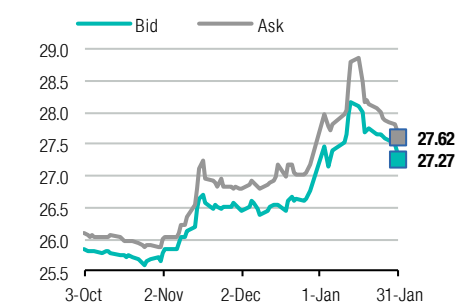
Source: Bloomberg, ICU.

**Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 1 February 2017)**



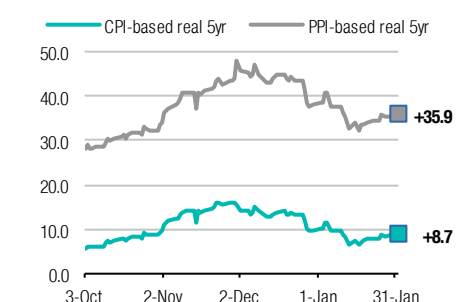
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

**Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 1 February 2017)**



Source: NBU.

**UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 1 February 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)

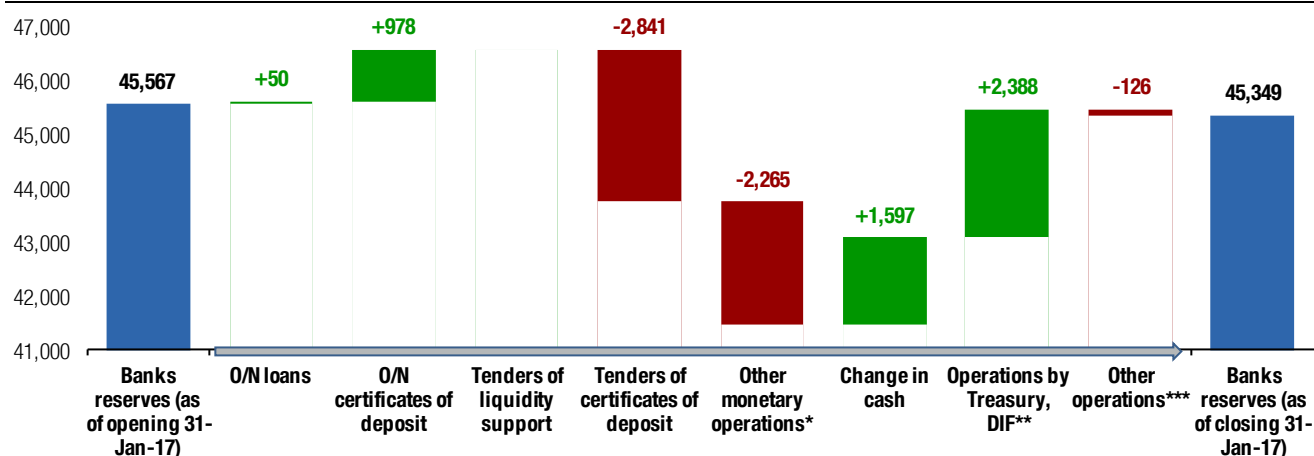
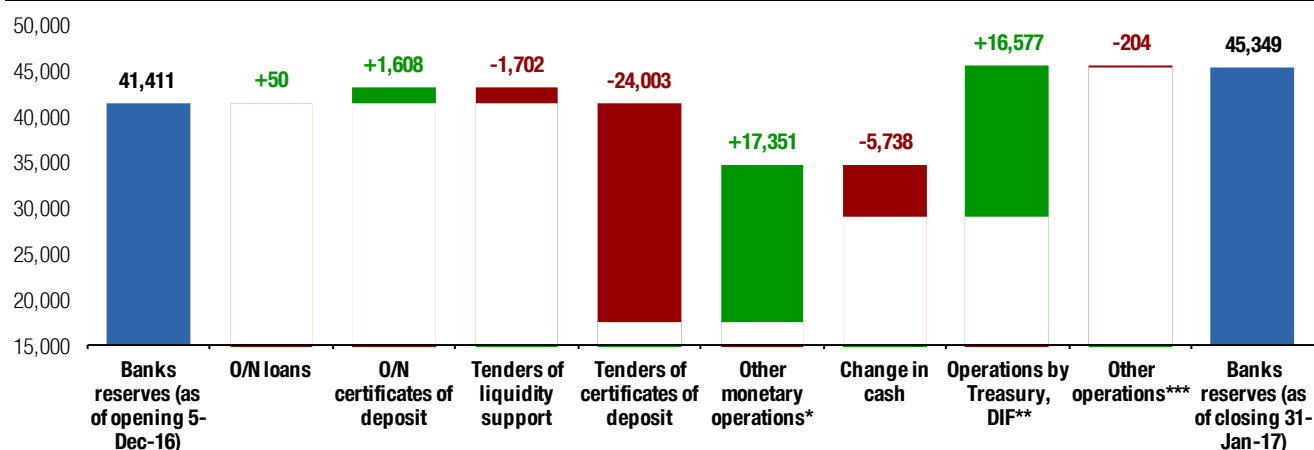


Chart 2. Banks reserves usages over last 30-day period (UAHm)

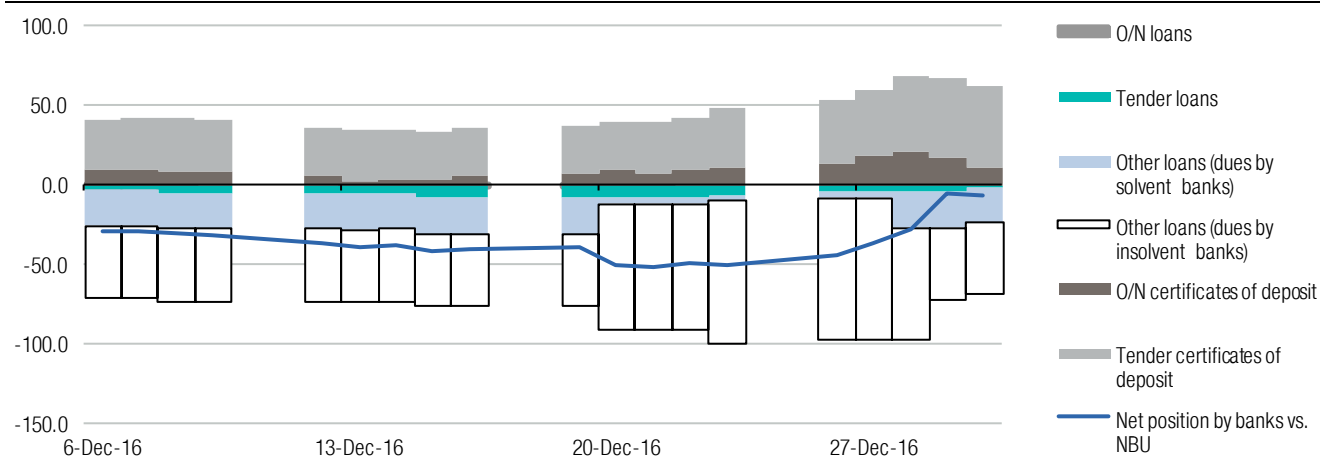


Notes: [1] data from the NBU's daily reporting [https://bank.gov.ua/control/uk/publish/article?art\\_id=38643651&cat\\_id=40807142](https://bank.gov.ua/control/uk/publish/article?art_id=38643651&cat_id=40807142) ;

\* 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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