

Daily Insight

Liquidity up with VAT refund

Key messages of the today's comments

Domestic liquidity 2

Liquidity up with VAT refund 2

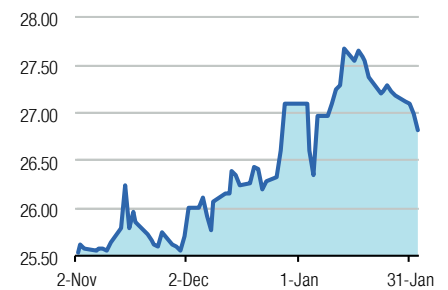
According to the Treasury, the State Fiscal Service of Ukraine submitted list of tax payers for VAT refunds totaling UAH6.83bn at the end of January. Considering this information and additional documents, the Treasury paid UAH2.18bn in VAT refunds this Wednesday from tax revenues received that day. As a result, the VAT refund caused banking sector liquidity to rise UAH1.78bn.

Foreign exchange markets 3

Appendix #1: Domestic liquidity 4

FRIDAY, 3 FEBRUARY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 2 February 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 2 February 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.00	-30bp	+140bp
Banks reserves (UAHm)	45,870	+1.15	-7.77
Deposit certificates* (UAHm)	22,486	-31.75	-75.34
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.8250	-0.59	-1.01
Total trade volume (US\$m)	132.67	+18.35	-21.78
UAH index PCI-based	103.236	+0.28	-0.59
UAH index PPI-based	163.282	+0.28	-0.59
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	621bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,280.85	+0.06	+1.88
MSCI EM	915.21	+0.24	+6.14
US dollar index (DXY)	99.790	+0.15	-2.37
EUR / USD	1.0759	-0.09	+2.30
Crude oil WTI (US\$/bbl)	53.54	-0.63	-0.34
Crude oil BRENT (US\$/bbl)	56.56	-0.42	-0.46
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,215.75	+0.49	+5.51

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity up with VAT refund

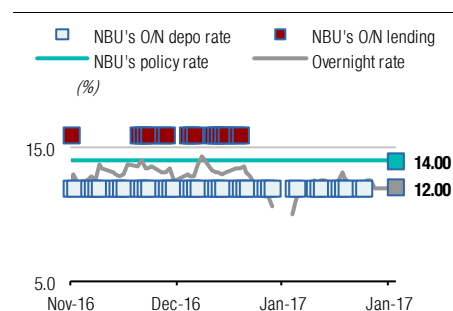
According to the Treasury, the State Fiscal Service of Ukraine submitted list of tax payers for VAT refunds totaling UAH6.83bn at the end of January. Considering this information and additional documents, the Treasury paid UAH2.18bn in VAT refunds this Wednesday from tax revenues received that day. As a result, the VAT refund caused banking sector liquidity to rise UAH1.78bn.

Banks' correspondent accounts with the NBU rose UAH0.52bn to UAH45.87bn while total CDs outstanding was up UAH1.26bn to UAH61.91bn, the largest amount since the decline that began January 10, 2017.

Investment implications: As the Treasury paid only one third of the VAT refund, most likely yesterday it paid at least the same amount as it did on Wednesday. New VAT refund payments should cause liquidity to increase again. At the same time, this additional liquidity could create additional demand for FX. If this is significant, the NBU will announce an FX auction to satisfy demand and result in liquidity absorption.

Taras Kotovych, Kyiv, (044) 220-0120 ext.724

Interest rates in the banks' reserves market (three months through 2 February 2017)



Source: Bloomberg, ICU.

Key indicators (as of 2 February 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	14.00	+0bp	+0bp	+0bp	+0bp
Overnight	12.00	-30bp	-60bp	+140bp	+140bp
KYIV PRIME RATES (%)					
Overnight	12.92	+4bp	+0bp	-8bp	-8bp
1 week	14.50	+0bp	+0bp	+0bp	+0bp
1 month	16.08	+8bp	+0bp	-42bp	-42bp
2 months	18.00	+0bp	+0bp	+0bp	+0bp
3 months	18.00	+0bp	+0bp	+0bp	+0bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	45,870	+1.15	-6.81	-7.77	-7.77
DepCerts ³	22,486	-31.75	-66.35	-75.34	-75.34
Total	68,356	-8.89	-34.32	-44.38	-44.38
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
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 ⁴	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A
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	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.

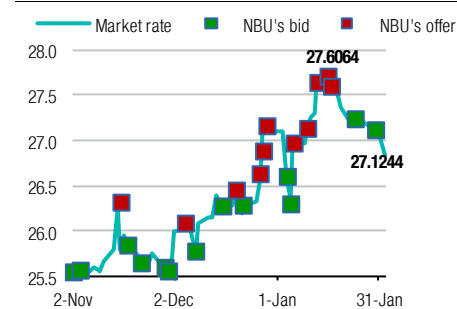
Foreign exchange markets

Key indicators (as of 2 лютого 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.8250	-0.59	-1.47	-1.01	-1.01
USD ¹	99.790	+0.15	-0.59	-2.91	-2.37
EUR	1.0759	-0.09	+0.72	+2.91	+2.30
JPY	112.8000	-0.40	-1.51	-4.04	-3.56
GBP ²	1.2527	-1.04	-0.56	+2.03	+1.52
CNY	N/A	N/A	N/A	N/A	N/A
RUB	59.4106	-1.22	-1.54	-2.84	-3.46

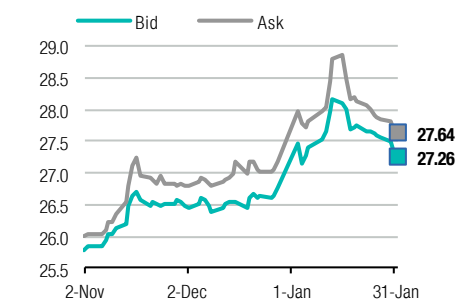
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 2 February 2017)



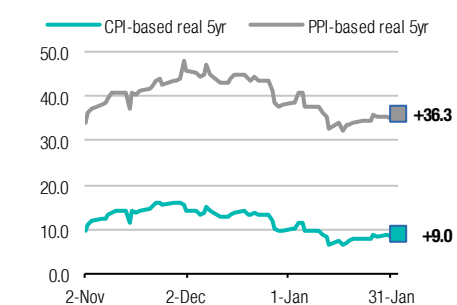
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 2 February 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 2 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)

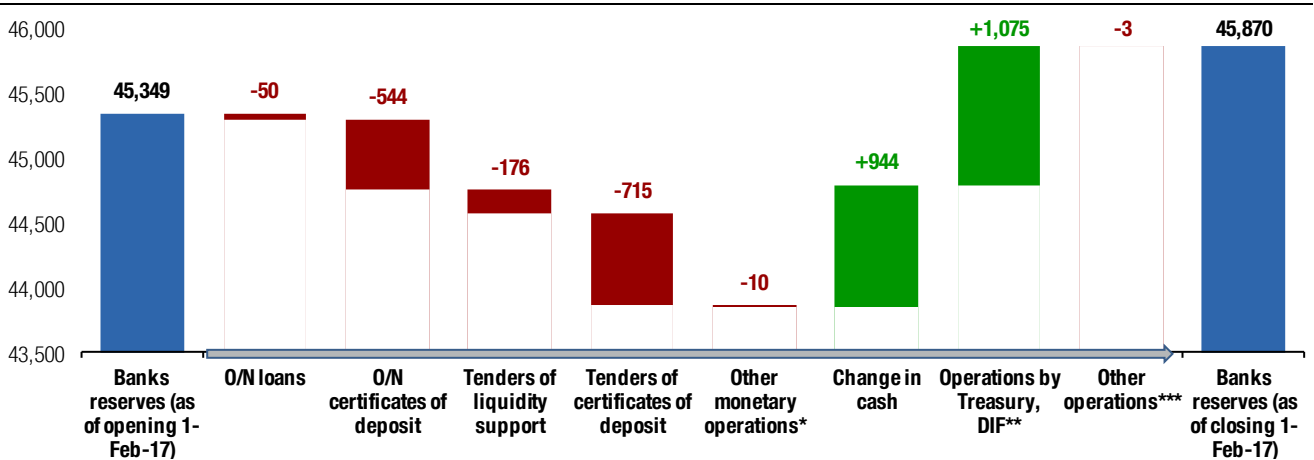
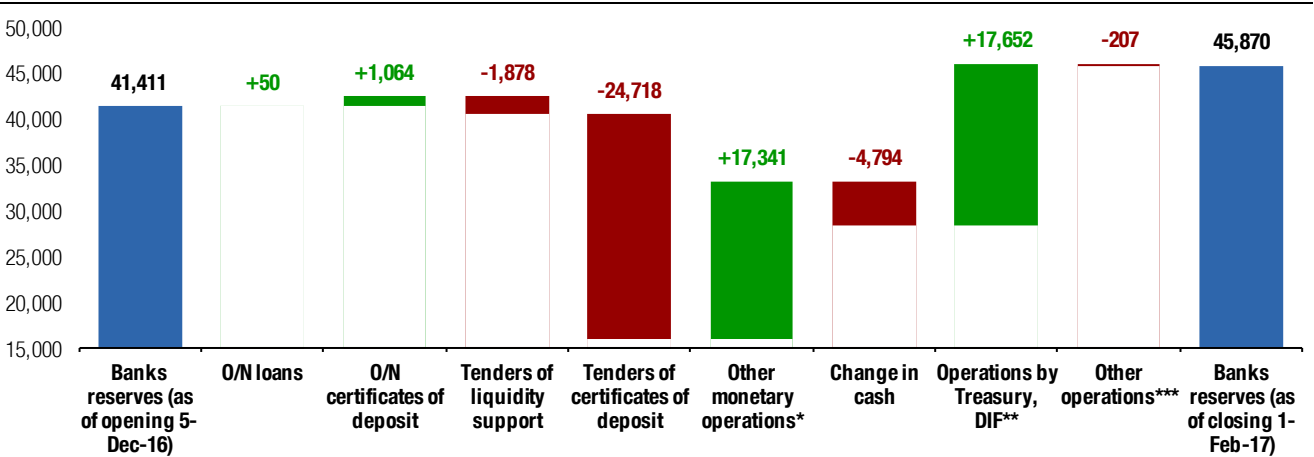
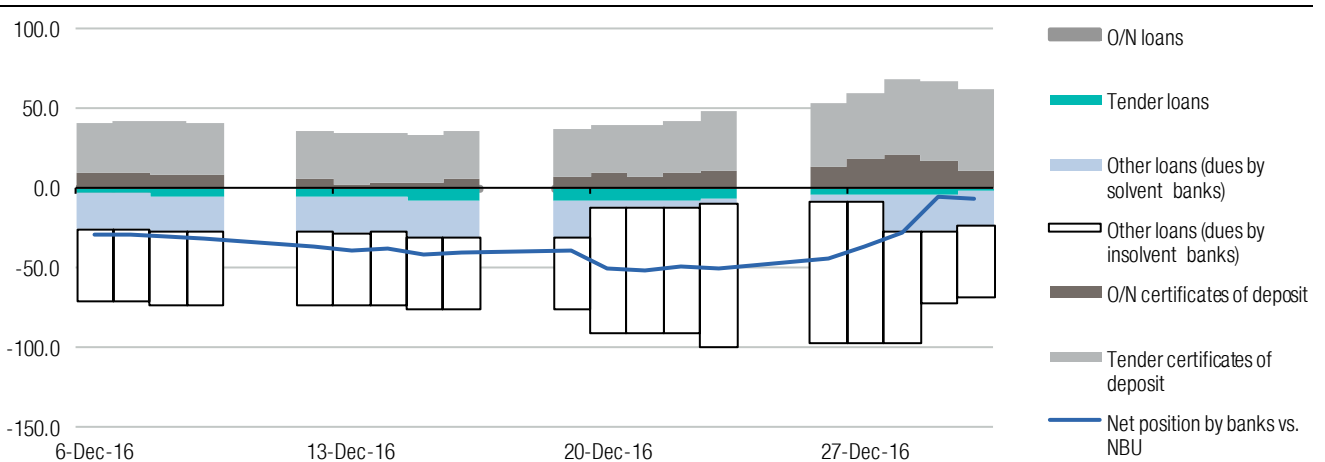


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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

This page is intentionally left blank



11th floor, LEONARDO Business Centre
19-21 Bogdan Khmelnytsky Street
Kiev, 01030 Ukraine
Phone/Fax +38 044 2200120

WEB www.icu.ua



@ICU_UA

CORPORATE FINANCE

Makar Paseniuk, CFA, Managing Director
makar.paseniuk@icu.ua

Ivan Shvydanenko, Director
ivan.shvydanenko@icu.ua

Roman Nikitov, ACCA Director
roman.nikitov@icu.ua

Yuriy Kamarytskyi, Vice President
yuriy.kamarytskyi@icu.ua

Ruslan Kilmukhametov, Director
ruslan.kilmukhametov@icu.ua

Ruslan Patlavsky, Director
ruslan.patlavsky@icu.ua

STRATEGY AND CORPORATE DEVELOPMENT

Vlad Sinani, Director
vlad.sinani@icu.ua

SALES AND TRADING

Konstantin Stetsenko
Managing Director
konstantin.stetsenko@icu.ua

Liliya Kubytovych
Asset Management Product Sales
liliya.kubytovych@icu.ua

Sergiy Byelyayev
Fixed-Income Trading
sergiy.byelyayev@icu.ua

Yevgeniya Gryshchenko
Fixed-Income Sales
yevgeniya.gryshchenko@icu.ua

Vitaliy Sivach
Fixed-Income & FX Trading
vitaliy.sivach@icu.ua

RESEARCH DEPARTMENT

Alexander Valchyshen
Head of Research
alexander.valchyshen@icu.ua

Taras Kotovych
Senior financial analyst (Sovereign debt)
taras.kotovych@icu.ua

Alexander Martynenko
Head of corporate research
alexander.martynenko@icu.ua

Mykhaylo Demkiv
Financial analyst (Banks)
mykhaylo.demkiv@icu.ua

Bogdan Vorotilin
Financial analyst (Food & Agribusiness)
bogdan.vorotilin@icu.ua

Lee Daniels, Rolfe Haas
Editors

Investment Capital Ukraine LLC is regulated by Securities and Stock Market State Commission of Ukraine (license numbers: dealer activity AE 263019, broker activity AE 263018, underwriting activity AE 263020 dated 11 April 2013).

DISCLAIMER

This research publication has been prepared by Investment Capital Ukraine LLC solely for information purposes for its clients. It does not constitute an investment advice or an offer or solicitation for the purchase or sale of any financial instrument. While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, Investment Capital Ukraine makes no representation that it is accurate or complete. The information contained herein is subject to change without notice. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of Investment Capital Ukraine LLC. All rights are reserved. Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates. Past performance is not indicative of future results. Investors should make their own investigations and investment decisions without relying on this report. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this report.



Additional information is available upon request.