

Daily Insight

Liquidity up on VAT refund

Key messages of the today's comments

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This Monday, banks continued to reallocate funds from CDs to accounts with the NBU as it offsets outflows and accumulates additional funds. As a result, total CDs outstanding declined UAH1.70bn to UAH47.96bn while banks' correspondent accounts with the NBU rose UAH3.21bn to UAH48.75bn. Banking sector liquidity was up UAH1.51bn to UAH96.72bn.

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WEDNESDAY, 22 FEBRUARY 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 21 February 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 21 February 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	13.40	+60bp	+280bp
Banks reserves (UAHm)	48,753	-1.46	-3.40
Deposit certificates* (UAHm)	0	+0.00	-100.00
FOREIGN EXCHANGE MARKET			
UAH per US dollar	27.0300	+0.10	-0.26
Total trade volume (US\$m)	154.46	+92.22	-8.94
UAH index PCI-based	101.605	-0.03	-2.16
UAH index PPI-based	160.703	-0.03	-2.16
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	601bp	+0bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,365.38	+0.60	+5.65
MSCI EM	945.64	+0.22	+9.67
US dollar index (DXY)	101.370	+0.42	-0.82
EUR / USD	1.0536	-0.73	+0.18
Crude oil WTI (US\$/bbl)	54.33	+0.00	+1.14
Crude oil BRENT (US\$/bbl)	56.66	+0.85	-0.28
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,235.70	-0.23	+7.24

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity up on VAT refund

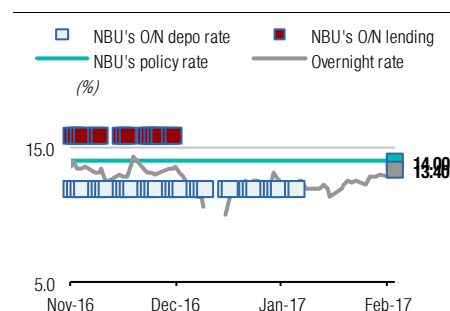
This Monday, banks continued to reallocate funds from CDs to accounts with the NBU as it offsets outflows and accumulates additional funds. As a result, total CDs outstanding declined UAH1.70bn to UAH47.96bn while banks' correspondent accounts with the NBU rose UAH3.21bn to UAH48.75bn. Banking sector liquidity was up UAH1.51bn to UAH96.72bn.

Treasury transactions caused the increase. While the absorption of funds via revenues significantly declined, the impact of the UAH1.50bn VAT refund pushed non-monetary operations to UAH1.51bn, including UAH0.71bn of net impact from the Treasury.

Investment implications: Stabilization, with the slight increase in liquidity caused by VAT the refund, should be short-lived as month-end tax payments began yesterday. As pressure on liquidity should rise, without additional inflows liquidity could decline through the end of the month to about UAH90bn.

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Interest rates in the banks' reserves market (three months through 21 February 2017)



Source: Bloomberg, ICU.

Key indicators (as of 21 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	13.40	+60bp	+60bp	+100bp	+280bp
KYIV PRIME RATES (%)					
Overnight	13.00	+0bp	+8bp	+0bp	+0bp
1 week	14.50	+0bp	+0bp	+0bp	+0bp
1 month	16.00	-8bp	-8bp	-8bp	-50bp
2 months	18.00	+0bp	+0bp	+0bp	+0bp
3 months	18.00	+0bp	+0bp	+0bp	+0bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	48,753	-1.46	-1.63	-7.14	-3.40
DepCerts ³	0	+0.00	+0.00	-100.0	-100.0
Total	48,753	-1.46	-1.63	-55.24	-57.10
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	382,074	+0.00	-0.33	-0.33	+7.28
Banks	262,488	+0.03	+1.81	+3.03	+52.31
Residents	23,901	-0.40	+0.20	+0.34	+52.44
Non-res ⁴	6,027	+0.00	-2.51	-5.40	-5.11
Total	674,490	+0.00	+0.49	+0.93	+22.52
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	601	+0bp	-20bp	+4bp	+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

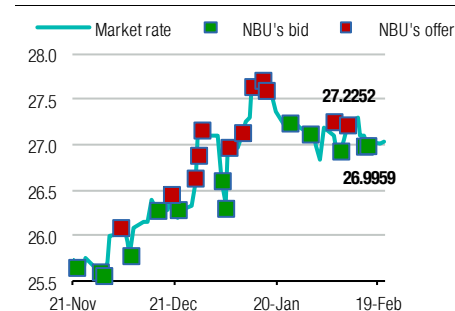
Key indicators (as of 21 лютого 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	27.0300	+0.10	-0.26	-1.26	-0.26
USD ¹	101.370	+0.42	+0.12	+0.63	-0.82
EUR	1.0536	-0.73	-0.40	-1.56	+0.18
JPY	113.6800	+0.51	-0.51	-0.82	-2.80
GBP ²	1.2473	+0.08	+0.04	+0.79	+1.08
CNY	6.8840	+0.08	+0.24	+0.11	-0.88
RUB	57.4238	-0.96	+0.64	-3.66	-6.68

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

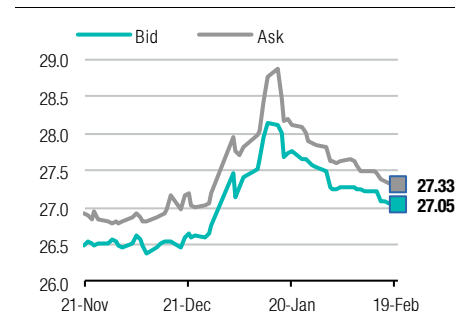
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 21 February 2017)



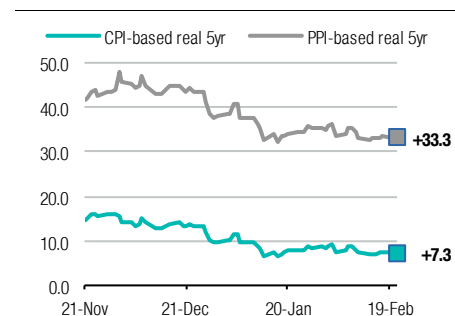
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 21 February 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 21 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)

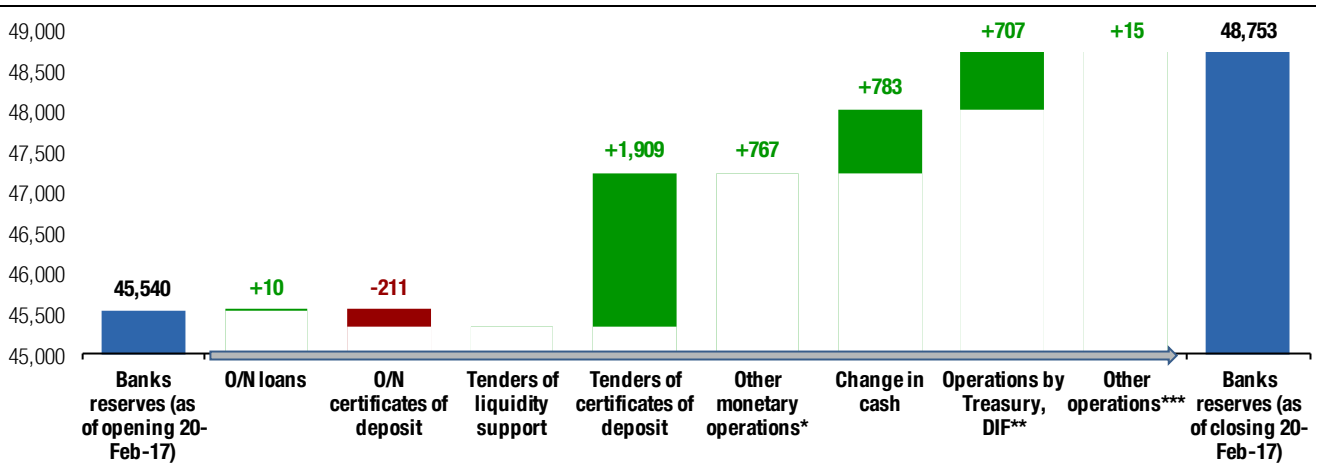
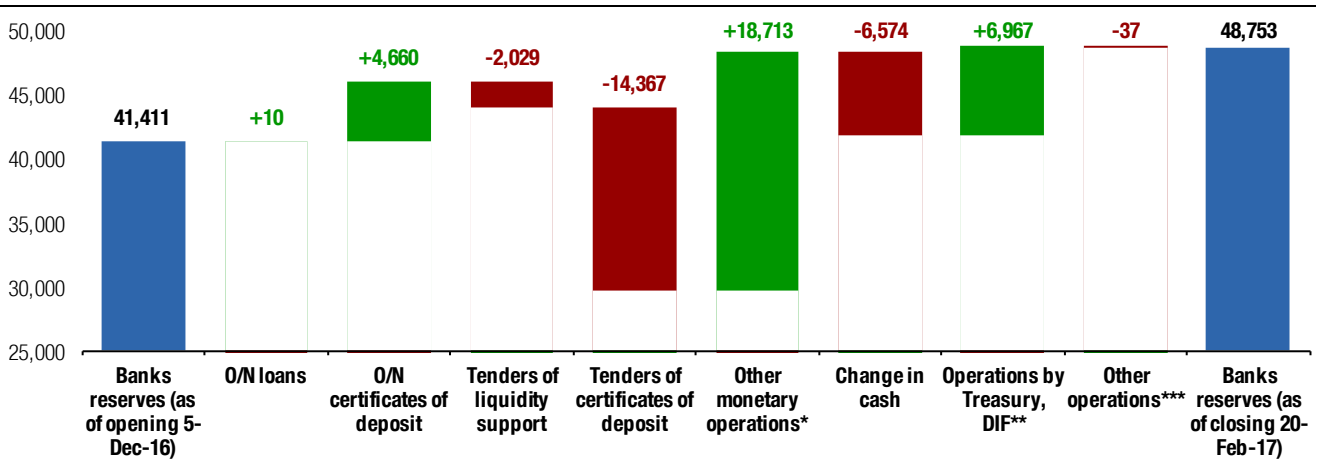
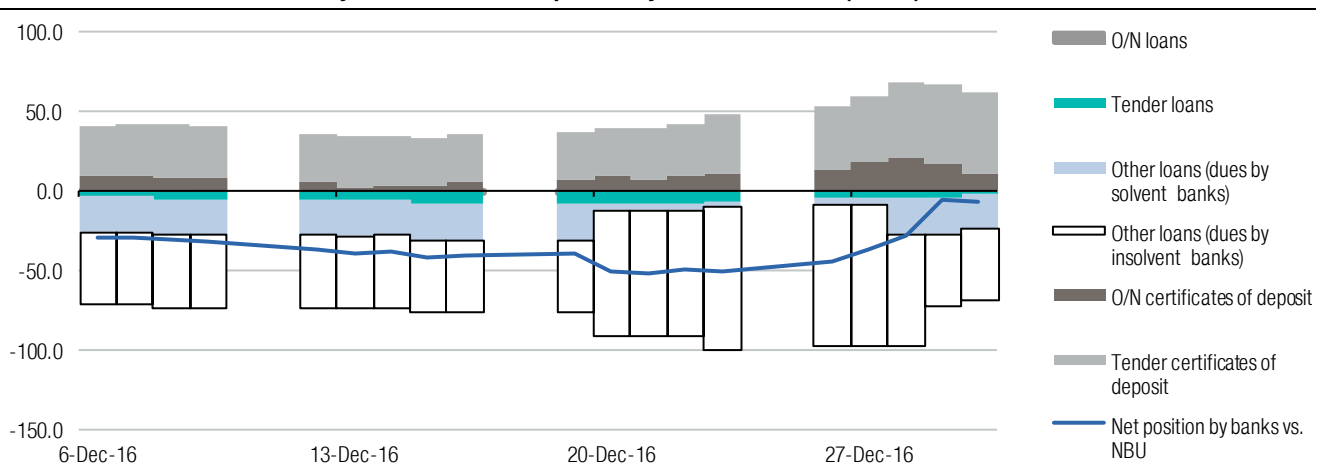


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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.

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