

Daily Insight

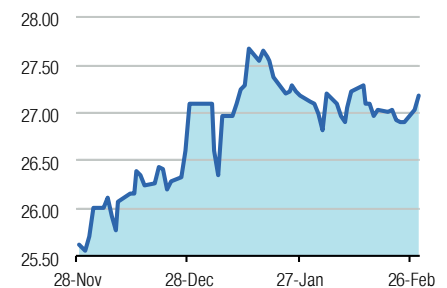
Significant VAT refund

Key messages of the today's comments

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Significant VAT refund	2
The Treasury paid a UAH8.56bn VAT refund this Monday, increasing the amount paid this year twofold to UAH16.97bn. With this inflow, the impact of Treasury deals on liquidity was UAH7.57bn. Total non-monetary operations rose UAH8.80bn, including an increase in cash.	
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WEDNESDAY, 1 MARCH 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 28 February 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 28 February 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.40	-40bp	+180bp
Banks reserves (UAHm)	54,391	-10.40	-2.01
Deposit certificates* (UAHm)	52,774	-19.71	-31.92
FOREIGN EXCHANGE MARKET			
UAH per US dollar	27.1850	+0.55	+0.31
Total trade volume (US\$m)	153.14	+16.40	-9.71
UAH index PCI-based	101.197	-0.36	-2.56
UAH index PPI-based	160.057	-0.36	-2.56
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	616bp	+3bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,363.64	-0.26	+5.57
MSCI EM	936.37	-0.42	+8.59
US dollar index (DXY)	101.120	-0.01	-1.07
EUR / USD	1.0576	-0.10	+0.56
Crude oil WTI (US\$/bbl)	54.01	-0.07	+0.54
Crude oil BRENT (US\$/bbl)	56.51	+1.04	-0.55
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,248.33	-0.35	+8.34

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Significant VAT refund

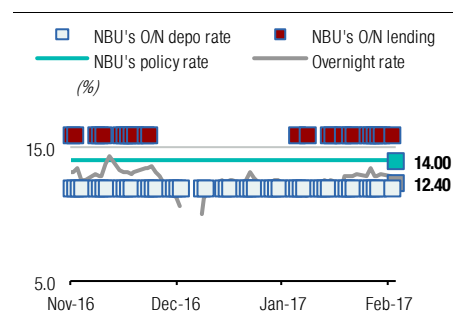
The Treasury paid a UAH8.56bn VAT refund this Monday, increasing the amount paid this year twofold to UAH16.97bn. With this inflow, the impact of Treasury deals on liquidity was UAH7.57bn. Total non-monetary operations rose UAH8.80bn, including an increase in cash.

Banking sector liquidity rose by the same UAH8.80bn to UAH107.16bn, including an increase in banks' correspondent accounts with the NBU of UAH3.19bn and total CDs outstanding up UAH5.61bn to UAH52.77bn.

Investment implications: The VAT refund caused a significant increase in liquidity to above UAH100bn. Without this injection, liquidity would not have exceeded this level. Today, liquidity should not decline significantly.

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

Interest rates in the banks' reserves market (three months through 28 February 2017)



Source: Bloomberg, ICU.

Key indicators (as of 28 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	12.40	-40bp	-100bp	+50bp	+180bp
KYIV PRIME RATES (%)					
Overnight	13.00	+0bp	+0bp	+8bp	+0bp
1 week	14.50	+0bp	+0bp	+0bp	+0bp
1 month	16.13	+0bp	+13bp	+5bp	-37bp
2 months	18.00	+0bp	+0bp	+0bp	+0bp
3 months	18.00	+0bp	+0bp	+0bp	+0bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	54,391	-10.40	-0.04	-3.64	-2.01
DepCerts ³	52,774	-19.71	-11.65	-25.11	-31.92
Total	107,165	-14.98	-5.80	-14.98	-18.63
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	382,074	+0.00	+0.00	-0.33	+7.28
Banks	273,049	+0.12	+4.02	+7.38	+58.44
Residents	24,073	-0.16	+0.72	+0.27	+53.54
Non-res ⁴	5,903	+0.26	-2.05	-6.67	-7.06
Total	685,099	+0.04	+1.57	+2.57	+24.45
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	616	+3bp	+15bp	+19bp	+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.

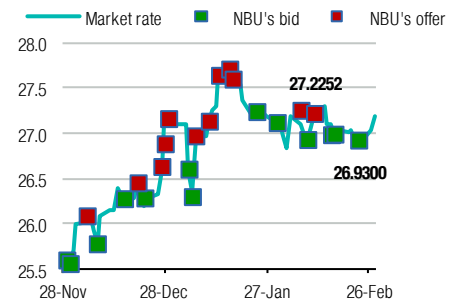
Foreign exchange markets

Key indicators (as of 28 лютого 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	27.1850	+0.55	+0.57	-0.02	+0.31
USD ¹	101.120	-0.01	-0.25	+0.59	-1.07
EUR	1.0576	-0.10	+0.38	-1.15	+0.56
JPY	112.7700	+0.06	-0.80	-2.02	-3.58
GBP ²	1.2380	-0.50	-0.75	-1.39	+0.32
CNY	6.8670	-0.06	-0.25	-0.25	-1.12
RUB	58.3794	+0.43	+1.66	-2.50	-5.13

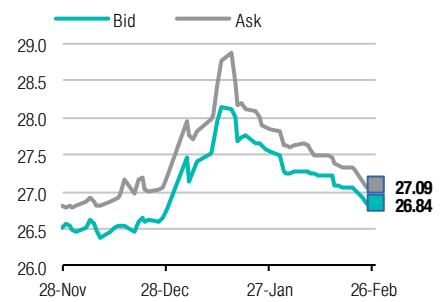
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 28 February 2017)



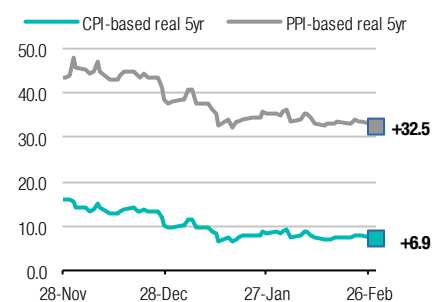
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 28 February 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 28 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)

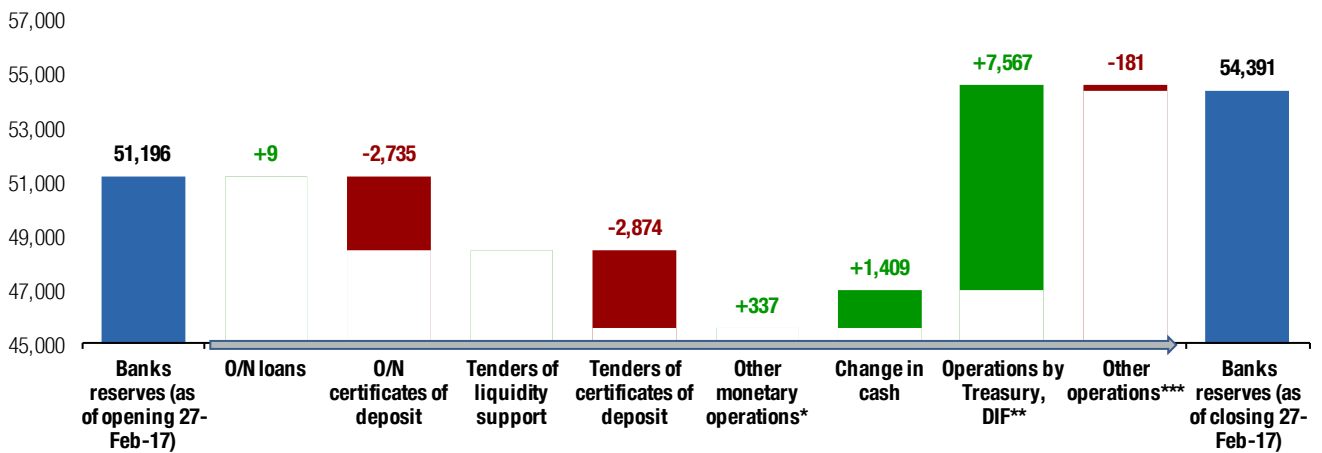
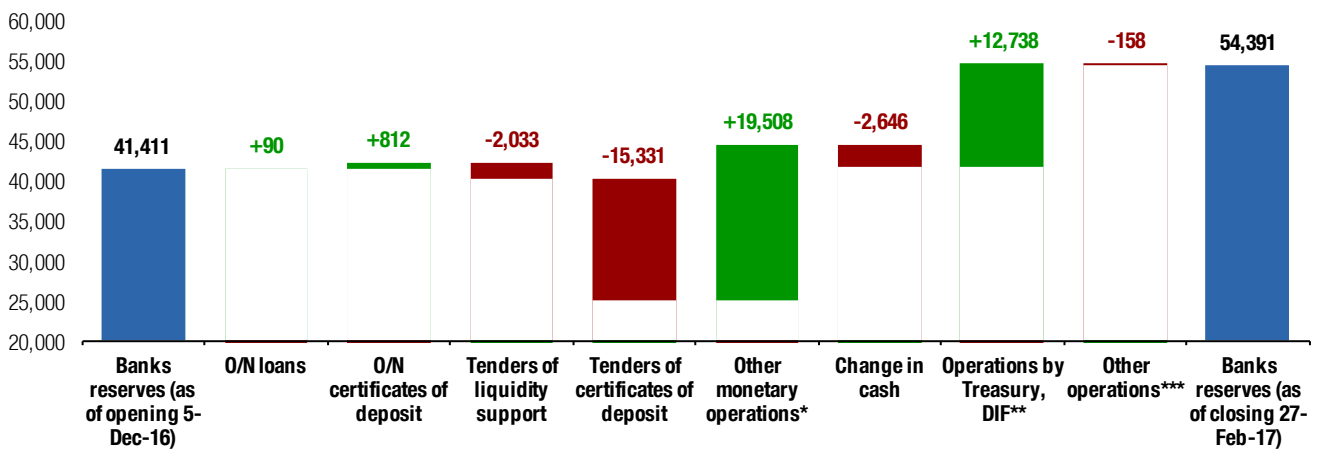
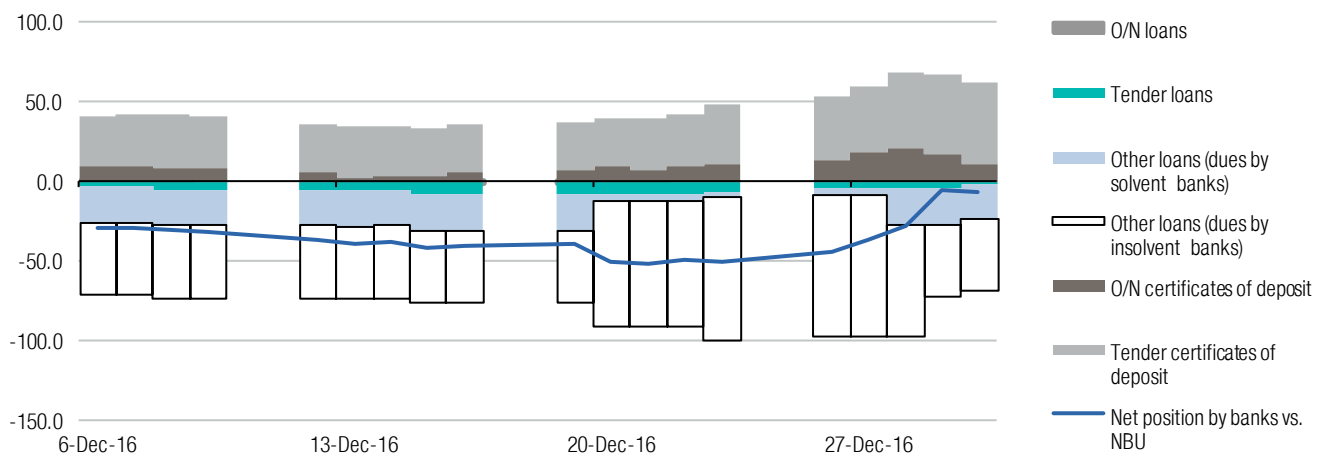


Chart 2. Banks reserves usages over last 30-day period (UAHm)



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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