

# Daily Insight

## Outflows to the budget

### Key messages of the today's comments

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#### Outflows to the budget

March started with large funds outflows to the budget. According to data from the NBU, the negative impact of Treasury operations was UAH4.96bn as a result of significant fund outflows rather than budget expenditure cuts. This Wednesday, the state budget received UAH6.70bn via taxes and other revenues and UAH2.91bn in debt proceeds.

FRIDAY, 3 MARCH 2017

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



Source: Bloomberg.

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

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	12.20	-20bp	+160bp
Banks reserves (UAHm)	39,962	+7.25	-13.82
Deposit certificates* (UAHm)	62,555	-19.02	-18.61
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	27.1800	+0.02	+0.30
Total trade volume (US\$m)	126.00	-21.99	-25.71
UAH index PCI-based	102.004	+0.55	-1.78
UAH index PPI-based	161.333	+0.55	-1.78
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	616bp	+0bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,381.92	-0.59	+6.39
MSCI EM	936.37	-0.22	+8.59
US dollar index (DXY)	102.200	+0.41	-0.01
EUR / USD	1.0507	-0.38	-0.10
Crude oil WTI (US\$/bbl)	52.61	-2.27	-2.07
Crude oil BRENT (US\$/bbl)	55.08	-2.27	-3.06
CRB, commodities index	N/A		
Gold (US\$/ounce)	1,234.31	-1.21	+7.12

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Outflows to the budget

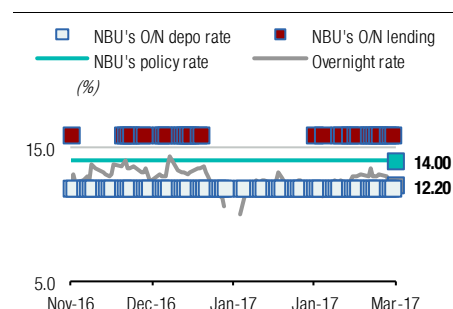
March started with large funds outflows to the budget. According to data from the NBU, the negative impact of Treasury operations was UAH4.96bn as a result of significant fund outflows rather than budget expenditure cuts. This Wednesday, the state budget received UAH6.70bn via taxes and other revenues and UAH2.91bn in debt proceeds.

In anticipation of the key monetary rate reduction, banks continued to purchase 14-day CDs, buying an additional UAH6.57bn of CDs while it refinanced UAH5.41bn of redemptions, pushing total CDs outstanding up UAH4.38bn to UAH62.56bn. As a result of outflows to the budget and CDs, banks' correspondent accounts with the NBU fell UAH8.77bn to UAH39.96bn.

**Investment implications: Most likely, outflows via tax payments were caused by fewer days in February, and some payments were made in March. But despite these outflows, the Treasury provided large expenditures, thus decreasing the impact of fund outflows. Today, indicators should stabilize as a consequence of yesterday's NBU decision to not change the key monetary rate and of the reallocation of funds from CDs to banks' accounts.**

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

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



Source: Bloomberg, ICU.

## Key indicators (as of 2 March 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	12.20	-20bp	-60bp	+160bp	+160bp
<b>KYIV PRIME RATES (%)</b>					
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
<b>DOMESTIC LIQUIDITY (UAH MILLION)</b>					
Reserves <sup>2</sup>	39,962	+7.25	-10.54	-13.82	-13.82
DepCerts <sup>3</sup>	62,555	-19.02	+5.55	-18.61	-18.61
<b>Total</b>	<b>102,517</b>	<b>-8.78</b>	<b>-2.49</b>	<b>-16.48</b>	<b>-16.48</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	382,074	+0.00	+0.00	+7.28	+7.28
Banks	275,542	+0.95	+4.79	+59.88	+59.88
Residents	24,687	+0.43	+2.70	+57.46	+57.46
Non-res <sup>4</sup>	5,929	+0.06	+0.71	-6.66	-6.66
<b>Total</b>	<b>688,232</b>	<b>+0.39</b>	<b>+1.97</b>	<b>+25.02</b>	<b>+25.02</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	616	+0bp	+15bp	+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.

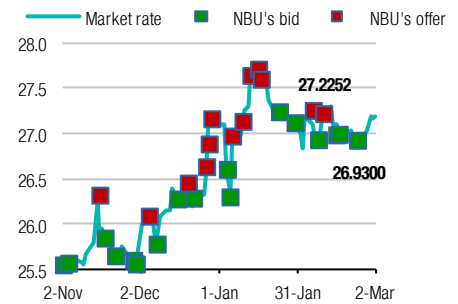
# Foreign exchange markets

## Key indicators (as of 2 березня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b>					
UAH	27.1800	+0.02	+1.02	+0.30	+0.30
USD <sup>1</sup>	102.200	+0.41	+1.14	-0.56	-0.01
EUR	1.0507	-0.38	-0.71	+0.50	-0.10
JPY	114.4100	+0.60	+1.60	-2.67	-2.18
GBP <sup>2</sup>	1.2267	-0.21	-2.30	-0.09	-0.59
CNY	6.8899	+0.12	+0.35	-0.79	-0.79
RUB	58.8555	+0.92	+1.87	-3.75	-4.36

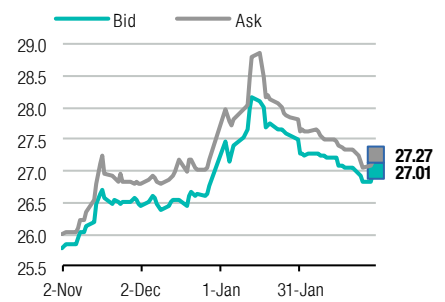
Notes: [1] DXY, US dollar index; [2] British pound.  
Source: Bloomberg, ICU.

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



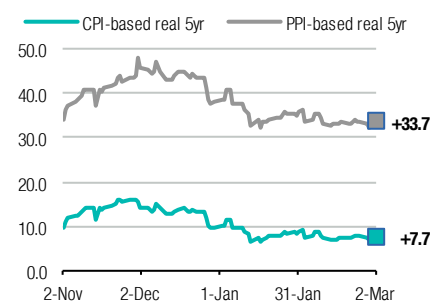
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

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



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 2 March 2017)

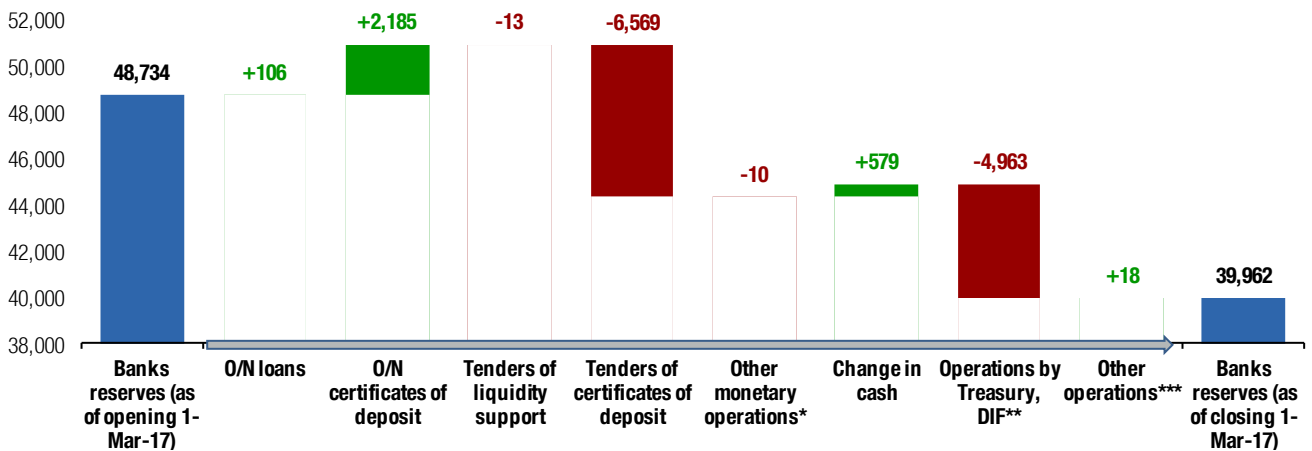


Notes: [1] "+" overvalued, "-" undervalued; [2] based on the UAH's CPI- and PPI-based real TWIs. Source: ICU.

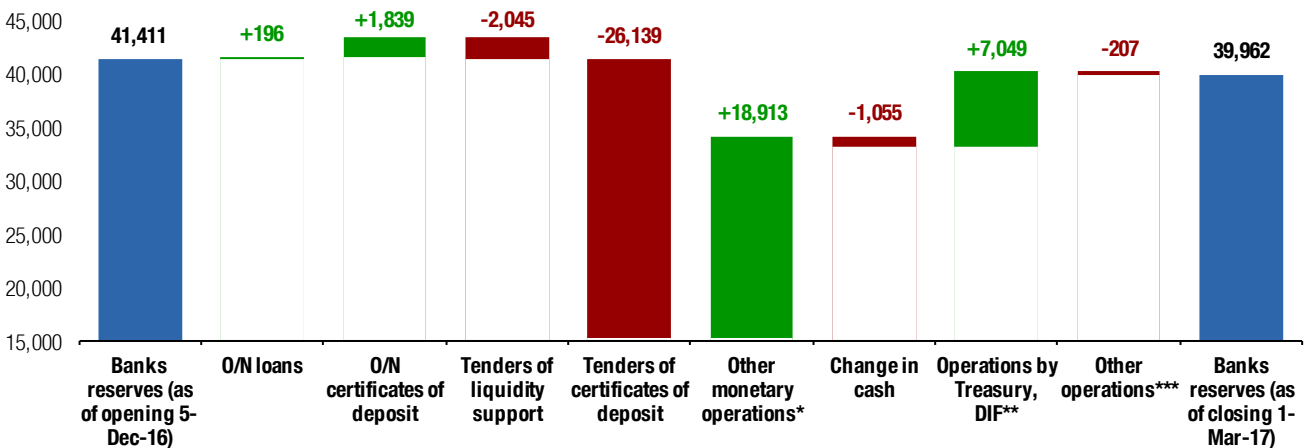
Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU [website](#).

# Appendix #1: Domestic liquidity

**Chart 1. Banks reserves usages over last reporting date (UAHm)**

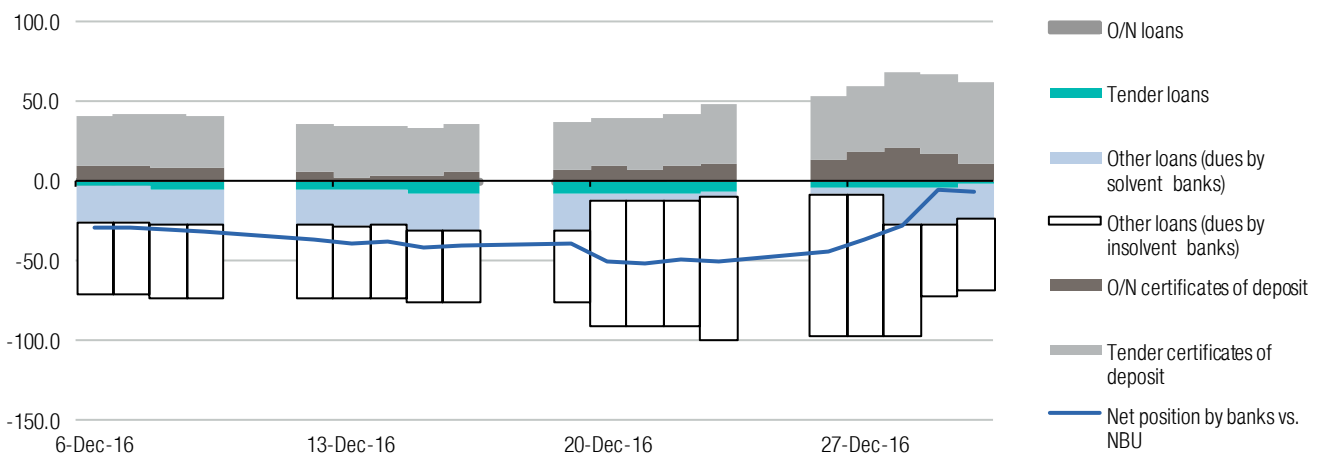


**Chart 2. Banks reserves usages over last 30-day period (UAHm)**



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

**WEB** [www.icu.ua](http://www.icu.ua)



[@ICU\\_UA](https://twitter.com/ICU_UA)

## CORPORATE FINANCE

**Makar Paseniuk, CFA**, Managing Director  
[makar.paseniuk@icu.ua](mailto:makar.paseniuk@icu.ua)

**Ivan Shvydanenko**, Director  
[ivan.shvydanenko@icu.ua](mailto:ivan.shvydanenko@icu.ua)

**Roman Nikitov, ACCA** Director  
[roman.nikitov@icu.ua](mailto:roman.nikitov@icu.ua)

**Yuriy Kamarytskyi**, Vice President  
[yuriy.kamarytskyi@icu.ua](mailto:yuriy.kamarytskyi@icu.ua)


**Ruslan Kilmukhametov**, Director  
[ruslan.kilmukhametov@icu.ua](mailto:ruslan.kilmukhametov@icu.ua)

**Ruslan Patlavsky**, Director  
[ruslan.patlavsky@icu.ua](mailto:ruslan.patlavsky@icu.ua)

## STRATEGY AND CORPORATE DEVELOPMENT

**Vlad Sinani**, Director  
[vlad.sinani@icu.ua](mailto:vlad.sinani@icu.ua)

## SALES AND TRADING

**Konstantin Stetsenko**   
Managing Director  
[konstantin.stetsenko@icu.ua](mailto:konstantin.stetsenko@icu.ua)


**Liliya Kubytovych**   
Asset Management Product Sales  
[liliya.kubytovych@icu.ua](mailto:liliya.kubytovych@icu.ua)

**Sergiy Byelyayev**  
Fixed-Income Trading  
[sergiy.byelyayev@icu.ua](mailto:sergiy.byelyayev@icu.ua)

**Yevgeniya Gryshchenko**  
Fixed-Income Sales  
[yevgeniya.gryshchenko@icu.ua](mailto:yevgeniya.gryshchenko@icu.ua)


**Vitaliy Sivach**   
Fixed-Income & FX Trading  
[vitaliy.sivach@icu.ua](mailto:vitaliy.sivach@icu.ua)

## RESEARCH DEPARTMENT

**Alexander Valchyshen**   
Head of Research  
[alexander.valchyshen@icu.ua](mailto:alexander.valchyshen@icu.ua)

**Taras Kotovych**   
Senior financial analyst (Sovereign debt)  
[taras.kotovych@icu.ua](mailto:taras.kotovych@icu.ua)

**Alexander Martynenko**   
Head of corporate research  
[alexander.martynenko@icu.ua](mailto:alexander.martynenko@icu.ua)

**Mykhaylo Demkiv**   
Financial analyst (Banks)  
[mykhaylo.demkiv@icu.ua](mailto:mykhaylo.demkiv@icu.ua)

**Bogdan Vorotilin**   
Financial analyst (Food & Agribusiness)  
[bogdan.vorotilin@icu.ua](mailto:bogdan.vorotilin@icu.ua)

**Lee Daniels, Rolfe Haas**  
Editors

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