

Daily Insight

Liquidity up with VAT refund

Key messages of the today's comments

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Liquidity up with VAT refund 2

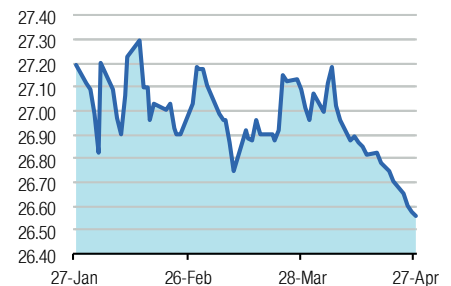
This Wednesday, the Treasury paid UAH10bn in VAT refunds, the first large VAT refund both this month and since the new mechanism was implemented. This was the main source for the UAH9.13bn increase in liquidity to UAH117.44bn, as banks' correspondent accounts with the NBU rose UAH2.10bn to UAH51.79bn and total CDs outstanding were up UAH7.03bn to UAH65.64bn. CDs outstanding rose mostly due to the purchase of 14-day CDs, UAH5.24bn more than were redeemed, while ON CDs outstanding rose UAH1.79bn.

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FRIDAY, 28 APRIL 2017

Ukraine's hryvnia exchange rate per US dollar (three months through 27 April 2017)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 27 April 2017)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	+0bp
Overnight rate (interbank)	11.90	+40bp	+130bp
Banks reserves (UAHm)	51,794	+4.23	+4.15
Deposit certificates* (UAHm)	74,893	-8.13	+10.55
FOREIGN EXCHANGE MARKET			
UAH per US dollar	26.5575	-0.08	-2.00
Total trade volume (US\$m)	N/A		
UAH index PCI-based	109.045	+0.17	+0.97
UAH index PPI-based	168.064	+0.17	-0.18
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	616bp	-4bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,387.45	+0.00	+6.64
MSCI EM	982.53	+0.00	+13.95
US dollar index (DXY)	99.076	+0.03	-3.07
EUR / USD	1.0873	-0.28	+3.38
Crude oil WTI (US\$/bbl)	N/A		
Crude oil BRENT (US\$/bbl)	N/A		
CRB, commodities index	181.71	+0.00	-5.61
Gold (US\$/ounce)	1,264.32	-0.39	+9.72

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity up with VAT refund

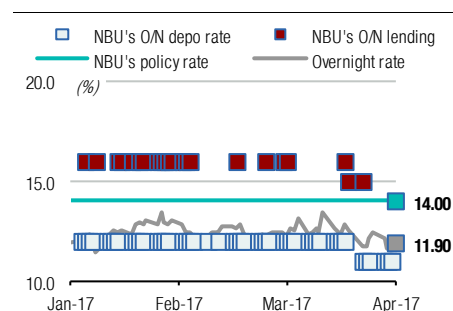
This Wednesday, the Treasury paid UAH10bn in VAT refunds, the first large VAT refund both this month and since the new mechanism was implemented. This was the main source for the UAH9.13bn increase in liquidity to UAH117.44bn, as banks' correspondent accounts with the NBU rose UAH2.10bn to UAH51.79bn and total CDs outstanding were up UAH7.03bn to UAH65.64bn. CDs outstanding rose mostly due to the purchase of 14-day CDs, UAH5.24bn more than were redeemed, while ON CDs outstanding rose UAH1.79bn.

The impact of Treasury operations amounted to 8.61bn of inflows. Accounting for the UAH0.07bn decrease in cash, the impact of non-monetary operations was UAH8.60bn. The NBU injected an additional UAH0.53bn via monetary operations, most likely via FX purchases rather than FX auctions.

Investment implications: The VAT refund was main source for the increase in liquidity increase and the most likely should sustain this high level through the end of the month. The majority of inflows were spent on CD purchases, mostly with redemption on 10 May. After the holidays, with more business days, a portion of the funds should be spent on FX and quite possibly on FX-denominated bonds at the primary auction scheduled on 16 May.

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Interest rates in the banks' reserves market (three months through 27 April 2017)



Source: Bloomberg, ICU.

Key indicators (as of 27 April 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	14.00	+0bp	+0bp	+0bp	+0bp
Overnight	11.90	+40bp	-20bp	-50bp	+130bp
KYIV PRIME RATES (%)					
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
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	51,794	+4.23	-0.10	+15.37	+4.15
DepCerts ³	74,893	-8.13	+7.48	+0.68	+10.55
Total	126,687	-10.05	-1.65	+0.63	+1.77
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	377,915	+0.00	+0.00	-1.60	+6.11
Banks	283,655	-0.03	-0.31	-0.80	+64.59
Residents	22,083	+0.03	+1.35	-3.40	+40.85
Non-res ⁴	5,328	-0.17	-0.77	-1.94	-16.11
Total	688,981	-0.01	-0.09	-1.34	+25.15
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	-4bp	-4bp	+1bp	+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.

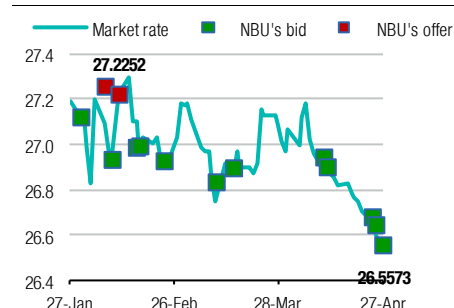
Foreign exchange markets

Key indicators (as of 27 квітня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.5575	-0.08	-0.72	-2.11	-2.00
USD ¹	99.076	+0.03	-0.70	-0.09	-3.07
EUR	1.0873	-0.28	+1.46	+0.08	+3.38
JPY	111.2600	+0.18	+1.77	+0.54	-4.87
GBP ²	1.2904	+0.44	+0.71	+2.75	+4.57
CNY	6.8979	+0.08	+0.23	+0.36	-0.68
RUB	57.0371	-0.16	+1.58	+0.29	-7.31

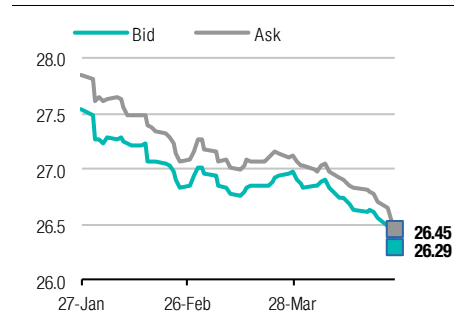
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 27 April 2017)



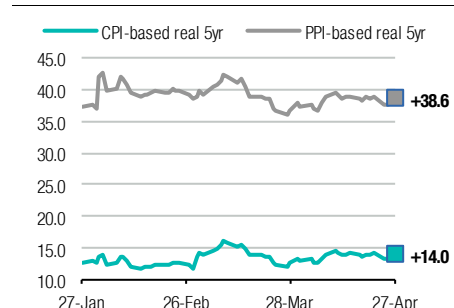
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 27 April 2017)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 27 April 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)

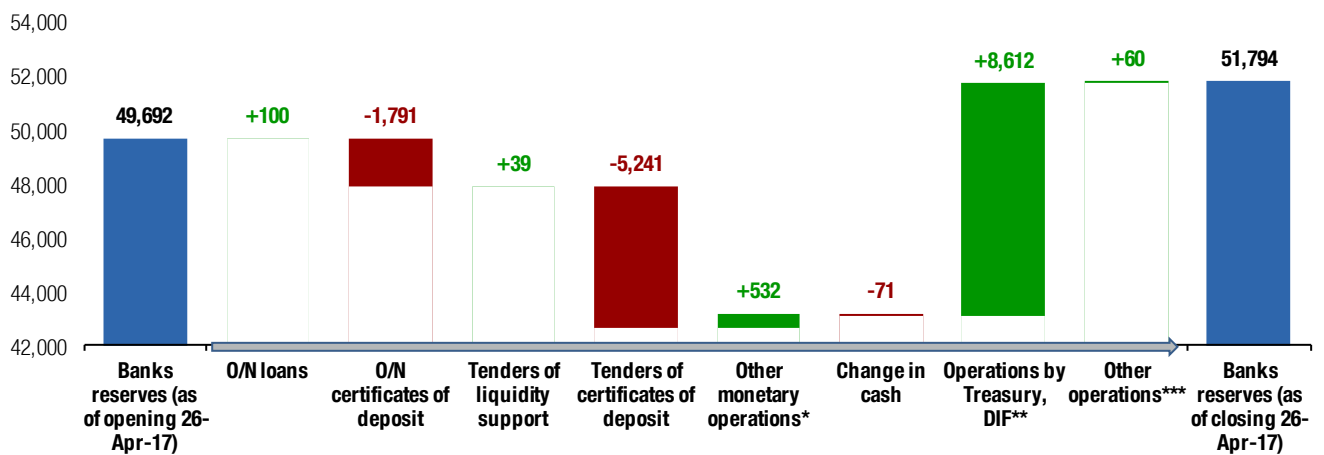
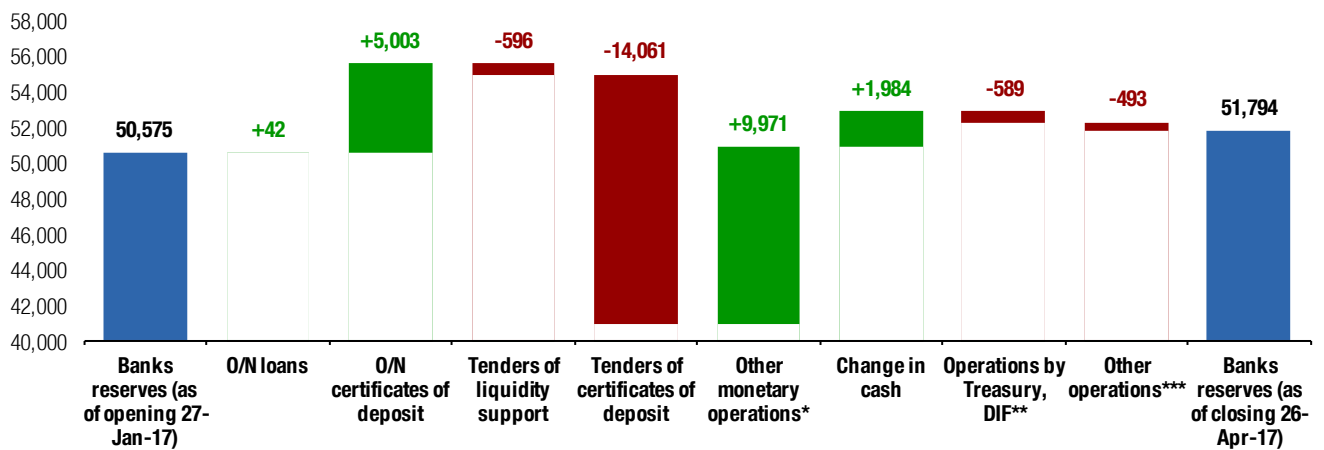
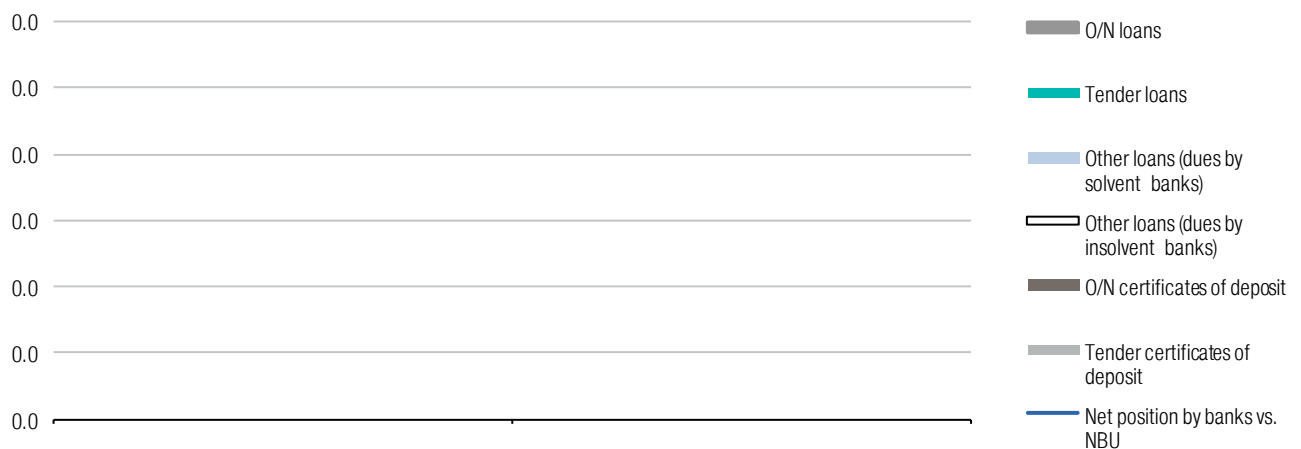


Chart 2. Banks reserves usages over last 90-day period (UAHm)



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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