

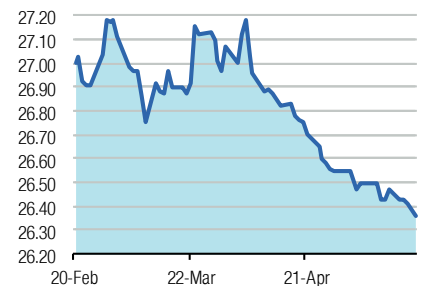
# Daily Insight

## Significant outflows to the budget

### Key messages of the today's comments

MONDAY, 22 MAY 2017

### Ukraine's hryvnia exchange rate per US dollar (three months through 19 May 2017)



Source: Bloomberg.

### Selected indicators of the financial markets (three months through 19 May 2017)

|   | Last     | Daily chg (%) | YTD chg (%) |
|---|----------|---------------|-------------|
| <b>DOMESTIC LIQUIDITY</b>                 |          |               |             |
| NBU key policy rate (%)                   | 13.00    | +0bp          | -100bp      |
| Overnight rate (interbank)                | 12.20    | +40bp         | +160bp      |
| Banks reserves (UAHm)                     | 46,912   | -2.04         | -5.67       |
| Deposit certificates* (UAHm)              | 63,783   | -21.14        | -19.18      |
| <b>FOREIGN EXCHANGE MARKET</b>            |          |               |             |
| UAH per US dollar                         | 26.3605  | -0.09         | -2.73       |
| Total trade volume (US\$m)                | 209.73   | +25.15        | +23.65      |
| UAH index PCI-based                       | 108.217  | -0.68         | +0.20       |
| UAH index PPI-based                       | 166.788  | -0.68         | -0.94       |
| <b>UKRAINE SOVEREIGN EUROBOOND MARKET</b> |          |               |             |
| CDS 5yr                                   | 597bp    | -10bp         | +0bp        |
| <b>GLOBAL FINANCIAL MARKET INDICATORS</b> |          |               |             |
| S&P 500                                   | 2,381.73 | +0.68         | +6.38       |
| MSCI EM                                   | 995.67   | +0.74         | +15.47      |
| US dollar index (DXY)                     | 97.142   | -0.75         | -4.96       |
| EUR / USD                                 | 1.1206   | +0.93         | +6.55       |
| Crude oil WTI (US\$/bbl)                  | 50.33    | +1.99         | -6.31       |
| Crude oil BRENT (US\$/bbl)                | 53.61    | +2.09         | -5.65       |
| CRB, commodities index                    | 185.08   | +1.41         | -3.86       |
| Gold (US\$/ounce)                         | 1,255.91 | +0.70         | +8.99       |

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

Source: Bloomberg, ICU.

### Domestic liquidity ..... 2

#### Significant outflows to the budget ..... 2

The Treasury caused a significant UAH4.55bn net outflow of funds from the banking system last Thursday as it collected more taxes but fewer funds via expenditures. As cash declined significantly, the negative impact of autonomous non-monetary operations was UAH5.05bn. The NBU provided just UAH0.66bn via monetary operations.

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# Domestic liquidity

## Significant outflows to the budget

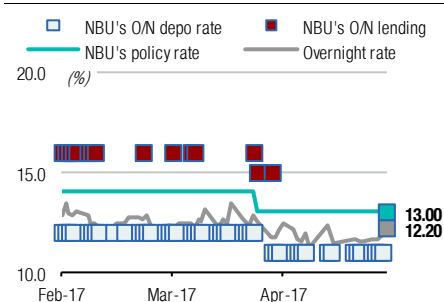
The Treasury caused a significant UAH4.55bn net outflow of funds from the banking system last Thursday as it collected more taxes but fewer funds via expenditures. As cash declined significantly, the negative impact of autonomous non-monetary operations was UAH5.05bn. The NBU provided just UAH0.66bn via monetary operations.

Banks' correspondent accounts with the NBU declined UAH0.98 while total CDs outstanding fell UAH3.41bn, causing total banking sector liquidity to decline UAH4.39bn. Banks decreased both 14-day and ON CDs.

**Investment implications: Quarterly tax payments were postponed to the last two days of last week, and the main portion, most likely, appears to have been paid last Thursday. Although liquidity fell significantly, it remains above UAH110bn. If the Treasury does not balance revenues and expenditures, liquidity could decline further as month-end tax payments start this week.**

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

## Interest rates in the banks' reserves market (three months through 19 May 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 19 May 2017)

|   | Last           | Daily         | Weekly        | Monthly       | YTD           |
|---|----------------|---------------|---------------|---------------|---------------|
|   | chg (%)        | chg (%)       | chg (%)       | chg (%)       | chg (%)       |
| <b>BANKS' RESERVES MARKET (%)</b>                   |                |               |               |               |               |
| NBU rate <sup>1</sup>                               | 13.00          | +0bp          | +0bp          | +0bp          | -100bp        |
| Overnight   | 12.20          | +40bp         | +70bp         | +50bp         | +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>                               | 46,912         | -2.04         | -10.90        | -7.12         | -5.67         |
| DepCerts <sup>3</sup>                               | 63,783         | -21.14        | -20.01        | -18.92        | -19.18        |
| <b>Total</b>  | <b>110,695</b> | <b>-15.52</b> | <b>-19.06</b> | <b>-16.91</b> | <b>-16.48</b> |
| <b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b> |                |               |               |               |               |
| NBU   | 377,915        | +0.00         | +0.00         | -0.52         | +6.11         |
| Banks   | 279,828        | +0.04         | -1.12         | -1.81         | +62.37        |
| Residents   | 22,031         | +2.13         | +0.03         | -4.83         | +40.52        |
| Non-res <sup>4</sup>                                | 5,289          | -0.09         | -0.14         | -1.71         | -16.73        |
| <b>Total</b>  | <b>685,063</b> | <b>+0.08</b>  | <b>-0.46</b>  | <b>-1.20</b>  | <b>+24.44</b> |
| <b>IMPLIED YIELDS OF THE UAH NDF MARKET (%)</b>     |                |               |               |               |               |
| 3 months  | 10.19          | -7bp          | +33bp         | -232bp        | -12ppt        |
| 6 months  | 13.44          | -8bp          | -222bp        | -517bp        | -503bp        |
| 9 months  | 14.23          | -4bp          | -252bp        | -402bp        | -378bp        |
| 1 year  | 15.42          | -2bp          | -210bp        | -186bp        | -157bp        |
| <b>UKRAINE SOVEREIGN EUROBOND MARKET</b>            |                |               |               |               |               |
| CDS 5yr   | 597            | -10bp         | +6bp          | -22bp         | +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

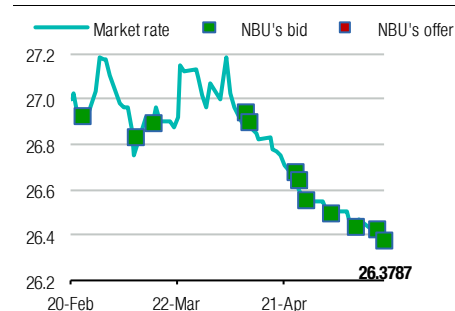
## Key indicators (as of 19 травня 2017)

|   | Last     | Daily   | Weekly  | Monthly | YTD     |
|---|----------|---------|---------|---------|---------|
|   | chg (%)  | chg (%) | chg (%) | chg (%) | chg (%) |
| <b>EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)</b> |          |         |         |         |         |
| UAH   | 26.3605  | -0.09   | -0.41   | -1.51   | -2.73   |
| USD <sup>1</sup>  | 97.142   | -0.75   | -2.13   | -2.60   | -4.96   |
| EUR   | 1.1206   | +0.93   | +2.52   | +4.62   | +6.55   |
| JPY   | 111.2600 | -0.21   | -1.87   | +2.20   | -4.87   |
| GBP <sup>2</sup>  | 1.3036   | +0.76   | +1.13   | +2.03   | +5.64   |
| CNY   | 6.8850   | -0.06   | -0.21   | -0.04   | -0.86   |
| RUB   | 56.8925  | -1.14   | -0.34   | +0.60   | -7.55   |

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

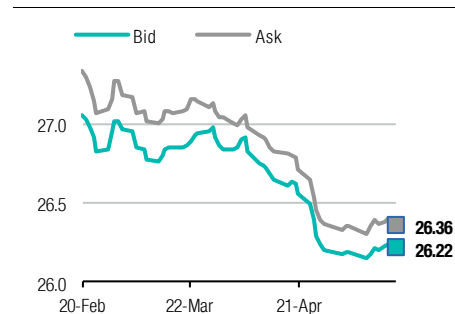
Source: Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 19 May 2017)



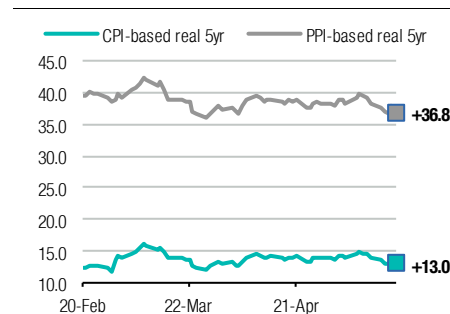
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

## Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 19 May 2017)



Source: NBU.

## UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 19 May 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)

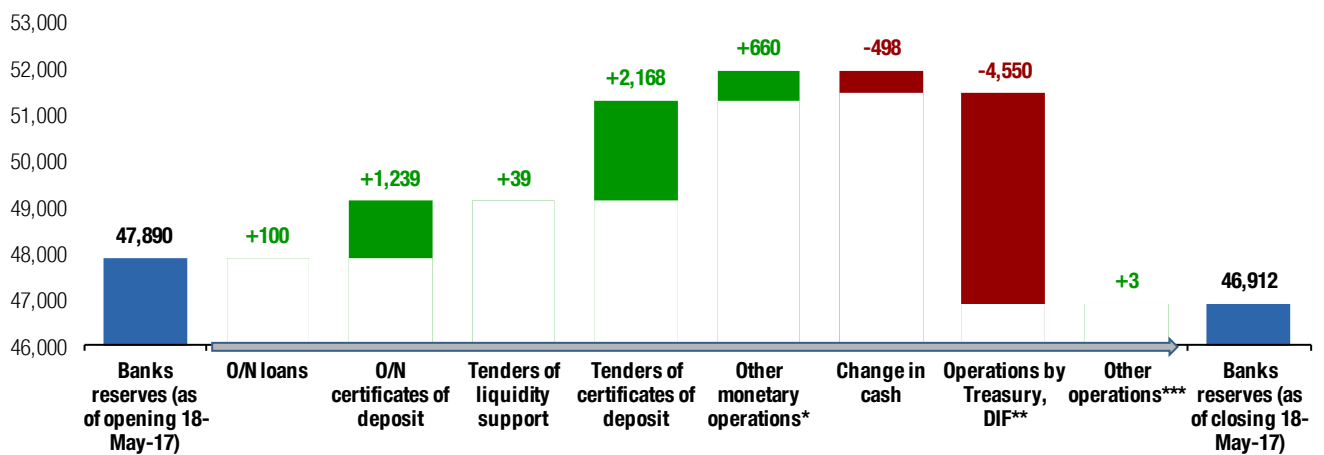
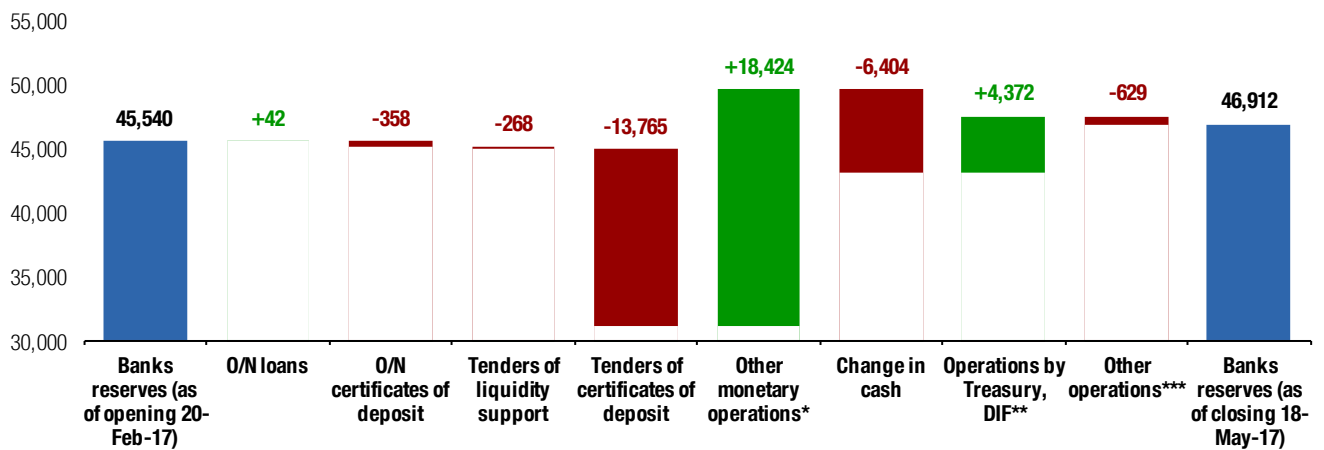
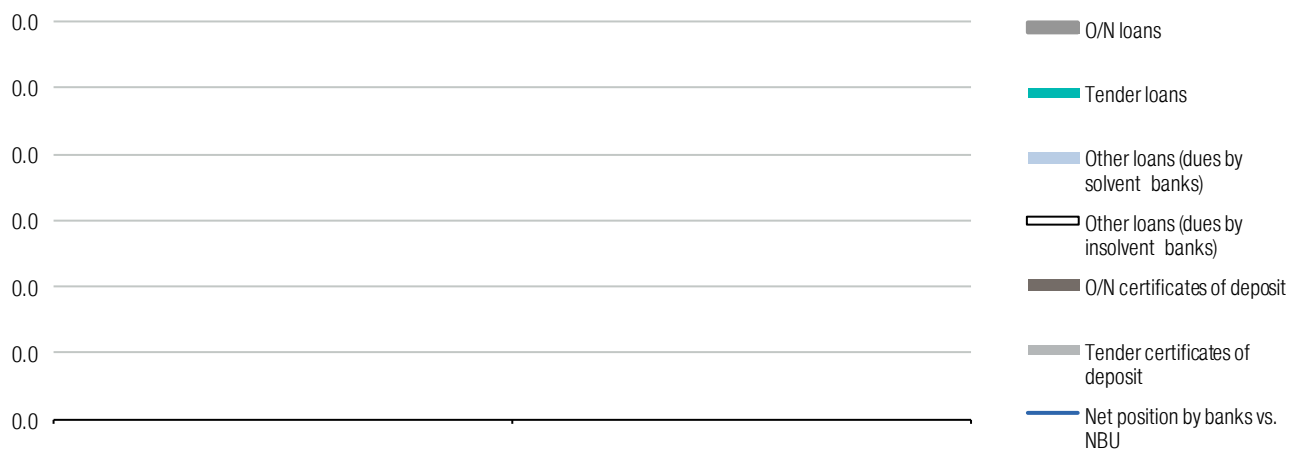


Chart 2. Banks reserves usages over last 90-day period (UAHm)



Notes: [1] data from the NBU's daily reporting [https://bank.gov.ua/control/uk/publish/article?art\\_id=38643651&cat\\_id=40807142](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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