

# Daily Insight

## Liquidity up on VAT refund

### Key messages of the today's comments

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##### Liquidity up on VAT refund ..... 2

This Wednesday, the Treasury returned a portion of funds absorbed last week from the banking system, up net UAH6.14bn, mainly due to a large VAT refund of UAH8bn.

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FRIDAY, 26 MAY 2017

#### Ukraine's hryvnia exchange rate per US dollar (three months through 25 May 2017)



Source: Bloomberg.

#### Selected indicators of the financial markets (three months through 25 May 2017)

	Last	Daily chg (%)	YTD chg (%)
<b>DOMESTIC LIQUIDITY</b>			
NBU key policy rate (%)	N/A		
Overnight rate (interbank)	N/A		
Banks reserves (UAHm)	45,942	+4.58	-7.62
Deposit certificates* (UAHm)	65,560	+10.23	+5.34
<b>FOREIGN EXCHANGE MARKET</b>			
UAH per US dollar	26.2850	+0.06	-3.01
Total trade volume (US\$m)	155.94	-12.15	-8.07
UAH index PCI-based	108.345	+0.04	+0.32
UAH index PPI-based	166.986	+0.04	-0.82
<b>UKRAINE SOVEREIGN EUROBOND MARKET</b>			
CDS 5yr	595bp	+0bp	+0bp
<b>GLOBAL FINANCIAL MARKET INDICATORS</b>			
S&P 500	2,415.07	+0.44	+7.87
MSCI EM	1,014.55	+0.95	+17.66
US dollar index (DXY)	97.248	+0.01	-4.85
EUR / USD	1.1210	-0.08	+6.59
Crude oil WTI (US\$/bbl)	48.90	-4.79	-8.97
Crude oil BRENT (US\$/bbl)	51.46	-4.63	-9.43
CRB, commodities index	181.15	-1.50	-5.90
Gold (US\$/ounce)	1,255.69	-0.25	+8.98

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

Source: Bloomberg, ICU.

# Domestic liquidity

## Liquidity up on VAT refund

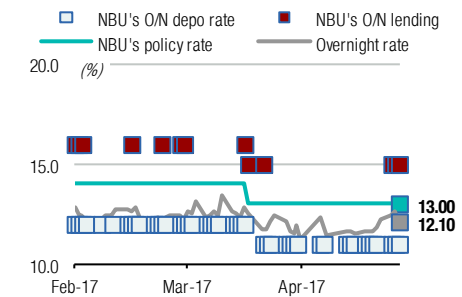
This Wednesday, the Treasury returned a portion of funds absorbed last week from the banking system, up net UAH6.14bn, mainly due to a large VAT refund of UAH8bn.

With an increase in cash and monetary operations from the NBU, banking sector liquidity rose UAH8.10bn to UAH111.50bn, near the month's average, as banks' correspondent accounts with the NBU increased UAH2.01bn to UAH45.94bn. It invested an additional UAH6.09bn in CDs, mostly 14-day maturities, increasing total CDs outstanding to UAH65.56bn.

**Investment implications:** *This month, funds were returned very quickly after absorption without any negative impact on the banking system. The last days of this week and first half of next week could see a new decline in liquidity, but the Treasury could soften the impact by offsetting outflows via month-end tax payments, higher expenditures, or additional VAT refunds.*

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

## Interest rates in the banks' reserves market (three months through 25 May 2017)



Source: Bloomberg, ICU.

## Key indicators (as of 25 May 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>BANKS' RESERVES MARKET (%)</b>					
NBU rate <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Overnight	N/A	N/A	N/A	N/A	N/A
<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>	45,942	+4.58	-4.07	-5.76	-7.62
DepCerts <sup>3</sup>	65,560	+10.23	-2.43	-5.19	+5.34
<b>Total</b>	<b>111,502</b>	<b>+7.83</b>	<b>-3.11</b>	<b>-5.42</b>	<b>-0.42</b>
<b>BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)</b>					
NBU	376,165	-0.46	-0.46	-0.46	+5.62
Banks	281,270	+0.49	+0.56	-0.92	+63.21
Residents	22,412	+1.70	+3.90	+1.55	+42.95
Non-res <sup>4</sup>	5,262	-0.17	-0.59	-1.48	-17.15
<b>Total</b>	<b>685,110</b>	<b>+0.00</b>	<b>+0.09</b>	<b>-0.60</b>	<b>+24.45</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	595	+0bp	-12bp	-25bp	+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

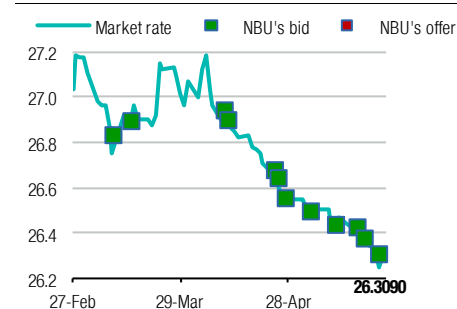
Key indicators (as of 25 травня 2017)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
<b>EXCHANGE RATES</b> (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	26.2850	+0.06	-0.38	-1.18	-3.01
USD <sup>1</sup>	97.248	+0.01	-0.64	-1.56	-4.85
EUR	1.1210	-0.08	+0.96	+2.60	+6.59
JPY	111.8400	+0.31	+0.31	+0.68	-4.38
GBP <sup>2</sup>	1.2942	-0.23	+0.03	+0.78	+4.88
CNY	6.8685	-0.31	-0.30	-0.24	-1.10
RUB	56.8887	+0.71	-1.15	+1.34	-7.55

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

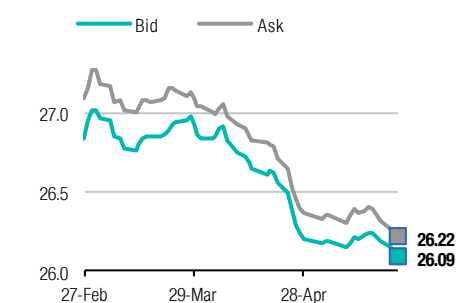
Source: Bloomberg, ICU.

**Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 25 May 2017)**



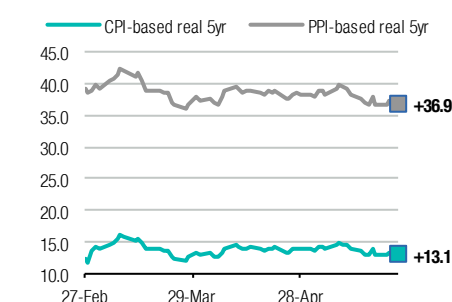
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

**Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 25 May 2017)**



Source: NBU.

**UAH exchange rate misalignment<sup>1</sup> from fundamental level<sup>2</sup> (%) (three months through 25 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)

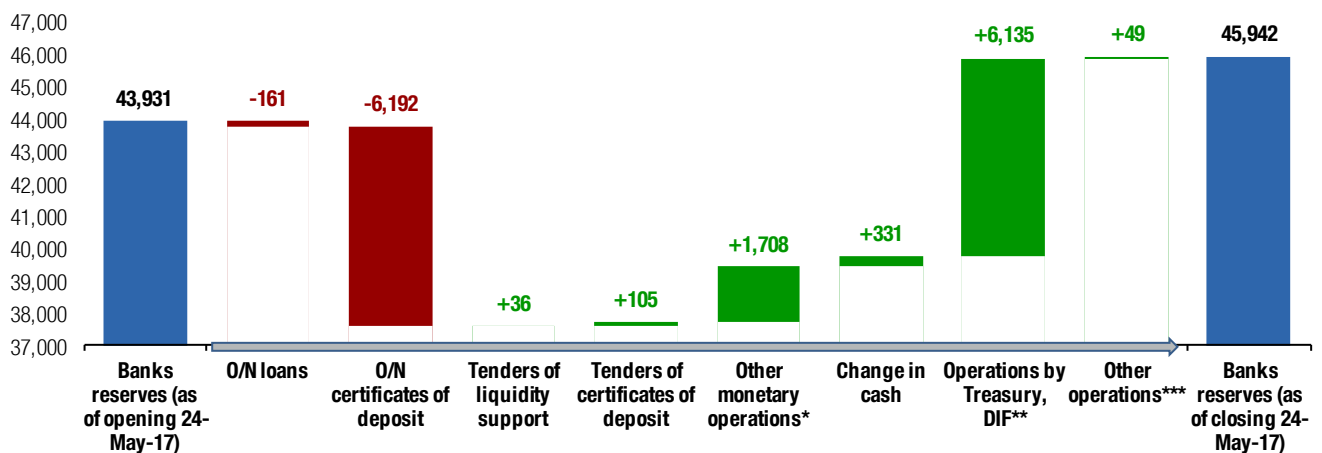
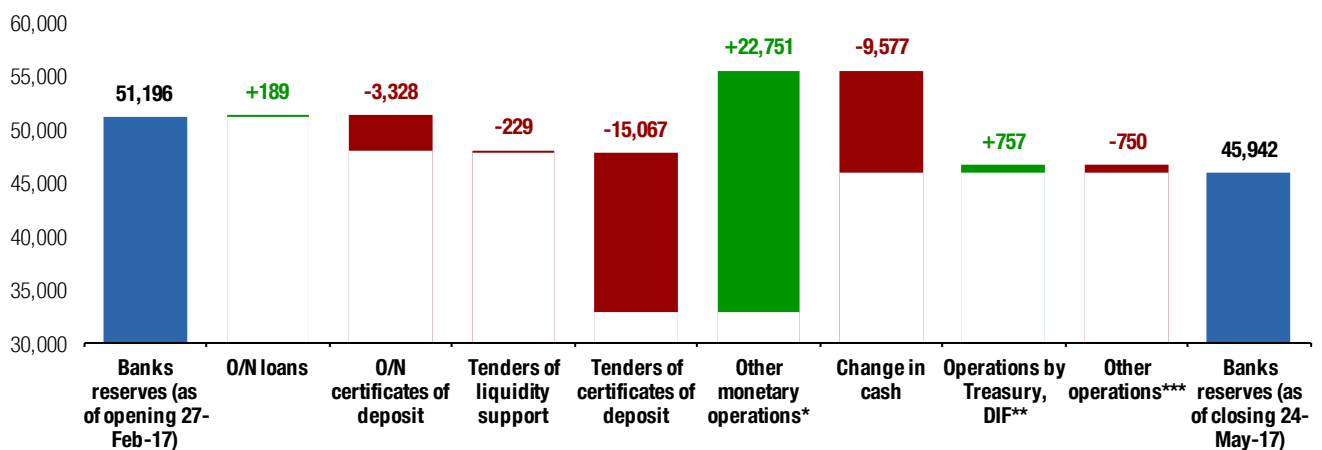


Chart 2. Banks reserves usages over last 90-day period (UAHm)

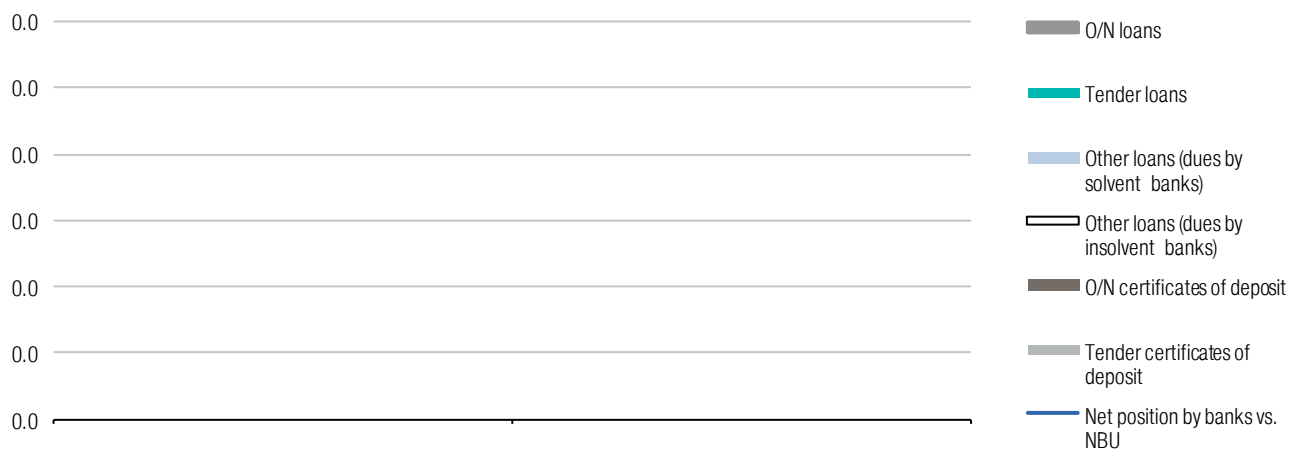


Notes: [1] data from the NBU's daily reporting [https://bank.gov.ua/control/uk/publish/article?art\\_id=38643651&cat\\_id=40807142](https://bank.gov.ua/control/uk/publish/article?art_id=38643651&cat_id=40807142) ;

\* 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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