

# *Last Twelve Month of Policy Making in Pictures*

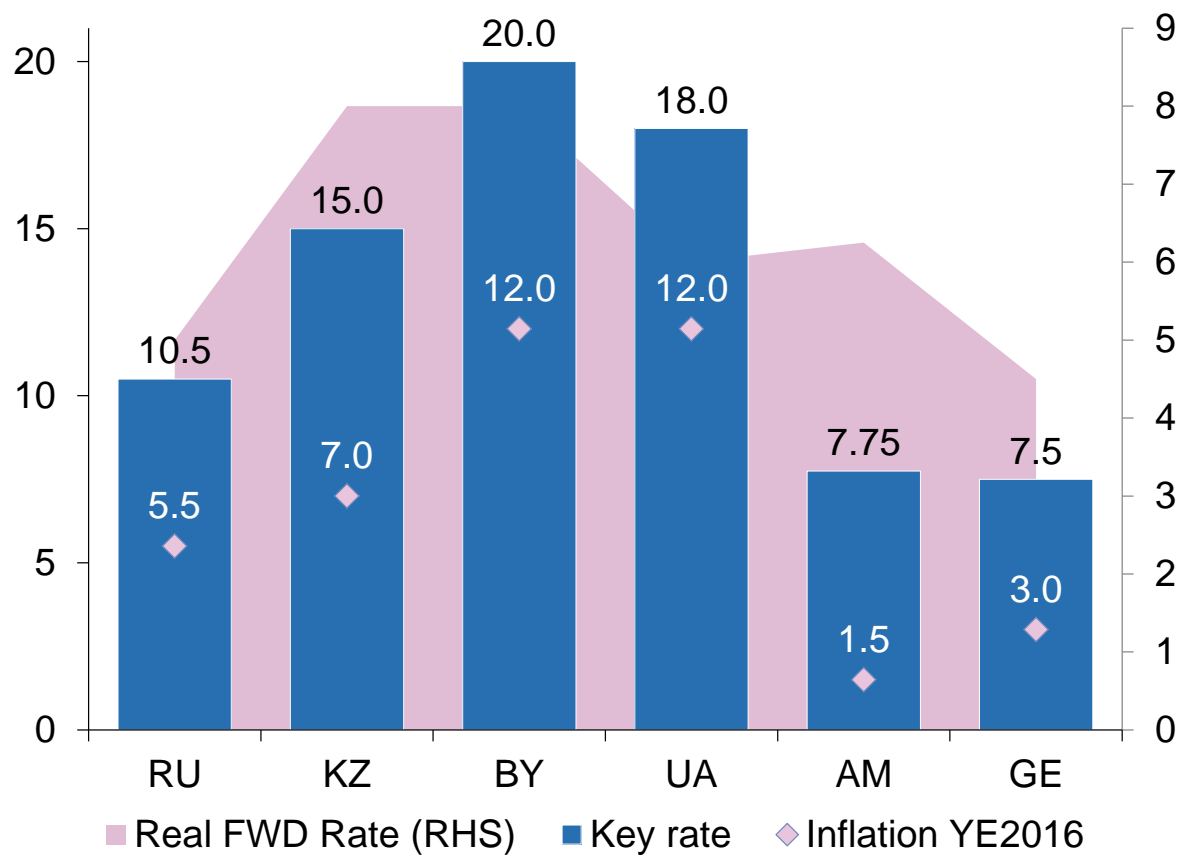
*June 2016*

*Petr Grishin, CFA  
Head of Macro and Fixed Income Research*



# What's in common

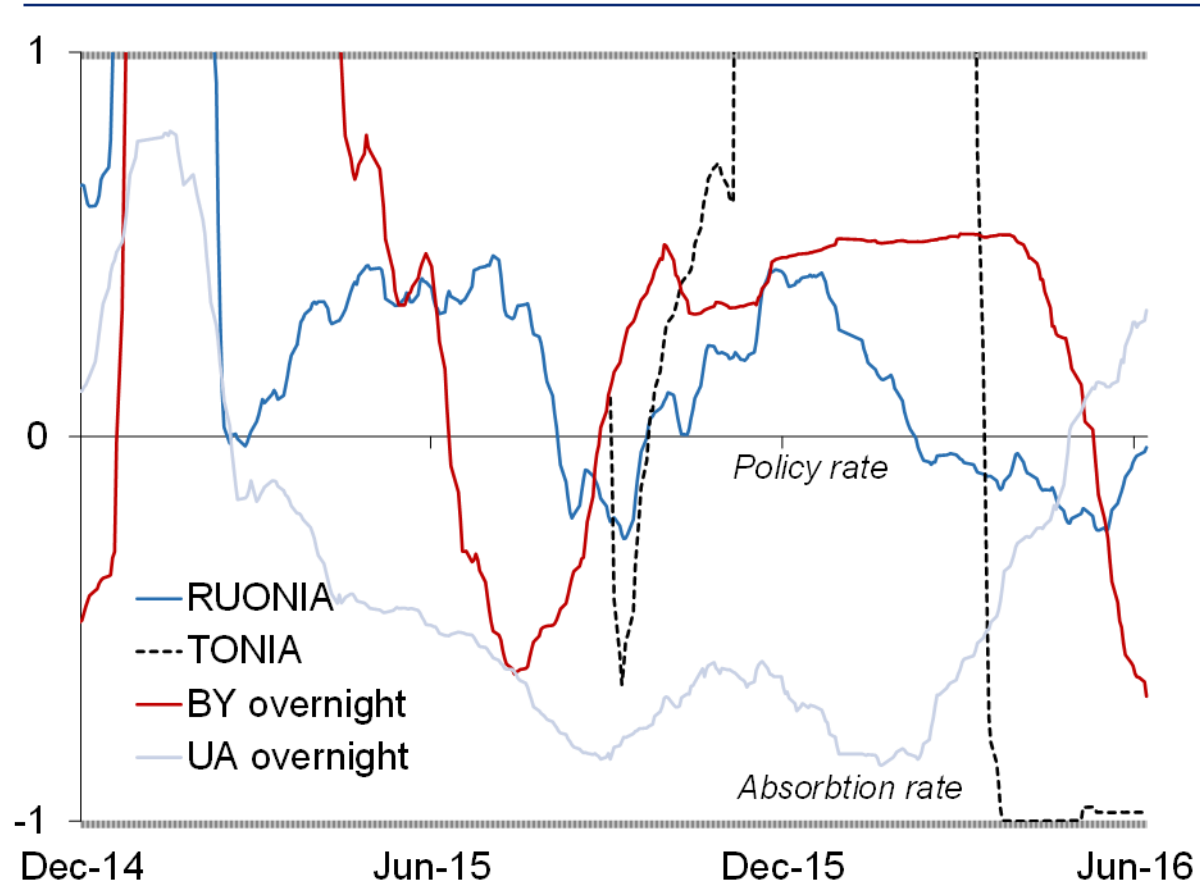
## Real forward looking rates remain elevated



Source: national central banks, VTB Capital Research

# What's in common

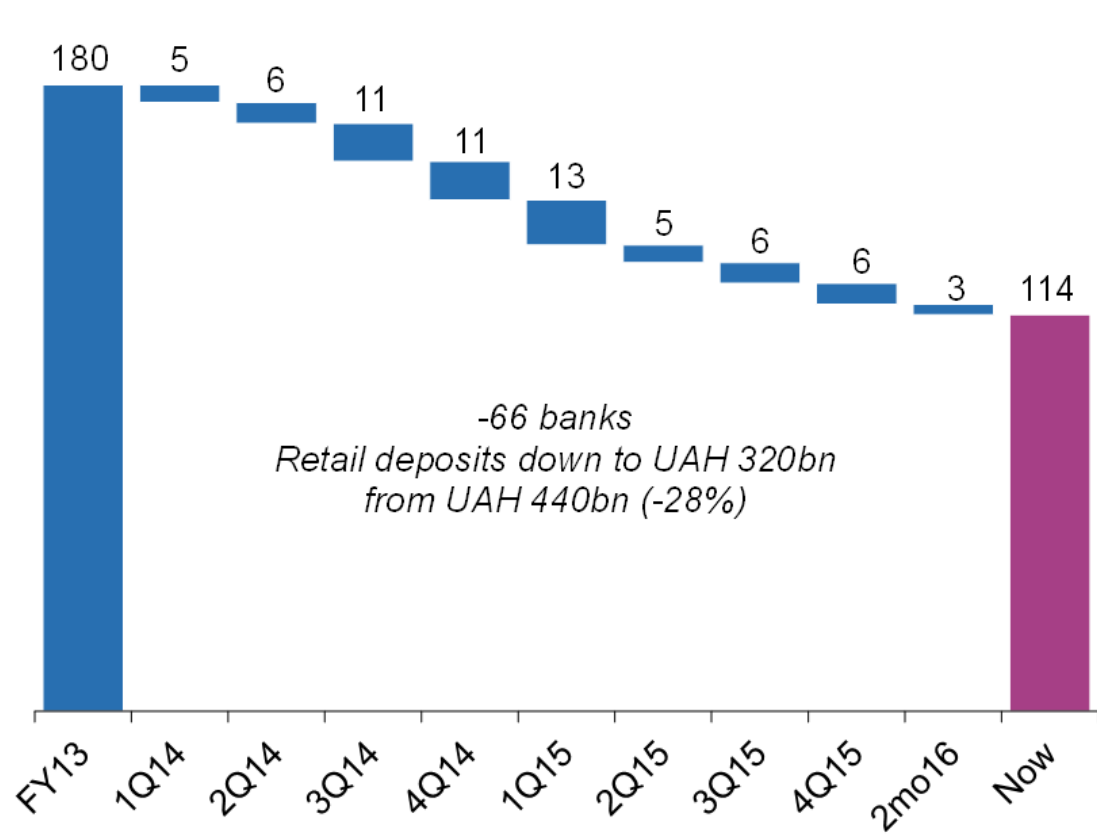
Most banking systems are (or quickly turn into) liquidity surpluses



Source: national central banks, VTB Capital Research

# Ukraine

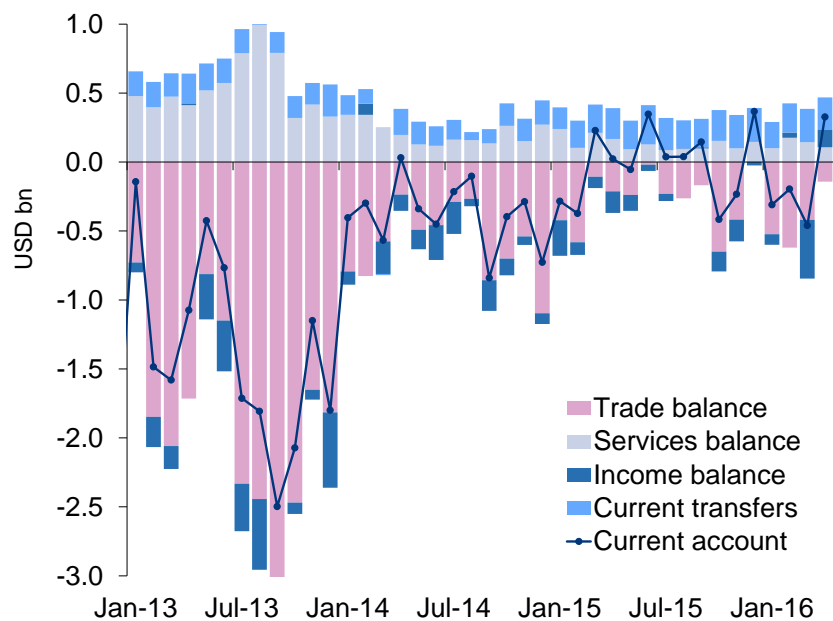
## Start of banking system cleanup key achievement



Source: national central banks, VTB Capital Research

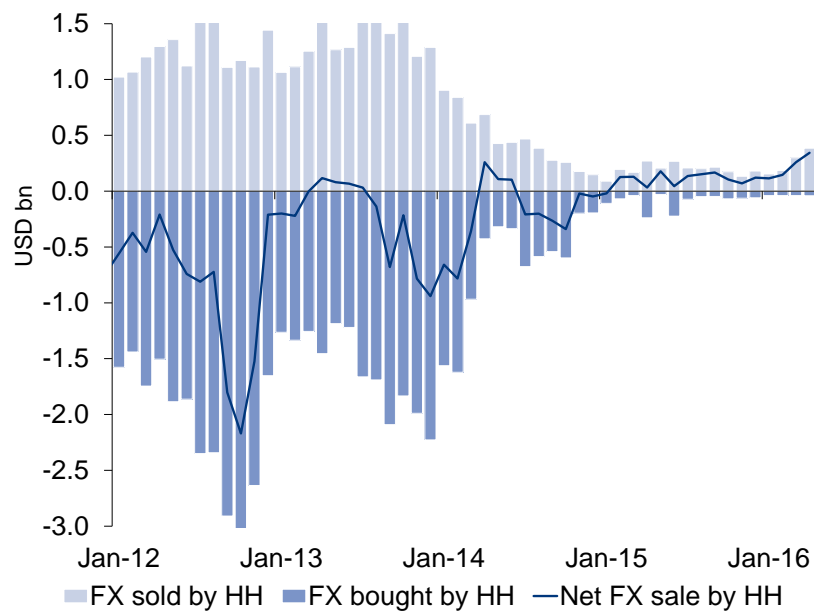
# Ukraine

## Current account



Source: NBU, VTB Capital Research

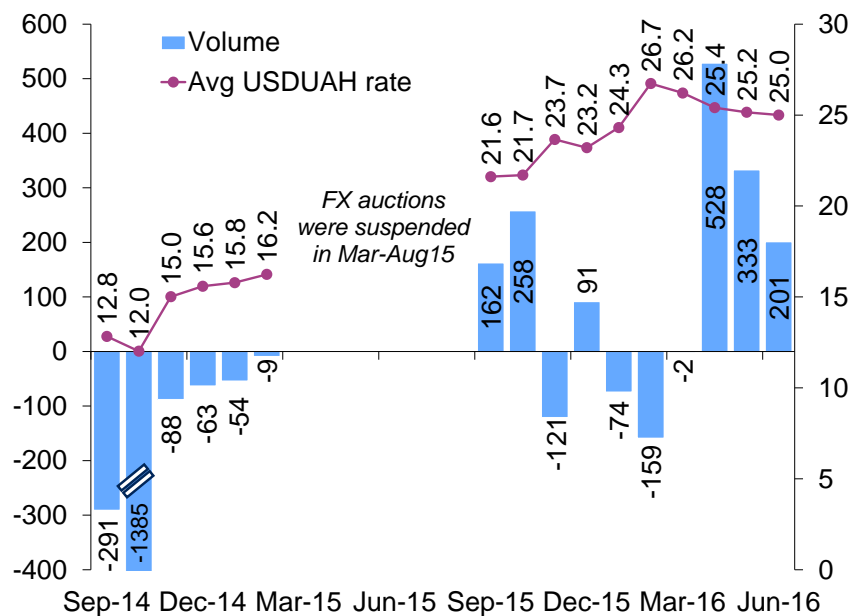
## Retail FX behavior



Source: NBU, VTB Capital Research

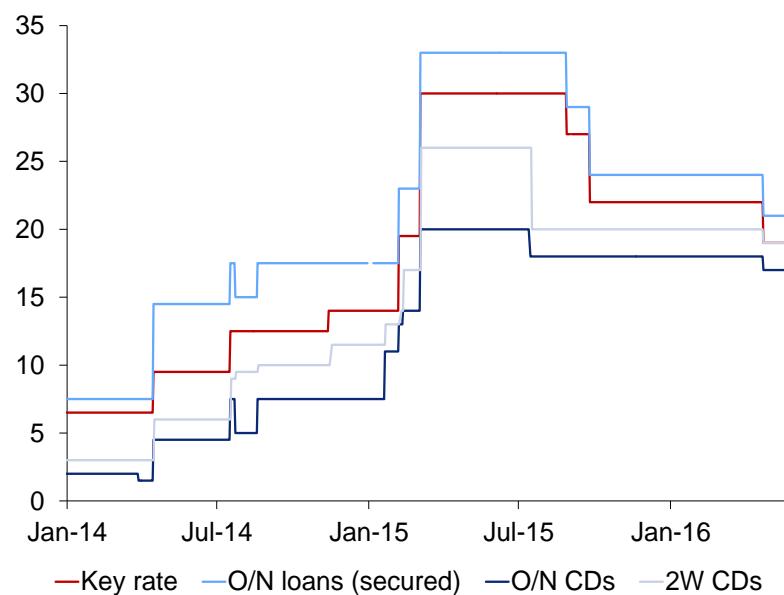
# Ukraine

## NBU FX interventions



Source: NBU, VTB Capital Research

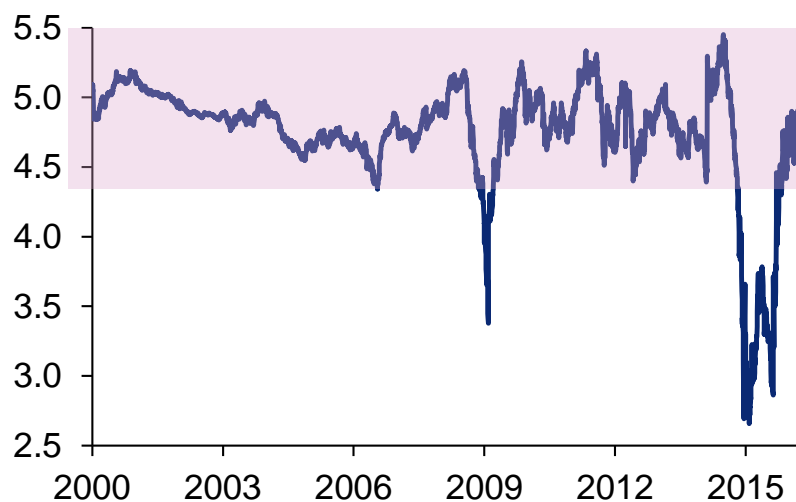
## NBU rates



Source: NBU, VTB Capital Research

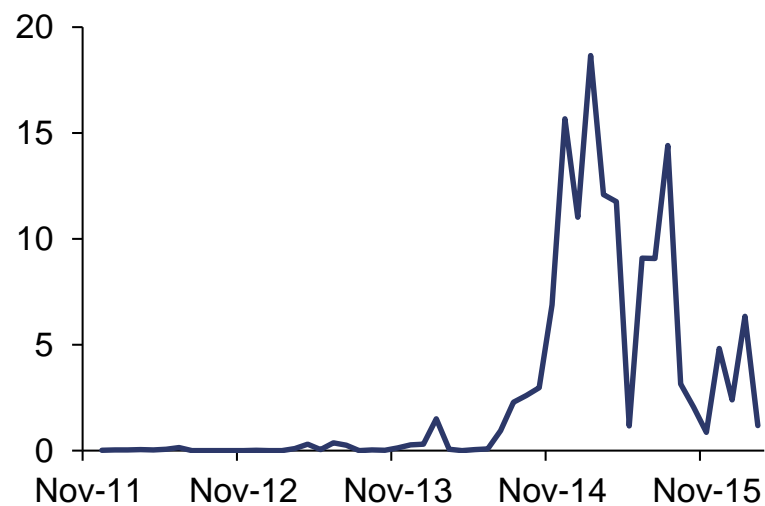
# Kazakhstan

## RUBKZT cross



Source: CBR, VTB Capital Research

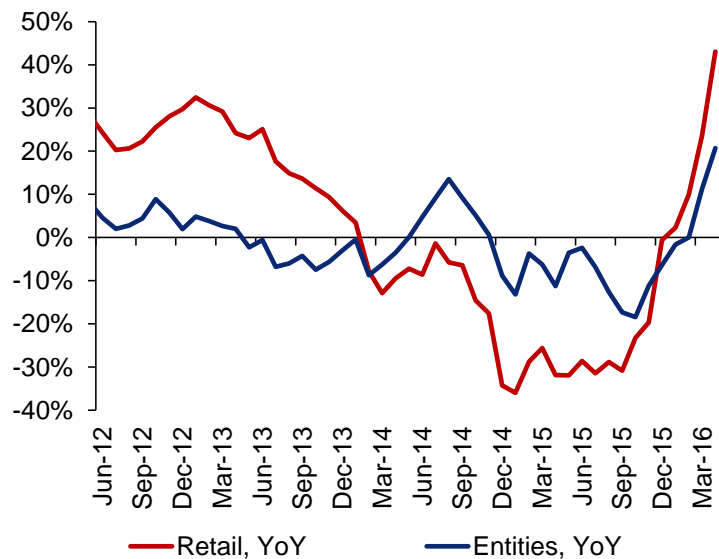
## Cash RUB notes import, RUB bn



Source: CBR, VTB Capital Research

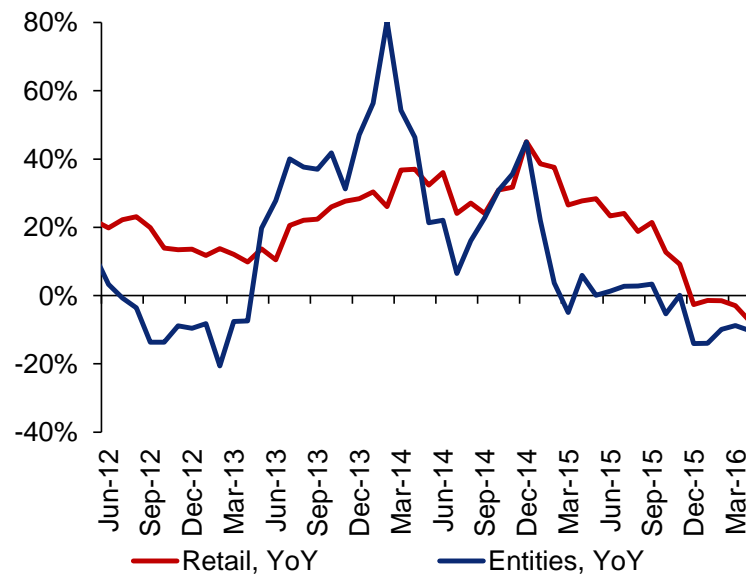
# Kazakhstan

## Tenge deposits



Source: NBK, VTB Capital Research

## Dollar deposits

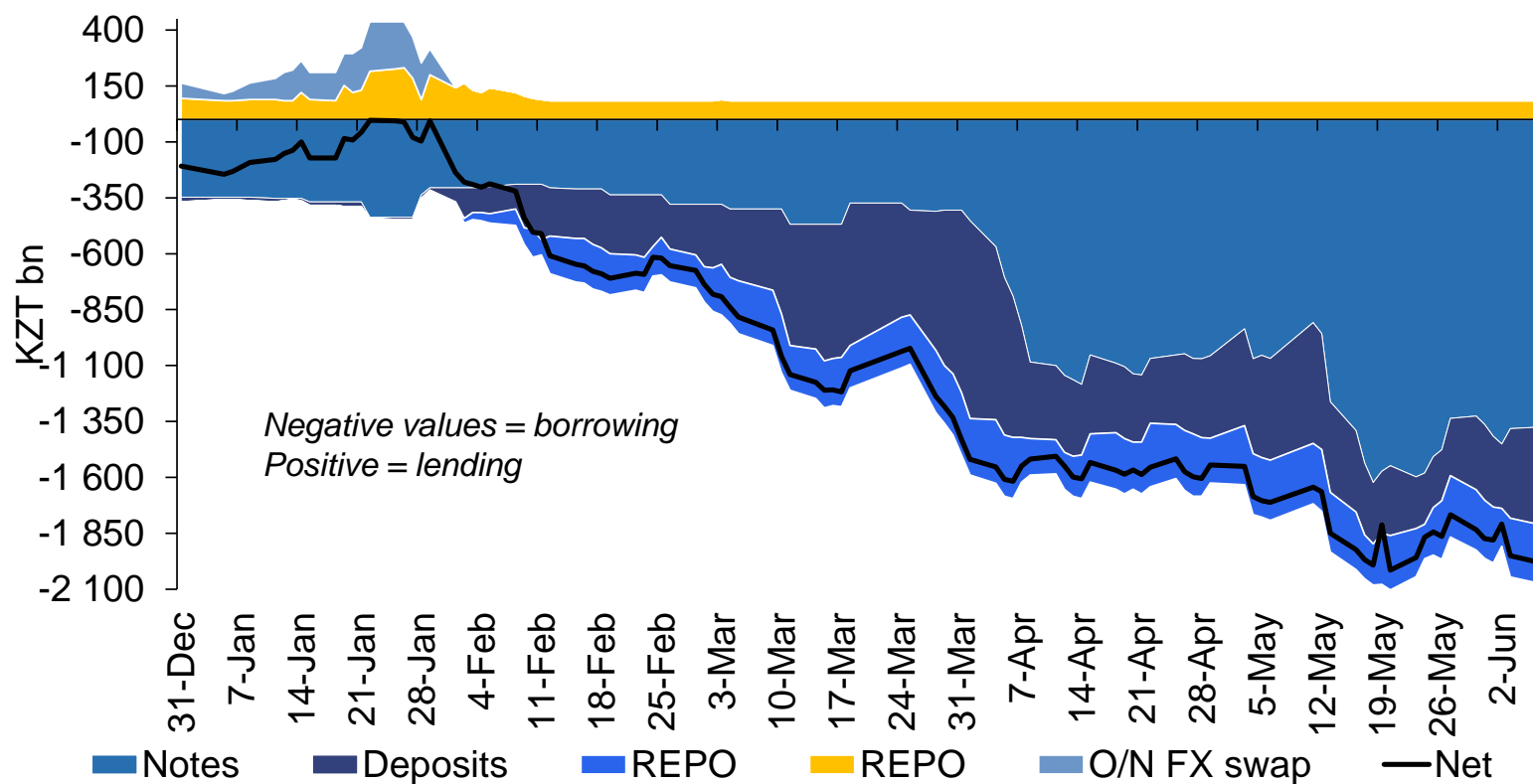


Source: NBK, VTB Capital Research



# Kazakhstan

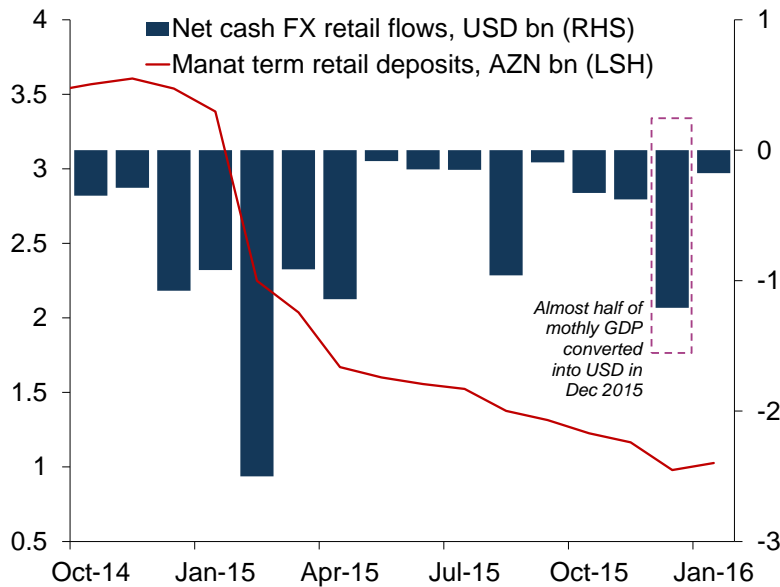
## Liquidity picture reversing very quickly



Source: NBK, VTB Capital Research

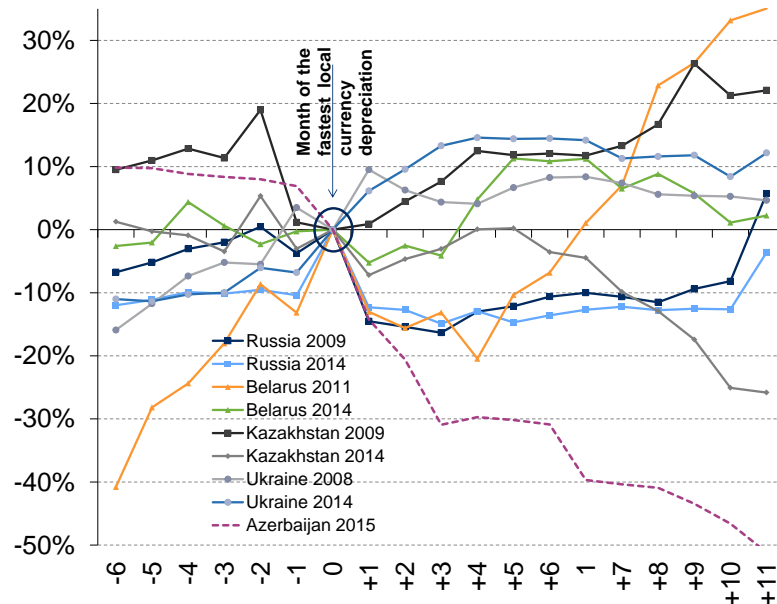
# Azerbaijan

## Retail FX & deposit behavior



Source: CBAR, VTB Capital Research

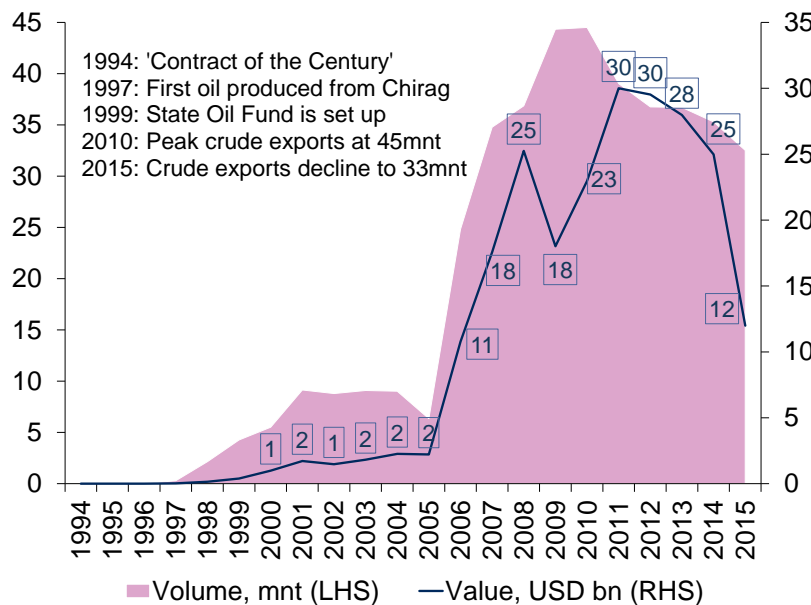
## Decline of cash in circulation



Source: CBAR, VTB Capital Research

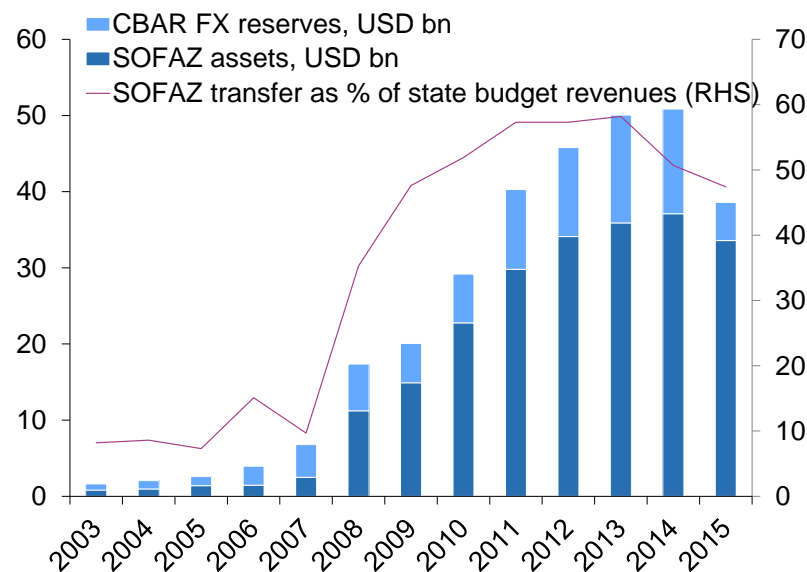
# Azerbaijan

## Volume and value of crude exports



Source: AzStat, VTB Capital Research

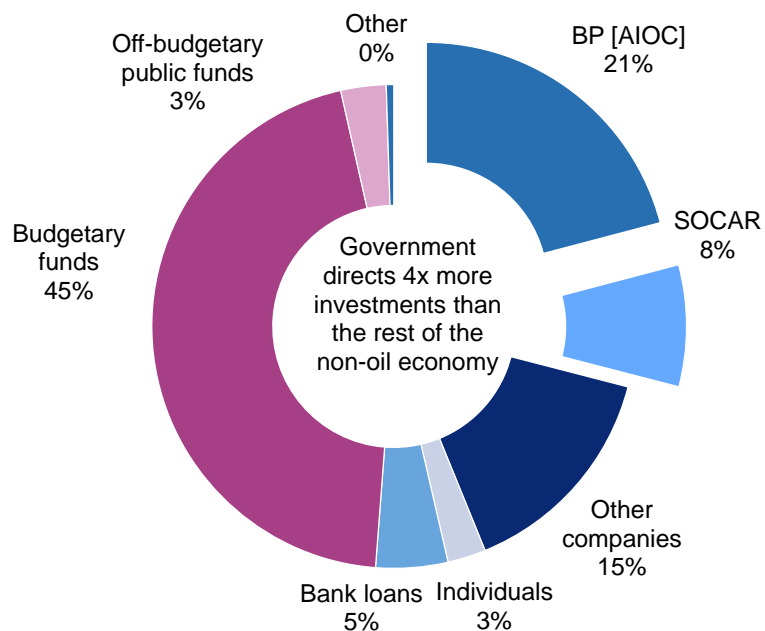
## Oil fund as a pro-cyclical booster



Source: SOFAZ, VTB Capital Research

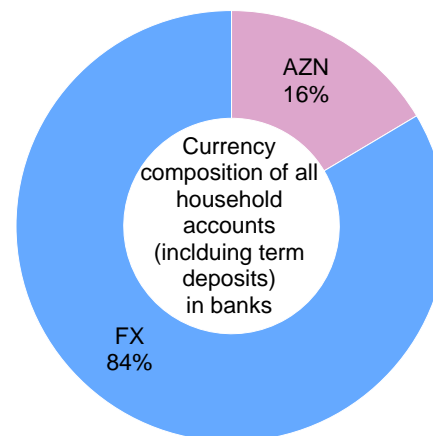
# Azerbaijan

## Who pays for capex?



Based on 2013 data. Source: AzStat, BP, VTB Capital Research

## Interest rate differential still distorted



- Liquidity provision rates by CBAR now are 7-15%
- Ministry of Finance places bonds in AZN at 9-20%
- Rate cap on personal deposits to be eligible for insurance: 12%
- Cap on USD deposits to be insurance-eligible: 3%
- IBAZAZ, largest bank in country, takes AZN deposits at 8.25% thanks to its excess liquidity after bailout and bad asset sale
- Limit on size of deposits to be insurance-eligible: none
- Insurance compensation paid in initial deposit currency

Source: CBAR, VTB Capital Research

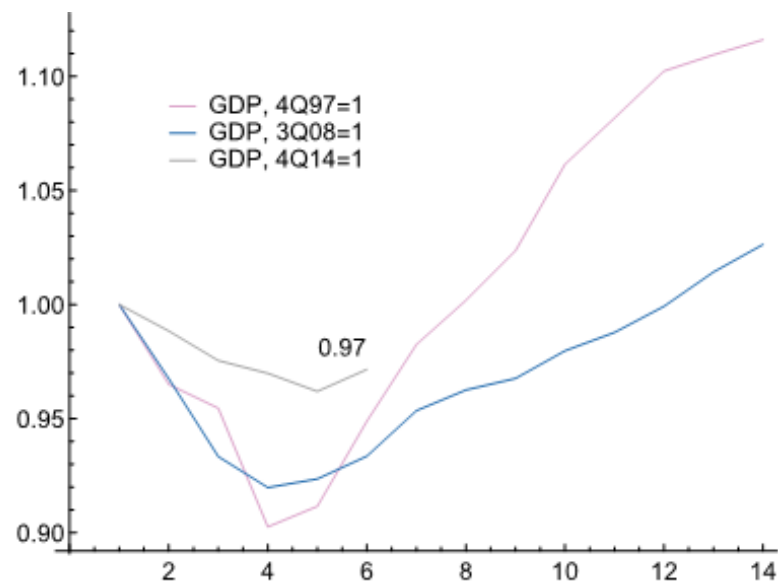
# Russia

## Real retail sales and real wages



Source: Rosstat, VTB Capital Research

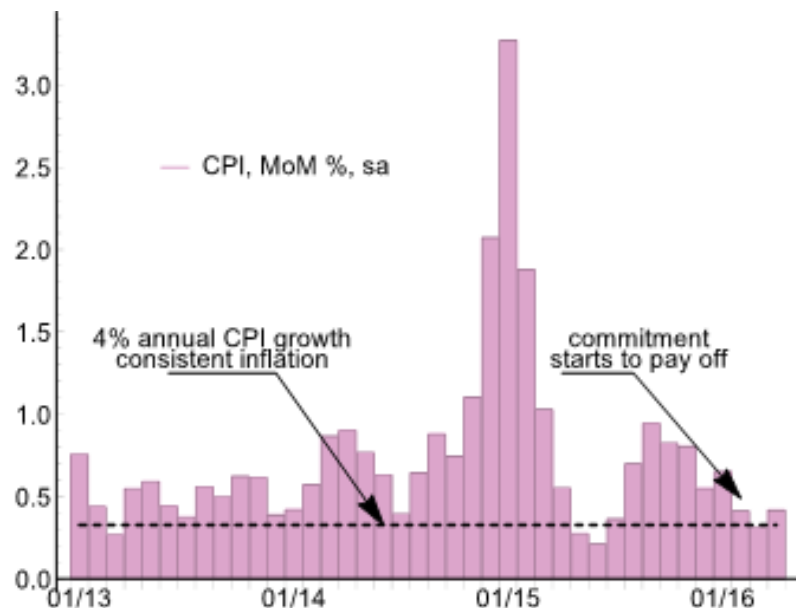
## Which shape? Recovery or stagnation?



Source: Rosstat, VTB Capital Research

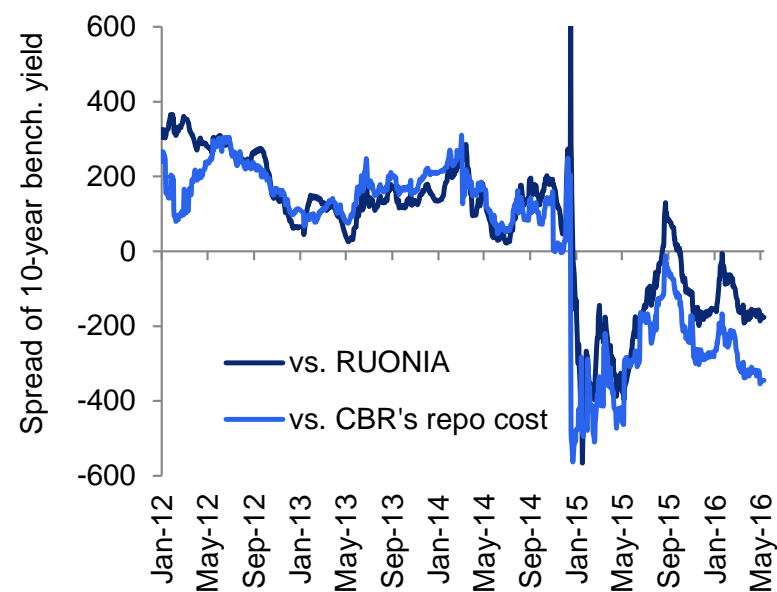
# Russia

## Running inflation at the CBR's target



Source: Rosstat, BP, VTB Capital Research

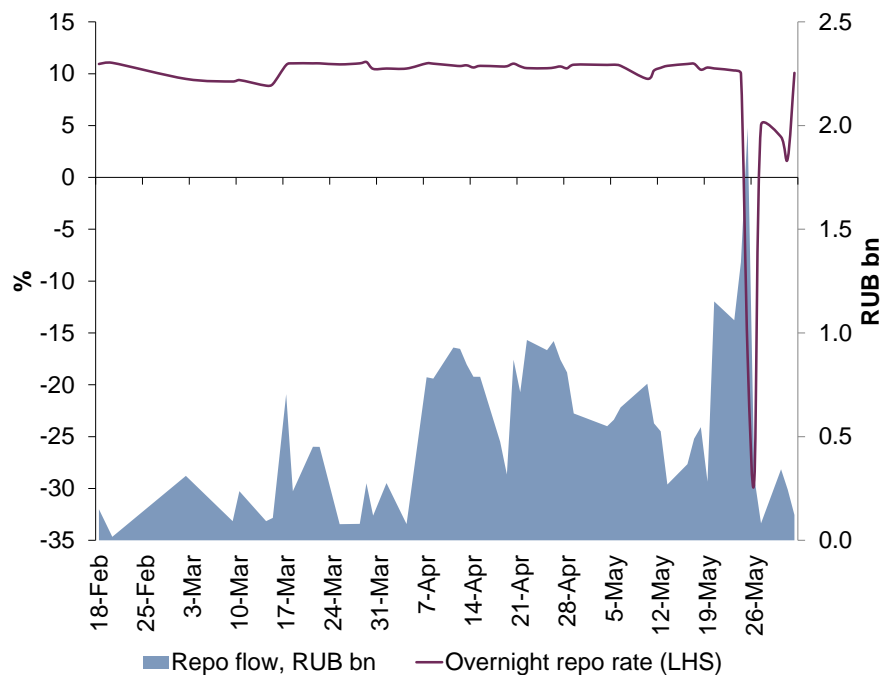
## Market has jumped ahead of itself



Source: MOEX, VTB Capital Research

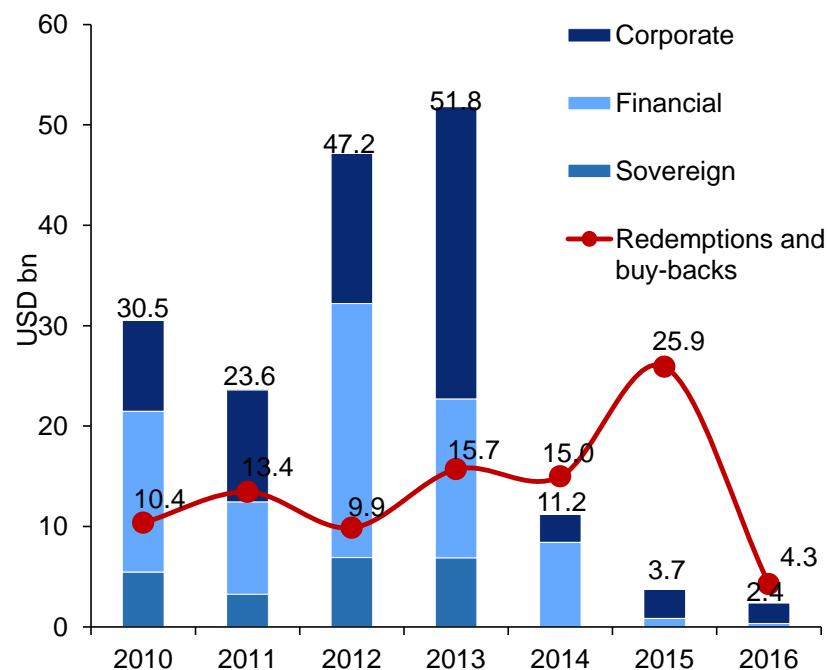
# Russia

## Domestic debt migrating to foreign hands



Source: VTB Capital Research

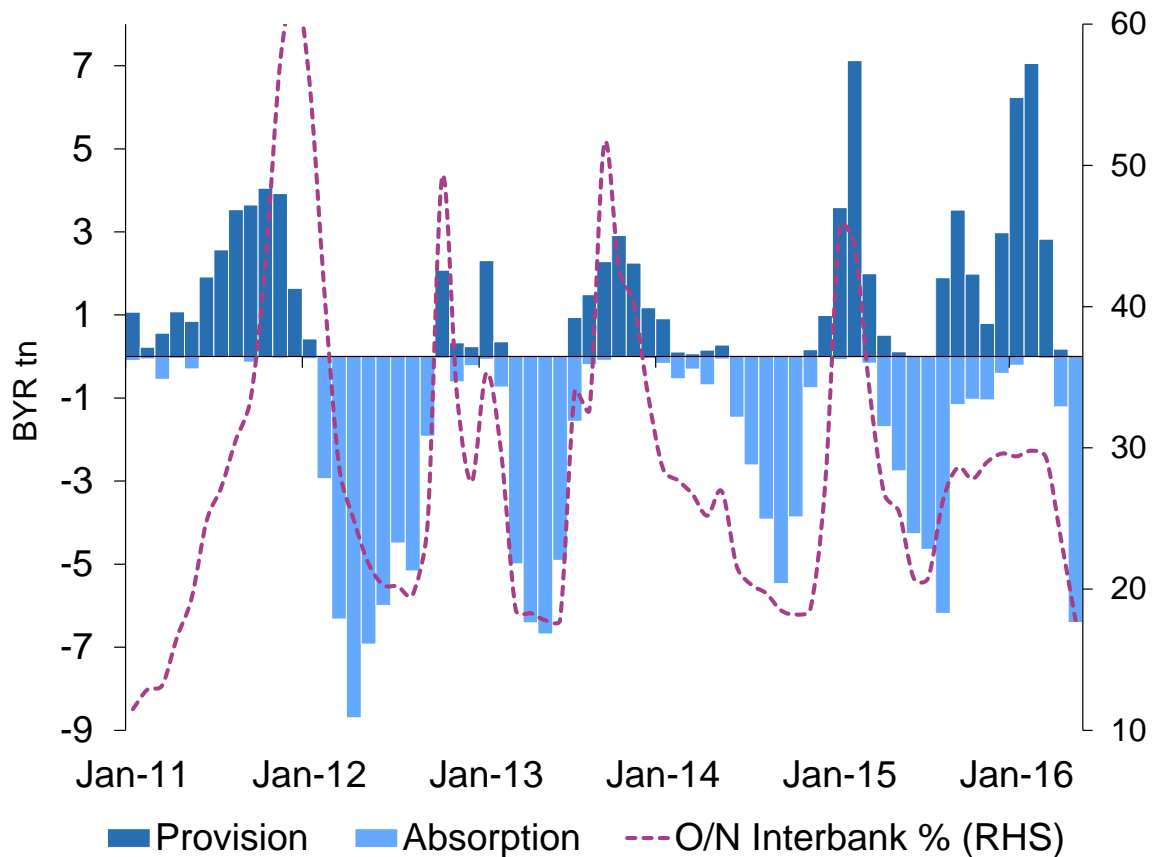
## External debt market shrinking



Source: VTB Capital Research

# Belarus

## Liquidity picture: a very short cycle

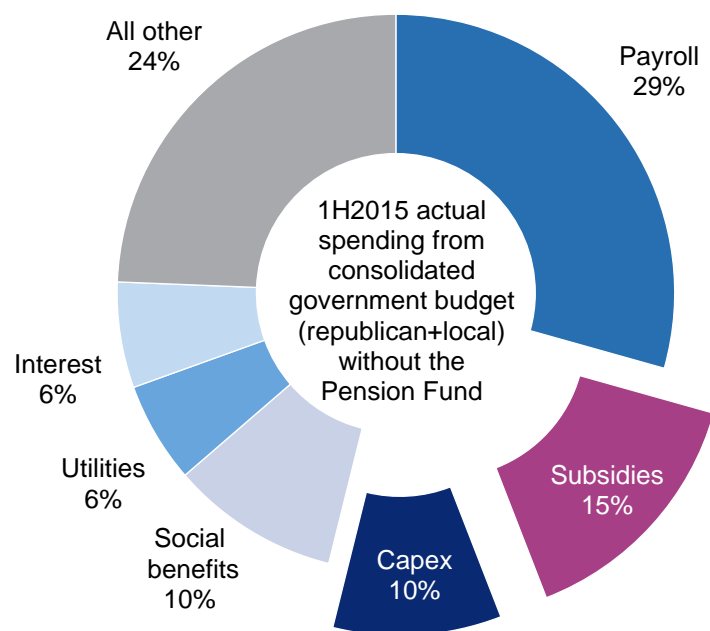


Source: NBRB, VTB Capital Research



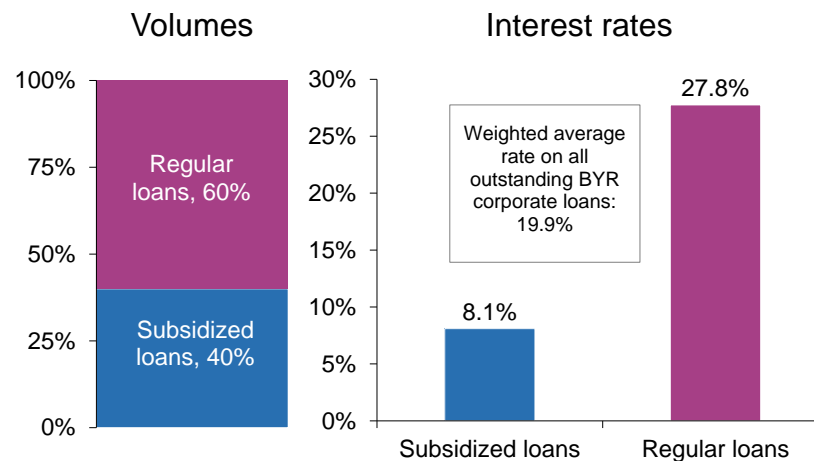
# Belarus

## Redistribution through the budget



1H15 spending, republican and local budgets consolidated, without the Pension Fund. Source: MinFin, VTB Capital Research

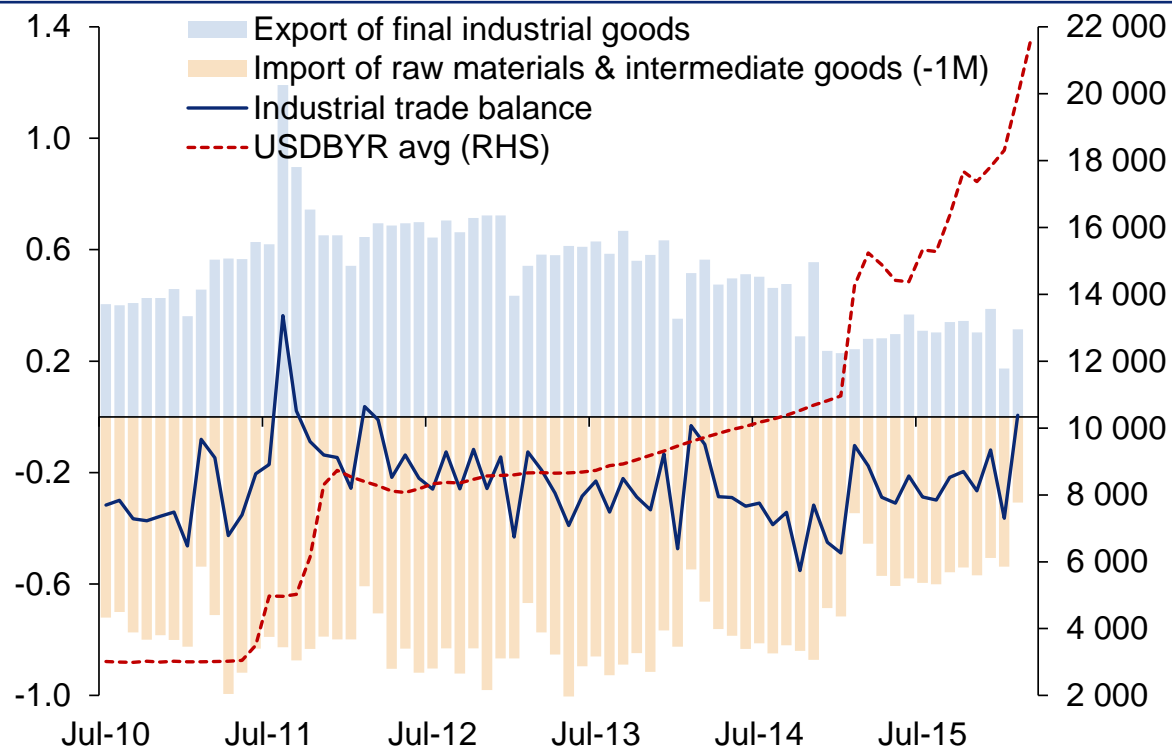
## Dual world of corporate lending



Dec 2015 data. Source: NBRB, VTB Capital Research

# Belarus

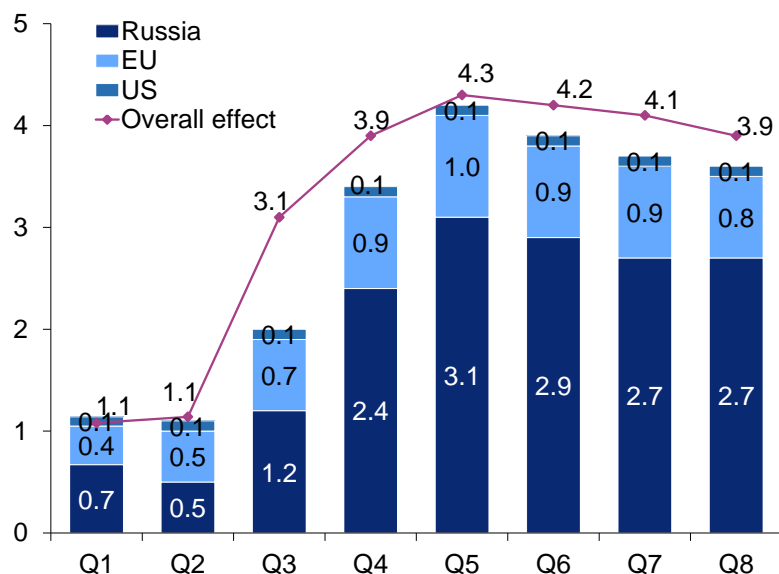
## 'Currency generators' do not generate enough



*Goods trade balance in industrial sectors/commodities excluding the oil refining trade*

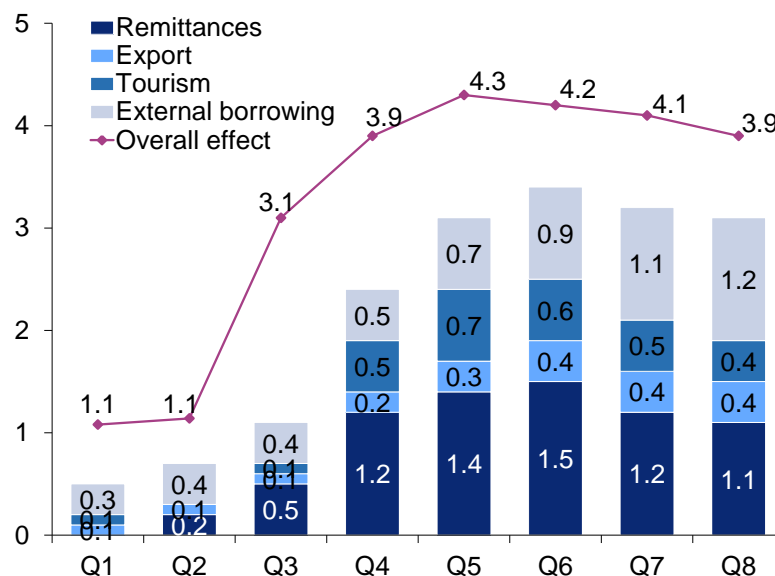
# Armenia

## Impulse response: by trading partners



Source: IMF

## Impulse response: by transmission channel

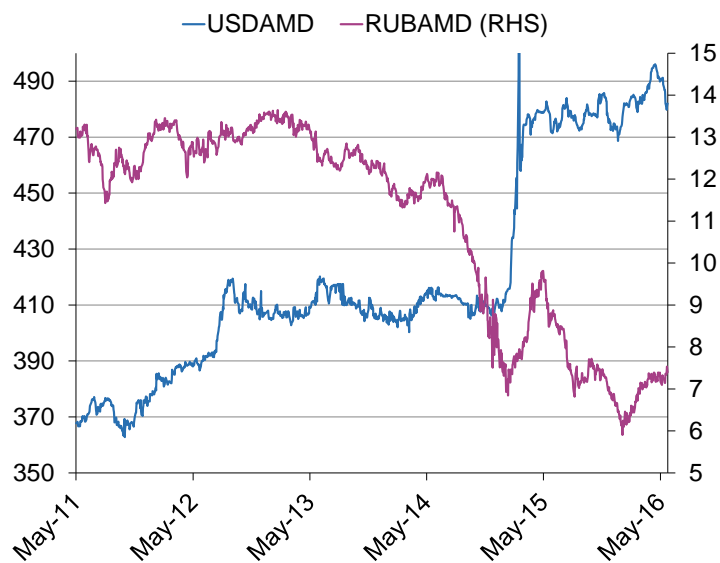


Source: IMF

Cumulative impact from one standard deviation shock (0.4pp) to global demand on Armenia GDP growth estimated via structural vector autoregression (SVAR) model // Ayvazyan, Knarik and Teresa Daban (2015) Spillovers from Global and Regional Shocks to Armenia. IMF Working Paper WP/15/241

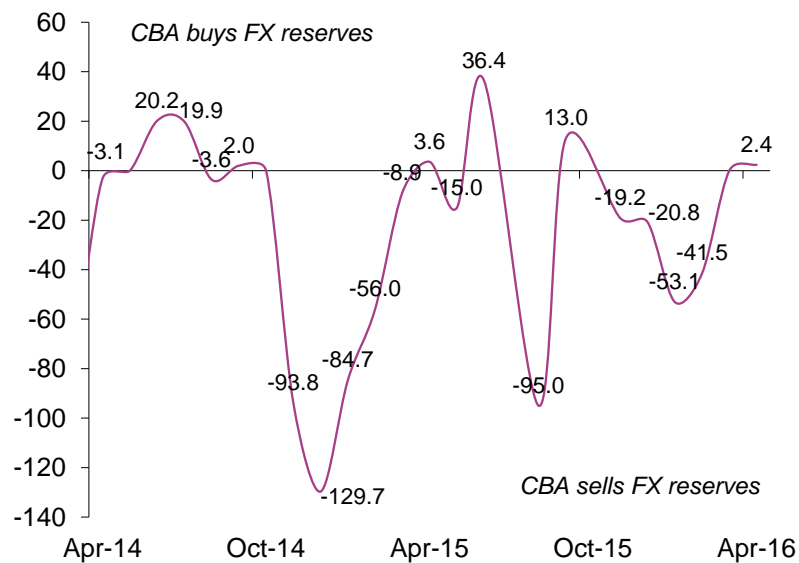
# Armenia

## AMD exchange rate



Source: CBA, VTB Capital Research

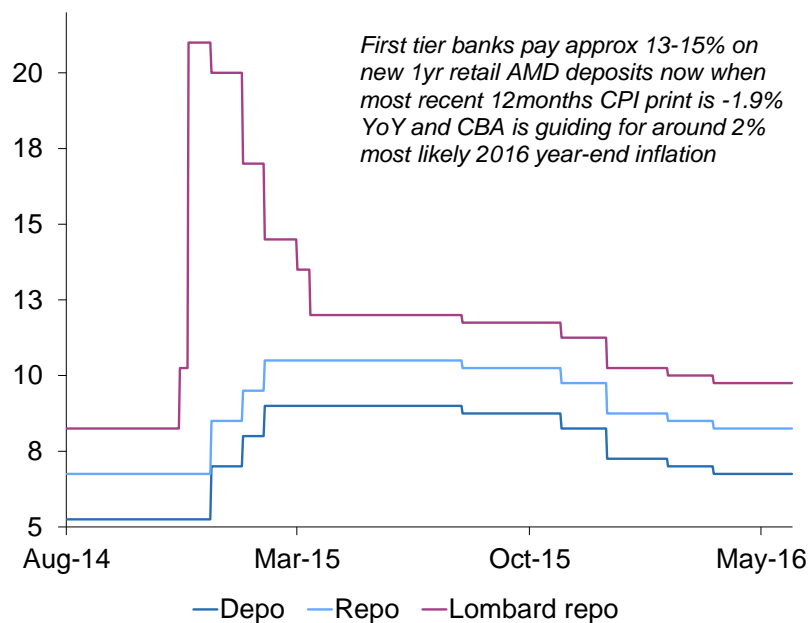
## CBA interventions



Source: Armstat, VTB Capital Research

# Armenia

## CBA policy rates



Source: CBA, VTB Capital Research

## Government bond placements

	CBA repo rate	1yr	3yr	10yr
Oct-15	11.75%	12.2%	14.2%	15.9%
Nov-15	11.25%	12.3%	14.3%	16.3%
Dec-15	11.25%	13.2%	-	-
Jan-16	10.25%	11.9%	14.3%	-
Feb-16	10.00%	11.8%	14.4%	16.3%
Mar-16	9.75%	11.4%	14.8%	-
Apr-16	9.75%	11.2%	13.9%	16.10%
May-16	9.75%	10.5%	13.4%	16.30%

Source: MinFin, VTB Capital Research



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Hold	55	38%
Sell	42	29%
Restricted	0	0%
Not Rated	0	0%
Under Review	13	9%
	<b>143</b>	

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Hold	5	26%
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Source: VTB Capital Research as at 31 May 2016

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