



Last Twelve Month of Policy Making in Pictures

June 2016

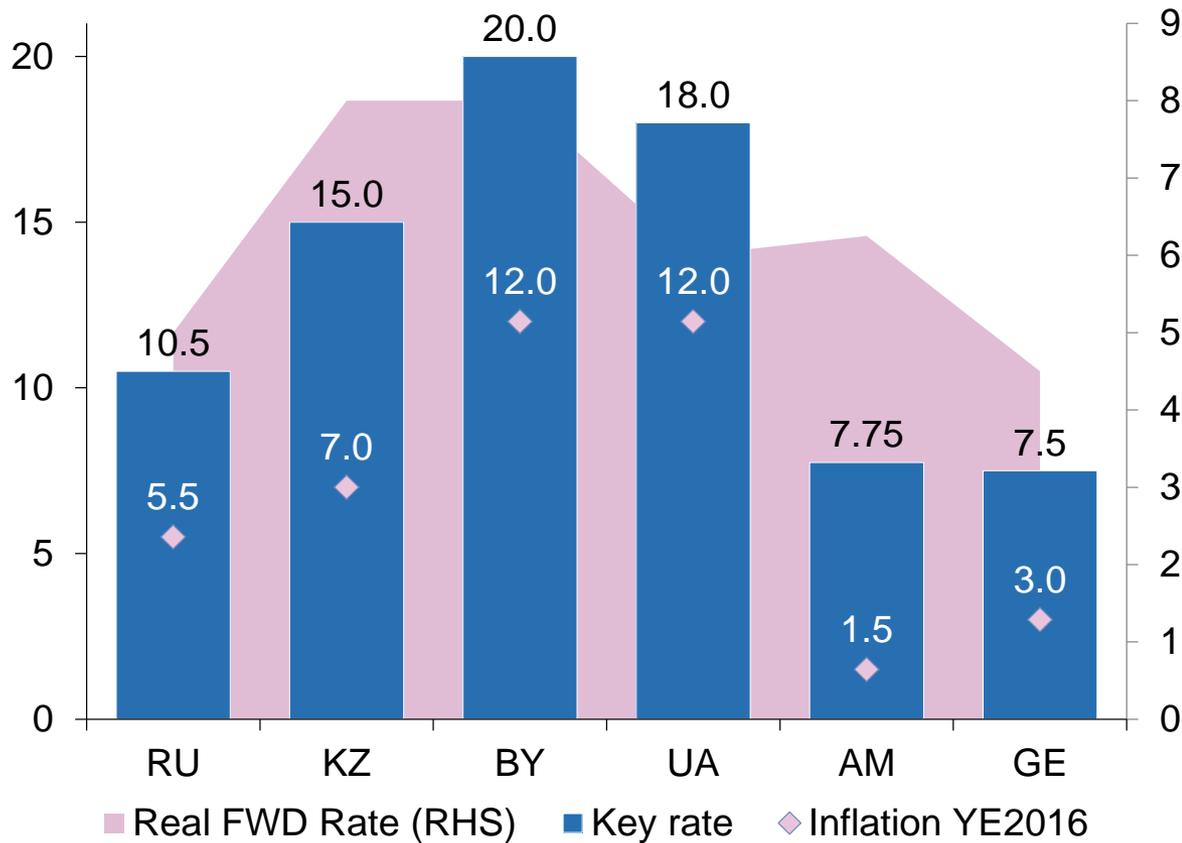
*Petr Grishin, CFA
Head of Macro and Fixed Income Research*





What's in common

Real forward looking rates remain elevated

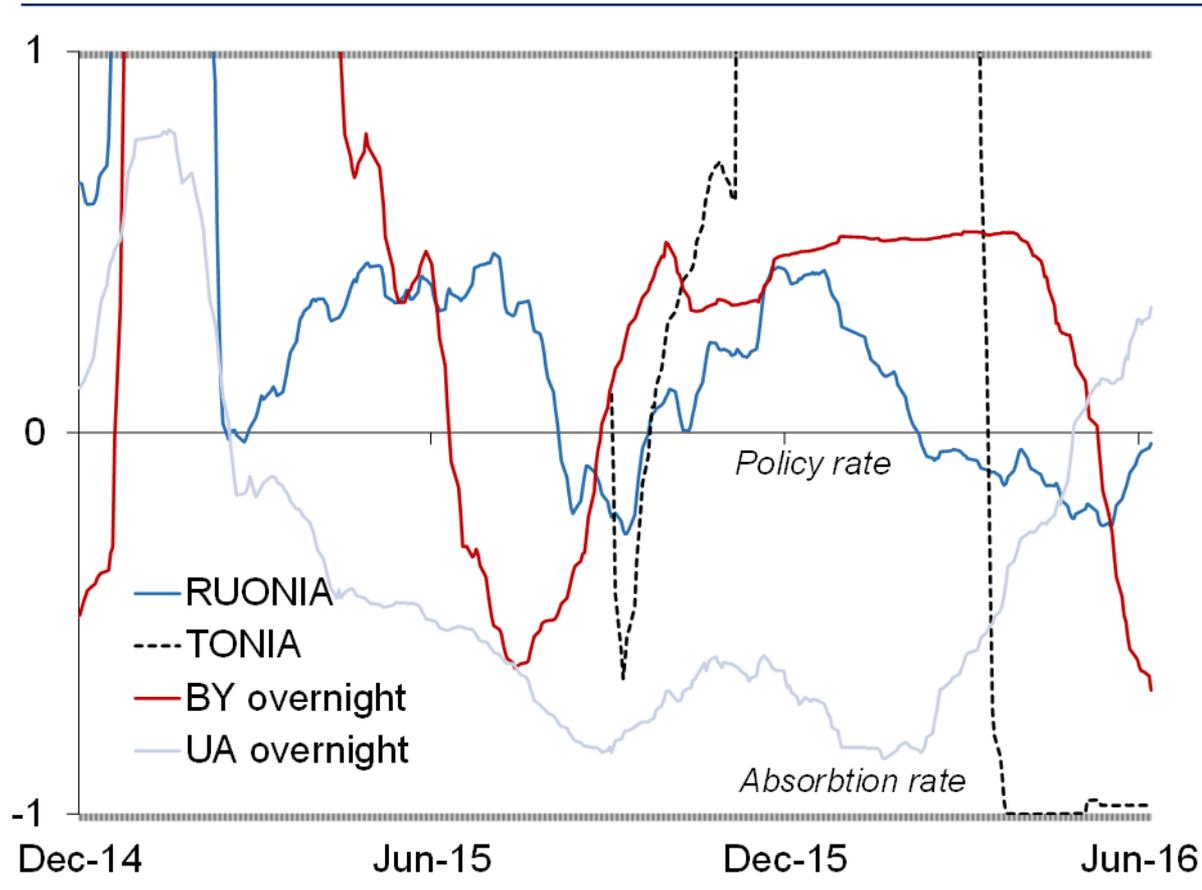


Source: national central banks, VTB Capital Research



What's in common

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

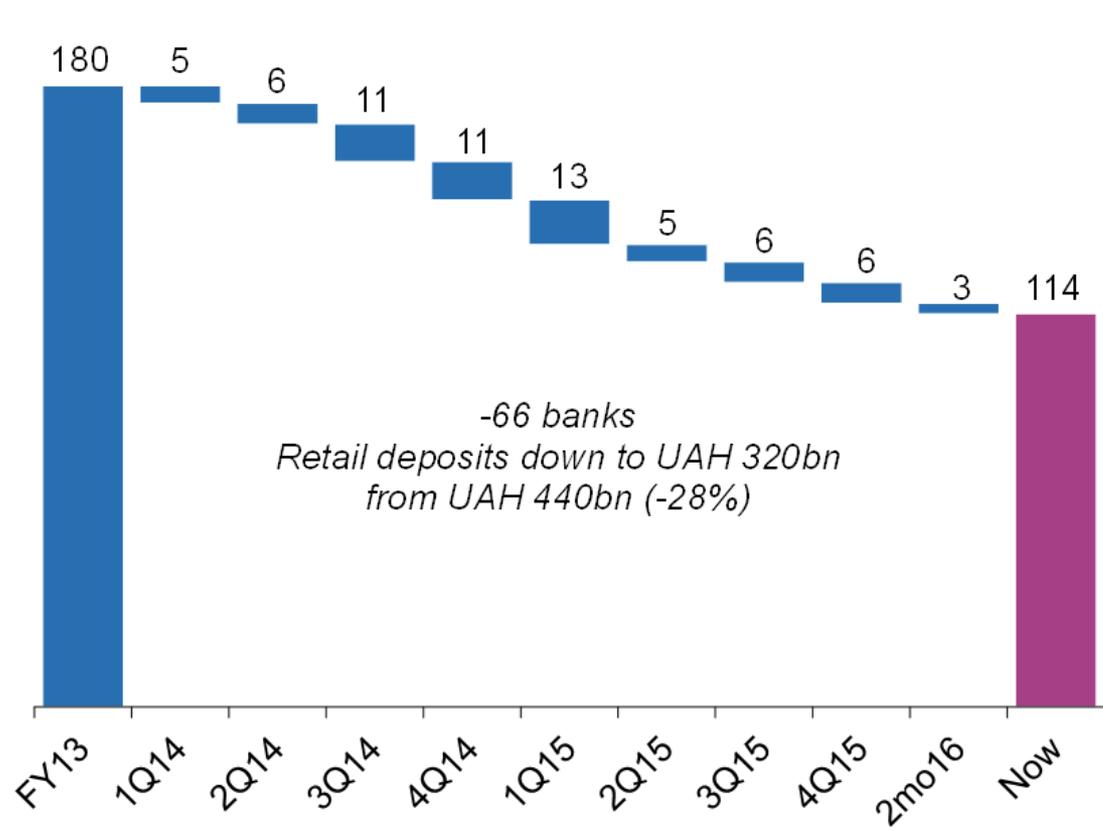


Source: national central banks, VTB Capital Research



Ukraine

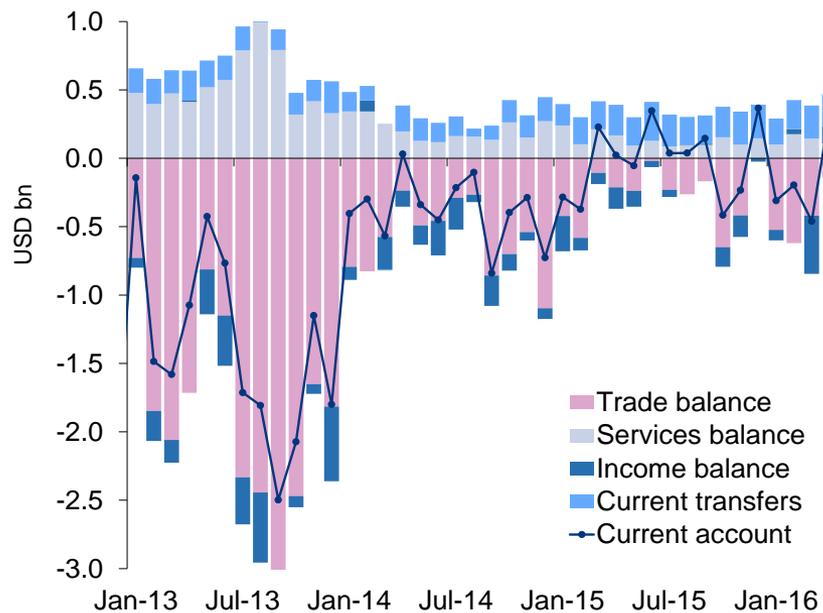
Start of banking system cleanup key achievement



Source: national central banks, VTB Capital Research

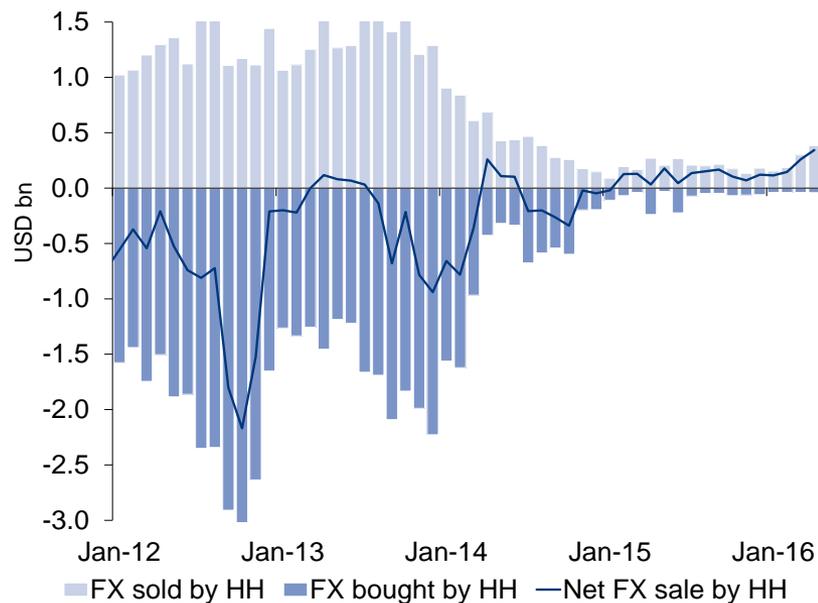
Ukraine

Current account



Source: NBU, VTB Capital Research

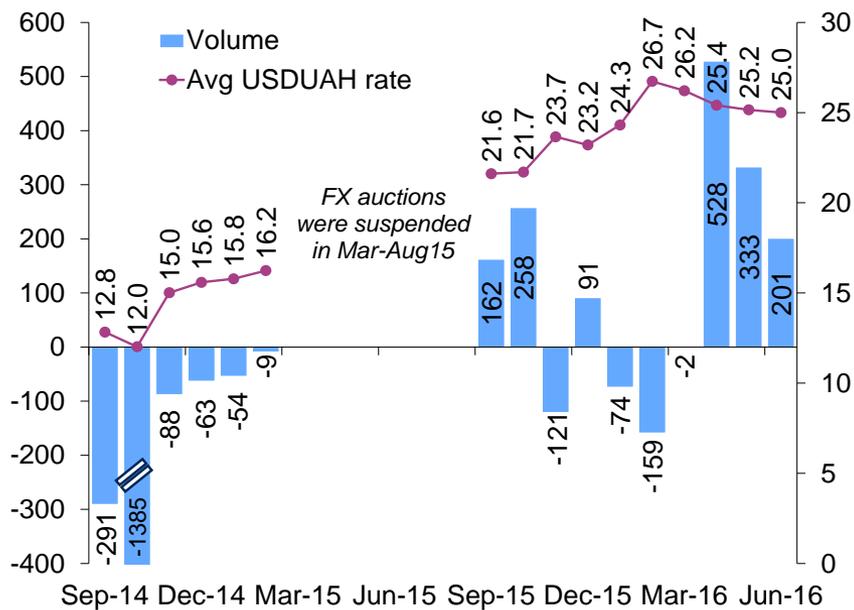
Retail FX behavior



Source: NBU, VTB Capital Research

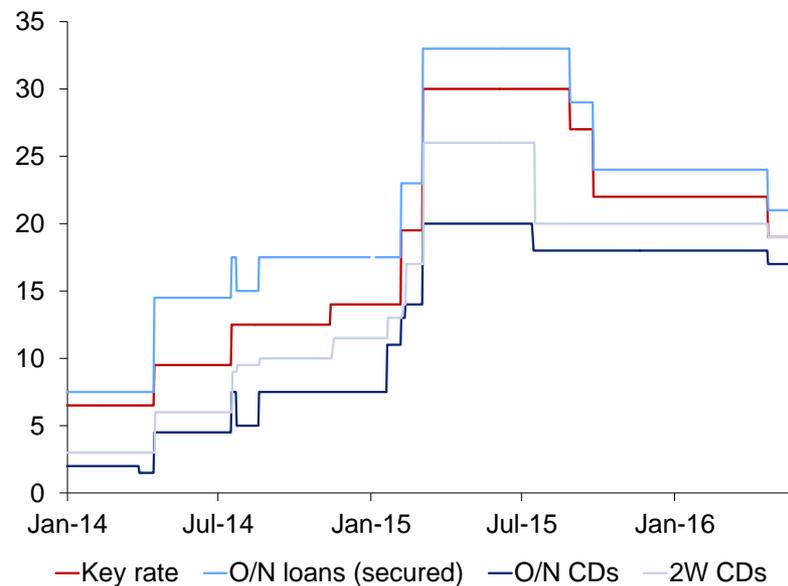
Ukraine

NBU FX interventions



Source: NBU, VTB Capital Research

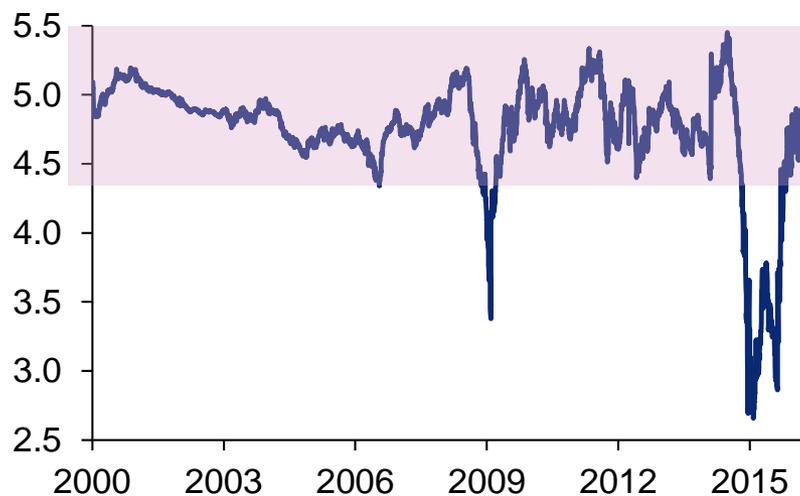
NBU rates



Source: NBU, VTB Capital Research

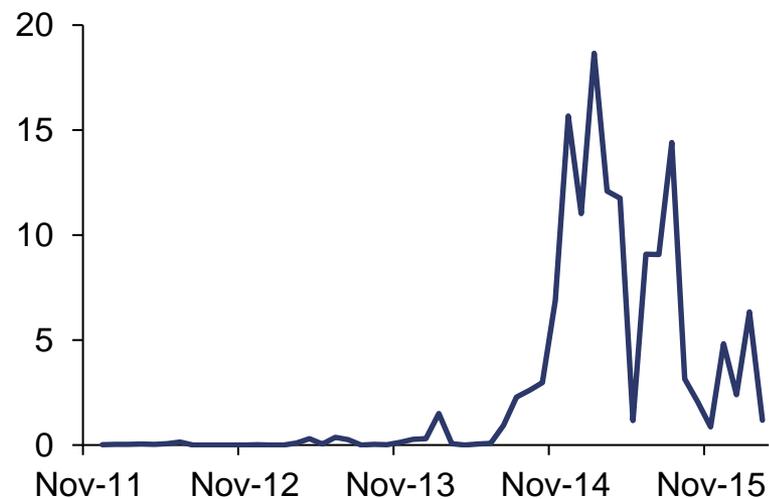
Kazakhstan

RUBKZT cross



Source: CBR, VTB Capital Research

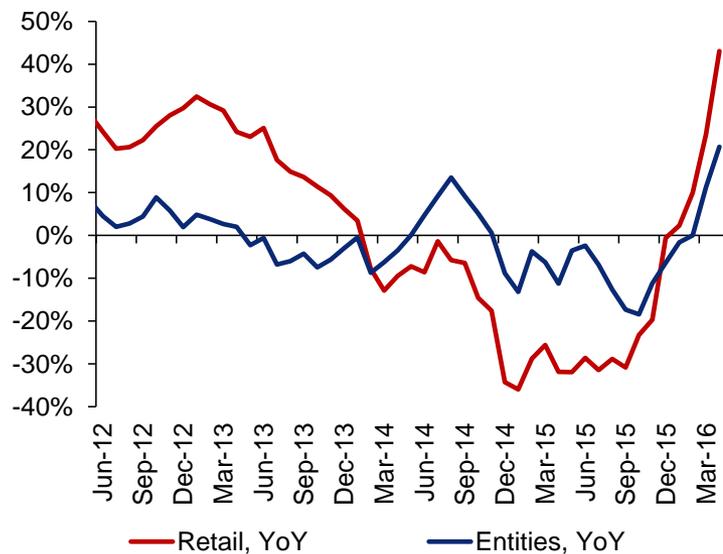
Cash RUB notes import, RUB bn



Source: CBR, VTB Capital Research

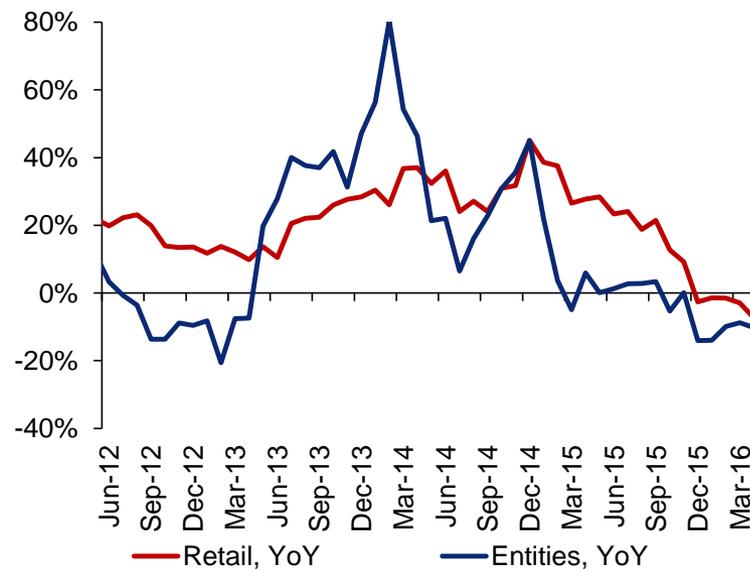
Kazakhstan

Tenge deposits



Source: NBK, VTB Capital Research

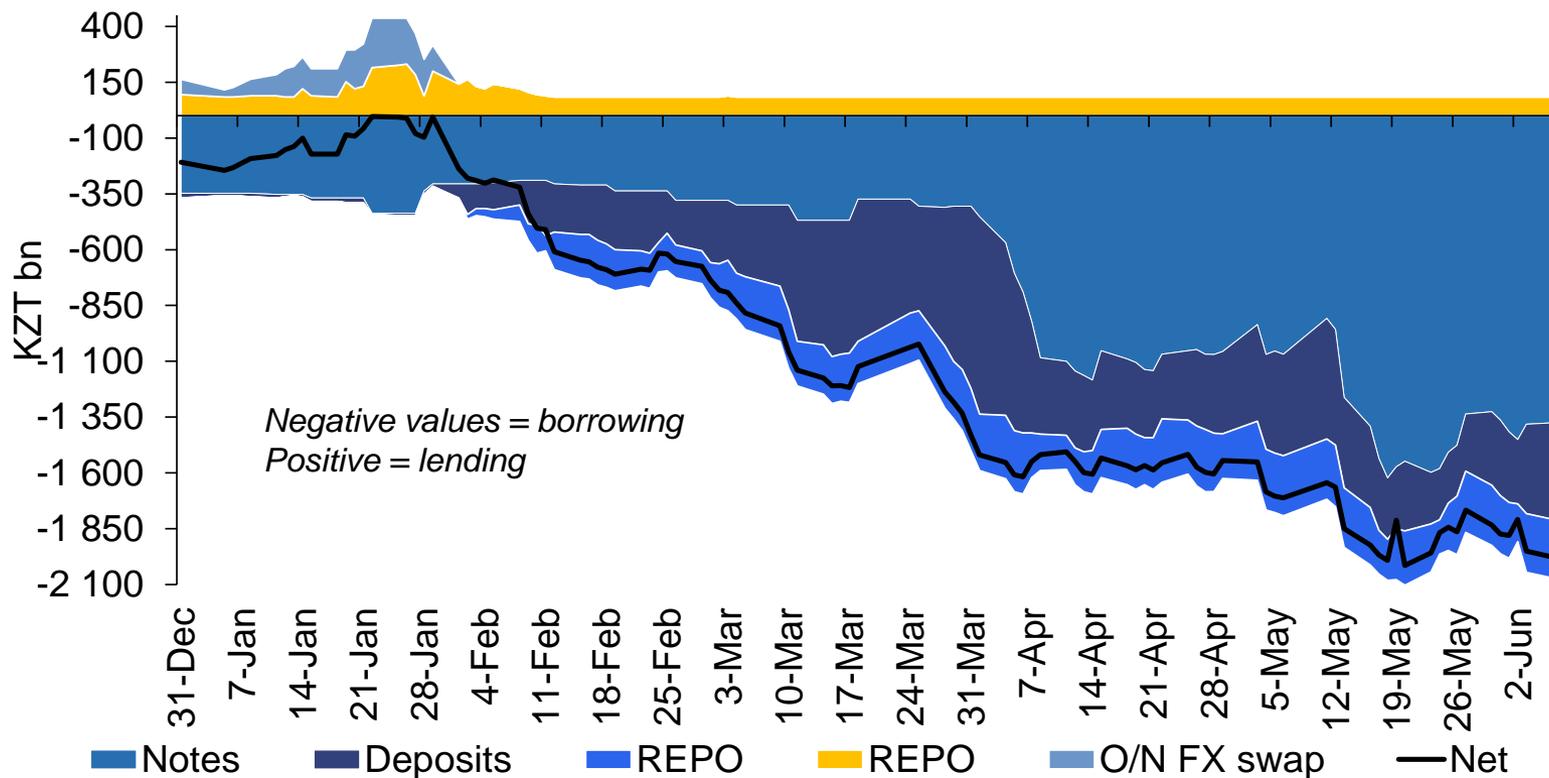
Dollar deposits



Source: NBK, VTB Capital Research

Kazakhstan

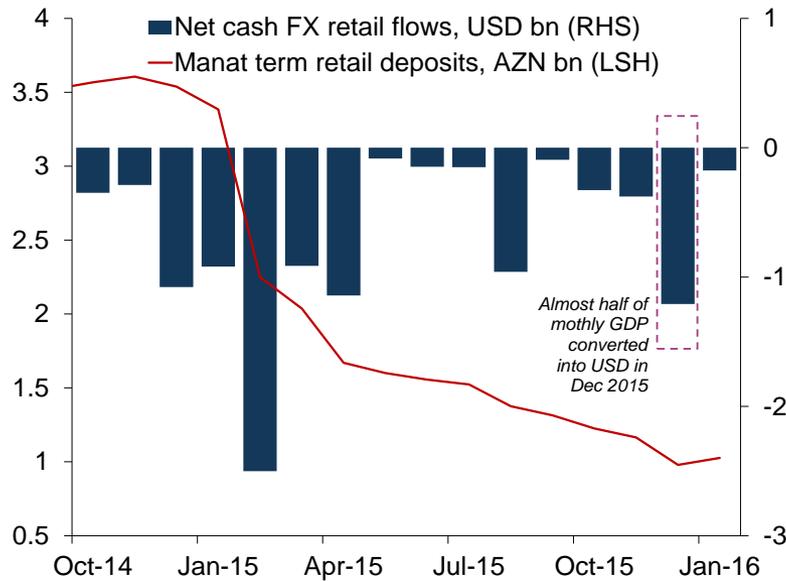
Liquidity picture reversing very quickly



Source: NBK, VTB Capital Research

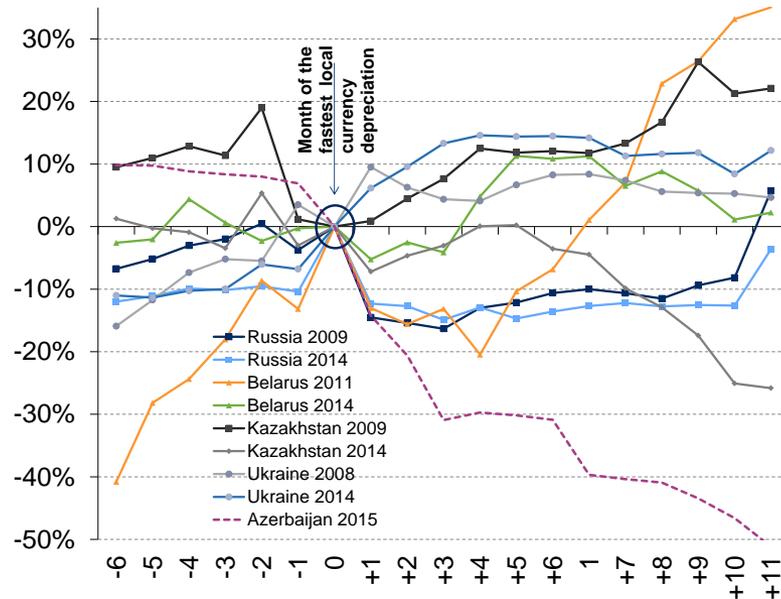
Azerbaijan

Retail FX & deposit behavior



Source: CBAR, VTB Capital Research

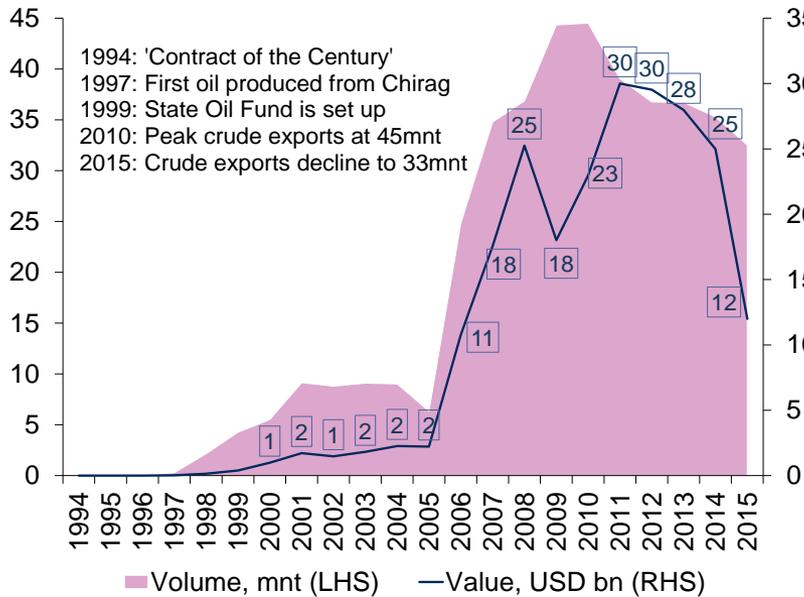
Decline of cash in circulation



Source: CBAR, VTB Capital Research

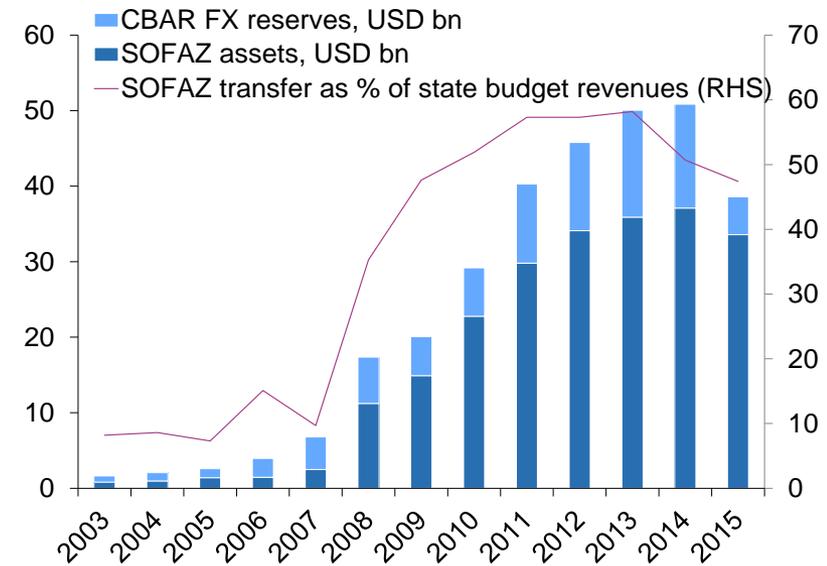
Azerbaijan

Volume and value of crude exports



Source: AzStat, VTB Capital Research

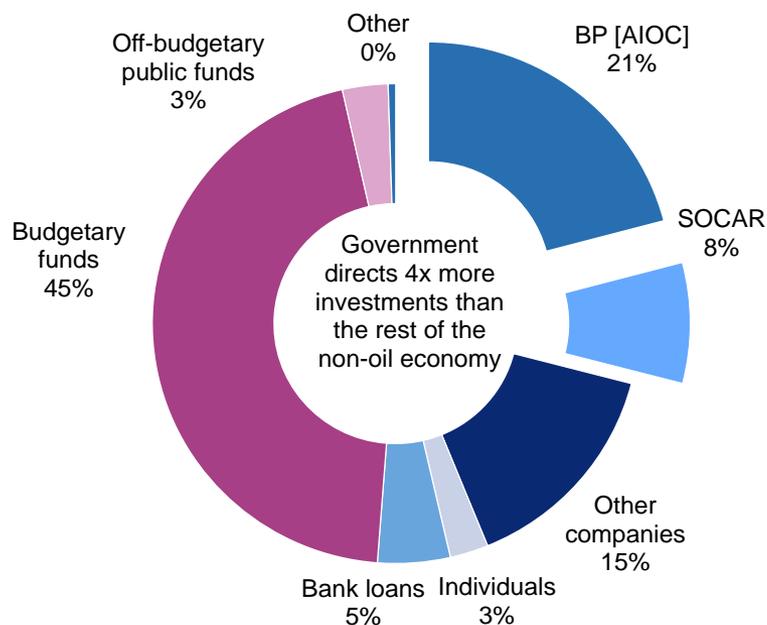
Oil fund as a pro-cyclical booster



Source: SOFAZ, VTB Capital Research

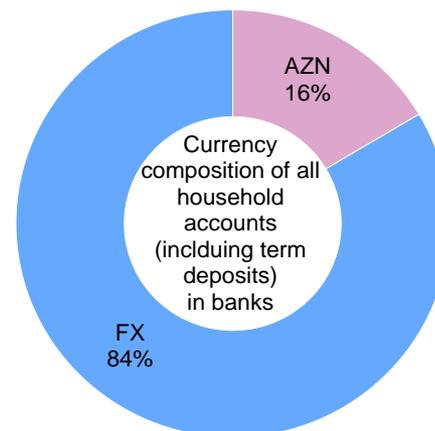
Azerbaijan

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



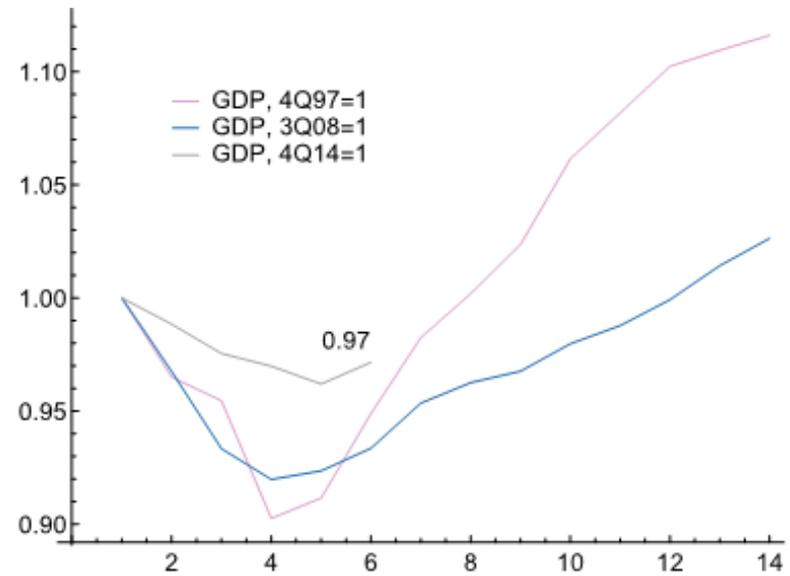
Russia

Real retail sales and real wages



Source: Rosstat, VTB Capital Research

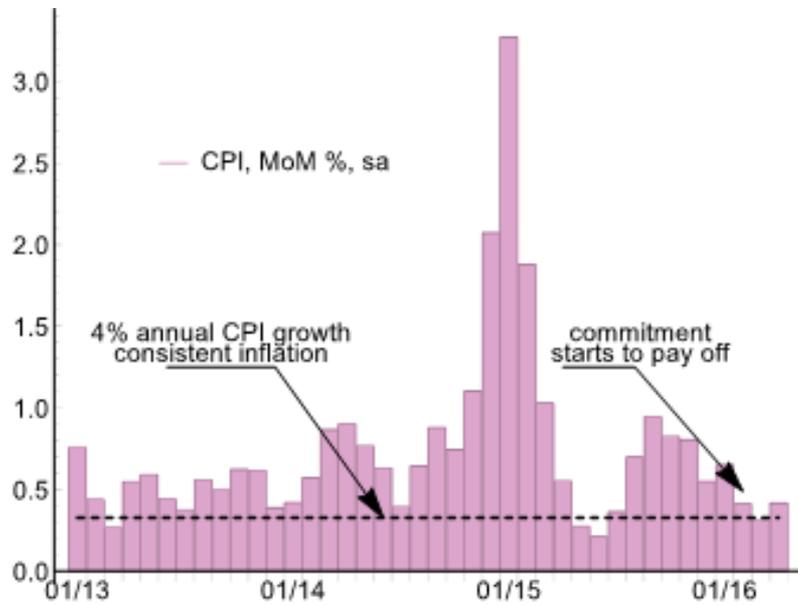
Which shape? Recovery or stagnation?



Source: Rosstat, VTB Capital Research

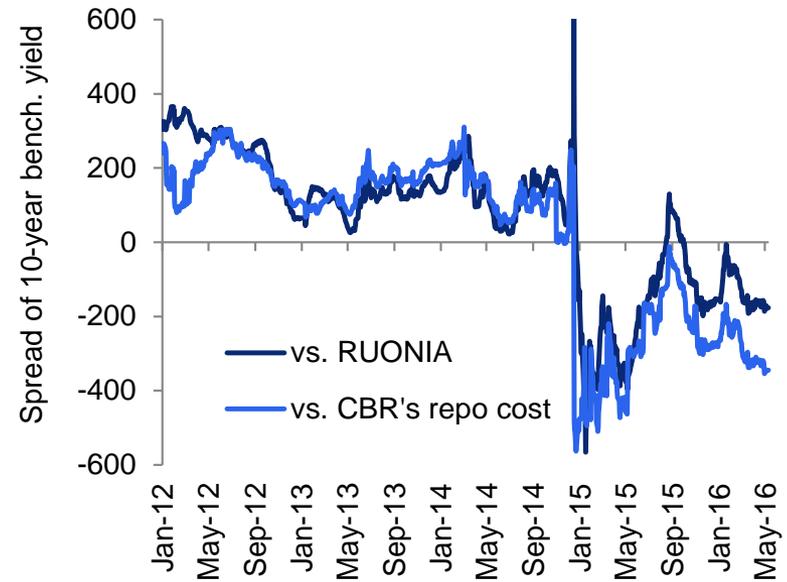
Russia

Running inflation at the CBR's target



Source: Rosstat, BP, VTB Capital Research

Market has jumped ahead of itself

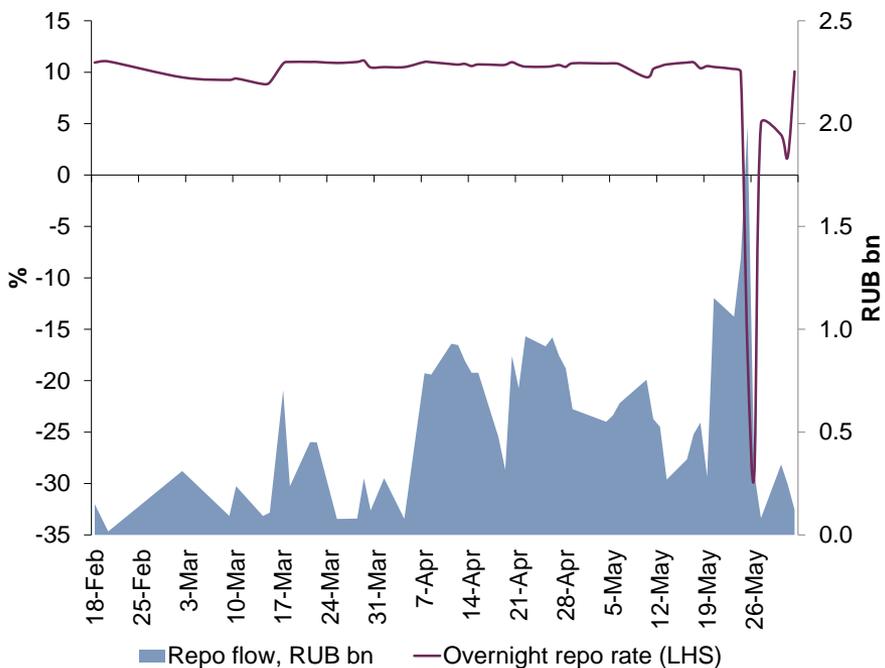


Source: MOEX, VTB Capital Research

Russia

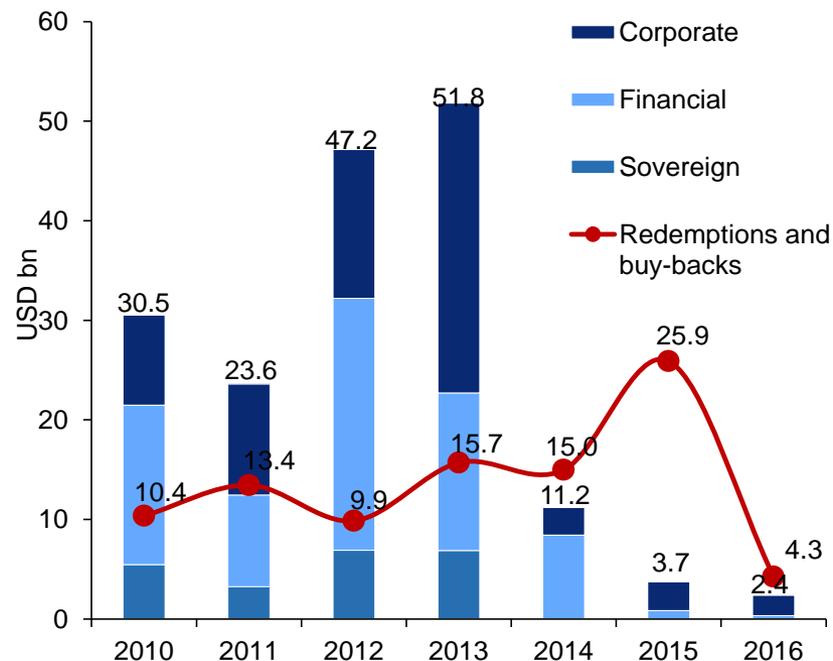


Domestic debt migrating to foreign hands



Source: VTB Capital Research

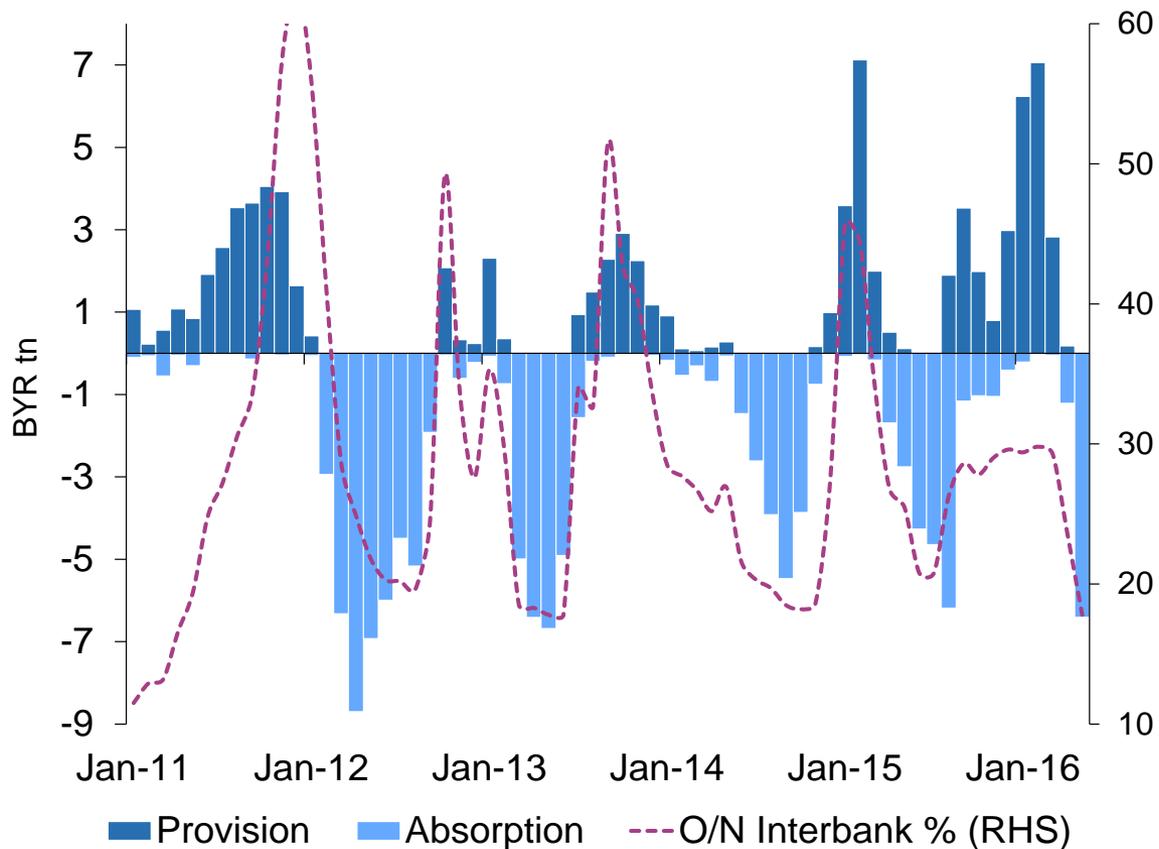
External debt market shrinking



Source: VTB Capital Research

Belarus

Liquidity picture: a very short cycle

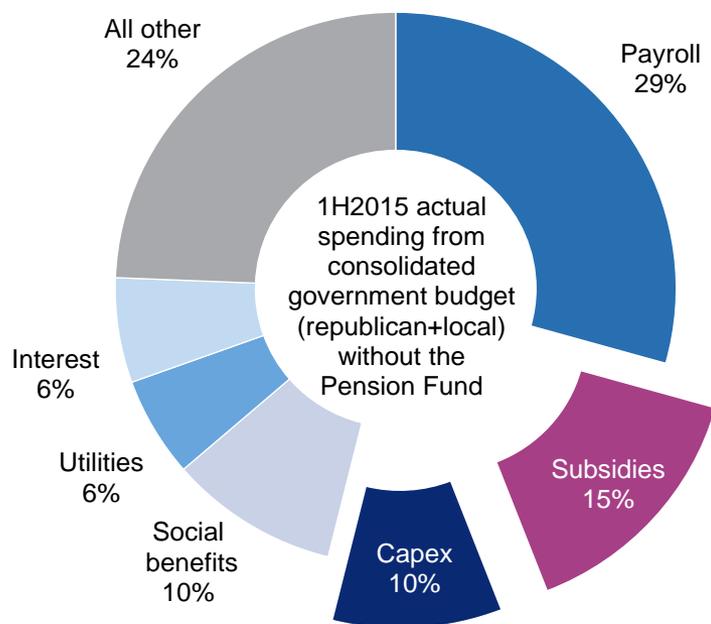


Source: NBRB, VTB Capital Research

Belarus

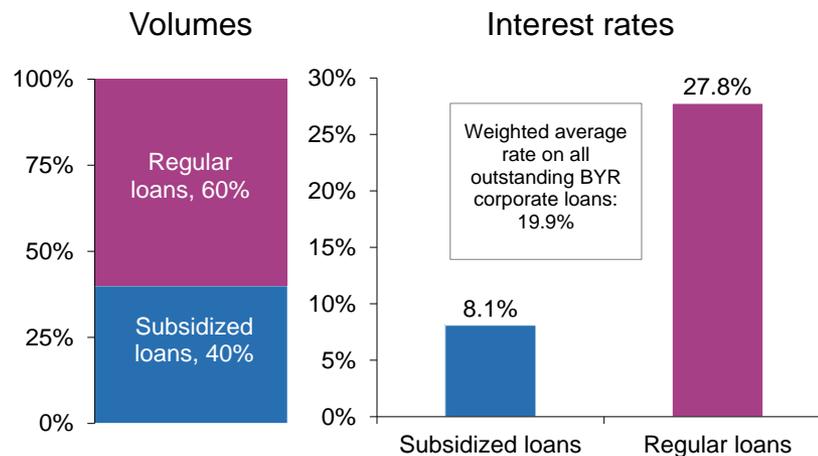


Redistribution through the budget



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

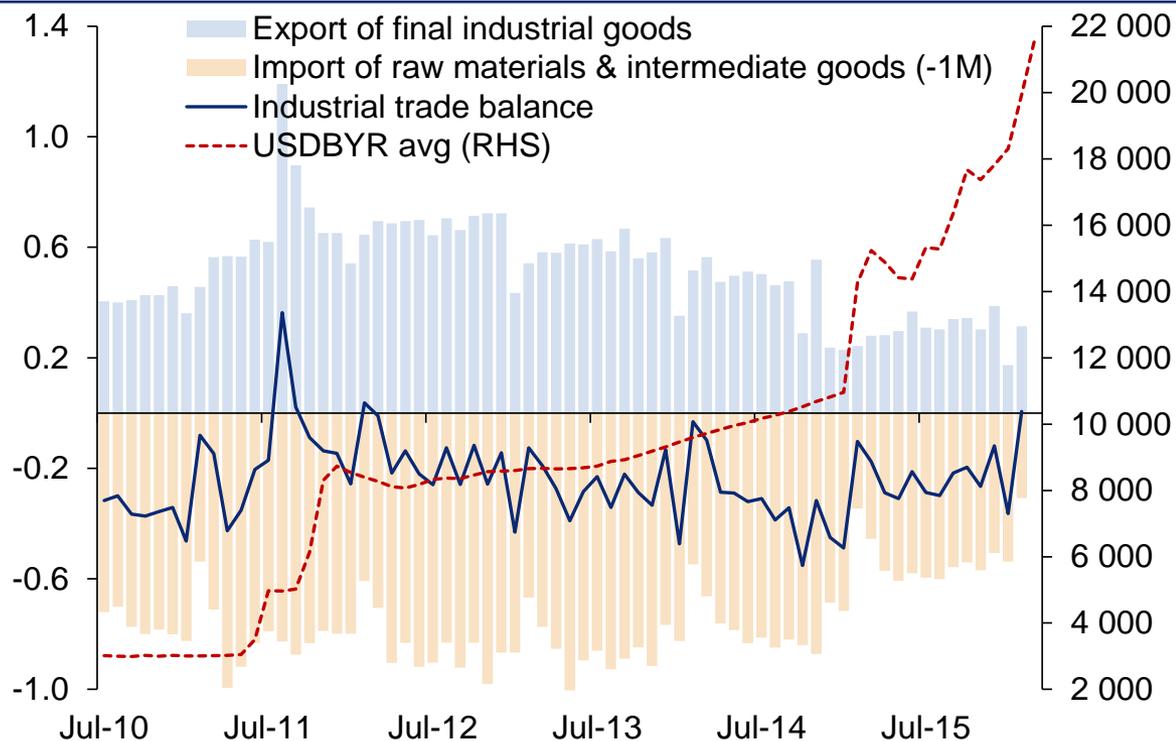
Dual world of corporate lending



Dec 2015 data. Source: NBRB, VTB Capital Research

Belarus

'Currency generators' do not generate enough

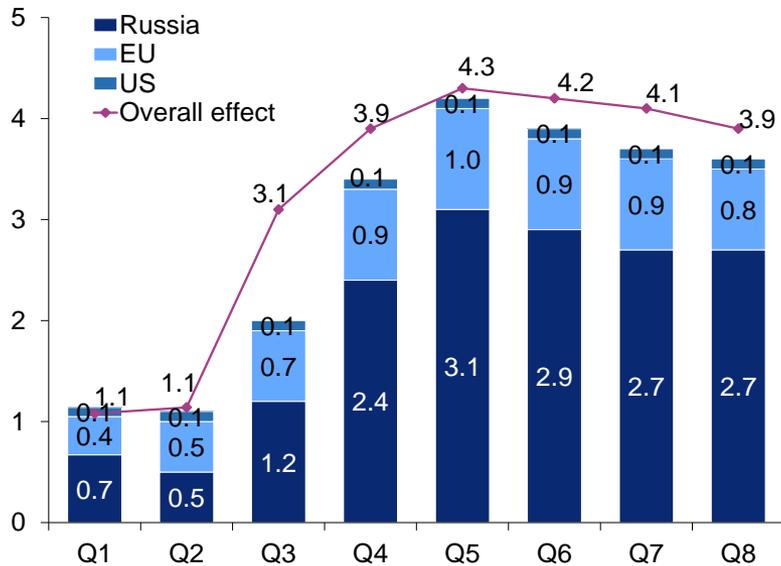


Goods trade balance in industrial sectors/commodities excluding the oil refining trade

Armenia

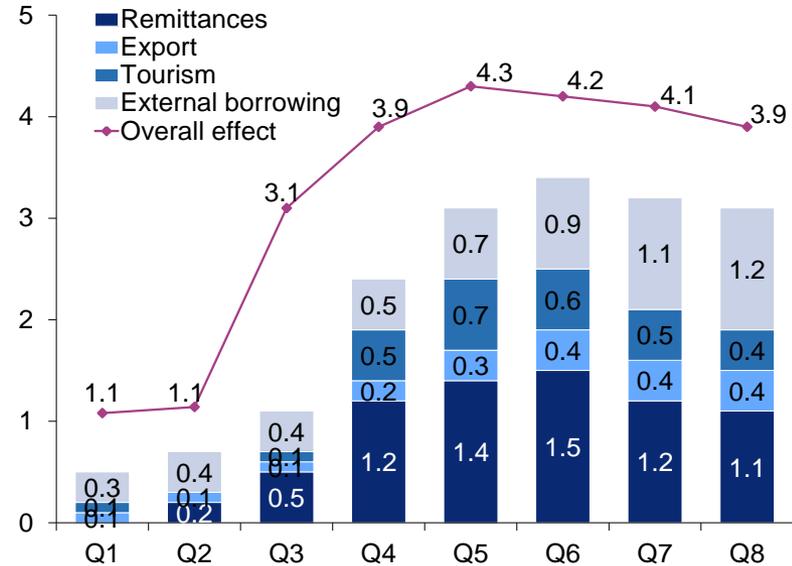


Impulse response: by trading partners



Source: IMF

Impulse response: by transmission channel

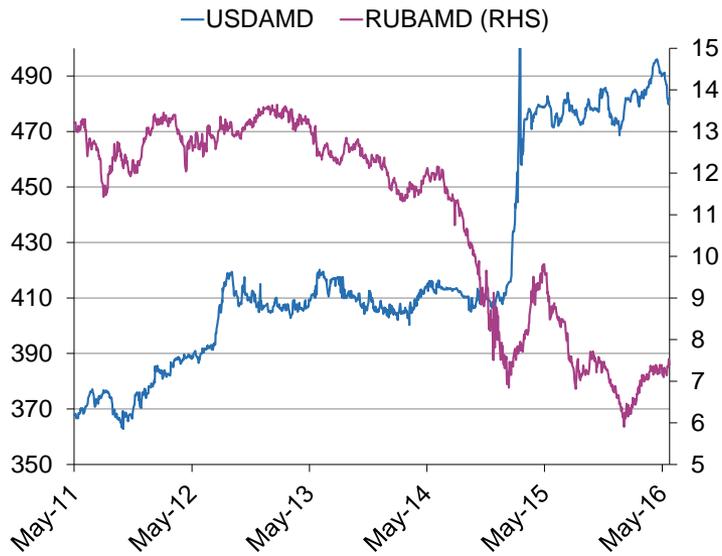


Source: IMF

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

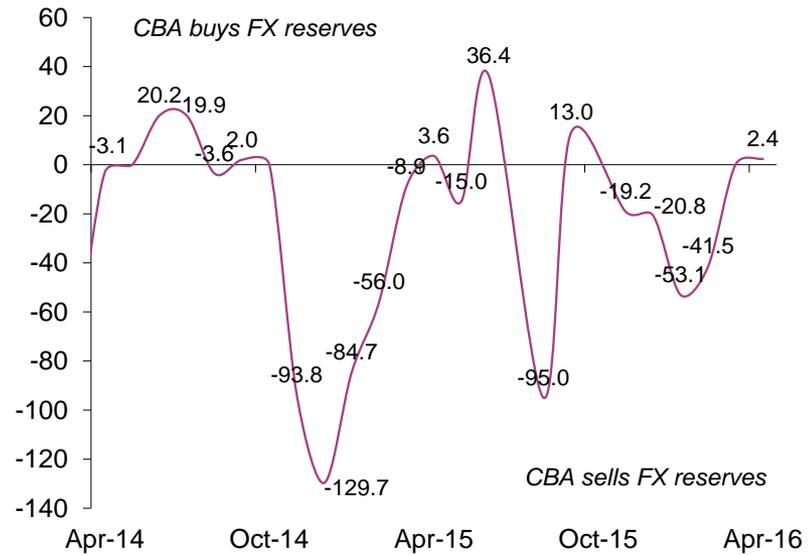
Armenia

AMD exchange rate



Source: CBA, VTB Capital Research

CBA interventions

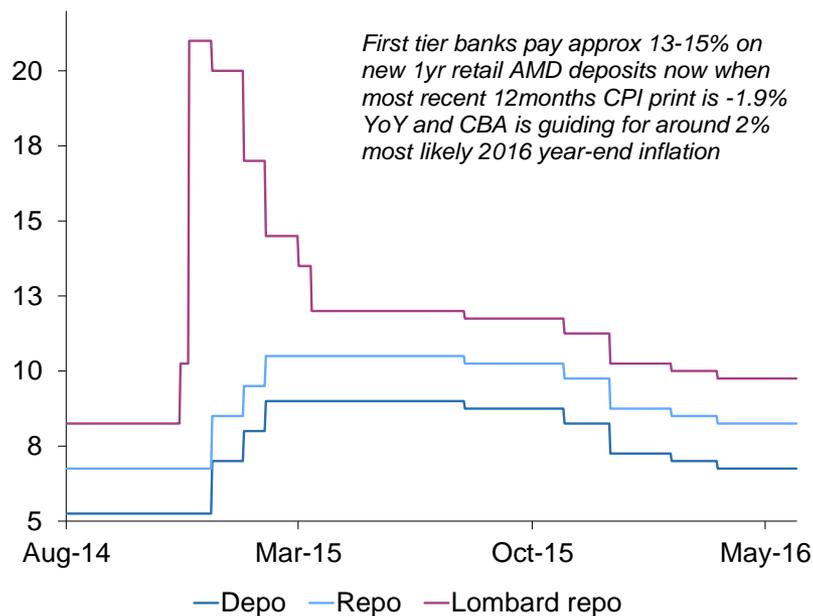


Source: Armstat, VTB Capital Research



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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Investment Rating Distribution		
Buy	33	23%
Hold	55	38%
Sell	42	29%
Restricted	0	0%
Not Rated	0	0%
Under Review	13	9%
	143	

Ratings Distribution for Investment Banking Relationships		
Buy	7	37%
Hold	5	26%
Sell	6	32%
Restricted	0	0%
Not Rated	0	0%
Under Review	1	5%
	19	

Source: VTB Capital Research as at 31 May 2016

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