

# Russian Markets - Daily

January 18, 2011

<b>RUB hits local highs vs. USD</b>	USD/RUB	29.90	▼
<b>Interest rates in equilibrium</b>	EUR/RUB	39.93	▲
<b>Liquidity is higher than avg.</b>	RUB basket	34.43	▼

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.97	30.12	30.43	31.18
EUR/RUB	39.90	40.10	40.45	41.32
Money Market	Close	Change	Max 12	Min 12
MosPrime 1M (%)	3.52	0.00	5.57	3.23
MIBOR 1m (%)	4.19	0.09	7.26	3.81
RUONIA 1d (%)	2.50	-0.02		
Implied NDF yield 6m %	4.08	-0.08	5.70	3.17
Debt	Close	Change	Max 12	Min 12
Russia CDS 5yr	141	1.00	218	123
Eurobond Russia 30Y	4.71	0.01	5.95	3.91
EMBI +	556.41	0.00	582.02	489.19
Stock Indexes	Close	%Change		
RTSI	1 901.61	1.69		
Micex	1 771.66	1.54		
S&P 500	1 293.24	0.74		
DJIA	11 787.38	0.47		

## Hot News

- Russian operator Vimpelcom's deal to buy telecoms assets from Egyptian billionaire Naguib Sawiris has "a very big chance" of going through, Sawiris told Reuters on Tuesday. Asked if he was worried Vimpelcom shareholder Telenor might block the deal to buy control of Orascom Telecom and Italy's Wind, Sawiris said: "No, I'm not worried." (interest in acquisition abroad is potential pressure on RUB)
- Real effective RUB exchange rate increased by 7.1% in 2010 According to the index of Economic Freedom released by the Heritage Foundation Russia, while a bit better than last year, occupies a relatively low place - 143 out of 179

## Money Market

Total amount of liquidity in Russian banking system increased on 1.8 bn, that is not worthy to be mentioned. RUB liquidity at bank accounts and deposits totals RUB1669 bn., that is above average. Ample liquidity dictates very comfortable interbank interest rates. Russian exporters continue to place surplus liquidity at depo accounts pushing interbank interest rate to the floor, which is determined by Central Bank depo rate at 2.75%. That puts the pressure on money market interest rates. But from the other side market still has expectations that Russia's central bank will raise interest rates on the next meeting. The main treat is deposit rate hike from current 2.75 percent to 3%. These offsetting factors mentioned above keep the market in equilibrium.

## Currency market

RUB rose against currency basket on Monday's session. RUB was slightly overheated after strong start at the beginning of previous week and right now RUB shows local stabilization against currency basket. But separate dynamics versus EUR and USD looks more interesting. Today in the beginning of the session RUB appreciated against USD to the 3-month maximum (29.84). High commodity prices continue to support Russian currency. The other factors are higher inflation and interest rate hike expectations. Moreover during next few week exporters will convert foreign currency into RUB in expectations of tax payments in the end of the month. Looking on Russian stock market we can notice quite strong cash inflow, that correlates with overall expectations of capital inflow into Russian economy this year.

## Debt and Equity Markets

The Russian bond market closed on Monday with weak positive dynamics. Corporate, municipal and government bonds slightly rose. The most active trading was in bonds of: Vimpelcom-Invest-3 (July 2014, 6.01% yield, trading volume is EUR 17.7 Mln), Ufa city-6 (Dec 2013, 8.9% yield, EUR 5.8 mn. turnover) and Government bond issue of OFZ 25075 (July 2015, 7.37% yield, EUR 82 Mn. turnover). On Jan 19 there will be a repayment of OFZ 25059 for RUR 41 Bn (EUR 1 Bn) and placement of new issue of government bonds OFZ 25076 (Mar 2014) for RUR 30 Bn (EUR 750 Mln) with semi annual coupon at 7.1% rate, which is close to current market interest rates. The main problem for such issues it that market is anticipating reference rate hike and from this point of view demand can be quite poor.

Russian stock market rose yesterday on positive news about share swap deal between BP and Russia's state-controlled Rosneft. Rosneft shares rose on 5%, pushing all blue chips higher. Today we expect that positive dynamics will continue in the first half of the session. As we see on the bottom right picture the net cash inflow in Russian funds does not stop, supporting interest to Russian market. But till the end of the week technical factors can temporary start to play against Russian stock market.



