

Russian Markets - Daily

January 19, 2011

RUB hits new highs vs. USD	USD/RUB	29.81	▼
Interest rates are stable	EUR/RUB	40.19	▲
Liquidity is comfortable	RUB basket	34.50	▲

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.86	30.01	30.31	31.05
EUR/RUB	40.24	40.44	40.85	41.86
Money Market	Close	Change	Max 12	Min 12
MosPrime 1M (%)	3.50	-0.02	5.57	3.23
MIBOR 1m (%)	4.16	-0.03	7.26	3.81
RUONIA 1d (%)	2.68	0.18		
Implied NDF yield 6m %	3.96	-0.12	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 +	555.67	-0.74	582.02	489.19
Stock Indexes	Close	%Change		
RTSI	1 900.94	-0.04		
Micex	1 765.30	-0.36		
S&P 500	1 295.02	0.14		
DJIA	11 837.93	0.43		

Hot News

- Russia's interest rates should not be raised in January. "Disputes are being held every time... If there is my will, I would not touch rates," said Gennady Melikyan, a first deputy chairman at the central bank.
- Alexei Ulyukayev, the first deputy chairman who deals with monetary policy, said earlier that the bank may continue tightening monetary policy after raising rates in December due to high inflationary risks.
- The central bank, planning to raise capital requirements to 180 million roubles from 2012, assumes the banks' average capital will grow by 15 percent a year.
- Central bank may consider raising minimum requirements for banks' capital to 300 million roubles (\$10 million) from 2015 compared with 90 million roubles at present.
- At present, the overall volume of the Russian banking system stands at 4.7 trillion roubles (\$157.3 billion).

Money Market

Total amount of liquidity in Russian banking system increased slightly on 4.7 bn. RUB liquidity at bank accounts and deposits totals RUB1676 bn. and this is very high level. There fore we have quite comfortable interbank interest rates. Interbank interest rate are near the floor, which is determined by Central Bank depo rate at 2.75%. But from the other side market participants expect the Central Bank to raise rates further at a meeting in late January after it failed to control a surge in inflation to 8.8 percent in 2010, compared with an initial official target range of 6-7 percent. So till the next Central Bank meeting we have two offsetting factors on the money market.

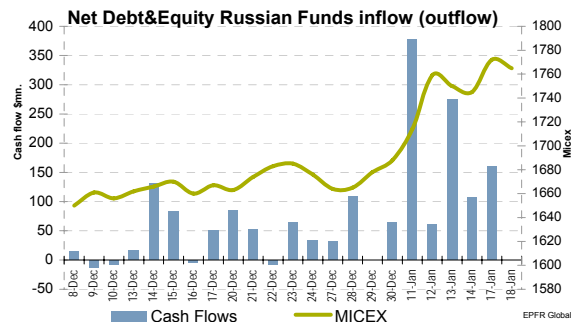
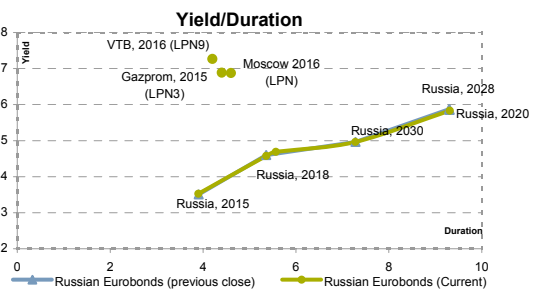
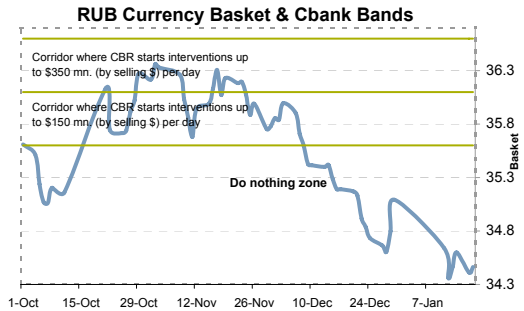
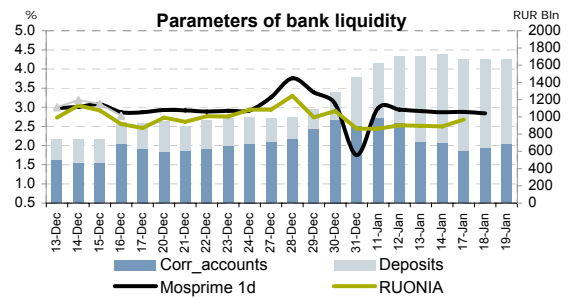
Currency market

RUB rose against currency basket yesterday but the appreciation was very moderate and right now RUB shows local stabilization against currency basket. But dynamics versus EUR and USD remains mixed. Today in the beginning of the session RUB continued appreciated against USD to the new 3-month maximum (29.84), but RUB fall versus EUR. This is explained by EURUSD dynamics and by the fact, that some Russian exporter prefer to sell USD rather than EUR. Anyway high commodity prices and RUB purchases during tax paying period – these factors support Russian currency. The other factor is mentioned above interest rate hike expectations.

Debt and Equity Markets

The Russian internal bond market showed flat dynamics yesterday. The interest rate curve of Russian domestic Treasuries stays at the previous level. The Russian Eurobond market had positive price changes mostly. Russian dollar denominated state Eurobonds closed at: Russia 2030 at 4.69% (Z-spread is 178 bp to the UST curve) and Russia 2015 at 3.53%. Russia set the yield guidance for its first sovereign bond auction of the year (30 billion RUB on the internal market) in line with market levels on Tuesday, offering no premium to investors after a recent improvement in demand for its debt.

Russian stock market insignificantly declined yesterday in spite on positive vector during the first half of the session when main indexes renewed local highs. But in anticipation of important US company's quarterly reports Russian market became nervous. Today we expect flat dynamics to continue, technical factors can temporary start to play against Russian stock market.



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