

# Russian Markets - Daily

January 20, 2011

<b>RUB trades lower on weak oil</b>	USD/RUB	29.91	▲
<b>Money market waits for Cbank</b>	EUR/RUB	40.20	▲
<b>Liquidity is above average</b>	RUB basket	34.54	▲

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.96	30.10	30.40	31.15
EUR/RUB	40.35	40.53	40.88	41.77
Money Market	Close	Change	Max 12	Min 12
MosPrime 1M (%)	3.49	-0.01	5.57	3.23
MIBOR 1m (%)	4.14	-0.02	7.05	3.81
RUONIA 1d (%)	2.69	0.01		
Implied NDF yield 6m %	3.93	-0.03	5.70	3.17
Debt	Close	Change	Max 12	Min 12
Russia CDS 5yr	140	0.00	218	123
Eurobond Russia 30Y	4.77	-0.02	5.95	3.91
EMBI +	553.92	-1.75	582.02	489.19
Stock Indexes	Close	%Change		
RTSI	1 902.75	0.10		
Micex	1 764.44	-0.05		
S&P 500	1 281.92	-1.01		
DJIA	11 825.29	-0.11		

## Hot News

- The Federal Statistics Service (Rosstat) said on Wednesday the CPI index rose 0.6 percent in the latest week, taking the inflation reading of the first 17 days of 2011 to 1.4 percent compared to 1.2 percent in the same period in 2010.
- Traditionally, an inflation spike occurs in January due to one-off annual rises in the cost of services like transport, water and heating.
- The European Bank for Reconstruction and Development (EBRD) agreed to buy 15 percent of Russia's medium-sized SDM Bank in a move to increase funding for small businesses, EBRD said on Wednesday
- Russian state may sell a stake in Russia's MICEX stock exchange.
- Russia's state development bank VEB set a 3.75 percent yield for its debut Swiss franc bond, maturing in 2016 and worth 400 million francs (\$417 million). The spread was increased to mid-swaps plus 226.5 basis points, up from the previously expected mid-swaps plus 224 basis points.

## Money Market

Total amount of liquidity in Russian banking system decreased slightly on 22 bn. but still this indicator is higher than average level. This small liquidity reduction was due to tax payments. RUB liquidity at Central Bank's accounts and deposits totals RUB1654 bn. Interbank interest rates are comfortable but anticipation of Central Bank meeting and non-zero probability if key rate hike make situation quite unstable. Some participants expect the Central Bank to raise rates further at a meeting on January 28. Russia's consumer inflation has accelerated further at the beginning of 2011, building up more pressure on the central bank to tighten monetary policy in order to keep the 2011 inflation on the current official target.

## Currency market

RUB slightly declined versus currency basket yesterday. Apparently RUB shows local stabilization due to weak dynamics of commodity market and because of technical factors. Some market participants have not got used to new RUB level and try to postpone USD and EUR selling. But after local appreciation of the currency basket market participant will likely continue to sell foreign currency. Anyway growing trade balance surplus, expectations of interest rate hike and RUB purchases during tax paying period – these factors will continue to support Russian currency.

## Debt and Equity Markets

Close of Russian domestic bond market was mixed yesterday: corporate and municipal bond price indexes closed lower but state bonds price index - higher. The interest rate curve of Russian domestic Treasuries stays at the previous level. There was a placement (RUR 30 Bln or EUR 750 Mln) of new 4-years Treasury bond at 7.03%. Russian dollar denominated state Eurobonds closed lower: Russia, 2030 at 4.73% (Z-spread is 176 bp to the UST curve) and Russia, 2015 at 3.55%. Russian stock market was flat yesterday. But today stocks are declining on profit-taking, weak commodity market, US and Asian markets slump. Besides technical factors temporary started to play against Russian stock market. Nevertheless after moderate correction we expect continuation of growth. Cash inflow into Russian debt and equity funds is positive.



