

Russian Markets - Daily

January 21, 2011

RUB locally shows weakness	USD/RUB	29.98	▲
Money market is stable	EUR/RUB	40.63	▲
Liquidity declined	RUB basket	34.78	▲

Forwards	1m.	2m.	3m.	6m.
USD/RUB	30.05	30.20	30.51	31.25
EUR/RUB	40.51	40.73	41.21	41.96
Money Market	Close	Change	Max 12	Min 12
MosPrime 1M (%)	3.50	0.01	5.57	3.23
MIBOR 1m (%)	4.13	-0.01	7.05	3.81
RUONIA 1d (%)	2.39	-0.3		
Implied NDF yield 6m %	4.08	0.15	5.70	3.17
Debt	Close	Change	Max 12	Min 12
Russia CDS 5yr	144	4.00	218	123
Eurobond Russia 30Y	4.86	0.09	5.95	3.91
EMBI +	551.57	-2.35	582.02	489.19
Stock Indexes	Close	%Change		
RTSI	1 868.46	-1.80		
Micex	1 733.89	-1.73		
S&P 500	1 280.26	-0.13		
DJIA	11 822.80	-0.02		

Hot News

- Russia's monetary base fell to 5,660.8 trillion roubles (\$188,300 billion) on Jan. 17 compared with 5,912.8 trillion roubles on Jan. 11, the central bank said on Friday
- Russia's central bank struggled to place the offered amount of 25 billion roubles (\$835 million) in OBR bills on Thursday. The central bank has attracted 1.1 billion roubles (\$36.74 million) at the 3-month auction, setting unattractive the 3.50% cut-off rate
- Russia does not plan to revise its 2011 inflation forecast upwards from the current 6-7 percent despite the fact January inflation could reach 2.3 percent, Russia's economy minister said on Thursday
- Russia could find it difficult to reach its 6-7 percent inflation target in 2011, with inflation risks particularly high in the first half, a Russian central banker said on Thursday
- Ulyukayev also said that moderate rate of rouble appreciation wouldn't be harmful. 7-9 percent a year is acceptable. A higher figure than that could be harmful
- Central Bank deputy governor Ulyukayev expects that capital inflow in Russia in 2011 will be higher than the forecast and will exceed \$15 billion
- Russia will not invest in bonds of the European Financial Stability Facility as it is not permitted by its own law to do so, first deputy chairman of the central bank said on Thursday
- A stronger economic performance could lead Fitch to upgrade Russia's sovereign credit rating, the agency said, but added that an unfavourable business environment posed a risk

Money Market

Total amount of liquidity in Russian banking system declined sharply on RUB186 bn. RUB liquidity at Central Bank's accounts and deposits totals RUB1467 bn. But nevertheless this indicator is higher than average level. Liquidity reduction was due to tax payments. The beginning of the next week will be difficult from this point of view because of continuation of tax paying period. Interbank interest rates are trying to stay stable but anticipation of Central Bank meeting and probability if key rate hike in the following months make situation quite vulnerable.

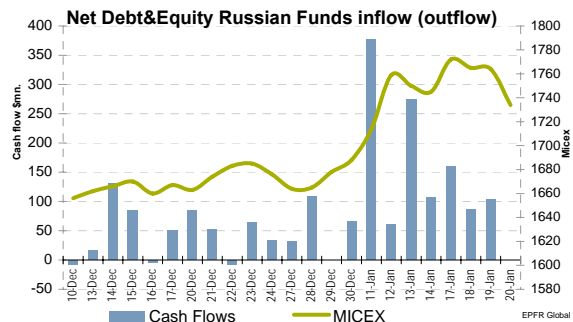
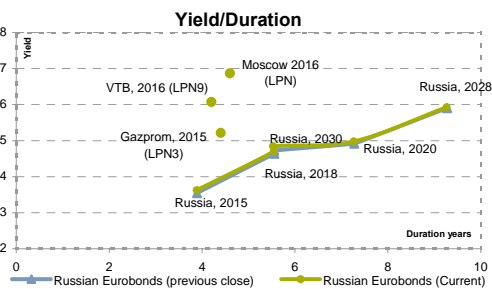
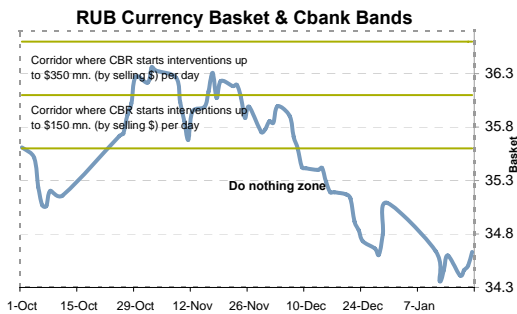
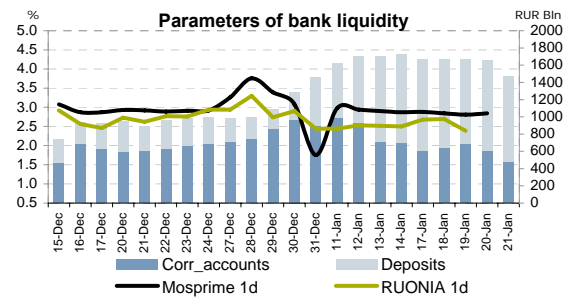
Currency market

RUB declined versus currency basket yesterday. RUB shows weakness on negative dynamics of commodity market and because of technical factors. Exporters hold their foreign currency revenue in hope to sell it at higher levels. Therefore after local appreciation of the currency basket market participant will likely continue to sell foreign currency. Yesterday Central Bank deputy governor Ulyukayev said that he expects that capital inflow in Russia in 2011 will be higher than the forecast and will exceed \$15 billion. Besides expectations of interest rate hike will support Russian currency.

Debt and Equity Markets

The Russian domestic bond market in brief: corporate and municipal bond price indexes closed barely higher but state bonds price index - dropped. The interest rate curve of Russian domestic Treasuries continues to stay at the previous level mostly. There was a placement (RUR 25 Bln) of 3m T-Bill (3.48%). The demand was low because of wide expectations of interest rate hike of the Bank of Russia. Russian dollar denominated state Eurobonds had a mild price correction: Russia, 2030 at 4.85% (Z-spread is 185 bp to the UST curve) and Russia, 2015 at 3.62%.

Russian stock market shower quite negative dynamics yesterday. Stocks declined on profit-taking mood, weak commodity market and new wave of risk aversion. Besides technical factors are playing against Russian stock market. Nevertheless after moderate correction we expect continuation of growth. One of positive factors is record Cash inflow into Russian debt and equity funds (Emerging Portfolio Fund Research).



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