

# Russian Markets - Daily

January 24, 2011

<b>RUB locally shows weakness</b>	USD/RUB	29.85	▼
<b>Money market is stable</b>	EUR/RUB	40.55	▼
<b>Liquidity declined</b>	RUB basket	34.68	▼

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.93	30.09	30.40	31.16
EUR/RUB	40.74	40.93	41.28	42.14
Money Market	Close	Change	Max 12	Min 12
MosPrime 1M (%)	3.50	0.00	5.57	3.23
MIBOR 1m (%)	4.11	-0.02	7.05	3.81
RUONIA 1d (%)	2.75	0.36		
Implied NDF yield 6m %	4.03	-0.05	5.70	3.17
Debt	Close	Change	Max 12	Min 12
Russia CDS 5yr	139	-5.00	218	123
Eurobond Russia 30Y	4.76	-0.10	5.95	3.91
EMBI +	552.05	0.48	582.02	489.19
Stock Indexes	Close	%Change		
RTSI	1 884.76	0.87		
Micex	1 747.39	0.78		
S&P 500	1 283.35	0.24		
DJIA	11 871.84	0.41		

## Hot News

- Today Russian Prime Minister Vladimir Putin visits central bank's coffers and holds meeting on the development of banking sector.
- Unemployment rises to 7.2 pct from Nov's 6.7 pct. Highest since May, analysts had forecast 6.8 pct
- Next central bank rate hike seen as soon this month
- PPI points to slower CPI inflation in 6 months' time
- Russia's largest lender, Sberbank, is set to acquire Troika Dialog soon to develop its own investment banking business, sources close to Sberbank. Sberbank has long been seeking to diversify its financial operations away from traditional lending and depository services
- Fitch Ratings says in a newly-published annual outlook report that its outlook for CIS metals & mining companies is stable. The stable outlook reflects Fitch's expectations that the sector's recovery will continue in 2011 following a strong performance in 2010

## Money Market

Total amount of liquidity in Russian banking system increased by insignificant RUB 4 bn. RUB liquidity at Central Bank's accounts and deposits totals RUB1472 bn. In spite of tax payment period, liquidity stays stable. Interbank interest rates wait for Central Bank meeting (presumable on January 28<sup>th</sup>). The probability of key rate hike is high due to accelerated inflation pressure.

## Currency market

RUB declined versus currency basket on Friday's session. High rub liquidity plays against Russian currency right now. Market participants are closing short positions, pushing currency basket higher. But this is more speculative than fundamental dynamics. In the long run RUB can continue to increase as commodity market stays high, anticipation of reference rate hike and capital inflow makes RUB more attractive for investors. As for today the main news will concern Central Bank meeting on the development of banking sector.

## Debt and Equity Markets

Russian stock market rose at Friday's session. Negative dynamics in the very beginning of the day was broken simultaneously with European market opening. Major Russian indices increased by 0.8%. Today stocks slightly dropped as technical factors continue to play against Russian stock market. Nevertheless in the medium term market is in upward trend and after moderate correction we expect continuation of growth.

The Russian domestic bond market in brief: state and municipal bond price indexes closed higher but the corporate bonds price index – unchanged almost. The interest rate curve of Russian domestic Treasuries continues to stay at the previous level mostly. Russian dollar denominated state Eurobonds closed differently: Russia, 2030 at 4.76% (Z-spread is 173 bp to the UST curve) and Russia, 2015 at 3.59%. Russian corporate Eurobonds closed differently too.



