

# Russian Markets - Daily

January 26, 2011

<b>RUB stabilized</b>	USD/RUB	29.79	▲
<b>Market waits for CBR decision</b>	EUR/RUB	40.68	▼
<b>Liquidity is lower</b>	RUB basket	34.72	▲

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.82	29.99	30.31	31.08
EUR/RUB	40.76	40.96	41.34	42.25
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.50	0.00	5.57	3.23
MIBOR 1m (%)	4.11	-0.04	7.05	3.81
RUONIA 1d (%)	2.82	0.22		
Implied NDF yield 6m %	4.21	0.06	5.70	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	137	1.00	218	123
Eurobond Russia 30Y	4.82	0.02	5.95	3.91
EMBI +	553.59	0.26	582.02	489.19
Stock Indexes	Close	%Change		
RTSI	1 863.33	0.09		
Micex	1 716.24	-0.26		
S&P 500	11 977.19	-0.03		
DJIA	5 917.71	-0.44		
Brent	95.6	-0.77		

## Hot News

- Raising the refinancing rate will slow the economic growth in Russia, said the former Finance Minister Zadornov yesterday. According to him, increasing refinancing rates will decrease the prices of government bonds and will be a signal that there is no need to decrease the level of interest rates going forward. He admitted, however, that inflation will probably be higher than the official forecast of 6-7% for this year.
- President Medvedev postponed the trip to Davos forum because of the blast in the "Domodedovo" airport on Monday.
- This year around 85-87 mln tons of grain will be harvested, according to Ministry of Agriculture, which is, according to them, enough to satisfy domestic demand and exports. This will be higher than this year's harvesters of just 60.9, as the sector was hit by summer heat and drought.
- Russia bans poultry imports from Germany starting the 25th of January due to the "dioxin scandal". The ban might be taken off in mid February, Russian officials said.

## Money Market

Tax payments deteriorated liquidity yesterday. Total amount of liquidity in Russian banking system decreased by RUB 153 bn. RUB liquidity at Central Bank's accounts and deposits totals RUB1309 bn. Still, it is relative high level and interbank interest rates stays near depo rate, awaiting Central Bank meeting on January 31<sup>st</sup>. Central Bank chief gave quite clear signal for the reference rate hike, which likely will take place on the next meeting. Due to high liquidity and low interbank interest rates, the main focus for the Money Market is not the threat of key rate hike (now 7.75%), but depo rate hike (now 2.75%).

## Currency market

The RUB basket couldn't find a direction yesterday, but held strong despite the panic over the Monday's bomb blast in Moscow's airport. The previous day's Central Bank's hawkish comments helped. The basket finished the day just 1 kopeck lower than the day before, helped by the USD/RUB, which fell by 2.25 kopeck, while EUR/RUB rose by 1 kopeck. The oil prices retreated on speculation that OPEC will raise the production this year. Brent closed at 94.95, nearly 5 USD lower from the levels close to 100, which we saw in mid January. Still, the level of oil prices above USD 80/bbl is very high to support RUB. Locals are still selling USD to get RUB liquidity for tax payments, which is also RUB supportive. Fed monetary policy meeting late today might leave the RUB range-bound during the daily session.

## Debt and Equity Markets

Russian stock market was flat yesterday. Poor commodity market's dynamics sparked correction in energy and metal and mining sectors, but excellent corporate report of Sberbank helped major indices to stay in equilibrium. Sberbank saw 2010 record net profit surge to 184 billion roubles (\$6.2 billion). Sberbank is a leader of the Russian stock market in terms of turnover. Thus positive dynamics of this blue chip supports the whole market. Today market started higher, staying in global upward trend. The Russian domestic bond market in brief: state and municipal bond price indexes closed lower but the corporate bonds price index rose. The interest rate curve of Russian domestic Treasuries continues to stay at the previous level mostly. Russian dollar denominated state Eurobond yield curve stabilized.



