

# Russian Markets - Daily

January 31, 2011

<b>Russia's central bank left all interest rates unchanged</b>	USD/RUB	29.85	▲
<b>Rouble weakens</b>	EUR/RUB	40.64	▲
<b>Money Market is stable</b>	RUB basket	34.72	▲

## Hot News

- Russia's central bank unexpectedly left all interest rates on hold on Monday. Reserve requirements for liabilities before corporate non-residents in foreign currency and in Russian roubles will be raised by 100 basis points to 3.50 percent from Feb. 1.
- Reserve requirements for liabilities before retail clients and other liabilities will be raised by 50 basis points to 3.00 percent, the central bank said in a statement.
- Future steps on changing the parameters of interest rate policy of the Bank of Russia will be determined by the balance of risks of rising inflation pressure and the slowdown of economic growth
- BP wants to enter "fast track arbitration" to settle a dispute with Russian shareholders in its TNK-BP joint venture over the British company's shares and exploration deal with Rosneft.
- Russia could conclude protracted negotiations and join the World Trade Organisation this year, Director-General Pascal Lamy said on Saturday. "I believe Russian accession to the WTO before the end of this year is doable," Lamy told a news conference on the sidelines of the World Economic Forum after a meeting of 24 trade ministers in the Swiss ski resort of Davos.
- Russia could place its first-ever rouble Eurobond in February, inspired by recent successful corporate placements after a storm in financial markets in late 2010 put the issuance plans on hold, sources told Reuters. The bond, worth up to \$3 billion, was originally expected in late 2010 and Russia made all the necessary preparations.

## Money Market

Liquidity is stable, with no sizable changes. Tax-paying period is over and total amount of liquidity in Russian banking system is still at relative high level. RUB liquidity at Central Bank's accounts and deposits totals RUB1264 bn. Interbank interest rates stay stable on Russia's Central Bank decision to left interest rates unchanged. interest rate hike. Consumer inflation have already reached 1.8% in the first 24 days of January, threatening the central bank's target of a full-year price increase of just 6-7 percent. So market participants widely expected interest rates hike and money market was ready to go higher in terms of interbank interest rates. But due to such unexpected decision interbank market will likely continue to trade near current Central Bank depo rate (2.75%) with light influence of stricter reserve requirements.

## Currency market

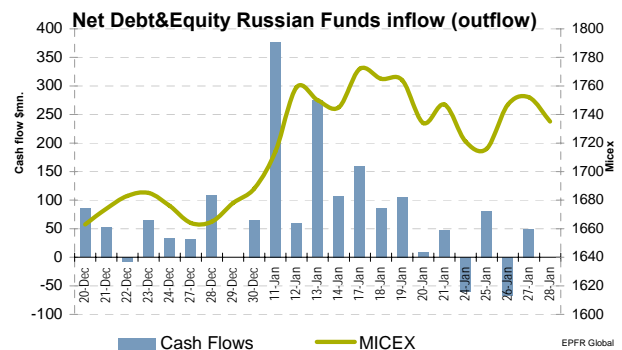
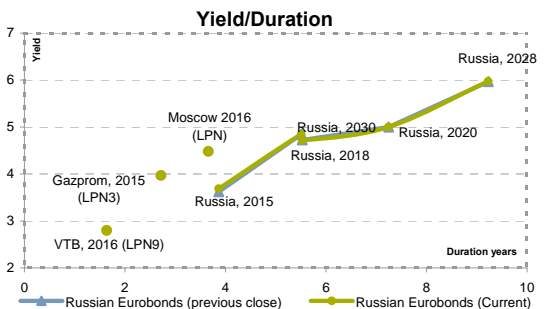
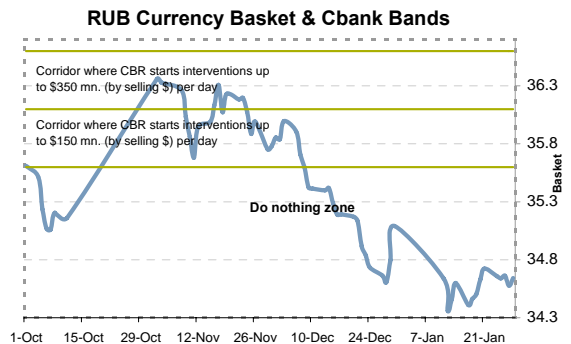
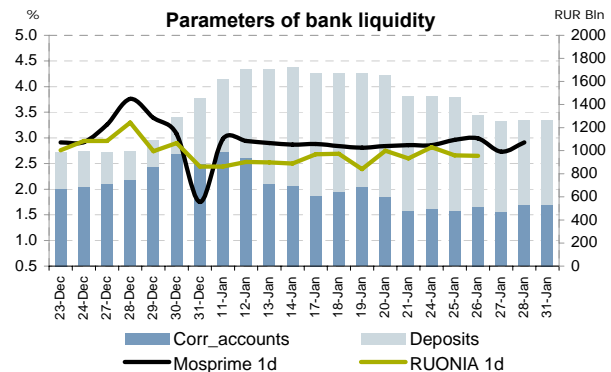
Rouble shows weakness and currency basket continue to trade slightly higher against RUB on quite unexpected Central Bank decision to hold interest rates unchanged. All rates were left on hold, including the overnight deposit rate at 2.75 percent and the refinancing rate at 7.75 percent. Pundits expected a 25 basis point rise deposit rates, with a sizeable minority also forecasting an increase in the refinancing rate. So rates hike have been already priced by the market. Unchanged rates will likely put a pressure on the RUB. However high oil prices will partially offset this negative factor. Moreover current Central Bank decision increases probability of interest rates hike on the next meeting. Market still expects depo rate and key rate hike during 1Q.

## Debt and Equity Markets

Russian stock market decreased during Friday's session and continues to show negative dynamics. Right now major Russian indices trade at local bottom on Egypt unrest and on global negative stock market vector.

The Russian domestic bond market closed lower yesterday – state, municipal and corporate bond price indexes had a negative change. The interest rate curve of Russian domestic Treasuries continues to stay at the previous level mostly with a small volatility. Unchanged rates. But unchanged Central Bank's rates can lead to price volatility on the bond market and spur the demand. Prices of Russian dollar denominated state Eurobonds were mostly stable.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.857	30.034	30.354	31.141
EUR/RUB	40.6425	40.8475	41.2225	42.11
Money Market	Close	Change	Min 12m	Max 12m
MosPrime 1M (%)	3.51	0.01	5.5	3.23
MIBOR 1m (%)	4.09	-0.03	6.98	3.81
RUONIA 1d (%)	2.65	-0.01		
Implied NDF yield 6m%	4.255	0.035	5.61	3.17
Debt	Close	Change	Min 12m	Max 12m
Russia CDS 5yr	149	8	218	123
Eurobond Russia 30Y	4.993	0.095	5.953	3.914
EMBI +	553.59	2.36	582.02	489.19
Stock Indexes	Close	Change	Min 12m	Max 12m
RTSI	1885.53	-1.36	1911.48	1226.57
Micex	1735.01	-0.94	1771.66	1197.39
S&P 500	1276.34	-1.79	1299.54	1022.58
DJIA	11823.70	-1.39	11989.83	9686.48
Brent	99.55	1.58	99.55	67.20



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