

Russian Markets - Daily

February 02, 2011

Ruble is strengthening	USD/RUB	29.40	▼
Liquidity rise	EUR/RUB	40.68	▼
Money Market is stable	RUB basket	34.48	▼

Hot News

- Russian oil output edged up 0.3 percent in January to 10.21 million barrels per day, but fell short of a record high, Energy Ministry data showed on Wednesday.
- Russia's budget deficit will come in at under 3 percent of GDP this year thanks to high oil prices, Finance Minister Alexei Kudrin said on Wednesday.
- Russian central bank first deputy chairman Alexei Ulyukayev does not rule out an increase in interest rates in the first half of this year, he said on Tuesday.
- Ulyukayev said the Central Bank had bought a few hundred million dollars in currency market interventions in January.
- Government is planning to sell a 20 percent stake in state bank VTB this year, as part of its 3-year \$32 billion privatization drive.
- Russia's MICEX and RTS stock exchanges on Tuesday announced a non-binding agreement of intent to merge, Central Bank First Deputy Chairman Alexei Ulyukayev said.
- Russia's talks to join the World Trade Organization will extend into May, Russia's chief negotiator said on Tuesday, pushing possible accession closer to elections.
- Russia wants to change its foreign investment and tax laws, making it easier for dairy producers, medical equipment makers and sovereign funds from the United Arab Emirates to do business there.

Money Market

Liquidity continues to increase after the end of tax-paying period. RUB liquidity at Central Bank's accounts and deposits totals RUB1383 bn (+79 bn.). Money market, as we see at the right hand graph, is more than stable. Russia's Central Bank decision to keep interest rates unchanged was the major factor for the money market. DEPO rate at 2.75% is the floor for interbank market. From the other side, ample liquidity does not let market to go higher and thus we have relative stable rates near Central Bank depo rate. However do not forget that reference rates hike is widely expected on the next CBR meeting.

Currency market

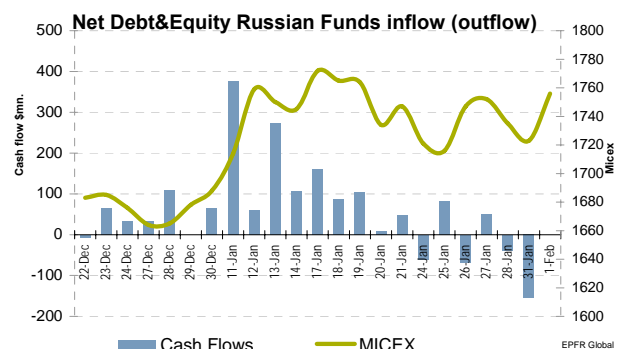
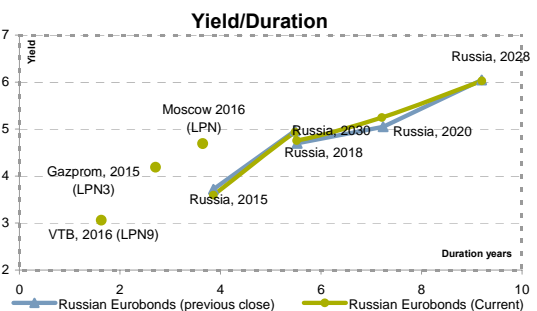
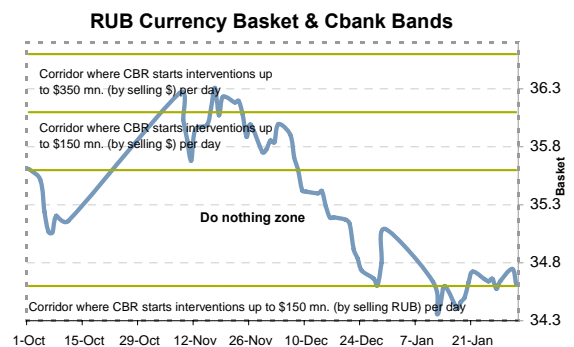
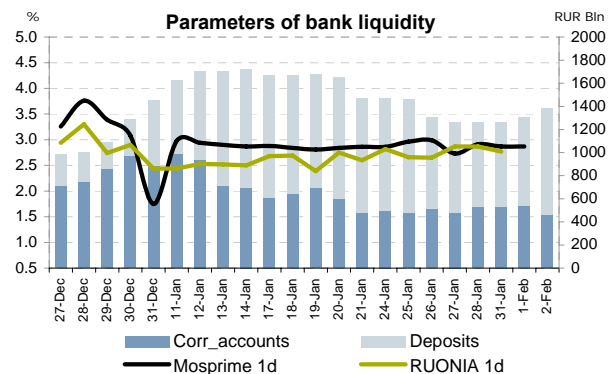
Ruble rose yesterday, as new oil peaks allowed Russian currency to feel free after Central Bank meeting where all rates were left on hold. Brent trades higher \$100 and continues to capitalize on weak dollar, moving towards \$110. Moreover market firmly believes that interest rate hike is a matter of time. Russian central bank first deputy chairman Alexei Ulyukayev does not rule out an increase in interest rates in the first half of this year, he said on Tuesday. Taking into account accelerating inflation we do not rule out rates hike during first quarter. Today RUB is appreciating and trades at 34.5 against currency basket. Yesterday Ulyukayev said the Central Bank had bought a few hundred million dollars in currency market interventions in January. Cbank sells small amount of RUB lower 34.6 (in term of currency basket).

Debt and Equity Markets

Russian stock market rose slightly during yesterday's session on high commodity prices. Oil hits new local highs as dollar showed sizable depreciation. Copper and tin are on new historical peaks. Thus commodity sector companies are playing the leading role on the Russian stock market. Shares of Russia's banking sector fell after the central bank decided to raise reserve requirements. Today opening of the market was higher.

The Russian domestic bond market closed lower yesterday, but government bond price index rose. Russia will offer bonds maturing in 2013 at an auction this week instead of the previously planned 2018 paper due to poor markets conditions, the finance ministry said on Tuesday.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.521	29.688	29.994	30.743
EUR/RUB	40.82	41.02	41.37	42.22
Money Market	Close	Change	Min 12m	Max 12m
MosPrime 1M (%)	3.5	-0.01	5.46	3.23
MIBOR 1m (%)	4.12	0.03	6.82	3.81
RUONIA 1d (%)	2.77	-0.1		
Implied NDF yield 6m%	4.015	-0.05	5.6	3.17
Debt	Close	Change	Min 12m	Max 12m
Russia CDS 5yr	141	-12	218	123
Eurobond Russia 30Y	4.915	-0.098	5.953	3.914
EMBI +	551.59	3.45	582.02	489.19
Stock Indexes	Close	Change	Min 12m	Max 12m
RTSI	1910.01	2.12	1911.48	1226.57
Micex	1755.95	1.89	1771.66	1197.39
S&P 500	1307.59	1.67	1307.59	1022.58
DJIA	12040.16	1.25	12040.16	9686.48
Brent	101.55	0.98	101.55	67.20



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