

# Russian Markets - Daily

February 04, 2011

<b>Rouble rallied vs Euro</b>	USD/RUB	29.42	▼
<b>Liquidity is increasing</b>	EUR/RUB	40.1	▼
<b>Rates are stable</b>	RUB basket	34.22	▼

## Hot News

- Privatization in the domestic market will be preferred, said assistant to the President of Russia Dvorkovich, as it is in line with the aim to develop domestic financial markets and create a financial center in Moscow. If the liquidity is not sufficient locally, he noted, then the sale will be done in the foreign markets as well
- Russia's monetary base fell to 5.53 trillion roubles (\$188.7 billion) on Jan. 31 compared with 5.64 trillion roubles on Jan. 24, the central bank said on Friday.
- The CBR FX reserves increased by USD 2.7bn over Jan 22-28, compared to USD 4.5bn the week before, standing at USD 484.7bn as of January 28th
- According to Prime Minister Putin, the Russian mortgage market will reach pre-crisis levels - RUB 650bn - in 2012
- Pepsi-Co announced that it purchased 66% of Wimm-Bill-Dann for USD 3.8bn and should make an offer for buying the remaining shares (for USD 2bn) by March 11th
- Russia's major bank VTB is to start a road show in the United States and Europe on Monday, in a preparation for the 10% sale of the government share, which is in line with government's privatization plan
- Russian deputy Prime Minister Igor Sechin meets representatives from the steel and carmaking sectors to broach a deal on prices.
- AAR, the consortium of Russian shareholders of TNK-BP may sell its stake in the oil firm to Rosneft or the Russian government, Vedomosti business daily reported on Friday, citing four sources.

## Money Market

Liquidity is constantly increasing after the end of tax-paying period.. Total amount of liquidity in Russian banking system is high, pushing overnight interbank rates down to Central Bank depo rate. RUB liquidity at Central Bank's accounts and deposits totals RUB1435 bn. (+60 bn.). From the other side money market is anticipating interest rates hike in the coming months. Some market participants suppose that debt market has already priced 50 bp reference rate hike. It is quite reasonable due to Central Bank is concerned about inflation risks - consumer prices rose by 2.4% mom in January.

## Currency market

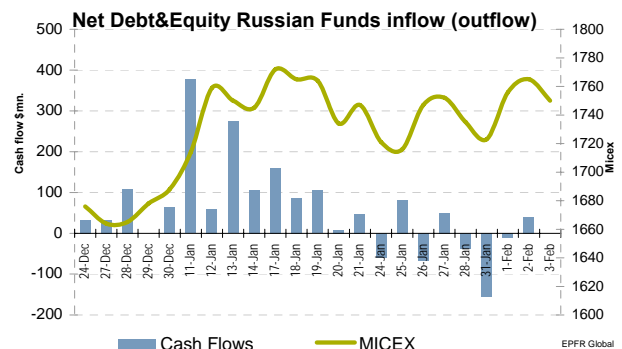
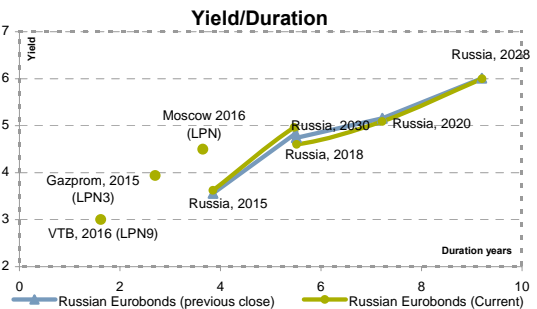
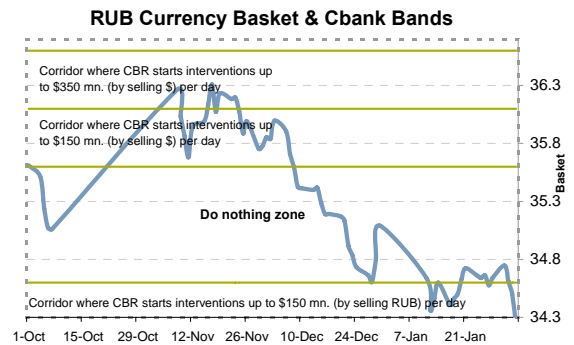
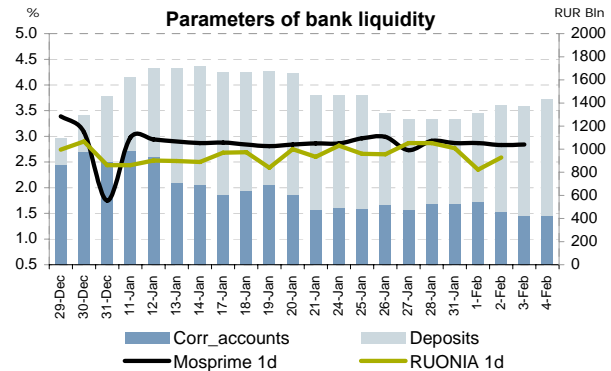
The RUB basket strengthened significantly on Thursday, finishing the day at 34.22, the strongest level since August 2010. USD/RUB hit the new 9-month record and closing at 29.275. Even more significant was the rally against the euro, as the EUR/RUB cross ended the day by 51 kopeck lower than the day before, closing at 40.16. Today's opening is also strong, just around yesterday's close levels. The correlation between oil prices and RUB has strengthened in the last few weeks, as RUB responds well to oil price changes. Comments from Russian officials help RUB, as yesterday assistant to the President of Russia Dvorkovich said he expected more gains for the currency. We also see RUB basket at stronger levels. The sentiment for today is positive, as the Asian stock markets are in the green and oil futures remain strong on yesterday's positive economic data and upbeat Bernanke's comments from the US - even though stronger USD curbs more gains. If the RUB basket breaks 34.20, the next technical target is 34.00, with 34.50 acting as a short-term resistance.

## Debt and Equity Markets

Russian stock market declined slightly during yesterday's session on technical factors. In spite of high oil prices energy sector was under speculative pressure on profit-taking. Net equity Russian fund cash inflow is slowing, but it seems to be temporary. Today opening of the market was 1% higher yesterday's levels. Commodity market keeps interest to Russian stocks.

Debt MKT is gripped between to factors: anticipation of Central Bank interest rates hike deteriorates demand, but high oil prices and expected low budget deficit help market not to fall.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.447	29.612	29.909	30.659
EUR/RUB	40.114	40.33	40.74	41.524
Money Market	Close	Change	Min 12m	Max 12m
MosPrime 1M (%)	3.5	0	5.3	3.23
MIBOR 1m (%)	4.13	0.01	6.73	3.81
RUONIA 1d (%)	2.59	0.24		
Implied NDF yield 6m%	3.9	-0.04	5.6	3.17
Debt	Close	Change	Min 12m	Max 12m
Russia CDS 5yr	144	0	218	123
Eurobond Russia 30Y	4.968	0.056	5.953	3.914
EMBI +	550.57	-1.74	582.02	489.19
Stock Indexes	Close	Change	Min 12m	Max 12m
RTSI	1917.07	-0.74	1931.38	1226.57
Micex	1749.78	-0.89	1771.66	1197.39
S&P 500	1307.10	0.24	1307.59	1022.58
DJIA	12062.26	0.17	12062.26	9686.48
Brent	101.98	-1.20	103.18	67.20



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