

# Russian Markets - Daily

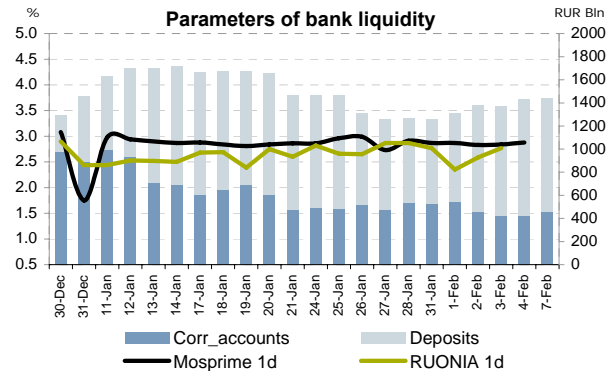
February 07, 2011

<b>Rouble rallied vs Euro</b>	USD/RUB	29.40	▼
<b>Liquidity is increasing</b>	EUR/RUB	39.94	▼
<b>Rates are stable</b>	RUB basket	34.14	▼

## Hot News

- Inflation in January was confirmed at 2.4% mom (9.6% yoy), according to Rosstat, which is higher than in January last year (1.6%). Price of services rose by most, 4.1% mom, while food prices also kept the momentum, increasing by 2.6% mom.
- CBR Chairman Ignatyev said that they are "closely monitoring" inflation and are ready to act upon it by increasing interest rates and/or raising reserve requirements. Ignatyev also said that he expects inflation to remain below 7% this year.
- Ignatyev noted that the CBR bought just below USD 1bn in the FX market in January. According to him, the CBR plans to further widen the floating RUB band this year, but not in the very near future
- Russia will put up to 100 billion roubles (\$3.41 billion) of temporarily available budget funds into deposits at commercial banks next week. The funds, the first offered in 2011, will be auctioned on Feb. 8 at an annual rate of at least 4.70 percent. The offer is the largest since February 2010, when the finance ministry only managed to place 32 billion roubles of the 100 billion offered.
- VTB, Russia's second-biggest lender, will start the sale of a 10 percent stake on Monday in the first major development in the state's asset sale. The pricing is expected on Feb.14, a source, familiar with VTB's plans, told Reuters earlier on Friday.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.406	29.566	29.865	30.625
EUR/RUB	40.0225	40.215	40.565	41.4
Money Market	Close	Change	Min 12m	Max 12m
MosPrime 1M (%)	3.5	0	5.3	3.23
MIBOR 1m (%)	4.11	-0.02	6.1	3.81
RUONIA 1d (%)	2.77	0.18		
Implied NDF yield 6m%	3.99	0.09	5.6	3.17
Debt	Close	Change	Min 12m	Max 12m
Russia CDS 5yr	141	-3	218	123
Eurobond Russia 30Y	4.976	0.008	5.953	3.914
EMBI +	549.26	-1.31	582.02	489.19
Stock Indexes	Close	Change	Min 12m	Max 12m
RTSI	1928.58	0.60	1931.38	1226.57
Micex	1766.53	0.96	1771.66	1197.39
S&P 500	1310.87	0.29	1310.87	1022.58
DJIA	12092.15	0.25	12092.15	9686.48
Brent	100.25	-1.73	103.18	67.20

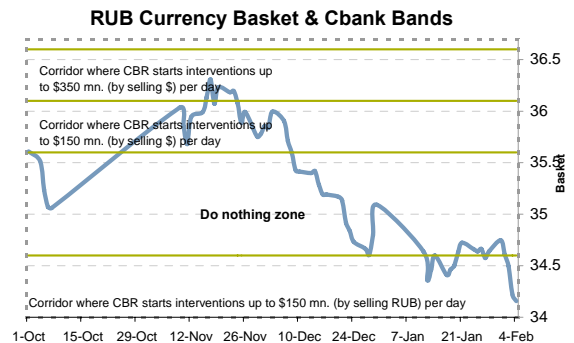


## Money Market

Liquidity is constantly increasing and total amount of liquidity in Russian banking system is higher than average level. RUB liquidity at Central Bank's accounts and deposits totals RUB1438 bn. (+3.7 bn.). Overnight interest rates increased higher 3% during Friday's session but then stabilized lower. Overnight interbank rates are pushed by rich liquidity down to Central Bank depo rate. From the other side money market is anticipating interest rates hike in the coming months. Some market participants expect minimum 25 bp depo rate hike. However liquidity factor is locally stronger than these expectations.

## Currency market

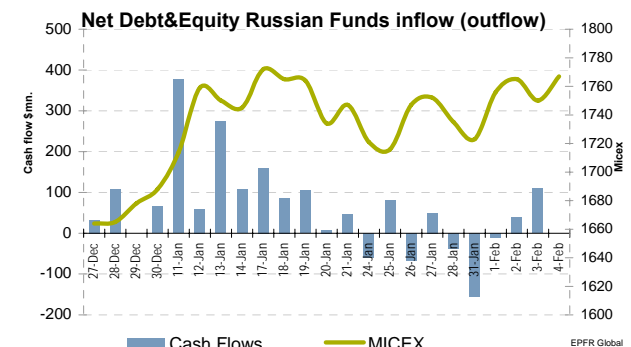
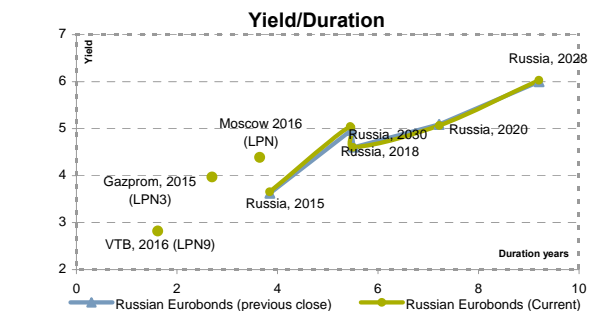
The RUB basket traded in a quite narrow range, remaining around 34.25 level on Friday, touching the new record lows of 34.12 during the session. USD rose by 4 kopeck against RUB, closing at 29.415, while the EUR/RUB cross finished the day below the 40 mark, ie at 39.93, which was by 23 kopeck below the previous close. The latter was a consequence of a quite sharp fall in EUR/USD toward the end of the session after the US non-farm payrolls report. Friday's inflation report for January strengthened the expectations that Central Bank of Russia (CBR) will further tighten monetary policy, which is RUB positive. Brent oil prices, remaining around USD 100/bbl. mark, imply "fair" market value of RUB basket below 33. Today's opening strong, below the Friday close. We are just above the level (34.10) where the CBR starts cumulative USD purchases - after USD 650m bought the CBR would shift the currency band down by 5 kopeck.



## Debt and Equity Markets

Russian stock market rose slightly during Friday's session. High oil prices pushed market higher, but today after good opening market shows weakness. Oil trades lower today and hit energy sector at the start of the week.

Debt MKT is gripped between to factors: anticipation of Central Bank interest rates hike deteriorates demand, but high oil prices, ample liquidity and expected low budget deficit help market not to fall. The interest rate curve of Russian domestic Treasuries is slightly lower. Prices of Russian dollar denominated state Eurobonds were mostly stable. Low volume of trade distorts the curve (see Russia 2030 and Russia 2018 issues).



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