

# Russian Markets - Daily

February 08, 2011

<b>Ruble enters overbought zone</b>	USD/RUB	29.25	▼
<b>Liquidity and Rates are stable</b>	EUR/RUB	39.89	▼
<b>Market waits for CBR signal</b>	RUB basket	34.04	▼

## Hot News

- The Central Bank of Russia has bought USD 645.7m and EUR 124.2m in January. For the first time since summer the CBR has bought the foreign currency as it appreciated.
- The share of non-performing bank loans to non-financial organizations as of January was at 5.7% of the total bank credit portfolio, which is lower than the month before (6%).
- Non-commercial (speculative) net long RUB positions increased to the total of 10,619 contracts from 609 the week before, the US Commodity Futures Trading Commission report on commitments of traders showed.
- Medvedev has set the deadline of March 1st 2011 for the government to come up with the suggestions on "formation and functioning of the special fund for attracting foreign investments to Russia".
- Russian bank VTB has landed Italy's Assicurazioni Generali SpA as a key investor in a \$3.6 billion fundraising roadshow that is seen as a test of overseas appetite for Moscow's privatisation drive. Russia's second-largest lender has pledged worth some \$400 million from the Italian insurer and U.S. private equity firm TPG Capital, but analysts expect it will need to offer a discount of between 5 and 15 percent to lure more buyers.

## Money Market

Liquidity is steadily increasing, making us confident that interest rates will stay stable. Total amount of liquidity in Russian banking system is higher than average level. RUB liquidity at Central Bank's accounts and deposits totals RUB1479 bn. (+40 bn.). Overnight interest rates are flat near Cbank depo rate. Market perception began to change recently. If earlier market has already priced at least 24 bp. Depo rate hike by Central Bank, today we see some hesitations. If inflation statistics is fine during February, Cbank can only rise reserve requirements but not the reference rate – this is new theme on the market. This perception makes liquidity factor stronger on the money market.

## Currency market

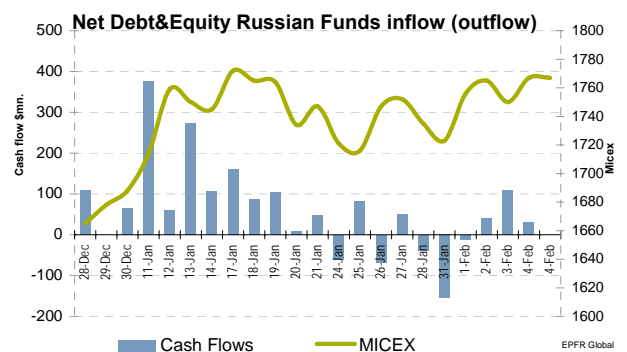
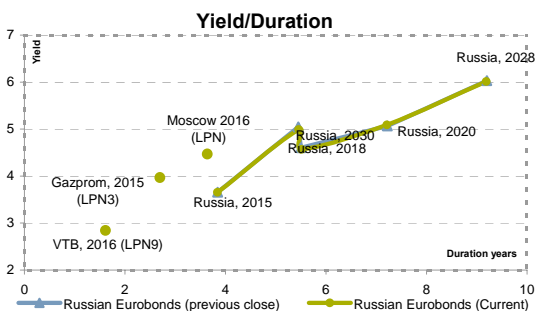
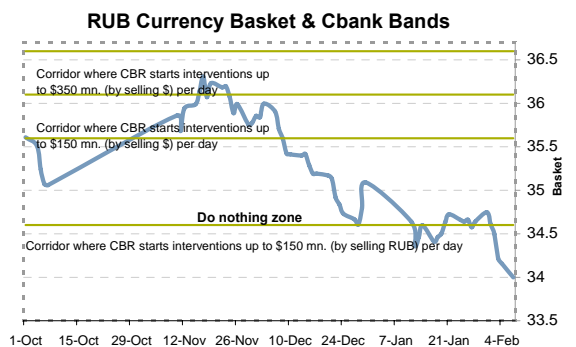
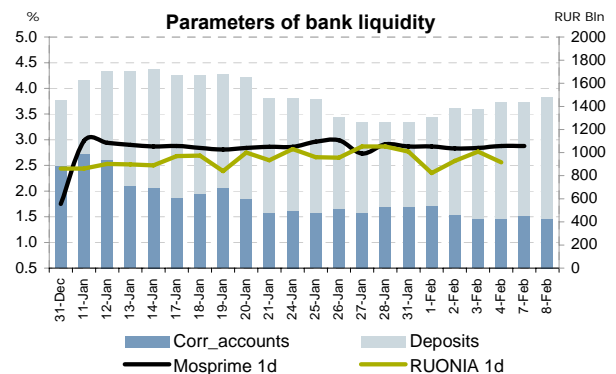
Yet another session of gains for RUB: the basket strengthened by 14.5 kopeck yesterday, closing just above the 34 mark - the level last seen only in May 2010. USD/RUB traded very narrowly, in the 29.34-29.4 range, while EUR/RUB fell by 23.5 kopeck, finishing the trading session at 39.695. Today's opening was just above the yesterday's close levels. The overall sentiment is RUB positive in the market - equity markets are trading in the green over night and here in the morning. Brent oil prices retreated less than 1% yesterday on relief over tension in the Middle East, but today edged up again, trading just below the USD 100/bbl mark. In level terms the price is still supportive to RUB - there is a buffer of at least USD 25/bbl (under USD 75/bbl) before we would need to worry. We see RUB basket at 33 by mid year. That being said, as we have now reached the psychological 34 mark, and the Central Bank is intervening in a cumulative way at these levels, so in the short term reaching new lows will be a bigger struggle, and after the recent rally profit-taking should not come as a surprise.

## Debt and Equity Markets

Russian stock market rose slightly during yesterday's session. First half of the day market spent under the pressure of weak oil prices dynamics. But then we saw rebounding due to growth on European markets and high internal liquidity. Today in the beginning of the session the background is the same and the intraday path can be repeated.

Debt market can meet higher demand as market participants review their expectation of soon interest rate hikes.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.319	29.481	29.779	30.527
EUR/RUB	39.976	40.171	40.519	41.396
Money Market	Close	Change	Min 12m	Max 12m
MosPrime 1M (%)	3.5	0	5.3	3.23
MIBOR 1m (%)	4.09	-0.02	6.1	3.81
RUONIA 1d (%)	2.56	-0.21		
Implied NDF yield 6m%	3.98	-0.01	5.6	3.17
Debt	Close	Change	Min 12m	Max 12m
Russia CDS 5yr	140	-1	218	123
Eurobond Russia 30Y	4.954	-0.022	5.953	3.914
EMBI +	548.35	-0.91	582.02	489.71
Stock Indexes	Close	Change	Min 12m	Max 12m
RTSI	1935.15	0.34	1935.15	1226.57
Micex	1767.31	0.04	1771.66	1197.39
S&P 500	1319.05	0.62	1319.05	1022.58
DJIA	12161.63	0.57	12161.63	9686.48
Brent	99.39	-0.86	103.18	67.20



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