

# Russian Markets - Daily

February 09, 2011

<b>Technical pressure on Ruble</b>	USD/RUB	29.31	▲
<b>Plentiful liquidity</b>	EUR/RUB	39.96	▲
<b>Market waits for inflation stats</b>	RUB basket	34.11	▲

## Hot News

- Russia's Finance Ministry placed 78.9 billion roubles (\$2.69 billion) of temporarily free budget funds in commercial banks on Tuesday. The weighted average rate came at 4.80 percent, while the cut-off rate was set at 4.70 percent.
- M&A activity in value terms in Russia rose by nearly 3 times in 2010 compared to the year before, showed research of the international CMS in cooperation with Mergermarket, where 100 managers in the M&A sector were surveyed. M&A activity is expected to expand further this year, helped by government initiatives, but also foreign direct investment flows, which 76% of respondents expect to accelerate this year.
- Gazprom oil" successfully issued RUB bonds for 30bn, which was one of the largest deals in the history of local corporate issuance. The issue attracted both local and foreign investors.
- The monetary base growth accelerated to 29.8% y/y in January from 26.6% y/y in December, according to the CBR data.
- The trade balance surplus was recorded at USD 167.4bn in 2010, thus increasing 1.2 times compared to 2009. EU is Russia's major trade partner, with 49% share in the total foreign trade.
- As of the 7th of February ConocoPhillips had all the equity in LUKOIL sold in the open market.

## Money Market

Liquidity is near monthly highs. Russia's Finance Ministry placed 78.9 billion roubles (\$2.69 billion) of temporarily free budget funds in commercial banks on Tuesday, further boosting already plentiful banking sector liquidity. Market is confident about interest rates. RUB liquidity at Central Bank's accounts and deposits totals RUB1525 bn. (+45 bn.). Overnight interest rates are flat near Cbank depo rate (2.75%). Today market is waiting for inflation statistics of 1<sup>st</sup> week of February. If inflation is relative low, Cbank can only rise reserve requirements but not the reference rate. Market perception about interest rate hike expectations can change dramatically. This will push interbank market even lower.

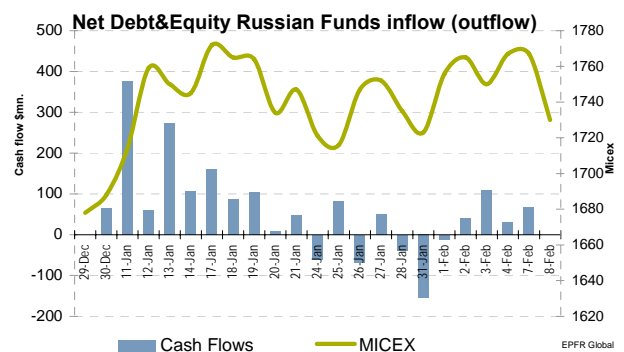
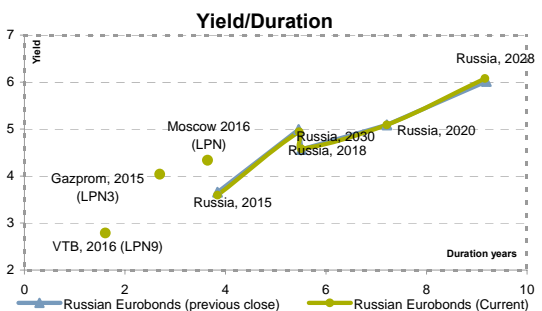
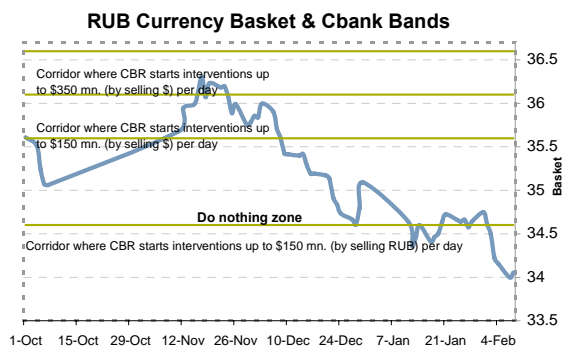
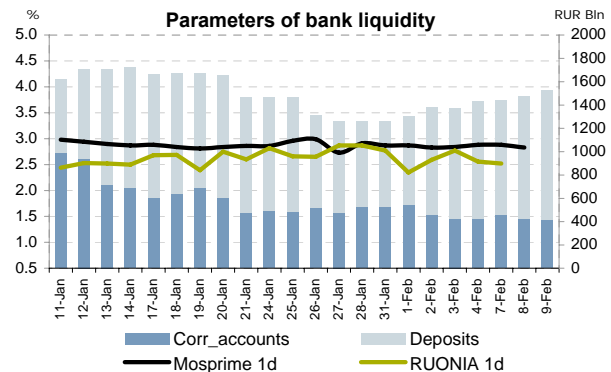
## Currency market

As expected, the RUB basket had difficulty squeezing through the psychologically and technically important level of 34.00, although there were a few attempts to penetrate it during the day, when the basket temporarily touched the 33.98 level. The news about interest rate from China hike sent the basket 10 kopeck higher in the afternoon, but the reaction was subdued and temporary, as the basket closed at 34.06, which is just 6 kopecks above the previous close, driven by the EUR leg: RUB weakened USD/RUB dropped by 7.24 kopeck, but EUR/RUB increased by 21.5 kopeck compared to the day before. Oil and stocks retreated yesterday after China's tightening move, but oil prices recovered again on concerns about potential supply interruption due to turmoil in Egypt. As long as oil prices remain at these high levels, strengthening trend in RUB is in tact even without further oil price increases. Today's opening was a few kopeck above yesterday's close. Bernanke's testimony tonight in the US will likely shake the EUR/USD, thus affecting the RUB drivers in the following session. 34.00 is the short term support, while 34.35 serves as a resistance for now.

## Debt and Equity Markets

Russian stock market showed relative sharp decline during yesterday's session. First half of the day market have been trying to stay at previous levels but China's tightening move accelerated selling. However this local downtrend was not supporter by external markets and today we saw positive opening. Technical factors still play against Russian market, but this is temporarily. Debt MKT: Russia will auction 60 billion roubles (\$2.05 billion) of OFZ treasury bonds this week -- 50 percent more than originally planned. Yield curves are stable.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.314	29.463	29.756	30.494
EUR/RUB	40.032	40.204	40.542	41.384
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.5	0	5.28	3.23
MIBOR 1m (%)	4.07	-0.02	6.1	3.81
RUONIA 1d (%)	2.52	-0.04		
Implied NDF yield 6m%	3.865	-0.115	5.5	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	138	-2	218	123
Eurobond Russia 30Y	4.929	-0.025	5.953	3.914
EMBI +	549.26	0.91	582.02	490.23
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1910.50	-1.27	1935.15	1226.57
Micex	1729.53	-2.14	1771.66	1197.39
S&P 500	1324.57	0.42	1324.57	1022.58
DJIA	12233.15	0.59	12233.15	9686.48
Brent	100.33	0.94	103.18	67.20



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