

Russian Markets - Daily

February 14, 2011

Strong Ruble	USD/RUB	29.24	▼
Rates are flat near depo rate	EUR/RUB	39.6	▼
Funds inflows continued	RUB basket	39.92	▼

Hot News

- Russia's PM Putin said VTB placement last week was a success, as Russian government raised USD 3.24bn for the sale of 10% stake in VTB. VTB CEO Andrei Kostin reported that the book for the secondary placement was twice oversubscribed. "This is proof of the trust in the Russian financial system" - commented PM Putin.
- According to Russia's first deputy central bank chairman Ulyukayev, who spoke in southeast European central bankers conference in Athens on Friday, the Russian economy will return to the pre-crisis level this year, and that he does not see "any possibility to have less than 4.2% growth this year". He also noted that the Central Bank is trying to minimize the interventions in the FX market, with smaller amounts of around USD 150-200 million per day.
- VTB, Russia's second largest bank, successfully placed Eurobonds for USD 750m at 6.315%, which is the lower end of the indicative levels (6.3 - 6.43%). According to the recently announced plan, VTB plans to issue USD 5bn this year, half of which - in the foreign markets.
- Russia will decrease the light car import tax from 30% to 25% upon entry to the WTO, announced Russia's key negotiator M. Medvedkov. The import duty was increased as an anti-crisis measure in 2009. He also noted that the next meeting of the working group will be held on the 29th of March.
- MinFin will offer RUB 30bn of budget funds to banks for 9.5 months in an auction with minimum rate of 5.15% .

Money Market

Liquidity is ample. RUB liquidity at Central Bank's accounts and deposits totals RUB1525 bn. (-26 bn.). Overnight interest rates are stable, waiting for Central Bank's actions. Market is trying to predict the next step of Central Bank which can raise interest rates or reserve requirements on the meeting in the end of February. But relative high inflation may force CBR to apply more strict policy, but strong RUB partially offsets the inflation threat. So the key focus now is inflation in February (next stats will be published on Wednesday).

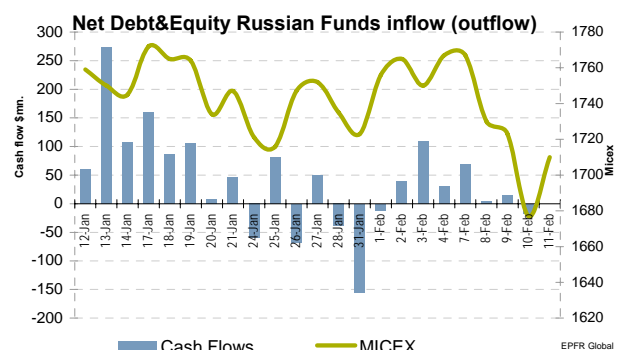
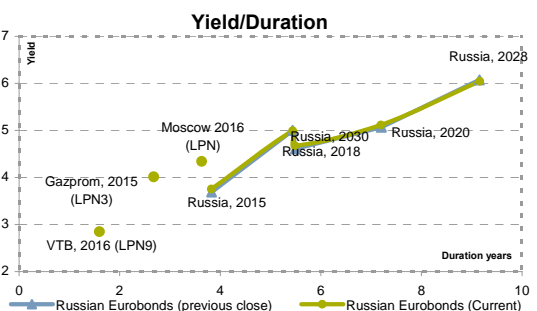
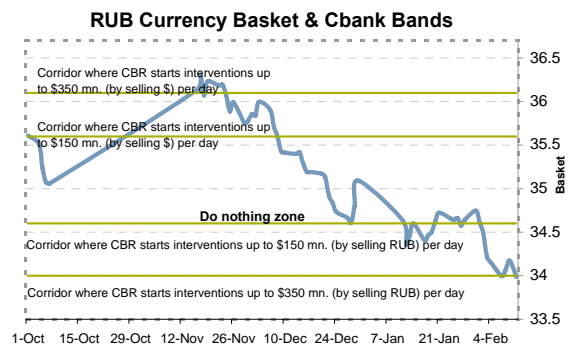
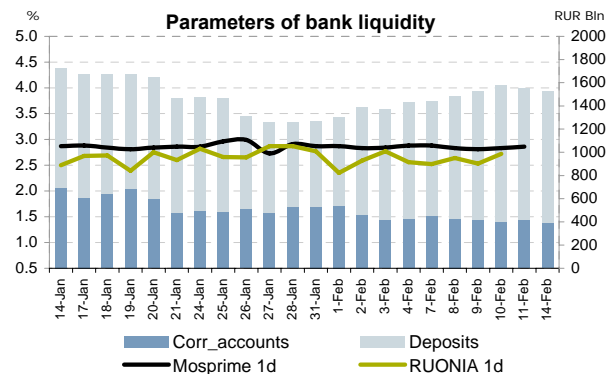
Currency market

The RUB basket breached the important level of 34.00 on Friday, reaching the new strongest levels since May 2010 and closing at 33.98, while the session lows were recorded at 33.93. The gains, which occurred in the background of rising oil and equity prices, were driven by EUR/RUB, which dropped by 19.5 kopeck compared to the day before and closed at 39.65, minimum of the previous month. Meanwhile, the USD/RUB dropped by 2.25 kopeck. Today's opening was strong, just below 34.00, consistent with the market optimism. Ulyukayev's comments on Friday that the Central Bank has reduced interventions and buys only USD 150-200m per day are consistent with our estimates of an average of USD 175 at levels just about 34, but as it drops below the Central Bank interventions double to an average of USD 350 per day, we estimate. But with the determination of the Central Bank to reduce interventions further, especially if RUB basket continues to strengthen, they will likely widen the RUB floating band from the current 4 RUB, which was set in October 2010. Clearly, such a move would signal that the Central Bank will not stand in the strengthening of the RUB.

Debt and Equity Markets

Russian stock market showed rebounding (+2%) at Friday's session on good corporate news and stable oil prices. Today we see continuation of growth. The tensions in Egypt were relieved, Asian indices strongly appreciated, Brent oil futures are relative stable above USD 100/bbl. Russia funds inflows continued for the 11th week in a row, the EPRF data showed, with USD 267m last week (to Wednesday) in contrast to outflows in similar sizes from other BRICs.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.355	29.511	29.798	30.512
EUR/RUB	39.768	39.943	40.2705	41.068
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.5	0	5.24	3.23
MIBOR 1m (%)	4.08	0	6.1	3.81
RUONIA 1d (%)	2.72	0.19		
Implied NDF yield 6m%	3.885	0.03	5.45	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	141	-3	218	123
Eurobond Russia 30Y	5.005	0.045	5.953	3.914
EMBI +	543.99	-8.32	582.02	493.07
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1881.90	1.89	1935.15	1226.57
Micex	1713.93	2.22	1771.66	1197.39
S&P 500	1329.15	0.55	1329.15	1022.58
DJIA	12273.26	0.36	12273.26	9686.48
Brent	101.67	0.33	103.18	67.20



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