

Russian Markets - Daily

February 15, 2011

New local Ruble highs	USD/RUB	29.28	▲
Rates are flat near depo rate	EUR/RUB	39.43	▼
Funds inflows continued	RUB basket	33.85	▼

Hot News

- Banks have increased lending to non-financial organizations by 0.5% m/m in January. According to the Central Bank's director of banking regulation and supervision A. Simanovsky, disregarding the exchange rate effect the banks have increased lending by 1.2% m/m in January. The credit to individuals decreased by 0.1% in January. The share of non-performing loans to individuals has edged up slightly from 6.91% to 7.04% from January to February, but decreased to corporates from 5.29% to 5.27%.
- Sberbank plans partial privatization in the second half of the year. "Likely in the coming months we will announce the strategy, and in the second half of the year we will arrange the issuance" - announced the bank chief G. Gref. The privatization plan envisions a sale of 7% of bank equity. But in value this share will be twice higher than the just completed VTB's privatization of 10% share, according to Gref.
- From the details of the just completed privatization of 10% government stake in VTB, the local investors acquired only 15% of the package. According to Finance Minister Kudrin, investors from many regions in the world took part in the deal - US, Europe, UK, Asia. The demand exceeded supply twice and those that offered best price and were regarded as reliable strategic partners were chosen. Among the foreign investors were the sovereign funds from northern Europe and Asia. After the sale the free float of VTB increased from 14.5% to 24.5%, with the bulk of it in the London Stock Exchange, said banks CFO H. Moos.

Money Market

Liquidity decreased slightly yesterday due to tax payments, interbank rates were volatile during the session but closed near previous levels. RUB liquidity at Central Bank's accounts and deposits totals RUB1492 bn. (-33 bn.). Money Market is 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 in the end of February. Due to Central Bank has moved its policy to inflation targeting, the key focus now is inflation in February (next stats will be published on Wednesday). January CPI was very uncomfortable.

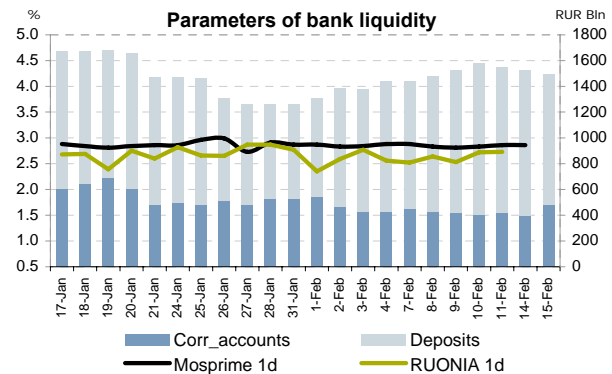
Currency market

The RUB basket strengthened further yesterday, falling comfortably below 34.00 and closing the day by 15 kopeck lower than the day before, at 33.85. The RUB has now strengthened by 4% from the beginning of the year and is clearly the leader among the EM currencies, including commodity currency peers. Just as in previous session the gains were mainly on the EUR side, as EUR/RUB fell by 27.5 kopeck and closed the session at 39.42. The drop was caused by a sharp correction EUR/USD. Meanwhile, USD/RUB dropped by 4.25 kopeck, finishing at 29.29. The Central Bank intervenes now with buying around USD 350 million per day, thus suppressing sharp RUB gains. But given the bullishness of the market unlikely will this stop the trend - on the contrary, the CB will likely succumb by widening the RUB band in an attempt to reduce interventions. Today's opening was strong, just 3 kopeck above the yesterday's close. Brent spot is back to triple digit, now at 102.50. Tax payment period begins in Russia, meaning the demand for RUB will increase locally - forcing the corporates to sell foreign currency, thus supporting RUB. 34.00 is now resistance, while another strong support is the last May's lows of 33.40.

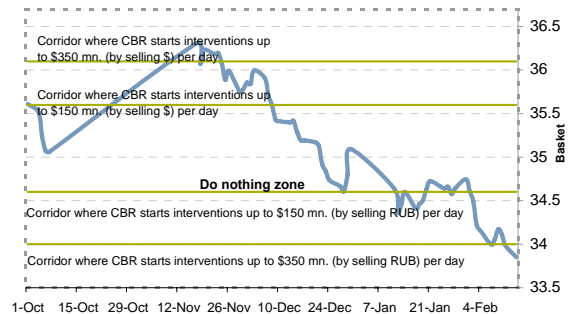
Debt and Equity Markets

Russian stock market was flat during Monday's session. Today we see the same levels on the opening, but high oil prices will support Russian market today. Russia funds inflows are slowing down, but new oil peaks are on the way and this will stimulate cash inflows. Attractive RUB also attracts investors.

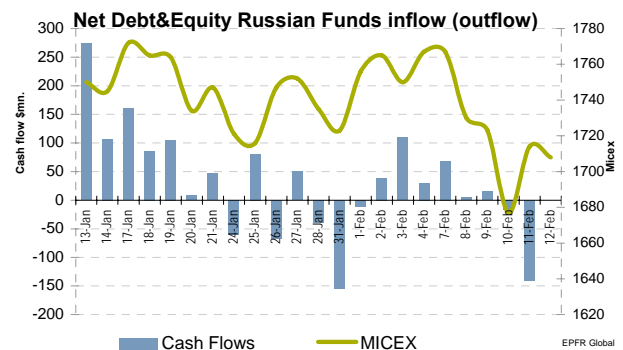
Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.342	29.499	29.788	30.488
EUR/RUB	39.525	39.705	40.04	40.815
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.49	-0.01	5.24	3.23
MIBOR 1m (%)	4.07	-0.01	6.1	3.81
RUONIA 1d (%)	2.73	0.01		
Implied NDF yield 6m%	3.91	0.025	5.45	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	145	4	218	123
Eurobond Russia 30Y	4.963	-0.042	5.953	3.914
EMBI +	543.37	-0.62	582.02	493.07
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1879.56	-0.12	1935.15	1226.57
Micex	1708.43	-0.32	1771.66	1197.39
S&P 500	1332.32	0.24	1332.32	1022.58
DJIA	12268.19	-0.04	12273.26	9686.48
Brent	103.36	1.69	103.36	67.20



RUB Currency Basket & Cbank Bands



Yield/Duration



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