

Russian Markets - Daily

February 18, 2011

Ruble is relatively stable	USD/RUB	29.23	▼
Liquidity is going to be lower	EUR/RUB	39.72	▲
Weak stats	RUB basket	33.97	▲

Hot News

- Retail sales increased 0.5% y/y (consensus: 2.8% y/y), while real wages rose 0.6% y/y (consensus: 1.5%). Retail sales and real wage growth were negatively affected by inflation, since in nominal terms growth is still at double digit rate, with nominal retail sales increasing 12.8% y/y in January and nominal wage growth remained at 10.2% y/y - just as in December. /Rosstat
- Unemployment picked up to 7.6% from 7.2% in December (consensus 7.5%), but on seasonal adjusted terms it fell from 7% in December to 6.9% in January which, according to Economy Minister Elvira Nabiullina, was better than expected. /Interfax
- Producer prices increased 19.6% y/y, highest rate in 11 months and more than expected (consensus: 18.7%) /Rosstat
- Russia's Economy Minister Elvira Nabiullina said Russia's GDP expanded 4.3% y/y in January /Interfax
- The Russian government may open the book for the first issuance of ruble Eurobond next week /Reuters
- The FX reserves declined by USD 0.9 to USD 468.1bn in the week between Feb. 4 and Feb 11 /CBR

Money Market

Liquidity decreased yesterday but interbank rates were stable during the session. Coming tax-paying period may deteriorate liquidity, next VAT and mineral extraction tax payments will be on Feb. 21 and Feb. 25.

Market is reviewing possibilities of interest rate hike in February. Quite weak retail sales, unemployment, fixed capital investments stats will be new arguments for CBR to keep interest rate unchanged. However uncomfortable inflation offsets these arguments. In spite of this contradictive points market rates are stable.

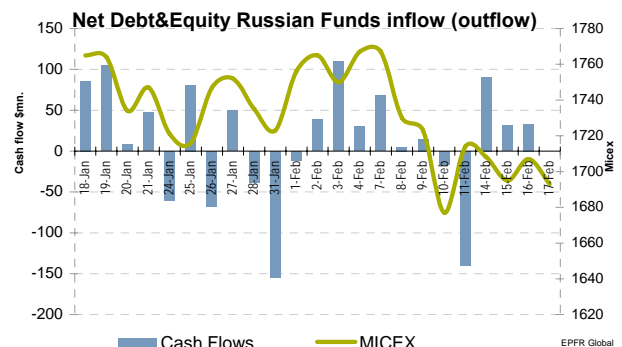
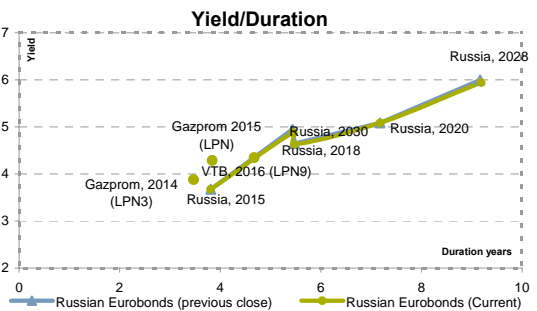
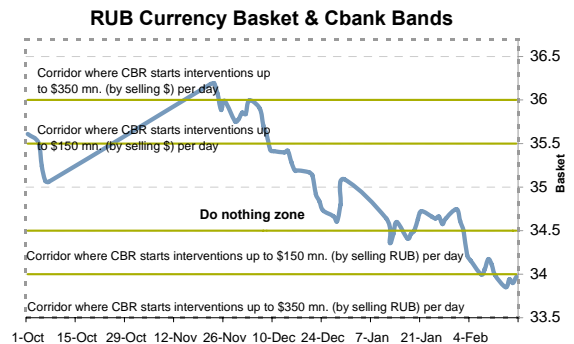
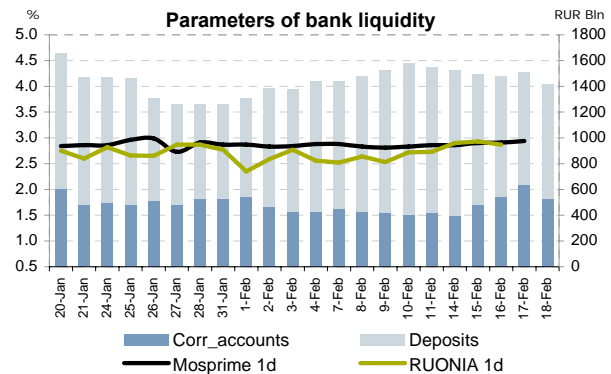
Currency market

Another day with no significant changes in RUB basket. It remained below the 34.00 level, closing at 33.99, which is 9 kopeck higher than the day before. RUB steadied against the USD, closing at 29.275, ie 4.5 kopeck lower than in the previous session. Meanwhile. EUR/RUB picked up 24.25 kopeck and finished the daily session at 39.75. Again, with USD/RUB keeping more or less stable, the RUB basket changes were purely a reflection of development in EUR/USD. The front month Brent oil future prices edged up toward USD 103/bbl here on Friday morning as the tensions in the Middle East persist, with now Iran asking the permission for two warships to pass through the Suez Canal. While the geopolitical tensions add to keeping oil prices high, unlikely they will fall even when tensions are resolved, since increasingly more indicators point toward strong recovery in world's major oil consumer, the US, with the most recent confirmation of that being yesterday's Philly Fed index rising to record highs last seen in April 2004. Today's opening was strong, around the same levels below 34.00, which will serve as a resistance in the short term. Tax payments due Feb. 21 and Feb. 25 support demand for RUB domestically.

Debt and Equity Markets

Russian stock market decline by 0.8% yesterday and stayed in previous diapason. Firm oil prices keep local market from technical correction. Today blue chips opened higher, but market is still weak. **Debt Market:** Strong demand on last two weekly government bonds auctions was because of high liquidity, strong ruble and the fact that central bank can keep interest rates unchanged even in February.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.316	29.47	29.751	30.429
EUR/RUB	39.84	40.01	40.33	41.09
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.5	0	5.18	3.23
MIBOR 1m (%)	4	-0.05	6.1	3.81
RUONIA 1d (%)	2.87	-0.06		
Implied NDF yield 6m%	3.815	-0.06	5.08	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	145	1	218	123
Eurobond Russia 30Y	4.856	-0.053	5.953	3.914
EMBI +	546.27	1.83	582.02	493.56
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1871.59	-0.31	1935.15	1226.57
Micex	1692.91	-0.83	1771.66	1197.39
S&P 500	1340.43	0.31	1340.43	1022.58
DJIA	12318.14	0.24	12318.14	9686.48
Brent	102.54	-1.42	103.96	67.20



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