

# Russian Markets - Daily

February 21, 2011

<b>Ruble is flat vs. basket</b>	USD/RUB	29.14	▼
<b>Liquidity is under the pressure</b>	EUR/RUB	39.88	▲
	RUB basket	33.98	▲

## Hot News

- The sale of Bank of Moscow shares owned by the city of Moscow will be likely finalized in March, according to Moscow's vice mayor A. Sharonov. To the journalist's question on whether shares will be sold to VTB or some (other) buyer, Sharonov replied "some buyer". /Vedomosti
- FDI in Russia in 2010 amounted to 12-14 billion dollars, said Finance Minister A. Kudrin, speaking at the Krasnoyarsk Economic Forum. According to him, "it is not enough" as in "the best years it reached 27 billion dollars". /RBK A.
- Kudrin noted that it will be "very difficult" to remain below the 7% inflation target this year. Nevertheless, the target will not be changed for the time being. According to Kudrin, not only food prices is a concern now, but there is also a risk of losing control over monetary factors. Therefore the government has decided not to spend all the excess oil and gas revenues this year. /RBK
- Sollers, Russia's second largest car maker, signed a 50:50 joint venture agreement with Ford for production and distribution of Ford car models in Russia. The operations of the joint venture are expected to start by the end of 2011. /Lenta.ru

## Money Market

Liquidity is stable, interbank interest rates are on the same levels, waiting for Central Bank's signal. Coming tax-paying period may deteriorate liquidity, next VAT and mineral extraction tax payments will be today and on Feb. 25. However we do not expect that taxes can have sizable influence on the money market. The main factors are expectations regarding CBR policy. Market is trying to assess possibilities of interest rate hike in February. Quite weak macroeconomic statistics can be an argument for CBR to keep interest rate unchanged in spite of uncomfortable inflation.

## Currency market

RUB basket remains range-bound, strengthening by just 2 kopeck on Friday and closing at 33.957. The gains were mainly due to USD/RUB dropping by nearly 10 kopeck from the previous session. Meanwhile, EUR/RUB picked up 4 kopeck from previous day's close. During the session USD/RUB was reaching record low levels of 29.14, last seen in May 2010.

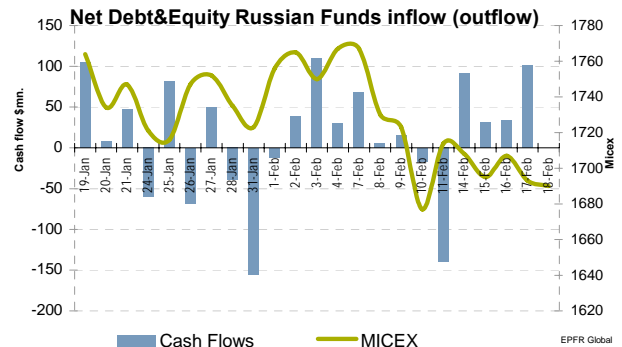
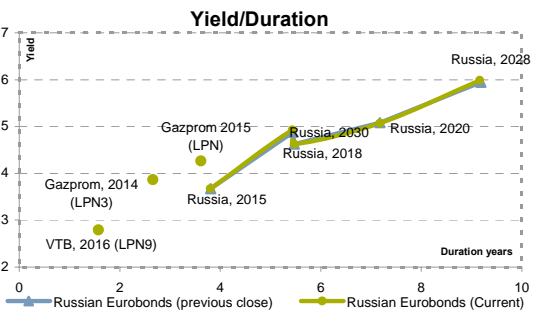
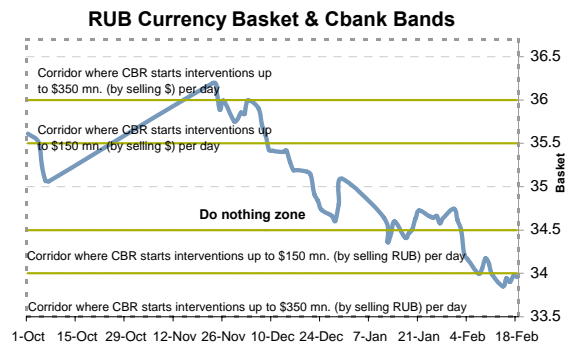
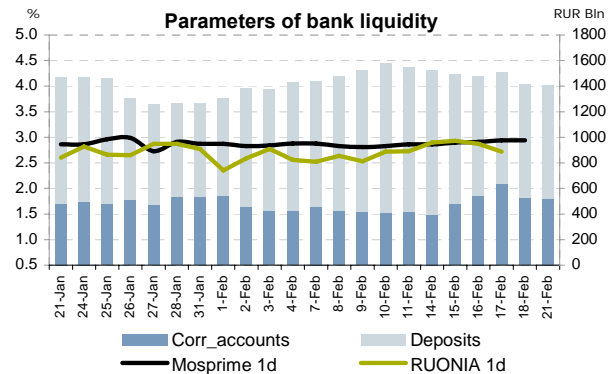
RUB got slightly weaker to EUR on the back of strengthening EUR against USD after ECB governor's L. B. Smaghi hawkish comments. But despite the size of the movement the RUB held relatively ok. Today's opening was strong at exact same levels as Friday's close. RUB basket seems to have settled at these levels, as the speculators lack strength to push further, given the fact that we are already at 10-month lows in RUB basket and knowing that Central Bank of Russia intervenes with a USD 350m/day, suppressing the move. But the key variable - oil prices - seem to matter, as the front month Brent moved up by 1 USD from Friday on geopolitical conflicts (Egypt approved the entry of two Iranian waships to the Suez Canal), thus helping the USD/RUB fall to 29.11 here in the first minutes of the trading session today. To move the basket significantly lower, though, we would probably need to see some EUR/USD burst lower or more optimism in the equity markets, which currently are nervous over the tensions in the Middle East. We are still in the tax period, so local demand for RUB should persist, thus 34.00 will likely remain strong resistance level.

## Debt and Equity Markets

Russian stock market was flat during last week. Firm oil prices support local market from correction, but small amount of trading ideas and technical moments offset commodity factor. Today blue chips opened higher, but market is still weak and we can close little bit lower.

**Debt Market:** Strong demand on last government bonds auctions was because of high liquidity, strong ruble and the fact that central bank can keep interest rates unchanged even in February. Ministry of Finance savor the moment.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.19	29.35	29.629	30.304
EUR/RUB	40.15	40.3275	40.6475	41.189
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.5	0	5.16	3.23
MIBOR 1m (%)	4.08	0.08	6.06	3.81
RUONIA 1d (%)	2.72	-0.15		
Implied NDF yield 6m%	3.81	-0.005	4.9	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	146	1	218	123
Eurobond Russia 30Y	4.892	0.036	5.953	3.914
EMBI +	546.05	-0.22	582.02	493.98
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1868.40	-0.17	1935.15	1226.57
Micex	1690.11	-0.17	1771.66	1197.39
S&P 500	1343.01	0.19	1343.01	1022.58
DJIA	12391.25	0.59	12391.25	9686.48
Brent	103.71	1.17	103.96	67.20



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