

# Russian Markets - Daily

February 22, 2011

<b>Ruble grows vs. EUR</b>	USD/RUB	29.32	▲
<b>Oil supports basket</b>	EUR/RUB	39.68	▼
<b>Liquidity is under the pressure</b>	RUB basket	33.984	▲

## Hot News

- In an interview to the Russian TV channel Russia-24 Finance Minister was asked about whether the ruble strength will not hurt producers. He acknowledged the challenges, but said that stronger ruble, on the other hand, will help tame inflation. So, the choice needs to be made. And given the fact that the Central Bank has decided to move toward inflation targeting, he said, the choice will be made toward inflation targets, if the plan is followed./Russia-24
- Kudrin said that the government budget will be balanced by 2014 if the oil prices remain at the present high levels of around USD 100/bbl. /Russia-24
- According to Kudrin, it will be possible to maintain inflation within the range of 7-8% this year./Russia-24
- Kudrin rejected possibility of raising taxes over the next 3-4 year period, as it will hamper economic growth. "I don't think that we have more room for increasing taxes" - he said. /Russia-24
- Bank of Moscow elected a new 15-member board of directors. Among them - five VTB representatives, including VTB's CEO A. Kostin and his first deputy M. Kuzovlev. VTB, Russia's second largest bank by assets, controlled by government, is planning to buy 100% of Bank of Moscow and take over control in H1 2011 after purchasing the Moscow city's 46.5% stake in the bank./Vedomosti

## Money Market

Liquidity decreased slightly due to tax payments, RUB liquidity at Central Bank's accounts and deposits totals RUB1314 bn. (-92 bn.). But still the main focus is Central Bank's next move. Money Market is waiting for Central Bank's signal. Market is trying to assess possibilities of interest rate hike in February. Firm RUB will help to tame inflation and it can be less important argument for CBR. From the other side quite weak macroeconomic statistics can be more important for CBR and the reference rate can be kept unchanged in spite of uncomfortable inflation.

## Currency market

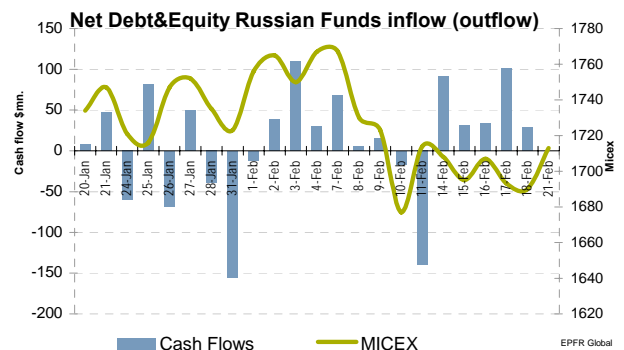
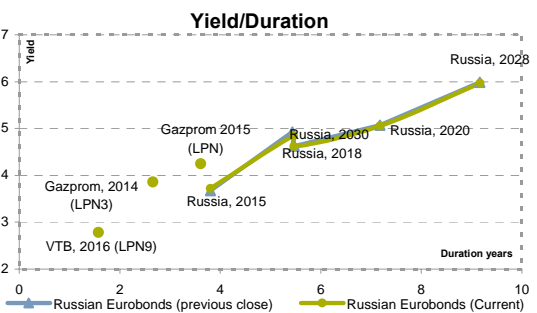
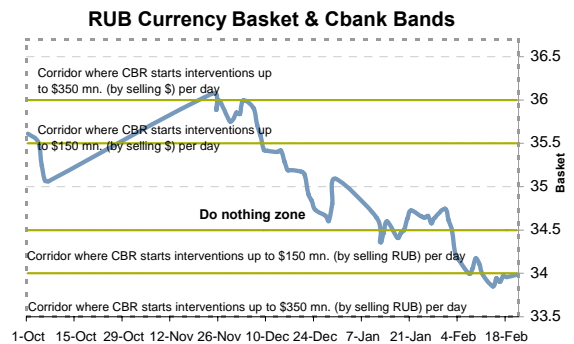
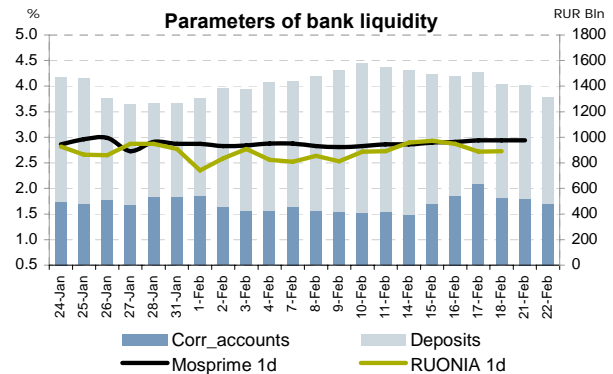
Another deja vu day for the RUB basket - yesterday's close was just 4 kopeck above the previous session, as the basket remained below 34.00, closing at 33.99. USD/RUB was trading in a tight range of 29.15-29.18, closing at 29.17, while the EUR/RUB closed at 39.88, ie by 8.6 kopeck higher than the day before. There have been dramatic changes over the night. The oil price rise has escalated, as the pro-democratic movements have now shifted to Libya, first major oil producer (produces about 1.5bn bbl/day). The risk appetite has been hit, as the equity markets have been bleeding. EUR/USD has fallen sharply during the night, causing the EUR/RUB open by 12 kopeck lower than in the previous session, while the USD/RUB edged by several kopeck higher. The basket strengthened by 4 kopeck at the opening. We are now hovering at the levels (33.95) where the Central Bank doubles interventions from USD 150m/day to USD 350m/day, switching to the cumulative intervention mode. Tomorrow the Russian markets are closed on holiday, so the markets might lack direction today. But domestic interest to buy RUB for tax payment purposes is still there. 34.00 still remains a strong resistance.

## Debt and Equity Markets

Russian stock market increased by 1,5% yesterday. New oil price's peaks supported local market. But small amount of trading ideas and technical moments offset commodity factor today. Blue chips opened lower.

**Debt Market:** Yield curves are stable. 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.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.359	29.512	29.8	30.492
EUR/RUB	39.751	39.931	40.254	41.006
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.5	0	5.16	3.23
MIBOR 1m (%)	4.07	-0.01	6.06	3.81
RUONIA 1d (%)	2.73	0.01		
Implied NDF yield 6m%	3.85	0.04	4.9	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	148	2	218	123
Eurobond Russia 30Y	4.872	-0.02	5.953	3.914
EMBI +	546.05	0	582.02	494.6
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1889.33	1.12	1935.15	1226.57
Micex	1712.63	1.33	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	107.65	3.94	107.65	67.20



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