

Russian Markets - Daily

March 02, 2011

New RUB peaks	USD/RUB	28.61	▼
Interest rates stabilized	EUR/RUB	39.39	▼
Liquidity slightly increased	RUB basket	33.47	▼

Hot News

- The floating RUB basket band was widened from 4 RUB to 5 RUB as of March 1, Central Bank of Russia chief Ulyukayev announced. The RUB band versus the basket now stands at 32.45 - 37.45. Cumulative (at the margin) intervention size was reduced from USD 650m/day to USD 600m/day. /Reuters
- Ulyukayev noted today that inflation situation "remains worrying", but that the CBR measures, as well as stronger RUB, will help suppress inflationary pressures. /Reuters
- CBR bought USD 4.5bn in the currency market, Ulyukayev revealed. /Reuters
- Chairman of Vnesheconombank (VEB) Vladimir Dmitriev said that they might consider participating in the privatization of Sberbank, Russia's largest state-owned bank. According to government's privatization plan, 7.6% government stake in Sberbank will be on offer during 2011-2013. A few weeks ago CEO of Sberbank German Gref noted that they might sell the stake as early as H2 2011. /RIA Oil Reserve Fund asset value was at RUB 755.82bn (USD 26.12bn) as of 1 March, which is by RUB 14.42bn less than a month ago /Reuters

Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits stabilized along with interest rates. The major factor for the money market disbalances was Central Bank's interest rate hike. DEPO rate was raised to 3.00 percent and overnight interbank rates temporarily increased by 50 bp. However yesterday overnight interbank rates stabilized slightly above depo rate. Repo rates also decreased, indicating quite healthy situation on the money market. We expect liquidity to recover in the beginning of the march.

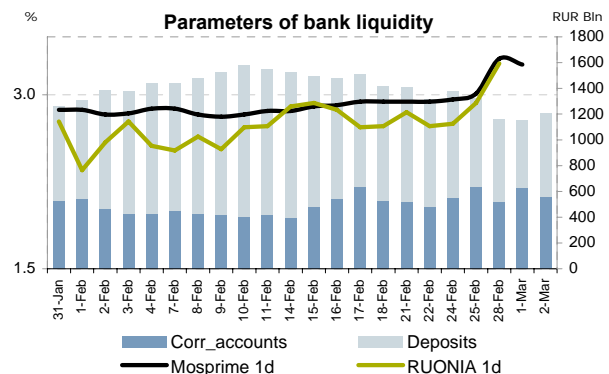
Currency market

Here we are - the expected RUB band widening, which we warned about several times in the previous two weeks. As RUB continued rallying during the trading session, CBR came out with the announcement that they widen the band from 4 RUB to 5 RUB as of 1 March. Stronger RUB is clearly among the best measures they have to fight inflation - that's why they haven't said a SINGLE word against RUB strength in the recent months. Ulyukayev also noted that inflation situation "remains worrying". He also said that in the short term stronger RUB is more likely than weaker. Now floating RUB bands stand at 32.45 - 37.45. RUB basket reached out for 33.47 here in the first minutes of the trading session. RUB strengthens despite the currently negative market risk sentiment, but supported by renewed tensions in the Middle East, translating into front month Brent prices, now trading around USD 115.5/bbl, up from USD 112/bbl yesterday. We are long RUB. 33.40 - April's lows - remains the short term support. If RUB continues strengthening, further band widening from CBR could be expected.

Equity and Debt Markets

Stock market indexes decreased by more than 1% on high oil prices, corporate news. Banking sector was the underdog. Energy sector will support the market during coming period of negative market risk sentiment. Today blue chips started lower on US and Asia negative dynamics. Interest rates hike had only small impact on bond prices due to market has already priced this CBR move. The next monetary tightening can have negative impact on bond market.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	28.715	28.857	29.13	29.809
EUR/RUB	39.489	39.649	39.944	40.2586
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.5	-0.01	4.86	3.23
MIBOR 1m (%)	4.04	0	5.68	3.81
RUONIA 1d (%)	3.27	0.34		
Implied NDF yield 6m%	3.675	-0.11	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	137	-1	218	123
Eurobond Russia 30Y	4.726	-0.069	5.953	3.914
EMBI +	549.76	0.66	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1962.66	-0.37	1969.91	1226.57
Micex	1758.44	-1.09	1777.84	1197.39
S&P 500	1306.33	-1.57	1343.01	1022.58
DJIA	12058.02	-1.38	12391.25	9686.48
Brent	115.87	3.48	115.87	67.20



RUB Currency Basket & Cbank Bands



Yield/Duration

