

Russian Markets - Daily

March 03, 2011

RUB rallied	USD/RUB	28.33	▼
Interest rates stabilized	EUR/RUB	39.30	▼
Liquidity increased	RUB basket	33.259	▼

Hot News

- During the period from 22 to 28 February 2011 inflation in Russia amounted to 0.1%, from the beginning of the month - 0.8%, from the beginning of the year - 3.2%. Inflation rates have slowed from the previous week, when inflation was at 0.2% w/w. /Rosstat
- S&P said they put the rating of VTB bank under review for potential downgrade, as the time is needed to assess the consequences of VTB buying the 46.5% share in Bank of Moscow. Currently VTB's rating is BBB. /Reuters
- The company TNK-BP is ready to buy 5% stake in BP for 5 billion pounds (USD 8.16 billion). In such a move TNK-BP might hope to settle the ongoing dispute with BP because of a deal with Rosneft. The joint venture TNK-BP intends to acquire a stake in BP, then swap it to 10% in Rosneft. /The Times
- Member countries of the Customs Union (CU) see no need to introduce a single currency in Russia, Belarus and Kazakhstan, said the first deputy prime minister Igor Shuvalov. "The single currency is not yet a need" - he said. /News 24
- Russian oil production stood at 10.23 million barrels per day in February, up from 10.21 million barrels per day in January, the Energy Ministry data showed.
- Russia's service sector growth slowed for the second month in a row in February, as surging prices dented consumer demand. PMI for the service sector fell to 53.4 in February from 54.2 in January.

Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits slightly improved as it was expected earlier. It is usual dynamics for the beginning of the month. Interest rates also stabilized. After Central Bank increased DEPO rate to 3.00 percent, overnight interbank rates experienced some volatility but right now rates stabilized slightly above depo. Increasing liquidity will keep them near this floor level.

Currency market

RUB basket appreciated further yesterday after the CBR widened the floating band the evening before. As expected, the basket crashed to the 33.40 level and closed the session even lower - at 33.31, which was 33 kopeck lower than the day before. Both USD and EUR couldn't resist RUB strength: USD lost 30.5 kopeck to RUB and EUR lost 36 kopeck compared to the previous session. This way the RUB basket has strengthened by 50 kopeck in just two days. RUB has clearly been the leader among EM currencies - the "safe haven" amid turmoil in the Middle East. The basket is now trading below 33.45 - the level below which the CBR likely starts cumulative interventions, buying around USD 300m/day. Front month Brent oil prices retreated from above USD 116/bbl yesterday to just above USD 114/bbl here in the morning on the news of a potential peace deal in Libya coordinated by OPEC-member Venezuela. But Asian stocks gained nicely over the night, reflecting risk appetite. RUB opening was strong again, at 33.29, and reaching 33.23 in the first minutes of the session. RUB is stronger than that was last seen only in autumn 2008. We expect RUB basket to target 33.00. 34.40 level was breached, but we still need to see a follow through today to confirm the breakdown.

Equity and Debt Markets

Stock market indexes slightly increased yesterday on high oil prices. Energy sector – the leader of a day, banking sector was the outsider. Today blue chips started higher and have opportunity to touch local peaks.

Bonds: Russia sold 18.4 billion rubles (\$640.9 million) of OFZ treasury bonds at a top-up auction on Wednesday. The average yield at the tender of August 2016 OFZ was 7.62 percent, offering a small premium (secondary market trades 7.58%). Budget is expected to post a surplus in February-March, the Finance Ministry has no urgent need for borrowing. Demand for the paper was boosted by the strong rouble.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	28.449	28.592	28.851	29.491
EUR/RUB	39.0835	39.2624	39.5445	40.54
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.5	0	4.69	3.23
MIBOR 1m (%)	4.13	0.09	5.68	3.81
RUONIA 1d (%)	3.14	-0.13		
Implied NDF yield 6m%	3.58	-0.095	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	136	-1	218	123
Eurobond Russia 30Y	4.637	-0.089	5.953	3.914
EMBI +	550.7	0.94	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1991.29	1.46	1991.29	1226.57
Micex	1765.38	0.39	1777.84	1197.39
S&P 500	1308.44	0.16	1343.01	1022.58
DJIA	12066.80	0.07	12391.25	9686.48
Brent	115.63	-0.24	115.87	67.20



