

Russian Markets - Daily

March 09, 2011

RUB seems reached local peak	USD/RUB	28.29	▲
Overnight rates are lower	EUR/RUB	39.33	▼
Liquidity is rebounding	RUB basket	33.27	▲

Hot News

- CBR chief Ulyukayev said they bought around USD 1bn interventions in the first four days of March. He also said that the first estimate of USD 13bn for private capital outflow in January could be revised down. /RIA
- Prime Minister Putin said that the government will facilitate further decreases in mortgage interest rates. He noted that these "just recently" were around 14-14.5%, on average, and now have decreased to 12.6%-12.7%, which is nearly at the lowest levels of the pre-crisis period (12.5%). /RIA
- Putin said that inflation will reach the yearly target (6-7%) already in June. /RIA
- According to Putin, the wages in the public sector will be indexed twice this year. It is already planned to increase wages by 6.5% from June this year. But government "understands that this is not enough", said Putin, and government will consider "mobilization" of financial resources to make a further increase in autumn. /RIA

Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits continue to improve (+ RUB 27 bn). We see traditional liquidity improvement in the beginning of the month. Banking system liquidity have been constantly increasing during last week. Interest rates also stabilized after turmoil when Central Bank has increased DEPO rate to 3.00 percent. But right now rates are approaching this floor. Increasing liquidity will help to keep interbank overnight interest rates near CBR depo level. The problems will appear in the end of the month during tax paying period. The anticipation of next CBR monetary policy step will also be an issue for the money market.

Currency market

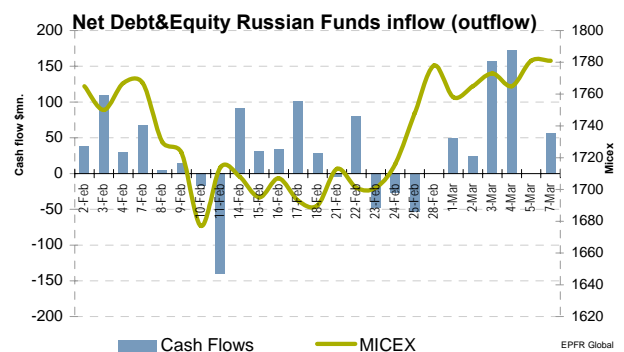
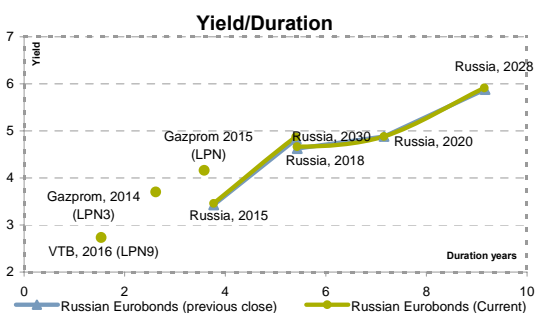
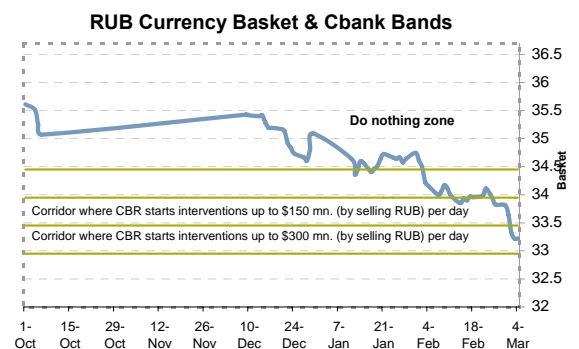
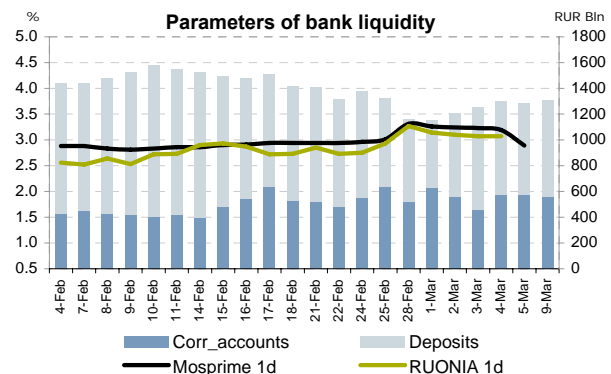
The Russian markets were closed on Monday and Tuesday, but traded on Saturday instead. In a thin trading session the RUB basket remained nearly unchanged. It rose by 5 kopeck compared to Friday's session, finishing the day at 33.28. It was mainly the stronger EUR that drove the gains, as EUR/RUB increased by 10 kopeck compared to the day before, closing at 39.47. No sharp movements in EUR/USD are expected this week oil thin data calendar, thus RUB has scope to gain against EUR as well. The market sentiment is neutral for today. The oil prices retreated during the night as Saudi Arabia reiterated they have "sufficient" capacity to increase oil production, with front month Brent trading just above USD 112/bbl here in the morning. But Asian stocks advanced, reflecting the presence of risk appetite in the markets. The RUB opening was just at the Saturday's close levels. The CBR is intervening now in a cumulative way and the floating band is now by 5 kopeck lower from the range they announced last week - that is, at 32.40 - 37.40. We believe there is more scope for RUB strengthening. Yet a short term profit taking should not be surprising after the recent rally.

Equity and Debt Markets

Stock market indexes increased slightly in the end of last week, but turnover was very low due to holiday's eve. Today blue chips started little bit higher but local commodity market weakness can make Russian market's dynamics flat.

Bonds: Demand for the paper is boosted by the strong ruble, which is partially offset by expectations of more strict monetary policy. Yield curves are stable.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	28.31	28.45	28.716	29.349
EUR/RUB	39.382	39.522	39.797	40.442
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.49	-0.01	4.54	3.23
MIBOR 1m (%)	4.08	0	5.47	3.81
RUONIA 1d (%)	3.07	0		
Implied NDF yield 6m%	3.645	0.025	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	125	-3	218	123
Eurobond Russia 30Y	4.615	-0.182	5.953	3.914
EMBI +	554.13	2.02	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	2025.17	0.62	2025.17	1226.57
Micex	1780.62	0.89	1780.62	1197.39
S&P 500	1321.82	0.89	1343.01	1022.58
DJIA	12214.38	1.03	12391.25	9686.48
Brent	112.50	-3.47	115.97	67.20



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