

Russian Markets - Daily

March 11, 2011

RUB retreated	USD/RUB	28.62	▲
Rates stays the same	EUR/RUB	39.60	▲
Liquidity slightly decreased	RUB basket	33.57	▲

Hot News

- Russia's foreign trade value was recorded at USD 44.781bn in January this year and compared with January last year grew by 19.6%. The trade surplus was at USD 16.3bn. /Federal Customs Service
- During the week from 1 to 5 of March inflation in Russia amounted to 0.1%, which was lower than during the same period last year. Since the beginning of the year the consumer prices rose 3.3%. /Rosstat
- The volume of international reserves of the Russian Federation as of March 4, 2011 was USD 497.2bn versus USD 492.2bn on February 25, 2011. Thus, for a week the international reserves increased by USD 5bn, which was higher than the USD 4.8bn in the previous week. /CBR
- Russia's President signed a decree "On Measures to Implement UN Security Council Resolution 1970 on 26 February 2011", banning the supply of Libya's weapons. /Reuters

Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits stopped to improve and showed not sizable decline (- RUB 26 bn). However banking system liquidity has been constantly increasing during last couple of weeks and this fact is more than reassuring. Interbank interest rates keep staying near Central Bank's depo rate level that was set at 3.00 percent.

The end of the March will be more intense for the Money Market. Next CBR meeting will take place at the end of the month. Market do not expect depo rate hike, but it is quite possible. The anticipation of next CBR monetary policy step is the main issue for the money market. Tax paying period also should be taken into account. Next tax payment will be on March 15.

Currency market

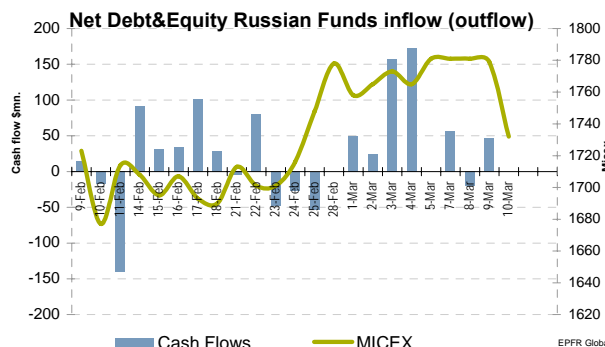
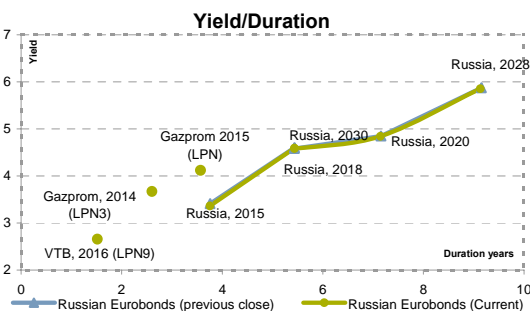
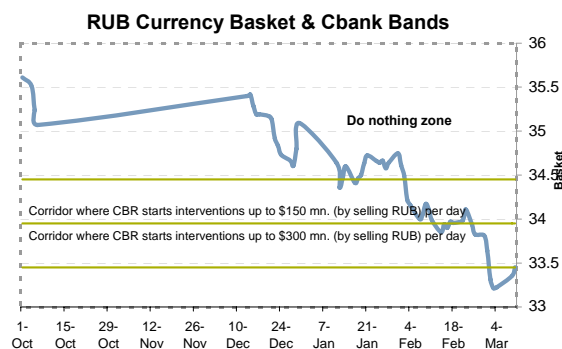
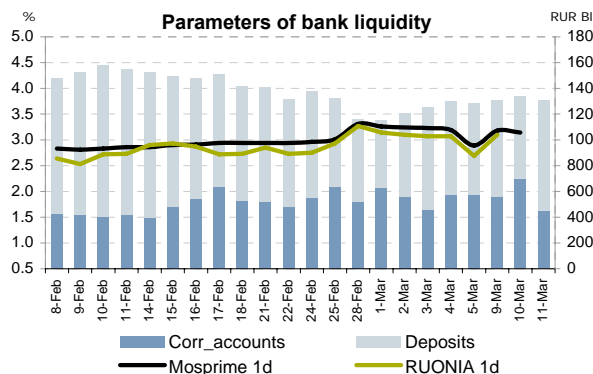
Another day of RUB basket gains - in the yesterday's session it finished 10 kopecks higher, at 33.46. As in the previous day, it was mainly USD leg which drove the basket higher: USD/RUB rose by 17.25 kopeck compared to the previous day's close. Meanwhile, EUR/RUB remained nearly unchanged, finishing at 39.45 - ie just 1.5 kopeck higher than the day before. The RUB retreating is no surprise, given the current market conditions: USD has been strengthening broadly several days in a row now, as a sign of risk aversion in the markets. All EM currencies have tough time now. The equity markets still trade southway, with Asia tonight bleeding another 0.5-1%. Oil prices - front month Brent - remain persistently high at just above USD 114.5/bbl now. But the market sentiment seems contaminated with the negative news and rumors over potential restructuring of PIGS debt after yesterday's downgrade of Spain. Today RUB opened at just yesterday's close. We expect further RUB strengthening, but need to see a new wave of risk appetite in the markets for the entry signal.

Equity and Debt Markets

Stock market indexes slumped on very weak external background. Local RUB weakness added fuel to the fire. Commodity market is going down on inflation concern in China and expectations of interest rate hike. Today blue chips started lower. However market can find the floor in the beginning of the session and then start to rebound. Russian equity fund statistics shows net inflow in spite of weak background.

Bonds: Demand for the bonds can show local decline on ruble downtrend. However ample liquidity in the banking sector encouraging investors to place funds in paper. Yield curves are stable.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	28.684	28.83	29.092	29.745
EUR/RUB	39.5375	39.695	39.9675	40.636
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.47	-0.02	4.34	3.23
MIBOR 1m (%)	4.08	0.07	5.47	3.81
RUONIA 1d (%)	3.1	0.41		
Implied NDF yield 6m%	3.695	0.07	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	128	4	218	123
Eurobond Russia 30Y	4.649	0.047	5.953	3.914
EMBI +	554.46	-0.18	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1949.35	-3.12	2017.82	1226.57
Micex	1731.80	-2.67	1779.24	1197.39
S&P 500	1295.11	-1.89	1343.01	1022.58
DJIA	11984.61	-1.87	12391.25	9686.48
Brent	114.61	-1.59	116.20	67.20



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