

Russian Markets - Daily

March 14, 2011

RUB retreated further	USD/RUB	28.66	▲
Liquidity is under tax pressure	EUR/RUB	39.91	▲
Rates stays the same	RUB basket	33.73	▲

Hot News

- Russia's largest state-owned bank Sberbank announced the agreement to buy 100% of Troika Dialog - one of Russia's largest private investment banks - for USD 1bn and an additional fee payable in 2013, depending on business results. "This is a strategically important deal for Sberbank" - said bank's CEO G. Gref, reiterating the long term plan to expand into investment banking business. Sberbank is purchasing 63,6% of Troika Dialog stake owned by its management and 36,4% stake owned by the South African Standard Bank. /IFX-News
- The government budget balance was recorded at a surplus in the first months of 2011. The budget surplus amounted to bn 53.8 RUB, which is 0.7% of GDP. /Reuters
- IMF announced it may raise the 2011 forecast for Russian inflation and growth. Their current forecast for GDP growth is 4.5%, and "it is possible that it will be revised upwards in light of the higher-than-expected oil prices" - IMF's senior representative for Russia Odd Per Brekk said on Friday. /Reuters
- Raising energy tariffs might curb economic growth in Russia in the medium term, said Russia's Economy Minister Nabiullina. According to her, along with increased insurance premiums, such growth rates in electricity prices for small business exerts an overwhelming influence. /RIA

Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits decreased by RUB 39 bn. Tomorrow companies pay profit taxes and liquidity probably will continue to decline further. However the level of banking system liquidity is comfortable on current levels. Interbank interest rates keep staying near Central Bank's depo rate level that was set at 3.00 percent.

Next CBR meeting will take place at the end of the month. The anticipation of next CBR monetary policy step and the future of depo rate is the main focus. Tax payments will also interfere MM.

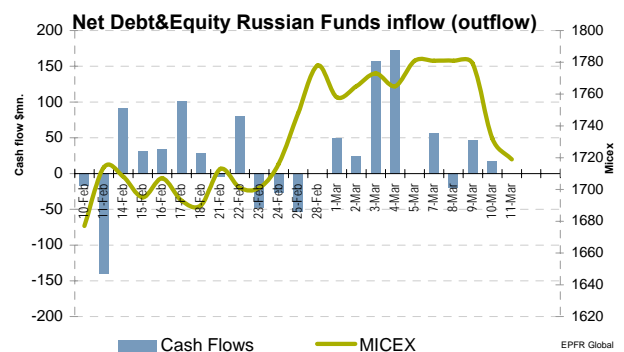
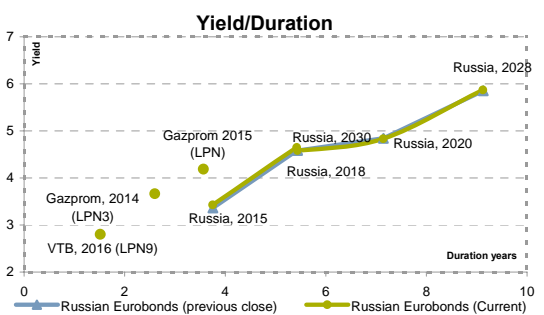
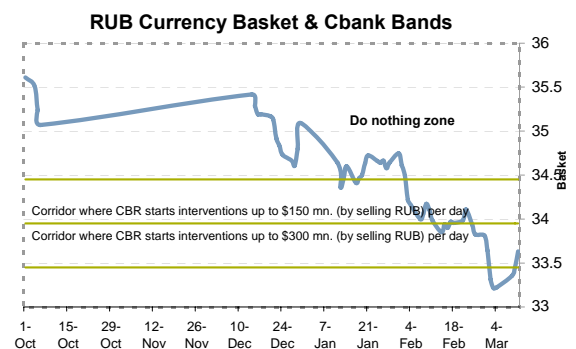
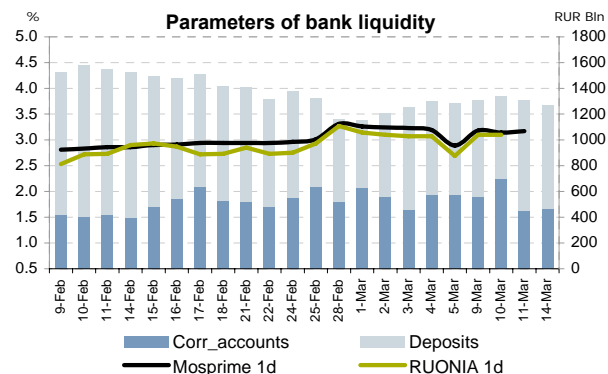
Currency market

RUB has retreated further against the basket on Friday, the fifth trading session in a row, losing 42.5 kopeck during the week. USD rose by 18.5 kopeck compared to the previous session, and EUR picked up by 16 kopeck. As a result, the basket finished the day at 33.63, which was 16.5 kopeck higher than the previous day's close. On Friday the basket, along other Emerging Market currencies, was hit by spreading risk aversion on the turmoil in the euro area, which was caused by rumors of potential restructuring and/or bailouts of Greece, Portugal. Also, the earthquake in Japan caused the sell off in the regional stock markets. The negative sentiment still persists due to the conflict in the Middle East. Today, after some action taken by euro ministers on Friday, EUR has recovered a bit. The front month Brent prices, while retreated, still trade at above USD 112/bbl., more than enough to offer support for RUB. The Japanese stock markets were bleeding over the night, but Asia ex. Japan held strongly, thus implying there is no wide spread risk aversion wave yet. Still, situation remains tense, and we might need some positive impulse to get RUB strengthening again. Today the basket opened 3 kopeck higher than on Friday's We still see RUB basket stronger - at 32.00 by mid-year - especially now that our oil analysts have raised the oil forecast from an average of USD 95/bbl to USD 107/bbl this year.

Equity and Debt Markets

Stock market indexes slumped last week on local RUB weakness and commodity market negative dynamics. Today blue chips continued this trend and started lower. However we do not see global turn. Trend supporting line for Micex index lays at 1680. Bonds: Yield curve is stable. 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	28.699	28.842	29.111	29.77
EUR/RUB	40.055	39.7225	40.495	40.635
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.48	0.01	4.28	3.23
MIBOR 1m (%)	4.06	-0.02	5.44	3.81
RUONIA 1d (%)	3.1	0		
Implied NDF yield 6m%	3.705	0.01	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	129	1	218	123
Eurobond Russia 30Y	4.649	0	5.953	3.914
EMBI +	554.54	0.08	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1929.59	-1.01	2017.82	1226.57
Micex	1719.95	-0.68	1779.24	1197.39
S&P 500	1304.28	0.71	1343.01	1022.58
DJIA	12044.40	0.50	12391.25	9686.48
Brent	112.05	-2.56	116.20	67.20



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