

Russian Markets - Daily

March 15, 2011

RUB retreated	USD/RUB	28.73	▲
Rates are more than stable	EUR/RUB	39.97	▲
Liquidity is decreasing	RUB basket	33.80	▲

Hot News

- Russia is ready to increase the supply of coal to Japan in the near future and to refocus on its generating capacity to about 6 thousand megawatts, said Deputy Prime Minister Igor Sechin. At a meeting with Russian President Dmitry Medvedev, he said that the energy balance of Japan after the disaster, most likely will change - now 30% of it is nuclear energy - 17% gas and 22% - coal. Japan has already requested an additional amount of gas - and Gazprom are now "trying to turn around" and arrange delivery of 100 tons of liquefied gas in April and May. /BBC
- Government budget might be balanced at the oil price of around USD 115/bbl. this year, said Finance Minister Kudrin. The current budget plan is built on the average oil price of USD 75 and envisions a deficit of 3.6% of GDP for this year. Kudrin earlier noted that current oil prices the deficit can fall 2% this year. /Marketwatch
- Inflation might reach 0.6-0.7% in March, said Minister of Economic Development Nabiullina. That is, inflation might be lower than in February, where m/m inflation was recorded at 0.8%. /Reuters

Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits decreased by RUB 29 bn. Today companies pay profit taxes and liquidity probably will stay under the pressure. But government spending can accelerate during march and it will help liquidity to keep this high levels. Interbank interest rates keep staying near Central Bank's depo rate level that is at 3.00 percent. From the other side government tries to sterilize free money in order to fight against inflation.

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, as we mentioned, will also interfere MM dynamics.

Currency market

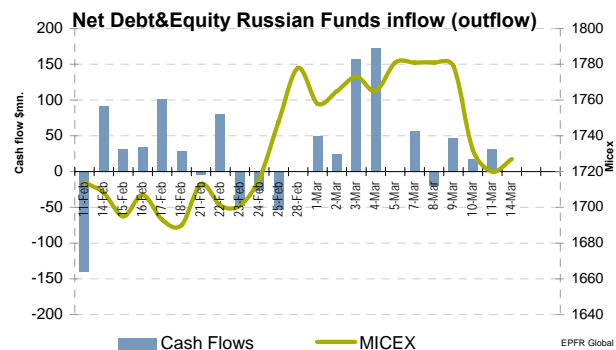
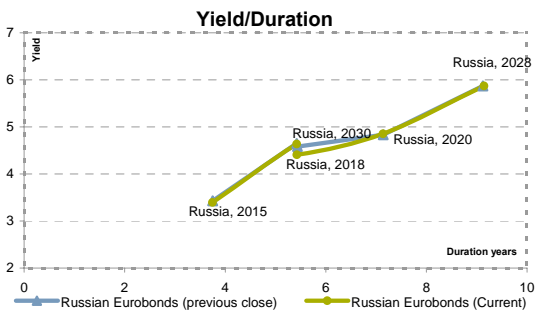
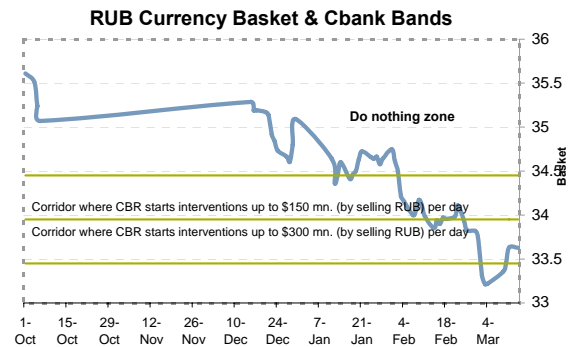
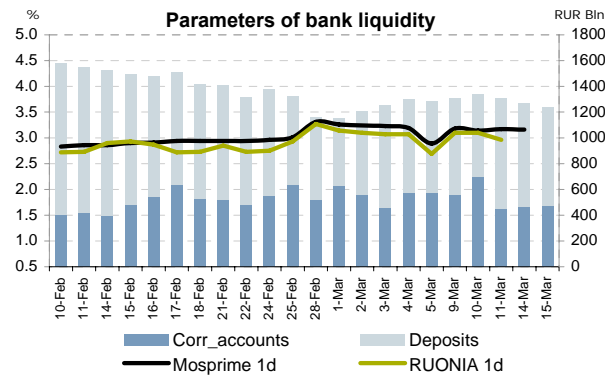
Despite the negative market sentiment and retreating oil RUB managed to remain strong yesterday - the basket closed at 33.63, ie at the same levels as the previous days close. It seemed that the upside was exhausted - capped at technical levels in the channel down the trendline. USD was the loser yesterday, as RUB managed to gain 19.75 kopeck against it during the session. Meanwhile, EUR strengthened by 24.5 kopeck vs RUB. Oil prices remain high - front month Brent oil is trading at above USD 112/bbl here in the morning. One of the reasons for the oil price retreating in the past few days has been expectation of the drop in demand from Japan, which is world's third largest consumer of oil. However, this conclusion may be premature, as we expect that in order to compensate for the power supply losses from closed nuclear reactors Japan will scale up consumption on oil and natural gas. Russia, world's major resources holder, will be the benefactor, as Gazprom has already noted they will increase gas exports. RUB basket opened at 33.67, with 4 kopeck losses that could be attributed to the negative market sentiment - Japanese stock market lost 10%, the rest of Asia losing 2-3% here over the night and Russian equity market also gapped down on the opening as USD has strengthened a bit on risk aversion. We expect to see RUB basket higher, RUB stronger esp. against USD, but the current market panic needs to settle for the action to take place.

Equity and Debt Markets

Stock market indexes tried to rebound yesterday but slumped at the start today due to negative market sentiment. Nuclear dander in Japan escalates. However we do not see global turn on Russian market, cash inflow persists (see EPFR statistics). 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, which is partially offset by ample liquidity in the banking sector.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	28.746	28.882	29.151	29.805
EUR/RUB	40.052	39.7225	40.487	40.635
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.48	0	4.28	3.23
MIBOR 1m (%)	4.08	0.02	5.44	3.81
RUONIA 1d (%)	2.96	-0.14		
Implied NDF yield 6m%	3.675	-0.03	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	129	0	218	123
Eurobond Russia 30Y	4.666	0.017	5.953	3.914
EMBI +	554.54	0	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1944.91	0.79	2017.82	1226.57
Micex	1726.78	0.40	1779.24	1197.39
S&P 500	1296.39	-0.60	1343.01	1022.58
DJIA	11993.16	-0.43	12391.25	9686.48
Brent	111.64	-0.41	116.20	67.20



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