

Russian Markets - Daily

March 16, 2011

RUB may find local bottom	USD/RUB	28.65	▲
Rates are the same	EUR/RUB	40.06	▲
Liquidity increased	RUB basket	33.80	

Hot News

- Russia's Ministry of Finance plans to raise RUB 330bn Q2 this year, which is nearly one fifth of its domestic borrowing plan for 2011. The Ministry plans to auction OFZ treasury bonds in maturities of three, five, seven and ten years. So far the Ministry has sold RUB 247.56bn of the RUB 300bn planned for Q1 this year. Four more auctions are left for March, with a total of RUB 75bn to be offered. /Reuters
- Inflation will not exceed 7% this year, reiterated CB chief Ignatyev. /Interfax
- Russia's Prime Minister Putin ordered officials to check Russian nuclear facilities and review the country's ambitious plans to develop nuclear energy. /Reuters
- Putin ordered to accelerate Sakhalin-3, the oil and gas project led by Rosneft, in order to cope with the Japan's future demand for energy. /Reuters

Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits increased by RUB 205 bn. Yesterday we saw OBR maturity which liquidity to restore. Interbank interest rates keep staying near Central Bank's depo rate level that is at 3.00 percent and nothing happens.

Next CBR meeting will take place at the end of the month. Today we expect publication of inflation statistics which can be some sort of signal for the market. Central Bank's major purpose is to control inflation. 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 in the end of the month. Next lump sum payment will be on March 21.

Currency market

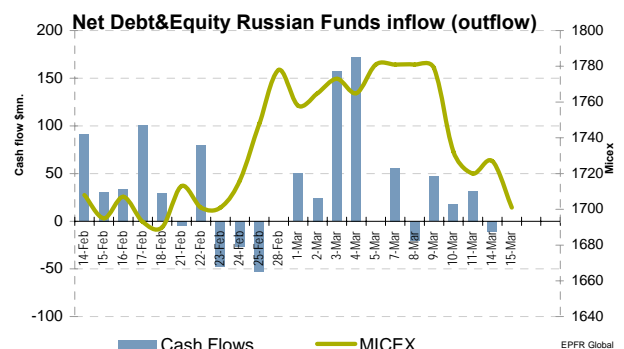
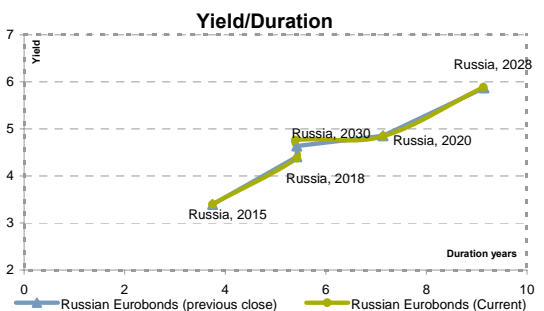
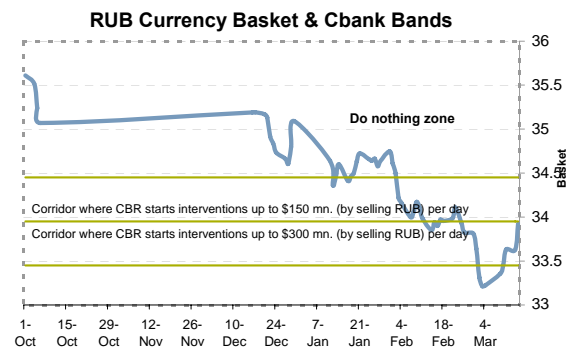
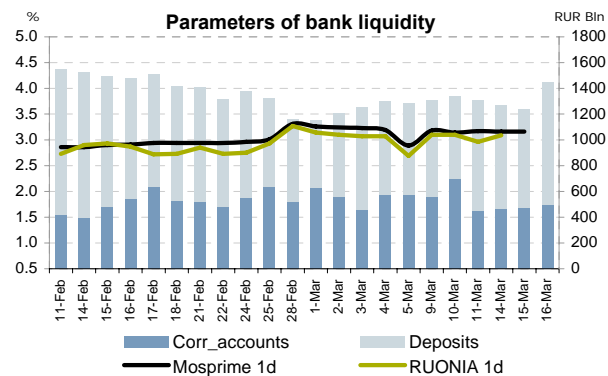
RUB basket was hit further yesterday, alongside all EM currencies, as equities around the globe were bleeding with 1-3%. The basket closed at 33.93, which was 30 kopeck higher than in the previous session. Today the situation has stabilized. Equity markets in Japan have gained nearly 6%, the rest of Asia also rebounded. The front month Brent has also turned up, and is trading 1 USD above the yesterday's lows - at nearly USD 109/bbl. Russian equities also opened with a jump. Thus, no surprise that the RUB basket opened lower, dropping to 33.70 during the first minutes of the trading session - that is, basically reversing the previous day's losses. It might be that the sentiment has shifted for the positive. If no further bad news strike from Japan, RUB should be back on the strengthening trend. It is the world's major commodity currency, and it still is not overvalued in the recent uptrend from 2009 compared to other EM commodity currencies - BRL, ZAR, MXN. Thus, the interest among foreign investors for RUB should be sound - provided oil prices remain at an average of USD 107/bbl, as our commodity analysts foresee.

Equity and Debt Markets

Stock market indexes try to rebound on today's opening after yesterday's drawdown. Situation in Japan became critical but market does not expect global escalation of the problem. Trend supporting line for Micex index at 1680 played the crucial role yesterday.

Bonds: Yield curve is stable. Corporate bonds retreated yesterday. Demand for the bonds showed local decline on ruble downtrend, which is partially offset by high liquidity in the banking sector.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	28.704	28.845	29.1	29.762
EUR/RUB	40.1525	39.7225	40.5975	40.635
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.48	0	4.28	3.23
MIBOR 1m (%)	4.08	0	5.44	3.81
RUONIA 1d (%)	3.09	0.13		
Implied NDF yield 6m%	3.725	0.05	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	135	6	218	123
Eurobond Russia 30Y	4.761	0.095	5.953	3.914
EMBI +	552.96	-1.58	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1906.83	-1.96	2017.82	1226.57
Micex	1700.54	-1.52	1779.24	1197.39
S&P 500	1281.87	-1.12	1343.01	1022.58
DJIA	11855.42	-1.15	12391.25	9686.48
Brent	108.13	-3.51	116.20	67.20



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