

Russian Markets - Daily

March 17, 2011

RUB tries to find bottom	USD/RUB	28.67	▲
MM waits for CBR next move	EUR/RUB	40.06	
Liquidity is stable	RUB basket	33.80	

Hot News

- Russia's Deputy Finance Minister Shatalov said that the country will have to come back to the idea of raising the retirement age and further increasing tax rates. It is "risky" for Russia to increase the national debt, thus there "remains only raising taxes", he said. /Vedomosti
- CBR chief Ulyukayev said the CBR bought USD 2.5bn in FX interventions so far this month, and that the risks for rouble appreciation and depreciation are broadly balanced. /Reuters
- According to Ulyukayev, inflation in march should be the same or slightly lower than in March 2010. /Reuters
- Industrial production grew 5.8% in February, slightly worse than forecast. /Rosstat
- Consumer prices up 0.2 pct in latest week
- Cbank says to use full tool kit against inflation
- The central bank will next meet on rates on March 25

Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits was stable yesterday. Interbank interest rates keep staying flat near Central Bank's depo rate level at 3.00 percent. The situation will probably become more nervous on next week. First of all tax-paying season will start. Besides central bank will meet on rates on March 25. CBR intends to use all available instruments - interest rates, reserve requirements and the exchange rate - in order to realize inflation targets, - First Deputy Chairman said yesterday. So in the end of next week we will probably see another monetary tightening step, but there is a chance that this time depo rate (the most important for MM) will stay unchanged.

Currency market

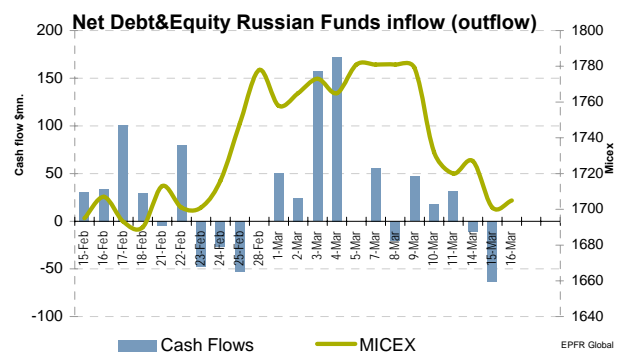
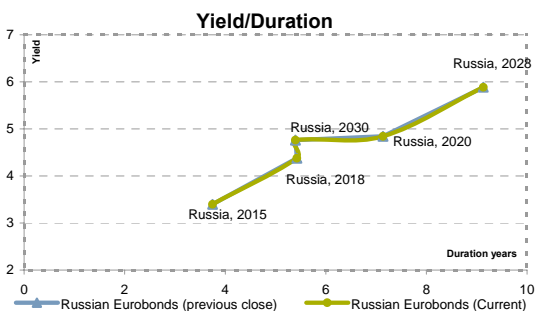
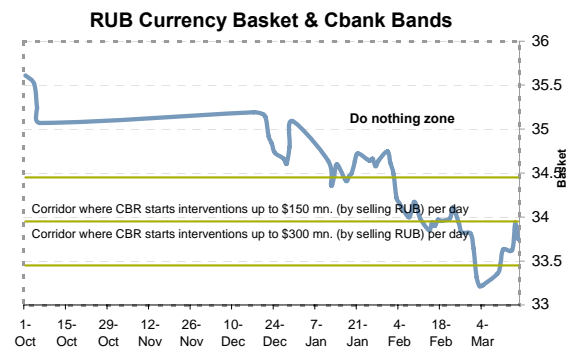
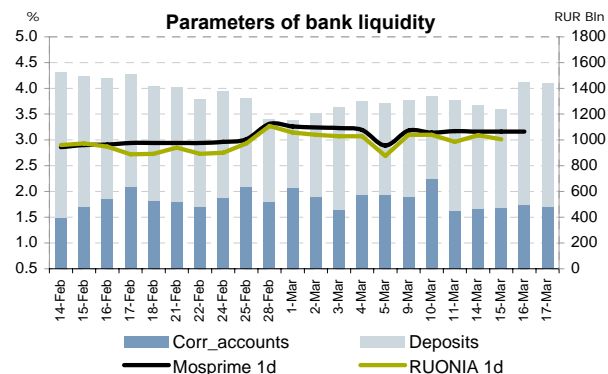
RUB basket slightly declined yesterday as market calmed down. The basket closed at 33.77, which was 9 kopeck lower than in the previous session. Today we see some RUB weakness as financial market continue to be unstable and investors are nervous. However commodity market is rebounding and it can be the major factor for RUB. On next week several big tax payments are expected that can also increase demand for RUB.

Yesterday First Deputy Chairman Alexei Ulyukayev told an economic conference that the bank would use all the tools at its disposal. Inflation remains at high levels and market anticipates that CBR will continue tightening policy. Ulyukayev supports this view, as his speech was focused on inflation risk rather than growth risk. All these factors can help RUB return on the strengthening trend.

Equity and Debt Markets

Stock market indexes tried to rebound yesterday and increased by 0.2%. Trend supporting line for Micex index at 1680 played the crucial role. Market has chances to continue rebounding. Bonds: Yield curve is stable. Corporate bonds retreated yesterday but demand for the bonds can restore as ruble can return to growth trend. High liquidity in the banking sector also helps.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	28.795	28.937	29.197	29.822
EUR/RUB	40.138	39.7225	40.588	40.635
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.48	0	4.27	3.23
MIBOR 1m (%)	4.08	0	5.44	3.81
RUONIA 1d (%)	3.01	-0.08		
Implied NDF yield 6m%	3.63	-0.095	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	136	1	218	123
Eurobond Russia 30Y	4.741	-0.02	5.953	3.914
EMBI +	553.25	0.29	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1915.95	0.48	2017.82	1226.57
Micex	1705.18	0.27	1779.24	1197.39
S&P 500	1256.88	-1.95	1343.01	1022.58
DJIA	11613.30	-2.04	12391.25	9686.48
Brent	110.75	2.62	116.20	67.20



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