

# Russian Markets - Daily

March 18, 2011

<b>RUB is slightly up</b>	USD/RUB	28.49	▼
<b>MM is in equilibrium</b>	EUR/RUB	40.05	▼
<b>Liquidity is stable</b>	RUB basket	33.69	▼

### Hot News

- FX reserves remained stable over March 4-11, rising moderately from USD 497.2bn to USD 497.3bn. /Reuters
- M&A activity will strengthen Russia's banking sector, said the ratings agency Moody's. In the coming years M&A activity will accelerate, motivated by the new regulation - increase in minimum equity capital requirement from RUB 90m to RUB 180m effective as of January 1, 2012. However, concentration in the banking sector is high, and state banks are to remain dominant, as they are also active in M&A (eg VTB bought Bank of Moscow recently). /Vedomosti
- Russian government has adopted the strategic plan of banking sector development until 2015. The plan includes such goals as the size of bank sector assets to reach 90% of GDP (currently 74.5%) and total lending to corporates and households to reach 55-60% (currently 41%). /RIA
- The issue of privatization of Russia's largest bank - "Sberbank" - might be discussed in the meeting of Russia's National Banking Council on March 22. Current government plan envisions the sale of 7.58% stake in Sberbank in 2011-2013. Earlier comments from both Sberbank and government officials indicated that given favorable market conditions the stake could be sold as early as this year. /Vedomosti

### Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits slightly decreased by RUB20 bn yesterday. Interbank interest rates are stable. Central Bank's depo rate level at 3% is the floor for overnight interbank rates. Inflation statistics and some Central Bank authority's comments give us insight that on next meeting on March 25 CBR can be more gentle to interest rates. If inflation decelerates during next weeks, Central Bank will probably keep rates unchanged but make reserve requirement stricter. So MM will be around current levels.

### Currency market

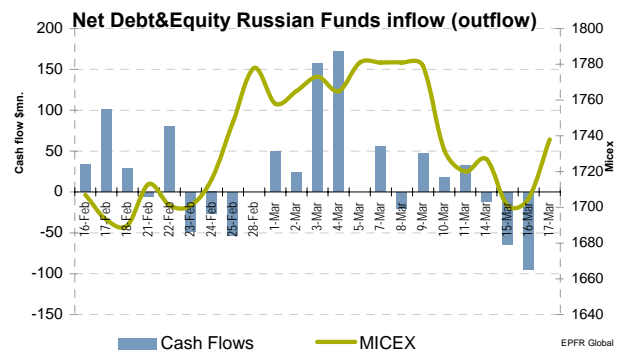
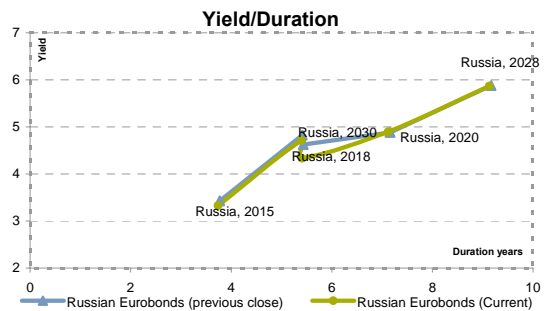
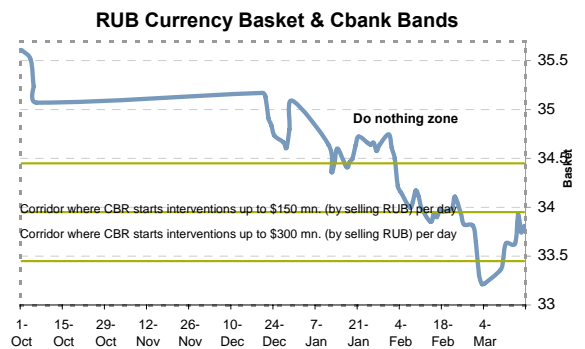
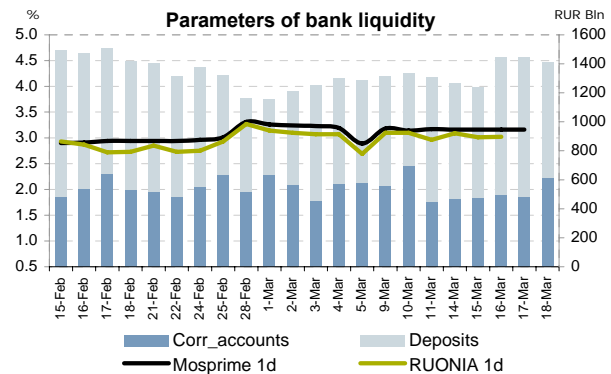
RUB basket was slightly up yesterday, as EUR strengthening above 1.40 vs USD caused the basket to lose 17.5 kopeck against it. The basket picked up 7 kopeck, closing at 33.81. Meanwhile, RUB held strong against USD, strengthening by 1.25 kopeck against it during the trading session. The market sentiment is RUB supportive. The markets calmed down yesterday - European, US, Japanese equities all up with 1-2%, and Russian local markets were no exception. EM equities are also marginally higher here over the night. Meanwhile, oil is getting more expensive again - front month Brent is now trading at above USD 116/bbl, up nearly 7 USD from yesterday's lows - tension increases after UN approved military action to contain Libyan leader Gaddafi. Today's session started with stronger RUB - the basket opened nearly 10 kopeck lower than yesterday's close, and fell as low as to 33.64 during the first minutes of the trading session. The lack of negative news from Japan would support RUB, as MENA crisis does not seem to be a problem for RUB appreciation - given the oil prices remain elevated. RUB will still struggle against EUR, as it has already gone 60 pips above 1.40 during the night. The Ulyukayev commented the day before that RUB strengthening/weakening chances are equal. Yet he also expressed concerns about inflation and said that ALL tools - interest rates, reserve requirements and stronger currency - will be used to fight inflation.

### Equity and Debt Markets

Stock market indexes increased yesterday by 2% as oil prices and European markets rebounded after Japan shock. Today Japan indices continue to rebound which makes Russian market opening positive.

Bonds: Corporate bonds may show price growth as ruble returns to growth trend. High liquidity in the banking sector also plays its role.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	28.55	28.687	28.937	29.567
EUR/RUB	40.445	39.7225	40.8975	40.635
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.48	0	4.26	3.23
MIBOR 1m (%)	4.06	-0.02	5.44	3.81
RUONIA 1d (%)	3.02	0.01		
Implied NDF yield 6m%	3.57	-0.06	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	135	-1	218	123
Eurobond Russia 30Y	4.624	-0.117	5.953	3.914
EMBI +	553.93	0.68	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1945.74	1.55	2017.82	1226.57
Micex	1737.62	1.90	1779.24	1197.39
S&P 500	1273.72	1.34	1343.01	1022.58
DJIA	11774.59	1.39	12391.25	9686.48
Brent	116.48	5.73	116.48	67.20



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