

Russian Markets - Daily

March 21, 2011

RUB increases	USD/RUB	28.35	▼
Rates are completely flat	EUR/RUB	40.19	▲
Liquidity is ample	RUB basket	33.69	

Hot News

- Prime minister Putin said that government intends to double the Oil Reserve Fund this year, so that it will amount to ca RUB 1.5bn by the end of the year. /RIA
- Unemployment fell from 7.6% to 7.4% in February (consensus: 7.5%), as retail sales increased 3.3% y/y (consensus: 1.7%). /Rosstat
- Russia's VimpelCom Ltd. received all the necessary permits to complete the acquisition of Wind Telecom. Both regulators and shareholders granted the needed approvals for a USD 6bn deal to acquire Wind Telecom assets from Egyptian billionaire N. Sawiris and thus create the world's fifth largest mobile company (by subscribers). The company said it intends to complete the transaction in the first half of the year. /WSJ
- The Russian government will decide on the form of sale of subsidiaries of OAO Russian Railways (RZD) - OAO "First Cargo Company" (FCC) - not earlier than the 2nd quarter. Government plans to privatize 75% of the shares of First Cargo. According to RZD President Vladimir Yakunin the estimated value of the 75% stake is USD 5-6.5bn. /Vedomosti
- Russia's Prime Minister Putin instructed the Energy Ministry and Gazprom to adjust the Eastern Gas Program. Ministry of Energy requested to prepare a comprehensive program of power development in the Far East. Prime Minister called for accelerating the establishment of a petrochemical complex in the Far East. According to the premier, Russia in 2020 can produce 70-100 bn cubic meters of gas in the Far East. /Interfax
- Prime minister Putin said that government intends to double the Oil Reserve Fund this year, so that it will amount to ca RUB 1.5 trl by the end of the year. /RIA

Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits decreased by insignificant RUB7 bn. Interbank interest rates are stable but the pressure from the side of tax-payments will be the major factor. Right now we see stabilization of overnight interbank rate near Central Bank's depo rate level at 3%. Central Bank's next meeting will be on March 25. Some market participants expect hawkish decision.

Currency market

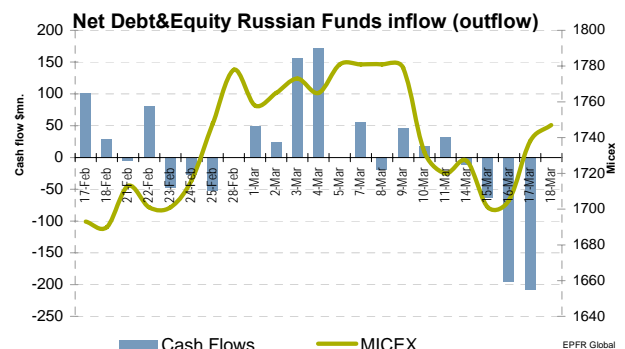
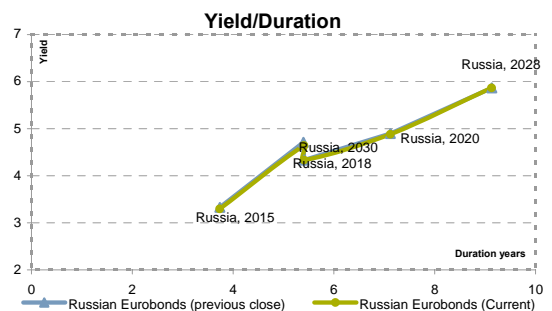
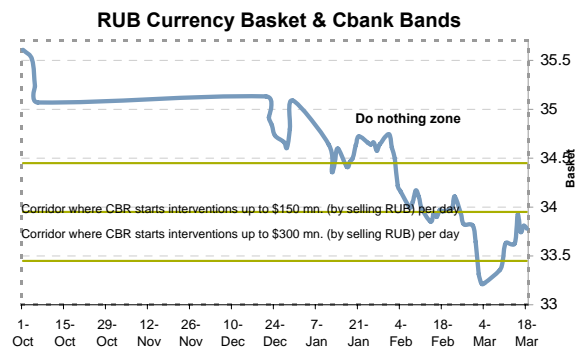
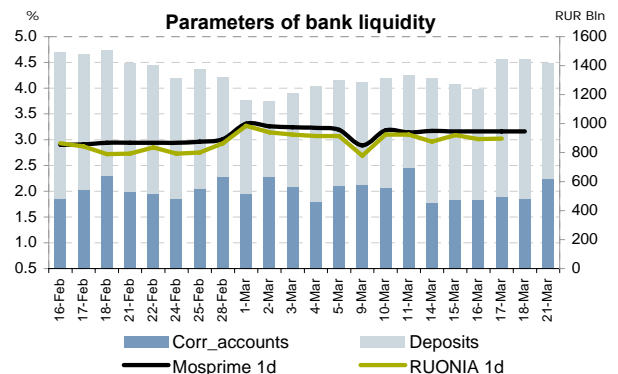
The RUB basket fell 2 kopeck on Friday, finishing the daily session at 33.79. During the session, though, the basket was trading in the range of 33.65-33.70, that is, by 10 kopeck below the previous close. Apparently traders were not willing to keep open long RUB positions before the weekend, especially as Libya announced truce later on Friday. RUB gains were due to USD weakening, as USD/RUB lost 17.82 kopeck, closing at 28.48. Meanwhile, new EURUSD record highs made RUB lose 16 kopeck against EUR. Today the market sentiment is clearly RUB-positive. Fears over Japan have reduced, as the nuclear crisis seems to have been contained - Asian stock markets added 1-2% during the night. Meanwhile, the Western coalition air forces attacked Libya during the weekend, thus causing oil to shoot up again - front month Brent is trading at 115.80 here in the morning, ie by 2 USD higher than on Friday. The basket opens lower, reaching 33.66 during the first minutes of the session.

Equity and Debt Markets

Stock market indexes increased as oil prices and other markets rebounded. Japan shock seems to fade away. Today Russian market opened in green zone. The thing that should be mentioned is negative cash flow dynamics. EPFR statistics show us net outflow during last several days.

Bonds: Corporate bonds may show price growth as ruble returns to growth trend. High liquidity in the banking sector also plays its role. One of the risk factor is anticipation of CBR next tightening step.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	28.42	28.56	28.8	29.44
EUR/RUB	40.24	40.40	40.66	41.7
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.48	0	4.26	3.23
MIBOR 1m (%)	4.05	-0.01	5.25	3.81
RUONIA 1d (%)	3.06	0.04		
Implied NDF yield 6m%	3.59	0.02	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	134	-1	218	123
Eurobond Russia 30Y	4.643	0.019	5.953	3.914
EMBI +	554.61	0.68	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1962.92	0.88	2017.82	1226.57
Micex	1747.32	0.56	1779.24	1197.39
S&P 500	1279.20	0.43	1343.01	1022.58
DJIA	11858.52	0.71	12391.25	9686.48
Brent	115.60	0.23	116.48	67.20



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