

Russian Markets - Daily

March 22, 2011

RUB shows positive dynamics	USD/RUB	28.15	▼
MM is waiting for CBR move	EUR/RUB	40.07	▼
Liquidity is under tax pressure	RUB basket	33.53	▼

Hot News

- The volume of the Russia's sovereign direct investment fund will be up to USD 10 billion, announced Minister of Economic Development E. Nabiullina. All necessary documents will be prepared by June 1, she said. According to her, the sovereign fund of direct investments will be created in the form of closed-end investment fund that does not require changes in legislation. The Minister said that the fund will act as a minority investment partner for international investors, who invest, carry out direct investment in accordance with the investment strategy. President Medvedev also noted that part of the National Welfare Fund might be used for creating the sovereign direct investment fund. To meet the challenges of modernization, he said, it is necessary that the level of investment in the economy was at least 30-40% of GDP (currently 21%). /Vesti
- The National Banking Council (NBS) will adopt the program of privatization of Sberbank on March 22, said the head of Sberbank G. Gref. "The materials are ready. Once they are approved, we are ready to begin privatizing" - he said. According to Gref, the likely sale of the stake will take place in Q3 2011. /Vedomosti Forbes named the rating list of safe banks in Russia. According to the list, Sberbank and VTB - the largest state lenders by assets - are among the Russia's safest/most reliable banks. Nordea bank, 20th largest by assets, has also been granted the highest rating for safety, in line with Sberbank and VTB. /Rosinvest

Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits decreased by RUB61 bn. The pressure goes from the side of tax payments. Till the end of the month the tendency can persist. Interbank interest rates are stable and right now we see overnight interbank rate stabilize near Central Bank's depo rate. Central Bank's next meeting will be on March 25 and some market participants expect hawkish decision. Depo rate hike is not excluded. Anyway the reserve requirement is expected to be stricter after the meeting and this fact will exert influence on MM.

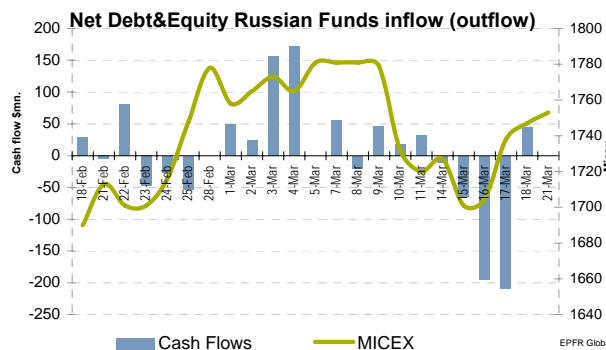
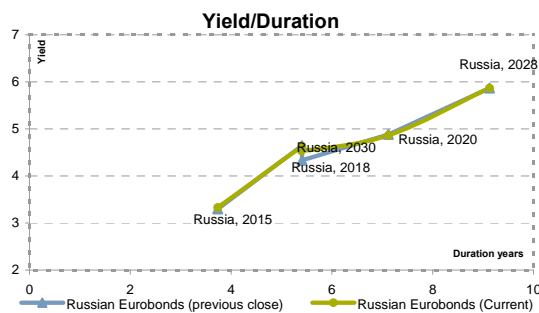
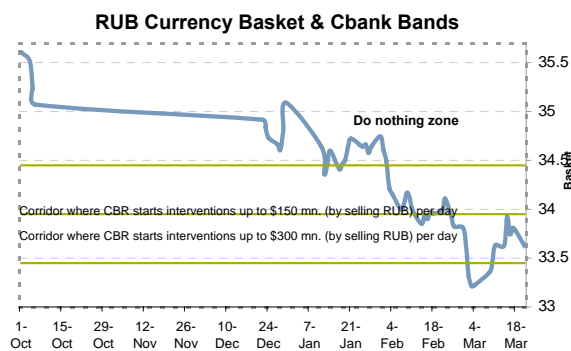
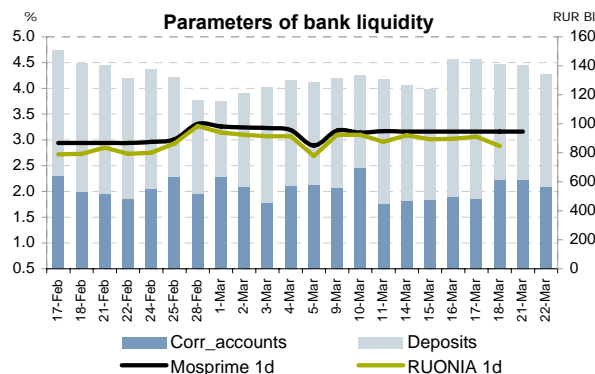
Currency market

RUB has finally showed some positive momentum yesterday, the basket dropped by 17 kopeck, as RUB gained against both USD and EUR. RUB strengthened by 16.5 kopeck against the USD, closing at 28.315, and gained 16.25 kopeck against the EUR, closing at 40.11. The basket finished the trading session at 33.62. The market sentiment remains positive - the Asian stock markets traded higher during the night, with Nikkei leading the gains with over +4%. Oil prices, while retreated from yesterday's highs, remain at comfortably (for Russia) high levels - the front month Brent is trading at USD 115/bbl, supported by the geopolitical tensions in Libya, as the Western air forces remain in the region and no resolution is seen so far. The tax period in Russia, which started yesterday, is ongoing this and next week, with the mineral extraction tax and excise duties to be paid on Friday (25th), profit tax paid on Monday (28th). This will create RUB demand domestically. RUB strengthened a further 10 kopeck in the first minutes of the session today and will likely continue toward 33.00, with 33.40 being the next important technical level to breach.

Equity and Debt Markets

Stock market indexes increased slightly as oil prices were stable and Asian stock markets calmed down. Today Russian market opened flat and continued with negative dynamics. Technical factors and some fund cash outflow interfere with growth. Bonds: Anticipation of monetary policy tightening is offset by strong RUB and ample liquidity.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	28.313	28.445	28.695	29.315
EUR/RUB	40.271	40.416	40.676	41.313
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.48	0	4.26	3.23
MIBOR 1m (%)	4.04	-0.01	5.25	3.81
RUONIA 1d (%)	2.88	-0.18		
Implied NDF yield 6m%	3.585	-0.005	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	131	-3	218	123
Eurobond Russia 30Y	4.661	0.018	5.953	3.914
EMBI +	555.32	0.71	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1981.98	0.97	2017.82	1226.57
Micex	1753.19	0.34	1779.24	1197.39
S&P 500	1298.38	1.50	1343.01	1022.58
DJIA	12036.53	1.50	12391.25	9686.48
Brent	115.05	-0.48	119.79	67.20



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