

Russian Markets - Daily

March 23, 2011

RUB is slightly up today	USD/RUB	28.26	▲
Rates depend on CBR move	EUR/RUB	40.09	▲
Liquidity increased	RUB basket	33.59	▲

Hot News

- Vladimir Mau, one of Putin's top economic advisors, said that weaker ruble can no longer drive economic growth and that Russia needs to get used to stronger ruble. "It was obvious 5-7 years ago that relatively high inflation was better than rouble appreciation. That's changed," Mau said. "A stronger rouble implies lower inflation and interest rates." /Reuters
- Russian mobile retailer - "Euroset" - intends to conduct an IPO on the London Stock Exchange (LSE). Euroset is controlled by Alexander Mamut at 50.1%, the remaining 49.9% owned by the retailer's VimpelCom. The size of the package to be sold is not defined yet. According to preliminary estimates, Euroset is valued at USD 3.5-4.5 bn. /Interfax
- Russia could increase oil supplies to Japan two times in 2011 - up to 18 million tonnes, said the Deputy Prime Minister Igor Sechin. Deliveries of petroleum products in Japan, according to I. Sechin, may be increased by 1 million tons in 2011. /Interfax
- Gazprom has already shipped additional supplies of liquefied natural gas (LNG) to Japan, said Sechin. According to him, the first LNG tanker of 100 tons is already underway in Japan. /Interfax Production of all types of cars in Russia grew 2.1 times in January-February 2011 compared with the first two months of last year. /Interfax

Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits increased by RUB84 bn. but the pressure on liquidity may resume due to tax payments. Interbank interest rates are stable near Central Bank's depo rate. Central Bank's next meeting will be on March 25 and some market participants expect hawkish decision. Today we expect publication of inflation statistics and in case of inflation deceleration during last week (that is highly unlikely) there is a chance to avoid depo rate hike.

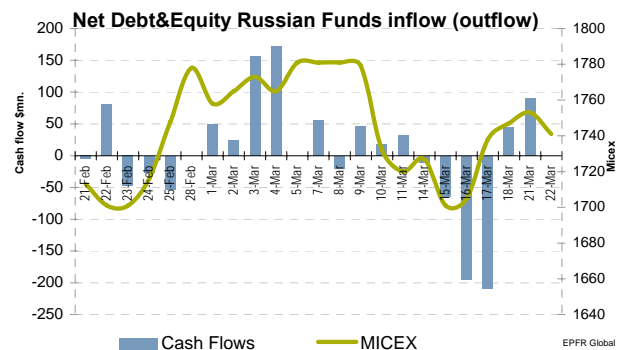
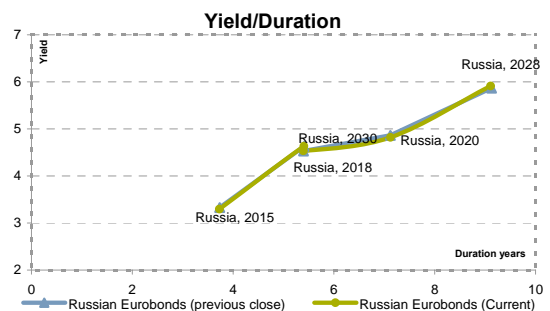
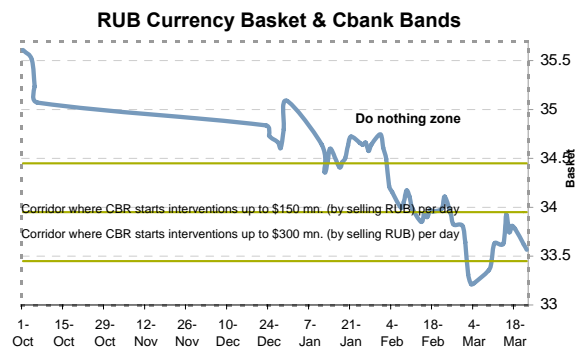
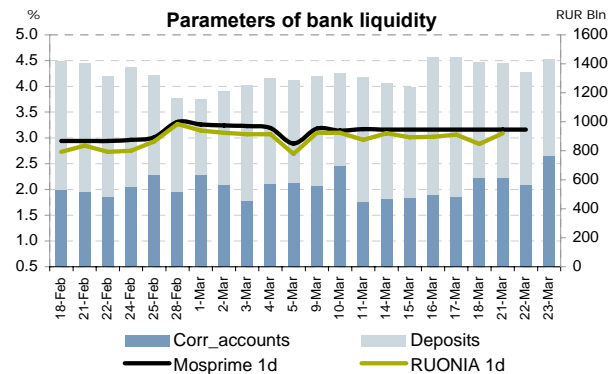
Currency market

The RUB basket continued to strengthen yesterday, finished the day 5 kopeck lower, at 33.57. During the session the basket touched the 33.50 levels. RUB gained against both USD and EUR, picking up 7.1 kopeck and 4.25 kopeck against them, respectively. Today the basket opened by 3 kopeck lower, reaching 33.51 during the first minutes of the trading session. The market sentiment is neutral, as the Asian equities traded nearly flat during the night. Some uncertainty over euro area periphery problems are surfacing again. As the tension in Libya persists the oil prices remain stable at high levels - the front month Brent traded at 115.70 here in the morning. Russian equities opened a tad lower. If recent history serves, RUB should respond to oil prices more than to equities, so the balance of risks remain for a stronger RUB today, neutral at least. Locals will continue to seek RUB liquidity to cover tax payments this Friday and next week. We expect CBR to raise depo rates with 25bp on Friday, which should make RUB more attractive to hold from carry perspective.

Equity and Debt Markets

Stock market was flat yesterday. Blue chips shower diverse dynamics. Some utility companies peaked on news regarding increasing supplies to Japan. Today Russian market opened slightly lower. Technical factors still resist growth. Bonds: Anticipation of monetary policy tightening is offset by strong RUB and high liquidity.

Forwards	1m.	2m.	3m.	
USD/RUB	28.324	28.459	28.714	
EUR/RUB	40.115	40.265	40.535	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4.03	-0.01	5.25	3.81
MIBOR 1m (%)	0.252	-0.0005	0.35406	0.24606
RUONIA 1d (%)	3.09	0.21		
Implied NDF yield 6m%	3.6	0.015	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	130	-1	218	123
Eurobond Russia 30Y	4.68	0.019	5.953	3.914
EMBI +	554.91	-0.41	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1976.38	-0.28	2017.82	1226.57
Micex	1741.34	-0.68	1779.24	1197.39
S&P 500	1293.77	-0.36	1343.01	1022.58
DJIA	12018.63	-0.15	12391.25	9686.48
Brent	115.57	0.45	119.79	67.20



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