

Russian Markets - Daily

March 25, 2011

RUB basket still in range	USD/RUB	28.32	▼
Liquidity is going to decrease	EUR/RUB	40.06	▲
MM is waiting for new rates	RUB basket	33.61	▼

Hot News

- The volume of international reserves in Russia as of 18 March 2011 amounted to USD 500 billion compared with USD 497.3 billion on 11 March 2011. Thus, for a week the international reserves increased by USD 2.7 billion. In the previous week, reserves grew by USD 100 million. /Interfax
- Russia's GDP, as measured by five key sectors, expanded 4.4% y/y in February. /Interfax
- In January 2011 the balanced financial result (profit minus loss) of Russian organizations (except small businesses, banks, insurance companies and public institutions) in current prices amounted to RUB 685.7 billion. The overall profits increased by 56.5% or 1.6 times, compared to January 2011. /Rosstat
- Finance Ministry has proposed to increase the excise duty for alcohol by 20% from 1 January 2012 - up to RUB 277.2; from 1 July 2012 - to RUB 462; from 2013 - to RUB 693, from 2014 - up to RUB 900, that is RUB 180 rubles, based on half-liter bottle of vodka. /Vedomosti

Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits increased by 7.1bn to RUB 1461bn. The MM rates are stable but today situation can change. We expect some pressure on liquidity due to tax payments for mineral extraction today (next payments will be on Mar 28). And the major focus is the Central Bank's decision on interest rates. Market participants expect further interest rate and reserve requirement tightening. Today depo rate can be increased by 25 bp, which will cause interbank market to move up.

Currency market

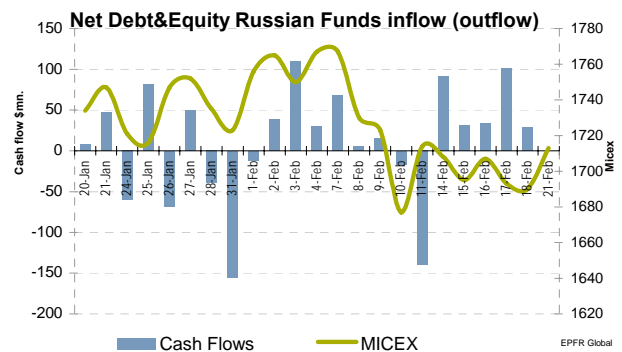
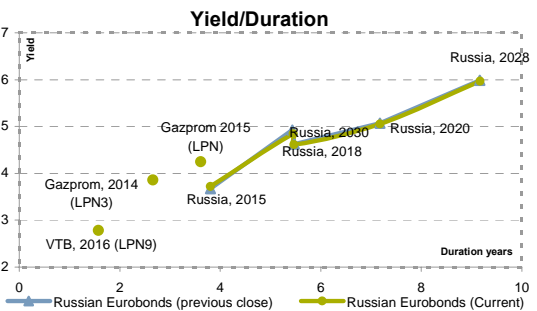
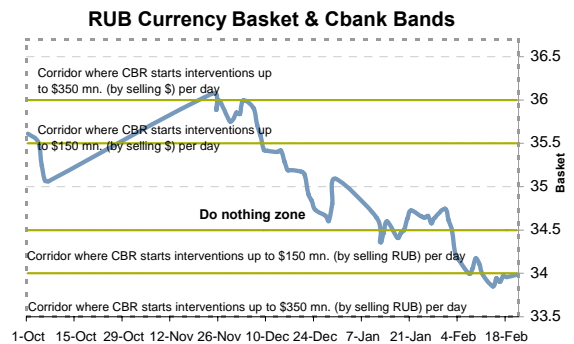
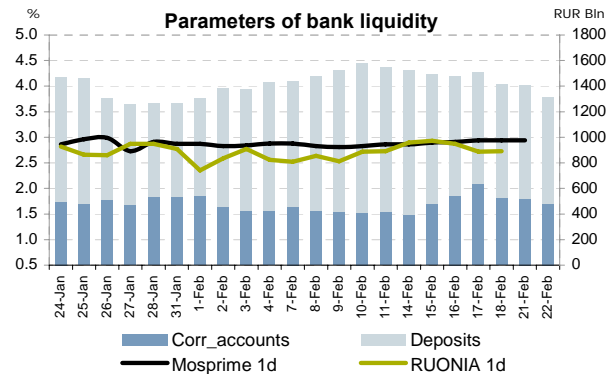
RUB basket remained within a very tight range yesterday, trading within 33.55-33.64 during the day. The basket closed at 33.61, which was just 1 kopeck below the previous day's close. The basket was lower during the first part of the day, dropping to 33.52, but failed to move further lower due to the escalating uncertainty in the financial markets on renewed tensions in the euro area periphery. The political crisis in Portugal reduced risk appetite somewhat and hit EUR, but later it recovered on rumors that Portugal is getting a bailout soon, so EUR/RUB rose to 40.065, closing nearly 1 kopeck higher to the previous day's close. Yet RUB managed to gain 1.5 kopeck against USD. Today mineral extraction taxes are paid, on Monday - profit taxes are due, so the local corporate will continue to show interest in RUB. The CBR decision today is also important - we expect a further increase in key rates, which will make RUB more attractive to hold at the margin. The Asian equity markets rose by nearly 1%, thus showing the risk appetite is in place. The oil prices remain stuck at high levels: front month Brent is trading at USD 115.70/bbl. here in the morning. The RUB basket dropped to 33.53 in the first minutes of today's session.

Debt and Equity Markets

Equity indices increased yesterday as commodity prices were stable and other markets were green. Micex index closed at the highest levels since the 2008 bottom. Today the opening was positive, but the "Friday" factor can bring some correction in the second part of the session.

Fixed income markets are waiting for Central Bank's decision, but taking into account that 25 bp reference rate hike has already been priced, the volatility should not be high.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.359	29.512	29.8	30.492
EUR/RUB	39.751	39.931	40.254	41.006
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.5	0	5.16	3.23
MIBOR 1m (%)	4.07	-0.01	6.06	3.81
RUONIA 1d (%)	2.73	0.01		
Implied NDF yield 6m%	3.85	0.04	4.9	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	148	2	218	123
Eurobond Russia 30Y	4.872	-0.02	5.953	3.914
EMBI +	546.05	0	582.02	494.6
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1889.33	1.12	1935.15	1226.57
Micex	1712.63	1.33	1771.66	1197.39
S&P 500	1343.01	0.19	1343.01	1022.58
DJIA	12391.25	0.59	12391.25	9686.48
Brent	107.65	3.94	107.65	67.20



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