

Russian Markets - Daily

March 28, 2011

RUB is stable	USD/RUB	28.43	▲
Liquidity dropped due to taxes	EUR/RUB	39.93	▲
MM was surprised by CBR	RUB basket	33.62	▲

Hot News

- The Central Bank of Russia decided to leave the key interest rates unchanged. The reserve requirements were raised from 4.5% to 5.5% for liabilities to non-residents and from 3.5% to 4% for other liabilities. /CBR
- The ban on exports of Russian grain will not be withdrawn before the end of September - October, said Russian Agriculture Minister E. Skrynnik. "At the end of September - October, we will calculate the amount of harvest, only then you can go to a decision - to extend or abolish the embargo on grain exports" - noted Skrynnik. /Interfax
- Decision on the convergence of taxes on light and heavy oil products can be taken in June-July 2011, said Secretary of State, Deputy Finance Minister S. Shatalov. /Interfax
- Russia's Prime Minister Putin has demanded that interagency coordination of the second set of amendments to liberalize the law on foreign investments in the natural resource sector would be completed within two weeks. Currently the law requires foreign investors, after having bought a 10% stake, even purchasing an additional one share, go for approval to the commission for control over foreign investments. The new amendments state that the company doesn't have to go to commission when buying up to 25% stake. /Interfax

Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits decreased significantly by 230bn to RUB 1231bn. The MM rates were stable as Central Bank left reference rate unchanged. Depo rate also stayed the same. Reserve requirements were raised and this can put a slight pressure on liquidity in foreseeable future. However market still anticipates tightening of monetary policy on next CBR meetings. During this week we expect some pressure on liquidity due to tax payments.

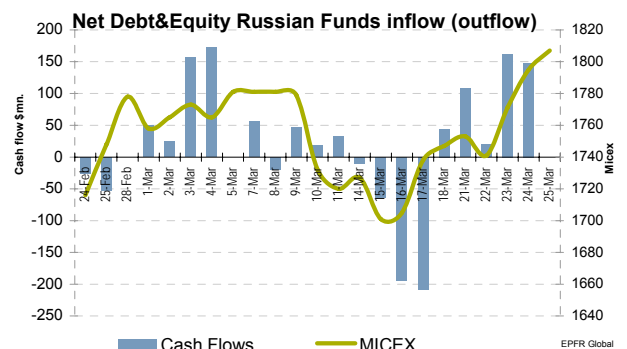
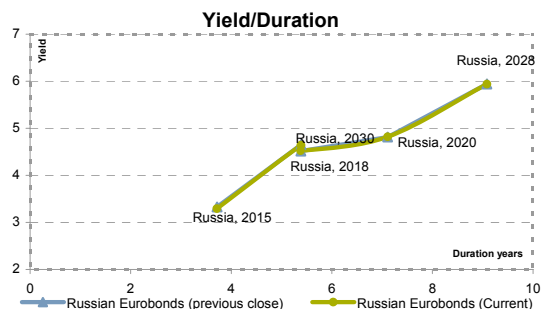
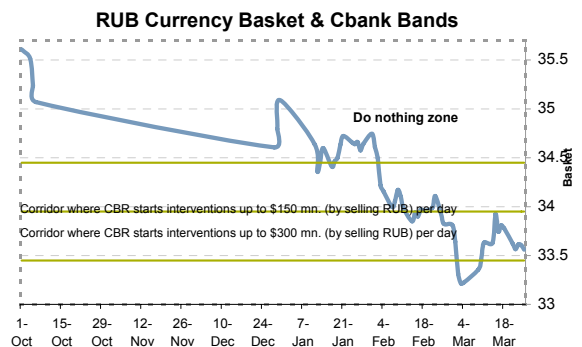
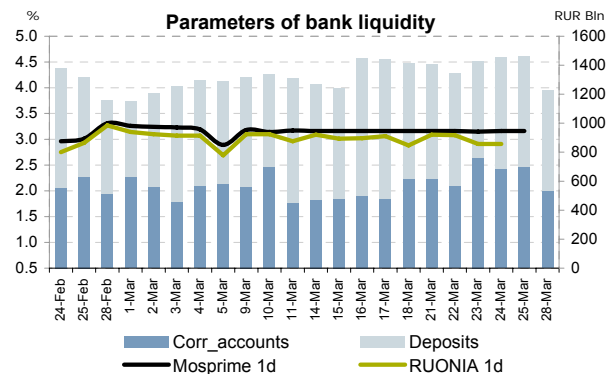
Currency market

The RUB basket dropped by 4 kopeck on Friday, finishing the daily session at 33.57. At the beginning of the daily session the basket went as low as to 33.50, but after the CBR decision not to raise the key rates the RUB basket stopped to move lower and remained mostly within 33.54-33.57 during the day. RUB gained both against USD and EUR, dropping by 2.75 and 7 kopeck against each, respectively. The CBR did not raise the interest rates, thus indicating that the CBR aims to introduce some uncertainty over its moves, so as to get control over monetary policy. The fact that the reserve requirements were raised more for liabilities against foreign residents shows CBR's concern over speculative foreign capital inflow in the background of increasing oil prices and expectations for monetary policy tightening - too much inflows in too short time would leave CBR with even more liquidity to absorb, provided they continue interventions in the FX market. That said, fundamentally a pause in rate hikes does not change RUB attractiveness, as rates will be raised further. The markets are risk averse today. The equity markets have been in the red tonight, as the fears over euro persist. The basket traded a few kopeck above the Friday's close here in the first minutes of today's session, yet shouldn't go higher - 33.68 is a short-term resistance. Oil prices retreated from Friday highs, although still remain high - the front month Brent at 115.30. Profit tax is being paid today by locals, thus the demand for RUB should be in place.

Debt and Equity Markets

Equity indices increased during Friday's session. Last week market growth was partially explained by Russian pension funds cash inflows. Besides we saw foreign funds inflows (see the graph). But today the opening was negative due to correction on external markets. However market still looks attractive comparing to its peers. Debt markets were relatively stable after Central Bank's decision to leave rates unchanged. Markets continue to expect further monetary policy tightening and 25 bp reference rate hike already in the market.

Forwards	1m.	2m.	3m.	1Y.
USD/RUB	28.45	28.59	28.84	29.45
EUR/RUB	39.96	40.11	40.38	40.98
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.48	0	4.26	3.23
MIBOR 1m (%)	4.05	0	5.22	3.81
RUONIA 1d (%)	2.91	0		
Implied NDF yield 6m%	3.64	-0.1	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	127	-1	218	123
Eurobond Russia 30Y	4.689	-0.012	5.953	3.914
EMBI +	555.81	0.1	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	2041.49	0.67	2041.49	1226.57
Micex	1807.46	0.67	1807.46	1197.39
S&P 500	1313.80	0.32	1343.01	1022.58
DJIA	12220.59	0.41	12391.25	9686.48
Brent	115.44	-0.25	116.48	67.20



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