

Russian Markets - Daily

March 29, 2011

RUB was unchanged	USD/RUB	28.34	▼
Liquidity continue to decline	EUR/RUB	40.07	▲
Interest rates are comfortable	RUB basket	33.63	▲

Hot News

- The Bank of Russia changed the principles of "planned" FX interventions a few months ago. Now the daily size of targeted interventions is one for all bands and can be reviewed once a month, told the Deputy Chairman of Bank of Russia Sergei Shvetsov. /Reuters
- According to Shvetsov, the CBR will be able to keep the yearly inflation at their target of 6-7%, provided that this years harvest remains at "average" levels. But where the CBR key interest rates will be in half a year even the CBR doesn't know now, he said. They make decisions discretionally each month. Shvetsov also noted that inflationary risks remain the same as in February. /Reuters
- The merger of two Russian exchange bourses - MICEX and RTS - will begin immediately after the signing of legal documents in April, and by the end of 2012 the company will be ready for an IPO, said Shvetsov. /Reuters
- MinFin will offer RUB 40bn to commercial banks for deposits today, with a minimum annual rate of 4.8%. /Interfax

Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits continue to decrease sharply (by 213bn to RUB 1017bn) During this week we expect pressure on liquidity due to tax payments. However the MM rates were stable as soon as the amount of liquidity is enough to keep overnight interbank rates near Central Bank depo rate. Additional pressure on liquidity was due to raised reserve requirements. This can continue to weigh upon liquidity in foreseeable future. Besides market still anticipates monetary policy tightening.

Today MinFin will offer RUB 40bn to commercial banks for deposits and it will insignificantly improve the liquidity in the banking system.

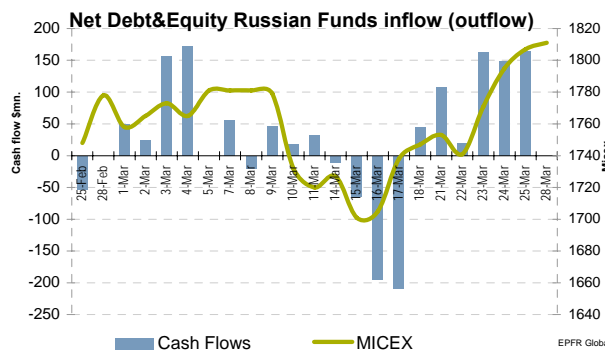
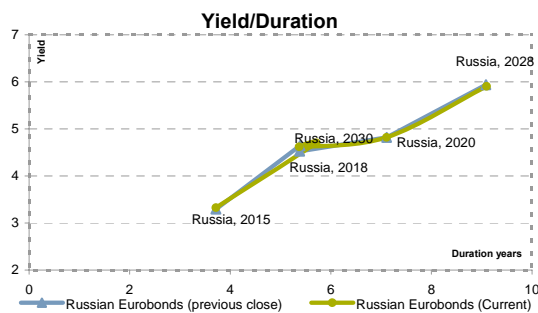
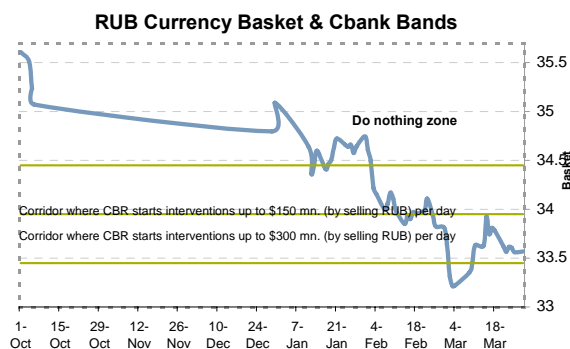
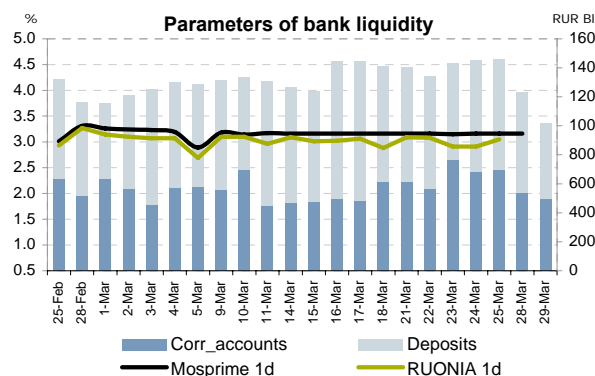
Currency market

The RUB basket was unchanged yesterday, closing at 33.57, exactly the same level as the day before. RUB lost 8.5 kopeck to USD, closing at 28.39, but gained 9.5 kopeck against EUR, closing at 39.9. Today EUR is "back" again, after Trichet reminded that ECB is concerned about price stability, so RUB might find it harder to gain against EUR. Today RUB basket opened at around yesterday's close. The risk sentiment is still subdued. The US and Asian equities were flat, slightly negative during the night. Concerns over Japan's nuclear leak are noted as key reason in the media, yet it might be just a "take profit" reaction after a decent rally we saw last week, so no need to panic yet. The oil prices retreated by ca 1 USD from yesterday's highs, yet remain at high levels - the front month Brent traded at USD 114.5/bbl here in the morning. From yesterday's CBR comments it appears that RUB bands are less flexible than they seemed to be - the CBR intervened heavily this month, but, according to CBR deputy chairman Shvetsov, the band remains at nearly unchanged levels (we think it's 32.40 - 37.40). This is in strong contrast to previous month's interventions, were a similar amount if interventions involved around half of "cumulative" ones, that is, the ones after which the bands are being shifted once USD 600m is sold. We assume the reason is that CBR has increased the level of "planned" interventions to above USD 200m now. Sensitivity to higher oil prices should be reduced at high levels, as the CBR will likely scale up the "planned" interventions as we get there.

Debt and Equity Markets

Equity indices increased insignificantly yesterday. Some blue chaps are overbought and this can be a problem for local continuation of growth. Today we expect flat dynamics. Foreign funds cash inflows will support market but technical issues will offset this factor. In the long run market still looks attractive comparing to its peers. Debt market was stable yesterday.

Forwards	1m.	2m.	3m.	1Y.
USD/RUB	28.4	28.54	28.79	29.40
EUR/RUB	40.02	40.16	40.42	41.05
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.48	0	4.26	3.23
MIBOR 1m (%)	4.05	0	5.16	3.81
RUONIA 1d (%)	3.05	0.14		
Implied NDF yield 6m%	3.59	-0.045	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	125	-2	218	123
Eurobond Russia 30Y	4.724	0.035	5.953	3.914
EMBI +	555.31	-0.5	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	2045.06	0.17	2045.06	1226.57
Micex	1810.90	0.19	1810.90	1197.39
S&P 500	1310.19	-0.27	1343.01	1022.58
DJIA	12197.88	-0.19	12391.25	9686.48
Brent	114.54	-0.78	116.48	67.20



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