

Russian Markets - Daily

April 01, 2011

RUB rebounded	USD/RUB	28.39	▼
Liquidity is growing	EUR/RUB	40.22	▼
Interest rates are stable	RUB basket	33.72	▼

Hot News

- Prime Minister Vladimir Putin said Russia can only cut social tax as proposed by President Dmitry Medvedev if it can find a way to compensate up to \$28 billion of budget losses without hurting ordinary people.
- The revenue for the Russia's federal budget may fall by up to 800 billion rubles after insurance premium rates for businesses are cut, Russian Prime Minister Putin said. Earlier, Russian President Medvedev called on the government to decrease insurance rates starting in January 2012. The rates are to be decreased to around the previous level of 26% from the current 34%.
- The HSBC purchasing managers' index (PMI) rose to 55.6 last month, its highest level since August 2006, and up from 55.2 in February, moving further above the 50 mark that separates expansion from contraction.
- Russia's Finance Ministry does not expect to issue more than \$3 billion in Eurobonds this year - less than half its original plan - thanks to extra budget revenues from high oil prices, a deputy minister told Reuters.
- Russian communications companies earned 125.5 billion rubles in February, up 13.9% on the year, the Federal State Statistics Service. As compared to January, revenue from communications services in Russia rose 3.8% in February.
- Positive balance of payments of Russia in the current account in 2010 happened in the sum of \$71,129bln, CBR
- Assets of the banking system of Russia on February 2011 increased by 1.96% to 33 857 bln rubles (€46 bln), CBR

Money Market

Liquidity continued to restore as major tax payments are over. RUB liquidity at Central Bank's correspondent accounts increased by 90bn to RUB 1383bn. Rates are flat and interbank overnight rate is slightly above Central Bank depo rate.

The CBR increases the reserve requirements today. For the obligations of credit institutions to non-resident legal entities in rubles and foreign currency reserve requirement is increased from 4,5% to 5,5%. On obligations to physical persons and other liabilities of credit institutions and foreign currency - from 3,5% to 4,0%. This can partially offset liquidity growth.

We expect that Money Market will be relative stable during next several weeks. Yesterday government bond yield curve showed sizable decline which can be a signal of less confident market expectations of strict monetary policy.

Currency market

Yesterday RUB rebounded from the weakest levels in two weeks. Basket declined as oil prices showed positive dynamics. Brent crude futures rose more than \$2, passing \$117 per barrel and approaching local peaks. Forecasted net capital outflow (-\$20 bn per 1st quarter) and ample RUB liquidity can partially offset high oil prices and strict CRB policy.

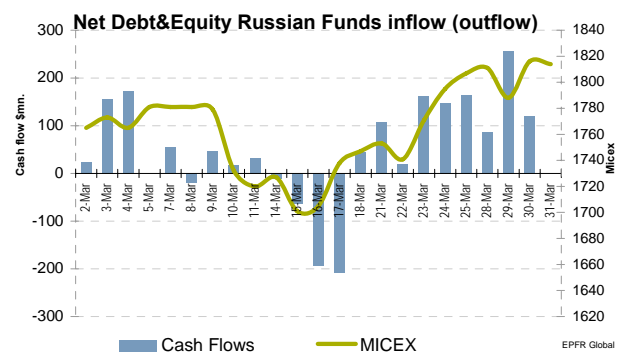
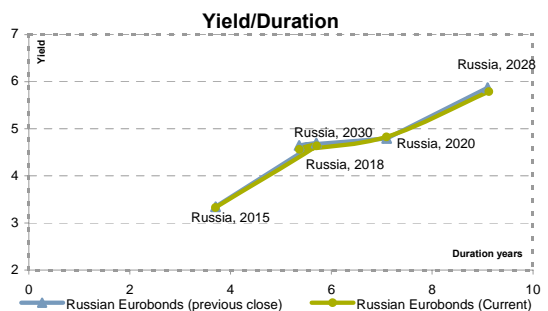
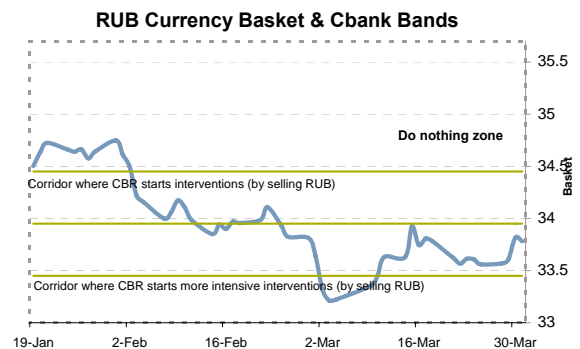
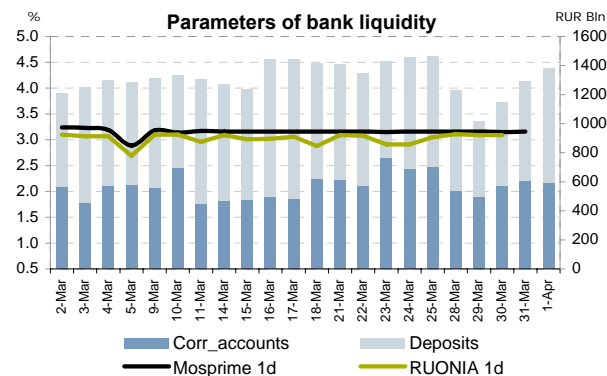
Basket closed yesterday at 33.69, which was 12 kopecks lower than the day before. RUB gained 7 kopeck against USD and 3 kopeck to EUR.

Debt and Equity Markets

Equity indices were flat yesterday, Micex index traded higher 1800, renewed after-crisis peaks during the session. Some shares are slightly overbought and even high oil prices can not help market to keep the previous pace of growth. Today opening was near previous levels.

Bond market experienced sizable growth and showed high turnover. Russian government bond yield curve shifted downward. Demand was strong also on Eurobond market. High demand for long duration bonds may indicate the change in market perception of CBR monetary policy. Some market participants expect only one interest rate hike during 2d quarter.

Forwards	1m.	3m.	6m.	1Y.
USD/RUB	28.499	28.635	28.889	
EUR/RUB	40.362	40.512	40.7625	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4.06	0.02	5.14	3.81
MIBOR 1m (%)	0.2435	-0.0003	0.35406	0.24345
RUONIA 1d (%)	3.09	0		
Implied NDF yield 6m%	3.58	-0.015	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	126	-1	218	123
Eurobond Russia 30Y	4.663	-0.03	5.953	3.914
EMBI +	555.5	0.17	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	2044.20	0.41	2045.06	1226.57
Micex	1813.59	-0.11	1815.60	1197.39
S&P 500	1325.83	-0.18	1343.01	1022.58
DJIA	12319.73	-0.25	12391.25	9686.48
Brent	117.22	1.52	116.48	67.20



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