

Russian Markets - Daily

April 06, 2011

RUB is flat	USD/RUB	28.19	▼
Liquidity is increasing	EUR/RUB	40.30	▲
Equity and debt funds inflow vs capital outflow	RUB basket	33.64	

Hot News

- Central Bank of Russia bought USD 5.4bn in the foreign exchange market in March, which is more than in the previous month (USD 4.6bn). So far CBR bought a total of USD 10.8bn in Q1 this year. /CBR
- Capital outflow amounted to USD 21.3bn in Q1 this year. According to CBR, this was mainly due to seasonality. E.g. last year Q1 capital outflows reached USD 14.7bn in Q1, but in Q2 inflows of USD 4bn were recorded. /CBR
- Inflation will not exceed 7% this year, said CBR chief Ignatyev. According to him, we might see months with zero inflation or outright deflation in Q3 this year. /Interfax
- Ignatyev said that RUB is close to the floating currency. He said the CBR intends to further widen the RUB basket corridor, yet no timing was given. "...maybe this year, maybe the next". /Vesti
- Finance Ministry is considering the possibility of refining the approach toward accumulation of oil and gas fiscal revenues, said Finance Minister Alexei Kudrin. The mechanism providing for the formation of separate accounting for oil and gas revenues and transfer of funds to the Reserve Fund and National Welfare Fund was suspended for a time of crisis.
- Kudrin said that the capital account may see inflows this year, yet the quality of these inflows is questionable. /Reuters

Money Market

Liquidity improved. RUB liquidity at Central Bank's correspondent accounts increased by 48bn to RUB 1470n. Overnight rates are stable and if they could go lower than Central Bank's depo rate they would do it. First tax payments will be on April 14th. We expect that Money Market will be relative stable till that time. Impact of more tight reserve requirements has been delaying but still we have to keep it in mind. We also expect that fears of interest rate hike can slightly lift interbank rates at the end of the month.

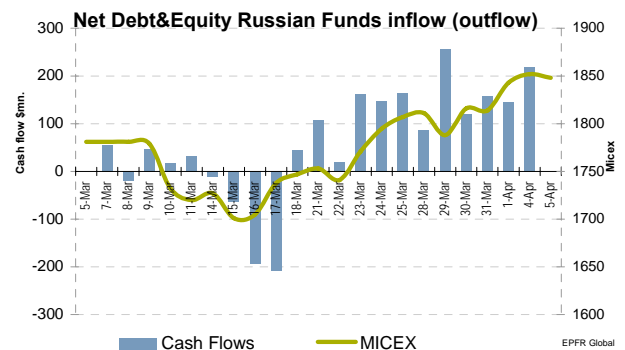
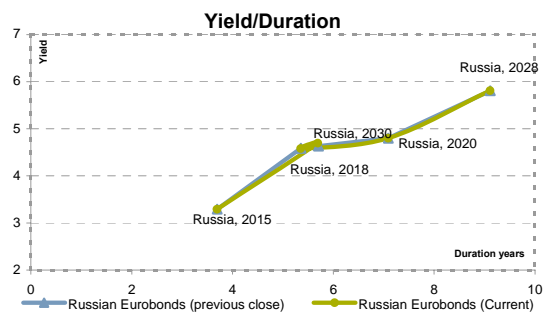
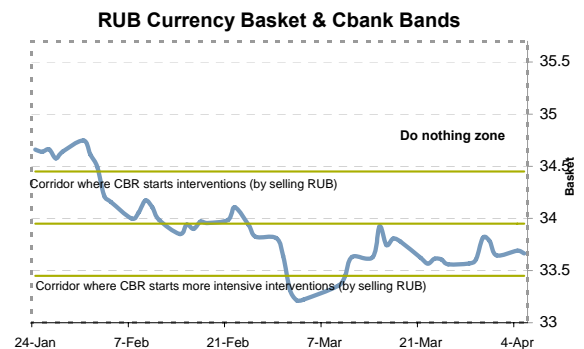
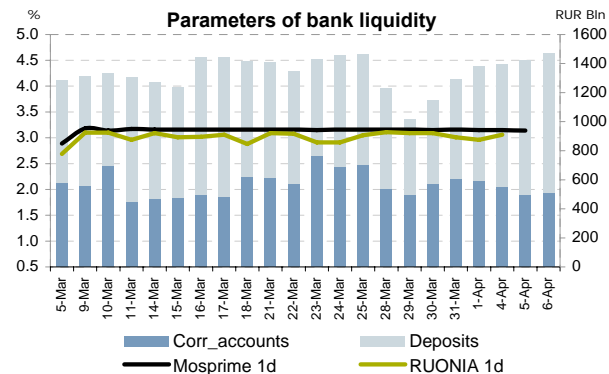
Currency market

RUB basket remained nearly unchanged yesterday, in line with the range-bound global markets on thin news calendar. The basket closed at 33.67, which was 1 kopeck lower than the day before. RUB lost 5 kopeck against the USD, finishing at 28.34, and gained 8.5 kopeck against EUR, closing at 40.18. The load of comments from Central Bank of Russia yesterday was a bit mixed. On the one hand, CBR chief Ignatyev said that RUB is nearly a floating currency, on the other hand, he said that CBR intervened in FX market buying USD 5.4bn in March - most in a month this year. Moreover, the latter, according to CBR comments two weeks ago, was mostly without shifting the floating currency band - which means, RUB bands are more rigid. A positive for RUB was Ignatyev's comment that they are committed to maintain inflation below 7% this year, and all the tools will be used for that. Since, according to him, reserve requirements will not be raised to pre-crisis levels, it remains to conclude that interest rates and stronger RUB will be utilized as well. Today the basket opened at just yesterday's close, dropping just 2-3 kopeck below. USD is broadly weaker, which allowed RUB to drop to 28.18 in the first minutes of the session. Brent oil prices remain stubbornly at close to USD 122/bbl, guaranteeing sufficient current account inflows at least for the coming months. We remain on the sidelines on RUB before momentum kicks in. Exporters, the key to blame for the USD 21.3bn capital outflows in Q1, will start to sell FX earned abroad ahead of the quarterly tax payments at the end of month.

Debt and Equity Markets

Micex index was flat yesterday, traded near after-crisis peaks. Oil prices are at local a peak, supporting Russian energy shares. Today's opening was slightly higher. Bond market is in good shape given optimistic Central Bank's inflation forecast that was announced yesterday.

Forwards	1m.	3m.	6m.	
USD/RUB	28.303	28.44	28.687	
EUR/RUB	40.3275	40.4675	40.7075	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.87	-0.01	5.07	3.81
MIBOR 1m (%)	0.2355	-0.0044	0.35406	0.2355
RUONIA 1d (%)	3.06	0.1		
Implied NDF yield 6m%	3.565	0.03	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	123	4	218	119
Eurobond Russia 30Y	4.68	0.069	5.953	3.914
EMBI +	557.75	-0.86	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	2088.64	-0.18	2092.32	1226.57
Micex	1848.21	-0.21	1852.02	1197.39
S&P 500	1332.63	-0.02	1343.01	1022.58
DJIA	12393.90	-0.05	12400.03	9686.48
Brent	121.80	0.87	116.48	67.20



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