

# Russian Markets - Daily

April 07, 2011

<b>RUB – the same story</b>	USD/RUB	28.23	▲
<b>Liquidity is increasing</b>	EUR/RUB	40.33	▲
<b>Rates are without changes</b>	RUB basket	33.68	▲

## Hot News

- Inflation in the first week of April (March 29 - April 4) was recorded at 0.1%. Thus from the beginning of the year consumer prices have already rose 3.9%. /Rosstat
- Budget deficit may reach 1-1.4% of GDP in 2011, said Finance Minister Kudrin. Meanwhile, in another comment Economy Minister Klepach said that it will come below 1% this year. /Interfax
- Consumer confidence index, which reflects the aggregate consumer expectations of the population, decreased by 3pp in Q1 of 2011, from -10% in the Q4 of 2010 to -13% now. /Rosstat
- The "cash for clunkers" scheme may be extended to the end of this year. PM Putin proposed to set aside an additional RUB 5bn for financing it. Recycling program of old cars was launched March 2010 and was planned to last until November 2010. /Reuters
- Ministry of Economic Development revised up the forecast for industrial production from 4.1% to 5.4% for this year. /Interfax

## Money Market

Liquidity is continuously growing. RUB liquidity at Central Bank's correspondent accounts increased by 11bn to RUB 1482n. Overnight rates were slightly lower yesterday. Debt market indicates, that market do not afraid interest rate hikes anymore. However recent CBR chief's press conference was very ambiguous. Central Bank gave unclear signals and current market perception of future monetary policy can instantly change.

We expect Money Market to stay relative stable till the end of the month, when tax paying period will influence the liquidity situation. We also expect that fears of interest rate hike can revive.

## Currency market

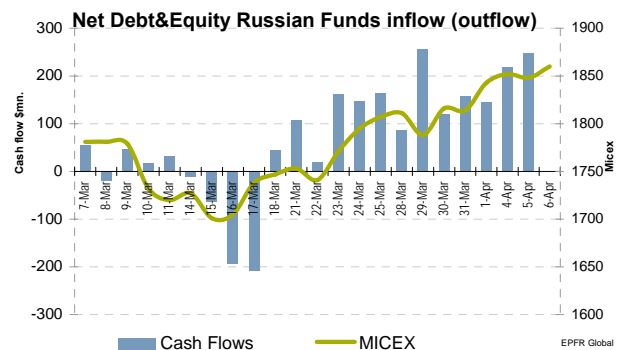
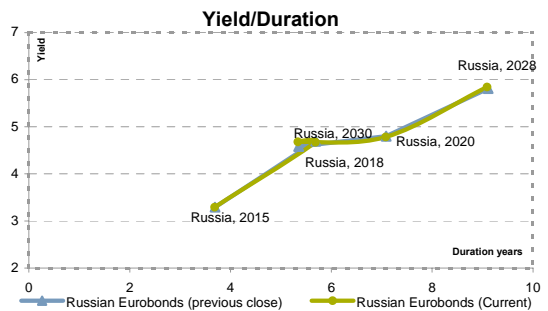
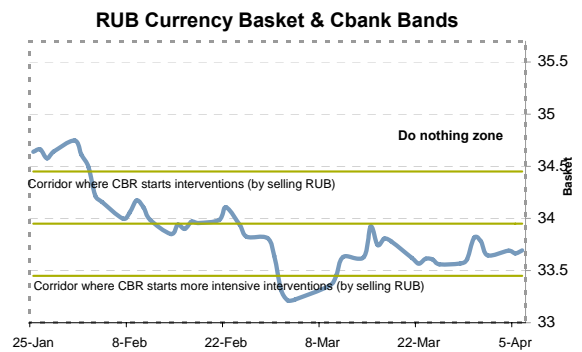
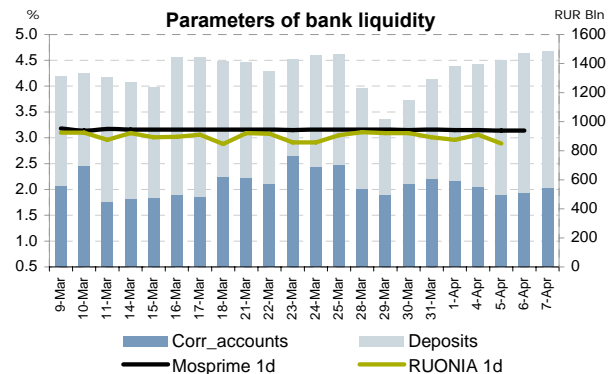
Another day - same story of the stable RUB basket. Yesterday it moved just 2 kopeck up and finished the session at 33.69. Apparently the market participants are confused - that's exactly what the regulator wanted. The less RUB predictability, the easier it is for them to conduct monetary policy. Further RUB strength is on the cards, yet it will not be a one-way journey, given the CBR's wish. Today the basket opened at similar levels. While the basket is range-bound, dynamics of the separate legs, determined by EUR/USD, are more interesting. So far RUB keeps strong against the USD, yesterday picking up 10 kopeck against it. But EUR strength is just undermining - EUR rose nearly 18 kopeck against RUB yesterday. EUR pushed above 1.43, on the certainty that ECB will raise rates today, yet retreated slightly over the night after Portugal's eventual request for bailout. "Strong vigilance", if pronounced by Trichet today, will open up further opportunities for EUR strength, thus hurting RUB against it; meanwhile, "monitor closely" would mean another rate hike would be postponed, and that will take some upward pressure off EUR/USD. Risk appetite is on today, and the Brent oil prices remain above USD 121/bbl - another reason for RUB gaining strength against USD.

## Debt and Equity Markets

Micex index slightly increased yesterday as oil prices were at local a peaks, supporting Russian energy shares. Today's opening was slightly lower given relative weak external background. However we expect rebounding during second half of the session. Fund's cash inflows continue to support local market.

Bond market looks optimistic, yield curve has shifted downwards during last few weeks.

Forwards	1m.	3m.	6m.	
USD/RUB	28.256	28.39	28.64	
EUR/RUB	40.407	40.542	40.789	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.88	0.01	5.07	3.81
MIBOR 1m (%)	0.2335	-0.002	0.35406	0.2335
RUONIA 1d (%)	2.89	-0.17		
Implied NDF yield 6m%	3.47	-0.095	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	120	-3	218	119
Eurobond Russia 30Y	4.658	-0.022	5.953	3.914
EMBI +	557.81	0.06	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	2110.90	1.07	2110.90	1226.57
Micex	1859.99	0.64	1859.99	1197.39
S&P 500	1335.54	0.22	1343.01	1022.58
DJIA	12426.75	0.27	12426.75	9686.48
Brent	121.79	-0.01	116.48	67.20



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