

Russian Markets - Daily

April 11, 2011

Strong oil = strong RUB	USD/RUB	28.23	▲
Rates are stable	EUR/RUB	40.33	▲
Liquidity stabilized at highs	RUB basket	33.60	▲

Hot News

- Russia's National Forex Exchange Association and Thomson Reuters will start a daily fixing service for overnight interest swaps (OIS) for the RUONIA rate, calculated by the CBR based on the RUB money market deals the previous day. ROISfix swaps for 1 week and for 1, 3, 6 months will be published from April 15 at 0830 GMT. /Reuters
- Net profit of Russian banks (ex. Sberbank) in March this year increased 1.5 times in comparison with February, revealed the First Deputy Chairman of Bank of Russia G. Melikyan. Loans to non-financial sector companies increased 1.6% in March, while credit to households rose 2.4%. /RIA Novosti
- This week Gazprom's CEO A. Miller and CEO of Shell, P. Voser, will discuss an exchange of assets, according to Gazprom's head of the department of foreign trade activities P. Oder. He did not comment on what specific assets are discussed, noting that it will be "potentially interesting assets for Gazprom abroad, and for Shell - potentially interesting assets in Russia." It is expected that in return for access to new offshore blocks for gas supplies to the plant Shell may offer Gazprom assets in Asia. /Interfax
- Russia's Prime Minister Putin said Russia will not start complying with its WTO obligations until it has been admitted to the organization. "I am asking you - and also tell this to our partners: We will not fulfill anything until we become full fledged members", Putin said. /RIA Novosti

Money Market

RUB liquidity at Central Bank's correspondent accounts decreased by insignificant 42bn to RUB 1426 bn. during Friday's session. Liquidity situation in banking system conform the rules of monthly volatility. In the beginning of each month we see rebounding liquidity, peaks in the middle of the month, and some deterioration in the end due to tax payments. The same situation is in April. We expect Money Market to stay relative stable until tax paying period (first payments will be on Apr. 14th). Regarding Central Bank's meeting in the end of the month – market underestimates probability of interest rate hike.

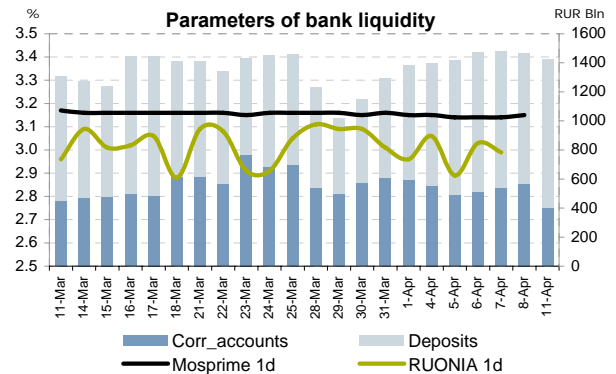
Currency market

Finally RUB basket showed some more tangible movement on Friday, dropping by 9 kopeck for the day, closing at 33.60. As expected, higher oil prices fed into RUB strength against the USD, as the USD/RUB dropped to the new local lows of 28.02, which was 22.85 lower than the previous day's close. Yet RUB didn't resist the strong EUR, losing 7 kopeck against it for the day. Oil is unstoppable: having touched nearly USD 127/bbl., the front month Brent traded at USD 126/bbl. here in the morning. It's important to note, however, that RUB strength against USD is also a reflection of broad USD weakness, as US Fed keeps on the dovish side and US government struggled with the budget discussion last week. The USD index dropped further from 75.60 on Friday to 74.90 here in the morning. EURUSD has touched new highs of 1.4488. Short USD is a conviction trade now, the EUR/USD trend turns down, then USD/RUB downward move will be challenged. But for now - we are still long RUB against USD. We hold on to our short USD/RUB seagull strategy (levels 27.40/28.40/29.20, spot ref.: 28.55), recommended on March 14, but watch EUR/USD closely. To be on the safer side, go long RUB basket instead. It seems like there is some follow through from Friday's move - RUB basket opened at lower levels, dropping to 33.53 in the first minutes of the session. USD/RUB dropped below 28.00, levels last seen back in December 2008.

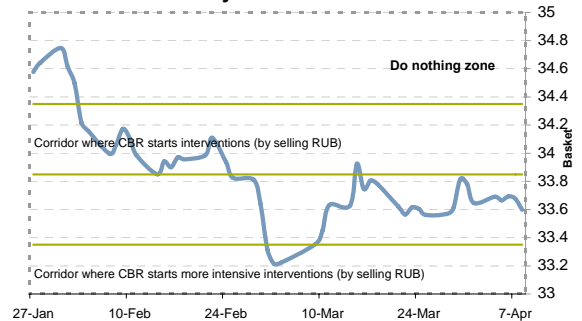
Debt and Equity Markets

Micex index slightly increased on Friday, today's opening was on the same levels. High oil prices continue to make Russian market more and more attractable. Bond market still looks good given ample liquidity and strong RUB.

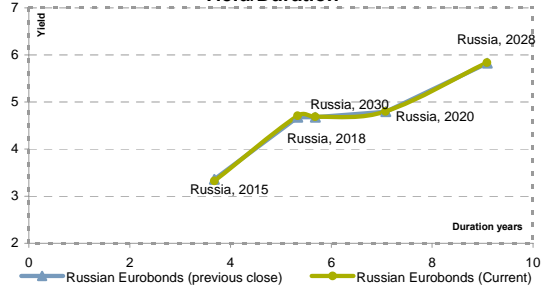
Forwards	1m.	3m.	6m.	
USD/RUB	27.978	28.115	28.355	
EUR/RUB	40.4875	40.625	40.8525	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.48	0	4.26	3.23
MIBOR 1m (%)	3.88	0	5.07	3.81
RUONIA 1d (%)	2.99	-0.04		
Implied NDF yield 6m%	3.51	0.005	4.76	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	120	0	218	119
Eurobond Russia 30Y	4.715	0.027	5.953	3.914
EMBI +	557.61	0.15	582.02	500.33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	2123.56	1.63	2123.56	1226.57
Micex	1855.97	0.63	1859.99	1197.39
S&P 500	1328.17	-0.40	1343.01	1022.58
DJIA	12380.05	-0.24	12426.75	9686.48
Brent	125.74	1.87	123.43	67.20



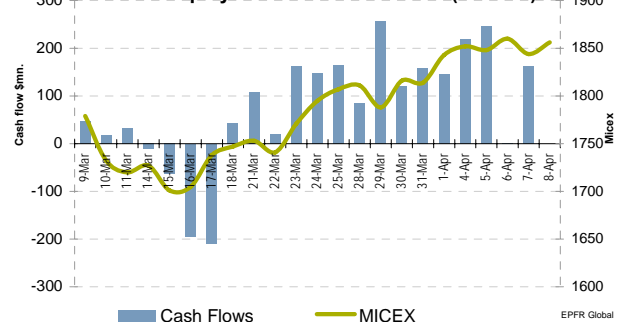
RUB Currency Basket & Cbank Bands



Yield/Duration



Net Debt&Equity Russian Funds inflow (outflow)



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