

# Russian Markets - Daily

April 18, 2011

<b>RUB increased vs basket</b>	USD/RUB	28.15	▼
<b>Liquidity decreased</b>	EUR/RUB	40.46	▼
<b>Rates are stable</b>	RUB basket	33.69	▼

## Hot News

- Russia could balance its budget next year with an average oil price of \$120 per barrel, Finance Minister Alexei Kudrin said at the weekend. "If oil price averages \$120, then we will have a zero budget deficit," Kudrin told journalists. This is higher than the ministry's earlier estimates that Russia will run a deficit next year if oil prices fall below \$100 per barrel. A deputy at the ministry also said recently that he envisages prices to remain above \$100 per barrel in 2012-2012
- Industrial production growth in Russia was 5,3% y/y in March 2011 (5,8% in February, 6,7% in January). Industrial production increased by 5,9 during Q1 2011 ( 9,5% in Q1 2010).
- Producer prices increased by 1,3% in March 2011 after 3.3% growth in February and 2,1% in January.
- Russia could issue ruble-denominated Eurobonds during this year (about 40 billion rubles), Deputy Finance Minister S. Storchak told journalists.
- VTB Capital, the investment banking arm of Russia's No. 2 lender VTB, said on Sunday it expects to help Russian companies raise billions of dollars through listing on the Hong Kong stock exchange in 2011.
- Russia will direct windfall oil revenues to the country's special funds this year to keep market liquidity levels at bay and avoid the risk of higher inflation, Finance Minister Alexei Kudrin said late on Friday. "We are not going to increase the inflow of oil dollars into the market and create additional inflationary risks". The rouble should stay relatively stable over the next two, three years, as oil prices will eventually recede, Finance Minister Alexei Kudrin said at the weekend. "We don't think the rouble will be changing substantially, looking at the next two, three years".
- Kudrin said also that Russia's small debt-to-gross domestic product ratio of 11 percent puts the country into a good position on the debt market. If Russia is able to provide strict macroeconomic parameters of the economy, Russia's securities, both public and corporate will be in a high demand and our assets will grow," he said.

## Money Market

Liquidity decreased slightly due to tax payments, which will continue during this week. RUB liquidity at Central Bank's correspondent accounts decreased by insignificant 32bn to RUB 1334 bn. during Friday's session, although interbank rates were stable. Liquidity situation will stay comfortable, even taking into account big tax payments. By the way, liquidity deterioration due to taxes will be partially offset by Central Bank's depo auctions. Market is uncertain regarding interest rates hike, waits for next Central Bank's meeting in the end of the month. Depo rate can be raised by 25 bp. However interest rate hike can be postponed if inflation statistics show low weekly inflation (lower than 0.1%).

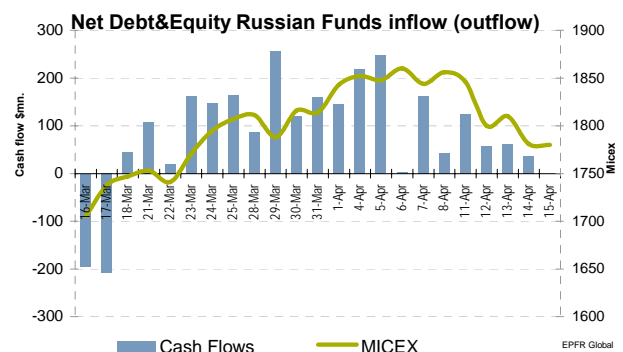
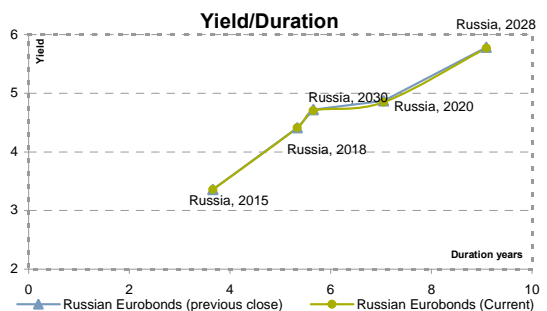
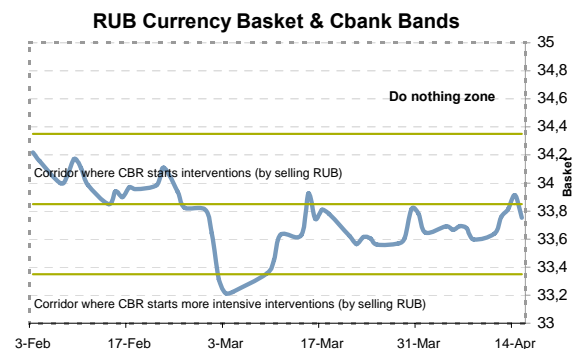
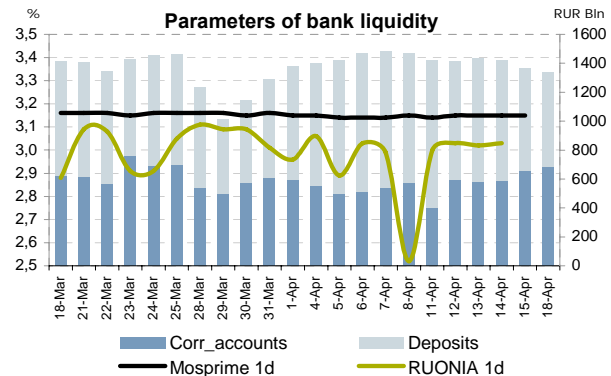
## Currency market

Local resistance at 34 for currency basket has done its part. RUB rebounded after has touched monthly bottoms against euro and basket. During Friday session RUB won back 26 kopecks against euro and closed at 40.59. Basket lost 16 kopeck and finished at 33.75. Today currency basket opened even lower and trades at 33.67. Tax paying period force exporters to sell revenue, supporting RUB. Exporters have a lot of dollar liquidity on their accounts and this part of that sum can appear on the market. Oil prices stabilized, also helping ruble.

## Debt and Equity Markets

Russian stock market was flat during Friday's session. Oil prices have stabilized, cash inflow continues, supporting stock market. The closest supporting line is 1750 for Micex index.

Forwards	1m.	3m.	6m.	
USD/RUB	28,197	28,418	28,589	
EUR/RUB	40,4709	40,6153	40,8508	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3,44	0	4,26	3,23
MIBOR 1m (%)	3,87	0	5,07	3,81
RUONIA 1d (%)	3,03	0,01		
Implied NDF yield 6m%	3,645	0,025	4,76	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	127	0	218	119
Eurobond Russia 30Y	4,703	0,005	5,953	3,914
EMBI +	557,8	1,53	582,02	500,33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	2036,68	0,39	2123,56	1226,57
Micex	1780,36	-0,06	1859,99	1197,39
S&P 500	1319,68	0,39	1343,01	1022,58
DJIA	12341,83	0,46	12426,75	9686,48
Brent	123,10	0,49	129,43	67,20



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