

Russian Markets - Daily

April 20, 2011

RUB gained	USD/RUB	28.15	▼
Liquidity increased	EUR/RUB	40.63	▲
Statistics gave some signals	RUB basket	33.76	▼

Hot News

- Russian capital investment fell for a third month in a row in March, data showed on Tuesday. Investment shrank 0.3 percent year-on-year against analysts' expectations for a 2.3 percent increase.
- Average wages earned by Russians rose 9.0 percent in nominal terms year-on-year in March to stand at 22,127 roubles (\$780), the Federal Statistics Service said on Tuesday. Real wages, which are adjusted for inflation, fell 0.4 percent on the year, compared to analysts' expectations for a 2.1 percent increase.
- The number of people unemployed in Russia fell to 5.4 million at the end of March, taking the jobless rate down to a four-month low of 7.1 percent.
- Russian retail sales rose by 4.8 percent in March, year-on-year, after an upwardly revised increase of 5.8 percent the previous month, the Federal Statistics Service said on Tuesday.
- Russia's top crude producer, Rosneft on Tuesday announced a share buyback programme as the company eyes a \$16 billion share swap deal with BP. Rosneft said it will start with \$100 million to \$200 million worth of shares buyback in coming months.
- Russia's state railway operator Russian Railways has approved the sale of stakes in its Freight One and Transcontainer units, eyeing proceeds of some \$4.5 billion.

Money Market

Liquidity rose yesterday due to Central Bank depo auction. RUB liquidity at Central Bank's correspondent accounts increased by 36bn to RUB 1325 bn. yesterday. Interbank rates were stable. Today value added tax will be paid (~RUB100 bn.). Yesterday big block of statistics gave some ambiguous signals. Weak capital investment and industrial production data and the gap between wages growth and retail sales growth may prevent Central Bank from interest rate hike. However today market expects weekly inflation statistics which can turn everything inside out. Anyway market is uncertain about interest rates hike and waits for next Central Bank's meeting on April 29.

Currency market

Basket closed higher yesterday. Russian market was pricing in S&P downgrade of U.S. credit rating outlook. Ruble lost 7 kopecks against currency basket but closed higher versus USD due to strong euro on Forex market. In general RUB weekly dynamics continues to stay flat in the range 33.5-34 RUB for currency basket. Oil prices stay at quite high levels, exporters sell dollar revenue in expectation of tax payments. Valued-added tax payments will be paid today, mineral extraction tax - on April 25. These tax payments could total more than \$10 billions, supporting ruble vs USD and EUR.

From the other side Central Bank intervenes currency market buying foreign currency with moderate pace of ~200 mn/day. Weak Russian macro stats (investments and industrial production) also put a pressure on the RUB as it lower probability of interest rate hike in the end of the month.

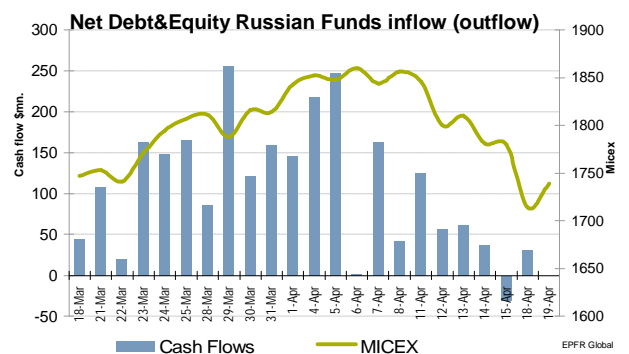
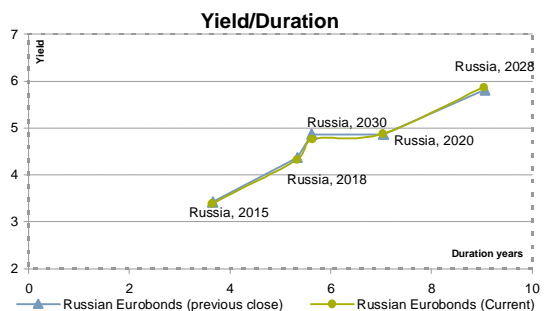
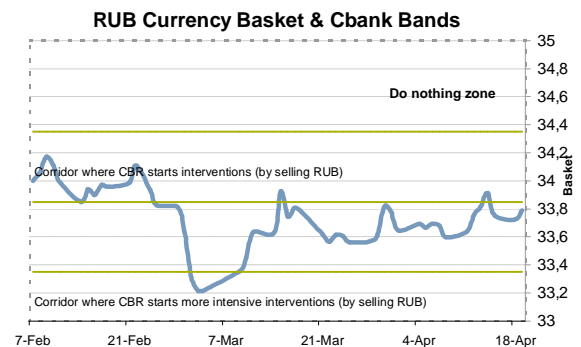
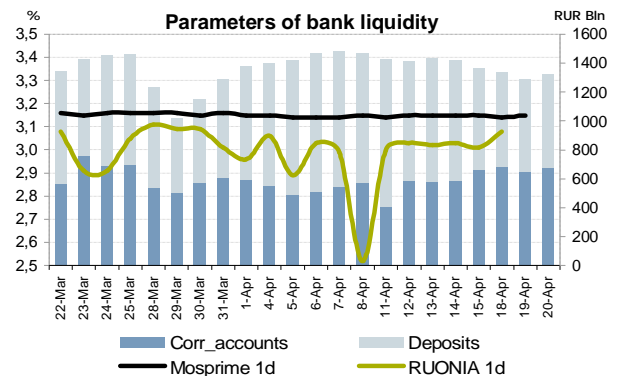
We expect currency basket will stay inside the current trading range.

Debt and Equity Markets

Russian stock market won back a large part of the drawdown, MICEX Index increased by 2.42% yesterday. Today market continued with positive sentiment but we expect the market turnover will contact during next few days due to holidays on western markets.

Russian Eurobonds partly rebounded after the sharp fall the day before. Sovereign spreads narrowed insignificantly. Russia-30 yield decreased by 0.05%. Russia's Finance Ministry said on Tuesday it would auction 3-year bonds this week rather than 5-year paper as previously planned, reacting to a worsening global market environment and offering a premium.

Forwards	1m.	3m.	6m.	
USD/RUB	28,325	28,471	28,724	
EUR/RUB	40,725	40,868	41,11	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3,44	0	4,26	3,23
MIBOR 1m (%)	3,87	-0,02	5,07	3,81
RUONIA 1d (%)	3,08	0,07		
Implied NDF yield 6m%	3,715	0,025	4,76	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	133	-2	218	119
Eurobond Russia 30Y	4,807	-0,047	5,953	3,914
EMBI +	557,09	1,04	582,02	500,33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1988,12	1,95	2123,56	1226,57
Micex	1755,63	2,42	1859,99	1197,39
S&P 500	1312,62	0,57	1343,01	1022,58
DJIA	12266,75	0,53	12426,75	9686,48
Brent	121,88	-0,51	129,43	67,20



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