

# Russian Markets - Daily

April 26, 2011

<b>RUB is supported by taxes</b>	USD/RUB	27.87	▼
<b>Liquidity decreased sharply</b>	EUR/RUB	40.59	▼
<b>Overnight rates rose</b>	RUB basket	33.60	▼

## Hot News

- Fighting inflation is a higher priority than the fight against the excessive appreciation of the ruble, according to Deputy Prime Minister and Finance Minister A. Kudrin. "I support the Central Bank in their policy (to reduce inflation). In particular, despite the fact that we are in conditions of high oil prices face a choice - and inflation, and strengthening - all the same reduction of inflation I think more important indicator, providing low rate loans" - he said. /Vedomosti
- Russian Prime Minister Vladimir Putin said Russia needs a predictable and "reasonable" exchange rate, "safe" level of government debt and low inflation. He put emphasis on inflation, saying: "we need a low inflation, and it means - and available bank credit for real sector and cheaper mortgages, and the opportunity for long-term planning of investment programs, the main thing - protecting the real incomes and savings of citizens against inflationary losses". He added that in 2011, prices need to keep within the limits of 7,5%. According to Putin, this is not an easy task, but he "talked with the Central Bank" - it's attainable. /Vedomosti
- Central Bank of Russia sees potential for a hike in key interest rates in the next meeting in April, hinted the Central Bank First Deputy Chairman A. Ulyukayev. "There is potential for hike, as in previous months, we may hike...or not hike", - he said. /Reuters

## Money Market

Tax paying is the major factor for the Money Market right now. Next payments will on Thursday (~RUB100 bn.). Liquidity continued to decline: RUB liquidity at Central Bank's correspondent accounts and deposits decreased by 145bn to RUB 1014 bn. yesterday. Interbank interest rates increased. The other factor is anticipation of Central Bank's monetary decision at the end of the week. At least CBR will rise reserve requirements for the banking system.

## Currency market

The RUB basket has strengthened by 15 kopeck yesterday. RUB gained both against USD and EUR, gaining 16,9 and 13.25 against each, respectively. USD/RUB was reaching the new record lows of 27.80 - the level last seen back in December 2008. RUB is helped by ongoing tax payments domestically, as the foreign investors have likely reduced their presence due to Easter holidays. Finally after a month or so of silence we got some RUB-supportive comments from the government, which started with Friday's comment from Kremlin's key economic adviser Dvorkovich, who said that strong RUB is good for the economy. Yesterday's Kudrin's and Putin's comments also point toward prioritizing low inflation, which requires tolerance of a stronger RUB. Finally, Ulyukayev's hint of a potential monetary policy tightening also show that the CBR will act as needed to contain inflation - and an interest rate hike this Friday is likely now. Ulykayev also noted that the CBR bought around USD 3bn in April so far, which is consistent with our estimate of around USD 200m/day in non-cumulative interventions per day. After a strong rally today the RUB basket opened at around yesterday's levels, as the risk appetite is weak - the Asian stocks dropped tonight, Russian equities gapped down. The front month Brent oil retreated from yesterday's highs of USD 124.73/bbl, but remains comfortably high at just above USD 123/bbl here in the morning.

## Debt and Equity Markets

Trading volume has restored. Russian stock market decreased, MICEX Index lost 1.34% as oil prices retreated. Today market opened lower given poor dynamics on Asian markets and weak US futures. Trend lines are at 1710, 1550 for Micex index. Yield curve was stable, fixed income market is waiting for Central Bank's decision at Friday's meeting. Some interest rate hike probability frightens market participants.

Forwards	1m.	3m.	6m.	
USD/RUB	28	28,15	28,399	
EUR/RUB	40,673	40,828	41,073	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3,46	0,01	4,26	3,23
MIBOR 1m (%)	3,87	-0,01	5,07	3,81
RUONIA 1d (%)	3,12	0		
Implied NDF yield 6m%	3,74	0	4,76	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	129	0	218	119
Eurobond Russia 30Y	4,728	0	5,953	3,914
EMBI +	557,09	-1,57	582,02	500,33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	2030,93	-0,88	2123,56	1226,57
Micex	1769,94	-1,34	1859,99	1197,39
S&P 500	1335,25	-0,16	1343,01	1022,58
DJIA	12479,88	-0,21	12505,99	9686,48
Brent	123,19	0,56	129,43	67,20



