

# Russian Markets - Daily

April 27, 2011

<b>RUB gained</b>	USD/RUB	27.70	▼
<b>Liquidity was stable</b>	EUR/RUB	40.63	▼
<b>Overnight rates rose</b>	RUB basket	33.53	▼

## Hot News

- RUB could strengthen to 24-25 to the dollar by the end of 2011 - the beginning of 2012 at an oil price of around USD120/bbl, according to Deputy Economic Development Minister A. Klepach.
- The deputy minister stressed that the risks of such developments are very high, given the situation on foreign markets, as well as the Bank of Russia measures. /Vedomosti
- Capital inflows in Q2-Q3 may compensate the outflow in Q1, according to the Ministry of Economic Development. In the years 2012-2014 net capital inflow of USD 20-30bn per year is projected. /Rosinvest
- Ministry of Finance plans to return to the principles of oil and gas revenues, which existed during the formation of the oil stabilization fund. Within the next few months they will reestablish a cut-off price above which oil and gas revenues accumulated, said Deputy Finance Minister O. Sergienko. /Vedomosti

## Money Market

RUB liquidity at Central Bank's correspondent accounts and deposits increased by insignificant 47bn to RUB 1062 bn. yesterday. This is relative low level. Tax payments are not over but tomorrow will be the last one (profit tax). Deteriorated liquidity is the major factor for the Money Market during the end of the month and finally overnight rates rose yesterday.

The other factor s anticipation of Central Bank's meeting at the end of the week. Market expects at least stricter reserve requirements. 25 bp depo rate hike is also possible.

## Currency market

Another day of gains for RUB yesterday - the basket closed 4 kopeck lower than the day before, at 33.58. RUB strengthened to new records of 27.76 during the daily session. RUB kept strong despite the lack of risk appetite in the global markets yesterday. Russian government has started a full-fledged RUB-supportive talk attack, with yet another comment from Ministry of Economic Development that RUB may strengthen against USD to 24-25 by the end of the year at the current (USD 120/bbl) oil price levels. This is even stronger than our forecast of just below 27 - yet it is based on our baseline scenario for oil, which is USD 107/bbl for this year, ie somewhat lower than current market prices. Today we have the "risk on" mood in the global markets, with Asian equities up, USD down, Russian equities opening higher. The front month Brent is up again from yesterday's levels, trading at around USD 124/bbl here in the morning. The basket opened a few kopeck higher from yesterday's close. At these levels the CBR is intervening in a non-cumulative fashion, buying USD 200m/day, and only below 33.35 they will start additional USD 300m cumulative purchases per day. The major local tax payments are behind, thus RUB is now at the mercy of foreign investors - and further direction will depend on whether they caught the message of the Russian authorities for their tolerance of stronger RUB.

## Debt and Equity Markets

Russian stock market was flat yesterday, showing weakness against a background of quite positive dynamics in Europe and US. Today market opened slightly higher as commodity prices moved up, Asian markets increased. Equity fund capital inflow is decelerating probably due to expectation of Fed meeting. RUB yield curve was stable. Debt market is waiting for Central Bank's decision at Friday's meeting.

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



