

# Russian Markets - Daily

May 05, 2011

<b>RUB renewed highs vs. USD</b>	USD/RUB	27.26	▼
<b>Liquidity is rebounding</b>	EUR/RUB	40.54	
<b>Overnight rates decreased</b>	RUB basket	33.24	▼

## Hot News

- Inflation was recorded at 0.4% m/m (9.6% y/y) in April, which was lower than in previous month (0.6% m/m and 9.5% y/y, respectively). Thus from the beginning of the year the prices have risen by 4.3%. Food inflation has decelerated. Consumer prices on food products rose 0.4% m/m, non-food products - 0.5% m/m and services 0.5% m/m. /Rosstat
- Russia's largest bank Sberbank intends to begin the sale of the ADRs in London in the next two months, said the head of the bank G. Gref. "It will significantly expand our pool of potential investors" - said Gref. /RIA
- Ministry of Finance does not consider the issue of temporary lowering of the tax on mineral extraction (MET) in connection with a fuel shortage in April on the domestic Russian market, said Deputy Finance Minister S. Shatalov. /Interfax
- Service PMI rose to 55.8 in April from 53.3 the month before. /Reuters

## Money Market

Banking system liquidity is rebounding from the recent lows. RUB liquidity at Central Bank's correspondent accounts and deposits increased by RUB 65bn. and reached RUB 1049 bn. Interbank interest rates have stabilized after last week sharp increase and overnight Mosprime rate decreased by 50 bp. yesterday, proving that recent dynamics was too emotional. Central Bank of Russia raised the key interest rates by 25 basis points last week which led to local turmoil on the Money Market. However we think that O/N rates will return to the Central Bank's depo level (3.25%) in foreseeable future.

## Currency market

Despite the negative market sentiment yesterday the RUB basket managed to strengthen further to 33.19, which was 9 kopeck lower than the day before. As in previous sessions, RUB gain most against the USD, strengthening by 19 kopeck against it during the day, closing at 27.17. Liquidity situation is improving, but it is still lower than the levels before the recent tax period. The interest rates have also shifted higher, thus making RUB attractive to hold for carry reasons alone. Today the market risk appetite is still low, as seen from Asian equity markets, also further retreating oil prices. The markets are probably weary of monetary policy tightening - India's move this week, China's comments about more tightening, today's ECB's expected hawkish comments... This all creates a feeling of tighter money on the horizon, thus causing correction in the risky assets. Yet, paradoxically, RUB strengthens in this environment, because the local corporates, which stood behind the recent quarters' capital outflows, convert FX to buy RUB on lack of domestic liquidity. Borrowing in RUB became less attractive after the recent CBR move, thus capital outflows should diminish. In the short term we believe RUB has more potential to gain against the USD, since US monetary policymakers continue the QE2 mode, as, time and again, heard from yesterday's comments of Fed governors. The RUB basket opened a bit higher today, but local equities seem to have stabilized now. Brent oil prices traded at above USD 121/bbl. In the morning.

## Debt and Equity Markets

Russian stock market broke several supporting lines. Micex index decreased yesterday by 2% and reached 1658. Today's opening was higher. Coming «long» holidays can stop the market from quick rebounding. However volume of trade increased on the bottom, indicating sizable demand on the current levels. RUB yield curve was stable yesterday.

Forwards	1m.	3m.	6m.	1Y.
USD/RUB	27,402	27,56	27,816	
EUR/RUB	40,678	40,833	41,068	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,06	0,08	4,26	3,23
MIBOR 1m (%)	4,02	0	5,07	3,81
RUONIA 1d (%)		-4,59		
Implied NDF yield 6m%	3,73	-0,055	4,76	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	126	1	218	119
Eurobond Russia 30Y	4,596	-0,021	5,953	3,914
EMBI +	565,47	0,43	582,02	500,33
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1949,94	-1,36	2123,56	1226,57
Micex	1657,54	-2,00	1859,99	1197,39
S&P 500	1347,32	-0,69	1363,61	1022,58
DJIA	12723,58	-0,66	12810,54	9686,48
Brent	121,20	-0,92	129,43	67,20



