

# Russian Markets - Daily

May 10, 2011

<b>RUB retreated against dollar</b>	USD/RUB	27.84	▲
<b>Liquidity is finally comfortable</b>	EUR/RUB	39.82	▼
<b>O/N rates are adequate</b>	RUB basket	33.23	▼

## Hot News

- S&P published a full rating report on the Russian Federation, justifying the current rating of the country at the BBB and its "stable" outlook. The main "positive factor" that supports the high ranking Russian Federation, according to S&P is "significant natural resources." /Kommersant
- Government may restrict the growth of tariffs of natural monopolies in 2012 to the rate of inflation, said Prime Minister Vladimir Putin at the inter-regional conference of United Russia. He recalled that the outlook for inflation in 2012 - 5.6%. "This approach will give companies an incentive to reduce infrastructure costs, to work on their efficiency, cost-conscious use of resources for development, will support the rapid growth of the economy of the country" - said Putin. /Interfax
- Government will decide on the resumption of grain exports taking into account this year's crop, said Prime Minister Vladimir Putin. "We must be sure to fully satisfy our internal needs..." - said Putin. /Interfax
- Stockholm Arbitration Court allowed BP and Rosneft the exchange of shares - but only subject to the Rosneft's approval to allow TNK-BP participate in the Arctic Kara Sea project of the joint venture by BP and AAR. /Interfax
- Head of Russia's largest bank Sberbank G. Gref on the question of whether the bank will raise interest rates due to increased key refinancing rate said that the vector is toward rising rates, but that the lending rates will also depend on the state of liquidity. /Vedomosti

## Money Market

Banking system liquidity restored and finally reached comfortable levels. RUB liquidity at Central Bank's correspondent accounts and deposits increased by RUB 57bn. and reached RUB 1158 bn. Interbank interest rates right now are stabilizing at adequate levels. Resent turmoil was caused by significant tax payments and Central Bank's interest rate hike. But dark times are over and Money Market has resumed its normal course. Besides Central Bank will provide the market with additional liquidity conducting depo auctions. The main market concern is further monetary policy tightening. We do not expect key interest rates hike in May, but Central Bank can increase reserve requirements.

## Currency market

RUB retreated against the basket on Friday, losing 14 kopeck during the daily session, finishing at 33.35. Still, for the week RUB gained 2 kopeck. Due to the EUR/USD correction RUB lost ground especially against the USD, retreating 29.5 kopeck to 27.70 on Friday. RUB was also hurt by sharp drop in domestic stock markets and oil prices last week. Today the markets are stabilizing. The front month Brent managed to rebound from the lows of USD 105/bbl on Friday to USD 115/bbl, trading around USD 114/bbl in the morning. We believe oil price correction is a temporary profit taking, thus the trend should resume - we forecast Brent at an average of USD 120/bbl at the end of the year. The uncertainty about the Greek debt situation, new warnings from Fitch about upcoming "multi" downgrades keeps the risk appetite subdued - though US equities finished in the green yesterday (S&P 500 +0.46%), the Latin and Asian equity markets also in pluses during the night. Russian equity markets opened lower, however, probably reflecting the European rather than Asian or American equity market moods. But the RUB gained against the basket, reaching 33.24 in the first minutes of the session.

## Debt and Equity Markets

Russian stock market showed strong rebounding during Friday's session in spite of long weekend holidays. Micex index increased by 2%. Oil showed positive dynamics, external market also do not support local Russian downtrend. Today's opening was slightly negative, but high turnover indicates strong demand on the current levels.

Forwards	1m.	3m.	6m.	
USD/RUB	27,937	28,119	28,376	
EUR/RUB	40,043	40,208	40,473	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3,83	-0,05	4,26	3,23
MIBOR 1m (%)	4,2	0,18	4,95	3,81
RUONIA 1d (%)	3,38	-0,4		
Implied NDF yield 6m%	4,035	0,075	4,58	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	132	2	218	119
Eurobond Russia 30Y	4,59	-0,024	5,879	3,914
EMBI +	567,29	1,64	582,02	501,48
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1936,29	1,04	2123,56	1226,57
Micex	1681,01	2,19	1859,99	1197,39
S&P 500	1346,29	0,45	1363,61	1022,58
DJIA	12684,68	0,36	12810,54	9686,48
Brent	114,35	2,22	129,43	67,20



