

RUB touched max vs. basket	USD/RUB	27.93	▲
Liquidity stabilized	EUR/RUB	39.74	▼
Interest rates are comfortable	RUB basket	33.24	▲

Hot News

- In Russia's central bank bought USD 3.28bn and EUR 260.9m in April. Over 91% of the FX amount bought were "targeted" interventions, which do not lead to shifts in the floating RUB band. /CBR
- Russia's Finance Minister Kudrin said that inflation may accelerate in May, given the rise in gasoline prices. Yet the target for this year is kept unchanged at 6.5%-7.5%. /Reuter
- Kudrin noted that Russia does not plan to borrow more in the foreign markets this year due to high oil prices. Initial plan in the budget was to borrow up to USD 7bn. Russia has placed a USD 1.37bn Eurobond earlier this year. /Reuters
- The sale of cars and light commercial vehicles rose by 42% y/y in April. Since the start of the year the car sales thus rose by 64% y/y. /Interfax The non-performing bank loans (excl. Sberbank) to corporate sector decreased from 4.91% in April to 4.85% in May, to private individuals - from 8.5% to 8.25%. /Interfax

Money Market

RUB liquidity stabilized near relative comfortable level, allowing interbank rate return to their normal numbers. Liquidity at Central Bank's correspondent accounts and deposits decreased by RUB 20bn. and reached RUB 1179 bn. Interbank interest rates were consolidating near adequate levels. Overnight interbank rates returned to Central Bank's depo rate.

But new liquidity difficulties can appear in the end of the month. Market underestimates further CBR monetary tightening. We do not expect key interest rates hike in May, but Central Bank can increase reserve requirements.

Currency market

The RUB strengthened against the basket yesterday by 14 kopeck, finishing the day at 33.08. During the session the basket went as low as to 33.04, ie lowest levels since December 2008. RUB gained 9 kopeck against USD and 19.7 kopeck against EUR. The market sentiment changed yesterday toward negative, as equity markets dropped again in US (eg S&P -1.11%) and Asia (eg Hang Seng -0.83%). The oil prices retreated again yesterday, helped also by the US EIA revealing that US petroleum inventories rose more than double the forecast. Today the Brent oil stabilized at around USD 113/bbl, ie still higher levels than Friday's lows. In the absence of relative macro news the markets remain nervous on the euro periphery problems, as evidenced from EUR/USD crashing to below 1.42 yesterday. The Central Bank of Russia data on FX interventions for April yesterday showed that the CBR is gradually scaling down the intervention size, as the "targeted" interventions amounted to around USD 160m/day, with just one day (last April day) with cumulative interventions of around USD 300m/day. We estimate the RUB floating band at 33.30 - 37.30 now. Today the RUB basket opened higher, trading around 10 kopeck higher in the first minutes of the session. We remain constructive on commodity prices, and if "risk on" is back before long we expect to see the RUB basket at 31.00 in Q3. In the short term risk appetite is needed for the RUB rally, but even without it we think RUB keeps amazingly strong in light of the recent crash in local stock prices and oil.

Debt and Equity Markets

Russian stock market showed weakness yesterday. Micex index decreased by 1.4%, energy shares led market during current drawdown. The main concern is commodity market. Foreign funds cash flow has decelerating dynamics, but still experience net inflow. The closest supporting line for Micex index is at 1600.

Forwards	1m.	3m.	6m.	
USD/RUB	27,916	28,075	28,358	
EUR/RUB	39,7025	39,86	40,125	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3,84	0	4,26	3,23
MIBOR 1m (%)	4,14	-0,02	4,95	3,81
RUONIA 1d (%)	3,34	-0,04		
Implied NDF yield 6m%	4,045	-0,035	4,58	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	129	0	218	119
Eurobond Russia 30Y	4,5	-0,039	5,879	3,914
EMBI +	567,59	0,1	582,02	501,48
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1908,46	-1,00	2123,56	1226,57
Micex	1654,78	-1,39	1859,99	1197,39
S&P 500	1342,08	-1,11	1363,61	1022,58
DJIA	12630,03	-1,02	12810,54	9686,48
Brent	113,84	-3,08	129,43	67,20



