

RUB can be volatile	USD/RUB	28.36	▲
Liquidity is decreasing	EUR/RUB	39.82	▲
Rates are higher	RUB basket	33.51	▲

Hot News

- The contraction in ruble liquidity in the banking system will help the Bank of Russia to combat rising prices, according to the First Deputy Chairman of the Central Bank of Russia - G. Melikyan. "The situation with liquidity is beginning to change, and the period of excess liquidity is over...and if the liquidity situation normalizes, the dynamics of inflation will be better" - he said. He also noted that the impact of refinancing rate of the CBR on the economy is lower now, as the share of banks' liabilities has declined from 12% to 0,9% now. /Reuters
- The monthly indicators for real economy in April surprised mostly on the positive side. Fixed capital investments grew 2,2% y/y (consensus: 0,9%), retail sales came out at 5,6% y/y (5.1%) and real average wages grew 2,7% y/y (consensus 0,5% y/y). Unemployment rate (not seasonally adjusted) rose slightly from 7,1% in March to 7,2% in April. /Rosstat
- President's Economic Advisor A. Dvorkovich said that the embargo on grain exports will be lifted only on high levels of harvest in 2011. In late March Russia's Agriculture Minister Elena Skrynnik predicted that the ban on the export of Russian grain will not be withdrawn before the end of September - October 2011. /Interfax

Money Market

Liquidity at Central Bank's correspondent accounts and deposits decreased by RUB 81bn. and reached RUB 969 bn. (decreased by RUB 200 bn. during last week). In the end of the April interbank interest rates rose sharply when liquidity approached 800 bn. The situation can be repeated in the end of this month. Tax paying period and new bank's reserve requirements are pumping out liquidity from the system. Central Bank monetary tightening expectations can also disturb Money Market. We do not expect key interest rates hike at the next CBR meeting on May 30-31, but still Central Bank will announce its hawkish view. Money market interest rates will probably continue to increase till the end of the month.

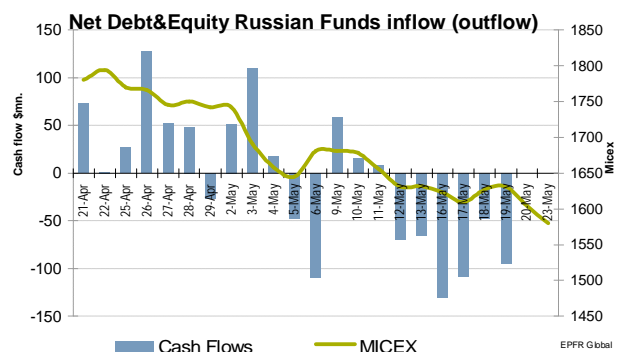
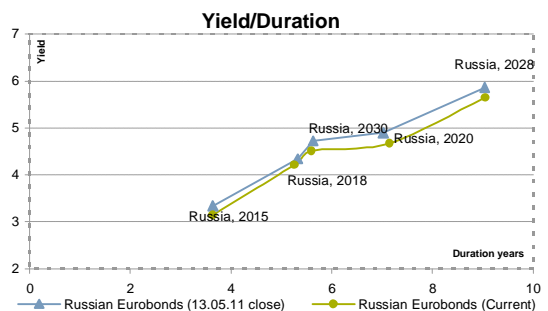
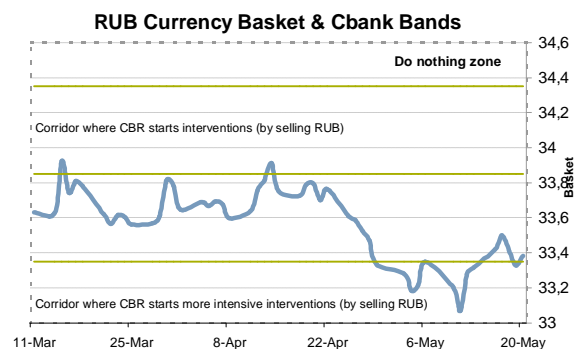
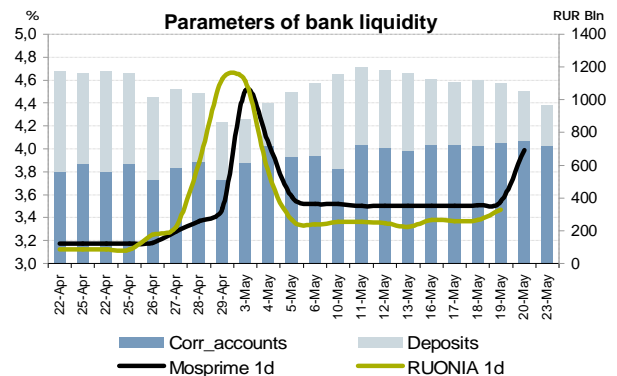
Currency market

RUB basket went 5 kopeck higher on Friday, finishing at 33.39. RUB lost 3 kopeck against USD and 7,5 kopeck against EUR. In the morning the basket was stable, but toward the evening the global market sentiment has changed to the negative side, thus putting pressure on RUB just as other EM currencies. We are in the midst of the tax period in Russia, thus the demand for RUB is high domestically - this should prevent RUB from any sharp weakening. Liquidity will become tighter and tighter in the coming months due to budget surplus, higher reserve requirements and cash money growth. This was exactly what the CBR representative meant on Friday, when he said that the days of ample liquidity are behind now. This is reflected in the money market rates. Tighter liquidity means domestic companies will have to repatriate their USD funds to cover domestic spending needs, which will help RUB. Today the basket opened around 10 kopeck higher, reflecting the negative risk sentiment in the global markets, as Asian equities dropped over the night. The front month Brent oil retreated from USD 112,5/bbl on Friday and kept above USD 110/bbl. here in the morning. RUB lost against USD, but gained against EUR, as EUR/USD corrected sharply down toward 1.4040 tonight.

Debt and Equity Markets

Russian stock market renewed local minimums as global risk aversion spur supply. Statistics showed big capital outflow during last few weeks. Unstable commodity prices are also putting the pressure on the Russian stock market. Micex index stand near long-term supporting lines at 1550 which can help market to resist negative sentiment. Debt market can be under the pressure due to low liquidity and market trend.

Forwards	1m.	3m.	6m.	
USD/RUB	28,323	28,5	28,798	
EUR/RUB	39,8	39,98	40,27	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3,99	0,05	4,26	3,23
MIBOR 1m (%)	4,2	0,05	4,83	3,81
RUONIA 1d (%)	3,47	0,09		
Implied NDF yield 6m%	4,29	-0,025	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	133	1	218	119
Eurobond Russia 30Y	4,551	0,007	5,879	3,914
EMBI +	570,88	0,01	582,02	501,48
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1825,34	-1,82	2123,56	1226,57
Micex	1603,97	-1,64	1859,99	1197,39
S&P 500	1333,27	-0,77	1363,61	1022,58
DJIA	12512,04	-0,74	12810,54	9686,48
Brent	111,11	-0,47	129,43	67,20



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