

RUB rose sharply	USD/RUB	28.11	▼
Liquidity squeeze	EUR/RUB	40.08	▲
Rates are increasing	RUB basket	33.50	

Hot News

- Russia's central bank signalled on Thursday that it will not rush to raise interest rates, and analysts say it is trying to maintain a finely-judged balancing act before elections at the turn of the year. Central Bank Chairman Sergei Ignatyev said concerns over domestic liquidity may result in softer monetary policy steps in the coming months. "There are risks (of liquidity strains) so that's why we are in no hurry to raise rates and reserve requirements," Ignatyev told reporters on Thursday.
- Russia's gross domestic product (GDP) grew 3.3 percent in April year-on-year, according to preliminary data released on Thursday by the Economy Ministry. This follows a 4.1 percent expansion in the first quarter of the year.
- Russia's gold and foreign exchange reserves rose to \$516.8 billion in the week to May 20 from \$514.4 billion a week earlier, central bank data showed on Thursday.
- Russia's TNK-BP, half owned by BP, is ready to spend \$1 billion to acquire a stake in oil and gas fields in Brazil as part of its foreign expansion, the daily Kommersant reported on Thursday.
- Russian federal spending will grow in line with the economy over the next two years as the government targets a balanced budget by 2015, Finance Minister Alexei Kudrin said on Thursday. Speaking after a cabinet meeting to review fiscal strategy, Kudrin said spending would rise by 3-4 percent a year in real terms in 2012 and 2013, and in nominal terms by 8-10 percent.
- Russia sowed 23.4 million hectares with spring grains by May 25, 77 percent of the targeted area and up 2.5 million hectares from a year ago in spite of a delay caused by a late spring, farm ministry data showed late on Wednesday.
- Russian weather conditions favour the development of winter grain crops, but spring grains could be affected by a hot and dry summer in some regions, a senior weather forecaster said on Thursday. We forecast summer temperatures to be above normal in some regions, but not as much as last year (it lifts inflation concern).

Money Market

Liquidity continue to decrease and Central Bank's correspondent accounts and deposits have reached RUB 757 bn. (decreased by RUB 62bn. and) This is the lowest level since the beginning of the year. Tax payments and new reserve requirements put a pressure on liquidity in the banking system. Central bank will try to alleviate this liquidity squeeze by conducting depo auctions in the beginning of the next week.

Next CBR meeting will be on May 30 (or 31). Central Bank will probably leave interest rates unchanged. Russia's central bank signalled yesterday that it will not rush to raise interest rates, taking into account current situation with liquidity and high money market rates.

Currency market

RUB rose yesterday against currency basket. US dollar lost 23 kopecks versus RUB and continues to fall in the beginning of Friday's session (trades at 28.12). Local tax payments, a recovery in the euro and stronger oil prices are the main factors. In the end of the month we see high exporter's demand for RUB. Abnormally low ruble liquidity also supports Russian currency.

Debt and Equity Markets

Russian stock market was flat yesterday The pace of capital outflow can be a problem for the market in the foreseeable future and we expect flat dynamics. Long-term Micex supporting line lies at 1550. Russia's central bank sold 0.25 billion rubles (\$8.78 million) of OBR bills out of 10 billion roubles on offer at an auction on Thursday, setting an average yield at 3.6 percent, market data showed. Market trades in previous range, indicating no expectations of interest rate hike this month.

Forwards	1m.	3m.	6m.	
USD/RUB	28,215	28,393	28,673	
EUR/RUB	40,2475	40,42	40,725	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,01	0	4,26	3,23
MIBOR 1m (%)	4,25	0	4,71	3,81
RUONIA 1d (%)	3,68	0,19		
Implied NDF yield 6m%	4,16	-0,035	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	139	0	218	119
Eurobond Russia 30Y	4,596	0	5,739	3,914
EMBI +	568,21	-0,7	582,02	505,62
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1818,36	0,57	2123,56	1288,72
Micex	1606,21	-0,54	1859,99	1254,65
S&P 500	1325,69	0,40	1363,61	1022,58
DJIA	12402,76	0,07	12810,54	9686,48
Brent	115,37	0,32	129,43	67,20



