

July 06, 2011

RUB was unchanged	USD/RUB	27.90	▲
Liquidity is stable yet	EUR/RUB	40.17	▼
Rates are comfortable	RUB basket	33.43	▼

Hot News

- The private capital outflows eased in Q2 to USD 9.9bn, down from USD 21.3bn in Q1. Of this Q2 sum the bank sector accounts for USD 4.2bn, with the remaining USD 5.7bn coming from the non-financial sector. As it has been the case in Q1, the outflows are mainly driven by accumulation of foreign assets by residents, rather than reduction in foreign liabilities. /CBR
- Consumer prices rose 0.2% m/m in June, down from 0.5% in May, bringing the headline inflation to 9.4% yoy, down from 9.6% in May. The key reason to lower inflation was lower food price inflation - food prices grew 12.5% y/y in June, down from 13.4% in May. /Rosstat
- The long discussed export duty reform (so called "60/66") on Russian oil products will not be implemented until at least August 1, as there are still disagreements with some refiners, which argue the change will hurt profits, said Russia's Energy Minister S. Shmatko. /Interfax

Money Market

Central Bank's correspondent accounts and deposits increased by RUB 53 and totaled RUB 1375 bn. Interbank rates are flat and overnight rates stay near 3.5% (CBR DEPO rate). Liquidity is comfortable. Bank of Russia announced an auction on placement of RUB 500bn in short-term zero-coupon 3-month bond issue of Bank of Russia on July 14, 2011. Last redemption was not rolled and there is some probability that part of the banking system liquidity will be pumped out by this placement. Central Bank's correspondent accounts and deposits lower than RUB 1000 bn. may lead to higher interbank rates and to the liquidity squeeze during the tax payment period.

Currency market

The RUB basket remained nearly unchanged yesterday, closing at 33.46, ie just 1 kopeck below the previous day's close. The RUB remained trading in the narrow range of 33.45-33.50 during the day. The "risk on" was somewhat negatively affected by disappointing economic data euro area (retail sales, service PMIs). But the oil prices continued to trend up ever regardless of the more negative news (Moody's downgraded Portugal by 2 notches) - the front month Brent traded at above USD 114/bbl in the morning, which is quite above the yesterday's lows of USD 110/bbl. The capital flow data from the CBR yesterday was in line of our expectation that the capital account improves in Q2 - we expect further improvement, as the fixed capital investments growth has improved, and we are hearing some major corporates (eg Gazprom) revising up their investment programs. More investment demand will subsequently lead to more demand for RUB from corporates, who are still the key culprits of the recent capital outflow - the trend should support RUB going forward.

The RUB opened at around yesterday's levels. The market will likely be range-bound before ECB meeting on Thursday and Friday's US non-farm payrolls.

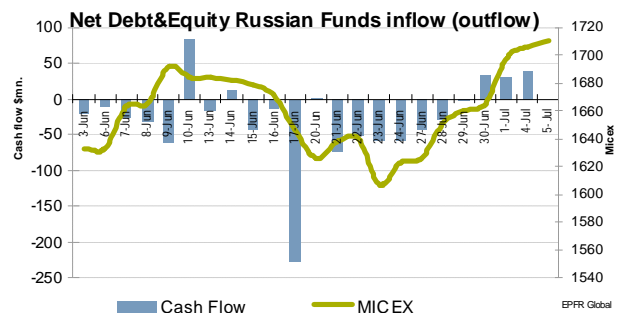
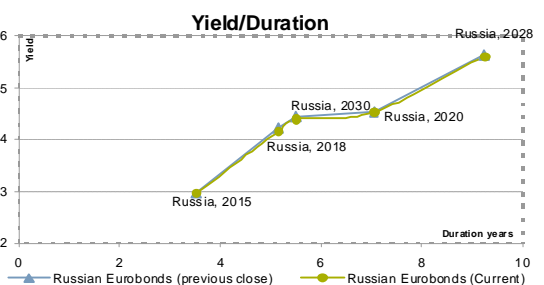
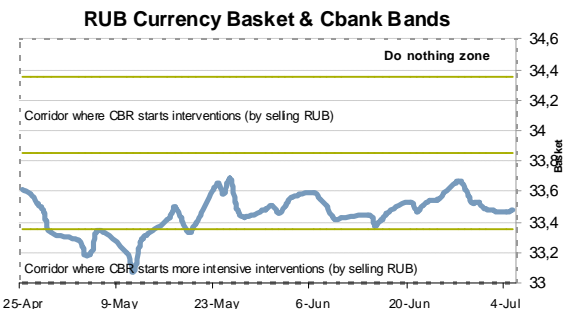
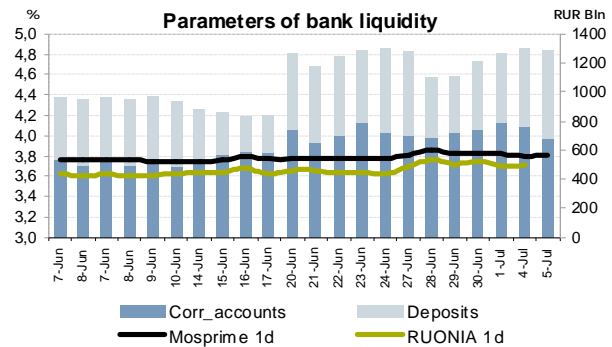
Debt and Equity Markets

Russian stock market increased slightly during Tuesday's session. Second-tier papers were among leaders. Commodity market also helped Russian market to restore. Today's opening was slightly higher but technical factor can start to play against the market.

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Forwards	1m.	3m.	6m.	
USD/RUB	27,959	28,131	28,427	
EUR/RUB	40,381	40,553	40,861	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,07	0	4,26	3,23
MIBOR 1m (%)	4,41	-0,01	4,49	3,81
RUONIA 1d (%)	3,7	-0,05		
Implied NDF yield 6m%	4,24	0,005	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	139	-0,5	218	119
Eurobond Russia 30Y	4,411	-0,022	5,293	3,914
EMBI +	578,82	-0,73	582,02	519,45
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1953,07	0,24	2123,56	1352,71
Micex	1709,99	0,23	1859,99	1320,64
S&P 500	1337,88	-0,13	1363,61	1028,06
DJIA	12569,87	-0,10	12810,54	9743,62
Brent	113,86	2,37	129,43	67,20



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