



## Main Indicators

	Last	1wk	ytd
USD/RUB	60.2	0.6%	-19.3%
EUR/RUB	60.5	1.6%	-28.5%
EUR/USD	1.002	0.5%	-11.9%
DXY	109.0	0.5%	14.0%
Brent, \$/bbl	96.5	-4.6%	24.1%
Gold, \$/t oz	1 718	-2.2%	-6.1%

## Russian Weekly

### Foreign Currency Market

**Fiscal governance is becoming a major risk for the ruble.** This week, the RUB lost support of the tax calendar and drifted away towards much talked (but not that transparent) topic of potential FX purchases by the MinFin through the year-end. Initially, the ministry signaled willingness to conduct test purchases of 'friendly' currencies in September unless the 'new' budget rule is adopted (expected by the end of the month). Nonetheless, today, we were surprised by a leakage of some headline figures from the unnamed officials – the Bloomberg quoted a plan of the MinFin to buy \$70bn in yuan (and other 'friendly' FX) through the year-end. At the same time, sources of ruble funding and economic justification (looks like ad hoc decision) were not named, so the message did not cause a knee jerk reaction in the market. Nonetheless, given intensive talks and provision of different alternative views on interventions, it may be implied that a guided depreciation awaits us in the coming months. So, we still prefer 65 and 73 for the USD/RUB as baseline projections for 3Q and 4Q22.

In the commodity segment, Urals traded closer to Brent (with a discount of c. \$24/bbl), despite erratic Brent jumps in the range \$95-105/bbl. Price pressure intensified recently after the technical committee of the OPEC+ revised its outlook for oil surplus in 2022 to the upside, amidst wobbling demand. This raised an intrigue ahead of the looming OPEC+ meeting on 5 September, as long as Saudis hinted at cutting supply to regulate prices.

From a global perspective, the dollar gathered unprecedented pace and hit EM currencies, especially the CNY (broke above 6.90 vs USD). The Fed's Powell did not relax hawkish tone, as was expected, thus, pushed the DXY above 109p and raised stakes ahead of the Fed's meeting in September. This made regular data (especially, NPF) a 'must watch' for all the markets. Over the Atlantic, the ECB showed resilience to inflation and hinted at a hike by 50 (or even 75bp) this month, so the EUR hooked the parity vs USD.

### Fixed Income

**In the OFZ bay, the overall framework remained bleak at the end of August.** The front-end of the yield curve shifted upwards by 7-10bp, while the back-end remained sticky (+1/+5bp). This made the 2y10y slope flatten by 10bp to +116bp.

While positive drivers are pending, investors are not willing to buy out 'disinflation story' unless the CBR backs it with another key rate cut or bold dovish guidance. Given the regular CBR meeting on 16 September, activity should intensify by the middle of the month. In addition the finance ministry promised to tap the market with minor bond placements in the coming weeks and release medium-term fiscal strategy for 2023-2025 – both should tune up sentiment through the rest of 2022.

The sovereign foreign currency debt may become a focal point in the coming weeks as the ISDA announced an auction to determine payout of Credit Default Swaps issued on credit risk of Russia. The auction is a normal practice to settle the liabilities following a credit event, which was recognized on 26 May 2022. The auction data was arranged on 12 September, while the relevant fixing of currency rate will take place on 8 September. Other than that, the auction will be two stage – partly settled with cash and partly with physical delivery – in both cases books of orders will be taken into account. Consequently, two major outcomes worth watching are a 'fair' price for Russia's sovereign debt seen by non-resident holders and net open position in FX-nominated sovereign debt.

	Last	1wk	ytd
\$ UST'10, %	3.13	0.03	1.62
€ BUND'10, %	1.54	0.17	1.72
OFZ 5y (26207), %	8.52	-0.10	0.11
OFZ 10y (26239), %	9.06	0.01	0.64
OFZ 15y (26233), %	9.10	0.04	0.69



## Main Indicators

	Last	1wk	ytd
Ruonia o/n % (1-day lag)	7.89	-0.10	-0.24
₽ Mosprime'3m, %	8.37	-0.06	-1.13

## Russian Weekly

### Money Market

**The RUB liquidity printed structural surplus** of RUB 2.8tn for another week at the end of August. The level did not change much despite the regular tax season at the end of month and temporary plunge in nostro accounts held with the CBR (to RUB 1.5tn in the middle of last week). As of yesterday, the nostro accounts restored back to RUB 2.0tn that should alleviate the ending phase of reserve averaging period due on 9 September.

What is more important, and we recently discussed this topic, is that the CBR adopted a generous approach to settling weekly deposits. The limit was raised to RUB 2.8tn last Tuesday, though the overall supply of banking funds remained flattish at RUB 2.2tn. The rest of banking deposits (RUB 1.2tn out of 3.4tn) is rolled on a daily basis, implying either malfunction planning of some of the banks (i.e. lack of certainty on getting access to short-term funds), or persistent bias among the banks with some facing chronic surplus of funds and other banks facing sustainable shortages.

Whatever the real reason stands behind this observation, the short-term funding rates did not deviate much from the key rate operational target: o/n Ruonia edged down to 7.89% right after the last tax payment date. What is more interesting, is that the ROISfix rates stood still close to 8.0% level despite the upcoming CBR meeting, which promises additional concessions for interest rates.

### Macroeconomics

CNY/	6.90	6.75	6.77
Indicator	3Q22	4Q22	1Q23
Brent, \$	105.0	95.0	90.0
USD/RUB	65.0	73.0	80.0
EUR/RUB	67.6	77.4	86.4
CPI, % yoy	13.8	12.5	4.9

**As regards consumer demand**, the retail trade turnover slightly recovered to -8.8% yoy in July (vs -9.6% yoy in June) helped both by food (-1.7% yoy vs -2.1% yoy in June) and non-food (-15.9% yoy vs -14.7% yoy) segments. The same sentiment was seen in the services (1.4% yoy vs. +0.2% yoy) and public catering (0.9% yoy vs. -2.7% yoy) segments that indicated overall recovery trend in final consumption, showing early fruits from monetary and fiscal stimulus delivered year-to-date. Finally, sustainability of the labor market – expressed in a quick rebound in real wages (to -3.2% yoy in June from -6.1% yoy in May) and persistency of the unemployment rate at record lows (3.9% in July) – paved the way for a more pronounced recovery of consumptions, though the final track will depend solely on overall sentiment.

**On the inflation side**, the CPI kept the pace of -0.16% wow over last week (vs -0.15% a week earlier), guiding the annual inflation to 14.35% yoy. Disinflation was rooted within fruits and vegetables segment (-3.6% wow) amidst of the harvest season, as well as some tourism services (air travel -10.57% wow) at the end of the holiday season. Other than that, electronics and construction prices declined slightly by c. 1-2% wow, but core food showed minor reflation (sausages, eggs +0.5% wow).

Based on the weekly data, the inflation may reach -0.55/-0.60% mom in August, pushing the annual estimate to 14.2-14.3% yoy. Although we would like to get some details from monthly inflation data (due to be reported on 9 September), we consider the CBR to remain inclined to ease monetary policy on the regular meeting on 16 September. A cut by 50bp will be a good compromise between reflat inflation expectations and gradual recovery of consumer demand.

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## Appendices

### Café et Croissant

**Weekly – August 25** ([eng](#))

**Weekly – August 18** ([eng](#))

**Weekly – August 11** ([eng](#))

**Weekly – August 4** ([eng](#))

**Weekly – July 28** ([eng](#))

### Markets and economics

**Russian forecast update – August 8** ([eng](#))

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