

## Main Indicators

	Last	1wk	ytd
USD/RUB	60.6	1.2%	-18.9%
EUR/RUB	61.0	0.4%	-27.9%
EUR/USD	1.017	-0.4%	-10.5%
DX	106.4	0.1%	11.2%
Brent, \$/bbl	96.9	-9.5%	24.6%
Gold, \$/t oz	1 789	2.2%	-2.2%

## Russian Weekly

### Foreign Currency Market

**The RUB keeps trying to stick to the weakening path.** The Russian currency finished July by weakening against the US dollar (60-62) and the euro (61-63) as well as against renminbi (9.0-9.3) amid a constellation of factors, including a sharp key rate cut from the CBR and further easing of capital controls.

In the coming weeks, the local FX market will be lulled due to low activity of exporters. A drop of positive sentiment may have arrived from the headlines about potential easing of the EU and the UK insurance rules for oil tankers from Russia overseas (except the EU and the UK), as well as about potential increase of oil products exports to the EU until the 6<sup>th</sup> sanction package has come into force.

Also it is worthwhile to mention the record-high trading volume in the yuan-ruble pair (CNY 100bn or RUB 886bn in July, doubling from CNY 54bn or RUB 456 bn in June, according to MoEx). The popularity of 'friendly' renminbi may incentivize the Finance Ministry to use it as a reserve currency or to facilitate launch of yuan-denominated financial products (loans, deposits, bonds and derivatives).

At the same time, speculations about MinFin's 'new fiscal rule' may grip the FX market in a cautious atmosphere. We have expanded the USD/RUB forecast range for August to 58-63 and the CNY/RUB, to 9.0-9.5.

	Last	1wk	ytd
\$ UST'10, %	2.75	0.01	1.24
€ BUND'10, %	0.88	-0.07	1.06
OFZ 5y (26207), %	7.71	0.11	-0.70
OFZ 10y (26239), %	8.88	0.00	0.46
OFZ 15y (26233), %	8.89	0.01	0.48

### Fixed Income

**The OFZ trading has once again plunged in the idealess August lull mode,** and for good reasons. We are very far from the next CBR MPC meeting (September 16) and, as the regulator has already shaved off 12pp from the peak key rate of 20%, there is by definition diminishing room for any new material dovish surprises. The Finance Ministry is not expected to disclose the updated budgetary projections and relaunch dialogue with the primary market participants until some moment in September. Even the FX space has calmed down a bit.

As a result, over the past 5 trading sessions yields for most papers across the fixed-rate curve have changed within the +/- 5bp range. The 10-2 benchmark spread is at 117bp, attempting to stabilize at the presently elevated levels.



## Main Indicators

	Last	1wk	ytd
Ruonia o/n % (1-day lag)	8.05	-0.04	-0.08
₽ Mosprime'3m, %	8.40	-0.09	-1.10

## Russian Weekly

### Money Market

**The banking sector went through the July tax period in habitual fashion.** Last week, the budgetary channel absorbed RUB 922bn of funds, as banks made use of liquidity stored at the CBR deposits (balance decreased to RUB 2.82tn as of August 1 from RUB 3.55tn as of July 25) and pumped up borrowings via the Treasury deposit and repo operations (inflow of RUB 669bn). This week, the moves are the other way round, i.e. over Monday-Wednesday, the budgetary channel has provided RUB 299bn via spending while banks have decreased indebtedness to the Treasury by RUB 218bn.

Nothing hot is happening around the RUB rates, with 3m MosPrime (8.40%) trading at a moderate 40bp pick-up over the key rate and Ruonia (7.99%) stuck at the key rate mark.

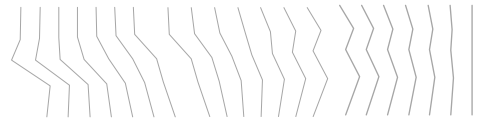
In other developments, the Bank of Russia has lowered the forecast structural RUB liquidity surplus for 2022 by RUB 0.3tn to RUB 3.2-3.5tn. Demand for liquidity will rise as the regulator stays on the path of tightening reserve requirements – to 3% for rubles and 5% for foreign currencies in its latest move (a RUB 0.7tn impact). However, this hardly forces the CBR to alter the strategy of RUB liquidity surplus management in the system, with o/n and weekly deposit facilities acting as key instruments.

Indicator	3Q22	4Q22	1Q23
Brent, \$/bbl	105.0	95.0	90.0
USD/RUB	65.0	73.0	80.0
EUR/RUB	67.6	77.4	86.4
CPI, % yoy	16.2	15.5	7.1
Key rate, %	7.5	6.5	6.0
OFZ 10y, %	7.9	6.9	6.5

### Macroeconomics

**Weekly deflation trend spread into early August.** Yesterday, Rosstat posted another deflation print of -0.14% wow over the 10-day period from July 23 to August 1 as the fixing date was shifted to Monday (instead of Friday). As a result, the annual inflation estimate moved south from 15.5% yoy to 15.35% yoy. The seasonal price correction for fruits and vegetables (-3.9% wow) is still the main driver of the current deflationary trend, accompanied by decline in prices for construction and home electronics. With that said, the inflation picture remains patchy in other categories of goods in the consumer basket.

July's monthly inflation print will come next week and should paint the bigger picture, but is unlikely to show a reversal of the deflationary trend as long as the seasonal decline in food items persists. The CBR's forecast for inflation in 2022 of 12.0-15.0%, coupled with the forecast range of the key rate (average level of 7.4-8.0% until the year-end) makes the case for more cautious actions by the regulator going forward. Our baseline scenario for three remaining MPC meetings includes three key rate cuts of 50bp to 6.5% per annum by December.



## Appendices

### Café et Croissant

**Weekly – July 28** ([eng](#))  
**Weekly – July 21** ([eng](#))  
**Weekly – July 14** ([eng](#))  
**Weekly – July 7** ([eng](#))

### Markets and economics

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

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