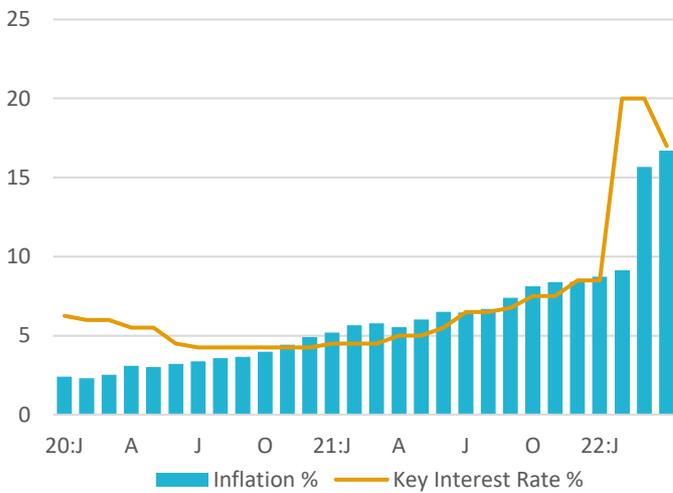




RUSSIA ECONOMIC DYNAMICS

The Central Bank of Russia unexpectedly cut its key interest rate by 300bps to 17% on 8th April, taking the decision ahead of its next scheduled policy meeting set for 29th April. External conditions for the Russian economy are still challenging, but have ceased to increase for the time being, including owing to the adopted capital control measures.

Russia's Inflation vs. Key Interest Rate, %



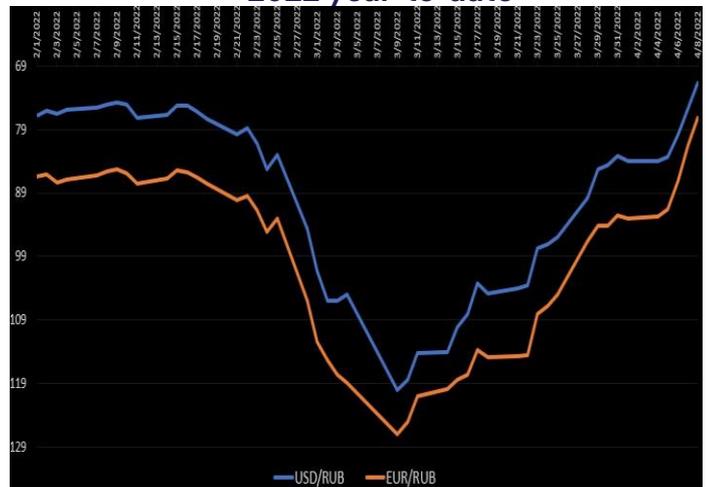
Source: Reuters, Central Bank of Russia, VC



CBR stated that there is a steady inflow of funds to fixed-term deposits. The tightening of monetary conditions already in place is partly offset by the lending support programs of the government and central bank. Annual inflation will continue to rise due to base effect, however the CBR will continue to limit pro-inflationary risks.

The policy rate reduction was welcomed by market analysts as it signaled that the CBR was confident in the emergency steps taken since 24th February. Market players had expected the earliest rate cut to start only in June.

USDRUB and EURRUB Exchange Rates, 2022 year-to-date



The CBR holds open the prospect of further key rate reduction at its upcoming meetings. **Market expectations are that the key interest rate could be reduced by another 100-200bps by end-April.**

Annual inflation in Russia was reported at 16.69% as at 1st April, up from 15.66% a week earlier (February: 9.15%). The CBR noted that the temporary strengthening of the rouble in recent weeks has helped to slow down the pace of current price growth rates. Market expectations are that **inflation could potentially peak at 24%-27% by mid-2022.**



RUSSIA ECONOMIC DYNAMICS

The rouble moved past 72 to the dollar on intraday trade last Friday, its strongest level so far this year, heading away from a record low of 121.52 it hit on 10th March.

Against the euro, the rouble increased to 79.10 after briefly touching the 79-mark for first time since late June 2020.

However, the rouble closed lower at 76.08/USD and 82.70/EUR on the Moscow Exchange on 9th April.

Reuters poll in late-March expected the rouble to trade at 92.40/USD and 112.32/EUR in 12 months' time.

The Finance Ministry of Russia commented last week that the authorities are working on measures to make the rouble exchange rate more predictable and less volatile.

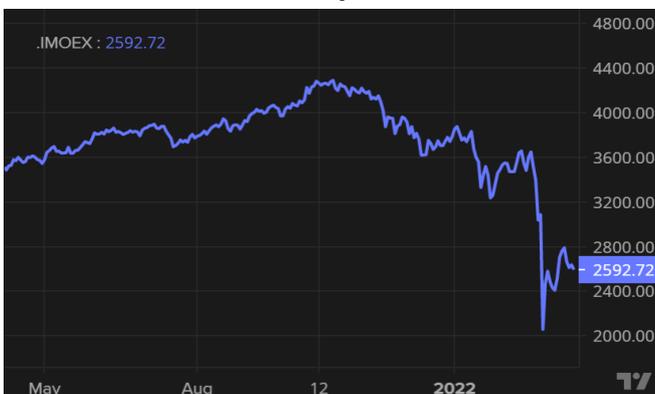
FX rules are temporarily relaxed – banks will be allowed to sell cash FX to individuals starting 18th April, and the 12% commission for buying FX from brokerages will be scrapped.

OFZ yields on the 2, 5 and 10-year Russian government bonds narrowed to 12.63%, 12.04% and 11.84% respectively as at 7th April (25th February: 13.09%, 13.20% and 12.52% respectively).

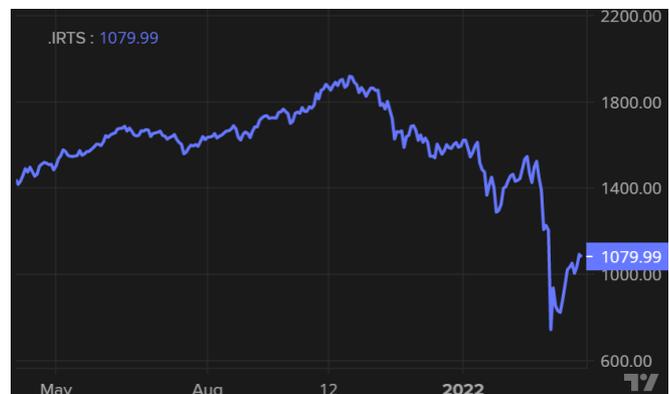
Russia's Government 2 and 10-Year Bond Yields, 1-Year Trend, as at 9th April 2022



Russia's MOEX Index, 1-Year Trend, as at 9th April 2022



Russia's RTS Index, 1-Year Trend, as at 9th April 2022



Source: Reuters

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VERNY CAPITAL

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