

Bond Yields at 6-Month High

By [The Moscow Times](#)

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Russia sold more bonds than it offered for the first time ever on Wednesday, accepting the highest yield in six months, as the prospect of rising interest rates increases the cost of financing its budget deficit.

The Finance Ministry sold 6.5 billion rubles (\$209 million) of notes due in August 2012, more than the 5.9 billion rubles planned, at a yield of 6.1 percent, the highest since June 2, according to data compiled by Bloomberg. The government also issued 10.4 billion rubles of the so-called OFZs due in July 2015 at a yield of 7.26 percent, the highest end of guidance issued Dec. 7.

Inflation that the government expects to exceed its 8 percent target this year is starting to "worry" the Central Bank, Chairman Sergei Ignatyev said Wednesday. Traders expect record-low benchmark rates to climb by half a percentage point during the next three months, according to forward-rate agreements, after 14 cuts between April 2009 and May this year.

"With monetary tightening on the horizon in the first quarter and higher inflation, they have

to offer a higher premium," Dmitry Gourov, an emerging market strategist at UniCredit, said by phone from Vienna. "OFZs will become an even better buy next year when rates go higher."

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