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VTB Becomes First Bank To Place Yuan Eurobond

By The Moscow Times

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VTB on Friday placed the first-ever Russian yuan eurobond, underscoring efforts by China and Russia to boost bilateral trade in local currencies.

Russia's second-biggest lender placed the 1 billion yuan ($150 million) three-year eurobond maturing in December 2013 with a yield set at 2.95 percent, becoming the first Russian borrower to use such a debt tool, IFR reported. HSBC and VTB Capital led the offering.

Russia and China, two of the world's biggest emerging economies, are seeking to reduce reliance on the U.S. dollar as a global reserve currency.

"It does make sense. The yield ... [is] considerably lower than it would have to pay on the ruble bond market," said Chris Weafer, UralSib's head strategist.

"The money is there and it is cheaper. China is very keen to diversify its investments away

from U.S. Treasury risks. It makes sense for both sides," he said.

MICEX could start trading the yuan/ruble pair in the middle of December, with companies trading with China and major banks showing an interest.

"I would expect other companies to follow suit," Weafer said. "Considering the increase in trade between Russia and China, it makes sense for companies to have access to capital markets in that region."

United Company RusAl, the world's largest producer of aluminum, listed in Hong Kong in January, pushing other local companies to consider the same idea. But analysts cautioned the yuan could appreciate, lowering the appeal of the placements in Asian markets.

"I wouldn't say that yuan placement could be considered as a big gain. ... Yuan has a potential for appreciation, and along with hedging costs the issue could be even a little bit more expensive than in dollars," said Stanislav Ponomarenko, an analyst with Troika Dialog.

VTB, whose borrowing plan is set at $5 billion in 2010, is also considering Brazilian real eurobonds.

Trade between Russia and China may reach $57 billion this year, Bloomberg reported, citing China Daily.

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