

Russian Markets - Daily

January 25, 2011

RUB is volatile after blast	USD/RUB	29.77	▼
Central bank gave clear signal	EUR/RUB	40.71	▲
Money market is stable	RUB basket	34.70	▲

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.90	30.06	30.38	31.14
EUR/RUB	40.75	40.94	41.29	42.18

Money Market	Close	Change	Max 12	Min	12
MosPrime 1M (%)	3.50	0.00	5.57	3.23	
MIBOR 1m (%)	4.15	0.04	7.05	3.81	
RUONIA 1d (%)	2.6	-0.15			
Implied NDF yield 6m %	4.15	0.12	5.70	3.17	

Debt	Close	Change	Max 12	Min 12
Russia CDS 5yr	136	-3.00	218	123
Eurobond Russia 30Y	4.80	0.04	5.95	3.91
EMBI +	553.33	1.28	582.02	489.19

Stock Indexes	Close	%Change
RTSI	1 861.66	-1.23
Micex	1 720.70	-1.53
S&P 500	1 290.84	0.58
DJIA	11 980.52	0.92
Brent	96.37	-1.68

Hot News

- High inflation gives reason to increase interest rates in January, said the Central Bank chief Ignatyev. According to him, they will review the monetary policy decision probably on the 31st of January.
- Economy minister Klepach said that inflation this year will likely be above the official forecasts of 6-7%. The core inflation alone, according to him, will rise to 6% this year. In order to contain food price increases government might consider introducing caps on prices of some food products this year, he said.
- The ministry of Economy expects capital inflows potentially above the previously forecast USD 10bn this year.
- Russia will continue privatization process beyond the currently planned 3-year period, said Finance Minister Kudrin.
- The rate of bad loans in the Russia's banking sector stabilized, said Finance Minister Kudrin, currently standing at 7.3% to private individuals, 5.6% to corporates.
- Russia will consider issue of the Eurobond in Q1 this year, said Russia's Deputy Finance Minister Pankin. The issue was planned before, but postponed due to "unfavourable market conditions".
- At least 35 people were killed and more than 130 injured in a blast at Moscow's Domodedovo airport on Monday

Money Market

In spite of tax payment period, liquidity stays stable and keeps interment rates at relative low levels. Total amount of liquidity in Russian banking system decreased by insignificant RUB 9 bn. RUB liquidity at Central Bank's accounts and deposits totals RUB1462 bn. Interbank interest rates wait for the Central Bank meeting. Yesterday Central Bank chief gave quite clear signal for the reference rate hike. High inflation gives reason to increase interest rates in January, said the Central Bank chief Ignatyev. According to him, they will review the monetary policy probably on the 31st of January. The main focus for the Money Market is probable depo rate hike because interbank market trades in the direct neighborhood of this rate.

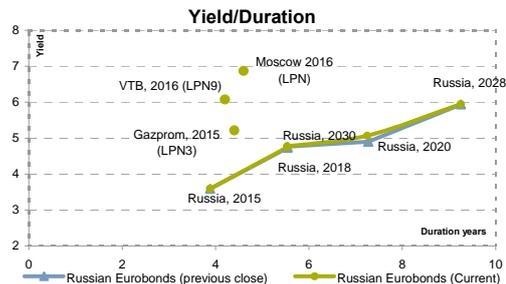
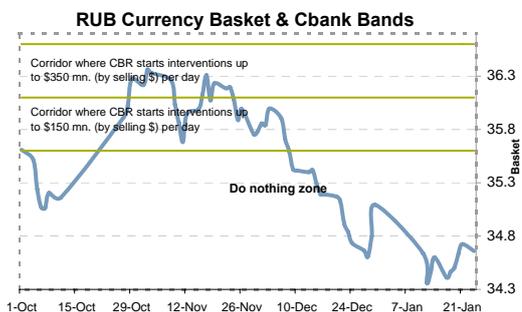
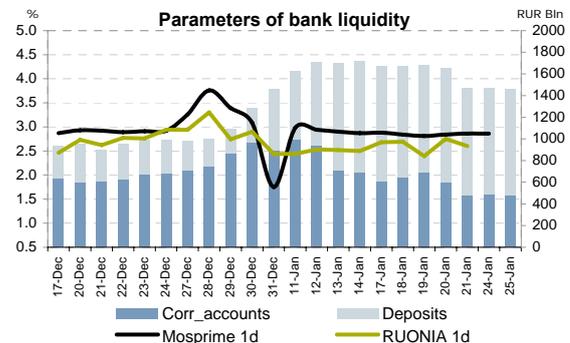
Currency market

RUB basket strengthened on Monday session: RUB/USD decreased to 29.825, while EUR/RUB finished at 40.56. Demand for hard currencies has decreased, as the supply remains steady, according to market participants. The trading session closed just before the negative information of a blast in the airport in Moscow. The Central Bank chief talking later that day said he did not expect any negative reaction to RUB from that news. On the opening today we saw the basket a bit higher, but then it receded to the yesterday's closing levels. Oil prices remain high, but retreated from the recent peaks. OPEC said yesterday that they might increase oil production this year, which is negative for oil prices. The Central Bank, sending further interest rate hike signals, is clearly the supportive factor for RUB at the moment, as the attractiveness of RUB as a carry currency increases.

Debt and Equity Markets

Russian stock market slumped yesterday after a blast at the county's biggest airport. Major Russian indices lost more than 1%. But the reaction may not be lasting. Today stocks are slightly up. Russian stock market continues to stays in upward trend and after moderate correction we expect continuation of growth.

The Russian domestic bond market in brief: state and corporate bond price indexes closed lower but the municipal bonds price index rose. The interest rate curve of Russian domestic Treasuries continues to stay at the previous level mostly. Russian dollar dominated state Eurobond's yields are slightly higher.



Nordea Markets is the name of the Markets departments of Nordea Bank Norge ASA, Nordea Bank AB (publ), Nordea Bank Finland Plc and Nordea Bank Danmark A/S. The information provided herein is intended for background information only and for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Markets as of the date of this document and are subject to change without notice. This notice is not an exhaustive description of the described product or the risks related to it, and it should not be relied on as such, nor is it a substitute for the judgement of the recipient.

The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision. It is important to note that past performance is not indicative of future results. Nordea Markets is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction.

This document may not be reproduced, distributed or published for any purpose without the prior written consent from Nordea Markets.